

# Immigrant entrepreneurship beyond the cities in Austria and Sweden: a policy analysis

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**Background.** An alternative to being employed is to be self-employed or an entrepreneur, both for natives as for immigrants. In remote, peripheral, and mountainous areas far away from the main population centres, this is especially the case and can contribute to the economic development (e.g. Bao et al. 2022), not only, but also in rural areas. For immigrants, self-employment and entrepreneurship appear closely related to the failure of establishing themselves on the labour markets and is often seen as a result of labour market discrimination or immigrant policies (Vandor 2021), preventing migrants from accessing the labour market. Self-employment has become a policy measure to put low-skilled unemployed refugees into work; the aim is not how these people can stimulate e.g. the Swedish economy (Andersson Joona 2016). Starting up companies providing unqualified service sector jobs, often to an enclave economy, will however not stimulate the economic development in a country, nor will it provide a living for the entrepreneurs. One conclusion to be drawn is that ‘immigrant entrepreneurship often becomes a form of precarious self-employment; therefore, powerful correctives are needed to avoid overexploitation of immigrants via entrepreneurship’ (Kazlou and Urban 2023: 103). Although self-employment is a common strategy among immigrants to avoid unemployment, and big international companies such as Google or Ebay have been found by immigrant entrepreneurs (Vorderwülbecke 2012), who also helped e.g. the United States to become an ‘economic superpower’ (German Historical Institute 2023, n.p.), the level of immigrant entrepreneurship is low in many of the places beyond the European cities. However, low is also the knowledge about rural immigrant entrepreneurship (Munkejord 2017; Kordel et al. 2022). Almost 25 years ago it was noted that this research area reduced immigrant entrepreneurship to an ethnocultural phenomenon existing within an economic and institutional vacuum, focussing on structural changes in the urban economy and the institutional framework of the welfare state within which entrepreneurs operate (Rath and Kloostermann 2000). To what extent this has changed is also unknown. Hence, this paper addresses this literature gap and deals with the question how the policies to stimulate immigrant entrepreneurship in areas beyond cities are designed. This research contributes to the European Commission’s aim to address migrant entrepreneurs in the EU and their different obstacles, as outlined in the “Entrepreneurship 2020 Action Plan”.

**Aim and questions.** This paper discusses how policies, both in terms of design as well as content, try to stimulate (or prevent) immigrant entrepreneurship beyond the major population centres in Austria and Sweden and how they go along with EU policies such as the “EU Entrepreneurship 2020 Action Plan” or the “EU action plan on the integration of third country nationals”. A special focus is given on policies implemented since the big refugee immigration from Afghanistan and Arab countries in 2015 and afterwards as well as the newer immigration of Ukrainian displaced persons.

**Data and methodological considerations.** This paper is based on a literature review of implemented policies in a multilevel governance system and existing research findings from different disciplines, such as business and economics, geography or public administration and political sciences. The analysis is conducted by using a structured observation system. In practical terms, the material is coded following an iterative, grounded theory approach. In this paper, we define ‘beyond the cities’ as areas not in the vicinity of cities, metropolitan areas, and urban agglomerations with 250,000 inhabitants or more. Particular attention is paid to rural areas with low population density as defined in the EU Urban-rural-typology. As EU citizens

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living and working in another EU Member State cannot, according to the 1992 Maastricht Treaty, be considered as immigrants but EU citizens, the term 'immigrants' refer to non-EU citizens/third-country nationals.

**Findings.** The findings in Sweden imply that Sweden has not tried to stimulate immigrant entrepreneurship in general. Unemployed immigrants are encouraged to start small businesses in labour intensive and low-productive sectors, especially so in areas beyond the cities. The rationale for the public authorities appears to reduce the unemployment rate for immigrants, not to stimulate the entrepreneurship. Sweden has experienced an increase in low-skilled immigrants who are unable to provide for themselves. A modest estimate indicate that share of this group almost counts for 15 percent of the population in working age in Sweden. Little integration into the Swedish labour market has taken place, let alone integrated into Swedish society. In many cases, these immigrants have formed clusters in the suburbs of large cities and thus formed ethnic enclaves. In these ethnic enclaves, some have become entrepreneurs, offering goods and services to their compatriots. Furthermore, in these ethnic enclaves there are networks among compatriots who can help with financing, and to other immigrant entrepreneurs within their own group who can help. However, outside the three metropolitan areas in Sweden, the demand for goods and services generated by ethnical economies is weaker than in the metropolitan regions and their suburbs. Hence, immigrant entrepreneurship is less strong outside the metropolitan areas. It is, however, worth remembering that entrepreneurship is still a way for many immigrants to make a living. It is also a good tool to polish the statistics on long-term unemployed, but it is not clear to what extent it actually helps the involved individuals to become included in the Swedish rural society nor become self-sufficient. The results for Austria show that entrepreneurs and business start-ups are politically supported and that there is a large number of institutionalised initiatives (e.g. Chamber of Commerce; in the rural Austrian province of Carinthia, the Chamber of Commerce even implemented a spokesperson with own migrant background as contact person for potential entrepreneurs) that are designed to help people start a business. Initiatives and programmes such as "Mentoring for Migrants", which is organised by the Chamber of Commerce, the Public Employment Service and the Austrian Integration Fund, are intended to help educated and highly qualified people in particular to gain a foothold in the labour market in line with their training or to start their own business. To this end, they are provided with mentors who are professionally active in their field of work or are entrepreneurs themselves. However, it is also apparent that the comprehensive range of information is primarily focussed on urban areas. As existing research shows (Gruber et al. 2021; Frankus et al. 2022), migrants rely in particular on their informal, ethnic networks to find out about starting a business. While the institutionalised information services often present linguistic and cultural hurdles, informal informants from the ethnic communities often provide only semi-correct information.

**Policy implications.** In general, mechanisms to counteract exploitation and poor working conditions in (family) entrepreneurship, and more progressive policies to promote entrepreneurship, should be promoted. Such policies can contribute to innovation and positive economic development, especially in rural regions and areas beyond cities, and thus also have a positive impact on maintaining infrastructure. In Austria, the findings suggest lower-threshold access to advice on self-employment for migrants. If immigrants stay in rural areas, and start a company, they will not only contribute to the economic development, but also to the population development. In Sweden, to start a company is not a universal solution to reduce long-term unemployment in rural areas and for marginal groups at the labour market. Investments in education to make the labour more competitive at the labour market also needs to be considered. Improvements in the human capital is also of great benefit for rural and remote areas.

**Keywords:** Entrepreneurship, immigrants, policies, unemployment, Austria, Sweden

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