

Settore Economia e Lavoro

## **NES (Newcomer Entrepreneurship Support) Project 2020-21**

### **– NOTE ON GAPS, NEEDS AND THE WAY FORWARD –**

February, 2021

#### **1. Premises and purpose**

This note represents a key document provided by Fondazione ISMU (Economy and Labor Division) – Milan as Italian partner in the NES (Newcomer Entrepreneurship Support) Project 2020-21.

From Fondazione ISMU's standpoint, **participating in the NES project is part of a wider strategy aimed at the enhancement of immigrant human resources**. This includes initiatives in fields such as migrants' skills recognition and valorization<sup>1</sup> and diversity management<sup>2</sup>, as well as suggestions for a reform of schemes and procedures regulating the entry of economic migrants<sup>3</sup> and to promote co-development projects<sup>4</sup>. NES aims are perfectly in line with this approach, with which they share the intention to "rejuvenate" the migrant integration model<sup>5</sup>; in this regard, supporting migrant entrepreneurship is a way to improve opportunities for migrants and maximize their economic impact, but also to improve public opinion perception towards them.

**NES (<https://www.ismu.org/progetto-nes-newcomer-entrepreneurship-support/>) is a European program coordinated by MPG (Migration Policy Group) – Brussels and supported by JP Morgan Chase Foundation**, whose purpose is to empower entrepreneurship services (incubators, accelerators and other services) to become more inclusive and effective in supporting migrant owned and run businesses – with a focus on new coming entrepreneurs including refugees (and possibly

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<sup>1</sup> Boerchi D., Di Mauro M. & Sarli A. (2020), *Guidelines for the Identification and Assessment of Migrants' soft skills*, Guide ISMU.

<sup>2</sup> Monaci M. (2012), *Culture nella diversità, cultura della diversità. Una ricognizione nel mondo d'impresa*, "Quaderni ISMU"; Monaci M. & Zanfrini L. (2020), *Una macchina in moto col freno tirato. La valorizzazione dei migranti nelle organizzazioni di lavoro*, Report ISMU (English version will be available); Zanfrini L. & Monaci M. (2021), *Il Diversity Management per le risorse umane immigrate. Booklet per le imprese e le altre organizzazioni di lavoro*, Strumenti ISMU (English version will be available).

<sup>3</sup> Zanfrini L. (2020), *Un salto di qualità nella governance dell'immigrazione e della sua valorizzazione economica*. Discussion Paper prepared for the project "Italia 2030 – Sostenibilità Innovazione Crescita" (Paper ISMU).

<sup>4</sup> Baggio F. (Ed.) (2010), *Brick by Brick. Building Cooperation between the Philippines and Migrants' Associations in Italy and Spain*, Scalabrini Migration Center, Manila.

<sup>5</sup> Zanfrini L. (Ed.) (2015), *The Diversity Value. How to Reinvent the European Approach to Immigration*, McGraw-Hill Education, Maidenhead.

asylum seekers, in those countries where the legal system permits them to start a business, as is the case for Italy) – in four EU Countries (France, Italy, Germany, Sweden and the UK).

Three central points in the development of the project are the following:

- migrant/refugee enterprises being considered are **micro or small businesses**, i.e. either having less than 10 employees (micro businesses) or 10 to 50 employees (small businesses);
- as regards the Italian part of the project, the primary reference context is given by **the metropolitan area of Milan, with attention also paid to neighboring areas** (in Lombardy as well as bordering regions);
- in light of the global **socio-economic impacts of the COVID-19 pandemic**, in its current stage the project is specifically aiming to produce knowledge and define priorities for action with respect to the emerging needs of both migrant entrepreneurs and the service system supporting them.

Accordingly, the present document consists of two parts: 1) **the “state of play”**, referring to impacts of the pandemic on, first, migrant businesses and, second, support organizations and their services; 2) **the “way forward”**, relating to emerging key needs of migrant/refugee enterprises and priority topics for entrepreneurship services to be able to better support them.

The note builds on the following sources: a) suggestions from two focus groups addressing the above-mentioned main topics, which were held in November 2020 by bringing together experts/representatives of support organizations in the Milan metropolitan area and neighboring areas; b) an online survey exploring the impact of COVID-19 crisis on migrant businesses, which was conducted between June and September 2020 and obtained responses from entrepreneurs operating in different sectors (e.g.: food, the craft sector, import/export, information and communication services, culture/entertainment); c) suggestions from the Italian Round Table meeting held in January 2021, with the participation of representatives of incubators/accelerators supporting startup and early stage businesses and of other key informants; d) other materials produced by Fondazione ISMU in the context of NES (e.g.: desk analyses about the presence of non-EU migrants, refugees and foreign-born entrepreneurs in the metropolitan City of Milan); e) Fondazione ISMU’s scientific knowledge and expertise in the field; f) informal contacts with different types of key informants and stakeholders.

## 2. State of play

### 2.1 Impact of COVID-19 on migrant and refugee businesses

The themes and objectives of the NES project must be considered in light of the traits of the Italian model of immigrant integration. By accentuating some weaknesses of the European model<sup>6</sup>, the Italian one is configured as a **“low profile” integration model**, characterized by a very high concentration of foreign workers in manual/low-/no- skilled occupations and low-paid jobs, a massive over-qualification among highly educated migrants (with “brain waste” phenomena), and very scarce

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<sup>6</sup> Zanfrini L. (2019), *The Challenge of Migration in a Janus-Faced Europe*, Palgrave, London.

opportunities for professional mobility<sup>7</sup>. Among the other consequences, this implies the fact the Italy attracts a “weak migration” in terms of immigrants’ human capital, which is frequently unqualified. Finally, even young migrants and migrants’ offspring are dramatically over-represented among early school leavers as well as among young people Neither in Employment nor in Education and Training (NEET).

**The participation of foreigners in self-employed and entrepreneurial work reflects this scenario.** On one hand, migrants are under-represented among self-employed workers compared to Italians, and in any case they are concentrated in individual firms with lower value added. On the other hand, they perceive self-employment as one of the few opportunities available for work mobility and income progression, even if this often implies a business strategy based on cost containment and self-exploitation. Finally, especially as regards first-generation migrants, starting a business often remains a form of self-employment that is necessary (push-based) to have a decent job, rather than deliberate (pull-based) to pursue growth in the market.

Secondly, several challenges faced by migrant startups actually overlap with those addressed by Italian micro and small enterprises as such. In fact, **potential migrant entrepreneurs have to deal with an environment that is not migrant-friendly and, at the same time, not business-friendly.** A paradigmatic example refers to legal barriers to entry and a huge amount of bureaucratic steps to start a business. In addition, job creation initiatives reflect labor market ethnicization, by which migrants concentrate in sectors with low value-added activities, sometimes generating phenomena of saturation or internal competition in the world of immigration.

With this in mind, according to expert practitioners in the support system involved so far, the main and global impact of the COVID-19 crisis consists in **having accentuated a set of criticalities and gaps already present** in the start-up phase and early-stage development of migrant businesses, and quite specific to the Italian case compared to other EU Countries.

- **The rigidity and inherent technical complexities of the bureaucratic system** for accessing business activities. This factor, generally discouraging even for Italians (and with a not infrequent inconsistency between entry requirements and downstream control levels), can take on further relevance in the current period as regards migrant entrepreneurs’ access to aid and resources made available through public emergency measures.
- **The linguistic and communication barrier.** Poor knowledge of Italian still represents a central problem for migrant entrepreneurs or potential ones, also mirroring the traits of a “low-profile” model of integration. Aside from other consequences (management of business relations, etc.), this intermingles with the “bureaucratic problem” by hindering the understanding and interpretation of information and formal requirements, so exacerbating the technical difficulties entailed by the latter. On the other side, the linguistic barrier is also related to a not so high familiarity with vehicular languages – such as English or French – among key interlocutors for foreign entrepreneurs, in particular (but not exclusively) in the public administrative sphere.
- **Difficulties in accessing finance and achieving bankability.** Migrants – and even more so asylum seekers, refugees, and migrant women – experience a structural problem with accessing sources of funding for their businesses, which is a condition that gets further complicated in the

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<sup>7</sup> On these aspects, see the chapter dedicated to work that is regularly presented in the annual *ISMU Report on Migration* (also available in English).

COVID-19 scenario. This applies to credit facilities designed for residents in Italy and primarily to bank credit, and it is due to the lack of credit history, difficulties in meeting the foreseen requirements of guarantee schemes for obtaining loans and the high bankruptcy rate of migrants' enterprises. As regards the financial domain, two further critical points are frequently added to the previous one. The first lies in the scarcity of resources in the initial and early development stages, which can be mainly due to the erosion of family assets in the migratory path as well as a subsequent regular process of money draining to support families in the country of origin; a situation, the latter, which evidently reflects and – at the same time – nurtures mechanisms of business creation and management that do not have growth in the market as their main purpose. Secondly, a clear need for financial education can be identified: this relates to scant competence or even literacy in financial matters regarding several areas (e.g.: accounting, tax and marketing), with respect to which a lack of familiarity or the resulting need to resort to external professionals can variously but easily reduce financial resources available to migrant entrepreneurs.

- **The imbalance of participation in informal vs formal/institutional networks.** In the everyday functioning of migrant micro and small enterprises a very significant role is often played by the informal dimension, typically by participation in relational networks developed within specific reference groups and communities. This may have ambivalent, if not mainly negative, effects to the extent that participation in such networks, while offering social capital resources (mutual trust and knowledge in the community, etc.), hinders businesses' development capacity. In particular, this happens when informal networks have key linking-pin members who largely mediate cultural and operational relationships of participants with the outside business and wider environment, thus limiting, in fact, the possibility for entrepreneurs involved to develop their own learning and autonomy paths; this, in terms of language and professional skills, knowledge of the legal/fiscal system and bureaucratic constraints, and access to credit as well (since, for instance, the informal sources and community forms of funding not infrequently adopted within these circuits do not fulfill bankability criteria when turning to the formal credit system). While they are good at using informal networks, foreign entrepreneurs are included and participate to a much lesser extent in formal and institutional networks composed of multiple stakeholders (business and trade associations, public entities, etc.) in the wider socio-economic reality where they operate. In this sense, being deeply – if not almost exclusively – embedded in one's own restricted reference community can make these entrepreneurs "hidden" from synergies and opportunities unfolding in the context of institutional networks, for example, in terms of projects, support initiatives and resources for innovation with respect to which migrant entrepreneurs may feel like "natural" and uninvolved outsiders or simply have no information. All this, considered as both a gap and a priority to pursue by favoring increased presence or emersion of migrant businesses within institutional circuits, becomes even more significant in the face of additional difficulties and challenges for enterprises engendered by the COVID-19 outbreak.
- **The contamination with the area of informal and underground economy,** especially in self-employment sectors where migrant entrepreneurs are concentrated. Among other things, this is preventing many informal migrant business activities from benefiting from public emergency measures, to the point that – according to several experts involved – a substantial part of them would be doomed not to survive the crisis. This is equivalent to saying that the pandemic period will likely be a sort of watershed, that is, an element capable of selecting enterprises on the basis of their ability to get out of marginality and operate in a completely legal manner.

According to the experience of practitioners involved, there are several other general impacts of the COVID-19 crisis that, in their affecting Italian micro and small businesses as a whole, surely have relevant repercussions for those run by migrants. Among them, **the decline in the levels of trust in business relations**, which can amplify the afore-mentioned “relational issue” in the daily management of migrant enterprises; and **the specific consequences for female entrepreneurs**, i.e. a group increasingly addressed by support projects and services in the pre-COVID-19 phase that in the current situation has to cope with relevant challenges in work/life balance. Furthermore, if it is true that in the current market scenario the drive to rethink business models and operations is increasingly resulting in investments – or, at least, an interest – in **digitalization, this process appears to be weaker among migrant enterprises**, only few of which are created and develop by incorporating a digital component (for reasons related to sector, market objectives, starting resources and skills, etc.). At the same time, some possible exceptions can be identified that may operate as forerunners in the field of small business digitalization in the Italian enterprise system.

At the moment, it is quite difficult to accurately evaluate the effects of the Coronavirus pandemic – and all the more its medium-long term implications – on migrant businesses, also due to the scarcity of monitoring data about this part of a scenario that is constantly evolving, and aside from general background information (e.g.: the Unioncamere Survey that, in the summer of 2020, reported a growth in the number of new migrant businesses in Italy but with an increase rate dropping by approximately 40% compared to the previous year). According to practitioners involved, many migrant businesses have not closed in the current dramatic scenario. Key findings stemming from the “situated” survey conducted by Fondazione ISMU are as follows:

- The COVID-19 outbreak has clearly affected migrant businesses’ operations, also determining for most of the owners (almost 90%) a more or less substantial reduction in personal income. **About 85% of the surveyed entrepreneurs had to suspend their activities during the most acute phases of the pandemic.** The issues of greatest concern to them were both contingent, such as difficulty in bearing rental costs, and of a medium-long term nature, such as a decline in the number of clients.
- Despite having already gained some benefit from government emergency support, migrant entrepreneurs express **the need for further support**, particularly from a financial point of view, to deal with an unprecedented crisis situation.
- Regarding prospects for the future, in general, survey respondents (none of whom had to go out of business) express **a certain confidence level in their ability to recover** in the coming months.

## **2.2. Impact of COVID-19 on support services**

In a similar way to what observed for foreign entrepreneurs, even in the case of support organizations the pandemic impact, first of all, seems to have made a set of challenges that were already present more salient and pressing. This especially regards the following points.

- Coping with **short-term duration of funded projects**. Services provided by support entities in the area of migrant entrepreneurship often develop within the context of specific (publicly funded or co-financed) programs, which, mainly in a social impact perspective, are implemented within a limited time frame (1-2 years) to empower users’ business ideas and projects and/or support

their startups. This may easily create a gap in service action and effectiveness, by which – with the words of one expert involved – «the person is orphaned as soon as the project ends». In particular, to (aspiring) entrepreneurs the risk is that they are “abandoned” after receiving guidance and/or training and exactly before one or both of two crucial moments: a) accessing credit; b) actually entering the market, with the need to carve out one’s space and gain visibility. The possible discontinuity between results obtained downstream of support projects and migrant entrepreneurs’ follow-up experience and needs may have even more important consequences in precarious and uncertain conditions such as those triggered by the COVID-19 crisis.

- Addressing **the need to achieve better integration between different services**. Taken as a whole, services delivered and initiatives promoted by the support system cover a wide array of interventions; these range from awareness-rising and information to regulatory advice, from basic training (e.g.: language and cultural skills) to specific business training, from targeted support (e.g.: for female or refugee entrepreneurs) to access to finance. Support organizations often focus their efforts and expertise on one or some of such domains; more rarely they are structured to carry out activities in the most part of those areas, for instance – in action addressed to aspiring migrant entrepreneurs – by offering an integrated sequence of interventions involving the following steps: orientation and counseling, training, business plan accompaniment, access to credit, mentoring in both the start-up and post-creation stages. This distribution, if not precisely fragmentation, of specific or even “specialized” services frequently represents a sort of barrier for them to effectively operate as a system, posing the need of greater or further complementarity, mutual interlocking and coordination between support organizations, starting from shared knowledge and recognition of operators and services existing in the territory. In practical terms, this is about establishing and ensuring a more systematic and virtuous “relay” process between one service and another; this, also as a good practice that appears to be all the more necessary in tough times such as those present.
- Targeting at a service offer that draws on **“sound” business models and practices**, while at the same time being flexibly focused on **individual entrepreneurs’ needs and paths**. In terms of the contents of services provided and activities (e.g.: in counseling, training and coaching), what proves particularly challenging for support organizations is adopting two approaches simultaneously: a) to provide entrepreneurs with perspectives, opportunities and enabling skills that are in line with sound – or even advanced – business models, techniques and successful practices (e.g.: paying great attention to the business plan as a fundamental tool for managing not only large firms but also small businesses; considering, in access to finance, the different implications of debt and venture capital for future business development); b) to be constantly open and sensitive to users’ particular needs – including “basic” needs – and evolving conditions in the process, so as to seek support and accompaniment solutions that are as personalized as possible. Significantly, the difficult balance between these two stances may gain further importance in the current crisis situation, where, for instance, knowing how to make adjustments consistent with a “business continuity plan” to navigate (post-)traumatic situations or – on the other hand – getting tips that curb “excesses of enthusiasm” and help avoiding false steps can both be vital.

In addition, on average the pandemic-related crisis had a strong impact on the organization and delivery of services by stimulating **a significant increase in the use of digital tools**. With particular reference to training, this has often led to redesigning services and process phases by the incorporation

of online applications and resources into them, therefore also with consequences in terms of adjustment and change abilities required of users to effectively take advantage of activities performed in the digital mode. More generally, according to some practitioners involved, at this very moment actors in the support system are called to **a sort of cultural commitment** in order not to accommodate a more or less explicitly emerging risk in the present socio-economic context and climate; that is, the possible diffusion of an aid-based approach or **“welfarism culture”**, which, as a perverse effect of necessary public emergency measures, may be detrimental to those dimensions of proactivity that are key in entrepreneurship and in the experience of migrant entrepreneurs themselves.

### 3. Way forward

#### 3.1 Current key needs of migrant and refugee businesses

Based on the picture depicted above, the central needs of migrant and refugee firms to be specifically addressed now and in the near future can be summarized as follows. The proposed prioritization is therefore to be understood in the awareness of the relevance of each of these needs and gaps.

- 1) **Access to finance and credit facilities**, as a problem already pressing and well-known in the pre-pandemic scenario, which now tends to be accentuated.
- 2) **Increase in the degree of digitalization**, both as a vehicle for interacting with support services and as a crucial (or inevitable) management tool in a “new normal” situation and so in the medium-long term.
- 3) **Improvement of linguistic skills and competences in regulatory/bureaucratic procedures** necessary for accessing and doing business, also considering that today both abilities represent a basic resource for being able to benefit from public emergency support.
- 4) **Access to expert advice and suggestions**, ranging from tips on if/how entering the market to technical knowledge, also to enhance business resilience in the present period.
- 5) **Increase in participation in formal/institutional networks**, given that – and, again, with special attention paid to current uncertainties – stronger and more active inclusion in them may provide migrant entrepreneurs with access to resources (information, finance, relationships with mainstream stakeholders) and opportunities (e.g.: knowledge of, and involvement in, dedicated initiatives) that can be essential for business survival or development.

#### 3.2 Current challenges for the support system: key services and drivers

Accordingly, in order to address – and effectively respond to – these key needs and gaps, support organizations as a system should especially focus on the following service and activity priorities (with respect to which the previous caveat applies).

- 1) **Support for financial inclusion**, referring to both access to credit (e.g.: by microcredit and microfinance tools, which already are the “core business” of several support organizations) and financial education.
- 2) **Targeted training, accompaniment and coaching in the development of digital skills and business digitalization.**

- 3) **Constant and reinforced supervision** (in training as well as in awareness-rising and advice services) **of matters** related to **linguistic skills** and **familiarity with the national regulatory and bureaucratic framework** regarding business creation and operations.
- 4) **Further flexibility and openness in combining “content-centered” approaches** (developing migrants’ mastery of central professional skills and knowledge, with outcomes that are well defined) **and “tailor-made” approaches** (favoring personalized paths of learning and to practice by working on individual specific needs, conditions and experience; and curbing enthusiasm, if necessary).
- 5) **Networking support** especially targeted at migrant entrepreneurs that are highly embedded in informal communities, so as to reduce their distance and emotional detachment from opportunities created and made available within institutional networks (shared resources, initiatives for business development etc.).

Moreover, the following drivers can be suggested as crucial points of passage to facilitate the response of support organizations to these challenges and, in general, strengthen their present and future overall action towards inclusion of migrant and refugee entrepreneurs.

- **Increasing integration and mutual coordination between the various operators involved**, starting from the realization of more systematic **relay processes** between different but interdependent services and activities.
- **Further strengthening network collaboration between service organizations** in order to most effectively manage **follow-up phases** in temporary support actions (e.g.: short-term projects and initiatives).
- **Favoring the institutionalization of networks and informal collaborations between various types of support organizations**, through the identification of an entity (e.g.: Fondazione ISMU) that can act as a **“linking pin” and a catalyst** for training and capacity building initiatives.
- **Favoring the creation or the on-going construction of multi-stakeholder ecosystems**, particularly at the level of metropolitan areas (conceived as privileged contexts for the inclusion of migrants) and with a relevant role of the public actor and the active involvement of migrant associations; i.e. “intentional communities” in which innovation can arise in a collective system based on both competition and synergy, also with significant implications for the possibilities of achieving post-pandemic recovery.
- **Promoting cultural sensitization and “education” activities addressed to main stakeholders in migrant entrepreneurs’ business environment** (credit institutions and financial companies, trade and professional associations, etc.); this, firstly by conveying the key message that, all the more in times of crisis, inclusion means valorizing people's human capital.
- **Strengthening direct interaction with political decision-makers**, to further foster their awareness and contribution as regards challenges currently addressed by the support system. More broadly speaking, also considering that a phase is probably opening up in which Italy will be able to count on a considerable amount of resources devoted to socio-economic recovery, this suggests a need for including the “discourse” on immigrant entrepreneurship in an overall **country-level strategy**, rather than conceiving it – like, mainly, in the past – as a separate piece.