

# »» Migrants' start-up propensity is now in line with the average



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## Migrants' participation in start-up activity is stable ...

In 2017, migrants started 21 % of new businesses in Germany. The share thus remains slightly above average, as it was in the previous year. Over a long-term average, one in five business founders belongs to the group of naturalised immigrants, late repatriates or persons with non-German citizenship only (Figure 1). Start-up activity dropped to a new low in 2017, with a corresponding effect on the number of migrants who became entrepreneurs: It dropped to a low of 115,000 business founders.

## ... but the start-up rate has still dropped more sharply

Migrants are typically more active entrepreneurs than the average citizen. Over a long-term average, the start-up rate of migrants is clearly higher than the general start-up rate. In the past years, however, migrants' start-up rate was closer to the average (Figure 2). The latest data of the KfW Start-up Monitor show that the start-up rate among migrants in 2017 was 1.09 %, nearly equal to the general start-up rate of 1.08 %.

The convergence of start-up rates has to do with the labour market. The situation in the labour market plays a particularly important role for migrants' entrepreneurial propensity.<sup>i</sup> They are more likely to start a business for lack of income alternatives – and are more likely to quit when an attractive job opportunity presents itself. The very tight labour market has also significantly improved migrants' employment alternatives. This may explain the sharper decline in their entrepreneurial propensity.

Another reason is the low labour participation rate of women. It has fallen for the second consecutive year – for migrants particularly sharply within a year: from 42 to 30 % (Figure 3). This probably reduced the migrant start-up rate substantially in 2017.

## Labour market has a double impact

As they have greater difficulty finding a job, the noticeably improved employment prospects for migrants are very encouraging. But the situation is a considerable burden for start-up activity, not just because it results in increasingly fewer entrepreneurs but also because migrant start-ups exhibit important features: Migrants invest more hours per week in their start-up, both full-time and part-time, and are more likely to set up a business as a team and create more jobs.<sup>ii</sup> They are also more growth-oriented – particularly as they grow older, unlike other business founders.<sup>iii</sup>

## More digital start-ups

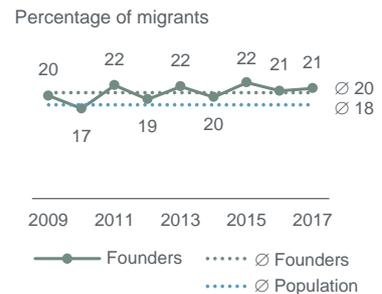
Migrants now also appear to be exploiting the benefits of digital technologies more often. Thus, the share of digital start-ups among migrants has grown at above-average rates in the past two years (Figure 4). Most recently, 29 % of migrants reported that their offering was accessible only through the use of digital technologies. ■

<sup>i</sup> Metzger, G. (2015): Migrants are more active entrepreneurs – mostly as a result of labour market conditions, Focus on Economics No. 115, KfW Research, Frankfurt am Main.

<sup>ii</sup> Leifels, A. (2017), Migrants have more and larger start-ups, with more hours a week, more employees, Focus on Economics No. 165, KfW Research, Frankfurt am Main.

<sup>iii</sup> Metzger, G. (2017): Migrant start-ups: entrepreneurial drive meets ambition, Economics in Brief No. 146, KfW Research, Frankfurt am Main.

Figure 1: One business founder in five is a migrant



Note: The term "migrant" includes naturalised persons, late repatriates and persons who have non-German citizenship only.

Figure 2: Start-up rates are converging

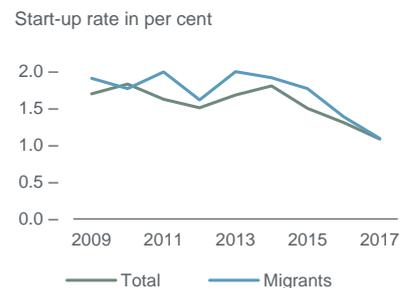


Figure 3: Share of women has recently dropped sharply

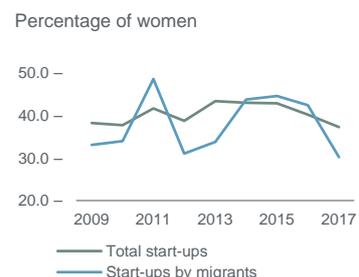
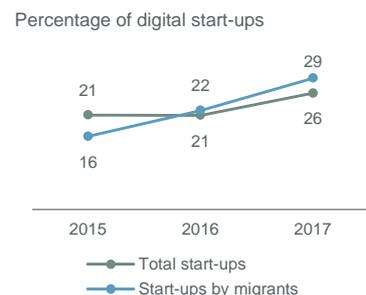


Figure 4: Migrants are more digital



Source (all figures): KfW Start-up Monitor.