

The cleavage between rising need of immigrant (social) entrepreneurship and rising barriers facing it: Case of Croatia

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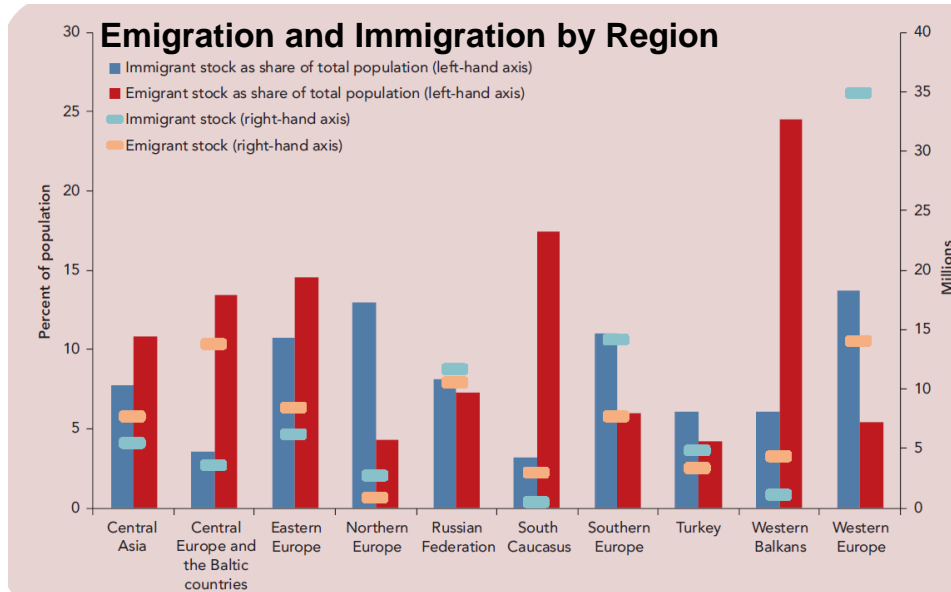
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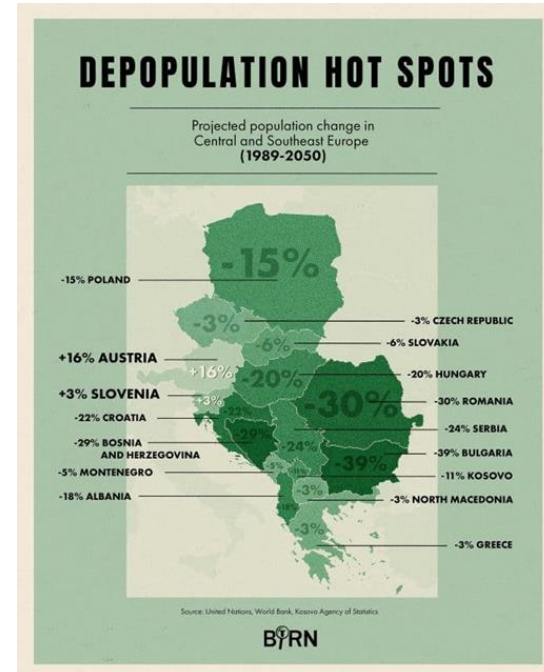
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What makes this topic interesting for SEE?

- Negative migration saldo and its implications
- Unfavourable entrepreneurial climate



UN DESA data for World Bank. 2019. Europe and Central Asia. Economic Update: Migration and Brain Drain. Washington, DC: World Bank.

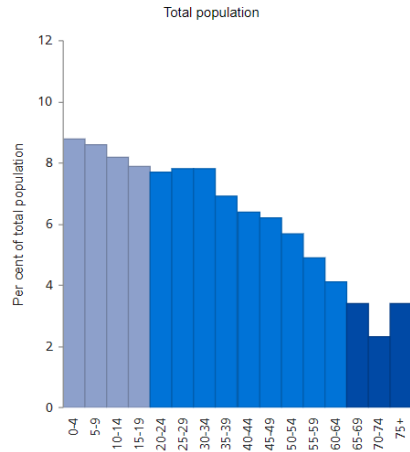


<https://balkaninsight.com/2019/10/14/bye-bye-balkans-a-region-in-critical-demographic-decline/>

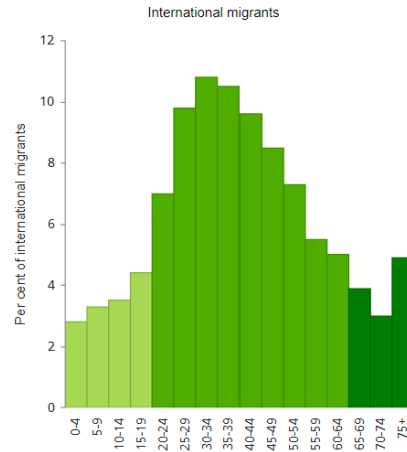
Migration in the World today: working age population!

International migrant stock 2019: Graphs

Select graph: Age distributions of total population and international migrants by major area of destination

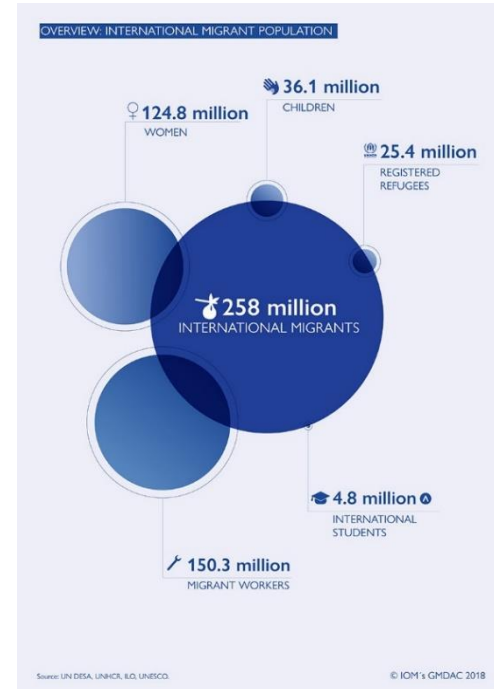


Note: Share of the population in working age (20-64) = 57 per cent.



Note: Share of international migrants in working age (20-64) = 74 per cent.

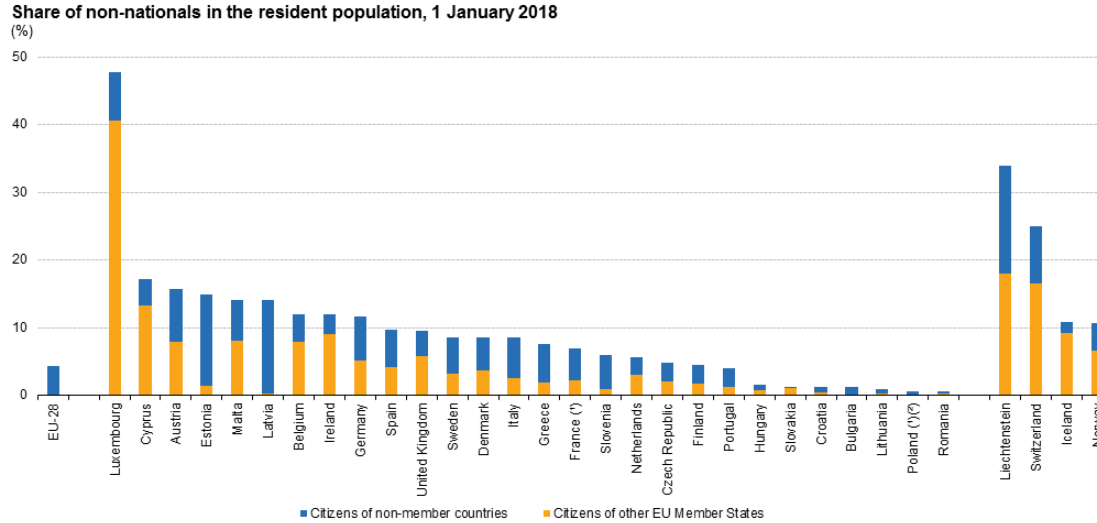
UN DESA International Migrant Stock 2019



Emigration from NMS and its economic impact

- Emigration from Central, Eastern, and Southeastern Europe (CESEE) has been **unusually large, persistent, and dominated by educated and young people**.
 - 5,5% population has left CESEE (cca 20 million people)
 - SEE – the largest outflows – 16% of the early 1990s population
 - Brain drain!
- Emigration has led to positive outcomes for CESEE migrants themselves, and for the European Union (EU) as a whole.
- But large-scale emigration—through its externalities—may also have slowed growth and income convergence in CESEE economies.
 - Negative demographic trends
- Very limited return migration
- Remittances

NMS – rather homogenous population



(*) Provisional.

(**) Estimate.

Source: Eurostat (online data code: migr_pop1ctz)

eurostat 

Plus: a total of 22 of the EU Member States reported more immigration than emigration in 2017, but in **Bulgaria, Croatia, Latvia, Lithuania, Poland and Romania** the number of **emigrants outnumbered the number of immigrants**. (Eurostat, 2019)

Why Croatia?

- **Increasingly negative net migration saldo since 2011** (CBS, 2019) + among the greatest brain drains in the NMS! (Troskot et al, 2019)
- **Immigration ratio below EU 28 average** (Eurostat, 2019):
 - Only 3.8 immigrants / 1000 inhabitants
 - Only 1,3% of the population in Croatia does not have Croatian citizenship (0,4% EU nationals + 0,9% Third country nationals)
- Recently: immigration-related increase: the national quota for migrant workers for 2019 - the total of 65 100 work permits
 - in 2014 only 231 work permits (CPS/IHZ, 2019)
 - The major reason: **extreme shortage of workforce!**
- **Negative changes in the immigration-related labour market issues** (OECD/EU, 2018b)
- In the last 13 years (since the first protection) –total of 749 international protections (CPS/IHZ, 2019)
- **Findings – broader resonance for (South) Eastern Europe**

Why immigrant entrepreneurship?

- The growing migration potential of many current labour-exporting countries to Europe (Hackett et al., 2019)
- A widespread belief among policy-makers that promotion of immigrant entrepreneurship results in **increased economic integration of ethnic and migrant minorities in major host countries** (Rath & Swagerman, 2016)
- **The economic gains of the immigrant entrepreneurship:**
 - less-conservative approach than natives;
 - niches in the mainstream economies, complementing rather than substituting local entrepreneurs;
 - a positive spillover effect: local individuals can become more entrepreneurial by observing immigrant ventures ->more entrepreneurial and innovative society (Brzozowski & Lasek, 2019).

Basic facts on immigrant entrepreneurship

- **Higher entrepreneurial propensity of foreign-born persons:**
 - the foreign immigrants in the UK exhibit higher propensity to entrepreneurship than British nationals: 17.2% of them start own businesses compared to 10.4% individuals with UK citizenship (Centre for Entrepreneurs and DueDil, 2014)
 - USA: on average, immigrants (i.e. foreign-born persons) were two times more likely to start a new business, as compared to US-born individuals in 2012.
- **Substantial contribution to the economy of the host country:**
 - not only SMEs or marginal businesses!
 - Fortune 500 in the US list for 2010: 204 firms were established by immigrants, yielding the combined revenues of \$4.2 trillion and employing more than 10 million people worldwide (Partnership for a New American Economy, 2011).
 - 1 out of 7 new companies in the UK were created by immigrants, creating 14 per cent of British jobs.

Research strands – our contribution

- Migrant-specific networks
 - Cultural norms
 - Access to finance
- Transnational immigrant entrepreneurs
- Creation and development of the ethnic enclave economy
- Economic integration of immigrants + public policies
- Refugee entrepreneurship

Methodology

- Semi-structured interviews in HR
 - 6 institutional representatives (coded as IN1, IN2, IN3, IN4, IN5 and IN6)
 - 10 EU and nonEU entrepreneurs (coded as EU or nonEU 1-10)
- Encounters and interviews with researchers and practitioners from other EU countries
- The findings are contextualised - **the context in migration studies today is deemed „increasingly important as migratory phenomena become more diversified, and as the statistical grasp over migration flows and stocks becomes less secure”** (King, 2018: 39)

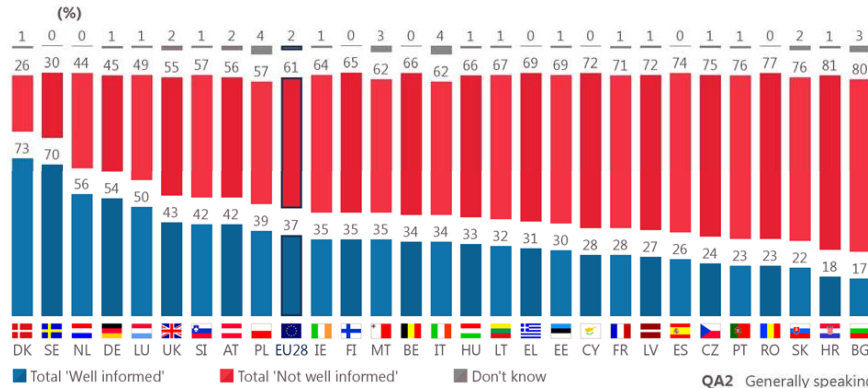
Immigrant entrepreneurship-related indicators: Croatia (out of 140 countries)

Ease of hiring foreign labour (139)	Efficiency of legal framework in settling disputes (139)
International labour mobility (134)	Property rights (122)
Labour tax rate (88)	Incidence of corruption (50)
Hiring and firing practices (135)	Active labour policies (75)
Attitudes toward entrepreneurial risk (137)	Financing of SMEs (105)
Burden of government regulation (138)	Cost of starting a business (69)
Judicial independence (120)	Time to start a business (41)
Efficiency of legal framework in challenging regulations (135)	Diversity of workforce (133)
	Infrastructure pillar – set of indicators (36)

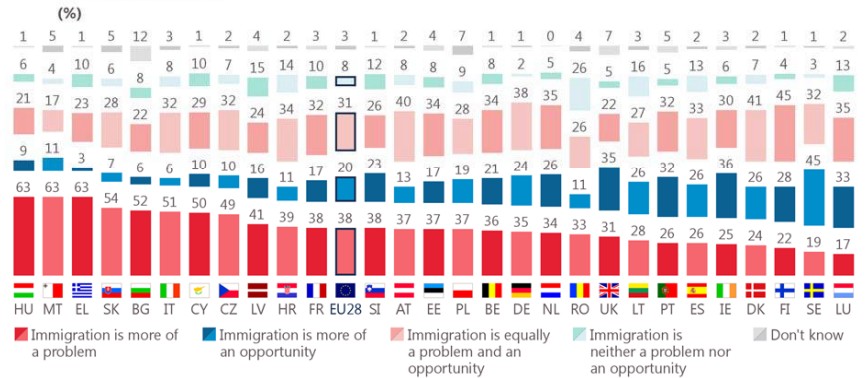
Source: WEF GCR 2018

Still....

QA4 Overall, to what extent do you think that you are well informed or not about immigration and integration related matters?



QA2 Generally speaking, do you think immigration from outside the EU is more of a problem or more of an opportunity for (OUR COUNTRY) today?



EC – Eurobarometer 469, 2018

Croatia vs World

MEKA GRANICA © 27.10.2019. | 17:20

U dalmatinskom gradiću više nitko mirno ne spava, puno je krijumčara i migranata, ovoga vikenda pokušali su ukrasti nekoliko automobila!; 'U neku uru me zovu iz policije da mi je Opel prevrnut na krovu'

HRVATSKA

POTPUNO ISKREN

STRANI PODUZETNIK O HRVATSKOJ: 'Talent se ne cijeni, sposobnost ne nagrađuje, a uspjeh se kažnjava'



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SPECIAL REPORT: MIGRATION

Migration

To make the world richer, let people move

Alas, the politics of migration has never been more toxic, argues Robert Guest



Barriers listed by local and foreign entrepreneurs

Barriers in the business environment in Croatia that impede entrepreneurial activity for domestic and foreign entrepreneurs	Additional barriers in the business environment in Croatia for foreign entrepreneurs (non-EU citizens in particular)
<ul style="list-style-type: none">• administrative barriers / poor efficiency of public administration• unpredictable tax regulations• high tax burden and parafiscal charges• short-term deliberation and instability (slow, but inefficient changes) of business environment-related public policies• restrictive labour legislation• widespread corruption• lack of entrepreneurial spirit and misunderstanding of entrepreneurship	<ul style="list-style-type: none">• unavailability of information in English• slow issuance of personal identification number (OIB)• slow and insufficiently transparent issuance of work permits• high amount of initial capital for non-EU residents• duplication of procedures with different public administration bodies• closedness of the general population and policy makers towards foreigners, particularly those coming from the so-called third world countries• discrimination on various grounds (origin, gender, age, LGBT), as specifically identified by foreign entrepreneurs• lengthy asylum procedures (if applicable)

Overall flavour of immigrant entrepreneurship in HR: Perfect for living, difficult for doing business

- **'One more paper, pls!'**
- **'..people expect things to work like they do at home, and when they don't, they get frustrated. Language, the extra bureaucracy etc. Understandable but a lot of people hide behind that... My best advice for foreigners coming to do business in Dalmatia is contained in one sentence, and if they can accept it and implement it, they will do fine, but most won't. Do not try and change Dalmatia, but expect Dalmatia to change you.... I think it is also true that **entrepreneurial expectations differ a lot depending on country of origin...Romanian people, for instance, see only opportunity here, while Brits see only problems.'** (EU9)**

Overall flavour of immigrant entrepreneurship in HR: Perfect for living, difficult for doing business

- ‘During one meeting on immigrant entrepreneurship, the representative of one of the ministries told us that the **front officers dealing with foreigners are not supposed to speak English?!?’** (IN5)
- ‘**...this informal taxation system of inspections.** You can’t know the entire tax code or the entire *gospodarstvo* (economy) laws....they know that and take advantage of it. For me, getting a business started has never been overly burdensome or full of red tape. However, once you get it open then staying open can be problematic. **Even when you solve the problem du jour, next year they find something else.** It never ends and it’s frustrating.’ (nonEU7)
- “...my little one is still not in kindergarten....I do try and grow my own little brand ...I just go one step back every time we move or get a baby or a puppy....” (EU4)

Informal rules – vital to succeed in Croatia

- clientelist arrangements in public sector
- ‘prevalence of ‘economies of favours’ in post-socialist countries and the practice of ‘pulling strings’ (using *Veza* – informal social ties/connections)
- „unpredictability of a burdensome formal structure often results in reliance on more informal solutions. These shortcuts, that are actually open secrets, do not have to be illegal, but they mostly imply the favour of an insider in the public administration” (Simic Banovic, 2018)



GOOD PRACTICES...



'I am happy to be in the hospitality business as people get more easily connected over food and get the chance to meet our culture.'



Pictures: CPS 2019

To underline: Ethnic, social, refugee, migrant entrepreneurship...
It is a business, not a charity!

Role of public policy in migrant integration (the most recent survey)

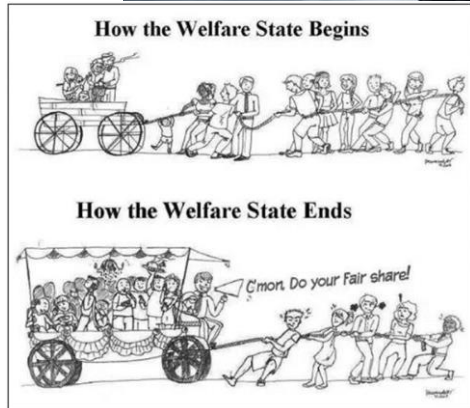
- **'...the Croatian citizens' attitudes are such that they could potentially turn in either direction, positive or negative, which makes it important to rely on positive attitudes with well-designed, targeted and coordinated policies, to guide those attitudes and provide citizens with opportunities to take part in the integration of persons granted asylum.the foundations of citizens' positive attitudes lie in the fact that they have themselves been through the experience of being refugees during the Croatian War....**The integration policies should exploit this fact as a potential advantage, because those kinds of relationships – among neighbours and encounters in the work environment – will actually be the basic contacts between Croatian citizens and persons granted asylum. Bearing in mind that **the cultural pattern of life in relatively well-connected neighbourhood social networks is still present in Croatia, especially in smaller communities, the readiness of Croats to engage in neighbourly relationships with their new fellow citizens can be put to good and beneficial use,** and activities can be implemented at the level of neighbourhoods to prepare micro-communities to which persons granted asylum will come for their arrival.'

(Ajduković et al, 2019)

Despite the facts....there is a gap in the perception of immigrants and (potential) entrepreneurs...

- PUBLIC DISCOURSE

- REALITY



Pictures: Okus doma, Takahashi, Slobodna Dalmacija, 24sata, <http://www.powerlineblog.com/archives/2014/07/the-morals-of-the-welfare-state.php>

Concluding remarks

- Despite a rather small ratio of immigrant population (and an **increasing need for foreign workers and entrepreneurs!**) in Croatia, the **public perception (dominantly based on the uninformed opinion) is somewhat negative**, the immigrants are often considered a threat for a society and/or a burden for a public budget. The immigrants, refugees in particular, are mostly rejected or patronised.
- Formal and **informal barriers** faced by immigrant entrepreneurs **increasingly overlap with the ones faced by native entrepreneurs**. Depending on their origin, the list keeps enlarging...
- Business-supporting associations (+ relevant public administration bodies) should be more active in the promotion of immigrant entrepreneurship.

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