Ethnic entrepreneurship

Case study: Stuttgart, Germany
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In 2006, the Congress of Local and Regional Authorities of the Council of Europe, the city of Stuttgart and the European Foundation for the Improvement of Living and Working Conditions (Eurofound) formed the ‘European network of cities for local integration policies’, henceforth known as CLIP. This network comprises a steering committee, a group of expert European research centres and a number of European cities. In the following two years, the cities of Vienna and Amsterdam joined the CLIP Steering Committee. The network is also supported by the Committee of the Regions (CoR) and the Council of European Municipalities and Regions (CEMR), and has formed a partnership with the European Network Against Racism (ENAR).

Through the medium of separate city reports (case studies) and workshops, the network enables local authorities to learn from each other and to deliver a more effective integration policy. The unique character of the CLIP network is that it organises a shared learning process between the participating cities and between the cities and a group of expert European research centres, as well as between policymakers at local and European level.

The CLIP network currently brings together more than 30 large and medium-sized cities from all regions of Europe: Amsterdam (NL), Antwerp (BE), Arnsberg (DE), Athens (EL), Barcelona (ES), Bologna (IT), Breda (NL), Budapest (HU), Copenhagen (DK), Dublin (IE), Frankfurt (DE), Helsinki (FI), Istanbul (TR), İzmir (TR), Kirklees (UK), Liège (BE), Lisbon (PT), Luxembourg (LU), L’Hospitalet (ES), Malmö (SE), Mataró (ES), Newport (UK), Prague (CZ), Strasbourg (FR), Stuttgart (DE), Sundsvall (SE), Tallinn (EE), Terrassa (ES), Turin (IT), Turku (FI), Valencia (ES), Vienna (AT), Wolverhampton (UK), Wroclaw (PL), Zagreb (HR), Zeytinburnu (TR) and Zürich (CH).

The cities in the network are supported in their shared learning by a group of expert European research centres in:

- Bamberg, Germany (European Forum for Migration Studies, EFMS);
- Vienna (Institute for Urban and Regional Research, ISR);
- Amsterdam (Institute for Migration and Ethnic Studies, IMES);
- Turin (International and European Forum on Migration Research, FIERI);
- Wroclaw (Institute of International Studies);
- Swansea, Wales (Centre for Migration Policy Research, CMPR).

There are four research modules in total. The first module was on housing – segregation, access to, quality and affordability for migrants – which has been identified as a major issue impacting on migrants’ integration into their host society. The second module examined equality and diversity policies in relation to employment within city administrations and in the provision of services. The focus of the third module was intercultural policies and intergroup relations. This final module looks at ethnic entrepreneurship.

The case studies on ethnic entrepreneurship were carried out in 2010.

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1 See also [http://www.eurofound.europa.eu/areas/populationandsociety/clip.htm](http://www.eurofound.europa.eu/areas/populationandsociety/clip.htm)
Acknowledgements

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Introduction

Many large cities in Europe acquired a more cosmopolitan outlook in the closing decades of the 20th century and the opening decades of the 21st. This is reflected in an ever-broadening product range, which now not only includes items such as Nokia cell phones, McDonald’s hamburgers and Nike shoes but also Turkish döner kebab, Greek food or Russian import-export businesses. In addition, various enterprises such as craft enterprises, insurance companies and law firms are run by migrants.

The appearance of ethnic entrepreneurs and ‘exotic’ products in shops reveals the deepening links between economies. These two highly visible aspects of globalisation – the international mobility of capital and labour – are often directly related to each other as migrants themselves introduce their products to far-off places. They start businesses in their countries of settlement and become ‘self-employed’, ‘migrant entrepreneurs’ or ‘ethnic entrepreneurs’.

Although increasing numbers of ethnic entrepreneurs have set up shops, they have long remained ‘unsung heroes’ (BusinessWeek Online, 2000). In socio-economic terms, for a long time migrants were largely viewed as workers, not entrepreneurs, and were predominantly depicted as suppliers of cheap, low-skilled labour in advanced economies. Recently, more attention has been placed on migrants who set up and run their own businesses. This attention is well-founded given the increasing importance of ethnic entrepreneurship for local economies. By starting their own businesses, migrant entrepreneurs are active agents, shaping their own destinies as well as revitalising economic sectors – they create their own jobs as well as jobs and apprenticeships for others, pay taxes and contribute to local economies. They provide goods and services (some of which are not likely to be offered by indigenous entrepreneurs) and contribute different forms of social capital to the local community.

The general aim of this CLIP study is to explore the development of ethnic entrepreneurship and to review the role of policy interventions in that process. It is motivated by the desire of municipal, national and European governments as well as third-party institutions that want to create an environment conducive to setting up and developing small and medium-sized enterprises (SMEs) in general and ethnic businesses in particular.

Here, we phrase the objectives into the following basic research questions:

- What are the characteristics of the urban economy and, more specifically, how has the SME sector developed?
- What kind of profiles of ethnic entrepreneurship can be identified?
- What policies, rules and regulations govern the SME sector in general and the ethnic SME sector in particular?

These three basic research questions are addressed in Chapters 3, 4 and 5. First, though, we provide a short description of the city and its population.

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2 This section draws on the concept paper of this CLIP module (see Rath, 2009).
2 Profile of Stuttgart

Stuttgart is located in southern Germany and is the capital of the federal state of Baden-Württemberg. It covers an area of approximately 250 km². With 592,966 inhabitants (as of December 2009), Stuttgart is Germany’s sixth-largest city (LHS Stuttgart, 2010a). In the early 1990s, Stuttgart’s population rose significantly and reached its peak at 613,316 residents in 1992. Afterwards, the population began to fall steadily. Since 2000, a slight rise in the population has been documented.

The mid-1950s marked the start of the immigration of primarily male ‘guest workers’ (Gastarbeiter) from southern European countries such as Greece, Italy and Turkey to Stuttgart. It became apparent in the 1970s that Stuttgart’s migrant workers were not going to return to their native countries, as was expected previously, but were instead going to stay in Stuttgart and bring their families to live with them. At the start of the Balkan Wars in the early 1990s, refugees from that region also migrated to Stuttgart. In recent years, (im)migrants were more likely to move to Stuttgart for economic reasons than for political ones.

At the end of 2009, 38.9% of the population had a ‘migration background’, as it is termed in Stuttgart: 21.1% of the population were foreigners, 11.4% were naturalised Germans (or descendants of migrants holding German citizenship (Optionsdeutsche)) and 6.4% of the population were ethnic German Spätaussiedler, most of them originating from the former Soviet Union (according to yet unpublished data of the city’s Statistical Office; see Figure 1).

Figure 1: Migration background of the local population (as of 31 December 2009)

Source: Compiled by EFMS based on unpublished data provided by the city’s Statistical Office

The population with a migration background continues to increase constantly; of the children younger than six years, 58% have a migration background (according to unpublished data from the city of Stuttgart).

The city’s population with a migration background is characterised by a high diversity of ethnicities and nationalities: Stuttgart’s inhabitants come from about 170 different countries. More than half of them, however, have their roots in one of five countries (according to unpublished data from the city’s Statistical Office). Of the population with a migration background, 13.6% have a Turkish background, i.e. they have Turkish citizenship, were born in Turkey or have Turkish parents. Yet while the Turkish community represents the largest group of foreigners, it is only the second-largest group of inhabitants with a migration background. The largest group, representing 17% of those inhabitants with a migration background, is composed of people from the territory of former Yugoslavia and their children; most of them have a Croatian background. Inhabitants with Italian descent represent 7.4% of the population with a migration background; they are followed by inhabitants with Greek (6.8%) and Polish (5.9%) descent (see Figure 2).

3 Due to statistical reasons, it is not possible to assign all inhabitants with a Yugoslavian background to the succession states of Yugoslavia.
Immigration not only impacts on the ethnic landscape in Stuttgart, but also on the religious composition of its population. In 2007, 30.4% of the people living in Stuttgart were Protestant and 25.8% were Roman Catholic; the remaining 43.8% had no religious affiliation or belonged to another religion (LHS Stuttgart, 2009d). There are no official data on the religious affiliation of those with ‘no or another religion’. A significant number of persons in this group, however, can be assumed to be Muslim. The municipal Statistical Office estimates that Muslims represent at least 8% of Stuttgart’s population (see Lindemann, 2006). This means that Islam is the second-largest religion following Christianity.

The diversity of Stuttgart’s population is also reflected in the characteristics of its workforce and the labour market in general. The following chapters will elaborate on these topics. However, since the municipal Statistical Office has only recently begun to collect data concerning the migration background of the population, most of the following statistics still refer to foreigners (i.e. non-German citizens) living in Stuttgart and not to the population with a migration background in general.

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4 Of the German population, 38.2% were Protestant, 24.9% Roman Catholic and 36.8% had no or another religious affiliation, whereas of the foreigners, only 1.9% were Protestant, 29% were Roman Catholic and the vast majority (69.1%) had no or another religious affiliation (LHS Stuttgart, 2009d).

5 The German registry offices only register membership in communities that are public corporations and collect their taxes via the government.

6 The number of Muslims was estimated based on the number of foreign nationals and naturalisations of foreigners stemming from Islamic countries.
The following sections examine the characteristics of Stuttgart’s urban economy. The first section presents its historical development and recent trends, the second section outlines the local workforce, while in the third section, the development of SMEs is examined.

### Historical development and recent trends

Because Stuttgart is the state capital of Baden-Württemberg, the federal state parliament and the state government are located in the city. More importantly, however, Stuttgart is one of the strongest industrial regions in Germany. The city is a major location for businesses in the automotive industry (including supplier businesses in the fields of electronic and mechanical engineering) as well as for science and technology. Well-known companies such as Bosch, Daimler, Hewlett-Packard, IBM and Porsche have all located in the Stuttgart region. In addition, almost 45% of Baden-Württemberg’s research and development capacities are in Stuttgart and the city is one of the federal republic’s top educational locations.

Stuttgart has one of the highest densities of jobs per capita in Germany, with 790 jobs per 1,000 residents in 2007 (LHS Stuttgart, 2010b, p. 139). This high concentration of jobs can partly be attributed to the large number of commuting professionals: in 2008, more than 200,000 people commuted to the city (LHS Stuttgart, 2010b, p. 146).

The city’s gross domestic product (GDP) amounted to almost EUR 32 billion in 2007, while the GDP per capita was EUR 60,046 and the GDP per gainfully employed person was EUR 76,574 (LHS Stuttgart, 2010b, p. 160).

As in many other German and European cities, there is an ongoing process of tertiarisation in Stuttgart, which means that as a result of structural changes and a shift toward a service-based economy, the number of jobs in the tertiary sector has risen. Whereas the share of employees in the secondary (manufacturing) sector fell from 45% in 1979 to 20.5% in 2009, the proportion of employees in the tertiary (service) sector rose considerably, from 54.6% in 1979 to 79.4% in 2009. The percentage of persons employed in the primary (agricultural) sector fell from a low 0.4% in 1979 to a virtually negligible 0.1% in 2009 (LHS Stuttgart, 2010a). Thus, the vast majority of employees subject to a social insurance contribution in Stuttgart work in the tertiary (service) sector (see Figure 3). Nevertheless, all the local experts interviewed believe the producing sector still has a significant role for the local economy.

![Figure 3: Insured employment according to sector, 1979–2009](image)

<table>
<thead>
<tr>
<th>Year</th>
<th>Primary sector</th>
<th>Secondary sector</th>
<th>Tertiary sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>45.0% (0.4%)</td>
<td>54.6% (0.4%)</td>
<td>0.4% (0.1%)</td>
</tr>
<tr>
<td>1989</td>
<td>40.6% (0.4%)</td>
<td>59.0% (0.4%)</td>
<td>0.4% (0.1%)</td>
</tr>
<tr>
<td>1999</td>
<td>33.6% (0.4%)</td>
<td>66.0% (0.4%)</td>
<td>0.4% (0.1%)</td>
</tr>
<tr>
<td>2009</td>
<td>20.5% (0.1%)</td>
<td>79.4% (0.1%)</td>
<td>0.1% (0.1%)</td>
</tr>
</tbody>
</table>

Source: Compiled by EFMS based on data from LHS Stuttgart (2010a)

7 This statistic only includes employees who are subject to a social insurance contribution and thus does not include civil servants, marginally employed persons or self-employed persons.
Case study: Stuttgart, Germany

Firstly, the producing sector is important because it accounts for a large share of the local gross value added (Bruttowertschöpfung) – this sector, which also includes high-technology businesses, generates 36% of the gross value added, as stated by experts from the Statistical Office. The experts from the chambers of commerce, trade unions and the city highlighted the fact that the economic power of the city still lies in three industries: the automotive industry, including external supplier firms and ancillary industries; mechanical engineering; and electrical engineering. All of them are highly export oriented: 56% of the turnover of Stuttgart’s manufacturing industry occurred in foreign countries, as stated by the experts from the Statistical Office and the Chamber of Industry and Commerce (IHK Stuttgart).

Secondly, it is seen as important because manufacturing industries and industry-related services still represent an important branch for employment. As can be seen in Figure 4, the manufacturing industry is the sector with the highest number of jobs in Stuttgart by far, employing 56,131 persons. With 49,448 employees, the sector that provides the second-highest number of jobs in the city is ‘independent professional services, technical and scientific services’. The third sector is the trade and maintenance of vehicles, with 38,535 jobs, which is reflected in the characterisation of Stuttgart as one of the most famous centres for automobile construction. The health and social sector employs 31,904 persons, followed closely by the finance and insurance sector, with 30,930 employees (Statistisches Landesamt Baden-Württemberg, 2010a).

Figure 4: Labour-intensive sectors, 2008

Source: Compiled by EFMS based on data from Statistisches Landesamt Baden-Württemberg (2010a)

The most important employer in Stuttgart is the automotive company Daimler AG, which employs 39,000 people. The city of Stuttgart (including hospitals), employing 17,800 people, is the second-largest employer, followed by the Bosch Group (automotive and industrial technology, consumer goods and building technology), which employs 12,000 people (LHS Stuttgart, 2009b).

As explained, the innovative producing sector, particularly the automobile industry, is one of the strongholds of the local economy. The concentration on these products, however, entails a certain dependency on these products, and the high export rate means the local economy is dependent on the global economy, as highlighted by several experts, including the expert from the Chamber of Industry and Commerce and the expert from the local bank. As a result, the current world economic crisis and the associated drop in international orders has had a severe impact on the economy of the city of
Stuttgart. The local economy as well as that of the whole federal state of Baden-Württemberg was affected more strongly than other cities and regions in Germany, as various interviewed experts reported. This is reflected, for instance, in a sharp increase in unemployment in 2009 (see below) and a decrease in the number of enterprises registered at the Chamber of Crafts (Handwerkskammer Region Stuttgart) since 2008, as reported by the expert from the chamber.

Services such as the hospitality industry were hit by the economic crisis as well as the industrial sector. According to the expert from the local Hotel and Catering Association (DEHOGA Baden-Württemberg), turnover in this sector of the economy decreased by 5.5% in 2009. Hotels were affected even more than restaurants and the situation was worst for enterprises dependent on business trips and catering.

In addition, compared to other cities, Stuttgart’s businesses – both large corporations and SMEs – often have to take advantage of the government-sponsored short-time work (Kurzarbeit), which means that because the workload of many companies decreased due to the economic slump, several companies have reduced employees’ working hours and their wages, while the governmental short-time allowances offset part of the lost income.8

Even though the federal state of Baden-Württemberg has been particularly hit by the economic crisis, it also has the best opportunities to overcome the crisis, as stated in a report by the Employment Agency (Arbeitsmonitor) and by the interviewee from the local bank. ‘We fell farther, but because we started from a very high point initially,’ the economic professor and political representative interviewed explained. Because the city has strengths in banking, insurance and IT as well as in the producing sector, a majority of the interviewed experts believe Stuttgart is well positioned to come out of the current economic crisis stronger than before.

Workforce

Among Stuttgart’s 592,966 inhabitants, 408,659 people are of working age, i.e. between 15 and 65 years old, which adds up to 68.9% of the local population. This figure differs according to the background of the population: 68.1% of Germans without a migration background are of working age, while the proportion is 56.8% for Germans with a migration background. The highest percentage of inhabitants of working age can be found among foreigners, of whom 81% are between 15 and 65 years old (LHS Stuttgart, 2010a; see Figure 5). In the future, there will be more people with a migration background within the working age population.

8 In order to stabilise the labour market, the Federal Ministry of Labour and Social Affairs established the ‘short-time allowance plus’ (Kurzarbeitergeld plus). If the workload of a company decreases for economic reasons but the situation is expected to improve within 18 months at the latest, then to allow a return to the regular weekly working hours, companies can reduce the working hours of employees and apply for short-time allowances. The company then only pays wages for the work actually performed; the employees concerned receive a short-time allowance to offset the lost income in the amount of 60% of foregone net wages (those with children receive 67%). The allowance lowers the financial burden on the respective company and could prevent the dismissal of many workers (Federal Ministry of Labour and Social Affairs, 2010).
At present, 38% of the local workforce has a migration background. Of these, 21% are foreigners and 17% are Germans with a migration background (LHS Stuttgart, 2010a; see Figure 6).

Of the 1,053,722 people who were subject to making a social insurance contribution in the Stuttgart region in 2008, 17.4% had no school-leaving qualifications, 55.9% had completed an apprenticeship and 14.4% had obtained a degree of higher education (unpublished data from the chamber of commerce (Industrie- und Handelskammer, IHK); data according to the Bundesagentur für Arbeit).

As previously mentioned, the current financial and economic crisis has had a severe impact on the local economy and the local workforce, as can be seen in the considerable rise in the unemployment rate (see Figure 7).
While 5.7% of the total population (both Germans and foreigners) aged between 15 and 65 were unemployed at the beginning of 2008, this figure rose to 7% in January 2010. Regarding the foreign population, the numbers are significantly higher: 10.7% were unemployed in January 2008, while in January 2010, this figure rose to 11.9%. Since then, however, the total unemployment rate has been decreasing. At the end of June 2010, 6.2% of the total population and 10.9% of the foreign population were unemployed (Agentur für Arbeit Stuttgart, 2010).

**Development of SMEs and recent trends**

The structure of businesses is another important factor to consider when describing the urban economy. One way of categorising businesses is according to their size. If an enterprise has fewer than 250 employees and a turnover of less than EUR 50 million (or EUR 43 million balance sheet total), the EU defines it as an SME. Within this category, there are:

- ‘medium-sized enterprises’ employing between 50 and 249 people and with a turnover of less than EUR 50 million (or less than EUR 43 million balance sheet total);
- ‘small enterprises’ with 10 to 49 employees and less than EUR 10 million turnover/balance sheet total;
- ‘micro enterprises’ with fewer than 10 employees and less than EUR 2 million turnover/balance sheet total.

SMEs play the most important role in the European economy, representing 99% of all businesses in the EU. Moreover, nine out of 10 SMEs in the EU are micro firms with two employees on average (European Commission, 2009; Rath, 2009). The same can be observed in the city of Stuttgart. According to unpublished data from the city’s Statistical Office, 32,532 enterprises were located in Stuttgart as of 2007 (LHS Stuttgart, 2010b, p. 166, data from 2007). Of these, 99% of all local businesses were SMEs with fewer than 250 employees. To be more precise:

- Only 1% had more than 250 employees. However, these enterprises employ 41% of all employees.
- 2% of the enterprises in Stuttgart are medium-sized enterprises with 50 to 249 employees; they employ 19% of all employees.
8% of the local enterprises are small enterprises with 10 to 49 employees; they employ 13% of all employees.

The vast majority (89%) are micro firms with fewer than 10 employees – but these employ only 9% of all employees (see Figure 8).

Figure 8: Enterprises according to the number of employees, 2008

![Enterprise distribution chart](image)

Source: Compiled by EFMS based on unpublished data provided by the city’s Statistical Office

Although there are no official figures regarding the sectoral distribution of SMEs, one can assume that it is similar to that of the local economy, as 99% of all the enterprises located in Stuttgart are SMEs.

Regarding the location of businesses in the city, there is a difference between SMEs and major enterprises. While the major enterprises are located in historically industrial areas, such as the more industrial districts of Zuffenhausen and Feuerbach in the north of the city, the SMEs are spread over the city more evenly.

In order to shape the ‘spatial distribution’, i.e. the location of businesses in the city, the Office of Urban Planning and Renewal developed an urban development plan in 2004 (Stadtentwicklungskonzept – STEK). According to the plan, the city’s northern regions will keep their importance as industrial locations, while the valley of the River Neckar in the east will become a dynamic economic region, where high-technology and company-related services are to be located in addition to local recreation areas. The southern part of the Stuttgart region is supposed to become a research and services centre with an international dimension, while the city centre will act as the trade and service centre of the city (LHS Stuttgart, 2004).
Profiles of ethnic entrepreneurship

The following sections deal with ethnic entrepreneurs in Stuttgart. The first section presents an overview of the development of ethnic entrepreneurship in the city. The subsequent sections outline markets and competitors of ethnic businesses, ownership structures, workforce and labour relations in ethnic enterprises and reasons for entrepreneurial careers as well as the problems and barriers ethnic entrepreneurs face.

Development of ethnic entrepreneurship and recent trends

Before presenting the development of ethnic entrepreneurship, a definition should be provided. In the CLIP project, we ‘simply define an entrepreneur as a person in effective control of a commercial undertaking for more than one client over a significant period of time’ (Rath, 2009, p. 7). The CLIP project considers ‘ethnic entrepreneurs’ to be those entrepreneurial persons who were born abroad as well as second- and third-generation immigrants (Rath, 2009, p. 10).

In Stuttgart, ‘ethnic entrepreneurs’ are usually referred to as ‘migrant entrepreneurs’, ‘entrepreneurs with a migration background’ (Unternehmer mit Migrationshintergrund) or ‘entrepreneurs with a foreign nationality’ (ausländische Unternehmer). The latter term is more common with regard to official data, since only the nationality of the entrepreneur, and not their migration background, is registered. Furthermore, the term ‘migrants’ economy’ (Migrantenökonomie) is used in Stuttgart, since the federal state of Baden-Württemberg, of which Stuttgart is the capital, has recently started initiatives under this heading.

Even though the phenomenon of ethnic entrepreneurship is not new in Stuttgart, there are no official data regarding the total number of immigrant entrepreneurs in the city. Nonetheless, some information exists. Firstly, a study carried out in 2005 analysed data on entrepreneurs with a migration background in the federal state of Baden-Württemberg. This can be seen as an indicator for the share of ethnic entrepreneurs in the city of Stuttgart. Secondly, the Statistical Offices of the federal state and of the city could provide information on the number of registered and de-registered businesses according to nationality. Thirdly, a local migrant organisation, called SELF (SELF e.V. Verein zur Unterstützung der Selbständigen) conducted a survey among Turkish entrepreneurs. On the basis of these different sources, the development of ethnic entrepreneurship in the city of Stuttgart can be sketched in the following way.

According to a study from the IFM (Institut für Mittelstandsforschung – The Institute for the Study of SMEs) of the University of Mannheim using the 2005 micro census, entrepreneurs with a migration background (foreigners and Germans with a migration background) make up 14% of self-employed entrepreneurs in Baden-Württemberg. Some 41,000 of the 521,000 self-employed entrepreneurs in the state are foreigners and 32,000 are Germans with a migration background. Most of the entrepreneurs with a migration background come from Italy, with about 9,000 self-employed individuals (12% of the ethnic self-employed). Individuals with a Turkish background follow, with about 8,000 (11% of entrepreneurs with a migration background). The other groups of entrepreneurs (formed on the basis of specific national backgrounds) include former Yugoslavian countries, with about 6,000 (8%) self-employed, the Polish, with 4,000 (5%), and the Greeks, with about 3,000 (4%) (Leicht, 2007).

In 2009, 109,124 new businesses were registered in Baden-Württemberg, according to the state Statistical Office. Surprisingly, even though people with a non-German citizenship (‘foreigners’) only represent 21% of the local workforce, they registered about 37.2% of all new enterprises; only 62.6% of the registrations were made by Germans. The largest immigrant group founding new businesses in Stuttgart are Turks: they registered 3.7% of the businesses, while 2.3% have been registered by Poles, 2% by Italians, 0.8% by Greeks and 0.5% by Serbs. Other nationalities account for 28% of the new entries in the trade register (Statistisches Landesamt Baden-Württemberg, 2010b; see Figure 9).
The development of local businesses, however, is not always a story of success. While 109,124 new businesses were registered in 2009, 92,395 have been de-registered. One can assume that most of them had to be given up. Surprisingly, the proportions of migrant business start-ups and failures and of all business start-ups and failures are very similar (see Figure 10). In fact, the percentage of German businesses that de-registered is even slightly higher than that of businesses owned by a foreigner (Statistisches Landesamt Baden-Württemberg, 2010b). Since the data only differentiates between German and foreign entrepreneurs, there is no information about businesses owned by people with a migration background.

The majority of business founders in Stuttgart are male and are rather young. Most entrepreneurs that registered a business between 2004 and 2007 were in their twenties or thirties. However, there are some differences between company founders with a German citizenship and those with a different one. While ‘foreign’ founders most frequently founded a business in their thirties, most German founders are only in their twenties.
Figure 11: Founders of businesses according to age, gender and nationality, 2004–2007

Source: Unpublished data provided by the city’s Statistical Office

Foreign men establish businesses slightly more often than German men do, while foreign women don’t start businesses as often as German women do. Altogether, in the period between 2004 and 2007, foreigners established start-ups as often as Germans (according to unpublished data from the city’s Statistical Office; see Figure 11).

Regarding the sectoral distribution of start-ups during 2004 to 2007, most businesses were established in the information and communication sector (27%), followed by trade (16%), the hospitality industry (catering, restaurant and hotel; 8%), the building and construction industry (7%) and in financial and insurance services (7%). The other areas only account for 1% to 5% of the newly founded businesses, depending on the sector.

The share of foreign founders is the highest in the building and construction industry (57%), followed by facility management and horticulture (52%) and the hospitality industry (49%). The advertising/market and opinion research sectors have the lowest share of foreign business founders (13%), followed by law, consulting and technical services (13%) and agriculture and forestry (12%).

To summarise, the share of foreign business founders is disproportionately high in highly competitive and labour-intensive sectors where lower educational qualification are required (according to unpublished data from the Statistical Office of the city of Stuttgart; see Figure 12).
As has already been stated, the share of foreign company founders is highest in handicraft businesses, such as the building and construction industry as well as facility management and horticulture. Most of these founders are eastern European foreigners, mainly Poles. In the building and construction industry, 25% of all start-ups registered between 2004 and 2007 were founded by Poles, as reported by the expert from the Statistical Office. The interviewed expert from the Chamber of Crafts also observed this trend. According to him, there has been a sharp increase in new businesses started by eastern European migrants in crafts, particularly floor tilers, building cleaners and interior decorators. These are mainly micro enterprises that do not employ anybody.

This trend was fostered by two political changes. Firstly, the revision of the Crafts and Trade Code (Handwerksordnung) had a significant impact on the founding of new businesses. It facilitated the establishment of small businesses for foreigners by reducing the number of handicraft businesses for which one had to be an accredited master craftsman (Meister). Thus, since 2004, the number of handicrafts requiring this accreditation has decreased and the number of foreign founders who started businesses in crafts not requiring specific permits increased considerably. (For more detailed information regarding the revision, see Chapter 5.)

Secondly, the increase of eastern European craftsmen founding businesses was fostered by the eastward enlargement of the EU in 2004 and 2007, which introduced the freedom of movement, establishment and trade for the new EU citizens. The free movement of eastern European workers, however, is still restricted: the old EU Member States have the right to limit the free movement of workers from the new Member States for a transitional period of seven years. As is the case with some other countries, Germany suspends the free movement of eastern European workers and grants work permits only if the position cannot be filled with German or other EU citizens. On the other hand, individuals from the
new Member States have the right to move to Germany, to be self-employed and to establish businesses without any legal restrictions. Thus, ‘pseudo self-employment’ (*Scheinselbständigkeit*) also plays a role in the increasing number of businesses: some of the registered eastern European craftsmen are actually subcontractors of local craftsmen and building companies that are not willing or not allowed to employ the eastern European craftsmen directly. Hence, several of them may have founded their ‘business’ involuntarily and suffer under bad working conditions, such as job insecurity and low income.

In 2009, there were 19,000 handicraft businesses altogether in which the entrepreneur was required to be a master craftsman to start the business. About 19% of them were run by foreign nationals. At the same time, 10,100 businesses existed for which no specific permit is needed. Of them, about 35% were run by foreigners (according to unpublished information from the Chamber of Crafts).

Apart from the data on handicrafts businesses, most data regarding the sectoral distribution of migrant businesses provided so far only refer to start-ups and not to existing business. Regarding the sectoral distribution of existing migrant businesses, there are no official data available, but the local German-Turkish business association SELF gathered some information. In 2009, the association conducted a survey among Turkish enterprises located in the city of Stuttgart (see Chapter 5). According to that survey, Turkish enterprises are distributed more evenly over the various sectors of the urban economy than the foreign start-ups described above. Some 23% of the Turkish businesses belong to the retail industry, 20% to knowledge-intensive services, 17% to gastronomy, 15% to services that are not knowledge intensive, 6% to the building and construction industry, 4% to transport, 3% to wholesale trade, 3% to manufacturing industries and 9% to other industries (SELF e.V., 2010; see Figure 13).

![Figure 13: Sectoral distribution of Turkish businesses, 2009](image)

Source: Compiled by EFMS based on data from SELF e.V. (2010)

Again, these are not official figures of the city of Stuttgart, but results of a survey conducted by a local German-Turkish business association. When interpreting these data, one has to bear in mind that SELF is a German-Turkish association that reaches a particular group of entrepreneurs and that the data is therefore not representative of all businesses in Stuttgart.
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Nevertheless, the findings are similar to the estimates made by the local experts interviewed in the course of the city visit. ‘While until the 1990s, many migrant businesses were import-export businesses, in which our mothers bought their gifts, these kind of stores only represent a small share of the migrant businesses in Stuttgart today,’ a migrant entrepreneur reported in the course of the interviews. Most of the interviewed experts also noted that the sectoral distribution has diversified and migrant businesses can now be found in all areas of the economy. However, migrant businesses are concentrated in the tertiary (service) sector. According to the interviewed experts, gastronomy and retail are the most prominent areas for migrant entrepreneurs. In contrast, only a few businesses run by a person with a migration background can be found in the manufacturing industries, e.g. the automotive and metal processing industries. As stated by the interviewed expert from the trade union IG Metall, enterprises in the manufacturing industry are usually traditional and long-established family businesses.

With regard to the spatial distribution of migrant businesses in Stuttgart, hardly any information is available. According to some interviewed experts, migrant businesses selling ‘ethnic’ products and services are usually located in areas with a higher proportion of inhabitants with a migration background. Otherwise, there is no specific distribution of migrant enterprises across the city.

Market and competition

Markets that entrepreneurs with a migration background supply are very diverse and differ with regard to the nature of the business, although there is no official data available about them. According to the interviewed expert from the Arab Business Centre, however, many migrant entrepreneurs concentrate on local markets and customers who also have a migration background. Other interviewed experts confirmed this, stating that in many businesses such as retail, law offices, tax consultancies and handicraft businesses, most of the customers are migrants as well, often with the same ethnic background as the owner. In restaurants, by contrast, customers mainly seem to be Germans without a migration background.

Figure 14: Composition of customers in Turkish businesses, 2009

According to the SELF survey mentioned above, the clientele of ethnic businesses is fairly mixed: 27% of the business owners answered that most of their customers were Turkish, 18% answered that most clients were German, and 55% answered that they have both German and Turkish clients (see Figure 14).
Entrepreneurs with a migration background compete against all other businesses in their sector. As mentioned by the interviewed experts from the business associations, migrant businesses also often compete amongst each other, e.g. a Turkish restaurant’s competitors are first of all other Turkish restaurants in the city and then other restaurants in general.

According to the interviewed experts, favourable prices are key to the competitiveness of local migrant businesses. Furthermore, some businesses run by a person with a migration background outperform their competitors because they offer specific goods and services for particular ethnic groups. Migrant businesses are successful in such fields since they have the specific knowledge, skills and experience, e.g. personal contacts in the exporting countries. Additionally, good customer relationships play an important role for ethnic businesses, as stated by the interviewed expert from the Arab Business Centre.

**Ownership structures, workforce and labour relations**

Unfortunately, there are no available data or information about ownership structures of migrant businesses in Stuttgart. It can be assumed that many of the entrepreneurs with a migration background are the owners as well as the managers of their businesses, since they often run very small businesses.

Nearly 83% of the Turkish entrepreneurs interviewed by SELF own a ‘micro enterprise’ (according to the EU definition; see Chapter 3) with fewer than 10 employees, 25% of all enterprises have no employees, 10% have only one employee, 42% have two to five employees and 6% have six to 10 employees. Some 17% of all Turkish enterprises have more than 10 employees. The share of micro firms among Turkish enterprises is therefore lower (83%) than it is for the total of enterprises located in the city of Stuttgart (89%) (SELF e.V., 2010; see Figure 15).

![Figure 15: Turkish enterprises according to number of employees, 2009](image)

Source: Compiled by EFMS based on data from SELF e.V. (2010)

No official data exists for the city of Stuttgart with regard to the workforce in migrant enterprises. However, the vast majority of the interviewed experts stated that local entrepreneurs with a migration background mainly employ workers from their own ethnic group, followed by other migrants and then Germans without a migration background. According to the experts, migrant entrepreneurs often employ members of their family or friends because trust and flexibility are assessed as being important. Other interviewed experts noted that the ethnic background of an employee does not play a role; this is particularly the case when the job requires specific or higher qualifications.
According to the previously mentioned SELF study, ethnic entrepreneurs with a Turkish background find their employees from various sources. About 14% of the respondents said that most of their employees were family members and about 20% said that they hired mostly acquaintances. However, most of the respondents (about 48%) claimed that they met and hired most of their employees through other means. About 19% stated that they found most of their employees through a mix of the above (see Figure 16).

Figure 16: Employees in Turkish businesses according to their relationship with the owner, 2009

Because ethnic enterprises are generally SMEs, and in particular micro companies or family businesses, the level of unionisation within these enterprises in Stuttgart is rather low, as stated by several local experts. However, the interviewed experts’ assessment of employment conditions and labour relations in migrant businesses differed. The interviewed expert from the IGM trade union stated that running a business does not differ with regard to the ethnic background of the owner, but is generally based on economic principles. According to other interviewed experts, labour relations and employment conditions do indeed differ between businesses run by people with and without a migration background. They believe that employment conditions are not as ‘optimal’ in migrant businesses because the businesses sometimes lack proper internal organisation. This is often based on a paternalistic management style and a lack of management skills and experience. On the other hand, as stated by an interviewed expert from the Chamber of Crafts, labour relations are sometimes also more favourable in migrant businesses because entrepreneurs with a migration background emphasise values and a feeling of togetherness, which can have a positive impact.

**Reasons for entrepreneurial careers**

Research on ethnic entrepreneurship shows various reasons for migrants to become self-employed (Constant and Zimmermann, 2006, p. 295; IFM, 2005, pp. 17–20; Jaeckel, 2007, pp. 9–10; Schuleri-Hartje et al, 2005, pp. 24–6; Tolciu and Schaland, 2008, p. 538). The reasons can generally be sorted into three different categories. Although these are general classifications, they are typical motives for entrepreneurial careers in the city of Stuttgart as well. The three explanations are not to be regarded as exclusive; rather, the basis for the emergence of ethnic entrepreneurship is a mixture of these reasons.
First, according to the ‘niche model’, migrants start a business because they recognise that there is a demand for certain products or services within the population with a foreign background that is not satisfied by existing ‘native’ businesses. Import-export businesses, grocery stores and restaurants as well as real estate agencies or insurance companies specialising in migrants’ demands are examples that fall under this category. At first, customers mainly belong to the same ethnic group. Later, the base of customers usually broadens and includes members of the German population and other ethnic groups. In the city of Stuttgart, operating in niche markets seems to be quite common for migrant entrepreneurs (see above). The interviewed experts also noted that using the advantages of market niches is a motive for some entrepreneurs to start their business, e.g. a Russian nursing service or a Turkish law office.

Second, the emergence of ethnic entrepreneurship can be explained as a result of the cultural particularities of the migrants’ country of origin that influence the preference for self-employment, i.e. a ‘mentality for self-employment’ (‘cultural model’). According to some of the interviewed experts, ethnic entrepreneurship in Stuttgart is partially based on this different mentality, since self-employment is more common and held in high esteem in many of the migrants’ countries of origin. Some interviewed experts also regarded migrant entrepreneurs as being more willing to take risks. Thus, the ‘mentality of self-employment’ can act as a pull factor for entrepreneurs with a migration background.

Third, for some migrants, and particularly among second-generation immigrants, entrepreneurship is a response to their specific and sometimes difficult situation in the labour market. Thus, reasons for entrepreneurial careers include migrants’ poor employment opportunities as well as better opportunities in certain branches of the economy. This approach incorporates push factors, such as potential job loss, actual unemployment and discrimination in the labour market, as well as pull factors, such as higher chances for advancement, a wish for self-fulfilment or for being independent and one’s own boss.

According to all the experts that were interviewed, economic reasons – mainly the wish to be independent and discrimination in the labour market – seem to be the most relevant factors for ethnic entrepreneurship in the city. As stated above, migrants living in Stuttgart are on average less qualified than native Germans, face more problems in the labour market and thus are under more pressure. Many of the interviewed experts stated that migrants in the city are faced with a glass ceiling that prevents the possibility of more of them working in senior positions in existing businesses. Apart from discrimination, the invalidation of qualifications obtained in their country of origin often drives migrants into self-employment. On the other hand, most of the interviewed experts believed that pull factors, particularly the wish to be independent, are major motives. Being self-employed is generally seen as a way to improve one’s economic situation.

The survey conducted by SELF also asked for reasons of self-employment (multiple answers were possible). About 22% of the interviewed Turkish entrepreneurs mentioned dissatisfaction with their former job as a reason for their self-employment; 18% were unemployed and stressed that as a reason for their self-employment; 16% stated that the risk of unemployment was a reason for them to become self-employed; and 8% stressed discrimination as a reason for founding a business (SELF e.V., 2010; see Figure 17).
Unfortunately, the study only asked about push factors as possible reasons for self-employment. The percentage of migrant entrepreneurs stating that these reasons applied to them is rather low. Thus, one can assume that push factors are not the main reasons for entrepreneurs with a migration background to start a business.

**Problems and barriers**

When setting up and running a business, ethnic entrepreneurs face several problems and barriers. Local experts interviewed in the course of the field visit mentioned several migrant-specific problems that are described below.

To begin with, the personal qualifications of the entrepreneur to organise the general management play a crucial role when founding and operating a business. However, some entrepreneurs (both migrants and natives) have a promising business idea, but do not have the knowledge to realise it and to ‘come through the first period after founding’, as an entrepreneur and politician pointed out in an interview. According to the interviewed professor of economics, city officers and most migrant representatives, the entrepreneurs’ preparation is often inadequate, business plans turn out to be underfinanced and over-optimistic and sometimes a lack of education and understanding of figures and management rules occurs. The expert from the trade union explained that migrant businesses often have to close down because the owner’s sector-specific knowledge is insufficient.

The experts repeated that these problems are typical for all entrepreneurs starting a business, not only for migrants. Since the local opportunities and supporting structures are often more familiar to natives, however, migrants seem to suffer more from these problems than natives do. Related to this is the fact that migrant entrepreneurs in general make less use of advising services than native Germans do, as has been analysed in a research paper (Jaeckel, 2007, p. 6); reported by some of the experts interviewed (including the professor of economics, among others); and determined by the organisation SELF – of all the Turkish entrepreneurs who were interviewed, only 65% drew on advice to start up a business. Of those that did, 25% asked a corporate or tax accountant for advice, 20% asked their family for assistance, 17% spoke to relatives or friends and 16% asked acquaintances or colleagues. In addition, 11% asked a chamber for advice, 5% asked an entrepreneurs’ association and 5% used other sources of advice. The figures show the relative importance of advice from family, friends and colleagues for ongoing Turkish entrepreneurs (SELF e.V., 2010; see Figure 18). Again, the interviewed persons could select all answers that applied to them.
Related to general management is the financial management of a company, which can sometimes cause problems for entrepreneurs. Micro businesses generally face difficulties in obtaining credit, and some experts, such as the integration commissioner and most of the representatives from the entrepreneurial migrant organisations, emphasised that immigrants face even more difficulties in getting loans. Of the participants in the survey conducted by SELF, 29% stated that getting credit was a problem. If they do not get any credit from a bank, ethnic entrepreneurs often turn to their family and friends to borrow money or have to rely on their own, often limited, capital, as reported by the head of SELF and the representative from the Chamber of Crafts.

Other problems mentioned by the interviewed experts concern marketing, which is often deficient, as reported by the integration commissioner and the expert from the Arab Business Centre. Moreover, an interviewed entrepreneur and politician emphasised that some businesses, mainly in the handicraft sector, have problems finding qualified apprentices.

In addition, (ethnic) entrepreneurs are faced with problems concerning rules and regulations and the German bureaucracy as a whole, as suggested by the representatives from entrepreneurial organisations. Some ethnic entrepreneurs – in particular those who did not grow up in Germany – have difficulties getting to know the local business culture as well as the institutions they can turn to for help. According to the multiple-answer survey conducted by SELF, bureaucracy is one of the largest problems that entrepreneurs face: 53% of the respondents in the survey said that this was a difficulty for them (see below). The command of the German language is also problematic in this regard, particularly for new immigrants and for elderly migrants (who often used to be guest workers). The latter aspect was highlighted by the representatives from the Chamber of Crafts, the Indian Business Centre, the Arab Business Centre and some migrant organisations.

As mentioned above, according to SELF’s survey, 53% of the respondents in the survey said that bureaucracy was a difficulty and 29% stated that getting credit was a problem. Other problems often reported by the survey participants were finding qualified personnel (36%), competition (37%) and finding business premises (21%), though 38% of the respondents claimed to have no difficulties.
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Figure 19: Major problems of entrepreneurs with a Turkish background, 2009

Source: Compiled by EFMS based on unpublished data from SELF e.V. (2010)
This chapter starts with an overview of national rules and regulations controlling the formal access to entrepreneurship and some violations of these rules and regulations. Further sections concentrate on the city’s strategy concerning ethnic entrepreneurship and on local activities, programmes, projects and networks.

**Rules and regulations**

**General rules and regulations**

Access to entrepreneurship in Stuttgart is regulated in the same way as in every other German city, i.e. it entails certain formalities every entrepreneur has to comply with. First of all, the entrepreneur has to choose the legal structure of the company. Taxes, finances and laws that apply to businesses are determined by this structure. In general, a new business has to be registered with the local trade office (Gewerbeamt), which then automatically informs other authorities with which a new business must also register. Among these are the Tax Office, the Occupational Accident Insurance Fund (Berufsgenossenschaft), the Trade Supervisory Office (Gewerbeaufsichtsamt), local courts (for an entry in the trade register), the Chamber of Industry and Commerce and the Chamber of Crafts (BMWi, 2010).

Membership in the latter institutions is compulsory in Germany, as is entry in the trade register. The Trade Supervisory Office is responsible for checking compliance with sector-specific health and safety regulations. Staff members (and sometimes the self-employed person as well) must be insured at the local Occupational Accident Insurance Fund. Additionally, the staff members and the entrepreneur must be registered with the Employer’s Liability Insurance Association and have social insurance, covering contributions to the pension insurance fund, health and nursing care insurance as well as unemployment insurance (BMWi, 2010).

The Tax Office is another important regulatory office. Entrepreneurs are faced with four different types of taxes: turnover or input tax, income tax, trade tax and corporation tax. Taxes differ, mainly depending on the size of the company, its legal structure or whether or not it is a freelance profession. Special tax regulations apply for ‘small entrepreneurs’ (Kleinunternehmerregelung). An entrepreneur is classified as ‘small’ when the total turnover (plus turnover tax) was less than EUR 17,500 during the last year of operation and will not exceed EUR 50,000 during the present year. If the entrepreneur is registered as a ‘small entrepreneur’, he or she does not have to pay turnover tax (BMWi, 2010). This regulation can be particularly important for entrepreneurs with a migration background, since the majority of them run micro businesses. Furthermore, entrepreneurs must follow specific health and safety, environmental, labour and planning regulations. Some businesses can be started without a permit, e.g. marriage bureaus or travel agencies. For most other businesses, a permit or certain qualifications are needed (see below).

These regulations do not differentiate between entrepreneurs with a migration background and those without one. However, to start their own business, third-country nationals who already live in Germany must have a valid and eligible residence permit that allows them to work. Third-country nationals who plan to immigrate to Germany to become self-employed have to take the regulations of the German Immigration Act into account. According to the Immigration Act (§21), ‘self-employed persons can obtain a residence permit if there is an overriding economic interest or a regional demand, if the activity can be expected to have a positive impact on the economy and if the funding is ensured’ (BMI, 2005). The ‘overriding economic interest’ is given when entrepreneurs make an investment of at least EUR 250,000 or create five new jobs. If these requirements are fulfilled, the entrepreneur obtains a residence permit for a maximum of three years. If the business is successful, i.e. the entrepreneur has sufficient means to assure a livelihood, he or she then gets a settlement permit.

These regulations do not apply to citizens of an EU Member State. They do not need permission to settle or start their own business in Germany because of the freedom of movement, establishment and trade within the EU. This freedom is still partially suspended for workers from the eastern European Member States that joined the EU in 2004 and 2007: work permits are granted only if the position cannot be filled by German or other EU citizens. Nonetheless, individuals
from the new Member States have the right to be self-employed and to establish businesses without any legal restrictions. One can assume that these restrictions often lead to ‘pseudo self-employment’ (Scheinselbständigkeit), as explained in Chapter 4.

Comprehensive information about founding a business in Germany is provided online by the Federal Ministry of Economics and Technology in German, English, Turkish, French, Russian and Italian. At the local level, government and municipal departments or chambers also offer information, advice and support for entrepreneurs.

**Sectoral and spatial rules and regulations**

As mentioned above, there is a plethora of sectoral rules and regulations in Germany. Depending on the business sector, the entrepreneur must obtain different permits or possess specific qualifications. Professions such as childcare, nursing services, brokers or accountants need specific permits. A special licence is needed for the carriage of passengers. Industrial enterprises with an impact on the environment have to get permission in compliance with the Federal Emission Control Act. In the hospitality industry, all entrepreneurs need to participate in a one-day course of instruction organised by the Chamber of Industry and Commerce. Similarly, entrepreneurs in the security business have to participate in a specific 80-hour course of instruction and prove their personal reliability as well as other necessary resources (BMWi, 2010).

Specific requirements also exist for entrepreneurs who want to start a business in crafts. After the revision of the Crafts and Trade Code in 2004, there are now two types of handicraft trades. The first type (A) includes crafts that endanger the life and health of the customers when constructed incorrectly. These crafts are listed in the first part of the Crafts and Trade Code’s attachment; examples are bricklayers, plumbers, bakers or hairdressers. The entrepreneur needs to obtain a permit for these crafts, which generally requires that the entrepreneur is a master craftsman or employs a master craftsman. Entrepreneurs with citizenship from an EU or European Economic Area country who are not master craftsmen in accordance with the German law need an exemption before starting this type of a craft business. They must prove they have comparable qualifications to German master craftsmen and several years of work experience (BMWi, 2007). The second type of handicraft trade (B) includes crafts as well as ‘quasi-crafts’ for which the entrepreneur no longer needs a permit. The entrepreneur does not have to be a master craftsman, nor does he or she need specific qualifications to start a business. Examples include floor tilers, goldsmiths, building cleaners and beauty specialists (BMWi, 2009).

The interviewed experts stated that this revision of the Crafts and Trade Code had a significant impact on entrepreneurs with a migration background in the city of Stuttgart. In particular, the fact that one does not have to be a master craftsman in some fields enabled more people to start businesses (see Chapter 4).

**Illegal and informal practices**

None of the experts interviewed could provide substantial information regarding illegal and informal practices of ethnic entrepreneurs. Some migrant entrepreneurs who were interviewed during the field visit reported that ‘grey labour’ (half-illicit work) exists in some businesses, particularly in the construction industries, meaning that some staff members officially only work part time and get the money for the rest of the time as cash in hand. According to the experts, however, this is not a question of nationality but of the sector and they complained about the prejudice against entrepreneurs with a migration background. Nevertheless, none of the experts knew to what extent ethnic entrepreneurs are affected by measures to crack down on informal and illegal practices. They supposed that ethnic entrepreneurs are treated like every other entrepreneur.
Local strategy

Overall strategy, objectives and target groups
This section examines the local strategy regarding ethnic entrepreneurship for economic policy and integration policy, starting with the latter.

In Germany, integration policies traditionally focus on the fields of social affairs, youth work, language and education. Activities that directly and systematically promote equal opportunities in the labour market play a minor role in these policies. For several years, ethnic entrepreneurship was not an issue addressed in integration policies. Migrants’ resources as entrepreneurs became a topic of minor political interest in the field of integration only recently. At the national level in Germany, which influences local integration strategies, the National Integration Scheme (Nationaler Integrationsplan) outlines some objectives and recommendations for integrating migrants. The Integration Scheme addresses 10 topics. However, ethnic entrepreneurship is very much a minor theme of the topic ‘promoting integration on the local level’, which, among other things, tackles the involvement of migrants in the local economy. To support local ethnic businesses, the federal government, municipalities and a number of NGOs have made several voluntary agreements, particularly in the fields of financial promotion and advice services (Beauftragte der Bundesregierung für Migration, Flüchtlinge und Integration, 2007). In conclusion, ethnic entrepreneurship is a topic discussed at the national level and supported by the government, but it only represents a minor issue within national policies.

This is also true for the city of Stuttgart, where ethnic entrepreneurship plays only a minor role in the city’s integration concept, the Pact for Integration (Bündnis für Integration). This concept focuses on 15 different fields of action, including ‘economic integration’ and ‘internationality as a driver for science and economy’. Within these two fields, the city also aims at supporting the self-employment of its inhabitants with a migration background. It plans on doing this by tapping into ethnic (business) associations’ potential to offer intercultural and migrant-specific programmes. To do so, the Department for Economic Development applied for an EU project that helps to quantify migrant businesses and their specific problems and then develop migrant-specific measures for supporting entrepreneurship. This project (called CONCEPT) is described in the ‘Local activities’ section below (LHS Stuttgart, 2009a, pp. 33–50). Furthermore, the city supports the ABba project (see below), which aims at creating apprenticeships in migrant businesses. Apart from these projects, which are carried out by other local actors, the city does not conduct any initiative regarding ethnic entrepreneurship.

Within Stuttgart’s strategy for economic development (called My Motor), the topic of entrepreneurship plays a prominent role. Supporting the entrepreneurial spirit of the local population is an important goal in this regard. The city and its Economic Development Department emphasise the importance of new businesses – including migrant businesses – for the local economic development. However, there is no specific focus on migrant businesses, since the Economic Development Department wants to treat everybody as equal. The CONCEPT project, which is conducted by a migrant organisation and supported by the city, is one exception to that. It is based on the assumption that migrants have relatively high start-up as well as business failure rates. Thus it aims at supporting the sustainable development of migrants’ businesses (LHS Stuttgart, 2009c, pp. 24–5). Apart from that, inhabitants with a migration background who plan to start a business can participate in the regular projects, events and seminars.

To summarise, one can say that although the city recognises the importance of migrant businesses and aims to support them, it does little to transform this into action. Stuttgart does not specifically target people with a migration background and offers hardly any migrant-specific measures. Provision of services in a non-discriminatory way can put migrant entrepreneurs in a disadvantaged position if the service is not inclusive and does not reach out to all groups of the local population. Furthermore, it ‘does not take specific potentials and needs of migrant entrepreneurs into account’, as stated by the interviewed expert from the Department for Integration Policy. He also emphasised that the Economic
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Development Department needs to focus more on intercultural competence in order to use the existing potential of local migrant entrepreneurs to enhance transnational economic connections (see below).

Main actors and institutions

The Economic Development Department of Stuttgart (Wirtschaftsförderung Stuttgart) is in charge of promoting the local economy. The department aims at creating growth and jobs in Stuttgart, and to do so offers advice to start-ups and businesses, helping them to develop and to secure locations for their trade. It also claims to serve as a contact point between entrepreneurs and other agencies such as chambers, banks, public authorities, organisations and networks and regards itself as a management consultancy and resource for entrepreneurs, new residents and creative individuals. This political-administrative institution is a main actor in the field of ethnic entrepreneurship in the city (see below).

According to the interviewed experts, other relevant institutions for entrepreneurs in the city include the Chamber of Industry and Commerce of the Stuttgart Region (Industrie- und Handelskammer, IHK, Region Stuttgart), the Stuttgart Chamber of Crafts (Handwerkskammer Region Stuttgart), the Employment Agency (Agentur für Arbeit Stuttgart) and the Job Centre (JobCenter Stuttgart). The Department for Integration Policy of the city of Stuttgart and the International Committee (Internationaler Ausschuss) of the city of Stuttgart are also potential actors that could improve the local policies supporting migrant entrepreneurs. The Indian Business Centre, Stuttgart and the Arab Business Centre, Stuttgart are organisations that primarily aim to attract and help businesses from their respective regions to set up in Stuttgart.

Moreover, immigrant associations, notably immigrant entrepreneurs’ associations, provide important support to entrepreneurs with a migration background. The Turkish community is particularly active in this regard. While the city representatives of the Department for Integration Policy as well as the other experts and entrepreneurs interviewed knew several Turkish-based entrepreneurial associations and organisations, no one could provide information about entrepreneurial associations for immigrants of other ethnic backgrounds. The three most active associations of and for businessmen with a Turkish background are the business association DESPIR, founded by a Social Democrat and mainly representing smaller businesses of various branches; the business platform XING, which sees itself as an innovative, cosmopolitan forum, mainly interlinking knowledge-based and academic firms; and the SELF association founded in 2003 by a German-Turkish businessman who is also a member of the Christian Democratic Union. SELF supports entrepreneurs with a migration background in all sectors by incorporating self-employed people into a network for their mutual economic benefit in order to strengthen entrepreneurial potential through continuing education, to highlight and promote the potential and issues of the migrant economy and to represent the interests of self-employed immigrants in city and state politics.

A number of the migrant associations’ representatives as well as migrant entrepreneurs are also members of political parties and of the city’s International Committee. This committee, which consists of 13 members from the municipal council and 12 residents with different ethnic backgrounds, is in charge of advising the municipal council and the administration concerning all matters on integration and diversity, including migrant entrepreneurship. Beyond that, the committee’s members are also actively engaged in campaigns and other activities, for example supporting migrant children’s integration and education.9

9 Its thematic priority lies in the following topics: (a) language and education, (b) city planning and security, (c) youth, social affairs and health, (d) employment and (e) culture and intercultural dialogue.

10 For more information, see Schuster (2006).
As outlined above, migrant entrepreneurs in Stuttgart are involved in the local institutional structures. For instance, membership in the Chamber of Commerce and Industry and the Chamber of Crafts is compulsory. Thus, entrepreneurs with a migration background are bound to become members of the chambers. However, according to the representatives from the respective institutions, migrant entrepreneurs are usually passive members of these institutions and often are not actively involved in the chambers’ activities. Moreover, migrants’ involvement in optional associations such as guilds is rare, since guilds are based on long, often family-based traditions. Instead, many entrepreneurs with a migration background – particularly with a Turkish background – have founded ethnic business associations, some of which maintain good relations with the city, while others are not linked with, or even known by, local institutions.

**Local activities**

**Entrepreneurship advice**

The various local actors mentioned above provide different measures and programmes to promote the business acumen of entrepreneurs. Most of these are general measures, i.e. they address all entrepreneurs in the city irrespective of their migration background. The offers of the biggest service providers are illustrated below.

As mentioned above, the Stuttgart Department of Economic Development plays a key role in local business, promoting and supporting the city’s economy. The department provides advice and information about many areas of the local economy. It fosters existing businesses, helping them with permits or identifying potential locations for relocation or expansion. It also aids with marketing in the area, promoting the city as an attractive location for investment and business and as an ideal place to live and work. The department has also identified the creative industries (such as architecture, graphic design and information technology) as an area with high potential for growth and employment. Thus, it is working on strengthening the local infrastructure of creative businesses and organises events for target groups in the creative industry. The department oversees the management of the city district, attempting to increase the appeal and purchasing power of the different districts in the city. It also seeks to promote international business, providing advice and support for Stuttgart businesses with international ambitions and for international companies wishing to expand to the German market. The department also has a specific office for entrepreneurs and start-ups, where they can find advice, information about credit, assistance with the Employment Agency and information about business incubators, which aid new businesses by helping them find commercial property with inexpensive rent and financing for renovations. As stated above, since the department wants to treat everybody as equal, there is no specific focus on migrant businesses and there are no specific measures either.

Apart from the city’s Department of Economic Development, migrant organisations also offer advice for migrant entrepreneurs, one of them being the SELF organisation. It works with other actors in Stuttgart to develop projects that help the migrant entrepreneurial community, particularly entrepreneurs with a Turkish background. The organisation’s counselling services provide personal advice on all aspects of the creation or running of a business and develop seminars. Topics range from marketing and accounting to office organisation and body language. Furthermore, the association organises the CONCEPT project (*Die Initiative für Existenzgründung und Unternehmenssicherung* – Initiative for Existing Start-ups and the Protection of Enterprises). The project, which can be seen as an example of good practice, works in conjunction with the office of the mayor of the city of Stuttgart (*Oberbürgermeisteramt*) and the city’s Department of Economic Development as well as with the Stuttgart Chamber of Commerce and Industry and its Chamber of Crafts. It is funded by the Economics Ministry of Baden-Württemberg (*Wirtschaftsministerium Baden-Württemberg*) through the European Social Fund. Also sometimes referred to as Exinet, CONCEPT seeks to find out why ethnic enterprises tend to fail in Stuttgart and works to support existing and potential entrepreneurs with a migration background. The project will do this by collecting and analysing data from more than 200 existing businesses, most of them with a Turkish background. Once this analysis has been completed, CONCEPT intends to introduce several tools to help entrepreneurs with a migration background. It plans to provide initial consultation for businesses, profiling them...
and analysing their needs so that a ‘road map’ can be created with the entrepreneur. CONCEPT then wants to use additional measures, such as further consultation, intermediation, training, support and guidance. By creating a contact point for information and combining the services of different organisations, CONCEPT hopes to decrease the deficiencies in training, planning and information that migrant entrepreneurs must overcome.

Furthermore, the local chambers are active in supporting entrepreneurship. Most of their activities, however, are general services open to all entrepreneurs. Ethnic entrepreneurship only plays a minor role in both chambers. Nonetheless, both are conducting some migrant-specific initiatives. The Chamber of Crafts organised a specific information event on employment and apprenticeships as well as on ways to become self-employed in handicraft businesses for the Italian population (in cooperation with the Italian consulate). Similar events are planned for the Turkish and Greek population. The Chamber of Industry and Commerce conducts training sessions on hygiene and refrigeration standards for local restaurants in Turkish and Italian. Moreover, the chamber employs a Turkish-speaking contact person to improve access to Turkish clients.

Another actor offering advice for entrepreneurs is the DEHOGA Baden-Württemberg, the Hotel and Catering Association. It has set up ‘hotel and catering foundation vouchers’ (Gründungs-Gutscheine Gastgewerbe), an advice service for potential and established entrepreneurs in the hospitality industry. The aim of the service – which is funded by the Baden-Württemberg Ministry of Commerce and Industry with money from the European Social Fund – is to contribute to the long-term economic success of start-ups and businesses. All entrepreneurs in the hospitality sector in Baden-Württemberg can take advantage of the services listed in the vouchers, which include a free so-called ‘foundation package’ and ‘check-up’ as well as a free information day and an information session for founders. Furthermore, founders can book an appointment for comprehensive foundation advice and also get support and advice on subsidies from participating banks. Since the percentage of founders and entrepreneurs with a migration background is high in the hospitality industry, DEHOGA provides information about the project online in German, English, Italian and Turkish (DEHOGA, 2010).

Financial advice

Within the field of finance, there are various ways to obtain financial assistance for founders of new businesses. The most important actors concerning this topic are local banks. They offer advice to entrepreneurs applying for credit. According to the interviewees, however, there are no specific measures for ethnic entrepreneurs.

In addition to credit from banks, there are other financing possibilities for entrepreneurs in Germany. Founders of businesses who need a relatively small amount of money and/or face difficulties in securing credit from banks (which is often the case in the hospitality industry) can apply for a micro loan issued by the German Reconstruction Loan Corporation (Kreditanstalt für Wiederaufbau, KfW).

People who want to start a business while unemployed can also apply for grants from the local employment agency or the local job centre. Within the first nine months of one’s unemployment, a would-be entrepreneur can apply for a grant at the local employment agency. If one has a promising business plan, one receives a monthly grant (Gründungszuschuss) – including unemployment benefits plus EUR 300 for social insurance contribution – for six months, with an option to receive allowances for a further six months. People who want to become self-employed out of long-term unemployment can apply for a monthly grant (Einstiegs geld) at their local job centre. The extent of the subsidy is specified individually and can be granted for up to 24 months. Both grants are based on nationwide regulations, and information about these different financing possibilities is provided by the respective local institutions.

Again, these grants are general programmes; entrepreneurs with a migration background are informed and treated in the same way as all other entrepreneurs.
Improving employment within ethnic businesses

ABba (Ausländische Betriebe Bilden Aus – Foreign Enterprises Offering Apprenticeships) is a project with the goal of creating apprenticeship positions for young people in companies owned by individuals with a foreign background. It was created through a joint effort by Stuttgart’s Chamber of Industry and Commerce and local branches of Caritas, a large German Catholic welfare organisation. Founded as a JOBSTARTER project, it is supported financially by the Federal Ministry of Education and Research and the European Social Fund.

The project works with business owners with a migration background, showing them the potential benefits of apprentices in their businesses and helping them to create and fill apprenticeship positions. It focuses on small and middle-sized businesses that would gain from apprenticeships, but need guidance and aid in integrating them. ABba acts as a source of information for business owners, acquainting them with the country’s dual education system. It is also a good resource for advice and counselling, as it provides online advisory services, access to counsellors from the city’s Chamber of Commerce and Industry and guidance through voluntary mentors before and during the creation of the apprenticeship.

ABba provides similar services to the apprentices as well. It shows apprentices with a migration background the value of their bilingualism, as it connects potential apprentices with businesses that view this skill as an advantage. ABba employs counsellors that work with the students individually to find apprenticeships that fit a student’s own needs and goals. As with the business owners, a counsellor advises the apprentice during all phases of the process, teaching them what to expect and providing advice while working in the apprenticeship. Online services are also available for the apprentice’s use.

From June 2006 until September 2008, ABba created 139 new apprenticeship positions in 113 different businesses. Many of those businesses had owners with Turkish roots; however, nine other nationalities were also represented. The project guided 109 youths into these apprenticeship positions. Their average age was 19 years, 49% of them were women and they represented 10 different nationalities.

A continuation of the project started under a new name, ABba plus, in January 2009 and will run until 31 December 2011. The goals of this project are to create 90 new or additional positions in enterprises with a migration background and to act as a mediator in filling those positions with young individuals.
Apart from ABba, which focuses on enterprises owned by migrants, some institutions concentrate on employees or apprentices with a migration background. DEHOGA Baden-Württemberg, the hotel and catering association, for instance, is increasingly focusing on young people with a migration background when advising on employment opportunities and advertising apprenticeships, as an expert from this employers’ association stated in one of the interviews. The hospitality industry also offers a two-year apprenticeship called ‘professionals in the hospitality industry’ (Fachkraft im Gastgewerbe), which has moderate theoretical requirements and is therefore suited to young people with a limited command of the German language, for instance. The percentage of foreigners among all apprentices was about 17% in 2008.

**International and local networking**

To establish international economic connections and networks between foreign and German companies, the city’s Department of Economic Development organises periodic ‘economy days’ (Wirtschaftstage) to build relationships with individual countries. In 2010, for example, the city had a Turkish Economy Day and a Swedish Economy Day, at which companies from Stuttgart could discover the investment opportunities that Turkey and Sweden have to offer. At these economy days, companies are also made aware of local business practices and cultures in those countries. Turkish and Swedish businesses could inform themselves about investment and cooperation opportunities in Stuttgart.

Figure 21: Turkish Economy Day, June 2010

Source: Unpublished photo from the city of Stuttgart

The Indian Business Centre, Stuttgart is an organisation that caters to Indian businesses. It provides companies from India with a direct foothold in the German market. Not only does it offer advice and other services, but it also makes office space available for these businesses (at EUR 5.00 per square metre, according to its website). Furthermore, it helps new Indian companies in Stuttgart with registration and other legal issues, provides financial and business consulting and has an English-speaking staff. It also offers to help with more everyday things, such as translation or even finding apartments for workers or schools for their children.

The Arab Business Centre, Stuttgart is a similar organisation that offers advice to business owners from Arab countries, helping them with their entry into the German market. It offers assistance with understanding the rules and regulations of Stuttgart and Germany in general, provides contacts with other German businesses and helps with marketing strategies and public relations.
The city of Stuttgart is the capital of the federal state of Baden-Württemberg and currently has 592,966 inhabitants. Due to its long tradition of migration, Stuttgart has a very diverse population: 38.9% of the city’s inhabitants have a migration background, stemming from about 170 different countries.

Stuttgart is one of the strongest industrial regions in Germany. It is a major location for businesses in the automotive industry and science and technology as well as for research and development. The businesses that have settled in the Stuttgart region include well-known companies such as Bosch, Daimler, Hewlett-Packard, IBM and Porsche. The city’s economic development has been characterised by a process of tertiarisation. Whereas 30 years ago, 45% of the local employees worked in the secondary (manufacturing) sector, this fell to 20.5% in 2009. Accounting for a comparatively high share of the gross value added, the sector nevertheless still plays an important role. This concentration on export-orientated manufacturing industries also entails a certain dependency on international markets and makes Stuttgart vulnerable in times of crisis. Thus, the current economic crisis had a strong impact on the city and the region, which is reflected, for instance, in the increase in the unemployment rate.

There is hardly any official data available about migrant businesses in Stuttgart. Information provided in the study mainly originates from the experts interviewed in the course of the city visit, a study conducted by the local association, SELF, and data from the federal state Baden-Württemberg. According to the latter, more than one-third of business start-ups are currently founded by foreign nationals. In Stuttgart, there are migrant businesses in all sectors of the economy, though most of them are found in gastronomy and retail. According to the interviewed experts and the SELF study, businesses run by people with a migration background are mainly micro companies and often family businesses, employing members of the owner’s ethnic group. Furthermore, migrants start their businesses mainly for economic reasons, including push factors (e.g. unemployment, discrimination in the labour market) as well as pull factors (e.g. a desire to be independent, improving one’s economic situation). Unfortunately, hardly any official data and quantitative information exist on ethnic entrepreneurship in Stuttgart, although the study conducted by SELF is a first (and important) step in this direction. It is recommended that the city gather more information on the topic of ethnic entrepreneurship.

In the framework of the local strategies for economic development and for integration policies, ethnic entrepreneurship does not play a prominent role. Although the city recognises the importance of new migrant businesses, this appreciation is not translated into action. The majority of measures offered by the city are general projects and not migrant-specific ones. This is due to the aim of treating everybody as equal, but can have a negative impact on the chances of migrants. Furthermore, this approach fails to consider the specific potentials and needs of migrant entrepreneurs.

However, there are two exceptions from these general services – the CONCEPT and ABba projects. They can be considered examples of good practice in the city of Stuttgart. CONCEPT, a project started by SELF and other city actors, aims to gather more information about ethnic entrepreneurs in Stuttgart as well as to support them. With a completed study of ethnic businesses at hand, CONCEPT hopes to pinpoint the reasons why these enterprises often struggle to maintain business and then help solve the problem. It wants to provide consultation and counselling to migrant businesses and then offer subsequent training or guidance. Its goal is to make up for the difficulties and deficiencies in information and training that immigrant entrepreneurs often have to face and help them sustain their businesses in Stuttgart.

ABba takes a different approach to helping ethnic entrepreneurs and the migrant population in general. The project was started through a joint effort of the Chamber of Industry and Commerce and branches of the welfare organisation, Caritas. It targets entrepreneurs with a migration background whose businesses could benefit from apprenticeship programmes and works with them to incorporate apprenticeships into their businesses. It also assists young people with migratory backgrounds, as it helps them to find apprenticeships, often in the exact positions in businesses that ABba helped create.
Even though the city knows of and emphasises the importance of ethnic entrepreneurship in their political concepts, it
does not do much to translate this into actual support for migrant businesses. Apart from the two specific projects just
mentioned, it does not foster ethnic entrepreneurship at all. Thus, the city is advised to improve support measures for
migrant businesses in order to benefit more from the potential of migrant entrepreneurs for the improvement of both the
local economy and society.


Bundesministerium des Innern (BMI), *Gesetz über den Aufenthalt, die Erwerbstätigkeit und die Integration von Ausländern im Bundesgebiet (Zuwanderungsgesetz)*, Berlin, 2005.


List of persons interviewed

Ameziane, Fahid; staff member of the Arab Business Centre, Stuttgart and member of the International Committee of the city of Stuttgart.

Apal, Mustafa; staff member of the local German-Turkish business association SELF (SELF e.V. Verein zur Unterstützung der Selbständigen), head of the CONCEPT project.

Aufrecht, Ines; staff member of the Stuttgart Economic Development Department (Wirtschaftsförderung Stuttgart) of the city of Stuttgart.

Ceran, Faruk; managing director of the local German-Turkish business association SELF (SELF e.V. Verein zur Unterstützung der Selbständigen) and member of the International Committee of the city of Stuttgart.

Dikme, Müslüm; ethnic entrepreneur (financial services), president of the German-Turkish business association DESPIR and member of the International Committee of the city of Stuttgart.

Fillibeck, Matthias; managing director of the Indian Business Centre.

Isik, Özkan; ethnic entrepreneur (industrial product design development), representative of the Turkish business association XING and member of the International Committee of the city of Stuttgart.

Kotz, Alexander; entrepreneur, first master craftsman of the Stuttgart Professional Association of Crafts (Kreishandwerksmeister der Kreishandwerkerschaft Stuttgart), vice-president of the Stuttgart Chamber of Crafts (Handwerkskammer Region Stuttgart), councilman and vice-chairman of the Christian Democratic Union (CDU) in the Stuttgart city council and member of the Economic Committee and International Committee of the city of Stuttgart.

Kreh, Oliver; head of the national economy, communication and quality management division of the Chamber of Industry and Commerce of the Stuttgart Region (IHK).

Loos, Dorit; professor of economics, councilwoman of the Christian Democratic Union (CDU) in the Stuttgart city council.

Ohl, Daniel; staff member of the German Hotels and Restaurants Association (Deutscher Hotel- und Gaststättenverband), DEHOGA Baden-Württemberg (via email).

Özbabacan, Ayşe; coordinator of the CLIP network and staff member of the Department for Integration Policy of the city of Stuttgart.

Pavković, Gari; integration commissioner and head of the Department for Integration Policy of the city of Stuttgart.

Rüdinger, Jürgen; representative of the Stuttgart Chamber of Crafts (Handwerkskammer Region Stuttgart).

Sengenberger, Frank; representative of Deutsche Bank.


Stein, Ulrich; staff member of the Statistical Office (Statistisches Amt) of the city of Stuttgart (via email).
Ugursal, Ersin; representative of the German-Turkish Business Centre.

Vogiatzi, Jordana; staff member of the trade union IG Metall Stuttgart.

Wölfle, Werner; councilman and chairman of the Green Party in the Stuttgart city council, member of the Economic Committee of the city of Stuttgart and member of the state parliament (Landtag) Baden-Württemberg.

Doris Lüken-Klaßen and Franziska Pohl, european forum for migration studies (efms)