ARTICLE (REFEREED)

Coming of Age: Migrant Economies and Social Policies in Germany

Felicitas Hillmann
Institute of Urban and Regional Planning, TU Berlin

Corresponding author: Felicitas Hillmann, Institute of Urban and Regional Planning, TU Berlin, Straße des 17. Juni 135, 10623 Berlin, Germany. hillmann@tu-berlin.de

DOI: http://dx.doi.org/10.5130/ccs.v13.i3.7928
Article History: Received 08/10/2021; Revised 10/11/2021; Accepted 08/12/2021; Published 26/01/2022

Abstract

This paper analyzes the policies for migrant economies as part of broader social and labor market in Germany. It points out that the current fragmented and contradictory policy action can be identified as an outcome of former ambiguities and the delegation of responsibilities within a complex governance grid. Accordingly, its focus is on the inter-related dynamics of policy interventions, knowledge production and the impact of migrant agency within cities. The paper gives a condensed overview on theory and background of migrant economies, pointing to de facto barriers that persist until today. It then concentrates on the way labor market policies in respect of migration were framed in public discourse. Its empirical focus is on the web of policies and instruments that have been directed towards migrant entrepreneurship. Here, in-built ambiguities of all actions are identified as a general feature of German labor market policies.

Keywords
Migrant Economies; Cities; Diversity; Government Policies; Germany

DECLARATION OF CONFLICTING INTEREST Felicitas Hillmann is a member of the Editorial Board of the journal but has had no part in editorial or peer review processes associated with this paper. FUNDING This paper was produced without funding.
Introduction

By now Germany has turned into a fully-fledged immigration country. Not only is a quarter of its population of migrant origin, in most urban centres, even in small towns, migrant economies are present and accepted as a ‘normal’ part of urban economies and reveal its migration history. Since 2015, when a million refugees came into the country, the debate on the impact of migration on the labor markets has seen a revival – after years of stagnation. Today, some publications even frame migrant entrepreneurship as a role model for the rest of the nation and attribute a special gene to the migrants, which renders them innovative and flexible and thus better prepared for stiff, post-industrial competition (Bertelsmann 2020). Finally, it is accepted that migrant entrepreneurship contributes positively to the German economy and that entrepreneurship differs for the various generations of migrants (David et al. 2021). Yet, such rather global statements still obfuscate to some extent the manifest difficulties and structural barriers that continue to characterize the relationship between migrant self-employment and labor market policies in Germany. A plethora of initiatives and policies came into being, leading to the formation of a contemporary highly fragmented and contradictory governance setting. What has evolved is a policy field that risks becoming stuck in a jungle of multi-level-regulations between municipalities, the states and national welfare policies. This rapid shift from narratives of neglect towards narratives of acceptance of migrant economies needs some academic attention. As will be shown here, the socio-political entangledness of migrant economies with broader labor market policies is still rarely addressed – and there are good reasons for this research lacuna.

Even though migrant entrepreneurship had replaced traditional wage labor opportunities in Germany, as it is the case in many European cities (Rath et al. 2020, p. 460), existing studies seldom make the link to social policies and the welfare state. Only exceptionally is migrant entrepreneurship perceived as embedded in a larger changing global and migratory landscape (Solano 2019, p. 2067) or as part of globalizing urban economies and urban restructuring (Brenner and Keil 2014).

Already in 2016, when comparing ethnic entrepreneurship in European cities, Rath and Swagerman (2016) noticed that the development and the implementation of active support measures for ethnic entrepreneurship was not a self-evident feature of urban economies. Local action in respect of migrant entrepreneurship was rarely analytically connected to the wider economic agenda, which also contributes to the given opportunity structure for the migrants. In contrast, cities had started adopting a mix of generic and specific policies to work on the issue of migrant entrepreneurship in a pragmatic way. The authors claimed that in a mixed-embeddedness-logic, the urban economies produced de facto a complex and dynamic system, a political economy of the city itself. In their overview on policy measures and support schemes by country and region, the UK topped the list concerning the number of policy measures (32 in total). Cities in Germany ran second (22 measures), followed by the Netherlands (16) and Belgium (11). It is intriguing that in their study, Germany, a nation that had revolved around the notion of the guest-worker system for decades, could rank so high in international comparison. Germany with its highly regulated economy always prioritized occupation in a salaried job as a standard pattern (see also Pécoud 2003, p. 11) and explicitly rejected self-employment of immigrants – so how can we explain such proliferation of policy action? And why do we find so little academic research on this situation?

This paper thus analyzes the policies for migrant economies as part of the broader social and labor market in Germany. It points out that the current fragmented and contradictory policy action can be identified as an outcome of former ambiguities and the delegation of responsibilities within a complex governance grid. Accordingly, its focus is on the inter-related dynamics of policy interventions, knowledge production and the impact of migrant agency within cities. The paper traces governmental rules, regulations, policy actions and, accordingly, non-actions to support or hinder migrant entrepreneurship. Special attention is given to the history of labor market regulations and policies for foreigners as we find the origins of the major
contemporary conflicts rooted within this history. Next to this, the structural social context for migrant entrepreneurship, including networks, institutions, norms and values of migrant entrepreneurship within a fully-fledged welfare state, are considered. Special attention is given to the impact of migrant agency for political action.

The paper starts with a condensed overview on theory, and background of migrant economies, pointing to barriers that persist until today. It then concentrates on the way labor market policies in respect of migration were framed in public discourse. Its empirical focus is on the web of policies and instruments that have been directed towards migrant entrepreneurship. Here, in-built ambiguities of all actions are identified as a general feature of German labor market policies. The following section focusses on the importance of urban transformation shaped by migrant agency and entrepreneurship. The conclusions integrate the findings and give hints for adequate policy action within an outspoken immigration country.

Methodology

The paper draws on existing academic literature in the field, as well as analyzing policy documents and policy-oriented publications. Importantly, it makes use of empirically grounded academic research. The interpretation of this material is enhanced by the expertise of the author, both in the fields of migrant entrepreneurship and in research which has influenced policy development regarding labor market integration of migrants in Berlin and Brandenburg. Further, to validate the interpretations, a small number of expert interviews have been conducted online in March and April 2021. Here, experts within the field of the IQ-network (Integration through qualification) have been interviewed (4) as well as experts who observe the field of labor market integration in Berlin-Brandenburg on the municipal level (7). These key informants were asked to give insights into the migration-related dynamics on the labor market since the so-called migration crisis (2015 – 2017).

PERSPECTIVES FROM SCHOLARLY LITERATURE

A substantial body of literature on migrant entrepreneurship and migrant economies in the German language exists. However, from the outset, policy-oriented and scientific knowledge production rarely related to each other and made little use of the respective findings for further research. Early on, the upswing in the activities of migrant entrepreneurs was attributed to the specific consumer demands of the Turkish population. Studies spoke of an additional labor market, claiming that Turkish businesses nearly exclusively served the needs of the ‘ethnic colony’, perceived as a niche economy (Blaschke & Ersöz, 1987). To explain the self-employment of the (Turkish) population, the notion of ‘ethnic resources’ was activated. The argument went like this: forms of economic solidarity and consumption, rotating credit systems and familial and ethnic bonds, which together would reflect a ‘bazaar-like mentality’, were at work. The authors of the 1980s reported the classic features of migrant entrepreneurship as described by middlemen theories of US-origin, applying them in the case of Germany: most entrepreneurs had obtained their funding capital through friends and relatives and they employed co-nationals (see also Bonacich 1973). It was stated that for many entrepreneurs, self-employment meant a way out of unemployment and reflected missing opportunities for upward mobility in the labor market. Goldberg and Sen (1997) argued that migrant entrepreneurship finally would work as an intermediary between the Turkish minority and the majority population. Unlike their colleagues in the UK, they did not explain growing self-employment among the minorities by the structural flexibilization of labor markets that took place in these years (Barrett and Jones 2005). Instead of pointing to the needs and difficulties of these marginalized strata of the labor market, they pronounced the relevance of ethnic ties. However, a more international perspective was presented by Morokvasic (1988). She observed that immigrants started their own businesses in sectors where barriers to entry were low. She pointed to the patriarchal structures of communities that enabled the capitalization
of ethnic resources and, as part of this, stressed the importance of unpaid female work and the gendered structure of this segment of the labor market – a feature that only ten years later was revealed to exist in the German context, too (Hillmann 1999).

When the discourse on the self-employment and small businesses of immigrants was launched in Germany in the late 1990s, immigration was still framed as being of transitory nature, not meant to last. Accordingly, the literature on migrant entrepreneurship made use of concepts that had been developed in the USA, the Netherlands or the UK – countries with migratory regimes that either were based on the incorporation of migrants into their economies (USA) or that were former colonial states that had to cope with the inherited minority populations, discussing implicit or explicit variations of multicultural policies (Rath & Kloosterman 2011; Ram & Jones 2005).

In line with the manifest increase in number and visibility of migrant enterprises in the 2000s, academic output on the topic gained momentum in Germany (Ross-Strajhar 2008). For many years, policy-near scientific production uniformly had repeated three explanations when framing migrant entrepreneurship theoretically, borrowing from the US literature: cultural difference, niche or supplementary to the main market as well reactivity (Floeting et al 2004). In contrast to this focus on the characteristics of the migrant group and its relationship with the national labor market, scientific production started to shift the focus of research towards an international dimension by underlining transnational ties or it was seen as part of flexibilized labor markets. For example, studies emphasized the transcultural potential of the Turkish entrepreneurs regarding their performance on the labor market (Pütz 2004) or the role of transnational workers for the cross-border trade between Poland and Germany (Miera 2007). Other studies emphasized transnational trade patterns that had emerged for wholesalers of the first generation. Vietnamese opened small shops and ended up depending on their co-nationals that were active in gross sale. (Schmiz 2011). While spatial concentration of entrepreneurship was known from the UK and the Netherlands, its existence in German cities was not necessarily seen as a feature of the business activities of immigrants1.

Often, the stereotype of a migrant economy applied only partly, as the ethnic clientele was the exception, but employment of co-ethnic workers turned out to be a valuable characteristic (Berwing 2019). Building on the mixed embeddedness approach of Kloosterman and Rath, research now started to focus on the integration of African shop-owners into transnational circuits (2011). Studies revealed that their transnational contacts did not reach back to African countries of origin, but to European middlemen in countries with established migrant economies in Europe – meaning that Germany as a late-comer in accepting migrants as entrepreneurs had to rely on its European neighbours. When taking migrant entrepreneurship as a starting point to analyze shifts in the overall labor market, another study, investigating the sector of hairdressing, portrayed migrant self-employment as an integral part of the flexibilization and downgrading of an entire sector. The emergence of more migrant businesses indicated lower standards for producers as well as consumers had developed over time (Yildiz 2017). The author proves wrong the notion that there is a fundamental difference between the smaller shops of migrants and the native population regarding turn-over and profits. Instead, gender differences were found to be a decisive factor when it came to the flourishing of migrant economies. It was the combination of being male and migrant that led to having more employees, while long-standing residents as well as migrant women employed fewer staff. The study put center stage the role of the professional and trades associations, providing evidence to show how they contribute to a poorer performance of migrant entrepreneurship as these bureaucracies tended to slow down entrepreneurial activities. More recently, Taube (2019) presented a study on migrant entrepreneurship that analyzed the labor market integration of recent Spanish immigrants. It turned out that the European

---

1 Berwing (2019: 24) presented a spatial analysis for Köln, stating that nearly half of the businesses were located in neighborhoods with under-average shares of residents with migrant background, hinting to a highly dispersed spatial pattern.
migrants worked in highly precarious migrant-run restaurants and cafés while seeking access to positions according to their academic education. Such findings point to the increasing entangled layers of migrant entrepreneurship, which contribute to the diversity we observe today within urban economies.

**PATTERN: DEFINITIONS, STATISTICS, FEATURES**

In Germany, statistical information on migrant entrepreneurship is fed by a few, not very precise and scarcely connected data sources. No coherent definition of ‘migrant economies’ exists. An implicit and vague definition categorizes self-employment of people with a migrant background with co-national employees, rooted in a specific migrant milieu as such (Reimann & Schuleri-Hartje 2009, p. 503, on definitions see also Rath et al. 2020, p. 460). More simply, policy documents label all those who are self-employed or run a business and have a migrant background as migrant entrepreneurs (Kommission Integrationsfähigkeit 2020, p. 141, David et al. 2021, p. 6, Leicht et al 2021). Shortcomings in data-production are predicted by the differences in the definition of who is characterized as having a migrant background, varying from municipality to municipality. Further, the data on business registrations is organized on the level of Länder (that is, states or provinces). Data on employers, on the characteristics of the enterprises and on their spatial context is incomplete or missing altogether (Berwing 2019, p. 25). There is neither data on the degree of integration into social security systems of the migrant businesses, nor on the corresponding socio-demographic features of those who run the business. Since 1996 a register of the business registrations and cancellations that differentiates between natives and foreigners exists, but it does not include the statistical category of ‘migration background’. The SOEP (socio-economic panel), instead, uses the data of the micro-census. As the census of 2011 is hardly comparable to earlier data, much information must be deducted from other registers or sources, making comparisons over time difficult.

In 2005, the federal ministry for economic affairs commissioned the first quantitative report, now adopting the newly introduced statistical unit of the ‘migrant background’. This IFM (Institut für Mittelstandsstudien) study highlighted that self-employment of immigrants, then labelled ethnic economies, was organized mostly in the form of micro-enterprises. Concentrating on the available data on national groups (Turkish, Italian and Greek) it underscored the economic benefits for German society at large (Leicht et al 2006). Additionally, in 2010 a report published by the Expert Council on Integration and Migration (Sachverständigenrat, SVR) depicted a highly diverse picture of migrant self-employment and investigated the respective support infrastructure. For the first time data was gathered to identify discrimination against the national background of migrant entrepreneurs. According to the findings of this study, the features of migrant economies identified by Kloosterman and Rath as ‘mixed embeddedness’ also best captured the German situation: it was mostly sectors with low entrance barriers, high competition and minimal profits that accommodated the greatest number of the migrant entrepreneurs.

Summing up the findings of the quantitative studies of SVR, IFM and Bertelsmann, six features of contemporary migrant economies can be identified: first, migrant enterprises among the owner-owned businesses made up about a fifth of all enterprises, and the number of self-employed migrants had tripled between 1990s and the mid of the 2010s. Current estimates speak of as many as 3.4 million people involved (Kommission Integrationsfähigkeit 2020, p. 141, Leicht et al 2021). Second, in 2018, 773,000 enterprises of self-employed persons with migration background were registered, of which 61 percent worked without additional employees. The majority was male (66 percent), nearly 90 percent of whom had an active

---

2 The term ‘migrant background’ has been discussed for a long time. On 20 January 2021, the ‘Commission on Integration’ recommended its abolition. A majority of the experts was in favour of a change as this would be more in line with Germany self-identification as an immigrant country (2021, pp. 213ff).

migration history, meaning that they were first generation immigrants – a share that had remained stable since 2005. Third, the migrant population in Germany is younger in age than the native population, and this was mirrored also in self-employment (46 years vs. 51 years among the natives). Fourth, the level of qualification was on the increase since 2005, 20 % of all migrant entrepreneurs were classified as ‘highly skilled’. Fifth, the distribution of the enterprises according to the various sectors of the economy still differed in comparison to the native population: the majority of migrant entrepreneurs was active in public and private services as well as in food and beverage industries and trade. Especially, the construction sector showed high percentages of migrant self-employment, probably hinting at the misuse of subcontracted work, mostly from east European EU-countries. Sixth, the average income-level of the migrant entrepreneurs was lower when compared to native entrepreneurs (3.099,00 € vs. 4.442,00 €) and for them the risk of working in precarious conditions was higher (Berwing 2019). In sum, most characteristics pointed to persisting constraints for migrant entrepreneurs. The purpose of the studies of IFM and Bertelsmann was to explore what the benchmarks for self-employment of migrants in specific sectors could be, especially in the production sector. The report saw potential for an increase in all states, except the city-state of Berlin (Bertelsmann 2020). As will be shown in the following two sections, it has been a long journey before migrant entrepreneurship finally became accepted as an essential part of the German overall economy. There were narratives of exclusion, focussing on the ‘foreigner’ and ‘anti-diversity’, and policies that accompanied the discourses on migration and that hindered the development of migrant economies for the whole of the 20th century. Without an understanding of the historical situation the current dynamics of migrant economies within social policy dynamics are difficult to comprehend.

NARRATIVES: MIGRANT WORKERS PLACED CENTRALLY ON THE MARGINS

From the times of industrialization Germany had relied on an imported workforce. The first laws on foreigners were developed as part of general law; Prussia, for example, in 1890 established rules of control, including forced return, employment bans and employer-bound contracting. Migrants were kept at a distance from natives, legislation allowed Germans to denounce foreigners as ‘disturbing’, which could lead to their expulsion. During World War I the presence of 2.5 million prisoners on the territory justified further systematization of explicitly exclusive labor market policies. During the Weimar Republic, nationalised labor market policies with their three main instruments of recruitment, deportation and prioritization of the native workers were enforced. Then, the Nazi-regime introduced a central statistical unit on foreigners, working closely with security and deportation units. During World War II openly racist policies against Jews, foreigners and all ‘others’ were based on an ideology that considered the homogeneous composition of the population as a stronghold. Millions of forced workers were kept isolated from the local population. After World War II, when Germany split into East and West, economic recovery in the Western part was made possible through the massive import of workers. The building of the Berlin Wall had dissipated the flow of workers from Eastern Germany, the cohorts born during times of war were small and trade unions had successfully reduced working hours and gained longer vacations. Longer periods of vocational training were introduced, setting an end to the war-bound educational system. On top of that, the inclusion of women into the labor market was not considered an option to fix the shortages of workers – Germany stuck to its male breadwinner-model. Given these circumstances, the import of foreign labor took off in the 1950s and 1960s. The now established guest-worker regime was based on rotation, that is, on contracts that were valid only for one or two years. In this way they helped to fill the 3-D-positions (dirty, dreadful, dangerous) and allowed for the upward social mobility of native workers. Until the stop-policies of 1973 and even afterwards, the official narrative of the government on foreign workers was that there was ‘integration on a temporary basis’ and, accordingly, in 1983 80 % of the resident population wished that the millions of immigrants would return home (Herbert 2003, p. 241). The import of workers was a feature of the two German nations. The former GDR brought in foreign labor, in total 95,400 persons by
1985 (van der Heyden 2013, p. 140) and equally followed special policies to control entry, performance and return of the migrant workers (here mainly stemming from Mozambique, Angola and Vietnam). In the two Germanies the position of foreign workers was depicted deliberately as a dependent employee. It was certainly not framed as an entrepreneur (see also Pécoud 2003). In this spirit, integration meant ‘labor market integration’ within social security schemes. In the aftermath of the oil-price-crisis of 1973, the Western-German government reacted with programs that could ease the return of migrants (and their families) in 1982, sending a clear signal to the guestworkers and their descendants, that they were not considered as part of the nation.

Such policies of neglect were reflected in the tiny numbers of examples of migrant entrepreneurship until the mid of the 1980s, though millions of migrants had arrived in Germany until then. Apart from some Italian gelaterias, pizzerias and Greek restaurants, mainly in the outskirts of suburbs, for example near the factories of Mercedes Benz near Stuttgart, the number of registered self-employed Turks in Germany was about 100 in 1975, increasing to estimated 20,000 persons ten years later (Goldberg and Șen 1997, p. 65).

With reunification in 1989/1990, labor market policies changed profoundly. In the Western states self-employment of migrants was an upcoming trend. In contrast, for the Eastern States reunification meant a standstill on questions of immigrant labor market integration until 1997. Only then was the existing legal vacuum abolished. In this situation, self-employment constituted, for many migrants in the former GDR, the one and only way to stay and to survive.

It was during the years after reunification that the share of foreign labor in total employment shrank and unemployment among foreigners grew sharply (Rudolph & Hillmann, 1997, p. 15). In many cities, the total number of self-employed among migrants/ethnic minorities increased. First mom-and-pop stores of Turkish immigrants mushroomed in some of the city centers, partly replacing the classic retail trade in those neighborhoods (Reimann and Schuleri-Hartje 2009, pp. 498ff.). Self-employment then became substantial in numbers in the early 2000s and visible mainly in places where many migrants lived. Rates of unemployment were regionally twice as high as among the native population (in 2008: 18.9% vs. 8.6%, Erler et al 2008, p. 352). These very clear trends of increasing marginalisation put pressure on the authorities. They now aimed at curbing further problems with integration of in the labor market with the help of a newly established social infrastructure (IQ-network). Until then, migrant self-employment was still clustered in a limited number of sectors and activities. By most institutions and actors, self-employment was considered as a second-best solution for those who could not make it in the highly regulated labor market. It comes as no surprises that for most of the 1990s there was little acceptance for the self-employment of migrants and bureaucratic hurdles continued to be high (Leicht & Langhauser 2014, p. 11). Formal regulations were judged as anti-immigrant and as adding to already incoherent labor market policies for migrants, tout court (Erler et al 2008).

ESTABLISHING POLICIES WITHIN NON-POLICIES

In many sectors opaque regulations made it impossible for migrants to set up and own businesses. Foreign degrees were accepted only in exceptional cases and terms and conditions of recognition remained unclear (Erler et al 2008, p. 58), for example migrants setting up trades-based businesses such as hairdressers or tailors were in need of a special degree (Meisterprüfung). Even after the citizenship law reform, starting in 1999 and enacted in 2005, paternalistic approaches to migrant entrepreneurship dominated welfare policies (Reimann & Schuleri-Hartje 2009, p. 505). It was the first commission on migration and integration (Unabhängige Kommission Zuwanderung, known as the Süßmuth Commission), installed in 2000, that worked as a game-changer. Roughly after 30 years of stop-policies with few exceptions, Germany accepted having become a country of immigration on the political level. Now, large-scale studies were funded to understand better the dynamics and potentials of this segment of the labor market (see above). An
important driver for political response was the many immigrants who had started to set up businesses – against all odds. They simply could no longer be overlooked in the public realm.

The SVR-report (2010, p. 45) shed light on the then existing support structures for migrant entrepreneurship, identifying severe differences in the quality of the services. As a consequence of being a poor fit, many of the opportunities created for consultancy were underused by the migrants. Established migrant entrepreneurs normally said that, when looking for advice, they counted on the opinion of their tax advisor and not on consultancy provided by public administration. Also, few migrant entrepreneurs made use of official banks to secure funding. Again, migrant businesses continued to face more structural difficulties than those run by natives. More often they came into life from a situation of unemployment or because of missing perspectives. Also, they failed more often. About one third of all newly founded enterprises gave up within three years, a share that is still higher among migrant enterprises than among the native population today (Bertelsmann 2020, p. 36).

Without doubt, the above outlined quantitative studies of IFM, SVR and Bertelsmann spurred political acceptance. They raised awareness of the relevance of migrant entrepreneurship and inspired policy measures in favour of migrant economies – as did the national plan on integration (Nationaler Integrationsplan 2006). Yet, the reports – even if pointing to a more fragile situation for migrant businesses – did not frame migrant economies within globally changing economies. Their explanations drew the larger national picture by portraying the benefits of migrant entrepreneurship for the German economy and by looking for recipes to heighten the labor market performance of the migrant population. There was no explicit strategy on how to deal with immigration, since social policies continued to be designed as national policies, with limited relevance in the provinces. When analyzing the existing documents and when speaking with experts, it seems as if there was only one way out of the dilemma. Only contradictory action could help to work around the utmost ambivalent situation.

ACTORS AND STRATEGIES

For a long time, Germany's multi-level governance system on migration and integration prioritised the federal level. Eighty percent of all programmes were financed here, even though this funding went into projects that were located all over Germany. Until now (2021), the topic of migrant entrepreneurship is mostly handled in the Federal Ministry for Labor and Social Affairs (BMAS). This ministry has had a focus on this topic for the past 15 years and has pushed selective policies for vulnerable groups, for example through support for migrants seeking to stay in Germany (Bleiberechtsnetzwerke) since 2005, as well as an image campaign since 2007. Among its main programmes were XENOS4 as well as the IQ-network, which is detailed further below. In addition, the Federal Ministry for Economic Affairs and Energy (BMWi) sporadically integrated the topic into its portfolio, even though it considers it to be of rather marginal interest. Further ministries that run migration-centered projects were the Federal Ministry of Education and Research (BMBF) with KAUSA5, the Federal Ministry of the Interior, Building and Community (BMI) with ‘Soziale Stadt’6 and the Federal Ministry for Family Affairs, Senior Citizens, Women and

---

4 2008 – 2014, Integration and diversity, a nationwide programme that engaged against exclusion and discrimination in schools, in the labor market and the administration.

5 Between 1999 and 2019: 965 actions in cities, nationwide, focussing on neighborhood management and local development. Since 2020: “Sozialer Zusammenhalt – Zusammenleben im Quartier gemeinsam gestalten”. This programme was located in the departments of social affairs of many towns. The proactive integration of ethnic entrepreneurship into these social policies became a pillar of the funding framework, later it became entangled closely with the labor market-oriented projects of the IQ-network.

6 2008 – 2014, Integration and diversity, a nationwide programme that engaged against exclusion and discrimination in schools, on the labour market and the administration.
with LOS7 and STÄRKEN VOR ORT. Recently, the Federal Government Commissioner for Migration, Refugees and Integration started to dedicate attention to migrant economies. It must be mentioned that the operational level referred mainly to projects on the municipal scale, while the state-level was often ignored. Indeed, most Länder introduced coherent programs focussing on integration (Integrationskonzepte) only after 2015. Accordingly, the regional ministries for social affairs, the ministries for the interior, the integration councils and a range of migrant interest groups and integration officers started to involve them more strategically into their policies. Still, even now, integration policies often continue to be voluntary and legally non-binding at the state-level. Experts depicted the current structure of support in the form of the IQ-network in Germany as unique for and in Europe. Some interview partners from this network pointed to the dangers of self-referenced action of the different involved stakeholders going along with such a complex bureaucratic infrastructure. As such the highly fragmented and project-driven field deserves further explication. The next subsection thus points to the instruments adopted in the field.

EUROPEAN INSTRUMENTS TO COUNTERBALANCE NATIONAL POLICIES

Robust attempts to develop formal instruments for immigrant economies date back to the early 2000s (2002 – 2007), when the EQUAL-network was adopted under the auspices of the Federal Ministry of Labor and Social Affairs (BMAS). It was run through development partnerships (InBeZ, Integra.net, KUMULUS, MigraNet, NOBI, Pro Qua) in 72 projects all over Germany. These projects started from the assumption that migrants in many cases constituted a ‘problematic group’ – and pointed to the need to support these groups through specialised projects, emphasising the resources these groups could bring. Designed according to the requirements of the European Union, the projects of the network made use of European social funds. The initiative sought strategic partners in politics, among the enterprises and in the labor market in order to guarantee for a functioning, extended network enhancing the integration of the migrants into the different segments of the labor market.

It must be underlined and emphasised in bold font that the EQUAL-programme on the European level worked in a counter-logic to the national programmes that were launched by the Federal Employment Agency (Bundesagentur für Arbeit), which did not see the need of treating migrants as a group on its own. Indeed, one of the interviewees suspected that the IQ-network had been set up precisely because the Federal Employment Agency refused to work on certain, sensitive, topics. After the reforms in the labor market and thus in the social welfare system in 2002 (Hartz-reforms), this institution had explicitly excluded affirmative policies for selective groups. However, the newly introduced social reforms had severe repercussions especially on elderly employees and on migrant workers (Erler et al 2008). There was an urgent need to fix the situation. In the 2000s in practice a paradoxical situation arose: big institutional players engaged in the field, but many other institutions stuck to their position of turning a blind eye to migrant-related activities, especially to migrant entrepreneurship. The federal agencies as well as many of the chambers of trade and commerce rejected group-centered policies while the EQUAL-projects, financed at least partly with European money, worked with this approach. Additionally, established migrant organisations advocated for migrant entrepreneurship. From the outset, a major goal of IQ was to allow for exchange between the projects operating in different cities. Yet, in spite of that, the majority of projects still operate often in isolation from one other – as the interviewed experts said and explained this with the extra-work cooperation implies.

By 2010 a confusing landscape of consultative services had emerged, especially in urban settings with high shares of migrant population. The respective funding for the project-based services normally came

---

7 2003 – 2008, a nationwide programme that concentrated on socially deprived areas, promoting and funding local projects to integrate people who had few opportunities on the labour market due to missing qualifications.
from a mix of stakeholders. In many cases it stemmed from private entrepreneurs or came through the membership fees of migrant organisations, sometimes from local sources. Only in 2 per cent of the cases did funding come directly and exclusively from the federal level. A mosaic of 56 chambers of trade and commerce across Germany offered consultations for migrants wishing to set up a business – but the majority of the chambers of trade and commerce did not. This situation reflected the political scission revealed above. Most chambers rejected the idea of treating migrant entrepreneurs as a group on its own as it would mean to advantage them over their regular, native clientele (SVR 2010, Bundesministerium für Verkehr, Bau und Stadtentwicklung 2012). Further, the established support structure deliberately moved away from the many programmes that had been set up as part of social programmes of the ministries such as ‘Soziale Stadt’ (Social City Programme). Nevertheless, cooperation in the field was encouraged on the project-level. When such activities became important locally, many municipalities started to pronounce the importance of migrant economies in their local integration concepts dating from 2007. In 2012 half of all municipalities in Germany considered migrant economies, often labelled as ethnic economies, to be relevant for their local economies, even though the landscape of support remained opaque to them. In that period, the intercultural opening of the German institutions became a major task. It has remained, according to insiders, on the to-do-list since then. The law on recognition (Anerkennungsgesetz), inacted in 2012, put emphasis on the qualifications that the migrants would bring to Germany – an element, that until then was not included in the exiting categories of the bureaucracies, one of the experts stated.

Early on the Association of German Cities (Deutscher Städtetag) recommended that migrant entrepreneurship should be more strategically integrated into local programmes. However, few municipalities were interested in enhancing the self-employment of migrants on purpose, many pointed to the availability of other mainstream programmes (Soziale Stadt, XENOS, LOS). It was mostly in cities with high rates of unemployment (over 7 percent) and high shares of migrant population that strategies and instruments were developed. The exchange between the cities on issues of migrant entrepreneurship continued to be the exception, as was the further exploration of the potentials of transnational cooperation though the international entrepreneurs (Bundesministerium für Verkehr, Bau und Stadtentwicklung 2012, pp. 97ff).

Parallel to the evolving institutional policies, the activities of the migrants became more formalised. First, associations of migrants in the 1980s sought outreach into the ethnic communities, but after 2005 increasingly business associations mushroomed. The newly built migrant NGOs turned out to be as heterogeneous as the migrants that were engaged in them (Richter 2015, p. 63). Step by step their representatives were included in the roundtables of the authorities, they were acknowledged as multipliers and their presence added to general acceptance of migrants within society. The five big welfare organisations integrated migrant-related consultancy into their portfolio – while consultancy from the side of migrant-run-organisations made only little progress.

RESOLVING POLITICAL CONTRADICTIONS THROUGH FRAGMENTATION

The above-mentioned European programme EQUAL had worked as a forerunner paving the way for the mainstreaming of the migrant economies within later versions of the nationally organised IQ-network. After a period of networking and pilot-projects for consultation and qualification (2005 – 2007), the IQ-network started in 2007 to transfer and expand projects and measures and to disseminate them (2008 – 2010). In consequence it became part of the national integration plan (NIP). Before, sparse policies prevailed and no centralized organization for the support structures for immigrants planning to become self-employed existed. Consultancy services worked in an erratic manner, support was about formal

---

8 The SVR-study identified a total of 411 projects active in supporting migrant businesses, with the city states Hamburg, Bremen and Berlin taking the lead (SVR 2010, p. 16ff.).
questions, empowerment approaches were not yet known (Erler et al. 2008, p. 240), somewhat fragmented incrementally adjusting policies were enacted. The IQ-network, reworked in 2012, then shifted its focus of attention on the recognition of foreign vocational qualifications for the funding period (2013/2014). Only when integration concepts were introduced at the state-level, around the year 2015, did coordinators start to actively promote exchange between the partners – a period of expansion of the IQ-network started (71 contact points for the recognition of certificates, 240 sub-projects in the 16 states and the establishment of competence center (Fachstellen), job training schemes in the context of the recognition act were set up. One of interview partners in this study spoke of a ‘representation gap’, meaning that federal policies repeated mantra-like ‘Integration is a local event’ (‘Integration geschieht vor Ort’) to indicate where action was supposed to take place. Ironically there was no governance frame within the states that could coordinate or control the requested local activities.

Despite the harsh critique on programmes that referred to the ‘migrant status’ as a starting point, today a plethora of projects is active under the label of ‘IQ-network’. The now addressed target groups are adults with migration history as well as newly arriving legal migrants. What is knew, is that the IQ-network finally seeks to alter existing structures by offering intercultural training for staff in job centers and for local authorities, thus putting the focus on the hosting society. Now, native small and mid-sized enterprises are trained to establish a culture of welcome and appreciation. Since 2018 the IQ-program develops model approaches for the advice on “fair Integration” for refugees. A next major focus is on the acceptance of skilled migrants in sectors that urgently need (foreign) labor. Since 2019 the programme has been complemented by regional structures that concentrate on the efficient labor market integration of skilled migrants (Fachkräftesicherung, e.g. physicians and business accountants). The programme with its 400 sub-projects is again co-financed by the Federal Ministry of Labor and Social Affairs and the European Social Fund (ESF). Migrant entrepreneurship is still somewhat in the focus, but the emphasis is clearly on newcomers in sectors that are in need of workforce and thus have to rely on creating a more welcoming working environment. In the meantime, similar strategies are found in smaller cities, too.

A next priority of the current funding period touches upon the standardisation of the highly fragmented support structure between the local, state/regional and federal level (see figure 1). In Germany’s 16 states all regional IQ-networks are run by different institutions and do vary in the way the federal programme is finally handled.

Within the IQ-network, five competence centers (Fachstellen) exist, among which is the IQ-Competence Centre on Migrant Entrepreneurship (ISM). Its main task is to support migrants to set up a business, to secure the success of their enterprises and to raise appraisal for migrant economies in Germany. The service unit offers guidelines, seminars, workshops and support for promotion. At present, 18 projects in 12 states are handled. (https://ism-mainz.de/projekte/arbeitsmarkt-und-sozialpolitik/iq-fachstelle-migrantenoekonomie-im-foerderprogramm-integration-durch-qualifizierung-iq). All work in the IQ-network is done on a project-basis – from 2005 onwards. There has been one evaluation of the IQ-network in 2007, for the rest reports on monitoring are available. The here presented, very rough overview, already shows the in-built dangers of the established grid of competences: the manifold projects are neatly linked to the expectations of the policy-makers and the planning horizon of the people involved in the projects is on a short-term basis, implying high rates of turn-over among the personal and thus a loss of knowledge and tacit knowledge on the situation.

9 Over the past two years (2019-2020) more than 1.200 training sessions with 15,000 participants took place.

10 A total of 3,762 qualification measures had been arranged, mostly as individual training (89 percent) or classes (11 per cent) to reach full recognition of the imported qualification.
The interviewees highlighted that against all the lip-service paid to the intercultural opening of the institutions, this continues to be the exception. It was reported that there seems to be a strong wish to raise awareness in the institutional setting, but that the nationally focussed chambers of trade and commerce would continue to pursue policies of reluctance. One interviewee pointed to the scarce public and academic attention attributed to the topic. The holders of the 140 academic chairs in the field of entrepreneurship established since 1998 would be concerned with specific groups such as family enterprises, women, venture capital and start-ups, but not with migrant entrepreneurship. Also, it has been reported that younger entrepreneurs felt stigmatized by the official programmes and were avoiding them. They claimed not to consider themselves as a migrant: ‘I am not a migrant!’ (Husseini de Araújo and Weber, 2014, p. 370).

**CUTTING ACROSS: DIVERSITY AS AN URBAN PRACTICE**

Early on, big cities such as Munich, Berlin, Stuttgart, Frankfurt, Bremen and Hamburg offered services to the migrant population by changing information strategies, introducing integration guides and by addressing the migrants in their language of origin. In many smaller towns, the Social City Programme was not known to the migrant entrepreneurs even years later (Räuchle et al. 2017). Rural peripheries still lagged behind, too (Große et al. 2013)\(^\text{11}\).

---

\(^{11}\) Until today Eastern and Western Germany differ remarkably in their migratory structure and in the local governance of migration. Große et al. (2013) speak of a situation of institutional neglect within a changing landscape of economic activities of the migrants.
Dating back to 2005, when policy-oriented research on migrant entrepreneurship was focusing on the question of what the dimensions of migrant economies were and what the potentials for the national overall economy could be, the German Institute of Urban Affairs (DIFU) launched a study that highlighted the potential of socio-spatial integration through migrant entrepreneurship (Floeting et al. 2005). The study revealed that migrant economies stabilized disadvantaged neighbourhoods, stimulated local development and fostered social integration (Reimann and Schuleri-Hartje 2009, p. 501; Schnur et al. 2013, Fischer-Krapohl 2011). From the late 2010s onwards, when local economies got into the focus of urban policies, studies increasingly made use of place-based approaches, too. Many investigated the neighborhoods that were the subject of local programmes such as neighborhood management (Richter 2015). More and more, studies linked urban renewal and gentrification to the presence of migrant entrepreneurs, understanding them as promoting ‘practised diversity’. There seemed to be no more need to ‘activate the migrants’ through special policies (DeVries 2019, p. 151).

In urban practice the new phase of migrant entrepreneurship had long begun under the surface: now it was the children of the migrant entrepreneurs that had started to invest precisely into migrant neighborhoods (Celik 2020). They judged such neighborhoods as an optimal choice for their investment because they were located in the center of the city and their built infrastructure often left flexibility for further use. Most important, they had become home for them. Ironically, it was precisely informal planning that had worked here as a starting point for establishing a local identity – and not the myriad official social policies. Shops on the spot had transformed from supermarkets to delicatessen, tailor-shops became boutiques, local networks transferred into more formalised institutions representing the neighborhoods outside the local sphere. Here, urban upgrading, gentrification, went along with the social mobility of the second and the third generation of migrants. Especially in the times with a high influx of Syrian refugees (2015 – 2017), these migrant neighborhoods were the places that attracted many of the refugees. Often, high rates of migrant entrepreneurship were to be found. At first, the interplay between the practices of migrants in combination with transnational dynamics led to new spaces of solidarity, later contestation became more marked and conflict between the different generations of migrants arose (Toğral Koca 2019, p. 579ff.)

Conclusions and political recommendations

The analysis presented in this paper suggests that it took about a decade (1985 – 1995) for a discursive field to emerge, in which migrant entrepreneurs were finally recognised as being part of the German society. Still, another decade was needed to inspire political action (1995 – 2005). Only after accepting to be a country of immigration, were relevant but fragmented, project-based policies developed and implemented (2005 – 2015). Yet, it took roughly twenty years for the lukewarm welcome of the German authorities towards migrant entrepreneurship to be translated into the current capillary system of support for migrant workers in a wide range of professions.

Historically, the 2000s were the decisive years for the socio-political turn-around concerning migrant economies. The fading integration of migrants into the formal segments of the labor markets (in the aftermath of reunification, de-industrialisation and ongoing welfare-reforms) could no longer be counterbalanced by the national labor market reforms. Upcoming pro-migrant advocacy was in tune with the joint initiatives of the European Commission. By adopting such funding of the European Social Fund, the prevailing national policies, which were less supportive of affirmative action for marginalised groups, could be bypassed, resolving a strategic conflict that had existed within the German authorities and the chambers of trade and commerce for many years.

Some of the findings presented are in line with the findings of Ruth and Swagerman (2016): the main focus of the policies adopted were providing services to immigrants, enhancing human capital of (aspiring)
entrepreneurs by providing information, counselling and education at the level of the cities. Few measures focussed on structural issues, such as the barriers by the way of bureaucratic rules and regulations. In most cities, an integrative figure that could bring together the different interest groups on the various levels in favour of the migrant entrepreneurs was missing.

The mixed-embeddedness perspective, adopted in this analysis, helped to generate three explanations for the relatively slow progress made in the field. First, it was, historically, the explicit, and later the implicit narratives of labor market policies that contributed to the neglect of migrant economies. Migrant work was accepted only when functional for national labor market policies – but not as an internationalizing element of German society in general. Second, inner political contradictions in the governance of migration hindered activities and migrant economies risked ending up stuck in a pronounced multi-level governance. Third, different types of knowledge production hardly spoke to each other. The focus of the policy-near publications was either directed towards the potentials of migrant economies for broader national economic trends or pointed to the potentials that migrant economies could have to stabilize deteriorating neighbourhoods for a given time. Here, again, the acceptance of migrant entrepreneurship was based on the benefits of the host society.

As delineated above, much of the academic literature put center stage the transnational ties or somehow considered their role in the flexibilization of urban economies – and stayed away from the complex practices of the established support structure for the migrants.

In a nutshell, Germany’s ranking second in international comparison when it came to the number of activities around migrant economies – as emphasized in the introduction – comes as no surprise. It is a main finding of this paper, that nowadays proliferation of projects can be interpreted also as the solution of an existing inner conflict and a protracted ambivalence of the German socio-political system itself. For many years, political action took place on a cosmetic level in the form of project-tied initiatives, while structural changes to instigate migrant entrepreneurship were avoided. A critical reflection on the program has yet to come, only monitoring reports do exist. With new legislation Germany could now easily collect and bundle the evolved capillary structure, which is unique in Europe. This structure is ready to be integrated into a more flexible setting that puts migration center stage in a situation of demographic transition. Germany would do best not to repeat the major pitfalls of its migration history and to think a little outside of the box for formulating innovative strategies that see migration and migrants as more than a function of its national labor market, for example as a part of urban transformation and societal change. Migrant economies work as a crucial element in this transformation, for the migrants themselves and for the places they live in.

Acknowledgements

I wish to thank Jan Rath for his remarks on an earlier version of the paper as well as my interviewees for their time and patience to answer my questions. I thank Juliane Kessler and Anne Güller-Frey for their valuable annotations to this article and for their insights into the IQ-program and Sophie Sommerfeld for her remarks. Further, the paper benefited from the comments of two anonymous reviewers.

References


