



**Migrant Entrepreneurs in
Germany from 2005 to 2014**
Their Extent, Economic Impact and
Influence in Germany's Länder

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1. Introduction

1.1 Background and objectives

The increasing gaps in income and wealth observed in developed economies around the globe are indicators of problems with inclusive growth. To be sure, the extent of these gaps varies across and within these economies, including Germany. The OECD has found that certain population groups benefit disproportionately from this group, while others are left behind (OECD 2015: 9 and 17). This is not a purely monetary phenomenon, but rather is closely related to the distribution of participation opportunities (e.g., with regard to working life) in a society.

A key determinant of inclusive growth is the opportunity for all population groups to act entrepreneurially. Indeed, the World Economic Forum (WEF) considers this opportunity to be a pillar of inclusive growth (World Economic Forum 2015: 8) because successful entrepreneurship promotes economic growth through the production of goods and services which, in turn, creates jobs. Moreover, new firms are often innovative and increase competitive pressure for existing firms (García Schmidt and Niemann 2015: 2).

Simplifying the path to entrepreneurship for a population group that previously showed a below-average contribution to economic growth can promote the inclusiveness of growth. On the one hand, entrepreneurial activity can lead to a rise in income. On the other, the creation of jobs typically has an integrative effect due to the increase in labor-force participation within the population as a whole. If all population groups have comparable opportunities to engage in entrepreneurial activities, this helps reduce income inequality and stimulate growth, thereby generating more inclusive growth overall.

The economic and societal relevance of the opportunity to found an entrepreneurial venture are also evident in the variety of the literature currently published on the subject. In addition to the previously mentioned WEF (2015) study,

the 2014 Germany Country Report published by the Global Entrepreneurship Monitor is of particular interest in the German context. One finding in this study is that the tendency to engage in entrepreneurial activity is relatively low in Germany as compared with other innovation-based countries. According to the authors, this is attributable in part to significant location-specific disadvantages, such as a lack of school-based preparation for self-employed business activity (Brixy, Sternberg and Vorderwülbecke 2015: 6). There are also differences with regard to the extent and economic impact of entrepreneurship between different socioeconomic groups (OECD 2014: 9 and 127 ff.). One such group is the population with a migrant background.

Population with a migrant background

In the context of this study, “population with a migrant background” will be used with reference to the definition produced by the German Federal Statistical Office. According to this definition, this group consists of “all persons who have immigrated into the territory of today’s Federal Republic of Germany after 1949, and of all foreigners born in Germany and all persons born in Germany who have at least one parent who immigrated into the country or was born as a foreigner in Germany” (Destatis 2014).

In contrast to other possible definitions, this group of persons is comparatively broadly conceived, as it includes persons who themselves have no experience of migration. However, since the quantitative analysis is based on microcensus data, this study uses the Federal Statistical Office definition in the following – unless otherwise stated – for reasons of consistency.

Since Germany as a country of immigration will consistently face the question of how to integrate migrants economically and socially, the effective promotion of entrepreneurial

activity within this group could make a valuable contribution. Indeed, a number of studies have already been published on the specific topic of entrepreneurial activity by persons with a migrant background. In this regard, the expertise of Leicht and Langhauser in particular offers several insights for Germany regarding the characteristics, economic impact and the potential growth contributions of migrant entrepreneurs (Leicht und Langhauser 2014).

A recent KfW publication on this subject focuses by contrast on migrants' tendency to found firms and shows that this group makes an above-average contribution to the overall business-foundation rate (Metzger 2016). In addition, the study offers approaches to explaining the decision to engage in self-employment. The various publications of the Bonn-based Institut für Mittelstandsforschung (IfM) represent another important source. One recent IfM article studies foreigners who have founded firms in recent years, identifying their countries of origin and the activities and sectors that have served as the focus of their efforts (Kay and Güntersberg 2015). In interpreting the various study results, it is important to note that their respective definitions of the group of people being studied are at times significantly different, and their conclusions are thus comparable with one another, as well as with this study, to only a qualified degree.

Overall, however, the studies noted often limit their analysis to an international comparison or to Germany as a whole. Regional differences within Germany have to date been somewhat neglected in the research literature. In addition, there has as yet been no overview or typology of conditions facilitating entrepreneurial activity by persons with a migrant background at the regional level. The aim of this study is to fill this gap, and to investigate how the reach and economic impact of entrepreneurial activity within the population with a migrant background has developed in the German Länder (federal states) since 2005. In addition, the study examines which (primarily sociodemographic) influences have an effect on self-employment within this population group, as well as the strength of these factors' influence.

The self-employed

Analogously to the definition of the population with a migrant background, this study's definition of the self-employed – again seeking to retain consistency with the data being used – adopts the delimitation used in the microcensus. Accordingly, the concept of self-employment (with and without employees) comprises all “persons who as owners or leaseholders economically and organizationally head a commercial or agricultural firm, business or workplace (including self-employed craftspeople), as well as all freelancers, home workers and pieceworkers” (Statistisches Bundesamt 2015: 14).

In the following, “self-employed person” is treated as a synonym for “entrepreneur” or “founder.”

1.2 Approach

The approach pursued here essentially comprises three steps. In a first step, a survey of the extent and economic impact of entrepreneurial activities by people with a migrant background between 2005 and 2014 is made, focusing on the level of the German Länder (Chapter 2). The analysis is based on microcensus data. In the context of this study, the crucial advantage of this source as compared to alternatives such as business-registration statistics is that instead of showing annual inflows and outflows, it captures the existing number of self-employed, while additionally enabling these to be distinguished on the basis of various sociodemographic characteristics (such as education, for example).¹

The extent of migrant entrepreneurship is in this regard represented using the self-employment rate. Income and the number of people employed by migrant entrepreneurs are used as indicators of economic impact. The level of the Länder is used for this, as the federal states are broadly identical with regard to macroeconomic, institutional and legal framework conditions.² Overall, this should help

- 1 Another advantage is that the microcensus distinguishes not only foreigners, but also all persons with a migrant background. One constraint with regard to its utility, however, lies in the relatively small sample sizes at the Länder level, depending on the degree of differentiation used for the sociodemographic characteristics.
- 2 An international comparison would be significantly more difficult due to differing macroeconomic, institutional and legal conditions in the countries being compared. This would have to be taken fully into account in order to make any reliable statements regarding differences in participation opportunities between economies. In addition, the data is inconsistent at the international level, which further complicates any comparison.

identify which regions better utilize the economic potential offered by persons with a migrant background.

In sum, the first step provides a comprehensive analysis of the extent and economic impact of migrant entrepreneurs at the level of the German Länder between 2005 and 2014.

Building on this foundation, using federal-state-specific data, the study's second step examines what economic and sociodemographic influences have an effect on the extent and economic impact of business start-up activity by persons with a migrant background in Germany (Chapter 3). In particular, a regression analysis is used to ascertain the actual strength of the individual factors of influence. The results offer initial pointers with regard to measures that might contribute to better realizing the economic potential associated with migrant entrepreneurship.

2.

Entrepreneurship within the population with a migrant background in the German Länder

This chapter surveys the extent and economic impact of entrepreneurship by persons with a migrant background between 2005 and 2014 at the Länder level. Initially, this will address the population with a migrant background generally, without focusing on the self-employed. A subsequent examination of entrepreneurship builds on this as a foundation, initially analyzing federal-state-specific self-employment rates (Section 2.1) and – as potential explanatory variables for the differences between the federal states – illuminating their sociodemographic structures (Section 2.2).

The industry composition (Section 2.3) offers further details regarding the extent of migrant entrepreneurship. The economic impact of migrant entrepreneurs (Section 2.4) is examined on the basis of income received and the number of jobs created.

In 2014, the population with a migrant background in Germany numbered more than 16 million persons, and thus made up more than 20 percent of the country's overall population. In 2005, this population group's share in the total population was still about 18 percent, and it has steadily increased since that time.³ Reasons for this include intra-European labor migration as well as immigration from third countries (Fuchs, Kubis und Schneider 2015: 72 ff.).

In this regard, significant differences in the regional distribution of persons with a migrant background are evident (Figure 1). In absolute terms, the largest numbers of persons with a migrant background live in the populous states of North Rhine-Westphalia, Baden-Wuerttemberg, Bavaria, Hesse and Lower Saxony. However, the share of

³ In this regard, it is important to note that a downward correction in this share was made in 2011 as a result of the new census. However, the relative shares of this due to changes in the definition of the group and simply due to the new census' updated survey of the population cannot easily be determined. In any case, it is of little importance for the interpretation of the study results, as the focus is on differences between the Länder, and these are uniformly affected by this structural break.

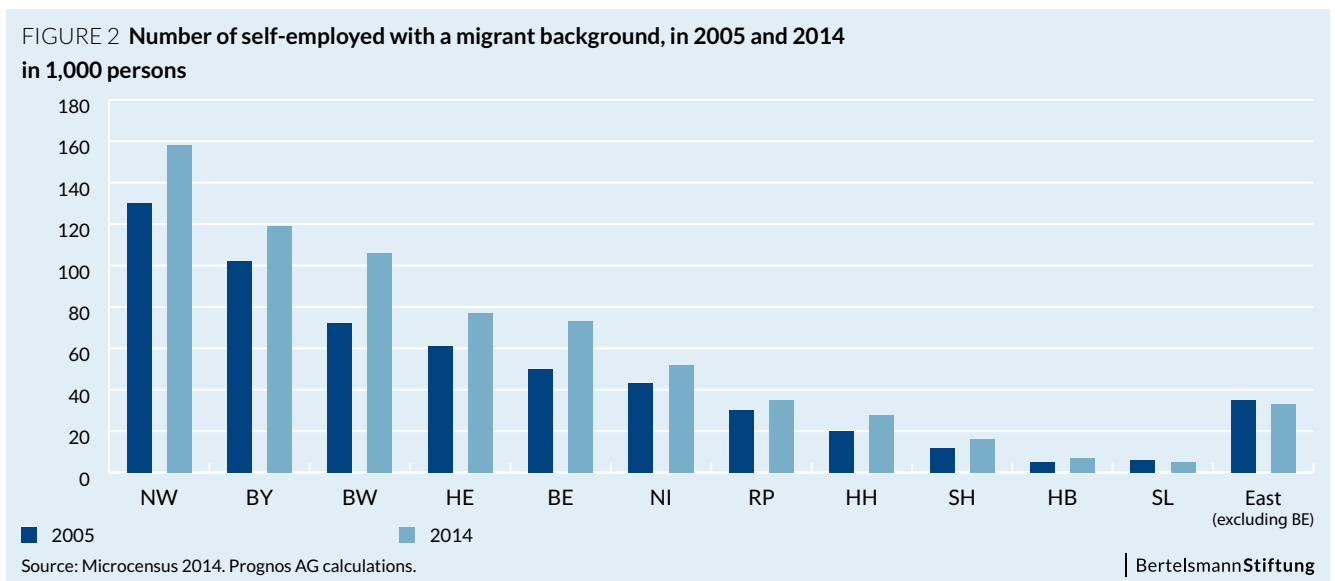
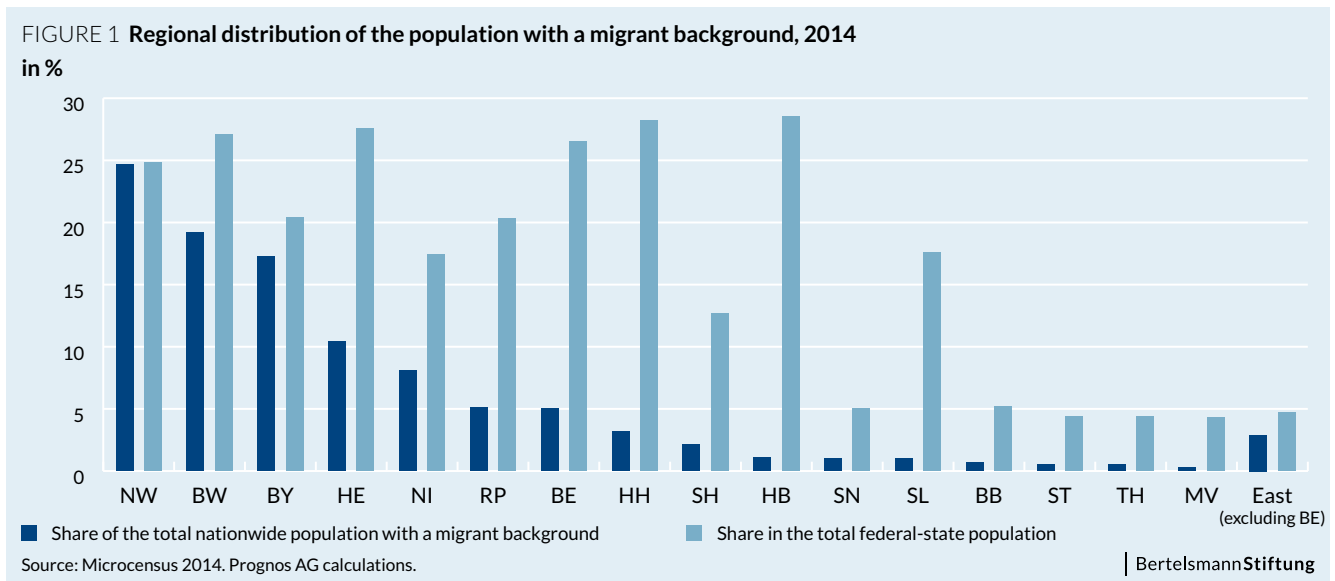
persons with a migrant background within the overall state population is above average in the city-states of Berlin, Hamburg and Bremen, as well as in the Saarland and Rhineland-Palatinate. In some cases, more than one out of every four residents in these Länder have a migrant background.⁴

Persons with a migrant background have the least significant share in the east German federal states – with the exception of Berlin – both in relation to Germany's total population with a migrant background as well as to the total populations within the individual federal states. In 2014, about 3 percent of Germany's population with a migrant background resided in east Germany. Thus, only about .05 percent of easterners had a migrant background. This regional distribution has changed to only a very slight degree since 2005.

The regional breakdown shows that the share of the population with a migrant background is below average particularly in the east German states. For the analysis of the microcensus, this means that the sample sizes of persons with a migrant background are very small particularly within these east German Länder. The segmentation of the population into self-employed and conventionally employed workers is thus made more difficult, and indeed impossible in the cases of Mecklenburg-Western Pomerania, Saxony-Anhalt and Thuringia.⁵

⁴ An overview table of relevant 2005 and 2014 figures on the general population, the working population, workers in conventional employment, and the self-employed with and without employees, all with and without a migrant background, can be found in the appendix of the German original language version of this text (pp. 46-54). Available at www.bertelsmann-stiftung.de/fileadmin/files/BSt/Publikationen/GrauePublikationen/NW_Migrantenunternehmen.pdf.

⁵ Only the self-employment rate could be calculated for these Länder on the basis of microcensus data. Further analysis would not be meaningful in these federal states due to the small sample sizes.

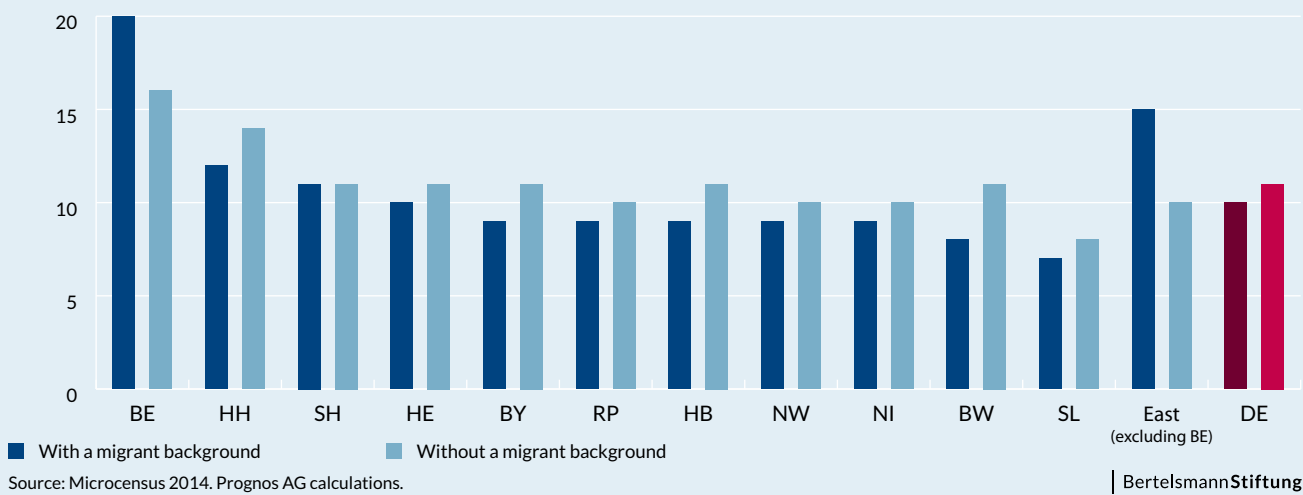


Therefore, for the following analyses of various aspects of the population and the self-employed with a migrant background, an aggregate of the east German Länder (excluding Berlin) will be used, and east Germany thereby treated as a separate region. The individual east German federal states are specified below only in exceptional cases. In addition, it should be noted that low sample sizes can also lead to distortions in some results in Bremen, Saarland and Schleswig-Holstein.

2.1 Self-employment within the population with a migrant background

A total of 709,000 persons with a migrant background were self-employed in Germany in 2014. Compared with about 570,000 self-employed in 2005, an increase in self-employment of 25 percent was seen during the observation period. The proportion of self-employed working alone remained constant during the period. In absolute terms, 434,000, or around 60 percent of the self-employed with a migrant background, were working without employees in 2014. In cross-state comparison, it is notable that with the

FIGURE 3 Self-employment rate of the population with and without a migrant background, by federal state and nationally, 2014 in %



exception of east Germany and the Saarland, an increase in self-employment is evident in every federal state in this period (Figure 2).

The distribution of self-employed across the individual Länder depends strongly on the states’ share of the total population with a migrant background (see Figure 1). This suggests that the self-employment rate per person with a migrant background does not vary strongly between the individual regions. In fact, about one out of 10 working people across Germany were self-employed in 2014. The share of self-employed without a migrant background is in this regard slightly higher than that of the self-employed with a migrant background (Figure 3).

Across the federal states, there are a few striking deviations from the national average. For instance, Berlin stands out with a self-employment rate of about 20 percent among the working population with a migrant background. In east Germany too, the self-employment rate was significantly above the average, at 15 percent. In both regions, working people with a migrant background were self-employed significantly more often than were working people without a migrant background. An inverse picture appears in the west German federal states. There, working persons without a migrant background in 2014 were more likely to be self-employed than were working persons with a migrant background. Between 2005 and 2014, the self-employment rate has changed only slightly at the federal-state level.

2.2 Sociodemographic structure of the population and the self-employed with a migrant background

2.2.1 Average age

In both 2005 and 2014, the population with a migrant background was on average significantly younger than the population without a migrant background, in all regions considered (Figure 4). The difference between the two groups amounted to about eight years. Between 2005 and 2014, the average age for both groups rose in all surveyed regions.

A similar picture is evident for the self-employed both with and without a migrant background (Figure 5). However, the dispersion in average ages for the two groups is more pronounced, and the difference in the average ages between the self-employed with and without a migrant background is overall lower than is the case for the general population with and without a migrant background.

The self-employed with and without a migrant background were also older on average in 2014 than in 2005.⁶ The self-employed with a migrant background in Schleswig-Holstein are an exception here. While in 2005, the average age in this group was still about 46, it had fallen by 2014 to about 43.

⁶ However, it was not clear from the data whether the increased average age was due to newly begun entrepreneurial activities by older individuals, or whether the self-employed from 2005 had simply grown older.

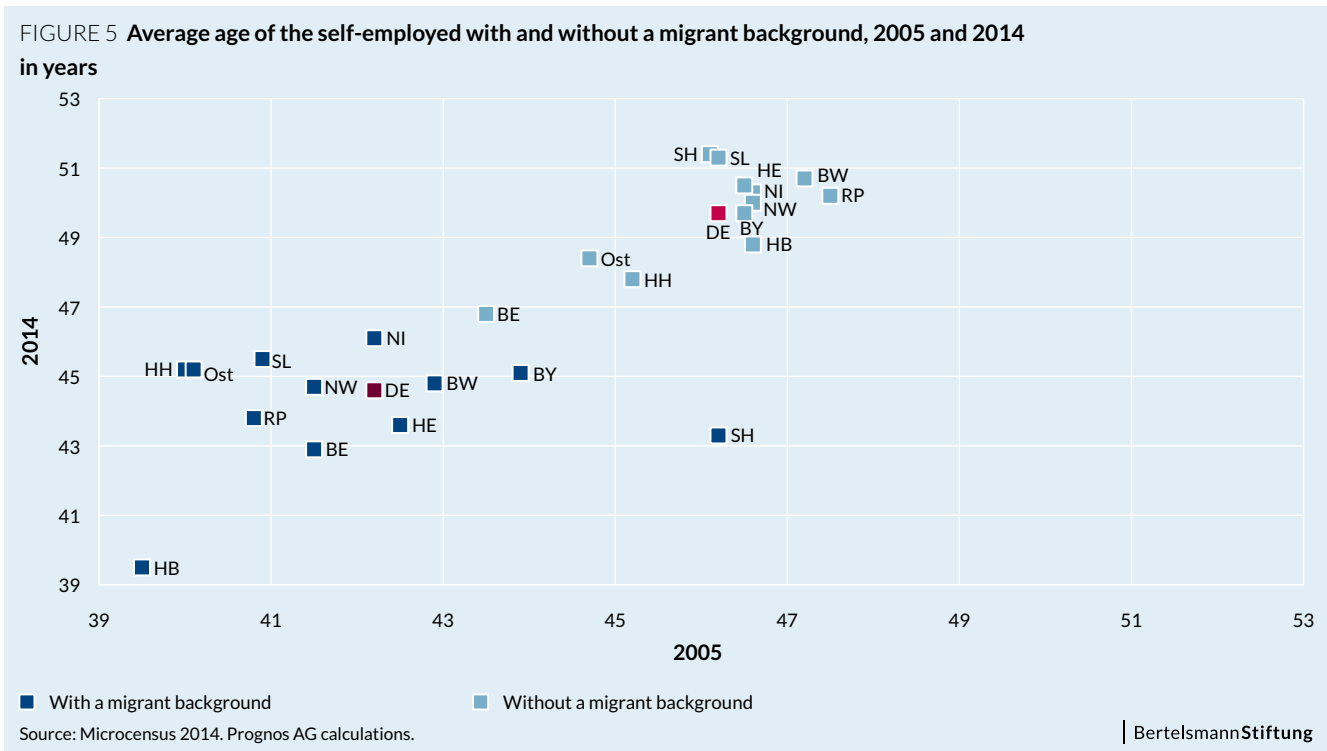
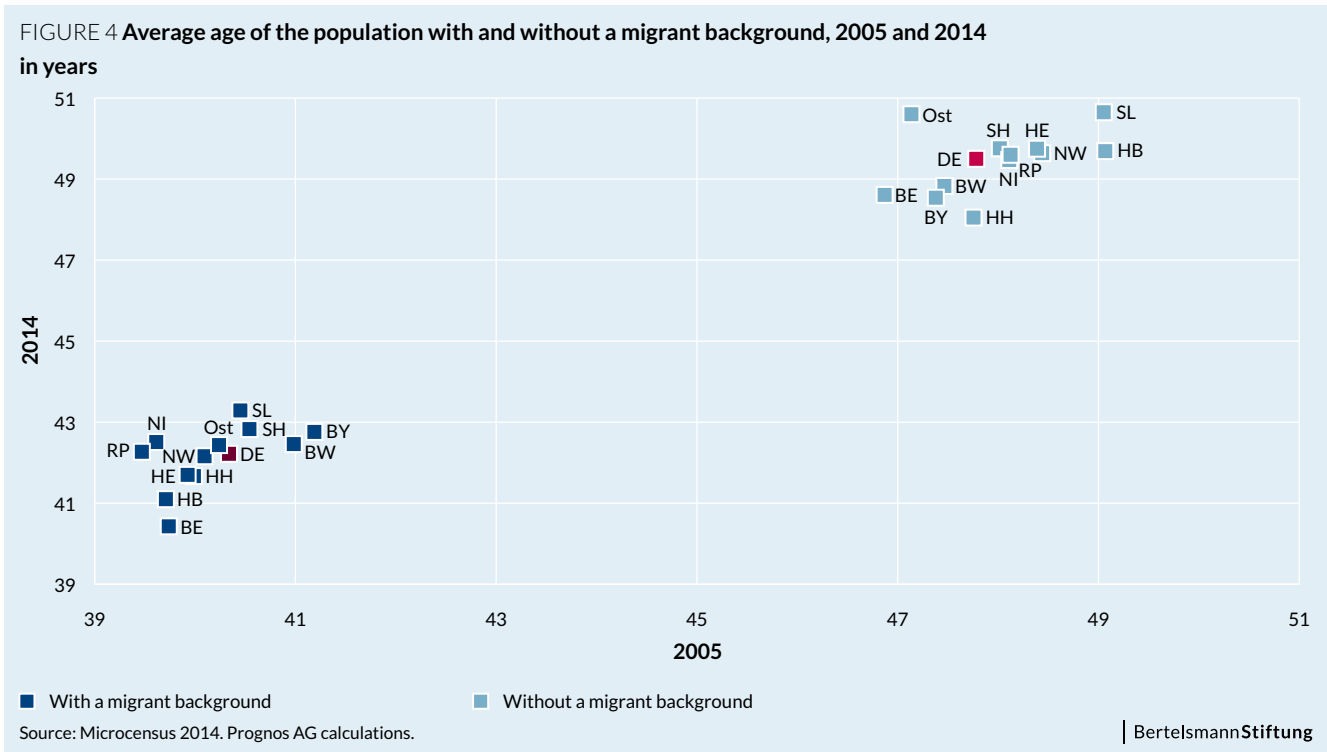


FIGURE 6 Share of population with low-level qualifications (no vocational degree or university-entrance qualification), 2014 in %

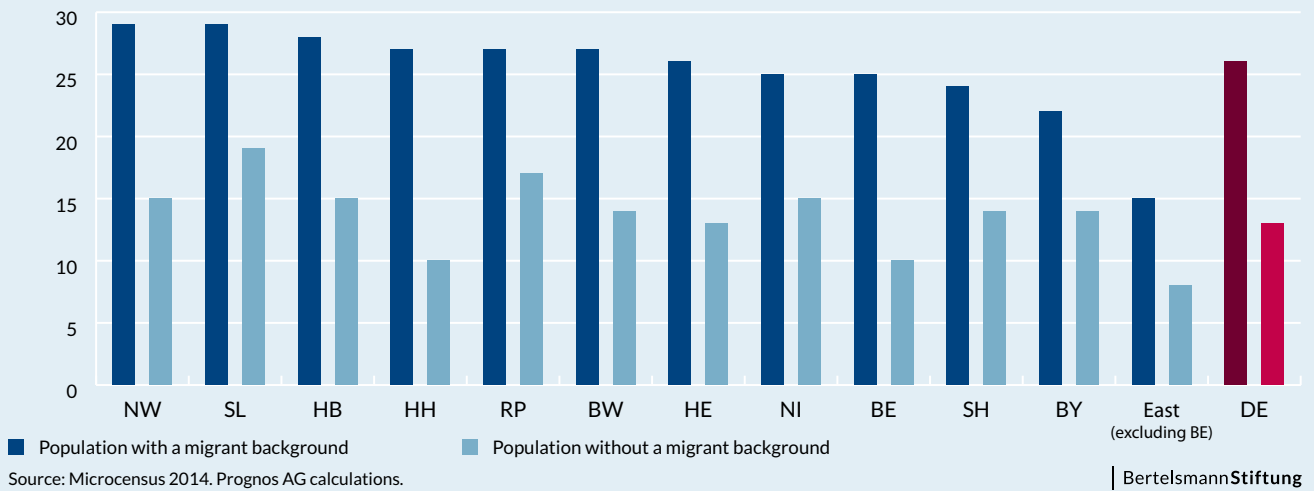
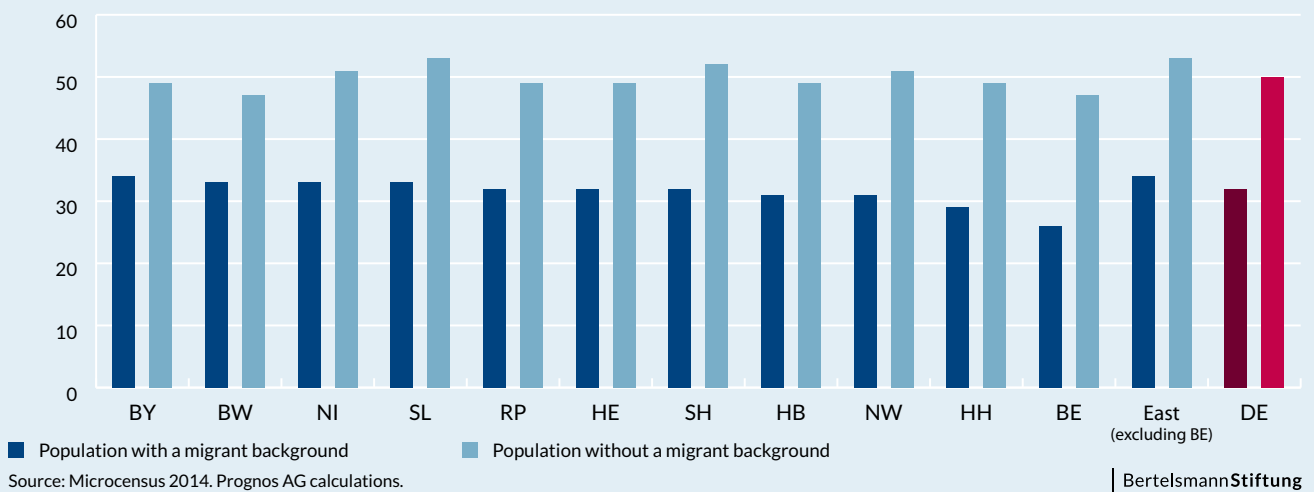


FIGURE 7 Share of population with mid-level qualifications (vocational degree or university-entrance qualification), 2014 in %



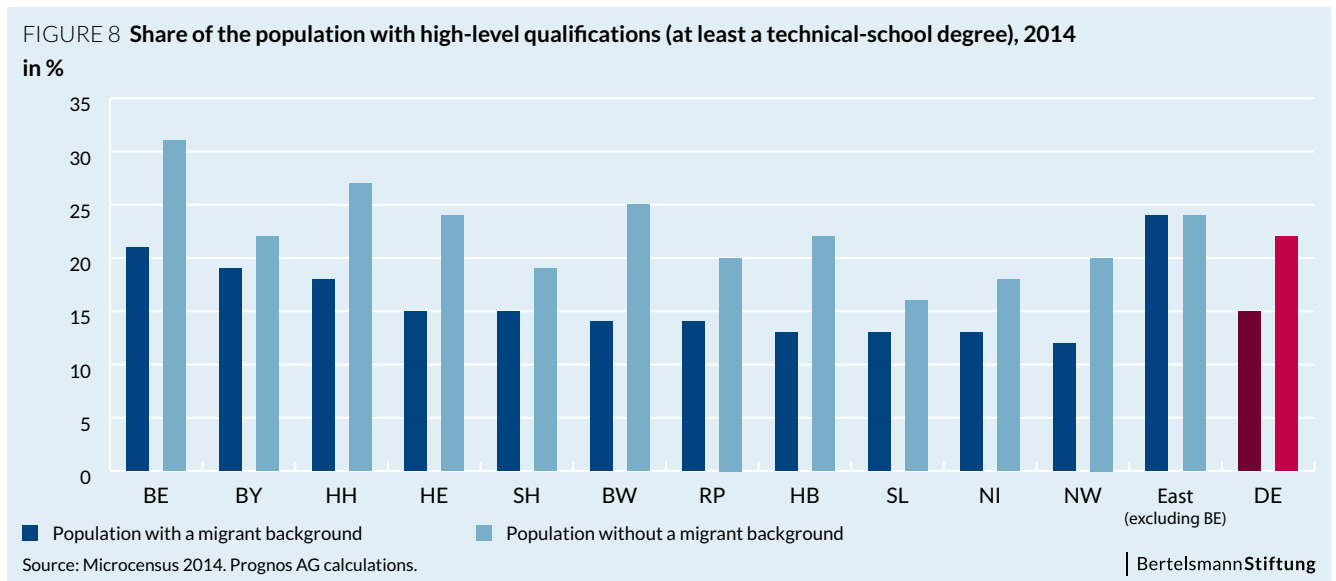
In this federal state, it is also striking that the self-employed without a migrant background have the highest average age of all observed groups, at more than 51. The possible reasons for these exceptions can only be a subject of speculation, particularly given the comparatively small sample size in Schleswig-Holstein.

2.2.2 Qualifications

The population with a migrant background in 2014 overall showed significantly lower qualification levels than the population without a migrant background. Thus, in all surveyed regions, the share of low-qualified workers is

significantly higher within the population with a migrant background (Figure 6). Indeed, as a national average, the share of low-qualified workers in this population group is twice as high.

Looking at the share of the population with mid-level qualifications, the population with a migrant background also clearly performs more poorly (Figure 7). For the population without a migrant background, this share is uniformly about 50 percent, while the proportion in the comparison group with a migrant background, at about 30 percent, is significantly lower.



The share of the population with a migrant background with high-level qualifications was also lower (with the exception of the east German region) than the comparable share within the population without a migrant background (Figure 8). In Germany as a whole, 22 percent of persons without a migrant background have a degree from a technical college, a university of applied sciences or a liberal-arts university, or else have a doctorate degree. In the case of the population with a migrant background, only about 15 percent had one of these degrees in 2014.

However, a somewhat nuanced picture is evident within the highly qualified group. For example, there are significant differences between federal states with regard to qualification levels among the population with a migrant background. The largest share of highly qualified workers among people with a migrant background, at nearly 25 percent, is found in the east German region, while the lowest proportion (12%) appears in North Rhine-Westphalia. It is striking that – apart from Bavaria – the five Länder with the highest share of highly qualified people with a migrant background (Berlin, Hamburg, Hessen and Schleswig-Holstein) also show the highest self-employment rates among working people with a migrant background (see Section 2.1).

In addition, the relationship between the two population groups (with and without a migrant background) shows significant differences at the federal-state level. For example, Bavaria features one of the most narrow gaps between the shares of highly qualified people with and without a migrant background. This gap is more narrow

only in the Saarland and east Germany. The biggest difference in 2014 was in Baden-Wuerttemberg (11 percentage points), closely followed by Berlin, Hamburg and Hesse. In these federal states, the gaps between the shares of highly qualified people with and without a migrant background are of above-average size.

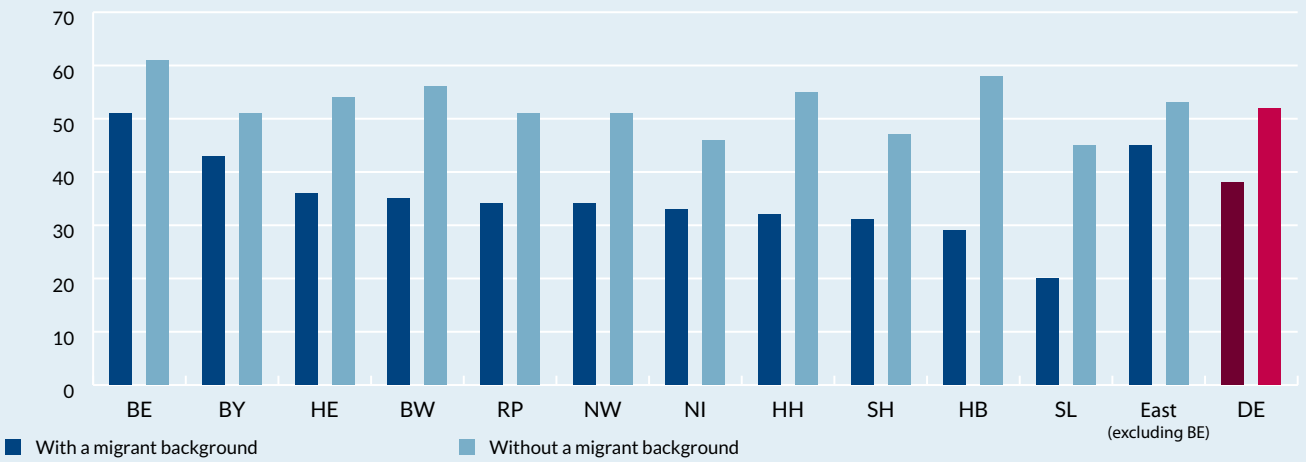
The analysis thus far has indicated that the population with a migrant background shows an overall lower level of qualifications. In the context of this study, the most interesting question is whether this discrepancy between the two population groups (with and without a migrant background) also exists within the self-employed group. This is evidently the case. Across Germany as a whole, 20 percent of self-employed people with a migrant background had no more than low-level qualifications in 2014, while in the comparison group without a migrant background, this figure was just 4 percent.

By contrast, the corresponding shares of self-employed with a mid-level qualification lie at nearly the same level, at 42 percent (with a migrant background) and 45 percent (without a migrant background). It logically follows that there are proportionately fewer highly qualified people among the self-employed population with a migrant background (38%) than among the comparison group without a migrant background (52%).

The highly qualified group among the self-employed is worth looking at in more detail, however. In cross-federal-state comparison, the proportion of the self-employed with high-level qualifications is in all Länder higher within

FIGURE 9 Self-employed with high-level qualifications as share of total self-employed population, 2014

in %

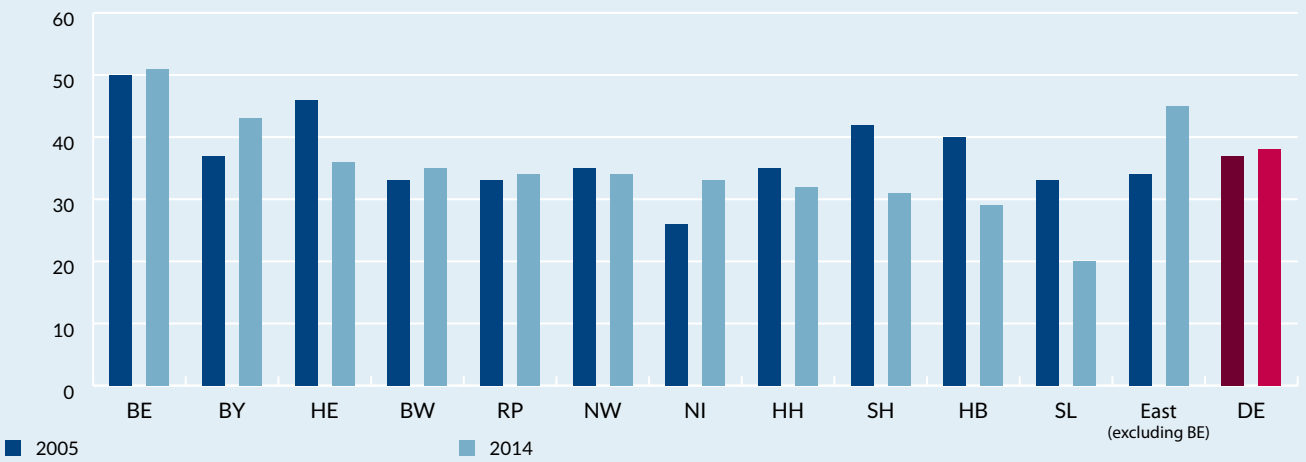


Source: Microcensus 2014. Prognos AG calculations.

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FIGURE 10 Self-employed persons with high-level qualifications as share of all self-employed with a migrant background, in 2005 and 2014

in %



Source: Microcensus 2014. Prognos AG calculations.

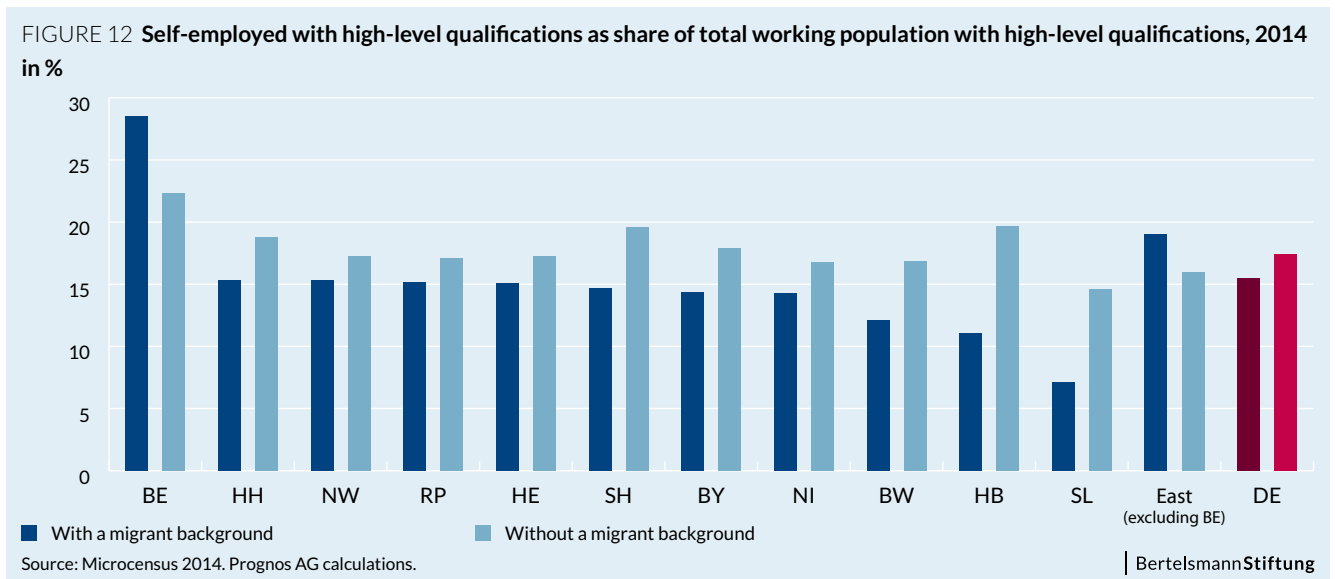
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the group without a migrant background than in the group with a migrant background (Figure 9). However, very small differences emerge in Berlin, Bavaria and east Germany. The biggest differences are evident in Bremen, Hamburg, Baden-Wuerttemberg and Saarland.

In comparison with 2005, shifts have taken place in both population groups. For example, in the case of persons with a migrant background, the average qualification level among the self-employed has declined significantly since 2005 in most west German federal states (Figure 10). In the

east German Länder, however, the average share of highly qualified people has significantly increased.

Among the self-employed without a migrant background, the share of highly qualified people has by contrast risen in every federal state except Bremen (Figure 11). In sum, the resultant gap between self-employed with and without a migrant background has thus expanded in most west German federal states. Only in the east German region has the gap closed somewhat.



The consideration of the share of highly qualified persons within the self-employed group does not permit conclusions to be drawn regarding the percentage of the highly qualified who opt to start their own business. With regard to the highly qualified working population with a migrant background, high shares in self-employment could be seen in 2014 particularly in Berlin (more than 25%) and in the east German states (nearly 20%), while the national share was about 15 percent (Figure 12). In contrast, in Saarland, Bremen and Baden-Wuerttemberg, highly qualified working people pursue self-employed activities to a below-average degree.

Within the group of persons without a migrant background, the federal states showed a lesser degree of heterogeneity in 2014. Here too, the share in Berlin is the largest (23%), followed by Schleswig-Holstein and Bremen. East Germany (16%) falls into the middle of the group. Only in Berlin and the east German region did the self-employment rate among the highly qualified with a migrant background exceed the rate among the highly qualified without a migrant background in 2014. The largest differences between the two groups, after Berlin, were evident in Bremen, Saarland and Baden-Wuerttemberg.

FIGURE 13 Self-employed with high-level qualifications as a share of the total working population with high-level qualifications, change between 2005 and 2014 in percentage points

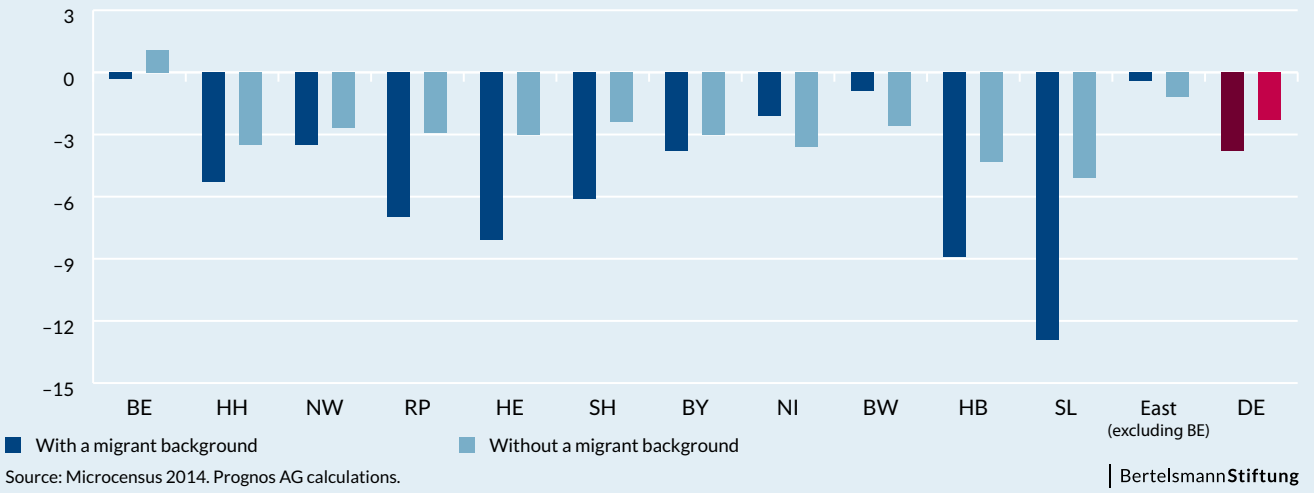
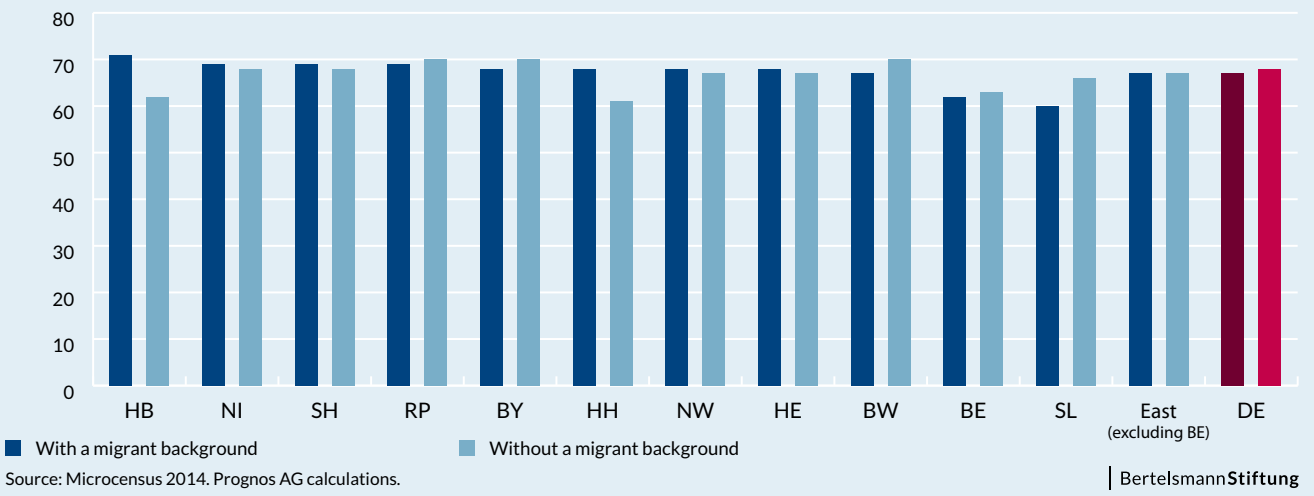


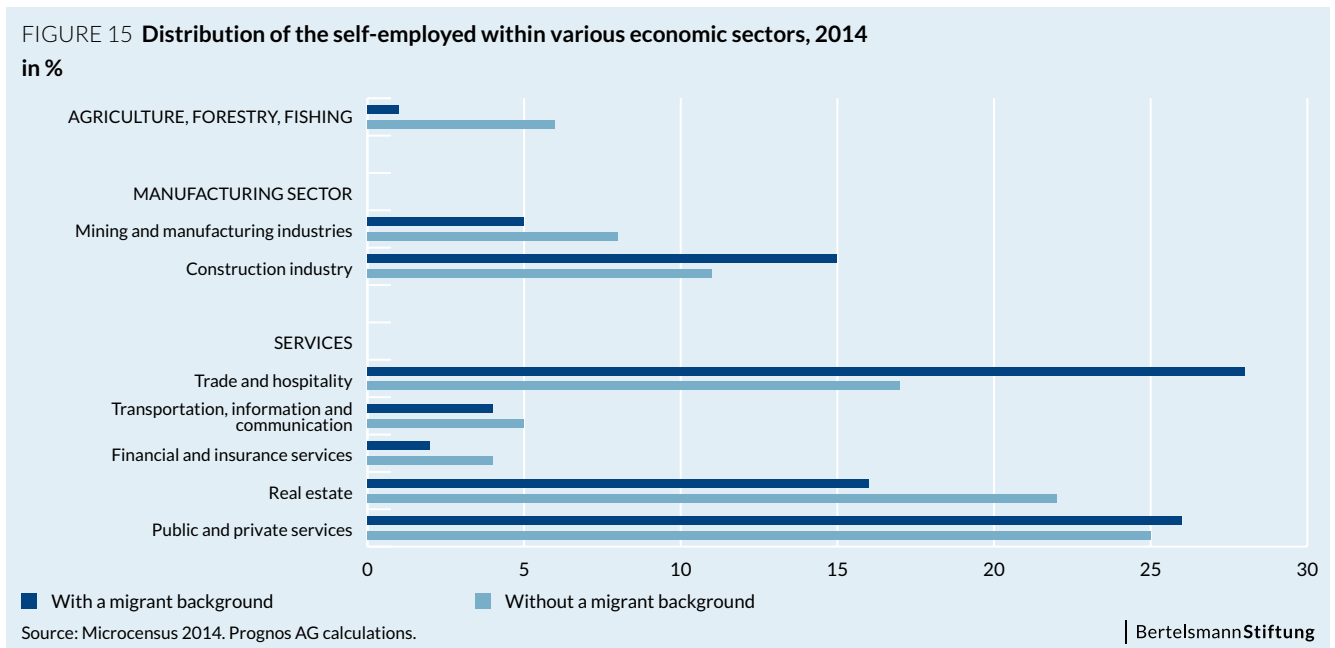
FIGURE 14 Proportion of men among the self-employed, 2014 in %



Between 2005 and 2014, the self-employment rate among highly qualified persons with a migrant background declined in all regions. However, the size of this decline in percentage points varied significantly (Figure 13). For example, the decline in Saarland, Bremen, Hesse and Rhineland-Palatinate was very strong. In the eastern states, Berlin and Baden-Wuerttemberg, by contrast, the changes were quite minimal. By contrast, the population without a migrant background shows a more uniform picture, with Berlin even showing a slight increase in self-employment among the highly qualified.

2.2.3 Gender

Looking at the gender distribution among the self-employed, it is striking that both the population groups and the federal states are very homogeneous in this regard (Figure 14). Thus, within both population groups, a national average of about two-thirds of the self-employed are men. Somewhat larger differences can be found only in Bremen (9 percentage points) and Hamburg (7 percentage points), where the share of men among the self-employed with a migrant background is slightly higher. However, since this relates to geographically very small regions with small



sample sizes, these differences could be due in part to uncertainties within the survey.

Since the beginning of the observation period, the share of men among the self-employed has declined by only a minimal amount as a national average. Thus, this ratio was four percentage points higher (71%) among the self-employed with a migrant background in 2005. Among the self-employed without a migrant background, the 2005 share (70%) was two percentage points above the 2014 value. With regard to homogeneity within the federal states, by contrast, there were no notable changes.

2.3 Industry composition

In considering the sector-specific distribution of self-employed persons, it should be noted that federal-state-level data is available in sufficiently large sample sizes in only a few economic sectors. The national-level overview shows that self-employment in 2014 was primarily concentrated in the services sector (Figure 15). In the case of the population group with a migrant background, it falls fully 80 percent within the services sector. However, even among persons without a migrant background, this sector's share is only slightly lower, accounting for about 75 percent of the self-employed.

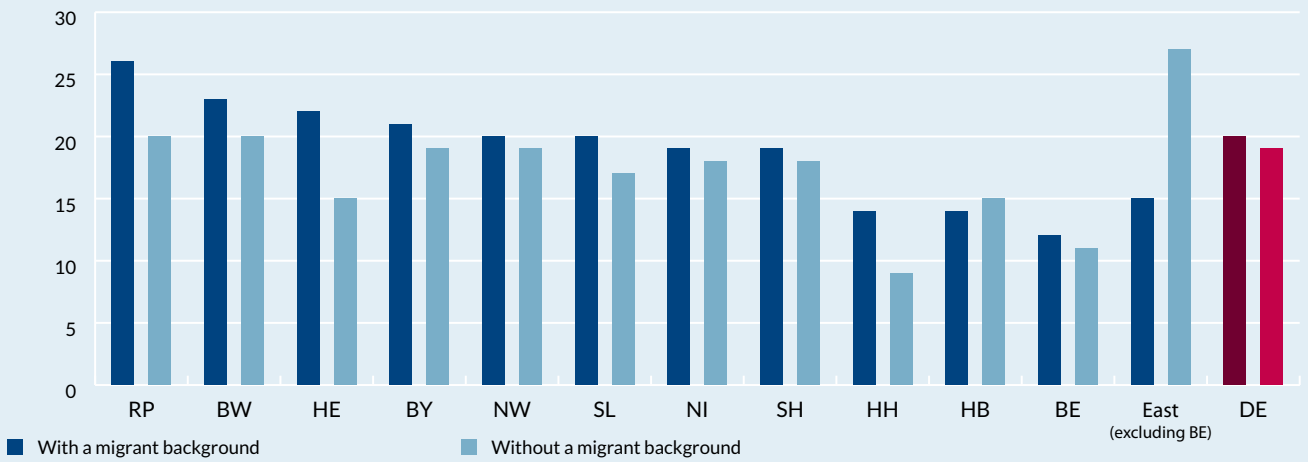
Within the services area, larger differences emerge only in two sub-sectors. For example, the share of self-employed with a migrant background in trade and hospitality was significantly larger than the corresponding share of self-employed without a migrant background. The reverse was true in the real-estate sub-sector. The share within the manufacturing sector is about 20 percent in both groups, while agriculture and forestry play a minimal role, with respective shares of 1 percent (with migrant background) and 5 percent (without migrant background).

Within the population of the self-employed without a migrant background, only minimal changes were evident in comparison to 2005. By contrast, among the self-employed with a migrant background, the share within the trade and hospitality sector fell by about 10 percentage points (38% in 2005). This represents a decline in absolute terms of about 20,000 people. At the same time, there was an increase in the shares in the construction industry (up six percentage points, or about 50,000 people), in the public and private services sector (up three percentage points, or almost 50,000 people), and in the real-estate sector (up two percentage points, or 30,000 people).⁷

⁷ The changes in the shares do not need to balance each other out here, as the overall share of self-employed may have increased.

FIGURE 16 Self-employed in the manufacturing sector as a share of all self-employed, 2014

in %

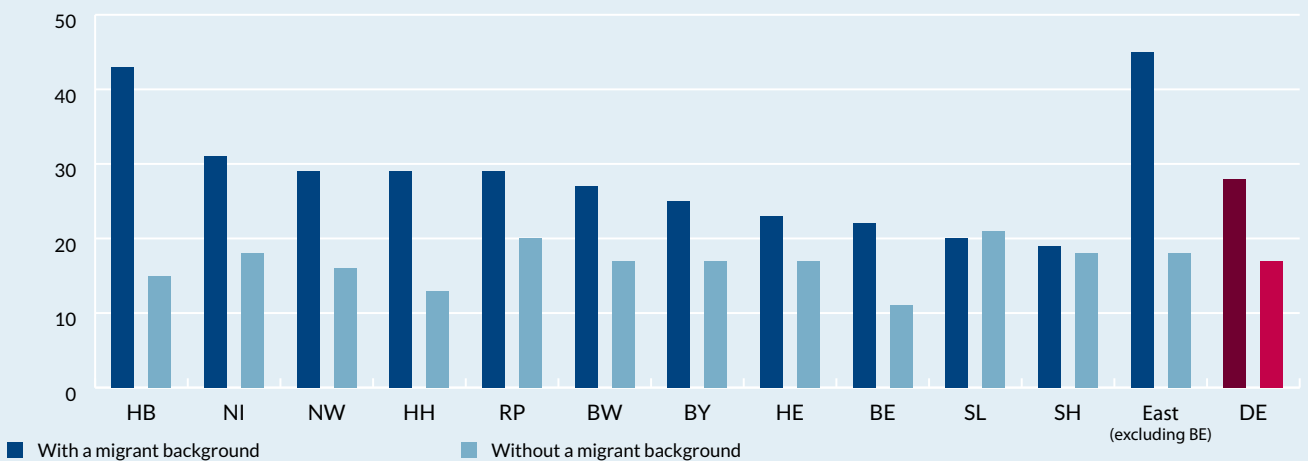


Source: Microcensus 2014. Prognos AG calculations.

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FIGURE 17 Self-employed in trade and hospitality sector as a share of all self-employed, 2014

in %



Source: Microcensus 2014. Prognos AG calculations.

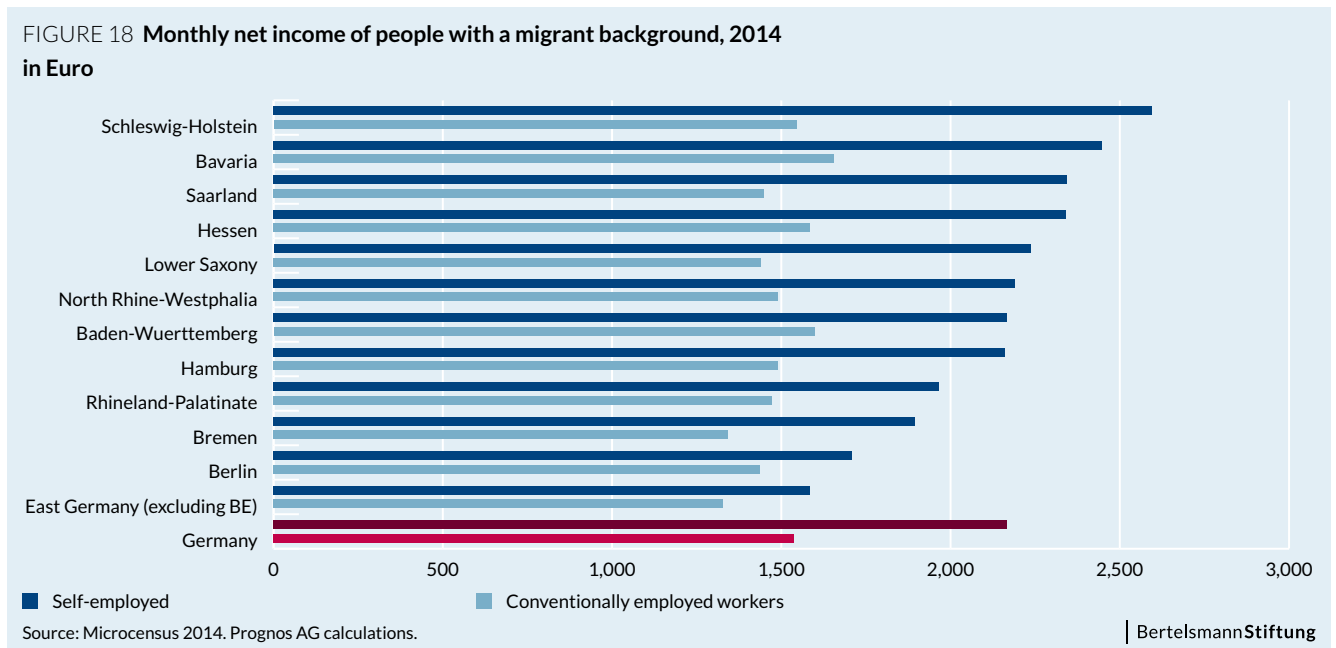
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Only those sectors with a certain minimum sample size can be analyzed at the federal-state level. Thus, in the following, only the manufacturing sector overall and the trade and hospitality sub-sector will be considered in cross-federal-state comparison. The latter has been chosen because in this sector, significant differences between the self-employed with and without a migrant background are already evident at the national level. The federal-state comparison can indicate whether these differences are attributable simply to differences in individual regions.

The share of self-employed active in the manufacturing sector varies relatively strongly for both population groups

(Figure 16).⁸ Among the self-employed without a migrant background, the spectrum of variation is significantly broader, ranging from 9 percent in Hamburg to 27 percent in the east German region. In these two regions, as well as in Hesse, the differences between persons with and without a migrant background are also comparatively high. In the other Länder, by contrast, the differences are very low, so that for Germany as a whole, as we have seen, only a very slight difference is evident.

⁸ A portion of this fluctuation is probably due to the specific sectoral structure of each federal state. For example, if the manufacturing industry in a particular federal state is comparatively insignificant, the chance of successfully founding a business in this sector is probably also smaller.



In previous years, there was a significant difference favoring the population without a migrant background. However, the share among persons with a migrant background has risen in nearly every federal state since 2005, and in Rhineland-Palatinate, has nearly even doubled. For people without a migrant background, however, the same period primarily saw a decline in the share working in the manufacturing sector, in Hamburg by as much as 40 percent.

In nearly every federal state, the share of the self-employed active in the trade and hospitality sector is significantly higher among persons with a migrant background than in the comparison group (Figure 17). The differences were largest in the east German region, as well as in Bremen; in Saarland and in Schleswig-Holstein, on the contrary, the gap is almost nonexistent. However, since these four regions account for only 7 percent of Germany's population with a migrant background, these exceptions had only a small influence on the differences seen at the national level.

2.4 Economic impact of migrant entrepreneurs

2.4.1 Income

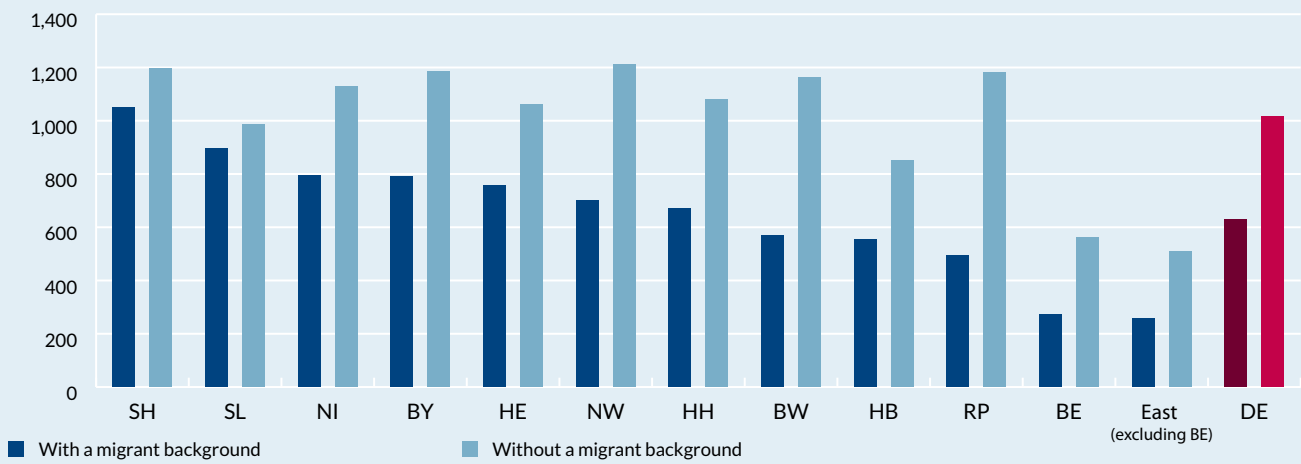
Among self-employed persons with a migrant background, the average monthly net income in Germany in 2014 was €2,167, and was thus 40 percent above the comparison group of conventionally employed individuals with a migrant background.⁹ In this regard, the higher earnings of the self-employed are evident in all federal states (Figure 18).

The microcensus does not address the issue of full-time equivalency either for the conventionally employed or for the self-employed; thus, this group also contains persons working only part time, with reduced-hour working weeks. At the same time, it can be assumed that the hours worked by the self-employed are on average longer than those of the conventionally employed, so the differences in an examination of net income per working hour would probably be somewhat decreased.

⁹ Net income was surveyed in the microcensus on the basis of income classes or ranges. The calculation of the distribution perimeters is based on an auxiliary variable with the assumption of a uniform distribution of income within each income class.

FIGURE 19 Difference in net income between self-employed and conventionally employed, 2014

in Euro



Source: Microcensus 2014. Prognos AG calculations.

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This relationship is also evident for people without a migrant background. Here too, in every federal state, the self-employed earn more on average than do the conventionally employed. Moreover, the analysis of nationwide microcensus data shows that the self-employed without a migrant background earn about 30 percent more, with an average of €2,833 per month, than the self-employed with a migrant background. In the case of those in conventional employment, persons without a migrant background, with an average net income of €1,816, earn 18 percent more than the comparison group with a migrant background.

Looking at the income differences between the self-employed and conventionally employed in detail, it emerges that for the population with a migrant background, there are significant differences between the individual federal states (Figure 19). For example, the income gap in the east German states is just €260, while in Schleswig-Holstein it is nearly four times larger, at €1,050. Since the conventionally employed population in these two federal states earn roughly the same, these large gaps must be attributable to the differences in the earnings of the self-employed.

For persons without a migrant background, the federal-state-specific variances between the self-employed and conventionally employed are not quite as strong. Thus, the differences – with the exception of Berlin and the east German region – all lie between €850 and €1,200. For Germany as a whole, the difference amounts to €1,000.

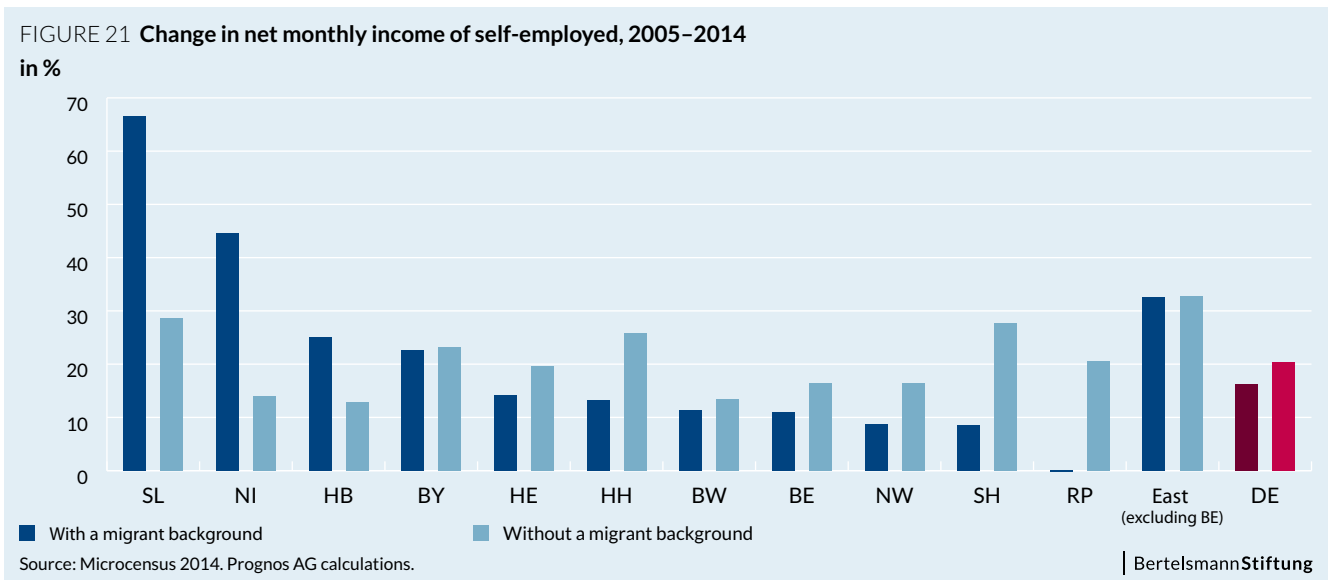
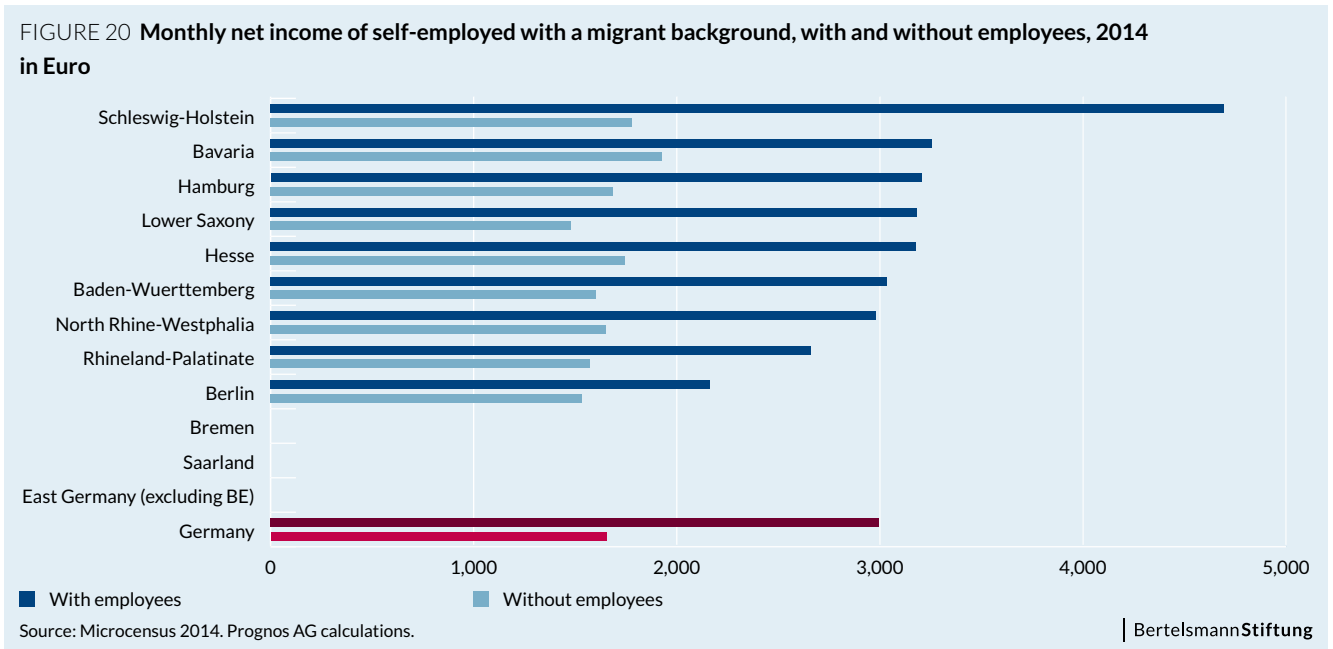
In addition, the question of whether other people are conventionally employed in the entrepreneurially founded

enterprise plays a critical role in the amount of income earned through self-employment. In 2014, for the self-employed with a migrant background for whom this was the case, the nationwide average monthly net income, at €2,994, was nearly twice as high as for the self-employed working alone (€1,654; see Figure 20).

At the individual federal-state level, significant differences are evident within the group of self-employed who employ other workers. For example, this group in Schleswig-Holstein, with an average net monthly income of just under €4,700, earned more than twice as much as their counterparts in Rhineland-Palatinate. However, since this is only an average, and the sample sizes are very small particularly in Schleswig-Holstein, it could be that these differences are due to individual very-high-earning self-employed people. In Bremen, Berlin and east Germany, due to the small sample sizes, no variables could be established.

Similar relationships are evident for the self-employed without a migrant background. For instance, the nationwide average net income among the self-employed with employees, at €3,868, is significantly above the income in the comparison group of the self-employed working alone (€1,994).

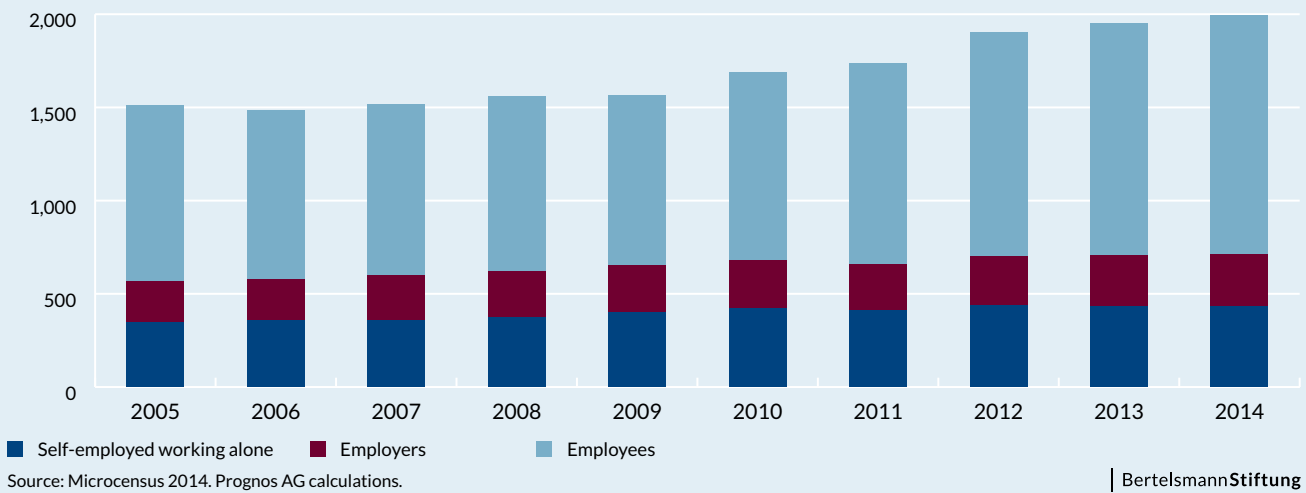
In addition to the amount of net income earned by the self-employed, its trends during the observation period are also interesting. Since 2005, the average income across Germany as a whole rose by 16 percent (for those with a migrant background) or by 20 percent (for those without a migrant background; Figure 21). In this regard, the differences



between the various federal states are quite evident. This is particularly true for the group of self-employed with a migrant background, whose income in Saarland rose by a full two-thirds. Income growth was above the average in Lower Saxony too, at nearly 45 percent. In Rhineland-Palatinate, by contrast, the same period saw a stagnation in the net income of the self-employed with a migrant background.

The differences between the Länder in terms of income growth are probably only partially due to their specific economic-development trends. Arguing against this, for example, is the fact that the increases in economically strong federal states such as Baden-Wuerttemberg and Bavaria were no more than average. Second, the strong variation among the population of self-employed with a migrant background indicates that – again due to small sample sizes – the average income can be distorted by individual outliers.

FIGURE 22 Employment contribution of self-employed with a migrant background, 2005–2014 in 1,000 persons



2.4.2 Number of employees

The number of people employed by self-employed people with a migrant background can only be derived indirectly from the microcensus data. For this purpose, we use an extrapolation on the basis of migrant-owned-enterprise sizes (number of employees, based on size-range classes) and the number of migrant-owned enterprises.¹⁰

The extrapolation shows that the self-employed with a migrant background employed at least 1.3 million people in Germany in 2014. Since 2005, the number of these employees has thus gone up by about 950,000, or 36 percent. Since this conservative extrapolation produces only a minimum, it can be assumed that the actual number of jobs thus created is significantly higher. As a comparison, other studies indicate a quantity of between 1.5 million and 2 million such employees (Leicht and Langhauser 2014: 59).

If one also includes both the associated employers (the self-employed owners of the firms with employees) and the self-employed individuals working alone, each with a migrant background, then the self-employed with a migrant background made a total employment contribution of about 2 million workers (Figure 22). There was therefore an increase in the total employment contribution of 32 percent since 2005. This is notable insofar as the population

¹⁰ The extrapolation follows the method used in Leicht and Langhauser (2014: 59). As the extrapolation is oriented toward the lower end of the range of each company-size class, the number of jobs created is very conservatively estimated, and thus represents a minimum. It is also important to mention that the issue of full-time equivalency is not addressed in these job figures.

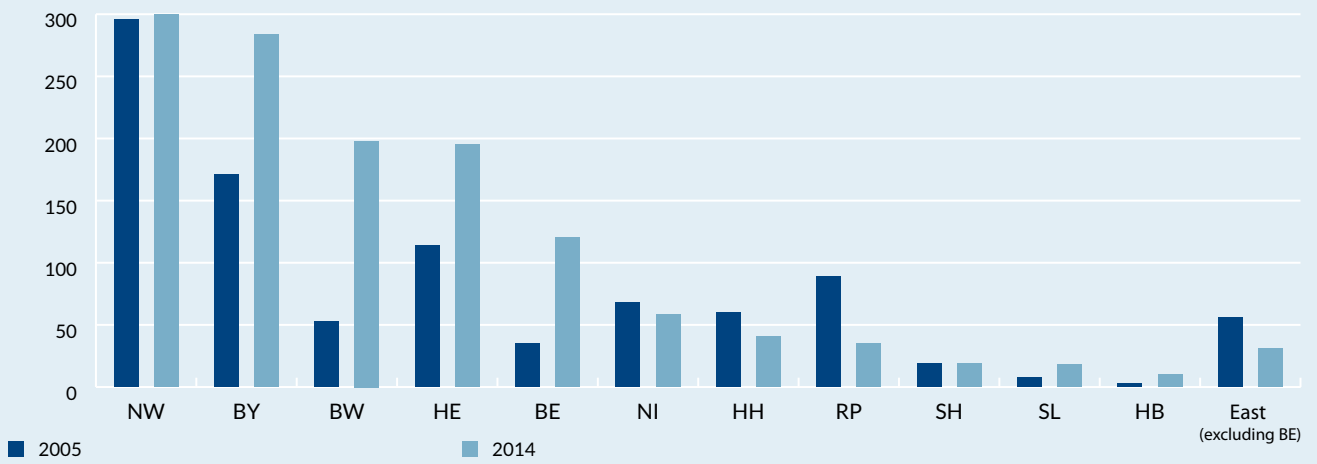
with a migrant background has only increased by 9 percent (to 16.4 million in 2014) in the same time period.

The positive trend in the employment contribution made by the self-employed with a migrant background is also clear when placed in relation to the total German working population as reported in the microcensus. In 2005, this ratio was just 4.1 percent (1.5 million out of 36.6 million employed); in 2014, it had already climbed to 5.0 percent (2.0 million out of 39.9 million employed).

A comparison at the federal-state level shows that the number of people employed by self-employed entrepreneurs with a migrant background is naturally dependent on the number of persons with a migrant background resident there (Figure 23). Thus, the most jobs of this type are in North Rhine-Westphalia, Bavaria and Baden-Wuerttemberg. By contrast, in Bremen, Saarland and Schleswig-Holstein, the absolute number is rather low. In addition, it is striking that significant changes have taken place in some Länder since 2005. While the number of jobs of this type in North Rhine-Westphalia has remained almost constant, significant increases were seen particularly in Baden-Wuerttemberg, but also in Bavaria, Hesse and Berlin.

Due to the large differences in the number of people with a migrant background living in the various federal states, the absolute number of people employed by this population is difficult to assess. Thus, it is additionally useful to consider the number of jobs created by self-employed entrepreneurs on a per-firm basis. Here it appears that the self-employed

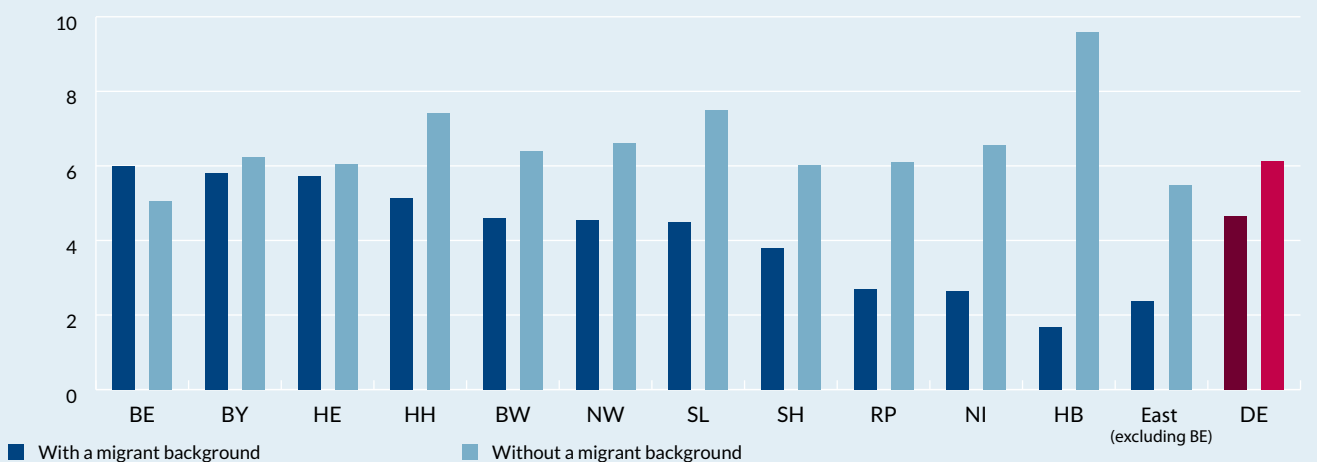
FIGURE 23 Number of jobs provided by self-employed entrepreneurs with a migrant background, 2005 and 2014 in 1,000 employees



Source: Microcensus 2014. Prognos AG calculations.

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FIGURE 24 Average number of jobs provided by self-employed entrepreneurs, per firm, 2014



Source: Microcensus 2014. Prognos AG calculations.

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with a migrant background employ about 1.5 fewer people as a national average than do the self-employed without a migrant background (Figure 24). Only in Berlin do we find this picture reversed.

It is moreover striking that the number of jobs provided by the self-employed without a migrant background, although varied, is of a similar magnitude across all federal states with the exception of Bremen. In the case of the self-employed with a migrant background, by contrast, the differences between the Länder are significantly greater. Thus, in Bremen, an average of only 1.6 persons are employed on a per-firm basis, while in Berlin this is a full six people. In this regard, the differences between the

two population groups are notable, particularly in Bremen. However, due to the very small sample sizes in this region and the resulting potential distortions in the extrapolation, this finding is of only limited reliability.

In addition, the available microcensus data do not allow reliable conclusions to be drawn as to whether these differences are due to specific sector affiliations, for example. At this point it should again be remembered that according to the microcensus data, at least at the national level, the employment of additional people is linked to a direct increase in the self-employed person's income (see Section 2.4.1).

2.5 Summary

The survey of entrepreneurship within the population with a migrant background has shown that there are at times significant differences between the German federal states, as well as in comparison to the population without a migrant background. For example, the self-employment rate of both population groups on a national basis is about 10 percent; however, rates among persons with a migrant background are significantly higher in east Germany and in Berlin, where they are respectively 15 percent and 20 percent. Overall, there are about 709,000 self-employed persons with a migrant background in Germany. Since 2005, this group has grown by about 25 percent.

In addition, the analysis of sociodemographic structure shows that the self-employed with a migrant background (like this population more generally) are on average younger than the population without a migrant background in all surveyed regions. Clear differences between the two population groups are also evident with regard to qualification levels. For instance, 26 percent of the population with a migrant background has no more than low-level qualifications, a rate about twice as high as for the population without a migrant background. This gap can also be observed within the self-employed group.

Furthermore, it is clear that the self-employed within both population groups – each at a rate of over 75 percent – are very often active in the services sector. Differences between the population groups are found particularly in the trade and hospitality sub-sector. The share of activity in this sub-sector by self-employed people with a migrant background, as a proportion of all self-employed with a migrant background, is significantly higher than the corresponding share of self-employed without a migrant background. This is true especially for the east Germany region, as well as for Bremen.

With regard to economic impact, it can be stated that the monthly net income of the self-employed in all federal states is significantly above the net income for conventionally employed people, with an average difference of 40 percent. The income of the self-employed without a migrant background averages about 30 percent greater than the income of self-employed with a migrant background.

The question of whether self-employed entrepreneurs employ other workers is also relevant to the level of income.¹¹ At the national level, this is correlated with a significantly higher income. In addition, it was shown that the self-employed with a migrant background make a substantial contribution to employment in Germany. For example, at least 1.3 million people were employed by migrant entrepreneurs in 2014. This figure has grown by 36 percent since 2005.

The income advantage associated with self-employment relative to those in conventional employment within the group of people with a migrant background, as well as the number of jobs created by migrant-owned businesses, together offer convincing evidence for the proposition that growth can take place more inclusively through an increase in migrant entrepreneurship.

¹¹ However, a causal relationship cannot be inferred from this.

3.

Influences on entrepreneurship within the population with a migrant background

Chapter 2 specifies the way in which entrepreneurial activity by people with a migrant background differs at times considerably between the German federal states, despite a relatively homogeneous legal, institutional and macroeconomic environment at the federal level. One reason for these differences could be federal-state-specific circumstances that have an influence on entrepreneurial activities.

The data treated in the previous chapter suggest that these influences may also include some of the economic and sociodemographic factors considered. In the following section, the study thus initially identifies such economic and sociodemographic influences that have a high probability of influencing entrepreneurship within the population with a migrant background, and map these roughly onto the federal-state level (Chapter 3.1). The regional differentiation by federal state is important, as this enables the generation of a sufficiently high number of observational points to perform a quantitative analysis. In addition, the results will ideally explain in part why self-employment rates in one federal state are higher than in another, for example.

Subsequently, differences in the extent of migrant entrepreneurship will be linked back to these factors of influence using correlation and regression analyses (Chapter 3.2). This will be followed by an examination of the impact these influences have on migrant entrepreneurs' income (Chapter 3.3).¹²

On the federal-state level, there are diverse legal, structural and institutional conditions that also influence entrepreneurship within the population with a migrant background. However, since these cannot be sufficiently captured within a quantitative framework, they will not be considered in the quantitative analysis carried out here, but are presented in the original German-language study.

¹² Note here that causal statements on the basis of this section's results are not possible.

3.1 Economic and sociodemographic factors

Regarding the economic conditions, indications can be found in the literature that a positive economic development, at least in theoretical terms, is negatively correlated with entrepreneurship (Fritsch, Kritikos and Pijnenburg 2013). In such a situation, the labor market offers enough opportunities for (risk-free) work in the form of conventional employment. While these studies predominantly relate to the entire entrepreneurial population, it can be assumed that the performance of the economy also affects entrepreneurs with a migrant background.

Moreover, the statements in Chapter 2 suggest the conclusion that industry structure also may be able to explain differences in entrepreneurial activity between the federal states, as self-employment rates show (at times significant) differences between the economic sectors. In addition, the previous chapter showed that the structure of the population with a migrant background (age, education, gender) influenced entrepreneurship within this population group. Evidence of this can also be found in the literature.¹³

Overall, three potential factors of influence on the extent of migrant entrepreneurship can be defined at the federal-state level: the performance of the economy, the industry structure, and the structure of the population with a migrant background. The following explanatory variables are used to represent these factors, and are possibly supplemented by additional explanatory variables:

¹³ For example, Leicht and Langhauser (2014) used individual-level data from the microcensus to analyze the determinants of self-employment, and found that a series of socioeconomic variables have a significant influence on self-employment.

FIGURE 25 Self-employment rate in the population with a migrant background and economic factors of influence, 2005–2015 in the German Länder¹⁴



Source: Prognos AG 2016

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- As a measure of the performance of the economy, the real change in gross domestic product per capita is used.
- The industry structure is represented through the share of value added by the manufacturing sector in a federal state's overall economy.
- For the structure of the population with a migrant background, suitable sociodemographic averages are calculated on the basis of the microcensus, by federal state; for example, the average age or the share of people with a tertiary educational degree.

3.2 Significance of factors influencing the extent of migrant entrepreneurship

The relationship between the influences described in Section 3.1 on the one hand, and entrepreneurial activity within the population with a migrant background on the other is examined on the basis of correlation and regression analyses. The self-employment rate of the population with an immigrant background in this regard represents the extent of immigrant entrepreneurship.

A first graphical analysis of the data for all Länder and the years 2005 – 2014 suggests that relationships between the self-employment rate and the influencing factors noted above can be found in the data. For example, with regard to the economic factors of influence, examining solely real GDP growth shows no clear graphical relationship (Figure 25). However, looking at industry structure shows a negative relationship between the share of value added by the manufacturing sector and the self-employment rate within the population with a migrant background.

¹⁴ It should once again be noted here that the east German federal states are combined due to small sample sizes, and designated as the east German region (excluding Berlin). Looking at a period of 10 years over 12 regions (11 federal states and the east German region) provides a total of 120 observation points.

FIGURE 26 Self-employment rate within the population with a migrant background and sociodemographic influences, 2005–2014, in the German Länder



Potential relationships between the explanatory variables and the factors of influence are visible for selected sociodemographic factors (Figure 26). Thus, for persons with a migrant background, there is a slightly negative correlation between average age and the self-employment rate. There is a clearly positive relationship when looking at education levels (share of highly qualified people within the population with a migrant background) as an influencing factor. However, this first graphical analysis clearly falls short, since it may only make spurious correlations visible. Thus, in the following section a regression analysis will be carried out.

Here, the explanatory variables associated with the already-discussed factors of influence are examined and tested in order to ascertain whether these and further possible explanatory variables¹⁵ have a statistically significant influence on the extent of migrant entrepreneurship.

15 Examples include the unemployment rate, the share of persons with a migrant background in the broader population, their average length of stay in the country, the naturalization rate and gender. The factor of birth in or outside Germany is not considered due to the lack of data.

Due to the low number of data points, the regression analysis is designed in the form of a pooled model. Overall, there are thus 96 observations.¹⁶ The results of the estimate produced using the least-squares method are overall satisfactory. Thus, all final considered factors of influence are statistically significant and plausible in terms of sign (Table 1). In addition, the adjusted coefficient of determination (adjusted R^2), at .88, is comparatively high.¹⁷

16 For the regression analysis, the number of observations, at 96, is fewer than the 120 observations used for the graphical analysis. The reason for this is that performance of the economy is associated with a time lag in the estimating equation (here, see the explanations with Table 1).

17 This is an indication that the majority of the variance in the self-employment rate is explained by the selected variable.

TABLE 1 Regression results for the determinants of self-employment within the population with a migrant background

Dependent variable: Self-employment rate within the population with a migrant background	Least-squares method
Economic performance measured by:	
Previous year's change in gross domestic product per capita (in %)	0.07* (0.04)
Full-economy unemployment rate (in %)	0.4*** (0.08)
Industry structure measured by:	
Share of value added by the manufacturing sector (in %)	-0.06* (0.03)
Structure of the population measured by:	
Average age of the population with a migrant background (in years)	-1.14*** (0.28)
Share of high-skilled individuals in the population with a migrant background (in %)	0.75*** (0.06)
Number of observations:	96
Adjusted R²	0.88
Notes: The symbols *, **, *** indicate the significance of the estimation results at the levels of 10%, 5% and 1%. The standard error is given in parentheses. The regression also includes a constant.	
Source: Prognos AG 2016	BertelsmannStiftung

In detail, the self-employment rate within the population with a migrant background correlates with the explanatory variables in the following ways:

- **Performance of the economy:** The previous year's change in GDP per capita – contrary to the initial theoretical assumption – has a slightly positive influence on the self-employment rate. However, this applies only with regard to the previous year's change. One reason for the lack of disagreement with the theory could be that previous studies relate to all entrepreneurial activity, while here only the self-employed with a migrant background are considered.¹⁸

One possible interpretation of this finding could be that the step into self-employment appears less risky when economic developments in the particular region have previously been positive. The unemployment rate also has a positive influence. This direction of impact is plausible since self-employment can also represent a way out of unemployment.

The positive sign associated with both GDP and the unemployment rate is thus no contradiction. For

¹⁸ In addition, the previously mentioned study by Fritsch, Kritikos and Pijnenburg (2013) examined new firm creations (number of business registrations per year). In the study conducted here, however, self-employed status itself is an element of the data.

example, a year with weaker economic dynamics does not necessarily result in increased unemployment.

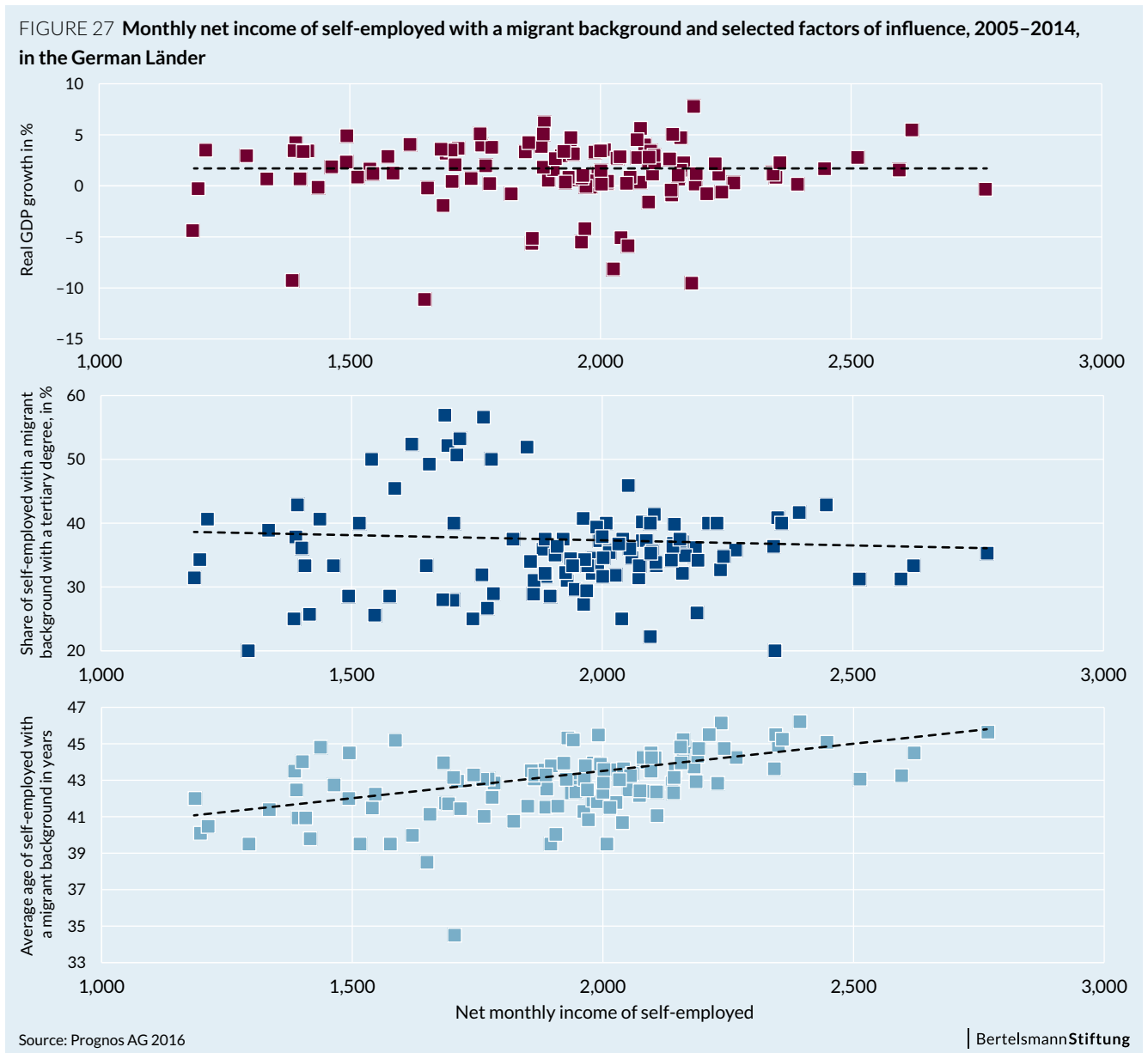
- **Industry structure:** A slightly negative correlation appears with respect to the manufacturing sector's share of value added within the economy as a whole. As the self-employed are predominantly active in the service sector, this relationship is plausible.
- **Structure of the population with a migrant background:** The assumption that the self-employment rate declines with a rise in the average age within the population with a migrant background can be confirmed. The share of highly qualified in the population with a migrant background has a significantly positive influence on the self-employment rate. If the share of highly qualified individuals rises by one percentage point, the self-employment rate in turn rises by a full 0.75 percentage point.

The magnitude of influence of additional potential explanatory variables was also considered; however, given the lack of statistical significance, no evidence of correlation could be found. These variables included the proportion of men in the population with a migrant background, the naturalization rate, and the average length of stay in Germany.

3.3 Significance of factors influencing migrant entrepreneurs' income

Here, in a procedure analogous to that in the previous section, we examine whether the potential factors of influence identified there also have an effect on migrant entrepreneurs' income. For this purpose, the explanatory variables are also initially subjected to a graphical analysis, in order to subsequently estimate the extent of influence quantitatively by means of a regression analysis. Migrant entrepreneurs' income is represented here by the average net monthly income. As explanatory variables, we primarily consider the same factors of influence used in the analysis of the self-employment rate.

A first graphical analysis of selected explanatory variables shows that neither the economic growth rate nor the level of qualification among the self-employed are correlated with net monthly income (Figure 27). However, there is a positive relationship between average age and net income.



Using an approach similar to the analysis of the self-employment rate, a regression analysis is also carried out for monthly net income, in order to test the statistical significance of the variables in Figure 27 as well as several additional variables. Again, the estimation is performed using the least-squares method. Once again, only the statistically significant explanatory variables are shown in the results (Table 2).

TABLE 2 Regression results for the determinants of monthly net income among the self-employed with a migrant background

Dependent variable: Net monthly income among the self-employed with a migrant background	Least-squares method
Performance of the economy measured by:	
Gross domestic product per capita (in €1,000)	3.1 (2.5)
Full-economy unemployment rate (in %)	-46.5*** (8.5)
Industry structure measured by:	
Share of self-employed with a migrant background active in the manufacturing sector (in %)	11.86* (6.26)
Structure of the population measured by:	
Share of highly qualified among the self-employed with a migrant background (in %)	10.69*** (3.31)
Average age of the self-employed with a migrant background (in years)	45.6*** (15.2)
Naturalization rate (in %)	144.84** (55.87)
Average length of stay within the population with a migrant background (in years)	49.7* (25.4)
Number of observations:	120
Adjusted R²	0.59
Notes: The symbols *, **, *** indicate the significance of the estimation results at the levels of 10%, 5% and 1%. The standard error is given in parentheses. The regression also includes a constant.	
Source: Prognos AG 2016	BertelsmannStiftung

In detail, monthly net income among the self-employed with a migrant background shows the following correlations with the individual factors of influence:

- **Performance of the economy:** The absolute gross domestic product per capita has a positive influence. If the GDP per capita in a region as a whole is higher, this is also reflected in the net income of the self-employed with a migrant background. By contrast, the unemployment rate shows a negative correlation. Average net income declines with a higher unemployment rate. One possible reason for this could be the declining purchasing power associated with unemployment.
- **Industry structure:** A higher share of the self-employed in the manufacturing sector has a positive impact on net income. This relationship also appears plausible, as the average income in industrial settings is greater than in most service sub-sectors for the conventionally employed as well (the financial sector representing an exception).

- **Structure of the population with a migrant background:** The share of the highly qualified among the self-employed with a migrant background has a strongly positive influence on average net income. In addition, average net income among the self-employed rises with an increase in the average age, and presumably with accompanying work experience. A higher naturalization rate is also correlated with a higher net income. This relationship could be an indication of potential access barriers for non-naturalized persons with a migrant background. In this regard, it is important to note that the influence is not as strong as the size of the coefficient might suggest, as the naturalization rate shows little variation.

Average length of stay also shows a positive correlation with average net income. However, the question of causality remains open, as with a comparatively low net income, the incentive for return migration is presumably increased for the subset of people born abroad.

Other variables tested were not found to be statistically significant. This was true of the number of employees per firm owned by self-employed entrepreneurs with a migrant background, as well as the average share of men within the self-employed population.

3.4 Conclusions

Through regression analyses, it was shown that for the extent of migrant entrepreneurship¹⁹ (self-employment rate) as well as income among the self-employed, various determinants can be found that have a statistically significant influence on each of the explanatory variables.

For example, the self-employment rate is influenced by economic growth and the industry structure, among other factors. However, with regard to potential areas of action promoting or strengthening migrant entrepreneurship, the influence of the population structure among persons with a migrant background appears significantly more interesting. For instance, the share of highly qualified individuals in the population with a migrant background has a significant influence on this group's self-employment rate. This rate increases by a full 0.75 percentage point if the share of the highly qualified rises by one percentage point. If migrant

¹⁹ A further subdivision of persons with a migrant background on the basis of birth country could offer additional interesting insights here. However, the number of observations is too limited at the federal-state level to achieve reliable results.

entrepreneurship is to be strengthened, it appears in this context that a targeted promotion of education within the population with a migrant background would be useful from a national-policy perspective.

With regard to the determinants of income among the self-employed with a migrant background, it also appears that the performance of the economy and the industry structure have an impact on monthly net income. Because only limited potential areas for action can be derived from these two variables, however, the structure of the population with a migrant background is also of particular importance here. For example, education shows a strongly positive influence, and is thus a possible area for action. In addition, the naturalization rate and the length of stay in Germany also show a positive correlation with income levels among the self-employed. With regard to the naturalization rate, this finding could provide an indication of possible access barriers for start-ups, and thus could also indicate a possible area for action.

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Summary

Migrant Entrepreneurs in Germany from 2005 to 2014. Their Extent, Economic Impact and Influence in Germany's Länder

Whether a founder, owner of a small-to-medium business or self-employed as a freelance professional, people with a migrant background contribute significantly to the diversity and economic strength of Germany's labor market and its mid-ranking businesses (Mittelstand). In 2014, the entrepreneurial activities of people with a migrant background accounted for more than two million people in employment across Germany. Investment in education and needs-based support and advisory services in each of the Länder could increase the contributions made by the self-employed with a migrant background to the economy and societal integration. This is the conclusion reached by the study "Migrant Entrepreneurs in Germany from 2005 to 2014. Their Extent, Economic Impact and Influence in Germany's Länder."

In the first of the study's three parts, the authors draw on microcensus data to take stock of the extent to which individuals with a migrant background have engaged in entrepreneurship from 2005 to 2014 and to examine the economic impact of their activities. Then, in the study's second section, the authors examine which economic and sociodemographic factors influence the extent and economic importance of being self-employed for those with a migrant background in Germany. Finally, in the study's third section, the variety of startup information, advisory and network services on offer in the Länder since 2005 that target people with a migrant background are examined in cross-comparison.

The study's key findings include: In 2014, numbering nearly 16 million, people with a migrant background accounted for some 20 percent of the German population as compared with 18 percent in 2005. During the same period, the percentage of the freelance self-employed among this group has grown by 25 percent, from 567,000 in 2005 to nearly 709,000 by 2014.

Migrant-run businesses driving job creation

The number of jobs created by entrepreneurs with a migrant background grew even more rapidly over the same period. Projections based on the microcensus show that entrepreneurs with a migrant background created at least 1.3 million taxable jobs in Germany in 2014. The number of employed grew by 36 percent from 2005 (950,00) to 2014 (1.3 million). If we factor in the entrepreneurs themselves as well as self-employed working alone and other self-employed individuals with a migrant background, the total number of people in work is two million.

The study also shows that self-employment is an important means of increasing income among migrants and their successor generations. In 2014, the average monthly net income of the self-employed with a migrant background was at €2,167, which is 40 percent more than the average income of the regularly employed (€1,537). With an average of €2,994 per month, migrant entrepreneurs with employees earn almost twice as much.

At the same time, the structure of the migrant economy has changed rapidly. Whereas some 38 percent of the self-employed with a migrant background worked in the retail and hospitality sectors in 2005, this figure shrunk to 28 percent by 2014. A considerably larger share of the self-employed with a migrant background are active in other services and areas, including knowledge-intensive services and the manufacturing industry.

Unacknowledged potential

Comparing the self-employed with a migrant background to those without a migrant background as well as the state of affairs across the Länder, the study shows that considerable potential is waiting to be unleashed. Despite

the considerable growth from 2005 to 2014 in employment contribution attributed to self-employed migrant entrepreneurs, this group still lags behind their cohorts without a migrant background by 1.5 jobs. This is one factor accounting for the fact that entrepreneurs with a migrant background continue to earn, on average, less than those without a migrant background. The level of income achieved by an entrepreneur with a migrant background depends on the size of their business operations.

Education is a key factor influencing the size and success of entrepreneurship overall, but in particular for entrepreneurs with a migrant background. Over time, the share of self-employed among people with a migrant background increases on average by 0.75 percentage points for each percentage point increase in the highly qualified. Whereas 15 percent of people with a migrant background in Germany were highly qualified in 2014, the share of highly qualified among those without a migrant background in Germany was at 22 percent.

New strategies needed in the Bundesländer

There are considerable gaps across the German Länder in terms of migrant-driven job creation and employment. In the cases of Germany's eastern Länder and city states (Berlin, Bremen, Hamburg), the differences in the sheer size of migrant inflows account for these gaps. Nonetheless, there are notable differences among even otherwise comparable Länder. For example, entrepreneurs with a migrant background in North Rhine-Westphalia and Bavaria created some 300,000 jobs in each of these Länder in 2014. Whereas this can be attributed in Bavaria to dynamic growth – entrepreneurs with a migrant background have created more than 110,000 additional jobs since 2005 – the number of jobs created in North Rhine-Westphalia is stagnating. This discrepancy is seen as well in the number of jobs created by the self-employed: Whereas in Bavaria, self-employed individuals (both and without a migrant background) created six jobs per capita on average in 2014, only 4.5 jobs were created by the same group in North Rhine-Westphalia for the same year.

Tailored support needed

Certain gaps in these developments can be explained by differences in economic developments across each German state. Different patterns of educational attainment are

also relevant in explaining these gaps. The study looks beyond these issues to examine another important area, offering an overview of the startup information, advisory and network services on offer for people with a migrant background. These services vary in terms of reach and type, in some areas considerably, across the Länder.

In most of the Länder, the demand for these services exceeds their supply. This is true in particular with regards to personalized professional guidance extending beyond the initial startup period. In addition, advisory services targeting migrants and others looking to start a business are rarely coordinated or matched with each other, which means that existing advisory and capital resources are not put to efficient and proactive use.

In order to unleash the economic and integration potential of migrant entrepreneurs, we need to develop and implement at the Länder level comprehensive strategies that reach across a variety of action areas. These strategies must tap the specific strengths of each existing service on offer, coordinate them and facilitate a network of relevant stakeholders in this area.

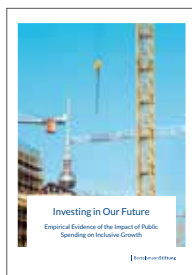
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“Inclusive Growth for Germany” is a publication series from the Bertelsmann Stiftung’s Shaping Sustainable Economies program. The German economy is as strong as ever. But growth in recent years has not been inclusive. Inequalities between people, generations and regions have increased. In order to make the successful social-market-economy model fit for the future, we must rethink the relationship between growth and a socially inclusive society. The series contributes to this important debate by analyzing current developments and offering feasible recommendations for action.

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