



# STARTING OVER: MIGRANT ENTREPRENEURSHIP IN SCOTLAND



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Experts in Business

# ACKNOWLEDGEMENTS

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# WHO WE ARE

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The Federation of Small Businesses (FSB) is Scotland and the UK's leading business organisation. Established 45 years ago to help our members succeed in business, we are a non-profit making and non-party political organisation led by our members, for our members. Our mission is to help smaller businesses achieve their ambitions. As experts in business, we offer our members a wide range of vital business services including advice, financial expertise, support and a powerful voice in government.

FSB is Scotland and the UK's leading business campaigner, focused on delivering change which supports smaller businesses to grow and succeed. Our lobbying efforts are led by the work of our team in Glasgow and supported by a network of staff and members across Scotland. Further to this, our expert teams in Westminster, Cardiff and Belfast work with governments, elected members and decision-makers across the UK.

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# KEY TERMS

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**This report includes a number of academic phrases. To make the report easier to understand, the following definitions are provided:**

**Migrant entrepreneurs** refers to people that have come to Scotland, or moved within Scotland, to start or run a business. This report uses the following specific classifications from the Global Entrepreneurship Monitor:

- **Scottish non-migrants:** Scottish-born adults that have stayed in the same region they were born in all their life. In this report, they are also referred to as native Scots or native businesses
- **Scottish regional in-migrants:** Scottish-born adults that have lived elsewhere in another region in Scotland or the wider UK. Occasionally, they will be referred to as in-migrants
- **RUK in-migrants:** persons born elsewhere in the UK that now live in Scotland
- **Scottish returned emigrants:** Scots-born adults that have lived overseas but have returned and now live in Scotland
- **Overseas immigrants:** non UK-born adults living in Scotland. In this report, they are often referred to as immigrant entrepreneurs

**Immigrant-led** is a term used throughout the report and refers to businesses led by non UK-born adults.

**Global Entrepreneurship Monitor (GEM)** is the world's foremost study of entrepreneurship.

**Small Business Survey (SBS)** is a UK-wide large-scale survey of businesses commissioned by the Department for Business, Energy and Industrial Strategy (BEIS).

**Wealth and Assets Survey (WAS)** is conducted by the Office for National Statistics (ONS) which measures the well-being of households and individuals in terms of their assets, savings and debt and planning for retirement.

**Small and medium-sized enterprises (SMEs)** is a category that includes businesses which employ fewer than 250 people.

# EXECUTIVE SUMMARY

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Over the last couple of years immigration has been the subject of much scrutiny and public discourse in the UK. However, this debate has largely focused on UK-wide immigration issues, neglecting other dimensions such as the economic, social and cultural contributions of migrant entrepreneurship.

This report, commissioned by the Federation of Small Businesses in Scotland, draws on the analysis of statistical data from the Global Entrepreneurship Monitor (GEM), the Small Business Survey (SBS) and the Wealth and Assets Survey (WAS), published research, and over 40 interviews with migrant entrepreneurs and key informants to articulate the substantive contributions migrant entrepreneurship makes to Scotland. The report also advances recommendations as to how such contributions could be enhanced further.

This report finds that entrepreneurs who have moved to Scotland from elsewhere in the UK, Europe or the rest of the world have a positive and tangible impact on economies and communities across the country. The economic contribution they make to the Scottish economy is vast.



**Immigrant-led SMEs generate £13bn for the Scottish economy**

Immigrant-led SMEs, to highlight one group, generate £13 billion in revenues and 107,000 jobs for the Scottish economy.

By being significantly more likely to have post-graduate qualifications and family business experience, they are more likely to identify business opportunities and start new promising ventures in Scotland. This is true of all migrant entrepreneurs whether they have migrated from England, Estonia or Ethiopia; or located in Scotland's largest cities or remotest settlements.

The overall picture that emerges from this research is that migration – including overseas immigrants, RUK in-migrants and Scottish returnee emigrants – is associated with skilled, ambitious individuals who are more entrepreneurial than native Scots.

Nevertheless, despite having higher growth expectations and export ambitions, immigrant-led ventures struggle in particular to turn their ambitious intentions into successful and established businesses. They experience erratic growth, low export activity and no performance advantage. Given the size of the prize on offer, supporting these entrepreneurs to overcome these barriers to growth should be a key priority for the Scottish Government, its enterprise agencies and local government.



**Scotland has the highest level of university-educated migrants in the European Union**

The impact of migrant entrepreneurs extends far beyond economics, however. By offering different products and services to consumers in Scotland, they act as a bridge between their home and host cultures. By enabling interactions between people from different cultures and different countries, they enhance integration efforts and cultural understanding and make Scotland a more attractive place to visit, start a business, study and work. This is true of the African couple running a care home, a Romanian food entrepreneur, an English-French duo running an award-winning hotel, a Chinese tech entrepreneur and many, many more.



# KEY FINDINGS

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## 1. The scale of migrant enterprise in Scotland



### One in ten SMEs in Scotland is immigrant-led

- One in ten SMEs in Scotland is immigrant-led with at least one partner or director having been born outwith the UK.
- In 2017, there were about 310,000 self-employed persons in Scotland with about 28,000 of these being self-employed overseas immigrants (9%). Almost half of these immigrant entrepreneurs (44%) are located in Scotland's three largest cities of Glasgow, Edinburgh and Aberdeen.
- Around 220,000 people were trying to start a business or running a new business in Scotland in 2017. This comprised of about:
  - 118,000 (53%) Scottish non-migrants (Scottish-born adults that have stayed in the same region they were born in all their life);
  - 32,198 (14%) Scottish regional in-migrants (Scottish-born adults that have lived elsewhere in another region in Scotland or the wider UK);
  - 37,339 (17%) RUK in-migrants (persons born elsewhere in the UK that now live in Scotland);
  - 17,567 (8%) Scottish returnee emigrants (Scottish-born adults that have lived overseas but have returned and now live in Scotland);
  - 18,416 (8%) overseas immigrants (non UK-born adults living in Scotland).

## 2. Relatively greater entrepreneurial capacity

- Migrant entrepreneurs in Scotland are significantly more likely to have post-graduate qualifications, family business experience, export ambitions and higher growth expectations, including job creation. For example, one in two immigrant-led start-ups (49%) expect to employ at least five people in five years' time, compared to one third of start-ups in Scotland.
- Immigrants are also able to import unique knowledge and business models into Scotland as well as employ more subtle intrinsic abilities, including foreign languages, cultural knowledge, and international networks, in their entrepreneurial pursuits in Scotland.
- Overseas immigrants and Scottish returnee emigrants are nearly twice as likely to be actively trying to start a business or run their own business, compared with Scottish non-migrants. This is also the case for Scottish and RUK in-migrants who are 24% and 67% more likely to be involved in early-stage entrepreneurial activity.
- Compared to the rest of the UK, immigrant entrepreneurs in Scotland are less likely to engage in necessity-driven entrepreneurship, owing to low levels of immigrant unemployment and high levels of education amongst immigrants.
- Overall, migration is associated with skilled, ambitious individuals who are more likely to spot business opportunities and start new promising ventures.
- However, immigrant-led ventures are found to experience erratic growth, low export activity and no performance advantage, demonstrating that their economic potential is not being fully maximised.

# KEY FINDINGS

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## 3. Economic contribution

- Despite the unrealised potential, immigrant-led SMEs in Scotland are estimated to have generated about £13 billion in revenues in 2017.
- Similarly, immigrant-led employer SMEs are estimated to have provided 107,000 jobs to employees in Scotland. However, while they also employ native Scots, this research has found that there is a preference for employing people from their country of origin and other migrants due to the convenience of mutual cultural understanding with fellow migrants.

## 4. Influences on the local economy

- Immigrant-led ventures are more likely to have strong ties with the local business community and their supply chain. Immigrant entrepreneurs also appear to be very well embedded within fellow migrant networks. However, despite a clear need for support with industry networks, growth advice and access to finance, they are unaware of, or reluctant to engage with, the mainstream enterprise support ecosystem in Scotland.
- Immigrant-led ventures can contribute to the revitalisation of struggling urban spaces and take great pride in their contributions.
- Higher migrant enterprise in localities is found to be associated with increases in entrepreneurial activity by native Scots in such localities.
- Immigrants in rural areas in Scotland are more entrepreneurial than their local counterparts, and as such, contribute to revitalised economic activity in such areas. By providing employment they can often help make public services viable (e.g. schools).

## 5. Immigrant entrepreneurs' countries of birth

- Census statistics show that Scotland is home to entrepreneurs from across the world. Around 70% of immigrant self-employed persons come from two regional blocks: Middle East and Asia (32%) and EU countries (38%). Significant numbers also come from Africa (12%), the Americas, the Caribbean and others (10%) and the Republic of Ireland (5%).



**Immigrant-led SMEs provide 107,000 jobs in Scotland**

- EU-26 immigrant entrepreneurs comprise of two main groups: EU-16 (20%) which includes EU member countries in March 2001 such as Ireland, Germany and France; and EU-10 (17%) which includes countries such as Poland, Hungary and Romania.<sup>a</sup>

## 6. Household wealth

- Household wealth is distributed differently between Scots-born, RUK in-migrant and immigrant entrepreneurial households. This is broken down as follows:
  - RUK in-migrant entrepreneurial households are the wealthiest in Scotland – the typical household has an estimated wealth of over £510,000.
  - Scots-born entrepreneurial households command a lower level of wealth – the typical household has an estimated wealth at almost £340,000.
  - Household wealth levels of typical immigrant entrepreneurial households, non-entrepreneurial immigrants and Scots-born non-entrepreneurial households are not significantly different and range around £150,000.

<sup>a</sup> EU-16 countries in full: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, Malta and Cyprus. EU-10 countries in full: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Bulgaria and Romania. Note that Croatia joined the EU in 2013 so immigrants from Croatia were non-EU at the 2011 census.

# KEY FINDINGS

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## 7. Cultural contribution

- In communities across Scotland, migrant entrepreneurs act as a bridge between their home and host cultures. Interactions between these entrepreneurs, Scots-born employees and customers enable greater integration and mutual cultural understanding in wider society.
- By offering different products and services to consumers in Scotland, immigrant entrepreneurs contribute to the diversity of cultural experiences that can be enjoyed in Scotland.
- Much of migrant enterprise appears to be underpinned by diverse business ideals and perspectives that have been incorporated into their business models in Scotland from their home countries.





# RECOMMENDATIONS

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In light of the above findings, this study puts forward the following four key recommendations:

## 1. Celebrate the contribution of migrant entrepreneurship

The discussion on migration in the UK is dominated by perceptions of the negative impacts that migrants, especially low-skilled versus high-skilled workers, are purported to have on local economies. This is not the case in Scotland. The evidence suggests that, within the UK, the country appears to be unique in the types of immigrants it attracts – due in part to the fact that Scotland has the highest level of university-educated migrants in the EU.



**Scotland has the highest level of university-educated migrants in the European Union**

This report details the various economic, social and cultural contributions that migrant entrepreneurs, a rather neglected category of migrants, make to local communities across Scotland. It is recommended, therefore, that the “Scotland is Now” campaign focuses on the positive story of migrant entrepreneurs, especially given the uncertainties surrounding Brexit. We should be careful, however, to simultaneously highlight steps being taken to advance greater support to immigrant enterprise towards attracting it, integrating it, and realising its full potential.

## 2. Integrate immigrant enterprise networks with public and private business support programmes

This report finds that while immigrant enterprise has lots of potential, it faces unique challenges that limit its realisation – ambitious start-ups do not end in established businesses, and aspired growth does not materialise. While, as this report observes, immigrant

entrepreneurs engage with networks of fellow migrants and ethnic minorities, these networks are themselves not well integrated with the publicly funded support available in the Scottish entrepreneurial ecosystem. Further, immigrant entrepreneurs are also found to be unaware of the available enterprise support, or reluctant to engage with it, due to misgivings based on negative past experiences or unfortunate misperceptions. Thus, the early-stage entrepreneurial vibrancy does not end in established businesses and export potential is not optimised.

This report, therefore, echoes recent calls for all sections of the Scottish entrepreneurial and small business support ecosystem, including public agencies, trade associations and other private-sector networks, to be more proactive in reaching out and inviting immigrant entrepreneurs into their circles.<sup>25</sup>

## 3. Empower councils to attract “inward entrepreneurship” and support migrant entrepreneurs

This report finds that migrant entrepreneurship has a variety of tangible economic, social and cultural contributions that are crucial to localities. We also find that migrants in more remote council areas are more likely to be entrepreneurial.

There is an opportunity, therefore, for councils to be more proactive, through their local Business Gateways perhaps, in attracting and supporting “inward entrepreneurship” by in-migrants, immigrants and returnee emigrants into the different council areas based on their local needs and endowments. Argyll and Bute Council, for example, has integrated entrepreneurship skills into its Syrian Refugee Resettlement Programme, which has led to several business start-ups. As such, there may be merit in the Scottish Government providing additional funding to enable local authorities to provide a bespoke support service for migrant entrepreneurs.

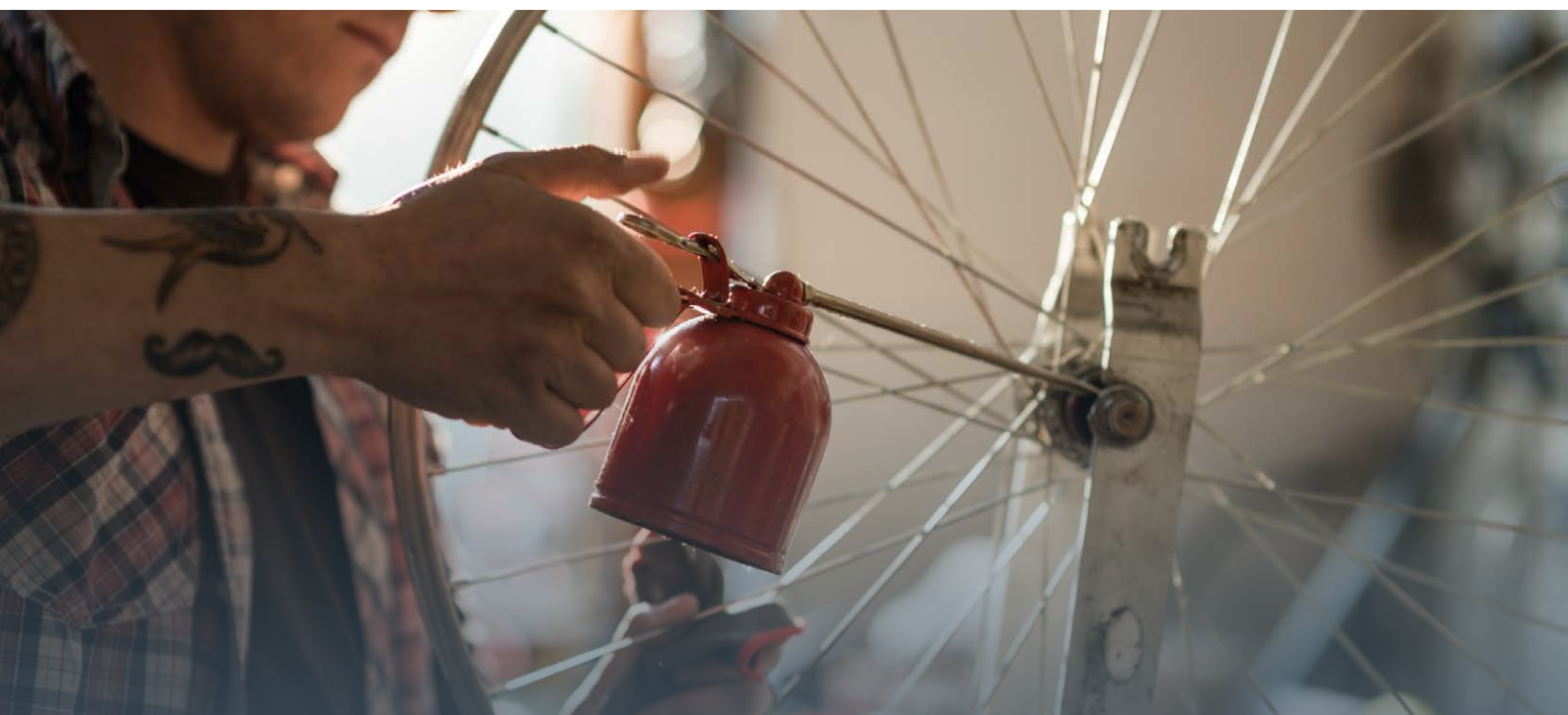
## RECOMMENDATIONS

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### 4. Recognise and support the entrepreneurial efforts of RUK in-migrants and returnee Scots emigrants

This report submits that it is migration and not merely immigration that is associated with greater entrepreneurial activity. For policy purposes, therefore, migrant entrepreneurs should include in-migrants within Scotland and RUK migrants, as well as Scottish returnee emigrants.

As uncertainty regarding the shape of immigration policy in the near future lingers, without neglecting immigrant enterprise, it should be of interest to policymakers in Scotland to recognise in-migrants and returnee emigrants as a ready source of entrepreneurial activity that ought to be harnessed and supported fully to uphold entrepreneurial activity during this period. For example, Scottish Development International (SDI) could develop programmes targeting (potential) returnee Scots based overseas in addition to the potential inward investment programmes they presently run.



# Introduction

# INTRODUCTION

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While much of the public and political discourse on immigration focuses on migrant workers and their impact on the labour market, international<sup>1,2</sup> and UK<sup>3-5</sup> studies have demonstrated that compared to the native population, migrants are actually more likely to start a business in their host country. Through such entrepreneurial activity, migrants make important and dynamic contributions to economic and societal development in their host localities and countries.

Such contributions include:

- Creating new products and businesses;
- Generating jobs for fellow migrants as well as native workers;
- Regenerating declining sectors and places;
- Developing new import and export opportunities and trade links;
- Integrating minorities and migrants into the labour force and local communities;
- Contributing to culture.<sup>1,2,6</sup>

So far, the debate on migrant entrepreneurship amongst key stakeholder bodies has focused on dynamics at the UK national level.<sup>3,8</sup> Yet sub-national and indeed local contexts are uniquely associated with migrants' entrepreneurial activity and outcomes. Migrant enterprise in London<sup>9</sup> has, for example, been found to be a special case not borne out elsewhere in the UK.<sup>10</sup> In any case, given the context of devolved governance in Scotland, a more accurate appreciation of migrant enterprise would require evaluations of the same to be carried out within Scotland.

Indeed, the 2011 population census found that 8% of all adults (aged 16 and above) in Scotland were born outwith the UK. Of these immigrants, 8% identified as self-employed. In contrast, 7% of all adults in Scotland

are self-employed. Out of an estimated population of around 4.5 million adults in 2017,<sup>11</sup> thus, around 360,000 can be said to be overseas immigrants with around 28,000 of these immigrant adults being self-employed.

Of these immigrant entrepreneurs, around 70% are from two regional blocks: Middle East and Asia (32%) and EU countries (20% EU-16; 17% EU-10). In total, all self-employed immigrants constitute 9% of all self-employed people in Scotland. Given that the share of immigrants in the general population is 8%, immigrants are slightly over-represented in the sub-population of the self-employed which comprises around 310,000 people. This suggests that immigrants are generally slightly more entrepreneurial.

Against this backdrop, this report highlights the contributions that migration and entrepreneurship makes to the Scottish economy and local communities. The findings are based on an analysis of three statistical databases including the Global Entrepreneurship Monitor (GEM)<sup>b</sup>, the Small Business Survey (SBS)<sup>c</sup>, and the Wealth and Assets Survey (WAS)<sup>d</sup>, and over 40 interviews with migrant entrepreneurs and key stakeholders in government and third sector organisations.

Below, we discuss in detail the contributions migrant entrepreneurs make to Scotland grouped in four related themes:

- 1. Greater entrepreneurial capacity, start-up activity and growth potential;**
- 2. Substantive contributions to the economy;**
- 3. Contributions to household wealth and income;**
- 4. Enhancing diversity in the economy and in society.**

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<sup>b</sup> To enhance sample sizes for migrants, we employ a data set that pulls together the GEM annual survey data for 2013 to 2017. <sup>c</sup> As the new Longitudinal Small Business Survey does not collect data on the respondent SME Owner-Manager's Country of Birth, we employ the last SBS survey data from 2014. <sup>d</sup> Although the Wealth and Assets Survey has released up to Wave 5 of the data, this present study is only able to employ Wave 3 of this data to identify migrant households.



# Part 1:

# The fruits of migration and entrepreneurship in Scotland

# PART 1: THE FRUITS OF MIGRATION AND ENTREPRENEURSHIP IN SCOTLAND

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## Greater entrepreneurial capacity, start-up activity and growth potential

The GEM survey collects data from a sample of the adult working-age population (those aged 18–64 years). In this section, we discuss three types of entrepreneurial activity rates identified by the GEM survey:

- Nascent Entrepreneurship rate: the percentage of persons in the adult working-age population who are in the process of starting a business.
- New Business Owner-Manager rate: the percentage of people in the adult working-age population that own a business that has had normal business transactions (sales, salaries, etc) for more than three months but less than 42 months.
- Total Early-stage Entrepreneurial Activity: the two above combined, i.e. actively trying to start their own business or running their own business that is less than 3½ years old.

Moving from one location to another can be an unsettling experience with new ways of doing things. As Table 1 shows, the GEM survey outlines five categories of migration within the adult working-age population in Scotland as follows:

- Scottish non-migrants: Scottish-born adults that have stayed in the same “region” they were born in all their life (64%)
- Scottish regional in-migrants: Scottish-born adults that have lived elsewhere in another region in Scotland or the wider UK (14%)
- RUK in-migrants: persons born elsewhere in the UK that now live in Scotland (12%)

- Overseas immigrants: non UK-born adults living in Scotland (6%)
- Scottish returned emigrants: Scots-born adults that have lived overseas but have returned and now live in Scotland (5%)

The above statistics suggest that around 36% of working-age adults in Scotland have migrated either within Scotland, elsewhere in the UK or internationally; around 1,230,000 people. Such migrants have to adjust to their new environment, and in comparing their past experience to their current experience, they may spot opportunities for value creation that non-migrants would never see. Accordingly, as Table 1 shows, it is not surprising that entrepreneurial activity is higher among all migrant groups than Scottish non-migrants.

Combining the GEM estimates in Table 1 and the population estimates for 2017 from National Records of Scotland (NRS), we approximate that there were over 220,000 individuals in Scotland trying to start a business or running a new business in 2017. This comprised about 118,000 Scottish non-migrants, 32,198 Scottish regional in-migrants, 37,339 RUK in-migrants, 17,567 Scottish returnee emigrants and 18,416 overseas immigrants.

Given their share in the population, Scottish returnee emigrants and overseas immigrants are nearly twice as likely to be actively trying to start a business or running their own start-up business compared to Scottish non-migrants. Scottish and RUK regional in-migrants are also seemingly 24% and 67% more likely to engage in such early-stage entrepreneurial activity respectively.

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<sup>e</sup> Please note that the rate of self-employment discussed in the introduction will not exactly match the rate of entrepreneurship as defined by the GEM survey – GEM focuses mainly on pre-start and start-up activity while many self-employed persons may be running long-established businesses. Further, many owner-managers or directors of established businesses that may be captured in the Small Business Survey and the Wealth Assets Survey, for example, may identify as employees in such businesses. Thus, self-employment, early-stage entrepreneurship and owner-manager rates only capture some dimensions of entrepreneurship and do not therefore represent the true rate of aggregate entrepreneurship. <sup>f</sup> The survey does not use any administrative geographical definition of a region. It captures the respondent’s notion of region. Thus, while it is expected to capture an area greater than the respondent’s immediate locality, the notion of region may vary from a council area, shire area, to a wider geography (e.g. The West of Scotland, North East, etc).

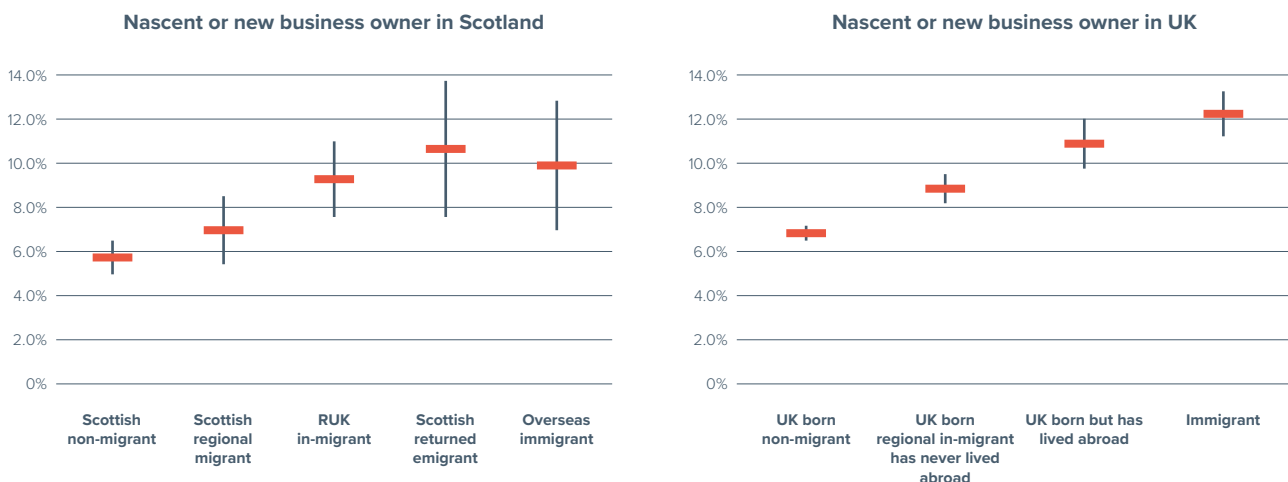
# PART 1: THE FRUITS OF MIGRATION AND ENTREPRENEURSHIP IN SCOTLAND

**Table 1** Profile of Scottish working age GEM sample by migrant status

	Scottish non-migrant	Scottish regional in-migrant	RUK in-migrant	Scottish returned emigrant	Overseas immigrant	All
% of total sample	63.6% (5,026)	14.0% (1,106)	12.0% (948)	4.9% (387)	5.5% (435)	100.0%
Nascent entrepreneurship rate	2.8%	3.6%	5.5%	6.5%	5.8%	3.6%
New business owner-manager rate	2.8%	3.4%	3.7%	4.5%	4.1%	3.1%
Total Early-stage entrepreneurship rate	5.5%	6.8%	9.2%	10.6%	9.9%	6.6%
% with Masters or PhD degree	8.0%	14.7%	18.4%	24.3%	29.5%	12.2%
Family business background	22.9%	26.8%	30.2%	32.9%	37.3%	25.6%
High expectation early-stage entrepreneurship rate	1.7%	2.0%	1.3%	5.0%	4.4%	2.0%
Established business owner-manager rate	4.6%	6.3%	8.2%	6.8%	3.6%	5.3%
Median age	40	48	43	44	36	42

As Figure 1 shows, all migrant groups have significantly higher rates of early-stage entrepreneurial activity than Scots-born non-migrants. The right hand diagram in Figure 1 shows the estimates for the whole of the UK. Here, the effect of migration is even clearer with overseas experience, of both immigrants and returnee emigrants, more highly associated with entrepreneurial activity.

**Figure 1** Early-stage entrepreneurial activity rates in Scotland and UK by migrant status

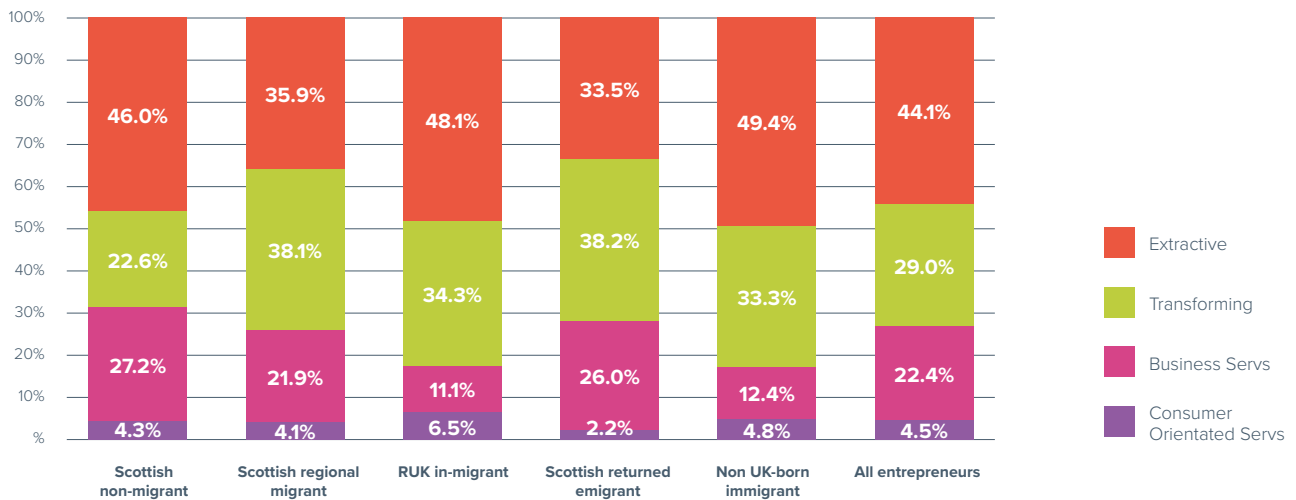


# PART 1: THE FRUITS OF MIGRATION AND ENTREPRENEURSHIP IN SCOTLAND

There are notable differences, however, in the sectors different migrant groups start businesses in. As Figure 2 shows, more than 80% of total early-stage entrepreneurial activity by RUK in-migrants and overseas immigrants is in services, with almost half in consumer-oriented services (such as retail, hospitality and health and personal services) and about a third in business services (for example, finance, insurance and consultancy). Notably, while entrepreneurial activity in the extractive sector (including, agriculture, forestry and fisheries) is generally low, both RUK in-migrants and overseas immigrants are overrepresented in this area.<sup>9</sup>

The transforming sectors (including manufacturing and construction) appear to be the ones with the least participation by migrants. A recent report by the ONS, with a more detailed breakdown of self-employment by sector and nationality groups at the UK level (Figure 3),<sup>11</sup> suggests that sectoral participation patterns are also largely dependent on the migrants' countries of birth. Here, EU8 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia) and EU2 (Bulgaria, Romania) migrants are disproportionately more likely to be self-employed in the construction sector.<sup>12</sup>

**Figure 2** Sectoral breakdown of early-stage entrepreneurial activity by migrant status

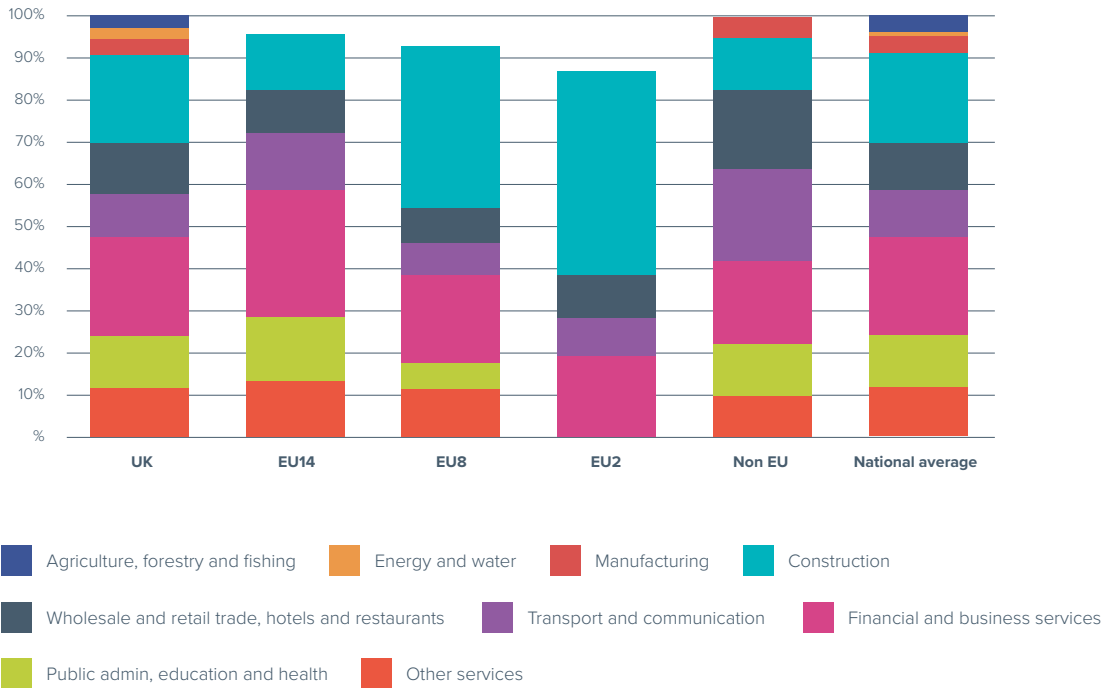


<sup>9</sup> Recent statistics from the Registers of Scotland indicate that about 105,000 (6%) of all titles to land in Scotland are registered to owners with an address outside Scotland with almost 90,000 of such owners located in RUK and 15,000 overseas ([https://www.ros.gov.uk/\\_data/assets/pdf\\_file/0011/86195/Land-property-titles-by-country-of-origin-report-v1.pdf](https://www.ros.gov.uk/_data/assets/pdf_file/0011/86195/Land-property-titles-by-country-of-origin-report-v1.pdf)) <sup>11</sup> Note that the ONS does not include Malta and Cyprus in the group of EU14. Croatia only joined in 2013 and is also not included in the EU figures.



# PART 1: THE FRUITS OF MIGRATION AND ENTREPRENEURSHIP IN SCOTLAND

**Figure 3** Distribution of self-employment by sector and nationality group



# PART 1: THE FRUITS OF MIGRATION AND ENTREPRENEURSHIP IN SCOTLAND

## Aptitudes, motivation and ambition

Past research suggests that education and previous exposure to business are strong predictors of entrepreneurial behaviour.<sup>5</sup> Evidence presented in Table 1 shows that the greater the distance between their previous location and Scotland, the more likely a migrant to Scotland is to be better educated or to come from a family business background. Almost 30% of overseas immigrants in Scotland, nearly a quarter of all Scottish returnee emigrants and around 18% of RUK in-migrants have post-graduate qualifications. This is compared with only 8% of Scots that have never left their region of birth and 15% of Scottish in-migrants.



**Almost 30% of overseas immigrants in Scotland have post-graduate qualifications**

In addition, while only about 23% of Scottish non-migrants have a family business background, around 27% of Scottish in-migrants, 30% of RUK in-migrants, a third of Scottish returnee emigrants and 37% of overseas immigrants have a family business background. It appears, therefore, that migration, by Scots within Scotland, other British people coming to Scotland, Scots returning from overseas, and overseas citizens coming to Scotland in that order, increasingly adds to entrepreneurial skills and aptitudes within Scottish localities and the wider nation.

Still, even after taking these and other known drivers of entrepreneurship into account,<sup>i</sup> migrants coming from outside Scotland are significantly more likely to engage in early-stage entrepreneurial activity than non-migrants; there was relatively little difference between RUK in-migrants, returnee emigrants and

overseas immigrants attributable specifically to their migrant status. It would appear, therefore, that beyond known observable factors such as education, past family business experience, household income, age, gender and ethnicity, there is something about migration from outwith Scotland that is intrinsically associated with early-stage entrepreneurial activity.

While start-up activity itself is an important economic parameter, evaluating the motivation of such start-ups is also key. This is because past research suggests that the motivation and intentions of entrepreneurs will impact firm growth, innovation and wider economic development.<sup>13-15</sup> Regrettably, immigrants may face difficulties in the labour market resulting from employer hesitations that may derive from the complicated nature of the immigration system, validity of foreign qualifications, as well as more complex issues such as language, cultural differences, prejudices and discrimination.<sup>16</sup>

Immigrants may, therefore, have to choose between accepting work they are over-qualified for, which is a significant problem in the UK,<sup>j</sup> unemployment, or starting their own business. Hence, some migrants may initially be motivated to start a business out of necessity because they have no better choice for employment (necessity-driven entrepreneurship), or because they have spotted a promising business opportunity (opportunity-driven entrepreneurship). In Scotland, only about 5% of early-stage entrepreneurial activity by immigrants in Scotland is necessity-driven (with 95% opportunity-driven). In contrast, about 14% of all early-stage entrepreneurial activity by immigrants in the UK as a whole derives from necessity.

<sup>i</sup> A logistic regression on a sample of 7,870 individuals aged 18 to 64 interviewed in Scotland between 2013 and 2017, as part of the GEM UK Annual Population Survey, suggested the following: taking age, gender, ethnicity, education, household income and family business background into account, the odds of an individual being an early-stage entrepreneur was between 1.2 and 2.5 times greater for individuals who had lived outside Scotland than for Scottish non-migrants. Results for the UK sample were similar (but with a narrower confidence interval because of a larger sample size of 39,596 individuals). <sup>j</sup> A 2017 study by the ONS suggests that almost 40% of non-UK nationals in the UK are in jobs they are over-qualified for (<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/migrationandthelabourmarketuk/2016/pdf>)

# PART 1: THE FRUITS OF MIGRATION AND ENTREPRENEURSHIP IN SCOTLAND

This positive picture for Scotland may be due to the fact that unemployment rates amongst immigrants in Scotland is relatively low such that migrant enterprise may not be driven by unemployment. While ONS statistics suggest that unemployment and economic inactivity is higher amongst immigrants at the UK level,<sup>17</sup> a 2017 Scottish Government report found that EU nationals in particular have a lower unemployment rate (3.8% vs 4.8%) and a lower inactivity rate (20.2% vs 23.3%) than for Scotland as a whole.<sup>18</sup>

Further, Eurostat data suggests that Scotland has the highest level of university-educated migrants in the whole of the European Union, with many locating in the North East of Scotland around Aberdeen. Research also shows that the level of educational attainment is positively associated with both entrepreneurial performance<sup>19</sup> and entrepreneurs' contentment with their decision to become entrepreneurs.<sup>20</sup>

The promise of migrant entrepreneurship in Scotland is also demonstrated by their future business size expectations. When we compare migrant and non-migrant early-stage entrepreneurs in Figure 4, those who

have lived outside the UK appear to have a significantly higher likelihood of expecting to run a business that employs at least five people in five years' time.

On average, one third (32%) of early-stage entrepreneurs in Scotland expected to employ at least five people in five years' time. For returned emigrant early-stage entrepreneurs, the equivalent percentage was 40% and for immigrants it was 49%. The "yield" of more growth-oriented entrepreneurs was lowest among in-migrants from the rest of the UK at 15%, suggesting that RUK entrepreneurs are more likely to have different ambitions for their business. We can conclude, therefore, that it is those who have lived abroad that are more likely to expect to create more jobs through entrepreneurship.

Overall, the picture that emerges here is that migration, including overseas immigrants, RUK in-migrants and Scottish returnee emigrants, is associated with skilled, ambitious individuals who are more likely to spot business opportunities and start new promising ventures in Scotland. This is especially the case for immigrant entrepreneurs.

**Figure 4 Prevalence of high expectation early-stage entrepreneurs by migrant status**



<sup>k</sup> <https://www.telegraph.co.uk/news/2016/06/08/mapped-how-britain-has-the-highest-level-of-skilled-migration-in/>

<sup>l</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=People\\_in\\_the\\_EU\\_-\\_statistics\\_on\\_origin\\_of\\_residents](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=People_in_the_EU_-_statistics_on_origin_of_residents)

# Part 2:

# Substantive contributions to the economy



# PART 2: SUBSTANTIVE CONTRIBUTIONS TO THE ECONOMY

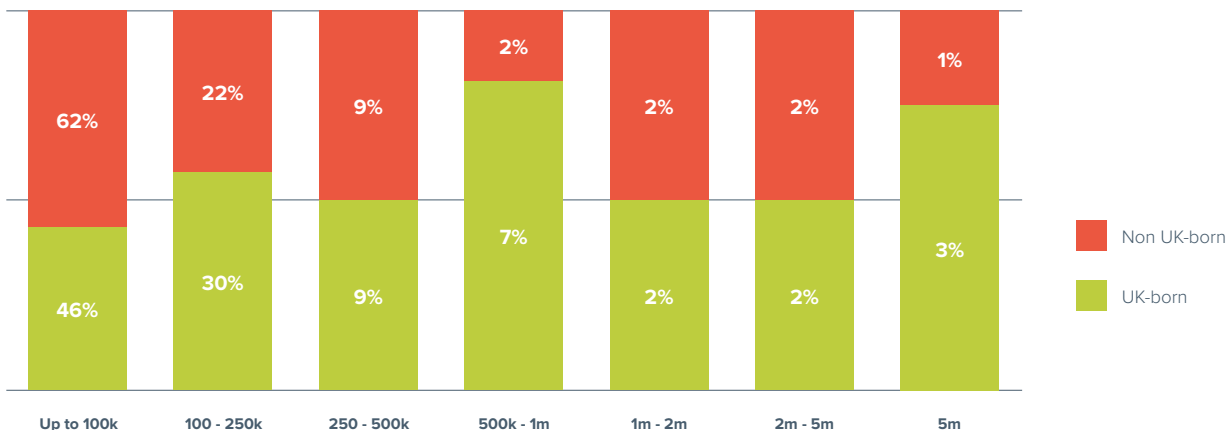
## Revenues and jobs

According to estimates by the Department for Business, Energy and Industrial Strategy (BEIS),<sup>21</sup> in 2017, SMEs in Scotland generated revenues of about £102 billion, equivalent to 48% of all private sector turnover in Scotland excluding financial and insurance services. Small Business Survey (SBS) data suggests that around 13% of all SMEs in Scotland are immigrant-led, that is have at least one partner or director that was born outside the UK. Applying this share to the BEIS SME population estimate suggests that almost 45,000 SMEs in Scotland are immigrant-led.

owner-managers are ostensibly more likely to be in the £500,000 – £1 million and the over £5 million revenue bands as compared to SMEs with non-UK born owner-managers. Overall, therefore, there are no statistically significant differences between the representation of UK-born and immigrant-led SMEs in Scotland in the different revenues bands. To be sure, a few businesses in the upper echelons of turnover can significantly impact total turnover estimates. Assuming, nevertheless, that immigrant-led SMEs in Scotland generally hold their own in terms of revenues, they can be said to generate around £13 billion in annual revenues.

Considering the scale or size of SMEs in revenue terms, Figure 5 illustrates that SMEs with UK-born

**Figure 5 Business revenues by SME owner-manager migrant status**



Further, ongoing analysis of GEM data suggests that higher migrant entrepreneurial activity in council areas is associated with an increase in the rate at which native Scots perceive opportunities they could exploit by starting a new business. Besides not having displacement effects on native businesses, therefore, immigrant entrepreneurship can be said to in fact boost greater enterprise amongst natives. As such, not only can much of the revenues generated by immigrant-

led SMEs be argued to constitute additional economic value for Scotland, but some of the value-added created through the enhanced entrepreneurial activity by natives could be attributable to influences of migrant enterprise.

A similar dynamic holds for job creation. Figure 6 shows that there are no significant differences in business size by number of employees between SMEs in Scotland with UK born or non-UK born owner-managers.

## PART 2: SUBSTANTIVE CONTRIBUTIONS TO THE ECONOMY

According to BEIS estimates, employer SMEs in Scotland are responsible for 825,000 jobs; 47% of all private sector employment in Scotland. Assuming a proportionate share of 13% of SME jobs in line with their

representation in the SME population, immigrant-led employer SMEs can be estimated to provide 107,000 jobs to employees in Scotland.

**Figure 6 Number of employees by SME owner-manager migrant status**



From interviews with immigrant entrepreneurs, we detected a preference for many immigrant-led ventures to select either people from their country of origin or other migrants as employees compared to Scottish natives. Their rationale is mainly that fellow migrants more readily understand the owner-manager's modus operandi. For example, one hotelier commented that Scottish-born workers “...don't see this industry as being a valid industry to work in. But Europeans will see this as a profession”.

On the positive side, employing fellow migrants creates employment opportunities within Scotland for a group which typically faces unemployment or underemployment in lower skilled occupations. In some cases, working to provide employment for especially vulnerable groups, such as ethnic minority women returners, was a special priority for ventures on moral grounds.

Other implications of some of the practices observed may, however, be questioned. The desirable ability and willingness of migrants to work long hours is typically ascribed to the more precarious labour markets of migrant employees in their home markets and their previous habituation to very low wages there. This makes the offer in these enterprises appear relatively generous. Yet within Scotland, demanding very long hours from employees does not necessarily represent best practice in the labour market.

A further implication is the difficulty which many immigrant entrepreneurs told us they experienced in working with local employees, due mainly to differences in cultural approaches to employment and entrepreneurship, as well as to communication barriers. Here, the cultural and social capitals inherent in these ventures are not being transferred to the indigenous Scottish labour market very effectively through employment.

## PART 2: SUBSTANTIVE CONTRIBUTIONS TO THE ECONOMY

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Notwithstanding this, there are migrant-owned ventures also employing Scottish, as well as ethnic minority and migrant staff. Our French hotelier, for example, indicates: *“I would say our workforce is British about 70%”*.

Indeed, the target market was one of the key factors determining the mix of employees and what was expected of them. For one respondent serving Scottish clients, it was the migrant employees who were required to adapt to the host country culture, to better meet customer needs, as opposed to a preference for migrants because they could more easily relate to the migrant entrepreneur. This may indicate that if migrant entrepreneurs can break out of serving ethnic and migrant enclaves, then greater employment for Scottish born workers is rendered more probable and feasible. More profoundly, one entrepreneur based in the Highlands observed that providing jobs to both natives

and immigrants helped maintain or even grow the local population which has implications on the provision of local public services. She tells the story of Sophie - a former employee that had left the area but has now returned and has been re-employed in the business:

***“She left, comes back with a husband and two children in tow, but these two kids are going to go to the local school. So actually, the locals are very happy for us to be coming in with a team of people that have children, because they go, ‘great, that means that you’re keeping our school open’”***.

## PART 2: SUBSTANTIVE CONTRIBUTIONS TO THE ECONOMY

### Cultivating local business links and revitalising local economies

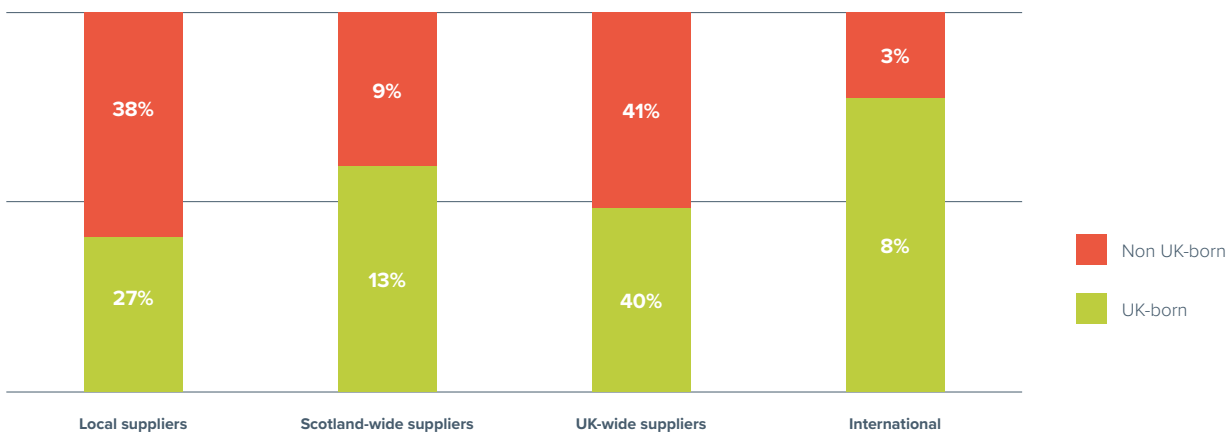
Interviews with migrant entrepreneurs revealed a very deliberate effort to strongly embed themselves within the local economy and proudly contribute to the betterment of the locality. One of our respondents indicated: *“I’ve started a new business, I need to make people aware that we’re here... I need to be visible”*.

Another immigrant entrepreneur who runs a hotel added that her deliberate charm offensive towards the locals was her *“actually showing that you’re very non-threatening. And eventually they’ll say, you know, that was a really nice gesture, by the way, if you need something, just ask”*. She recalls how she started engaging with local competitors and suppliers and how that has played out over time:

*“If someone turns up on my door and says I don’t have a booking but do you have a room? ... we get full very quickly, occupancy rate 97% for the whole year so I will usually say no, but I will find you a room somewhere. So I’ll be calling B&Bs and self-catering businesses in the area. So we help to have a ripple effect on other businesses”*.

Our analysis of SBS data corroborates this statistically with immigrant-led SMEs in Scotland significantly more likely to have more local suppliers (Figure 7), although this may well be related to the fact that immigrants tend to enter sectors, such as catering and retail that rely more on local suppliers.

**Figure 7** Location of suppliers by SME owner-manager migrant status



Indeed, in different urban contexts, entrepreneurial activities of migrant communities and individuals create a positive “local buzz” and can contribute to the revitalisation of neighbourhoods. For example, a closer look at some deprived areas of Glasgow show how the vibrancy of a migrant entrepreneurial community can positively affect a place and how proud such entrepreneurs are of their contributions. One Caribbean entrepreneur we interviewed recalls:

*“One day, I heard a taxi driver picking up one of our clients. The lady gave an address in the West End! I thought ‘we made it’, we attracted people from the West End. It’s fun, right? But we always wanted to do something for our neighbourhood here. We wanted to start our business here, to revitalise the place. If you came here 10 years ago, there was nothing here. Now, you have businesses from Nigeria, Pakistan, Poland, and Romania. The place is lively, and we contributed to this.”*

## PART 2: SUBSTANTIVE CONTRIBUTIONS TO THE ECONOMY

### Impact on local economies

Interesting dynamics emerge when looking at the location of immigrant entrepreneurs in Scotland (figure 8). Census data suggests that while 50% of all overseas immigrants live in Edinburgh (21%), Glasgow (20%) and Aberdeen (9%), only 44% of immigrant entrepreneurs live in these cities. One in five of all immigrant entrepreneurs are located in

Edinburgh (21%) with Glasgow (16%) and Aberdeen (6%) commanding a lower share of immigrant entrepreneurs than their proportionate share of all immigrants in Scotland. The council areas of Fife, Stirling, Inverclyde, Renfrewshire, West Dunbartonshire and Dundee City also have proportionately lower shares of immigrant entrepreneurs.

**Figure 8: Location of self-employed immigrants**

Council Area	Adult population				Self-employed (SE) individuals			
	Total	Immigrants	Immigrants in area	Share of all immigrants	Total	SE immigrants	SE immigrants in area	Share of all SE immigrants in Scotland
Aberdeen City	190,658	31,222	16%	9.3%	10,475	1,668	16%	6.2%
Aberdeenshire	205,584	12,932	6%	3.9%	19,710	1,076	5%	4.0%
Angus	95,720	4,618	5%	1.4%	7,396	421	6%	1.6%
Argyll & Bute	73,731	3,890	5%	1.2%	8,138	492	6%	1.8%
Clackmannanshire	42,109	1,889	4%	0.6%	2,367	182	8%	0.7%
Dumfries & Galloway	126,160	4,793	4%	1.4%	12,652	571	5%	2.1%
Dundee City	123,564	12,257	10%	3.7%	5,619	713	13%	2.7%
East Ayrshire	101,168	2,481	2%	0.7%	6,526	240	4%	0.9%
East Dunbartonshire	86,312	4,129	5%	1.2%	6,788	509	7%	1.9%
East Lothian	81,089	4,817	6%	1.4%	6,979	468	7%	1.8%
East Renfrewshire	72,673	3,920	5%	1.2%	6,123	509	8%	1.9%
Edinburgh, City of	404,424	70,369	17%	21.0%	30,410	5,670	19%	21.2%
Eilean Siar	23,006	728	3%	0.2%	2,083	78	4%	0.3%
Falkirk	127,613	5,057	4%	1.5%	7,272	459	6%	1.7%
Fife	300,801	19,022	6%	5.7%	18,384	1,382	8%	5.2%
Glasgow City	497,618	66,129	13%	19.8%	25,535	4,372	17%	16.4%
Highland	190,734	11,748	6%	3.5%	19,388	1,237	6%	4.6%
Inverclyde	67,753	1,976	3%	0.6%	3,090	131	4%	0.5%
Midlothian	67,584	3,051	5%	0.9%	4,654	291	6%	1.1%
Moray	76,251	4,190	5%	1.3%	5,905	354	6%	1.3%
North Ayrshire	113,663	3,157	3%	0.9%	6,844	359	5%	1.3%
North Lanarkshire	272,845	8,918	3%	2.7%	14,304	898	6%	3.4%
Orkney Islands	17,723	642	4%	0.2%	2,501	116	5%	0.4%
Perth & Kinross	121,477	9,237	8%	2.8%	11,763	869	7%	3.3%
Renfrewshire	144,205	6,888	5%	2.1%	7,252	453	6%	1.7%
Scottish Borders	94,529	5,369	6%	1.6%	10,440	616	6%	2.3%
Shetland Islands	18,696	1,057	6%	0.3%	1,580	89	6%	0.3%
South Ayrshire	94,419	3,436	4%	1.0%	6,833	287	4%	1.1%
South Lanarkshire	258,346	9,627	4%	2.9%	16,800	920	5%	3.4%
Stirling	74,232	5,869	8%	1.8%	6,446	402	6%	1.5%
West Dunbartonshire	74,720	2,590	3%	0.8%	3,294	152	5%	0.6%
West Lothian	139,665	8,818	6%	2.6%	8,171	723	9%	2.7%
Scotland	4,379,072	334,826	8%	100%	305,722	26,707	9%	100%

## PART 2: SUBSTANTIVE CONTRIBUTIONS TO THE ECONOMY

This is, however, mostly because the rate of adult self-employment in these council areas is generally lower than the national average. Indeed, in all but Aberdeen City, Perth & Kinross, Aberdeenshire and Stirling, the rate of self-employment amongst migrants is higher than the overall rate of self-employment in those areas.

The top ten council areas where immigrants are more likely to be self-employed include Orkney Islands, East Renfrewshire, Argyll & Bute, East Dunbartonshire, Dumfries & Galloway, Scottish Borders, North Ayrshire

and Eilean Siar. This suggests that while most immigrant entrepreneurs locate in the largest Scottish cities (Figure 9), immigrants in more rural council areas are disproportionately more likely to be self-employed thereby contributing to economic and social diversity and vibrancy in these areas.



**Migrants in more remote areas are more likely to be entrepreneurial**

**Figure 9** Distribution of self-employed immigrants in council areas in Scotland





## PART 2: SUBSTANTIVE CONTRIBUTIONS TO THE ECONOMY

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### Unrealised potential in business establishment rates, growth and exportation

Previously, we stated that migrants into Scotland appear to have higher rates of early-stage entrepreneurial activity than non-migrants. Looking at the working-age adult population (Table 1), however, also suggested that relative to other migration groupings, overseas immigrants have the lowest share of established business-owners in their sub-population. This suggests that despite the vibrant early-stage activity, overseas immigrants disproportionately struggle to break through into full business establishment and longevity.

The notion of “liabilities of foreignness”<sup>22</sup> may be at play here; amongst other cultural and social barriers, overseas immigrants might not be as aware of the risks or costs of establishing and running a business in Scotland, or have access to the local and regional social and business networks in the same way as native Scots.

Interestingly, within the SME population in Scotland, SBS data presented in Figure 10 suggests that there is a higher prevalence of established SMEs amongst UK-born owner-managers – 67% of SMEs older than 10 years compared to 49% for immigrant-led SMEs. Still, immigrant-led businesses are relatively more prevalent in the 6-10 years range (31% compared to 15% for UK-born owner-managers). This means that around 80% of both UK born and immigrant-led businesses are more or less established businesses that are at least 6 years old. Once they have overcome the initial breakthrough from start-ups to established businesses, it appears that

immigrant-led SMEs have similar chances of longevity as SMEs with UK-born owner-managers.

As discussed above, many immigrant entrepreneurs struggle to transition from promising early-stage activity to established businesses. It would appear, however, that those that do overcome those early barriers are able to achieve longevity at more or less the same rates as businesses run by UK born entrepreneurs. If the greater start-up activity by immigrants was to result in more established businesses, therefore, immigrant entrepreneurs could make even greater economic contributions to the Scottish economy.

Further, in line with the point earlier about entrepreneurial inclinations and aspirations, Figure 11 shows that immigrant-led SMEs are significantly more likely to pursue growth in the short-term (two to three years). Yet, our analysis of SBS data also indicates that immigrant-led SMEs may have slightly erratic growth experiences with higher incidences of both year-on-year turnover growth and decline. This could point to high entrepreneurial dynamism but also suggests lower business stability; some could be successfully drawing on the benefits of foreignness while others suffer setbacks associated with the liabilities of foreignness. Here, mitigating the liabilities and harnessing the benefits could reduce the prevalence of declining revenues towards greater stability and growth, and therefore greater economic value.

## PART 2: SUBSTANTIVE CONTRIBUTIONS TO THE ECONOMY

Figure 10 Business age by owner-manager migrant status

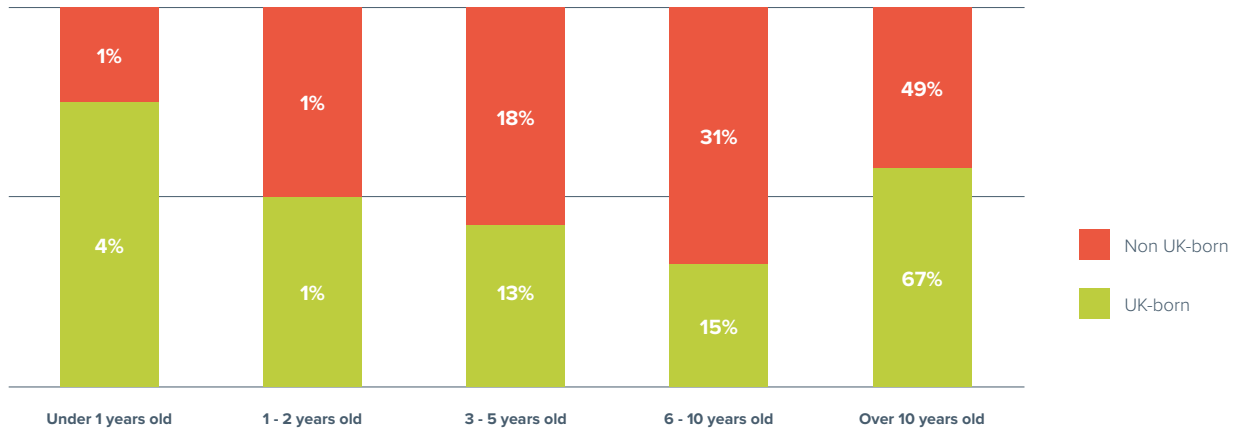
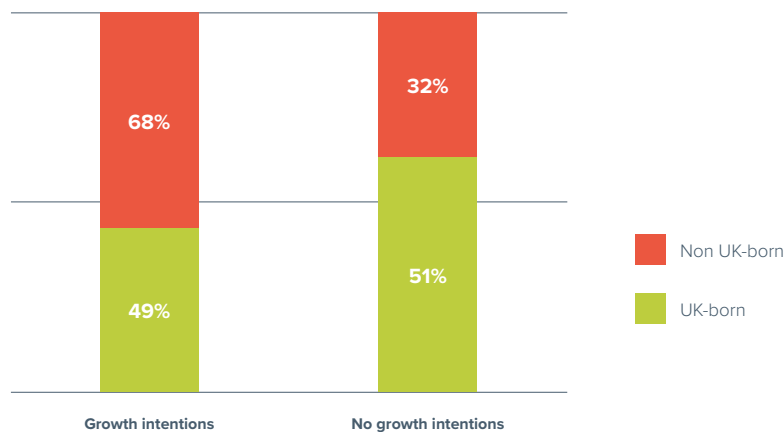


Figure 11 Growth intentions by owner-manager migrant status



We also find unrealised potential in export activity amongst immigrant entrepreneurs. Migrants' networks outside the UK are likely to be richer, enabling them to conduct international business and grow beyond local and national markets. Migrants may also be able to spot unique business opportunities in their home countries that can be serviced from Scotland. For example, an African entrepreneur interviewed for this research, purchases reconditioned white goods and ships them to their home country for sale, thus re-using what are

effectively Scottish waste products and contributing to Scottish exports in the process.

According to GEM data, 48% of non-migrant early-stage entrepreneurs in Scotland and across the UK are, or expect to be, exporters, compared with 66% of returned emigrants in Scotland (57% across the UK) and 68% of immigrants to Scotland (64% across the UK). When it comes to actual export activity, however, SBS data indicates that despite being seemingly more likely to

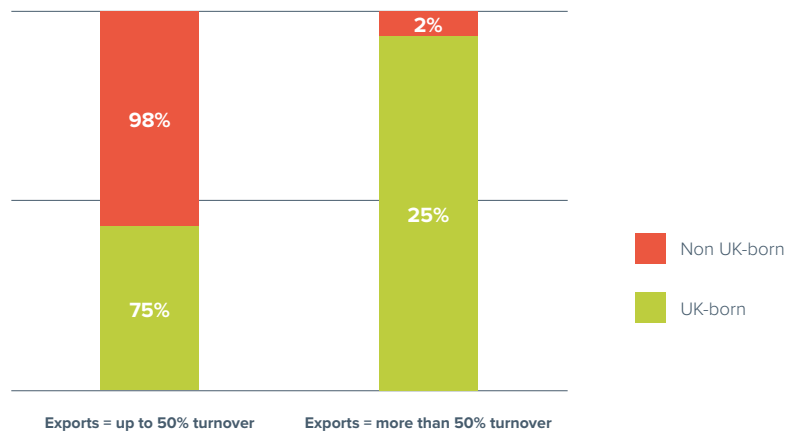
## PART 2: SUBSTANTIVE CONTRIBUTIONS TO THE ECONOMY

engage in exporting, immigrant-led SMEs are statistically no more likely to be exporters than non-exporters relative to their UK born counterparts.

What is strongly associated with migrant status, in fact, is the intensity of exportation amongst exporters. Here, as Figure 12 shows, it is SMEs with UK born owner-managers that are significantly more likely to have more than half of their revenues coming from exports. This

again suggests that the export potential that migrant entrepreneurs in Scotland may have is not being fully maximised. Conventional business theory suggests that slack resources are positively associated with improved economic performance as they can be readily exploited to realise growth.<sup>23</sup> It would appear that Scotland has a lot of inherent slack in migrant enterprises that can be further harnessed to enhance their economic contribution.

**Figure 12** Export intensity by owner-manager status



# Part 3: Contributions to household wealth and income

# PART 3: CONTRIBUTIONS TO HOUSEHOLD WEALTH AND INCOME

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## Household wealth

Evidence presented earlier suggests that migration is significantly associated with entrepreneurial activity. This section analyses the Wealth and Assets Survey<sup>m</sup> to examine the extent to which migrant entrepreneurs generate household wealth in Scotland.

According to our analysis, an estimated 2.44 million households share between them around £1 trillion in wealth<sup>n</sup> – of which 20% (around half a million households) are non-Scottish born.<sup>o</sup> This means that non-Scottish born households command about 22% of all household wealth in Scotland (£220 billion). Though it is difficult to associate entrepreneurial activity with wealth – entrepreneurship is often undertaken by resource-abundant individuals<sup>24</sup> – this analysis finds that entrepreneurship is clearly associated with household wealth in Scotland.

Firstly, on aggregate, entrepreneurial households<sup>p</sup> control about 14% of all household wealth in Scotland and 16% of the wealth of Scottish working-age households (around £140 billion). This is despite the fact that they comprise only 8% of all Scottish households (10% of working-age households).

Secondly, looking at the working-age population, it can be seen that overseas entrepreneurs hold wealth that is proportionate to their population share (1% households, 1% wealth), which is not the case for their non-entrepreneurial counterparts (see Figure 13).

Thirdly, despite accounting for just 1% of the working-age population, RUK entrepreneurs command 3% of all the wealth of working-age households. RUK employee

households are also wealthier than expected as they comprise 10% of the working-age population but command 13% of all working-age household wealth in Scotland.

Lastly, while they comprise only 8% of the working-age population, Scots-born entrepreneurial households claim 13% of the wealth. This leaves Scots-born non-entrepreneurial households (70% of the working-age population) with 65% of all working-age household wealth. This suggests that, in sum, all entrepreneurial households are wealthier with Scots-born and immigrant employee households a little worse off.

Nevertheless, wealth distribution is highly skewed and a small number of very wealthy households may command a very large share of total wealth. Our analysis, therefore, also estimated wealth differences between typical (i.e. median) working-age households. This is broken down as follows:

- RUK in-migrant entrepreneurial households are the wealthiest in Scotland – the median household has an estimated wealth of over £510,000.
- Scots-born entrepreneurial households command a lower level of wealth – the median household has an estimated wealth at almost £340,000.
- Household wealth levels of immigrant entrepreneurial households, non-entrepreneurial immigrants and Scots-born non-entrepreneurial households are not significantly different and range around £150,000.

<sup>m</sup> We employed Wave 3, July 2010 – June 2012. All figures are deflated to 2017 Sterling Pounds equivalent

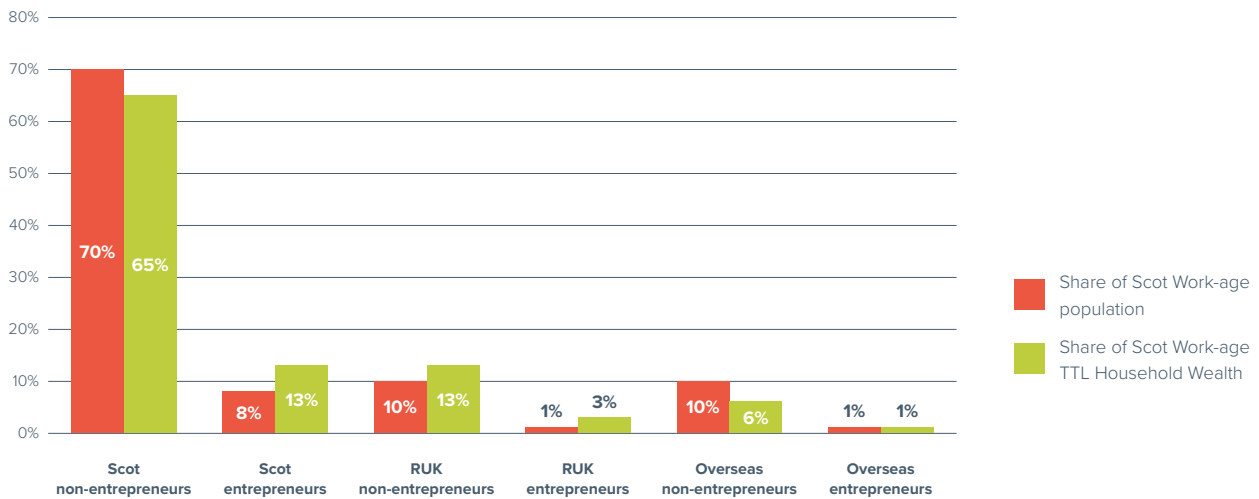
<sup>n</sup> The Wealth and Assets Survey captures four types of wealth: property, physical, financial and private pension. For further information see: [www.gov.scot/publications/wealth-assets-scotland-2006-2014/](http://www.gov.scot/publications/wealth-assets-scotland-2006-2014/)

<sup>o</sup> This analysis has classified households according to their characteristics in accordance with the Household Reference Person (HRP). The HRP is the individual person within a household who represents the whole household. For further information see: [www.scotlandscensus.gov.uk/variables-classification/household-reference-person](http://www.scotlandscensus.gov.uk/variables-classification/household-reference-person)

<sup>p</sup> We define entrepreneurial households as households whose HRP is self-employed or is a business owner

# PART 3: CONTRIBUTIONS TO HOUSEHOLD WEALTH AND INCOME

**Figure 13** Wealth shares of UK working-age households by migration and entrepreneurial status



## Net income distribution

Net household income includes all regular after-tax incomes from employment, self-employment/ business ownership, pension, investments and other regular income sources, as well as the often means-tested benefits. On aggregate, in both Scotland and the UK, the distribution of net household income is more or less equitable amongst natives and migrants: that is, the different populations get a share of net household income that is broadly proportional to their representation in the population. However, data suggests that both native and migrant entrepreneurial households fair slightly better than their representation in society with native entrepreneurs clearly advantaged.

Further, our analysis suggests that the overall median household income in Scotland is estimated at around £26,000 (£30,000 for working-age households). Yet, the median Scottish born entrepreneurial household enjoys an estimated £9,000 more than the median Scots-born non-entrepreneurial household. No statistically significant differences are observed amongst other groups. Given that earlier we found no differences in revenue generation and business size between businesses with Scots-born and migrant owner-managers, it may well be the case that Scots-born entrepreneurs draw out more in salaries and dividends than their migrant counterparts.



# Part 4: Enhancing diversity in the economy and society

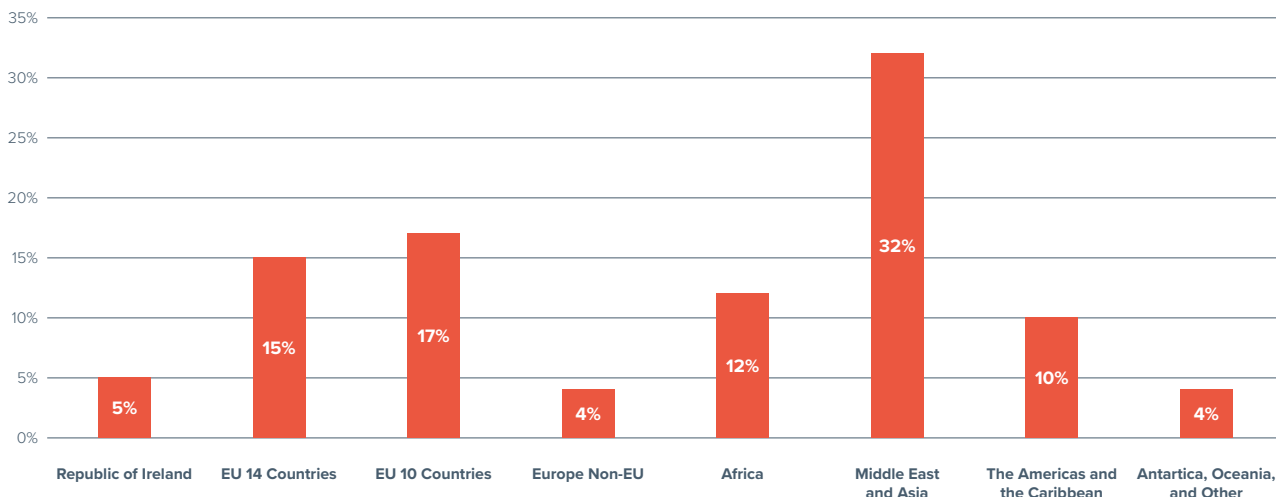
# PART 4: ENHANCING DIVERSITY IN THE ECONOMY AND SOCIETY

## Diverse business ethos

As Figure 14 shows, Scotland is home to entrepreneurs from all corners of the world. In our interviews with such migrant entrepreneurs, participants told us about the various enterprise culture practices of their home countries that they have incorporated into their business models in Scotland.

At present, the dominant UK model of entrepreneurship champions very fast growth, tech-driven, venture-capital funded new ventures, typically launched by entrepreneurs that are already well-endowed with economic, social and cultural capital. Yet diversity in the ways businesses are started and operate and the underlying principles are also crucial. In this regard, alternative enterprise cultures that migrants bring to Scotland have much to offer.

**Figure 14** Immigrant self-employment persons in Scotland by country/ region of birth



Chinese respondents described working very long hours a national practice in China that has been of considerable benefit to their ventures here in Scotland. A Pakistani participant also observes that his Pakistani peers have a strong entrepreneurial culture of hard work, rather than being driven mainly by specific profit targets, which is strongly influenced by religion. This focus on effort is certainly an interesting alternative approach compared to the conventional attention on the bottom line amongst for-profit businesses.

Besides work ethic, we found diversity in the values at the core of migrants' enterprise itself. Pakistani entrepreneurs tend to view their businesses in religious terms, leading many to choose one specific venture to specialise in, and focus on it for the long-term. An African couple providing home care for the elderly explain how their culture's tradition of care of the elderly within the family home translates into enhanced respect, quality and care for their Scottish clients: *"If you can work to make somebody's life better, when they cannot to do it, I think that is the greatest thing that you can do"*.

## PART 4: ENHANCING DIVERSITY IN THE ECONOMY AND SOCIETY

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A key informant also observes that many African entrepreneurs she had worked with viewed business as a form of service to society:

***“[They are] more interested to start social enterprise type businesses, rather than being profit focused, which is really interesting; they tend to be more community based, they tend to lean on each other and support each other”.***

Importantly, some of this is driven by immigrants own negative experiences as workers which prompts them to do things differently. Drawing on her experience as an employee, an entrepreneur who runs a foreign language business elects to employ freelance service agreements with a notice period and other worker protections instead of using zero hours contracts.

Many migrant entrepreneurs also indicated that they continue to follow the stories of entrepreneurs from their home countries. In turn, they draw inspiration from these high growth successes, often built on very modest foundations, and are encouraged to pursue enterprise in a developed economy like Scotland. The creation and growth of ventures from very scant resources is clearly likely to be a specialism of the developing world, where access to resources is even more restricted to small sections of the population than in Scotland.

Still, many of these models are potentially transferable to deprived areas within Scotland with migrant entrepreneurs being the agents that not only bring such models here but also demonstrate their effectiveness in Scotland.

## PART 4: ENHANCING DIVERSITY IN THE ECONOMY AND SOCIETY

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### Bridging cultures, enhancing integration

In many ways, migrant entrepreneurs act as a bridge between their home and host cultures and indeed, other global markets. This is resonant with the French meaning of the word “entrepreneur”, as one who carries between, who acts as a bridge for ideas, models, services and products. Much of what they transfer is tacit knowledge, models of doing business, and general everyday competences from one culture to another.

This can also include serving, and, indeed, attracting other ethnic minorities and migrants to Scotland. As such, migrant entrepreneurs are making Scotland a more attractive venue for visits, studying, working, and launching new ventures. Providing ethnic food and other related goods is a part of this process, especially for other immigrants, and so are ethnic shops, with both supplying an authentic taste of home for immigrants and exotic experiences for locals.

Migrant enterprise also more directly enhances cultural intermediation, integration and mutual understanding. An African entrepreneur observes:

***“You know, as an immigrant, one of the spontaneous perceptions is that this guy is extracting something from us in terms of taking away jobs or finances or houses, that kind of thing. But you want them to see that in fact you’re not here to grab. You’re here to give something and by doing business you’re... creating jobs”.***

Integration is enhanced further when migrants learn and adopt Scottish culture through interactions with clients and employees. One Polish participant notes:

***“I think that this whole society in Scotland is actually, working based on a really kind approach, like being polite and kind, and smiling and helpful and open, in general... if you don’t sound as nice as them, it might be kind of perceived that you’re rude. So the good thing is that by spending time here, immigrants change their attitude as well”.***

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### Supporting migrant entrepreneurs

Partly due to a sense of exclusion and lack of knowledge of public start-up and scale-up support, many migrant entrepreneurs in our study indicated that they relied heavily upon fellow migrant or ethnic minority communities for business advice, insights, resources and motivational support.

In addition, employees were often sourced through, and from, migrant and minority communities, although these were not always from the same ethnic group as the entrepreneur. As their business grew, our participants also reciprocated this support, providing a variety of backing and assistance to other migrant and ethnic minority small business owners and potential entrepreneurs.

One participant supports other Chinese businesses as they market and advertise to Chinese, at home and in Scotland, using their specialist knowledge of Chinese language and social media, and thus providing a service which would be difficult for a non-Chinese to manage successfully. Indeed, it would arguably have been hard for a non-Chinese even to spot this market gap. Another works to support African entrepreneurs, with special emphasis on youth. Rather than competing with Scottish entrepreneurship, then, in many cases migrant entrepreneurs spot and action market gaps which are specifically open only to themselves, given the unique skills, knowledge and experience they bring with them to this country.

On the positive side, these communities of migrant entrepreneurs provide an invaluable resource to each other, facilitating the launch, survival and success of other migrant-launched new starts. This in turn helps to not only create income, employment and economic independence amongst migrants but also enhance their representation in enterprise and employment within Scotland.

Thus, the migrant entrepreneurial ecosystem appears to be a rich repository of business knowledge, experience and competences, generating considerable benefits to the Scottish economy in supporting new starts and SME growth amongst typically underrepresented sections of society. Indeed, two of the migrant entrepreneurs interviewed for this study had started businesses specifically aimed at supporting fellow migrant and ethnic minority entrepreneurs within Scotland.

It is worth noting, however, that currently this asset is accessible only to a more or less closed network, whether through informal relational ties, or through the two migrant enterprise support ventures. One participant noted, in fact, that this modus operandi can sometimes lead to the replication of mistakes within migrant ventures, as people rely on others' examples and advice, even when this might not be the optimum approach.

Another participant felt that shop-owners tended to take advice from fellow migrant entrepreneurs on business issues, which could be better addressed by professional help. That is to say, whilst the network of fellow migrant entrepreneurs facilitated the start-up phase, it cannot be shown to facilitate growth in quite the same way. The same entrepreneur also discussed having not sought finance for the ventures he was involved with, since this would involve sharing control with people who have nothing else to bring to the business but money.

While, as we saw earlier, migrant entrepreneurs are more inclined to cultivate trade links with businesses in their local area, we find persistent reluctance to engage with more formal public support services. Generally, there is poor knowledge of Scotland's business support agencies amongst migrant entrepreneur communities. Those that have heard about, or used public support, have little trust in such agencies for a combination of

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reasons: perceptions of discrimination based on race, language or nationality; negative past experiences; or just a general mistrust and cynicism about the efficacy of government support programmes all together.

For example, one business had sought extensive help from Business Gateway, but found a trip to a compatriot's venture, very like the one they wanted to start, in the far South of England, to be much more useful.

Our respondents suggested that they found business advisers to be unable to provide suitable practical support, not only about very niche areas such as potential (African) customers for an African shop in a mid-size Scottish town, but also about mainstream sectors such as social care:

***“They lacked the information about specifics, for example, starting a ‘care at home’ business may be different from starting a shop... I would have expected them to tell us, these are the contacts you need, this is, if you prefer, a contact with the Council that provides most of the clients, etc... directional information. But they didn’t seem to... they would only give us statistics”.***

Other respondents argued that the local Silicon-valley inspired enterprise discourse and practices, with its pitching competitions, business model canvases, and polished use of contemporary business rhetoric, acts as a significant language barrier to migrants. Whilst many needs for information, advice and funding are currently being met, and generally quite well met through ethnic minority and migrant networks, greater integration within the local entrepreneurial ecosystem, especially support institutions, would benefit both migrant entrepreneurs and the wider entrepreneurial community.



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### Importing knowledge and expertise

There is an undoubted tendency for perceptions of migrants to overly focus on the lower skilled sections of these communities. Our evidence points to the need to highlight that, in other cases, and including migrants from the developing world, strong scientific expertise, technology innovation and cutting-edge knowledge are also being imported to Scotland, embodied in these people.

For example, advanced Chinese usage of mobile technology by a Chinese entrepreneur was seen as an “imported” business model which is currently under-developed within the Scottish market. Similarly, one Pakistani entrepreneur was originally head-hunted to Scotland, due to his then very rare IT skills in mobile technology development, which he believes were then unique to his new home country. Having been a young academic in his home country, he was also approached by another Glasgow firm to assist them with the then very novel RFID technology, on which he had published research.

The African couple running a care business comprises a medical doctor and a nurse, bringing much higher levels of medical knowledge to this profession than is the norm. Another African entrepreneur brings her family business’ specialist knowledge of processing fruit beverages to the UK in her new health drink venture. A Brazilian linguist we interviewed translates and interprets for many British business and public services, including the police, in French, Spanish and his native Portuguese. A variety of specialist skills in short supply within the UK can, therefore, be seen to be supplied to the public and private sectors alike by migrant entrepreneurs.

In a minority of cases, businesses were simply built on mirroring extant successful ventures already launched in participants’ home country. A good example is a Chinese restaurant that replicated a specific model from a restaurant they had worked for in China. Here, novel and specific service sector business models have been introduced to the Scottish market, bringing the benefits of business diversity and unique product offerings to Scotland.

Migrants also bring with them other more subtle know how that they employ in their businesses in Scotland. Several participants who had grown up in parts of the world with more traditional retail structures explained that learning to shop well, at markets and trading stalls, as children, and taking early responsibility for identifying both quality and value in purchasing decisions, had stood them in very good stead for their subsequent entrepreneurial role as international merchant traders. Being able to parse good quality, and to identify poor products, is a highly transferable skill.

Indeed, African respondents told us of the tradition of small-scale trading which even school children will be involved in, in their home country, and the micro-enterprise skills that this engenders at a very young age. Two respondents, one African and one Pakistani, who describe such childhood experiences, are now engaged in sourcing and trading products internationally, often through global travel, and with a special focus on purchasing from China. Here, their early trading knowledge acts to support their recognition and assessment of opportunities, quality, and suitable vendors.

# Conclusion

# CONCLUSION

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This report has attempted to compile an evidence-based story of migration and entrepreneurship in Scotland. It draws on an analysis of statistical data from the Global Entrepreneurship Monitor (GEM), the Small Business Survey (SBS) and the Wealth and Assets Survey (WAS), over 40 interviews with migrant entrepreneurs and key informants, and other published research. In line with similar studies of migrant entrepreneurship, this report finds that within Scotland migrants are more likely to start a business, and through such enterprise, make significant economic, social and cultural contributions to Scotland.

Some of these contributions, such as enhancing entrepreneurial vibrancy through new start-ups with novel offerings, generation of jobs for fellow migrants and native workers, contribution to the regeneration of struggling urban spaces and remote areas, new import and export opportunities and links, cultural integration, and contributions to culture, are in line with past research.

However, four key findings are key for Scotland:

- Immigrant entrepreneurs in Scotland are less likely to engage in necessity-driven entrepreneurship, owing to low levels of immigrant unemployment and high levels of education amongst immigrants in Scotland.
- It is migration, and not merely immigration, that is associated with greater entrepreneurial activity. Thus, within Scotland, RUK in-migrants, returnee emigrants and overseas immigrants all have similar entrepreneurial tendencies.
- Migrants in rural areas are more likely to be entrepreneurial and their contributions to the local community are vital.
- There appears to be significant levels of unrealised potential amongst immigrant entrepreneurs in Scotland, including the conversion of start-up activity to established businesses. This potential could be readily harnessed to further enhance the contributions immigrant entrepreneurship makes to Scotland.

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