Gaining from migration. What works in networks? Examining economically related benefits accrued from greater economic linkages, migration processes, and diasporas.
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Executive summary

Networks are a fundamental part of the various connections that occur between people and places and help to illuminate and facilitate existing forms and processes of migration as well as issues related to incorporation of immigrants. This report reviews the literature on networks to look particularly at how networks are understood across disciplines and hence can be utilised both for furthering understanding in new research and in policy applications. The report focuses specifically on the utility of networks in the realm involving both migration and economic activity and incorporation of migrants. ‘Networks’ are significant in the context of globalisation and related interconnectivity as they can be utilised not only to identify key actors, but also as an explanatory mechanism for processes. Furthermore, network analysis allows a dynamic look at interactions impacting on migration as well as on economic activity. In this way, networks relate to any range of policy goals: be they for migration (such as entry policies, work permits, or integration) or economic development (such as sector targeting, policies to advance immigrant entrepreneurship, or return migration programs). Although sending countries are briefly addressed, the report focuses primarily on the European as the receiving context.

In order to critically assess the literature, this paper is divided into several themes:

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1 This report was commissioned for the ‘Gaining from Migration’ Project coordinated by the OECD Development Centre, in co-operation with the OECD Directorate for Employment, Labour and Social Affairs (DELSA), the European Commission, and the Athens Migration Policy Initiative (AMPI), with financial support from the European Union. The report was presented at an Experts’ Workshop on January 10, 2006 and is copyright OECD. The views expressed herein can in no way be taken to reflect the official opinion of the European Union, the Organisation for Economic Co-operation and Development, or AMPI.
Identifying: Forms and functions of networks in various disciplines

In reviewing the literature, it becomes clear that ‘networks’ are utilised in a rather diffuse way. In order to condense the variations of networks related to this study, three main forms are identified: social (for example, migrant associations, ethnic networks, transnational connections), industry or organisational (clusters, supply and production chains), and market-bound (such as for bilateral treaties or multilaterally, such as that outlined in the GATS framework).

With the diverse forms of networks in mind, their functions also vary. On the one hand, networks are utilised in disciplines focusing on the social aspects (such as those related to migration systems or immigrant associations) and on the other hand, they are used in looking at connections related to trade (such as those utilised in supply and production chains or regional clusters). The varying forms and functions of networks are rarely assessed within a single source, indicating the disparities that still exist in understanding globalisation as related to human mobility, economic development and trade. A few exceptions occur. The first, is the literature that relates ethnic and other social networks to immigrant entrepreneurship (such as utility of networks for gaining capital, information and workers). However, the role of ethnic networks has often been overstated and their benefits are neither universally accessible nor applied. The second strand of literature aims to identify the relationships that exist between trade (imports-exports) and migration. However, this literature is still quite scarce, details are thin, and while migration almost certainly enhances trade, the mechanisms behind this relationship have not yet been fully examined.

Understanding: Economic activity and entrepreneurship of immigrants in Europe

Immigrant incorporation and economic activity must be understood in the context of changing economic opportunity structures, as well as within each place or country’s unique political trajectory and economic structure. Various trends and shifts are important, ranging from those that impact immigration policy and allowed categories of immigrants (for example, skilled migration), those related to European integration, global subcontracting, and processes related to informality and the informal economy.

Against this backdrop, various opportunities exist for immigrant entrepreneurs in Europe and related networks are involved in these processes, but these entrepreneurial activities need to be viewed from the perspective of the opportunities and constraints of particular markets, or in other words of matching skill levels of immigrants with the needs of the particular business or industry operating. Post-industrial economic shifts have led to the emergence of new markets in both high-skilled (such as in consultancy or law firms) and low-skilled (such as domestic work and caregiving) areas. Added to these, there remain opportunities in the more traditionally recognised avenues for immigrant
entrepreneurship through vacancy-chain businesses (such as cornerstores or restaurants). Each market requires not only a different skill set, but also the mobilisation of different resources, and hence the role and value of networks in each varies.

Evaluating: ‘Success’ from the context of sending countries, European receiving countries, and individual (migrant’s) perspectives
Addressing networks allows an approach that extends beyond quantifiable factors by directly identifying relational and social factors. However, this relational or social impact of networks is not uniform as networks are contextually bound and dynamic. Furthermore, their ‘success’ and achievements are not unequivocally recognised. As this report explains, the functions of networks may be either within existing migration and economic policy, or may serve the function of circumventing it, as is the case with networks to facilitate the irregular migration of excluded groups or the incorporation of migrants into the informal economy. Or, in the case of advancing development in sending countries through migrant organisations, the results may lead to increasing regional disparity or allow resources to be allotted to an already relatively privileged group. Hence, the mobilisation of networks in policy can create opposition, even when this mobilisation is relatively ‘successful’ in terms of meeting the intended goal.

Networks facilitate both migration flows and business activities, whether these occur within the bounds of policy or outside of them. In the context of European receiving country, the focus is often on ‘legal’ vs. ‘illegal’ migration, which impacts public and policy views of the utility and validity of networks facilitating migration and immigrant economic activities. In the context of sending countries, the focus is typically on facilitating economic development; hence migration is beneficial where remittances and return of workers with new skills result, or unemployment pressures are alleviated. However, on the other side, ‘brain drain’ from the loss of educated and skilled individuals can be substantial.

Researching: What gaps exist in the current research?
A large research gap exists in understanding themes that link networks related to development and trade with those related to migration. The topics that need further exploration are such as: the further internationalisation of business and links to immigration, processes and barriers for return migration and employment or entrepreneurship upon return, the role of migrants in enhancing cross-border trade, the recruitment and employment of migrants as flexible labour sources, and the role of migrant associations across time in promoting economic activities.
Applying: Policy Recommendations

Following from this summary of the literature, it can be concluded that networks, when effective, influence migration and integration processes, as well as economic incorporation of migrants. Networks can therefore be used both to identify existing policy shortcomings (areas where law is circumvented) and as a tool for mobilisation of certain groups and advancement of integration or development goals. Networks matter in that they direct migration flows, facilitate business development and viability, and can offer a voice and an avenue of political representation to specific migrant communities and thereby enhance social cohesion. In general terms, mobilising networks in policy entails a process of acknowledging, appreciating, targeting, and connecting various (social and business) networks that migrants are part of with other institutions.

- **Acknowledging**: The process of ‘acknowledgment’ involves identifying the key networks, either related to migration or business functions. Furthermore, acknowledging relevant networks is contingent on first setting appropriate policy direction or goals and also identifying networks that could be involved.

- **Appreciating**: Networks can only be addressed within policy, when their members, activities, contributions, and goals are appreciated.

- **Targeting**: Targeting involves combining the identified goals with concrete actions and choosing specific networks. However, it is important to keep in mind that targeting also involves an element of selectivity, of choosing the ‘winners’ vs. the ‘losers’. Hence the decisions are debatable.

- **Connecting**: The final stage involves connecting existing networks either to other networks or to specific institutions. Again, this process can operate in numerous ways depending on the network and goal identified.
Introduction

‘The significance of changes during the post-colonial era lies not in the fact of global migration – which has existed for centuries – but rather in the greater increase in the magnitude, density, velocity, and diversity of global connections, in the growing awareness of these global relationships, and in the growing recognition of the possibilities for activities that transcend state boundaries’ (IOM 2002: 8).

The Gaining from Migration project is a multi-stage project addressing the economically related contributions of immigrants to Europe, both within the destination country as well as for the sending country, in order to create a dialogue and to help advance related policy and research agendas. This stage of the research involves three overviews of the literature, each delving into separate aspects of the theme. The first addresses costs and benefits related to macro-economic impact and demographic concerns. The second focuses on integration and policy aspects, particularly social cohesion, legal status, and welfare. This paper is the third of the group and will contain a ‘critical review and evaluation of the emerging literature on the benefits that accrue from immigrants’ cultural, professional, and social networks’. In other terms, this paper examines benefits that are associated with immigrants (the diaspora3), their economic activities and organisations.

The economic contributions of immigrants and the role of their networks have been widely studied in North America whereas this research has been much thinner in Europe. Therefore, while focusing the cases on Europe, this report will also include key studies from the North American context, especially those which underline key theoretical arguments and emerging trends. It is important to note that while the North American literature can offer some guidelines and ideas, concepts and findings do not travel easily, and it is important to keep contextual differences in mind. For one, both the US and Canada have historically been countries of immigration and hence the resulting societal attitudes and policies surrounding immigration vary from those in Europe. Second, the US has a lean welfare state, which contrasts with many of the welfare states in Europe. Third, it must be acknowledged that discussions of Europe actually involve various nation-states, each with their own institutions, immigration history, and legal structure.

2 Quoted from proposal.
3 The term ‘diaspora’ is increasingly being used in its broadest sense to mean migrants in general, both those with their original citizenship and those taking on the citizenship of the new destination, and also their children, and it is this very broad definition that has been adopted by the European Commission (EC Sept. 2005: 23). This study too will use ‘diaspora’ in a very broad sense.
Focusing on networks allows us analytically to turn away (at least initially) from assumptions linked to mass quantifiable effects and instead to look at processes. What types of networks exist and are developed; what type of linkage is involved; what is the contribution to economic activity? An investigation of the role of networks is valuable for understanding migration and for policy because it allows us to look beyond quantitative factors and into relational ones. Macro-economic data on migration typically focus on national labour market incorporation (wages, employment figures, etc.), rather than on broader migration patterns (ranging from cross-national to individual perspectives). However, the understanding of ‘networks’ also requires carefully defining them, as ‘networks’ have diverse forms and applications, ranging from the very abstract (as in the notion of the network society, Castells, 1996) to concrete (as in the ability of one individual’s social networks in creating a new business). These issues will be further addressed in the course of this paper.

This report is structured in order to highlight competing themes and various theoretical and empirical perspectives towards both networks and economic benefits of migration. It is therefore a challenge which requires both an understanding of existing patterns of migration, as well as future migrant flows, general economic trends, sector development, as well as economic linkages between sending and receiving countries. The approach taken in this paper falls into the realms of migration sociology and economic sociology, but with an eye to other literature from related disciplines.

In order to address these aspects, this paper is divided into six parts. Following this introduction, section two sets up an analytic framework for understanding networks. The meaning and conceptual limitations of ‘networks’ and ‘success’ is explained and also the importance of taking a ‘mixed embeddedness’ approach to better understand various contextual factors influencing immigrants’ economic opportunities and chances for ‘success’ are advanced. The third section will review the literature to delve into understandings and applications of networks, pointing to the fragmentation created by the diverse applications across disciplines and places where a greater synthesis of these perspectives may be warranted. The fourth section empirically examines the economic activities of migrants in Europe, with special attention to immigrant entrepreneurship. More specifically, this section looks at the different types of opportunities present in various forms of markets and ways that networks can be utilised. The fifth section summarises the way migration and its benefits are conceptualised in sending and receiving countries to understand how migration success is evaluated. This section also summarises the various benefits related to economic activities including that of the migrant, the receiving country and the sending country. The paper then concludes by summarising the arguments and taking a look forward, questioning how these relationships and benefits can be better studied and how they can be applied in policy.
Analytical frame

Three issues are key to our analytical approach: understanding the combination of structure and agency through the concept of embeddedness; defining and assessing the role of networks; and exploration of ‘benefits’ from migration and cases of ‘success.’ Combining these three key issues creates a framework that analyses immigration and its related economic activity with attention to processes of incorporation (via networks), contextual differences (‘mixed embeddedness’), and a platform for evaluation (‘success’).

Analytic model to guide analysis

These three analytic issues have been combined in a visual representation, which will be used to further guide the analysis. Migration is influenced and occurs within the bounds of three core intervening variables: economic activity (including opportunity, hence the opportunity structure), policy, and the role of various networks. The circles represent the core variables examined within this paper: networks, trade, and policy. These variables and their relations will be explained more fully later. The double-sided arrows indicate that each of the three key variables as well as the related processes is dynamic. It implies, first of all, that a change in any one part can trigger any range of changes to the others. Hence, all of the variables involved are contingent on both time and place, meaning that any examples cited can only be utilised as cases, and the possibility of transferring the learning must be carefully considered in light of different contexts. Assessment of each of the factors related to this system, delineations of beneficial migration or activities, is dependent on the reference frame. The reference frame here is roughly drawn into four types of actors, focusing on the individual (particularly important)

Analytical model

Key variables assessed in determining benefits of networks related to migration

![Analytical model diagram]

Reference points for assessment (often have contradictory goals)

- Individual
- Business
- Sending country
- Receiving country

Various forms of networks
to this study is the migrant him or herself, the business, the sending country, and the receiving country.

Forms of ‘networks’

In examining networks we look at social, political, and economic links within and across borders, to better understand how these facilitate various forms of economic activity including and self-employment. However, types, forms, and functions of networks can vary considerably. Networks have been noted as one of the primary elements to explain globalisation, although they often are only loosely defined and are bound by complexities requiring careful interdisciplinary analysis (Holton 2005).4 In view of our task in this paper, we propose to distinguish three key categories of networks, which will be expanded upon in the course of the paper.

- Social networks: These are relations between individuals and groups of individuals, here viewed in their capacity to be utilised for economic purposes (in the literature also referred to in terms of social capital; see Portes & Sensenbrenner 1993; Schiff 1999). These networks are comprised of both co-ethnics and others. Social networks have been analysed in a variety of functions relating to immigration and immigrants, ranging from their relevance for the selection process as to who migrates (Massey 1988) to their relevance for economic purposes, including immigrant (or ethnic) entrepreneurship (Waldinger 1996; Portes 1995). Both their positive, but also their possible negative consequences have been discussed, particularly as related to business ventures (Rauch 2001: 1180; Gomez & Benton 2003; Basu & Goswami 1999).

- Industry and organisational networks: The role of broader organisational networks and industry specificities, outside the so-called ‘ethnic economy’ or ‘ethnic networks’ also must be included and assessed (Light & Gold 2000; Raes 2000; Magatti & Quassoli forthcoming). As The World Development Report 2005 (World Bank 2004: 161) explains, ‘patterns of industrial development and areas of competitive advantage are shifting faster than ever before’.

- Market-bound networks: These networks include elements of international trade (Porter 1990; Elfring & Foss 1997), free market agreements (such as

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4 As Holton (2005: 209) specifically argues, ‘Concepts of networked communication and networked firms, network states, and the purported arrival of network society have carried the network metaphor into the heart of many debates about globalization. The typology of networks now extends to business and trade, policy and advocacy, knowledge and professions, together with empire and terror, kinship and friendship, religion and migration.’
European Economic Community, European Union, and NAFTA) and foreign direct investments.

In principle, industry and organisational networks and market-bound networks may largely overlap; however, it is the perspective taken within the research that differs and hence can lead to different analysis and conclusions. Market-bound networks are also linked to broader literature on macro relationships between trade and/or international investments and migration (for overview see OECD 2000a; Martin 2005; Hijzen & Wright 2005 for focus on UK).

The various forms of networks have not received equal attention in existing literature about immigration. Social networks and its various related conceptualisations (such as ethnic networks, social capital, etc.) have received the most attention, followed by research on the role of specific industry and organisational networks. Hence these forms of networks will play a central role in this study. Themes relating migration and investment, market liberalisation and other market-based networks are relatively new, and literature on this topic as well as applications, are still emerging.

Combining the influence of structure and agency: The concept of ‘embeddedness’

Embeddedness essentially means that economic activity occurs within and is influenced by other factors, creating a dynamic relationship. The role and meaning of embeddedness on the macro level has varied, particularly in the immigrant entrepreneurship literature. Much of that literature has focused on issues related to ‘social embeddedness’ (Granovetter 1985; 1995). For example, Portes and Sensenbrenner (1993) perceive embeddedness in social networks as being grounded in social phenomena such as bounded solidarity and enforceable trust and potentially as a kind of social capital. The idea of mixed embeddedness has been advanced (Rath & Kloosterman 2000; Rath 2002b; Kloosterman & Rath 2003) to extend beyond social categorisation in the immigrant entrepreneurship literature (often portrayed along ethnic lines). This approach both acknowledges that social embeddedness is important and also advocates looking at structural aspects more broadly to include, along with social factors, more facets of political and economic structures, including laws, regulations and political institutions. Hence, the mixed embeddedness approach acknowledges that social networks themselves can have considerable degrees of variation and that outcomes are contingent on variations across sectors and places. The mixed embeddedness approach therefore creates a platform for assessing differences by both sectors and countries, and hence can be

5 It should also be noted that Granovetter acknowledges embeddedness in wider structures; however, his primary focus remains on social embeddedness.
applied to all sides of understanding ‘successful’ immigrant economic involvement: differences in niches, roles of ethnic entrepreneurs, and reasons for variation across time or place.

*Exploration of meaning of ‘benefits’ and various evaluations for ‘performance’ and ‘success’*

Determining benefits, performance and success strongly hinge on interpretations, whether in chosen quantitative factors or in more qualitative feelings about situations and events. First, a look to *benefits* means that emphasis is on *outcome and performances*, often dubbed as *success*. However, these terms should be looked at critically. ‘Performance’, as related to migration as a whole, is often assessed in terms of ‘assimilation and integration into the labour market of the host country’ (Constant & Zimmerman 2005: 2). ‘Performance’ is hence often tied to and quantified by macro economic and integration indicators. ‘Success,’ on the other hand, tends to take a more specific angle based on the individual circumstance involved. Assessment of success is therefore socially constructed (Rath 2002c), and even in the economic sense, can be looked at in terms of financial measures, market expansion, as well as advancing technological know-how or reputation (Whitley 1999). Whitley further notes that common views towards success also hinge on national perspectives. For example a company’s ‘success’ in the US may be based on value for shareholders, while ‘success’ in Germany may be tied to goals of broader technical advancement. Additionally, what may be beneficial for one can be detrimental for another. A business may flourish financially and have continual growth, but accomplished through low wages and poor working conditions. Hence, measures, definitions and interpretations of success are likely to have a great amount of variation.

Second, performance is implicitly tied to existing groups of immigrants, and as has already been noted, this performance also hinges both on various forms of networks and other factors related to the opportunity structure and embeddedness at any given time. It therefore points to related impacts of past policies targeting such workers, and in the European context, this evaluation often leads to assumptions about groups of immigrants tied to low-skilled labour through the guest worker programs of the 1950s and 1960s or immigrant groups from former European colonies.

Finally, and to partially contrast with the second point, it is also important to look forward to recently emerging migration trends, new economic sectors, and hence a changing opportunity structure and places where new benefits may accrue. Here highly skilled migration plays a core role and will likely have increasing policy importance in the future (Salt 1992; Mahroum 2001; King 2002).
Networks: Applications and functions

Applications of ‘networks’ within migration and business literature

Although the concept of networks has a long history, its prominence in the social sciences spawned mostly in the 1990s. The general utility of networks is in defining interconnections within a given system, institution, or other entity. The focus on inter-linkages makes the concept of ‘networks’ as tied to international migration largely synonymous with many of the concerns related with globalisation, which brings about issues of mobility of capital, goods, and people and their inter-relationships. In business and management literature, networks are also used to better understand supply chains, business decisions, industrial clustering, and opportunities for entrepreneurship. Table 1 lists and defines key ‘buzzwords’ for these linkages within the migration and business and economic related literature, including fields such as economic-geography. In a single work, understandings of networks may draw from different academic disciplines and approaches, leading not only to conceptual but also to empirically observed differences.

Table 1  Linkages and networks related to diaspora, international labour mobility, industry, and trade

<table>
<thead>
<tr>
<th>Terms for linkage</th>
<th>Form of network</th>
<th>Description/definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Networks related to migration - Migration-sociology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Social capital</td>
<td>• Social</td>
<td>Benefits that can be attained through individual and group characteristics and the mobilisation of social networks.</td>
</tr>
<tr>
<td>• Social (ethnic) networks</td>
<td>• Social</td>
<td>Ties and trust that facilitate flow of information, capital, certain opportunities for those within network. Many studies currently feel that the role of ethnic networks has often been overstated in the past and cannot be considered as having a uniform role or form.</td>
</tr>
</tbody>
</table>
| • Migration systems | • Social       | - Typically used to describe migration selection process, across time.  
- Sets of interpersonal ties that connect migrants, former migrants, and nonmigrants in origin and destination areas through ties of kinship, friendship and shared community origin. They increase the likelihood of international movements because they lower the cost and reduce the risk of movement. |

The work of Manuel Castell’s ‘network society’ is one of the most recognised, albeit a largely debated and abstract idea. Castells (1996) focuses on information, the related information infrastructure, and their influence on social relationships. Castells argues that there is a bifurcation in society, separating those who have access to these global networks from those who do not. The work has been influential, leading numerous future works relating to the roles of networks in social context, as well as their forms and applications related to technological advancement and Internet technology.
and increase the expected net returns of migration’
(Massey et al. 1993: 448).
- Explain perpetual nature of migration.
- May also offer mutual support for businesses.

**Transnationalism**
- Social, industry and organisational (market-bound)

‘the process by which transmigrants, through their daily activities, forge and sustain multi-stranded social, economic, and political relations that link together their societies of origin and settlement, and through which they create transnational social fields that cross national borders’ (Basch et al. 1994: 6). Lifestyle of being involved in two places nearly simultaneously.

**Migrant organisations**
- Social

Formal organisations. Organised on lines of local/ethnic/professional/religious/political (etc.) identity or goals.

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### Networks as related to business development and economic activity - Economic geography, business and management

<table>
<thead>
<tr>
<th>• Supply chains/ supply and demand</th>
<th>• Primarily industry/ organisational</th>
<th>Links between companies to produce items or offer services, often studied on the local or national level.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Clusters</td>
<td>• Social, industry/organisational and market-bound</td>
<td>Industry groupings within geographical proximity, associated networks and competitiveness. In developed countries, largely associated with high skilled work and facilitating innovation (Porter 1998) (i.e. Silicon Valley).</td>
</tr>
<tr>
<td>• Global production networks/ global commodity chains</td>
<td>• Industry/organisational and market-bound</td>
<td>Gereffi (2005: 168) notes that a range of phrases have been utilised: supply chains, international production network, global commodity chains, French filiere approach, and global value chains.</td>
</tr>
</tbody>
</table>

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### Networks within migration literature

- **Social (ethnic) networks**: Social and particularly ethnic networks are one of the most studied aspects of migration. These have been utilised both broadly, to show the impact of culture, for example, as well as concretely, on the micro-level, carefully tracing particular actors and formal or informal relationships, such as that seen in literature on migrant organisations. Yet, even within this concrete context, there is room for variation. For example, in a single ‘social’ or ‘ethnic’ network, individuals’ roles and experiences can and will vary. Similarly, the constituents of these networks will change across time or situations. Networks on the micro-level cannot therefore explain phenomena in whole and social or ethnic networks can only be studied as cases, rather than summarised as certain concrete types.

- **Migration systems**: The migration systems approach has become one of the most predominant in understanding migration networks (Boyd 1989; Fawcett 1989) and related ‘chain migration’ flows (Massey et al. 1993). This approach added significantly to the study of migration as it allows for assessment of the importance of social linkages, specifically through its
focus on families as decision-making units, but also at the aggregate level of global systems. Migration systems have been applied widely in the migration literature. From a policy perspective, migration systems are difficult to direct once in motion; however, they are important in understanding issues of incorporation such as the formation of various minority communities and can also be important in understanding various opportunities for employment (especially in sectors and businesses where referrals are important).

- **Transnationalism**: Similar to migration systems, transnationalism also allows assessment of the complexity of networks and interactions on various levels directly and indirectly influencing migration. However, transnationalism does not have one strict definition. The meaning and application are still debated, but generally transnationalism aims to look at migration and activities as processes, often rejecting simple definitions such as migration as a one-time movement and ensuing dichotomies (such as sending and receiving countries or processes and products). In terms of social capital, some lines of the literature on transnationalism examine ‘community’ formation, in the sense of ties between people, rather than as purely geographically bound spaces. Transnationalism also has been used to examine more specific forms of networks such as social, political and religious forms. In some studies on transnationalism, economic ties across borders are considered essential. However, it is often difficult to discern these specific types or functions of networks within the literature on transnationalism. Rather, each case presented may be made up of any of the various forms of networks, social networks (in the forms of community or other relationships), industry/organisational (if any economic related perspective is central), and market-bound (if the goal is to show broader ties, especially those which involve business in multiple countries simultaneously.) In its current definitions, transnationalism offers some clues about the interrelationships involved in various forms of networks; however, the approach of identifying these has been ad hoc and based on individual pieces of research, rather than systematic. Nonetheless, it is important to mention, as it is one of the main approaches taken in migration literature that combines a variety of network perspectives, instead of relying solely on the social or ethnic level. This is underlined by Portes (2001) who argues that even if true forms of transnationalism have been limited so far, they are likely to grow in importance due to growing immigrant populations globally, its importance for issues of immigrant integration in receiving societies (including possibilities of entrepreneurship and that ‘transnational activities may actually accompany and support adaptation to the host society’ [2001: 188]), as well as its implications for
development, especially as migrant organisations are increasingly formally organised and working in cooperation with local governments (2001: 190).

**Text box 1: Case of Romanian rural transnational and circular migration**

Sandu (2005) provides an interesting comparison of migrant networks (more specifically, migration systems approach) through utilising the Romanian 2001 community census. This data indicates that kinship, ethnic and religious networks and ties are crucial for current migration patterns, in determining probability of future migration in the town (‘Although, before 1990, the number of person who could have gone to work abroad was low, it still left a clear mark on post-1989 migration flows: almost 70 percent of the persons departed by the time of the community census originated from villages where at least one person had been outside the country before 1989’ [2005: 567]), location moved to as well as the likelihood of return migration.

By utilising community level data, Sandu concludes that circular/return migration was largely tied to communities with certain characteristics and that one-fifth of Romanian villages could be classified as ‘transnational villages’ (p. 565). This profile is described in the following way: ‘They are not only the most heterogeneous from an ethnic and religious point of view, they are also defined by a larger proportion of young people, there is a higher educational stock and a larger number if former village to city commuters and return migrants from cities. This is a demographic profile significant for high unemployment among rural youth. The villages with the highest migration experience, and so quite well integrated in transnational spaces, are mainly located close to cities and modern roads (in the context of Romania)’ (2005: 565).

In conclusion, Sandu (2005: 569) makes a point important to understanding the complexities migration and related networks as a whole: ‘[C]ircular/transnational migration between village and foreign countries proves to be a network phenomenon. Its development involves activating and expanding complex social networks, localised and/or transnational, directly dependent on the social structure of the country and on the migration history of the various categories of social communities and segments.’

- **Migrant organisations:** Networks also can be defined in terms of organisations, which will vary in terms of their legitimacy, scope, and influence. Within Europe, studies have long examined this form of networks. As this form of network contains any recognised group (club, activity, business, religious congregation, etc.), great variations exist; however, many of these studies are not so relevant to the theme of this paper, which focuses on
economically related benefits of migration. Nonetheless, given that these networks are clearly traceable, the related literature offers some of the most detailed examples of mobilisation of and benefits attained from social networks. Organisational networks can be perceived as interest groups, those linked in common institutions (schools, businesses, etc.) as well as formal institutional structures created by the sending and receiving societies (such as embassies and governmental offices for advice). Some networks may be highly structured and supported by (or even part of) the state, and their degree of organisation and legitimacy influences their effectiveness. Within policy, it is important to understand the existing forms of organisations, their legitimacy, as well as their activities. Migrant organisations can be mobilised directly via policy, especially as linked to issues of representation. For example, the Netherlands was one of the first countries in Europe to formally recognise migrant organisations, in 1985 when consultative political organisations for recognised minority groups were created on the national level (Vermeulen & Penninx 2000: 23). Such policies therefore can both formalise and legitimise social networks.

Networks related to business and economic literature

The second line of literature that has utilised the concept of networks in relation to business, which is important for understanding strategies related to entrepreneurial activities of migrants as well as other forms of economic development. As seen in the various examples of networks within the migration literature, networks related to economic functioning and processes similarly range from being very concrete (for example, specific supply chains) to abstract (for example, as is involved in certain market-bound networks and market integration, such as that in the European Community). The following gives a brief overview of some of the various forms of business related networks and ways they are linked to migration.

- **Supply chains.** Supply chains are specific to individual businesses, and therefore are more comparable to the types of networks seen in examining migrant organisations, in that the alliances are clearly traceable, but bound to individual relationships and needs. In this way, supply chain analysis can be useful in examining immigrant entrepreneurship to better understand whether relationships with co-ethnics or others are prevalent. However, this angle has scarcely been applied in the immigrant entrepreneurship literature.

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7 Although, it should also be kept in mind that not all immigrants take part of such institutions or organisations, or utilise the services they offer.
• **Clusters.** Clustering has become one of the models for building competitive sectors. It is based not only on the presence of an industry in a specific geographic area, but also on the resulting social networks, cooperation, and research ties, infrastructure, and innovation (Porter 1998; Saxenian forthc.). Clusters are also seen to benefit from the human capital in the area (with the best-known example, the Silicon Valley, consisting of high amounts of skilled foreign labour). In this way, clusters bring in elements of social networks into the business context. Clusters are different from industrial policy, as industrial policy involves picking out certain industries for support (in line with previous European national champions approach), whereas a cluster policy involves fostering cooperation, linkages, skills, and an efficient business environment, across sectors (Directorate General for Innovation 2002: 31-32). Hence, both social and industry networks are central to successful cluster development.

• **Global production networks/Global commodity chains.** The global production networks perspective (Palpacuer & Parisotto 2003) combines many of the varying types of networks, including both those in local and global commodity chains (Gereffi 1999, 2001: 100-101) with the geographic element of industrial clustering, as well as the roles of institutions and individuals. However, a problem with this approach is that it often looks only to the role of firms and consumers in these networks, and not other factors that influence operations; or in other words, the perspective often lacks proper attention to embeddedness (Czaban & Henderson 2003). Global production networks are important in understanding potential for economic development in sending countries. Integration into (production chains of) global production networks by developing countries into production chains involves the establishment of backward linkages, whereby local small and medium size enterprises are linked to multinational corporations. The global commodity chain and global production systems perspectives focus primarily on industry networks, with some attention to market-bound aspects (especially in terms of global integration) as outlined.

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8 More specifically, Czaban and Henderson (2003: 174) argue: ‘[A] problematic issue for the GCC framework is the fact that commodity chains link not only firms in different locations, but also the specific social and institutional contexts at the national (sometimes sub-national) level, out of which all firms arise, and in which all — though to varying extents — remain embedded. (...) As we show from our case studies, the social and institutional architecture of Hungarian society, the essentially Fordist forms of business organisation that are part of the economic legacy of state-socialism, and the history of the way firms have been integrated into the international division of labour, seem to be as important in determining labour market and related issues as is the nature of the global commodity chains per se.'
in the analytic frame, but often do not fully assess laws, policy, or labour issues. Further, it has been noted that while the extent of linkages can be measured via counting firms, the value of contracts, or value added by foreign affiliates, the ‘depth’ or quality of the linkages is difficult to assess (OECD, 2005, p. 38).

**What is the role and value of networks?**

Having briefly mapped many of the areas where networks are being utilised to better understand migration and economic activities, we now turn to a more general question: What is the utility of networks? In our paper we try to answer briefly two questions:

1. What are the basic elements of social networks that make them function? What functions do they serve in business activities of immigrants?
2. What is the relationship between industry and/or market-bound networks and immigration? How are issues related to immigration and international labour mobility combined with understandings of business and trade dynamics and interconnections?

**Role of social networks in the business-activity of immigrants**

Portes and Sensenbrenner (1993) point to the vital importance social networks as being grounded in social phenomena such as bounded solidarity and enforceable trust. In the words of Portes and Sensenbrenner (1993) bounded solidarity and enforceable trust depend on:

‘... a heightened sense of community and hence have the greatest affinity to the experience of immigrant groups (...). It is the particular circumstance of ‘foreignness’ that often best explains the rise of these types of social capital among immigrants.’

Portes and Sensenbrenner choose to place the ‘experience of immigrant groups’ primarily in a racial or cultural framework. When there is a low probability of exit, strong sentiments of in-group solidarity among its members may emerge, especially when they can activate a cultural repertoire, which allows them to construct an autonomous portrayal of their situation and to re-enact past practices and a common cultural memory. This type of situational solidarity constitutes an important source of social capital which can be used in the creation of and consolidation of small enterprises. Next to this, there is enforceable trust, which is a stronger source of social capital as the level of outside discrimination is higher
and economic opportunities in the society at large proportionately lower. This means that blocked economic opportunities and pressure placed on the groups concerned enhances the potential for realising this economic action. Portes and Sensenbrenner (1993) point to preference for co-ethnics in economic activities, and altruistic support of community members and goals as two direct effects of bounded solidarity. They further suggest that enforceable trust has the positive effects of flexibility in economic transactions through reduction of formal contracts, privileged access to economic resources, and reliable expectations concerning effects of malfeasance.

In practice, how do social networks operate in order to generate and support economic activities of migrants? What specific functions do they serve?

- **Financial resources**: One of the most commonly cited benefits of ethnic (social) networks is the access to financial capital it provides (hence the association with ‘social capital’). This view was prevalent in the earlier ‘classic’ entrepreneurship literature (see Light 1972; Light & Bonacich 1988; Werbner 1984). Rotating credit associations are often perceived as divided on ethnic or national lines and allow members access to capital for businesses through informal channels, in which members each contribute money, and hence pool the sums in order that each can raise money for small business operations. Trust is thus seen as central in these informal lending practices. Light (1972) had noted that this practice was common across diverse immigrant groups, including Chinese, Japanese, and West Africans. Similar institutions can also occur for developments on the local level. Another aspect of ethnic based funding should also be explored – the inverse, migrants giving capital in order to start businesses in their home countries. Once again, this impact will vary tremendously by place. For example, Mexico has stood out in this regard, as the government offered to match money given by Mexicans abroad, largely organised along the lines of hometown associations (Kapur & McHale 2003: 53).

- **Lowering costs of business operations**: Social networks in business are often felt to help reduce costs. This can occur, for example, by eliminating formal contracts, employing family members or others willing to work for low or no wages, and providing channels for new low cost labour recruitment. However, such strategies are not universal for all immigrant entrepreneurs or for all sectors.

- **Cooperation**: Networks also provide opportunities for business cooperation and to gain information that leads to better business decisions to be made, in terms of finding partners, customising products. For example, Chin et al. (1996: 498) report that Korean migrants in the US supplied wig manu-
facturers in Korea with updates on the latest US trends, so that their products could be better geared to the US market.

- **Information and hiring**: Trust is also related to informational functions, such as those involved in hiring. Social networks are generally believed to allow for a better match between job openings and employees, by which new employees can go where they already have some form of social ties, and employers can base hiring decisions on the advice of a trusted individual, which serves as screening process (Waldinger 1996: 286). For migrants, social networks are believed to be a central factor in choosing destinations for migration. This form of informational network through social contacts and migration systems has been studied for various cases, ranging from asylum seekers (Nielsen 2004) to contract workers (Akkoyunlu 2001) and highly skilled (Alarcón 1999; Kolb et al. 2004) employees. Akkoyunlu (2001: 37) indicates that the recruitment process for Polish workers to Germany has ‘been termed the extended internal labor market’ whereby much recruitment is done by referrals of current employees, hence strengthening the role of social networks in the process which is argued to ‘improve(s) the work environment, whilst securing the appointment of friends gives additional status to the community’. In other examples, business networks play an important role, rather than purely ethnic networks. For the German construction sector, the opening of the market has led to fewer social agreements and training structures in the sector, as now much recruitment for German construction projects utilise business networks of sub-contractors, mostly based in lower-cost Eastern Europe (Balch et al. 2004: 183-184). Kolb et al. (2004: 162, 175) determined that recruitment for international workers for the ICT sectors throughout Europe were based mainly on postings via the company intranet or through social networks, either formally through refer-a-friend programs sponsored by the company or informally through personal networks and contacts.

**Debates on role of social networks and their functionality**

While all of these functions are undoubtedly benefits that may come from social networks, they cannot be assumed to be universally accessible or applied. In summary, two main lessons can be drawn about the variable role and nature of social networks:

1. Social Networks are often deemed to be most important when formal institutions either fail or are otherwise not accessible to immigrants.
2. Social networks may be overstated, with family ties actually playing the most important role.
Each of the aforementioned functions of social networks has been critiqued, based on the general arguments above. A few specific examples are given below:

- **Financial resources**: The importance of rotating credit associations has been debated with some authors arguing it is overestimated (Bates 1997a; Gomez & Benton 2003). Gomez and Benton (2003: 14) found that among Chinese-owned businesses in the UK, the role of ethnic networks in providing capital has been overstated, although much capital often comes from within the family in initial stages: ‘Company records suggest that such firms have little difficulty in securing loans from institutional lenders, including British banks.’ For Turkish entrepreneurs in Germany, start-up funds were primarily from personal savings or family, whereas Greek entrepreneurs in Germany rarely receive funds from other Greeks. Also, among Turkish restaurant owners in Germany, nearly 41 percent had reported receiving funding from banks (Wilpert 2003: 251). Institutional constraints also occur in developing countries. Banerjee and Munshi (2000: 30) conclude that start-ups in India, network based lending likely arises in part because ‘more formal channels of lending fail’ due to ‘low rate of returns paid by the banking sector and the financial sector more generally (...) and the very poor enforcement of property rights and low standard of shareholder protection’. These authors also state that entrepreneurs make conscious decisions about whether to locate businesses in places where there is a strong community network present; or whether to work outside this, as each offers opportunities and constraints.

- **Lowering costs of business operations**: Basu and Goswami (1999) studied Asian entrepreneurs in Britain and found that an over-reliance on family members was seen as detrimental to the business since complying with family wishes could lead to inefficient business decisions. More important to the business vitality were strong business fundamentals such as the ability to ‘delegate responsibilities to non-family members, invest in employee training, emphasise teamwork and pursue constant technological improvements’ (1999: 272). In retail as well, the most successful businesses were often the ones that could expand beyond using the labour of and catering solely to their own ethnic group.

- **Cooperation**: It has been argued that the role of social networks in forming business alliances must be tied to the greater industry or economic structure. For example, Gomez and Benton (2003: 22) conclude in a study of Chinese businesses in the UK, Australia, and Southeast Asia:

‘Where intra-ethnic networks do form, they are based on a firm’s capacity to contribute to the production of a particular product. They exist in a state of flux, with little commitment on the part of members to help each other grow. There is
no evidence of mergers even in the face of takeovers by big firms. The forming of such mutually beneficial cooperative networks is not new, nor is it unique to the Chinese. Similar subcontracting ties and production networks can be found among indigenous enterprises in Europe, especially in France.

- **Information and hiring:** Battu et al. (2005) investigated whether social networks or ‘formal’ recruitment channels (which would include industry networks) are more important for immigrants to obtain employment in the UK. They further tried to define the ‘quality’ of the social networks involved. These authors find initial evidence through data in the UK *Quarterly Labour Force Survey* that in general, people utilising social networks are obtaining lower level positions; furthermore, Bangladeshi and Pakistani communities in particular may have fewer advantages from their social networks, given that there is relatively high unemployment among them and many of their co-ethnics (2005: 20-21). In summary, even when examining a specific question such as the role of social networks in facilitating employment, it is important to consider both the ways certain industries facilitate this form of recruitment, the type of employment sought, as well as the advantages and disadvantages any specific group or individual may face.

**Relationships between industry and market-bound networks and immigration**

Industry networks (comprised of businesses, industrial sectors, and production chains) and market-bound networks (cross-border agreements and the resulting flows) taken together equate with the larger concept of trade. In this section we first briefly focus on how trade and migration may be bridged by social, industry and market-bound networks. What concrete processes of trade can be observed, involving a combination of these forms of networks? Second, we examine relationships between migration and investment.

**Relationships between trade and migration**

Understandings of relationships between trade and migration are still developing. Most of the literature in this area comes from macro-economic studies; however, even here the number of studies is thin. One of general relationships involves assessing whether trade and immigration are complementary or supplementary – a question with widely diverging and very speculative answers (see Ghosh 2005). On both the micro and macro levels, research assessing interconnections and impact

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9 For example, in an overview of the literature on ‘the effects of the presence of immigrants on trade’ Parsons (2005) found only eight examples.
of migration on trade (or vice versa) is limited. Nonetheless, a few broad observations can be made.

First, some trade links are directly a result of business activities of the diaspora. This occurs for several reasons:

1. Trade can improve both because of immigrants’ demand for goods (such as foods from their home country);
2. Immigrants may possess access and knowledge of markets or industries in the home country, which can spawn new business links. For example, as Ghosh (2005: 177) explains ‘The diaspora can be a bridgehead for the penetration by home country enterprises of markets of the host country, as exemplified by Korean Americans who helped to open markets in the US for Korean automobile, electronics and other industries...’.
3. Trade links may grow through opening new businesses in the place of immigration and/or in the home country through return/circular migration (Portes et al. 2002).
4. Linkages lie not only in the trade of goods, but also in the trade of services. Services can be of fundamental importance for ‘sending’ countries, especially if this is linked to international business ties. India provides one example due to its entrenchment in the IT industry in places such as the US. It is noted, ‘Even though the share of onshore services in Indian software exports has declined (…) about 60 percent of Indian exports are still supplied through the temporary movement of programmers to clients overseas’ (Mattoo 2003: 5). Trade in services also occurs in other sectors, such as tourism or construction.

Second, various trade processes are impacted by market-bound networks and related flows of trade and migration. In the European context, implications of the EU’s free market has large implications both for patterns of cross-border movements (for both EU and non-EU nationals), and is an important aspect of understanding market-bound networks in the European context. There have been a few attempts to quantify the impact of immigration on imports and exports, within the European context. One exception is Parsons (2005) who tries to understand the impact of EU enlargement and migration on trade. Parsons finds:

‘A 10 percent rise in immigration from EU expansion countries into the EU-15, is predicted to increase EU-15 imports by 1.4 percent and EU-15 exports by 1.2 percent. In terms of the mechanisms underlying the immigration-trade nexus investigated in this paper, these results suggest that immigrant-taste effects are more
important than immigrant-link effects, in terms of generating EU-15 bilateral trade’ (2005: 21).10

Parsons (2005: 20) also discusses that the immigrant-link effect may still grow and postulates that increased immigrant trade linkages and hence benefits, may come with citizenship. This example points to the idea that not only may trade and immigration be related, they may change over time and be directed by other variables.

**Relationships between migration and investments, with a focus on developing countries**

A second question involves assessing relationships between investments and labour mobility, including both the impact of FDI on labour markets and investments (including remittances) made in developing countries by migrants or return migrants (for review of literature on FDI and migration, see Xenogiani 2005; see also Schiff 1994, for examples of impact of trade, aid, and remittances). Broader linkages across various forms of networks can also be related to capital flows and investments.

Discussion of the relationships between investment and migration are typically not prevalent in economically focused immigration debates in Europe. This is not to say that these relationships do not influence immigration. For example, multinational corporations often transfer employees across destinations, as can be seen with the rise of Japanese immigrants to Europe as Japanese companies increasingly internationalised their operations. However, discussions about investments have been central regarding development issues of peripheral countries, in terms of foreign direct investment (FDI) by multinational companies as well as smaller enterprises (as in the case of many ICT companies in China) and terms of investments made by the diaspora. Governments may try to promote and channel investment. For example, India began the Non-resident investment (NRI) program in the 1980s, specifically targeting investments from Indians who had migrated to other countries, a program which predates India’s boom in the software and outsourced services (Lessinger 1992).11

10 For comparison purposes - In Canada Head & Ries (1998) (cited in Stalker 2000: 57) found that ‘a 10 percent increase in immigrants from a particular country was associated with a 1 percent increase in Canadian exports to that country, and a 3 percent increase in imports’.

11 Lessinger (1992: 63) reports the idea was appealing in part due to resistance to foreign influences as India had been a relatively closed economy: ‘Between those who want to keep Indian development independent of foreign influences and those who want to immerse India more thoroughly in global economic dependencies, the government seems to view Indian immigrants as a kind of third force,’ appealing because they are neither wholly Indian nor wholly foreign.’
Another, very different development option involves fostering greater industry/organisational and market-bound networks through specific economic policies, such as export processing zones (EPZs). EPZs are enclaves within a country, which give special tax breaks and other benefits to goods for export. Export Processing Zones have been a popular solution for developing countries. The number of countries with EPZs grew from 47 in 1986 to 73 in 1995, 93 in 1997, and 116 in 2002, and employ mostly women (World Bank 2004: 167-168). The success of these zones has, of course, varied and the most successful require ‘backward linkages’ in order to have more sustainable and wide reaching economic effects for the country, or in other words, need to part of a local or national production network, rather than just isolated enclaves. The role of labour, and the link to international migration, varies considerably by the location of the zone (Stalker 2000: 70-71) as well the product and skill utilised. One of the early forms of EPZs that have been studied along with impact on employment is the Mexican maquiladoras, which were involved in electronics manufacture along the US-Mexican border. In the 1970s and into the 1980s, women held the majority of these jobs, but as industrial upgrading occurred there was both an increasing amount of male employees as well as skilled employees such as engineers (Stalker 2000: 70; Palpacuer & Parisotto 2003: 111).

**Text box 2. Economic growth and global connections: The case of Mauritius**

One example of a country that has successfully used the EPZ strategy, combined with strong economic influence of diverse diasporas and global trade, is Mauritius. Srebrnik (1999) studied this development whereby Mauritius has been able to catapult itself from almost a strict reliance on sugar production to a middle-income country, with thriving financial and knowledge-based sectors, through serving as a ‘middleman’ for numerous economic sectors and groups. Part of Mauritius’ strategy involved an unrestrictive policy for foreign investment in manufacturing, prompting large investment (much of it in the textile industry) from Hong Kong in the late 1980s – mid 1990s (p. 302). This policy, in combination with a large Chinese diaspora with links to ‘South Africa, Indonesia and Malaysia’ (1999: 302), a large Indian diaspora with links to Indian communities in Africa, as well as in India in sectors as diverse as banking (‘emerging as a financial center for India and for eastern and southern Africa’ [1999: 301]), leather, pharmaceuticals, and textiles (1999: 301-303) provided a strong platform for new industrial growth. In addition, Mauritius benefited from strong ties, from former colonialism, with France, and resulting strong investment and aid from, as well as trade links to France. These trade links were further strengthened by an agreement with provided preferential access to the European Community in 1972 (1999: 306-307). In summary, the diverse populations present in Mauritius and their
connections to other countries, as well as an open trade environment, provided strong economic growth and competitiveness in a range of economic sectors beyond agriculture.

Sassen-Koob (1984) notes that in the process of industrial development, largely through export-related production, immigration patterns in Third World countries changed, with more women taking on wage-labour jobs in manufacturing for the first time, but this economic development did not necessarily coincide with lower flows of international migration from these places, showing potential links between increasing production jobs in the home country and opportunities for labour sending (to do similar tedious production jobs in industrialised countries).

Immigrant economic activity in Europe

*Immigrants’ economic incorporation in the current European context*

While networks are increasingly used to show global interconnections, local context and national assessments are still a fundamental piece of migration analysis and for determining potential and current benefits of migration. The concepts highlighted previously are now fleshed out empirically; reviewing literature related to networks roles in immigrants’ economic incorporation. This section briefly explains the regulatory context, forms of ethnic niches, and the increase in immigrant entrepreneurship within the European context, highlighting its conceptualisation, opportunities, and trajectories of development.

Examining the *European* context involves a plethora of complications. Europe is not a monolithic entity, and there is considerable variety both in terms of immigration policies and histories, as well as in the economic structures and viability of economic sectors, hence thinking of it as ‘the European case’ is a bit of a misnomer. Yet, despite the clearly unique national contexts, many laws have converged under the auspices of the European Union which has created a new form of market-bound network with strong impact on all forms of mobility, both trade and migration, causing changes and adjustments to both of these facets. This impact and dynamics are prevalent with issues of European enlargement and the rights (as well as often short-term imposed restrictions, such as those on migration from new Eastern European member states) of these countries. Compounding the situation further is often a lack of comparable research data on issues related to immigration, and integrated, comparative cross-national studies are even scarcer.
In summary, ‘the European’ situation can only be examined in terms of broad classifications and a case study approach. In such a context, it is difficult to make sweeping conclusions, and it is better to point to key questions and developments while appreciating local specificity at the same time. Returning to the diagram introduced earlier in this paper, this section will assess the role of networks in immigrant economic incorporation first through a general look at the influence of one of the key dimensions shown, policy, and then through a closer look at various economic activities and economic structure. This combination ties in with the embeddedness approach also highlighted earlier.

**Immigration, policy, and forms of economic incorporation**

Europe as a destination for immigrants has changed since the mid-1970s from having preferential migration policies for labourers (actively) recruited to help reconstruct war-torn Europe and those with previous ties to the country via colonialism, to one of Europe accepting few labour migrants, with those allowed to migrate for labour purposes coming primarily as skilled workers and confining others to entry as undocumented immigrants, humanitarian categories (refugees and asylum), students, or through marriage and family reunification (Holzmann & Münz 2004: 32). Salt et al. (2004: 33) quantify the effect and report the prevalence of skilled migration (among labour migrants) in Europe:

‘In some cases, skill levels are recorded. In France in 2001, for example, just over 70 percent of new, non-EEA foreign workers were in the professional, managerial and technical category. The equivalent figure for the United Kingdom in 2001 was 87 percent; 60 percent in Germany (2001); 36 percent in Ireland (2002); 33 percent in the Netherlands (2002); 29 percent in Portugal (2000). In general, these patterns have remained constant in recent years.’

With these statistics geared towards showing the prevalence of skilled migration, they also inversely point to which countries predominantly draw on other forms of migration, despite attempts to design a European migration system.

Migration law is still predominantly constructed on the national level. While low-skilled labour migration is often associated with the former guest worker programs, it is far from negligible today. It should be kept in mind that work permits are often allotted by nationality and for specific job categories, mostly allotted through specific bilateral treaties between countries. Hence nationals of certain places have privileged labour market access due to diplomatic ties. For example, Akkoyunlu (2001: 35) studied the migration resulting when Germany enacted a treaty with Poland in 1991, allowing three month contracts for Polish
workers, largely in the construction (although this was stopped in 1993), ‘agriculture, grape gathering, hotels and catering, and forestry and exhibition projects’. This legislation then also has interesting implications in terms of the networks involved, as the majority of the Polish migrants return to Germany for a future contract, often with the same employer, and with some working numerous contracts a year (2001: 35-37). Lindio-McGovern (2003) notes that in Italy, non-European Union citizens are often confined to the lowest sectors of the job market, are often required to have a job before residence in the country is allowed, and hence a sort of labour market segregation can occur on the basis of policy. Lindio-McGovern observed this specifically in the case of Filipino workers in Rome over 90 percent worked in the domestic sector with little access to the rest of the Italian economy. Other examples can be seen in low-skilled jobs in other sectors that have difficulty filling positions as well, such as food processing or construction. If specific recruitment programs are not in place, employers may opt to hire those without legal access to the country, hence propagating the processes related to illegal migration and the informal economy. Once in place, these too can be influenced by the formation of migration systems, allowing longer-term flows of people to fill these positions. Just as recruitment is shaped by migration systems and by characteristics of migration networks, the reverse – migration networks shaping the allocation of both legal and illegal labour – also holds true. In this way policy becomes an important piece in the creation of ethnic niches.

High skilled jobs for immigrants are bound to similar processes. Some countries base permission for skilled employment too on quotas for specific jobs (job shortages). In some cases, these quotas are often designated by nationality (see text box 3). International skilled migration is often also strongly influenced by intra-company transfers and relatively short-term stays. High skilled migration recruitment programs and visa preferences vary by country, but typically those in Europe focus mostly on healthcare providers, IT specialists, engineers, and – last but not least – soccer players. There are two main routes for filling these positions. The first is facilitated by the company itself, through transfers from international offices or affiliates. The second is facilitated by the government, when a number of visas are allocated for certain occupations. Such skilled migration programs have recently been part of the UK (nursing) and Germany (IT workers through the green card program), and hence skilled migration within Europe is better studied in these locations. However, even in the absence of clear formal programs, skilled migration is often prevalent in arguments underlying discussions of (national) competitiveness within the global economy.

12 ‘Be my guest’, Economist, 8 October 2005: 86.
Key migration trends

- Migration patterns and impact of migration and migration related investments on Central and Eastern European states: These movements are influenced both by the increasing number of member states in the European Union as well as corporate moves to reduce labour costs and move certain operations to lower cost destinations.

- High skilled migration recruitment and visa allocation: In Europe, preferential visa and recruitment programs focus mostly on healthcare providers and IT specialists and engineers. These programs have been large, and therefore better studied, in Germany and the UK.

- The ‘new’ immigration states in Southern Europe (Spain, Greece, and Italy) and economic incorporation/industry changes that accommodate immigration: ‘Old’ countries include those with strong post-colonial flows or past migrant recruitment in the 1960s and stronger economies, such as the UK, France, Germany, Switzerland, and Netherlands whereas ‘new’ countries of immigration, mainly in the Southern European states of Greece, Spain, and Portugal, where immigration has been increasing since the 1980s or 1990s. Further, these countries have all had large regularisation programs for formally illegal migrants within the past five years, hence leading to greater counts of the true migrant population, as well as a better understanding of new migration flows to Europe (Münz & van Selm 2005: 147) as well as additional access to the labour market.

Research on the incorporation of immigrants in the economy have long observed and assessed the formation of both wage labour and entrepreneurial ethnic niches, or concentrations in certain sectors and geographic areas. Immigrant (or ethnic if they persist across generations) niches develop when immigrants cluster in a certain sector and become associated with a certain economic activity locally or nationally. Ethnic niches are often defined in terms of industries, but as Rath (2001: 9) notes: ‘A particular group may have formed a niche in the health care sector, for example (…) (but) there is a great difference between being spread over the sector as a whole or constituted in the positions of heart surgeon, nurse, or domestic help.’

Immigrants have long been associated with certain occupations, such as the ‘dirty’ work of construction, meat packing, and cleaning, the tedious labour demanded by the garment sector or certain types of agricultural work, or the entrepreneurial and employment opportunities offered in the retail and restaurant sectors. However, immigrant concentrations may also occur in other sectors, which may offer newly open or expanding opportunities, such as those created by the growth of the service sector. In other words, ethnic niches may exist in combi-
nation with (ethnic restaurants) or separate from entrepreneurship (as seen in the example of Polish grape pickers in Germany), work with co-ethnics (such as the numerous Asian-owned garment manufacturers in Los Angeles employing Latino workers) and either within ethnic markets (for example travel agencies geared to co-ethnics, for example, Giese [2003: 169] notes the rapid expansion of Chinese travel agencies in Germany) or outside of them (such as ethnic restaurants catering to mostly local European customers, or Indian software engineers working in US or German companies).

**Text box 3: Quotas and skilled workers: Lessons from programs for skilled migration**

The US provides one of the best-studied examples for highly skilled migration, through the H1B non-immigrant (that is temporary) visa program. This program has allowed Indian nationals to have a notable role in the US high tech sector and has also led to the blossoming of related industries in India. However, caution should be taken in assessing the contributions made by immigrants of certain countries, and it should be kept in mind that results are affected not only by the qualifications of the individuals and the needs of the industry, but also by visa quota allocation controlling the number of individuals that can come work in that sector. In FY2001, 49 percent of approx. 331,000 H1B visas were issued to Indian nationals (Nielson & Cattaneo 2003: 149). Quotas for H1B visas have been dramatically reduced for FY2005. The number of new H1B visas is limited to 65,000 and this quota was already reached by October 2004, the first month of the new fiscal year. Additionally Singapore and Chile will receive an increased share of the H1B visas, due to new ‘free trade’ agreements.\(^{13}\) Once again, this change is substantial. For example, Singapore went from receiving 728 H1B visas of approximately 370,500 (INS) to 14,000 of only 65,000.

In other words, changing policy means that the empirical details such as nationality and composition of groups are also changing, making the impact of such policies rather difficult to research and assess. This point is important both as European countries look to other places, such as the US, for examples of skilled migration policies and its effects.

Although certain occupations often become immigrant niches across countries, their formation cannot be taken for granted as being universal, and is again tied both to the opportunity structure, policies governing the sector as well as those related to migration (including bilateral treaties and recruitment). Creation of im-

\(^{13}\) [http://www.murthy.com/print/ukh1cap_P.htm](http://www.murthy.com/print/ukh1cap_P.htm)
migrant niches is influenced by national as well as local regulations. For example, migrant labour is common in the Spanish agricultural sector, but not in Portugal (Mendoza 2000: 610); in the construction sector of Germany, but not in the Netherlands due to high involvement of unions (Rath 2002a: 365), to name a few examples. Nonetheless, there are some certain sectors that immigrants gravitate to, largely due to specific recruitments or work permits, social networks facilitating finding a job in the sector, or exclusionary measures which prevent work in other sectors that may also be viable for the immigrants. The mixture of rules and regulations steering economic traffic, and the way these are enforced by the authorities, have direct influence on economic incorporation of immigrants. On the one hand, the institutional framework can contribute to the development of certain entrepreneurial concentrations. A few examples from the Netherlands demonstrate this relationship. The establishment of Islamic butchers (of Turkish and Moroccan origin) is subjected to special legal criteria. Moreover, the ritual slaughter necessary for obtaining halal meat falls under a different regulation. Interestingly, this regulation is based on the rules and regulations that were once made for Jewish butchers (Rath et al. 1996: 74). On the other hand, it can contribute to the reduction or even disappearance of entrepreneurial concentrations. The mushrooming of small Turkish garment factories at the end of the 1980s and beginning of the 1990s is not only linked to the favourable economic circumstances, but also to the extremely accommodating attitude of the authorities towards their informal practices. Since 1994 however, the Public Prosecutor has decided to crack down on fraud and illegalities that has intensified controls in the garment industry. Together with the opening of new markets in East Europe and Turkey, the draconian law enforcement operations have led to sharp decline in the Turkish garment industry in Amsterdam.

In combination with policy, current opportunities (or lack thereof) for immigrant incorporation stem from processes of economic restructuring (which involve a degradation of manufacturing industries, the growth of the service economy, the increasing significance of flexibilisation and outsourcing, the dialectics of gentrification and the informalisation of different parts of the labour market) as well as issues related to the fit in the economy (supply and demand). The changing economic structure therefore means that there is fluctuation in demand for immigrants in certain sectors, as well as new opportunities emerging. While these opportunities vary by country, a few strong changes are notable, relevant to both the study of immigration in Europe and their economic integration. While each case cannot be presented in detail within this paper, they are nonetheless fundamental topics to point to emerging changes or trends.
Issues related to economic and industrial sectors and structures

- **Shifts in the role of immigrant labour in the global economy.** Industrial structures and a firm or country’s role within global production can change profoundly, as can the role of immigrant labour within various sectors. Ireland provides one example, showing a case of new industrial growth, whereby it went from being seen as an economic laggard and a country of emigration, to one of the most dynamic economies in Europe and a country of immigration (for discussion see Hughes & Quinn 2004; White 2004). Ireland expanded its role in the service economy, partially through subcontracting forms business services from distant areas and at the same time, has become a country with increasing immigration. White (2004: 255), however, mentions the viability of these industries is questionable though, as Dublin’s infrastructure has become overburdened, house prices have skyrocketed, and hence it is having more difficulty in attracting foreign knowledge workers, who have been drawn mostly from India and Eastern Europe. Other examples can be seen in cases related to bringing in immigrant labour for specific sectors where there are shortages (such as agriculture, health care, and education).

- **Changing sectoral structures through subcontracting and flexible specialisation (such as that seen in contract manufacturing or outsourcing of services).** This trend is associated with more globally integrated markets through international subcontracting and outsourcing. Additionally, increasing amounts of subcontracting and flexible specialisation across many industries has allowed increased importance placed on small enterprises. While this is a general feature of economic restructuring, its implications are not fully assessed. Which sectors are most influenced and where are changes occurred? How do different countries adapt? Is the source of this labour domestic or foreign (and from where)? For example, the Italian case is intriguing in this respect. Italy, once an industrial laggard because of its plethora of small firms, became the prime example of flexible specialisation in the 1980s (Weiss 1988). Given that, according to Magatti and Quassoli (2003), indigenous Italians already filled almost all the openings for small businesses, the scope for immigrant businesses was limited. Lüthje’s (2002) work offers insights into the practices involved in flexible specialisation and its resulting labour patterns and diversions across countries. He explains that unlike in the US where flexible labour in contract manufacturing is made up of large divisions between employees and supervisors and large amounts of insecure or short-term jobs. However,
'In German and Swedish plants there is a higher degree of work integration, more sophisticated automation practices, and also a stronger role for unions and legal employee representations (such as works councils in Germany). (...) Union wage standards are widely accepted, even in non-union plants. However, there is a strong trend towards concessionary bargaining on the part of workers’ representatives and unions, especially under the impact of competition from low cost regions. Particularly striking is the high proportion of flexible employment arrangements, achieved through temporary labour agencies or limited-term employment under existing labour laws’ (2002: 234-235).

Further, the rise of these intermediate labour brokerage firms within Europe has not been studied in much detail yet (see Peck et al. 2005, for discussion of increasing role of temporary staffing firms as a new industry in the wake of internationalisation and deregulation in Spain, Italy, Germany, and Japan).14

Informality/informal economy. Informality is bound by several processes. For one, informality is related to politics. For example, mistrust of institutions and law enforcement, may result in bending the rules and informal practices may ensue. Second, with a mismatch between job vacancies and restrictive immigration policies, there is room for the informal economy to flourish. While the informal economy is often noted as a key part of Southern European (Italy, Spain, Portugal, and Greece) economies, it has a role throughout Europe. For example, Freeman and Ögelman (2000) indicate that high taxation in welfare states may push immigrants into the informal economy, especially if the goal of the individual is temporary migration and/or the business’ competitiveness is strained by high benefit costs and taxes (2000: 121). Further, the employing of informal workers may be seen as a benefit for business owners (provide cheap labour or offer jobs that are difficult to fill otherwise) and range from being seen as tolerable to beneficial by the government, at least within certain sectors. For example, for Central and Eastern Europe it has been observed:

‘By the mid-1990s, substantial numbers of westerners, the majority well-educated, worked as undocumented labour in what was effectively an informal economy. For Poland, there were estimates of over 50,000 illegally employed westerners (Ornacka & Szczesna 1998), and a further

14 However, it should also be noted that this publication only tells of the role of staffing firms, but not the composition, such as nationality or skill-levels, of labour employed, and this is largely still an unstudied topic.
40,000 in the Czech Republic. Undocumented western specialists worked as consultants, managers, advertising and PR specialists, contacts for western markets and so on (Morawska 1999). They were to be found in small-scale foreign and joint venture companies, in newly founded enterprises in Central and Eastern Europe and as private foreign language tutors to native businessmen and managers. In addition to the skills they brought, their employers made significant savings on salaries and social benefits enabling them to compete more effectively with TNCs’ (Salt et al. 2004: 37-38).

In other words, for studies of the informal economy as well, careful attention needs to be taken to understand the interplay among individual skills, opportunities, local labour markets, and policy, as the mixed embeddedness approach advocates.

Immigrant entrepreneurship

There has been increased attention to immigrant entrepreneurship, which can allow new benefits to be ascertained both for the migrants themselves, as well as possibility of creation of a new economic sector and trade. First in the United States and Great Britain, and later in other advanced countries in Europe, the number of small-scale entrepreneurs has greatly increased (OECD 1993), and so has the share of immigrants in the population. A number of them have entered self-employment, making it obvious that immigrants play an important role in these advanced urban economies (cf. Barrett et al. 1996; Body-Gendrot & Mung 1992; Häusermann & Oswald 1997; Light & Rosenstein 1995; Portes & Stepick 1993; Rath & Kloosterman 1998; Waldinger 1996). The extent and measure of economic development is partially determined by the economic activities of immigrant entrepreneurs, while the possible success of their activities is influenced by their relations with, and the dynamics of, the environment. The question is: how to understand these processes?

Research on immigrant entrepreneurship has taken its own theoretical path in the past three decades and has usually been national or local in focus. There has been a strong emphasis on the supply side with the focus on the entrepreneurs themselves and not the broader context. To economists such as Borjas (1990) and Bates (1997b), human capital has been the crucial explanatory variable of entrepreneurial success. According to sociologists, however, this neo-classical view with atomistic individuals pursuing the narrowly defined goal of profit maximisation fails to explain variations among different categories of immigrant entrepreneurs and immigrant entrepreneurship more generally (cf. Light & Gold 2000; see also Power 2001). They tend to stress the role of social capital and networks, the
resources that characterise a whole group and not just its isolated members. Although these perspectives can make it easier to explore immigrant entrepreneurship in a number of cases, they do not suffice if one wants to compare immigrant entrepreneurship in different settings; they leave out the demand side or opportunity structure. The shape of these spaces is contingent on multifarious factors such as sectoral and income distribution, financial system, available technology, welfare system, and rules and regulations, and company’s individual strategies of innovation (Engelen 2001). To understand national trends in immigrant entrepreneurship, these opportunity structures have to be taken into account in order to put the actors into a proper perspective (cf. Aldrich et al. 1984).

Opportunities for immigrants’ to become self-employed in Europe range from low (such as in Austria) to being widespread, as is the case in the more neoliberal political economy of the UK. Further, data on immigrant owned businesses is often not readily available. Entrepreneurship can be thwarted by too much bureaucracy for opening and closing businesses (bankruptcy law), lack of capital for startups, or slow business registering procedures. Hence, the prevalence of small businesses in European countries ranges tremendously. For example, Austria was formerly largely reliant on state supported employment, and legislation was restrictive both for starting businesses in general as well as for employing migrants in part due to the strength of the unions (Haberfellner 2002). In contrast, the percentage of self-employed immigrants in the UK are higher among immigrants than native English (11 percent and 8.5 percent, respectively in 1999), which indicates in part the lower legal barriers to being self-employed, supported by the UK’s neoliberal political-economy (Haller 2004). Legal restrictions may also form barriers. From 1990-1998 Italy had restrictions for non-EU citizens to own businesses were dependent on the signing of bilateral agreements, excluding many nationalities such as the Chinese, who have since become one of the most entrepreneurial groups in Italy (Pieke et al. 2004: 121; Magatti & Quassoli 2003: 166-168). Regional differences are also important, in terms of policy (for example, in Switzerland laws are often made on the canton level, causing great disparity across regions for the ease or difficulty in opening a business), economic sectors that can be supported, as well as the prevalence of various immigrant groups in the area.

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15 Engelen (2001), elaborating upon the work by Max Weber (1972; see also Swedberg 1994 and 1998), identifies a number of market dimensions that should help us understand and explain the sorting out of specific groups and individuals. He distinguishes: 1) the objects of trade, 2) the subjects of trade, 3) the structure of the market, 4) its level of institutionalisation, 5) the locality of the market, 6) its degree of social embeddedness and, 7) the mode, level and object of regulation.

16 See Haberfellner 2002 for Austria, Hughes and Quinn (2004: 15) note no data is available for Ireland.
As explained in the mixed embeddedness approach, the opportunity structure as well as the resources needed for each opportunity influence both the number of immigrant entrepreneurs and their potential trajectories of incorporation. Differences in the number of openings and the relative importance of vacancy-chain (for instance, a local green grocer store being replaced by one operated by an immigrant), post-industrial/low-skilled (such as an increasing need for housecleaners or home child care workers as women return to work) and post-industrial/high-skilled openings (for example, new sectors such as ICT or gaming) generate divergences in both size and dynamics of the immigrant entrepreneur population. Differences in the opportunity structure are also related to economic development. Clearly, the further a country has moved up on the road to a post-industrial society, the more post-industrial openings being generated. However, as Esping-Andersen (1990, 1999) has shown this is not just a uni-linear matter. Different institutional frameworks generate, along path-dependent ways, specific post-industrial employment trajectories. The various forms of networks as defined earlier (social, industry/organisational, and market-bound) can also be seen as one of several critical factors in the mixed embeddedness approach, keeping in mind that other factors also influence the end result, including accrual of benefits. We will now discuss different types of markets offering opportunities for immigrant entrepreneurship:

• **Vacancy-chain markets.** Vacancy-chain opportunities are found in markets that are easily accessible, widespread, and, consequently, attractive for many aspiring immigrant entrepreneurs. The vacancy-chain process occurs when established entrepreneurs leave the lowest – in terms of prospects and work conditions least attractive – rungs of the ladder and thus create room for newcomers (cf. Waldinger 1996; Rath 2001; Kloosterman & van der Leun 1999, 2003). Even with a significant number of entrepreneurs moving out, many of these kinds of markets still tend to be near or past the point of saturation as (new) immigrants continuously seek fortune there and start businesses. Given the likelihood of cutthroat (price) competition in these stagnating markets, the failure rate will also be relatively high. Broadly speaking, several types of jobs have been conceived as vacancy-chain openings. First, we find these kinds of markets in, for instance, small-scale retailing such as groceries and bakeries and in the lower segments of the restaurant business. Second, vacancy chain openings are often associated with ‘sweatshop’ types of conditions, namely due to low-wages and intense manual labour.

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17 This section draws heavily on Kloosterman and Rath (2003) and Kloosterman and Rath (forthc.).
Intense competition in combination with small-scale, low-value added production with low-skilled labour as the main input will provide a very fertile environment for the deployment of informal economic strategies (cf. Cross 1995; Kloosterman et al. 1998, 1999). Specific forms of light manufacturing thriving on low-skilled labour that has to be located close to large (urban) markets and, hence, cannot be easily relocated to low-wage countries may also fall under this heading. The small-scale manufacture of clothing in sweatshops has typically seen not only a concentration of immigrant businesses but also a succession of different immigrant groups (Dicken 1998; Rath 2002b, 2003). Informal production on a more permanent base requires a specific kind of social embeddedness as trust is essential for relationships are not according to the rules and, hence, will be kept outside the formal judicial system (Portes 1994). In most cases, this will mean a strong embeddedness. Further, many businesses that started in vacancy-chain openings are not just dependent on social/ethnic capital for their inputs (mainly labour), but also for their customers (ethnic market).

- **Post-industrial/low-skilled markets.** Opportunities also occur in low-threshold markets with low added value but also a high growth potential. This is not, as one may tend to think, an oxymoron. Post-industrial societies are evidently capable of generating these kinds of markets, especially in personal services (Piore & Sabel 1984; Odaka & Sawai 1999; OECD 2000b). Highly accessible markets are not necessarily confined to those with a lack of growth potential. They may also be found in markets that are in earlier phases of the product-lifecycle. These dynamic markets offer openings for newcomers who are open to more innovative approaches. These markets do not require special skills or large outlays of capital and may, therefore, also be open for newcomers. In rapidly developing markets in the sphere of personal services where two-earner couples are fuelling demand for a whole array of services, from housecleaning to pet-care activities. Rapidly growing markets may also be found in the case in markets that were previously activities monopolised by the state, but are now turned to market as a part of the drive towards privatisation. The market for childcare in some European countries, may fall under this heading. These markets are, surely, very attractive for aspiring entrepreneurs – immigrants and indigenous alike. Being appealing to indigenous entrepreneurs, they may attempt to construct barriers for immigrants by, for instance, demanding minimum educational qualifications to try to close-off this market and create protected niches (Waldinger 1996; Rath 2002c).

- **Post-industrial/high skilled markets.** The post-industrial transition implies a rise of small businesses as a result of the shift to flexible specialisation modes of production in manufacturing and multifarious forms of out-
sourcing and subcontracting in manufacturing and services. Post-industrial high skilled markets are characterised by higher added value and requiring greater human capital, but it should also be noted this combination could occur with any combination of worker’s skills levels. We would thus expect to find immigrant high-skilled entrepreneurs in what Allan Scott (1998: 21) calls the leading edges of capitalist development: high-tech manufacturing, consumer-oriented industries (resolutely focused on niche markets), and personal and business services. As Leung (2001) and Saxenian (1999) have shown, more and more immigrants from non-OECD countries are also starting businesses in these markets. Further, attention can be turned to places of transition where new competitive advantages and in high tech industries are emerging (China and India are especially relevant), and hence, immigrants from these countries may bring with them experience and/or networks related to that specific sector’s operations. In addition, to high-tech firms, we also find small firms that combine high demands in terms of human capital with a significant growth potential in producer services (e.g. consultancy, law and advertising firms). Finally, post-industrial high skilled markets also include tasks that require special expertise, but are not necessarily linked to high tech industries. These may even occur in ‘sweatshop’ conditions, with long hours and tedious work. For example, in the garment sector, high skilled workers are required for specialised tasks, such as embroidery.

- **Ethnic markets.** Ethnic markets can be found, in principle, in each of the three sets of openings that we have identified above. When a shop is taken over by an immigrant, a vacancy-chain opening, it can orientate itself mainly to co-ethnics as, for instance, has happened with many bakeries and groceries in former working-class neighbourhoods. We can also find services such as consultancies or travel agencies that are catering to ethnic markets. Ethnic markets are different in the sense that they may offer a – at least temporarily – the advantage of a protected niche for immigrants. However, there are disadvantages as well. In many cases, either the entrepreneur will try to escape the limits of the ethnic market or the ethnic market will be eroded by the dynamics of the specific ethnic group (e.g. dispersal, shifts in taste towards mainstream). Further, it should be noted that ethnic markets occur across all sectors and skill levels.

A specific kind of category of opportunities is generated in these so-called ethnic markets (Waldinger et al. 1990; Kloosterman 2003). Demand in these markets is for specific ‘ethnic’ products that are in one way or another linked to the region of origin (foodstuffs, perfumes, but also videotapes and audiocassettes from that area). These markets mostly arise from the articulation of ‘ethnic demand’ as a consequence of the migration
of sufficiently large numbers of specific groups of immigrants. The formation of spatially concentrated settlement of (mainly first-generation) immigrants in urban areas strongly contributes to the articulation of this demand. Immigrant entrepreneurs are usually much better positioned to benefit from these opportunities as they tend have the required knowledge of products, suppliers, and consumers. They have, moreover, the necessary credibility to cater for these niche markets of co-ethnics. Ethnic markets are, in most cases, rather limited. These markets tend to be captive markets, but captivity here is a double-edged sword. It attaches customers to the firms of their co-ethnics and helps in the first difficult phase. However, at a later stage, these same entrepreneurs may run against the constraints of these specific markets (Ram et al. 2000a). Expanding the business, then, comes down to broadening the consumer base and stepping out of the ethnic market. Further, ethnic markets may occur in a limited space, such as a single neighbourhood. This can have benefits for the area, especially if the area was considered previously depressed and new businesses emerge to cater to the population there.

**How networks operate in specific markets: Illustrations and examples**

Having identified three types of markets in the previous section, we will now address how these markets operate in the European context and more specifically, how networks operate and interact within these markets. Again, the focus on much research related to immigrant entrepreneurship is on the benefits of social networks.

To date, only a few studies successfully blend perspectives related both to social networks, and one of the economic forms of networks (either industry/organisational or market-bound). Exceptions are found in the garment industry, which has long utilised immigrant labour and has been well studied globally and the ICT (information and communications technology) sector. The role of industrial networks becomes a focal point in both of these sectors, largely because small and medium size enterprises are prevalent and there is a large amount of subcontracting and hence cooperation. Further, both of these sectors have operated, with a large amount of immigrants in industrial countries, and have also involved developing countries as crucial pieces within the global supply chain.

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18 Although, the involvement of immigrants (or return migrants) in this industry has been more thoroughly studied in North America and Asia than in Europe.
Opportunities for immigrant entrepreneurship in vacancy chain openings

Immigrant entrepreneurship, although becoming more diverse, is still strongly oriented towards specific segments of the opportunity structure. The markets related to vacancy chain openings are, arguably, the traditional and quintessential breeding grounds for immigrant entrepreneurs in advanced urban economies. For example, in the Netherlands about 60 percent of all immigrant entrepreneurs can be found in sectors such as wholesale, retail and restaurants (see Choenni 1997; Kloosterman et al. 1997a,b; Rath 1995, 1999; Rath & Kloosterman 1998; Tillaart & Poutsma 1998). Within these sectors, they tend to gravitate to the lower end. Barriers of entry for setting-up businesses are relatively low in these sectors where fledgling firms do not always require large outlays of capital and sophisticated skills. Restaurants and shops can be small scale in operation, make use of simple technology, and can perform with a high labour input relative to that of capital. By employing family members and others from their own social networks, these immigrant entrepreneurs are in many cases able to increase flexibility and reduce costs. Many immigrants enter these markets through mom-and-pop stores thereby partially replacing businesses of indigenous entrepreneurs through so-called vacancy chains. In France, for example, shopkeepers from North Africa have partly replaced local French businessmen (Ma Mung & Lacroix 2003). Restaurants are of special importance in the European context. These openings are closely linked to the vacancy chains where the most recent immigrant entrepreneurs replace earlier ones at the lower end of market, the rise of ethnic markets or markets of immigrants sharing the same kind of background, and offer immigrant entrepreneurs captive markets (Kloosterman 2002; Kloosterman & Rath 2001). The same can be said of Turkish bakeries and grocery stores in the Netherlands (Rath & Kloosterman 2003) and Asian confectioners, tobacco shops and newsagents in the United Kingdom (Barrett et al. 2003). They often cater for the ‘captive market’ of co-nationals or co-ethnics, although many entrepreneurs after a while tend to cater for a broader clientele. In Berlin, between one-third to one-half of the registered Turkish businesses were in the food sector (including restaurants and wholesale) between 1996-1998 (Hillmann 1999: 273). However, döner kebabs, a sandwich sold by Turkish stores, has become popular among German customers. For example one study found that 95 percent of owners of döner kebab shops in Berlin reported that their customers were primarily German, and that the kebabs that were sold had been catered to German tastes (Çaglar 1995: 212).

Employing family members is often, but not always, a strategy for their success. Ram et al. (2000b) conducted research aiming to understand how restaurants stay competitive in Birmingham’s Balti Quarter. The businesses face tough competition, as they are clustered in an ethnic restaurant district, which attracts diverse diners and tourists. One of the key strategies for success involved
employing family members (extended family). The authors record in their research that ‘of the 123 workers employed on a full-time basis, 54 were family members’ (2000b: 49). Several studies have been conducted on female Turkish entrepreneurs in Berlin, and a different pattern was found. It was found that although most businesses (consisting mostly of various forms of shops) utilised co-ethnic labour, females were less likely to employ family members, and even saw employing family members as creating a disadvantage for their business (Kontos 2003: 130; Hillmann 1999: 278). It was broadly concluded that differences could be due to the social hierarchy.

Garment industry and associated immigrant entrepreneurship in European cities

The garment industries present interesting illustrations of varying influences coming together as one economic sector with a range of practical production considerations, political circumstances, deliberate policies, and individual skills and labour availability, including migrant labour. First of all, global production chains have been well studied in the garment industry; however global production networks are shifting. Fuelled by demand from rising disposable incomes and a consumer society, garment production has multiplied intensely in the previous decades. The production association with this growth has been divided along countries. Within the European market, China is the number one supplier of garments and Turkey is the number two supplier. It is often seen as a labour-intensive industry with low barriers to entry, and this, combined with many ‘favoured nation’ treaties for supply, has allowed new countries to gain a presence quickly. However, this easy entry also presents a risk for easy exit. Furthermore, the garment sector has historically served as one of the immigrant ‘niche’ businesses within many industrial countries, both in terms of workers for the industry as well as for immigrant entrepreneurs, containing a high level of subcontracting.

At a juncture when deindustrialisation is a buzzword, the resilience of the SME sector in garment manufacturing obviously stands out within advanced economies, with a presence across countries but often with different structures. In London, the garment industry continued to have a significant presence despite the relocation of part of the garment production off shore or to regions in the United Kingdom like the West Midlands in the face of high unemployment a few decades ago. In the late 1990s, approximately 2,500 small firms in the London garment industry employed an estimated 30,000 predominantly female workers. In the West Midlands, many small garment factories had emerged since the mid-1970s. They were predominantly Asian owned and mainly operated at the lower end of the market. There were about 500 of these firms in the area. In Amsterdam, between 1980 and the early 1990s, numerous mainly Turkish immigrants set up approximately a thousand small sewing shops, employing roughly 20,000 workers
at the peak, and contributing to a temporary resurgence of the SME sector in the Dutch garment industry. Paris experienced similar developments.

The figures are impressive but their real significance is hard to assess. First, the actual situation is unclear because there are so many informal workshops and home workers. Secondly, the manufacturing of garments in advanced economies is subject to great pressure, for example from globalisation, leading to ruthless competition with local and international producers. Under those unfavourable conditions, entrepreneurs are quick to close shop, or are forced to do so due to violations of the law. All this contributes to an extraordinarily high fluctuation rate.

Apart from a small number who migrated with the explicit purpose of setting up shop in the garment sector, such as the Indian and Pakistani wholesalers in Amsterdam, many garment entrepreneurs started as wage labourers employed by a garment firm. Newcomers were all too willing to become machinists, cutters, ironers or general garment workers. Information about job opportunities was widely available in the communities and often in the home countries as well, and was spread by word-of-mouth.

These social networks extend over long distances and across borders. Raes et al. (2002) show that some garment workers from Turkey were explicitly recruited by co-ethnics to perform skilled tasks in Amsterdam’s garment industry. Once they have been hired, these newcomers often turn out to be apprentices. Although some of the workers were tailors at home or had some other experience with sewing, as Green (2002) writes about Paris, sewing and contracting are generally learned on the job. After a while, a number of workers resign from their jobs to set up their own factory. This process eventually contributes to the mushrooming if not supersaturation of small sewing shops in a hyper-competitive environment. Ethnic or familial networks can be instrumental in forging business connections, yet too strong of a reliance on these networks can also be detrimental. Panayiotopoulos and Dreef (2002) (London) discuss entrepreneurial partnerships and hold that pooling family labour is an important resource for new entrants, but it can also be a source of friction due to gossip, rumours, and malevolence among the families involved. They refer to cases of acrimonious break-ups between partners, often resulting in acrimonious break-ups between families.

The garment industry tends to be spatially concentrated. Most Amsterdam retailers operate from the World Fashion Center in the western part of the city. The center, consisting of tall office buildings, confirms in brick the existence of a conglomerate garment industry in the city. It operates in much the same way as the garment districts of Los Angeles and New York, the boroughs of Tower Hamlets, Hackney, Islington, Haringey and Westminster (wholesalers) and the borough of Hackney (manufacturing), and the Sentier neighbourhood in Paris. This conglomerate included designer houses, fashion institutes, fabric and accessory suppliers, manufacturers, contractors, distributors and marketing firms. There is an extensive
web of information and exchange networks central to the industry that help lower transaction costs.

As has been noted above, sewing shops use relatively simple technology, rely on the job training, do not require large capital outlays and are thus characterised by low entry barriers. This enhances the hyper competition between contractors, and the further development of vertical and horizontal subcontractual relations. In Amsterdam, London and the Midlands, these relations sometimes extend to areas such as Cyprus, Turkey, Morocco or Eastern Europe.

Local market features obviously matter, but so does regulation. For a long time, immigrant contractors survived by capitalising on their social networks. In doing so, they generated the arrival of new immigrants, legal and illegal alike, willing to work long hours. In addition to their privileged access to cheap and flexible labour, they had a competitive edge by dodging the rules and evading taxes. They could go on like this as long as law enforcement agencies overlooked these informal practices. Paradoxically, now that deregulation has become de rigueur, the tolerance for these practices is decreasing. In each country, a political mood has grown where thin regulation is regarded as necessary condition for economic growth. There is however also a growing public awareness that this sometime leads to excesses and fuels anti-sweatshop and crackdown campaigns.

The deregulation of business has not been accompanied by the deregulation of immigration. On the contrary, in Europe and the United States immigration, especially of unskilled immigrants, is tighter now that illegality is a political issue. There is a reported decrease in tolerance for undocumented immigrants and an increase in immigration controls, even though the controls are usually not as tough as in the extreme case of Amsterdam. Irrespective of the legitimacy, strict immigration controls have a detrimental effect on a sector dependent on cheap and flexible labour, usually new unskilled immigrants. They also undermine the power of network mobilisation, especially if the pool of cheap and flexible labour is depleting. This is particularly apparent in the Midlands and Amsterdam.

As these examples show, the global production of the garment industry has spun a complex web based on patterns of entrepreneurship, social networks, subcontracting, imports and exports, international dependencies, and trade agreements. The impact of the global production and resulting networks are evident throughout each place.

Global economic restructuring and the ‘high tech’ industry

The information technology sector also provides examples of greater global integration through social, business, and market-bound ties, and has been built both on business activities in developed countries, as well as in developing coun-
tries. Saxenian (2005) records that there is still a mismatch between economic theory, which presupposes that high value, technological work will be done in the richer ‘Western’ countries with some developments, namely the rising value of the IT sector within the global economy for places such as India, China, and Israel. In the case of India and China, these national developments have largely been driven by immigrants returning after gaining experience in the Silicon Valley in the US, with extremely high levels of immigrant involvement – 32 percent of the area’s science and engineering work force (Saxenian 1999: viii) and 25 percent of its entrepreneurs (Saxenian 1999: 20). The professional networks, including numerous industry contacts, gained while abroad, as well as the technology and management know-how, and entrepreneurial spirit has allowed new small enterprises to flourish, often working complementary to, rather than in competition with, firms in the Silicon Valley, due to their unique specialisations. Saxenian (2005) points to a few variables that have lead to this success: a large enough immigrant population to allow networks to flourish, even when returning home; specialisation; and a fairly stable political situation at home, which facilitates the immigrants’ return as well as policies allowing new start-ups (such as those for venture capital, in the case of Taiwan). Hence, this example points to the importance of social networks, as well as an understanding of and access to industry supply chains and global markets.

The development of the high tech industries is built largely on the ability to form strong clusters, given the human capital and know-how of residents and the ability to take part in global markets, rather than on purely lower wages. Alarcón (1999: 1394) explains that the prominence of Indian employees in Silicon Valley high tech firms is due both to employment in foreign subsidiaries of Indian firms and from studying within US universities, showing the importance of being able to link university learning and research with business needs as well as the importance of international ties within a firm’s structure. While cost advantages may initially act as an incentive, wages often increase with the growth of the industry, as has happened in Hsinchu (Taiwan), Shanghai (China), and Bangalore (India). Further, it should also be kept in mind that the high tech industry, as it is often referred, is really made up of various forms of companies, differing in the products, components, and/or services they produce (software vs. hardware) and in their associated supply and production chains. Greatest benefit comes when specialisations can be formed in higher value added activities. Saxenian notes that in both the case of Taiwan and India, the local firms were able to compete in high-value added sectors (for example, computer notebooks and semiconductors in Taiwan, and software for export to the US and Europe from India), which one again defies traditional economic models. However, it is important too to keep in mind that high tech industries are incredibly dynamic, with new products as well as new markets (such as growing importance of China globally in mobile telephony) and hence today’s ‘winners’, be it a single firm, a product type, or region such as the
Silicon Valley, are not secured a place as market leader in the future (Saxenian 2005: 59-60).

Although the European IT industry has not developed in the same way as in the US, there is still some evidence of the influence of global production on bringing expertise and enterprise to Europe. In one of the few studies on the topic, Leung (2001: 282-283) notes that

‘there are 300 Taiwanese-owned computer firms in Germany, accounting for about 80 to 90 per cent of all Taiwanese enterprise in the country. (…) in Hamburg, there are about 50 Taiwanese owned-computer firms. These firms range from Acer, the ‘head of the dragon’, to major contract producers manufacturing bulk quantities of computer parts for global players such as IBM, Compaq, or Hewlett Packard, to small distributors serving customers at their shop-counters. Even though they are all Taiwanese-owned computer firms, they are however endowed with diverse levels of capital and personnel resources’.

Again, this example points to the importance, yet diversity of networks both in expertise of immigrants, likely given previous experience or knowledge of industries due to the sector's development in the home country, pointing to the importance of industry and market-bound networks, as well as the diversity in individual human capital and related social networks.

**Benefits of migration**

In order to simplify looking at economically-related benefits from migration, it is important to understand the potential interplay between the key variables in our analytical model and point to where divergent interpretations or contradictions may occur. Migratory regimes are therefore central to understanding the role of networks, as they often seem to be used as the reference frame for interpreting the ‘success’ of migration and the related networks on the national level.

**Receiving countries: Assessment of migration**

As outlined in the figure below, Europe has increasingly been classified as having a restrictive migration regime, limiting migration to internal EU flows and a few other categories (often based on humanitarian grounds or economic benefits). Therefore, the distinction between the legal and illegal migration population influences views and assessments of network functions/operations as well as which
economic activities are likely to occur. Migration that occurs within the bounds of this structure, especially policy, is deemed ‘legal’ migration. Most studied forms of ‘labour migration’ fall into this realm (highly skilled migration, business migration, and guest worker programs). However, both migration and employment can also occur outside of this system, in which case related forms of migration are deemed illegal or irregular, and related forms of employment are considered part of the informal economy. It is important to note that although irregular migrants often work in the informal economy (and specific sectors of the informal economy often become associated with primarily employing irregular migrants) the relationship cannot be taken for granted as uniform or universal. For example, in the Netherlands in the 1980s, some irregular migrants found a loophole in the system and acquired a social security number (sofi), with which they could legally work, and in some cases could also access social benefits. Furthermore, legal migrants as well as citizens may also work within the informal economy, either as their main form of employment, or as a second job.
Migration and development of sending countries

We would now like to briefly summarise benefits related to migration for sending countries, and how these apply to the either result from networks or how networks can be mobilised, as well as a few factors and examples that influence interpretations of the overall benefit and ‘success.’

Attitudes towards migration in developing (sending countries in the classic sense) countries are often focused on strategies of poverty reduction. Networks related to migrants have been viewed as powerful agents, both in terms of mobilising resources as well as their social positions to assist change. Return or circular migration is often quoted as bringing about benefits, as migrants gain new skills, contacts, or information while abroad. However, as discussed in the previous section, policies in receiving countries often act as barriers preventing circular migration to develop to its full potential. Migrants who choose to return home may feel that their chances of going abroad again are limited, due to restrictive policies in destinations, or low levels of political stability and hence greater risk.

Perspective for Developing Countries* – Sending Countries
(Poverty Reduction Model)

Premise: Poverty Reduction through increased economic activity
- If migrant networks are maintained, potential economic gains through new business development, remittances, and individual social capital and skills which can play a large role in economic development
- Risk of brain drain, lessening viability of economic activity. Preference for temporary migration, but this largely dependent on political stability.

* Assumes few restrictions on exit of citizens in place

19 This focus presumes that out-migration is not highly restricted due to political reasons. Most countries currently have fairly flexible regimes for out-migration, but this cannot yet be said to be universal.
Assessment of benefits of migration and related networks

‘Benefits’ and migration ‘success’ are therefore dependent on the actor or reference frame and the primary goal or criteria for evaluation. The following categorisation can help to better identify the various forms of benefits that occur on each level, with more thorough examples given in table 2:

- the immigrants themselves and their communities;
- businesses;
- the nation-state (receiving country, as well as country of origin);
- international relations.

Table 2 Benefits of international migration (as relevant within various nation-state reference frames)

<table>
<thead>
<tr>
<th>Reference frame/beneficiary</th>
<th>In ‘receiving’ countries</th>
<th>In ‘sending’ countries/ country of origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immigrants themselves</td>
<td>Higher income, and/or (better chance of new) employment opportunities, and/or better quality of life Opportunities to gain new skills, knowledge, and information (increased human capital) Expanded (international) social networks Acquiring new or dual citizenship and related rights [Travel/ see and experience new places]</td>
<td>If return or circular migration occurs Increased opportunities for higher income on return and/or increased savings Application of (human capital) skills, knowledge, and information gained (training, new businesses, etc.) Expanded (international) social networks Acquiring dual citizenship and related rights [Personal satisfaction and/or increased social status]</td>
</tr>
<tr>
<td>Immigrant’s community</td>
<td>Assuming mass migration or generally sizable population in a given area Expanded (international) social networks Creation of an ethnic enclave/community for increased information, support, jobs, etc. Possibility of mobilising (new) resources (organisations supporting home country, community based financial capital, etc.) Formation of transnational communities</td>
<td>Remittances for increased consumption and/or development Expanded (international) social networks Strategy of diversifying resources/family resources for greater well-being Possibility of mobilising (new) resources (for example, political organisations and lobbying, increased financial resources) Formation of transnational communities</td>
</tr>
<tr>
<td>Community/city of residence</td>
<td>Revitalisation (of previously declining neighbourhoods) Flexible labour for jobs and/or ability to fill jobs in sectors with labor shortages (of all skill levels) New businesses and/or trade</td>
<td>Remittances for community/ city development New businesses and/or trade</td>
</tr>
</tbody>
</table>
### IMISCOE Working Paper

**Community – ideational/social aspects**

<table>
<thead>
<tr>
<th>Businesses/economic sectors</th>
<th>Businesses/economic sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultural exchange, including new products and ideas</td>
<td>Cultural exchange, including new products and ideas</td>
</tr>
<tr>
<td>Flexible and/or cheaper labour for jobs and/or ability to fill jobs in sectors with labour shortages</td>
<td>Increasing human capital (in case of return migration)</td>
</tr>
<tr>
<td>Attracting international talent (highly educated, skilled, or talented individuals)</td>
<td>Access to immigrants’ (international) social and business networks</td>
</tr>
<tr>
<td>Access to immigrants’ (international) social and business networks</td>
<td>New production methods, marketing, technology transfer, etc. (if return/circular migration or frequent travel)</td>
</tr>
<tr>
<td>New production methods, marketing, technology transfer, etc.</td>
<td>New businesses Investment/ FDI</td>
</tr>
<tr>
<td>New businesses</td>
<td>Investment/ FDI</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Country as a whole</th>
<th>Country as a whole</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to fill jobs in sectors with labor shortages (of all skill levels)</td>
<td>(Potentially) Strategy to decrease unemployment</td>
</tr>
<tr>
<td>Increased trade (imports/exports) and related changes in market-bound networks</td>
<td>Increased trade (imports/exports) and related changes in market-bound networks</td>
</tr>
<tr>
<td>Cultural exchange, including new products and ideas [Demographic benefits (such as younger workforce)]</td>
<td>Cultural exchange, including new products and ideas [Demographic benefits (for example, if overpopulated)]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>International relations</th>
<th>International relations</th>
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</thead>
<tbody>
<tr>
<td>Increase in relations between countries (for example, bilateral treaties) [Humanitarian concerns and improved conditions for individuals (for example, for refugees)]</td>
<td>Increase in relations between countries (for example, bilateral treaties) [Humanitarian concerns and improved conditions for individuals (for example, for refugees)]</td>
</tr>
</tbody>
</table>

**Note:** [ ] are used to identify benefits from migration that are outside of the topic of this paper (not related to networks or economically related benefits of migration), but nonetheless are important in a holistic assessment of benefits from migration and potentials for contradictions in goals and motivations.

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**Individual level: Human capital versus motivations**

Assessments of migration ‘success’ for the individual, in terms relevant for policy, is often tied with human capital (Bommes & Kolb 2004: 24) or wages, in order to assess returns from the migration investment and experience. Further, migration controls may limit the benefits of international migration. Winters (2003: 68) argues that by allowing immigration of only those with the highest skills, receiving countries may actually be thwarting some forms of human capital development, since ‘the chance to migrate makes education more attractive to people who would otherwise have remained uneducated, and that, on the whole, these people will be less capable than those who would find education profitable on the basis of only domestic opportunities’.

**Text box 4: Individuals and migration ‘success’**

Individual motivations are also driven to different degrees by goals related to wages, skills, and/or employability. For example, Williams and Balaz (2005) interviewed return migrants to Slovakia from the UK across three categories, managers, students and au pairs, groups which were mostly in the UK for less
than a year. First, they found the experiential aspect, and especially acquisition of English language skills was very important across all groups. Another related benefit was the possibility to gain networks, which could be used for business advancement, and in a few cases, for starting businesses back in Slovakia. Hence, even in cases where jobs were taken below the skills level (as for some au pairs) the migration experience was still felt to be valuable. However, human capital related gains may or may not be the primary motivator for the migrant him or herself (individual may be influenced by personal factors and circumstances, rather than ones based on potential wages or other economically driven motivations). Additionally, individual goals may not match societal expectations and discrimination may occur. Larsen et al. (2005: 363) note that nurses working in the UK commented that the native UK population often assumes that they are only motivated by money, and that the UK is doing them a favour by allowing them to work there, rather than the possibility existing of a two-wage exchange. Such beliefs can lead to greater discrimination by other employees and patients alike. Further, some of the nurses noted either taking a pay cut in order to gain experience in the UK (which they regarded as having highly advanced nursing practice and state of the art technology), education, or chances to travel, or noted that the standard of living as a nurse in the UK was lower than in their home country, although the salary itself may be higher.

**Business and economic sectors as reference frame**

The role of business sector development and its influence both from and on migration in developing countries is not fully understood. Iredale (2005: 227) notes that studies on migration and development typically focus on either the individual/community level or ‘macro level for economies and societies as a whole’, but little research exists for ‘the intermediate level for some industries/sectors, through the investment of remittances in, for example, agriculture or business activities, and the stimulation of local economies through such investment or money brought/sent home by permanent or temporary migrants and returnees’. Where are there already broad understandings of how networks can facilitate such developments?

The intermediary level as Iredale refers to it (or industry/organisational and market bound forms of networks, in our own analytic terms) is currently

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20 As Iredale (2005: 227) identifies it, the macro level includes ‘the use of remittances to improve balance of payments, reduce foreign debt, fund imports; improved human capital at the national level; strengthened international trade and trading links, and innovative approaches to economic development through exposure to more advanced industrialised societies.’
addressed primarily in literature addressing issues of ‘technology transfer.’ Much of this literature is built on the cases from Asia, particularly Taiwan, China, and India. Yet, while this viewpoint often occurs in articles on these regional issues, it has been less applied to studies assessing migration and development as a whole.

**Text box 5: Return migration and technology transfer**

Kapur’s (2001) analysis is one of few explicitly linking the role of the diaspora with issues of technology transfer on a global scale. As Kapur notes: ‘The impact of immigration flows on economic development in source countries is poorly understood and on technology transfer even less’ (2001: 269). However, it is important to point out that in Kapur’s use of technology transfer is broad, generally encompassing any issue related to human capital and economic development for LDCs. Issues of technology transfer stemming from migration are largely drawn from examples of the East Asian Tigers and from India.

Kapur highlights several broad ways human capital from the diaspora can be linked with economic development:

- **Reputational improvement.** Developing countries often face entry barriers in the international economic system due to previous poor performance and reputation of other firms in their country or within that sector or from lack of information on the place or sector due to it being a ‘late entrant’. The diaspora can help to counter this, as can be seen in the growth of the Indian software and biotech industries, whereby expertise was gained while abroad, and building credibility for Indian firms in the sector (2001: 273).

- **Growth of entrepreneurial culture.** Again, India provides a good example of this change, since it went from a closed, largely anti-capitalistic economy from the decades preceding the 1990s to one of burgeoning entrepreneurship as associated with the software industry (2001: 273).

- **Increased access to or knowledge of technology and technological improvements.** This improvement does not necessarily need to be limited to high technology industries, but could also be important for other sectors such as health-care or even agriculture. However, as Kapur notes, to date it seems as though there has been little technological spillover from temporary agricultural movements, which could be due to limited resources, differences in the farming environment and needs, or other barriers (2001: 278).

**Nation-state (sending country) as reference frame**

Table 2 briefly summarises the various benefits of migration focusing on variations in the receiving versus sending country perspectives. These benefits are only a
brief summary, and it is important to keep in mind that assessments of ‘success’ vary tremendously based on the reference frame (individual, business, sending and receiving countries), specific motivation or goal, and can be time-specific or part of a process, with varying levels of benefits and risks across time, and are dependent on scale of the migration and economic activity involved. The creation or expansion of networks can be viewed as benefits in and of themselves (such as the benefit of social networks), or can be a tool for generating and actualising other benefits and meeting goals.

Development versus disparity: Role of the diaspora/return (migrants)
While the diaspora’s social and organisational networks are undoubtedly influential in certain situations, their role and effects cannot be taken for granted and considered universally beneficial (although, again it must be mentioned that this is contingent on the reference frame used to determine the level of ‘success.’ Developing countries often experience regional income inequalities.). For example, remittances are often used for consumption (or in other words, attaining better individual/family living standards) rather than infrastructure or investment. Some authors have argued that this money is ‘wasted’ or ‘ineffective’ or that it may lead to dependency. Even when money from the diaspora is invested, the ‘success’ or worthiness of the application is often contested. Lessinger (1992: 79) reports that there was some debate over the investments, from ‘Non-resident Indian investors’ (NRI) as ‘NRI investors are vulnerable to political attack as a highly visible and much-discussed sector of the new industrial bourgeoisie’ (1992: 79). Such issues also arise when funds come from international sources. For example, money allotted by the European Commission to Somscan, an organisation for the Somali diaspora in Scandinavia and the UK, was utilised to improve the infrastructure, schooling and housing options in Somaliland. However, the project had been criticised as ‘using development assistance to build a privileged enclave surrounded by a poorer general populace’ (van Hear et al. 2004: 9) due to the diaspora’s separate community within the area as well as a relatively higher affluence than others in the area to start with. Therefore, while the role of the diaspora in development can have concrete impact, it is not without some form of social cost (or at least feeds into discussion of social change and/or economic development).

Short versus long-term loss and gain
‘Circular’ (Balaz et al. 2004; Saxenian 2005) and ‘temporary’ (for example, Giese [2003: 160] notes a temporary pattern among Chinese in Germany) migration have largely been determined by policymakers to be the most likely to achieve a win-win situation for the country resided in, the home country, and the migrant. However, the value of networks and opportunities for development are not uniform (see text box 6).
Text box 6: Temporary migration: Gains as an issue of scale?
Winters (2003) creates an interesting scheme for assessing the potential impacts of temporary migration and further liberalising trade in services on sending countries. Winters suggests that gains from temporary migration may depend partially on the size of the economy the migrant is from, with large economies gaining from the skills and knowledge temporary migrants require. Winters (2003: 68) proposes:

- ‘Very small economies that could never generate the market or society size to make acquiring skills very profitable. They gain from migration via remittances, network effects, and so forth.
- Large economies that can reliably create mass of skilled workers needed for efficiency. Although migration may reduce their local supplies of skills, it does so only at the margin, and its effects may be offset by other benefits, such as remittances.
- Medium-size economies that may be prevented by migration from reaching the critical mass of skills necessary to achieve local “takeoff” in high-skill activities. These economies suffer a quantum decline in local value added that no remittance or networking could ever overcome. All this is speculation, of course, and it is not clear what small, medium, and large mean in this context, but this speculation does at least serve as a warning that attitudes to migration could differ between developing countries.’

Winters suggestions are interesting in that they both recognise that benefits are diverse and dependent on general economic development and conditions in the home country. Further, Winter’s analysis implies that the importance of networks building from migration may depend on the size of the overall economy, with the smallest and largest economies gaining the most, is also interesting to investigate further.

Conclusion

This paper examines the use of networks across several main lines of reasoning in order to create a ‘critical review and evaluation of the emerging literature on the benefits that accrue from immigrants’ cultural, professional, and social networks’. Networks have become a popular element within discussions about migration. However, the term ‘network’ in its simplest definition only denotes a sense of interconnectedness, and hence ‘networks’ have not been defined or used in a uniform way. Yet, under-

21 Quoted form proposal.
standing how networks operate is important, as they help explain processes that cannot be revealed by quantitative indicators or policy assessment alone. More specifically to the theme of this paper, networks are relevant to migration in that they help to explain various processes related to migration movements themselves (migration systems), economic development and economic incorporation of migrants into host societies (such development from return migration and activities of immigrant entrepreneurs), as well as elements of community formation and social cohesion (such as migrant organisations offering services or politically acting as the voice for the immigrant community). These three functions demand substantially different ways of defining migration-related networks, as well as different recognition and involvement of networks within these processes. The focus of this paper is primarily on the intersection of migration and economic incorporation, especially within Europe, and the related forms of networks and network mobilisation.

As the analytic frame describes, networks take diverse forms and are dynamic. The first part of this framework defines three forms of networks based on their primary function: social (including various forms of social capital and migrant organisations), industry/organisational (business-related networks), and market-bound (i.e. international trade connections and bilateral treaties). While these forms of networks only present broad categorisations and as can overlap with each other, they nonetheless help further define understandings (within research and policy) and the utility of networks. The second element of the analytic frame points to the interconnectedness of social and political phenomena and the embeddedness of migration and related networks within these. Networks do not operate in isolation, but rather are dependent on economic activity (i.e. formal and informal regulations, the opportunity structure, and economic sectors). The third portion of the analytic frame explains that assessments of ‘success’ are socially constructed and defining ‘success’ depends on the reference frame used (migrant him or herself, business, sending country or receiving country). Hence, examples of ‘successful’ networks or ‘successful’ utility of networks to policy makers can only be seen as case studies and examples. Together these three elements build a platform for critically assessing the literature, pointing to key themes in understanding the economic incorporation of migrants in Europe, identifying benefits from migration, suggesting topics for future research, and policy applications.

There are two related sets of literature addressing different ways networks have been defined, to point to the various strands of literature that may offer insights on networks related to migration or immigrants’ communities and economic activities: one focuses on the phenomenon of migration or migrants, often focusing either on migrant associations or on understanding processes of ‘transnationalism’; the second primarily takes the perspective of businesses as actors and an economic lens to instead focus on interconnectedness through
supply and production chains or clusters, for example. Social networks, as related to the business activity of migrants are often used to define ‘successful’ incorporation into the labour market either through finding jobs through co-ethnic or in setting up new businesses. Social networks have been deemed important (and sometimes overstated as being solely responsible) for gaining financial resources, lowering the cost of business operations, fostering cooperation, and providing information and a pool for hiring. However, social networks cannot be assumed to act in a uniform way. There has been much research suggesting that social networks become most important when formal channels are not available. Additionally, what is often deemed as an ‘immigrant’ or ‘ethnic’ network, often simply amounts to utilising family-based resources (such as for financing or labour). A second way in which networks link migration and economic activity is through issues related to trade and investment. Various research has shown that simply having a sizable immigrant community in a country will enhance trade due to demand for products from the home country, as well as in new trade links and businesses created. Immigrants may bring knowledge of other markets and ways of operating. In addition, the diaspora may encourage development in the home country, through investments. Further, economic policy in a country can shape migration as well as trade flows (export processing zones serve as one example).

The composition of immigrants in Europe has undergone a fundamental change. Three of the main recent changes regarding economic involvement of migrants in Europe include: understanding migration into and out of Central and Eastern Europe, patterns of investment, and the implications for other European states; implications of high skilled migration for economic competitiveness and the impact of preferential immigration programs for skilled migrants; the role of the ‘new’ migration states in Southern Europe and the impact, economically and in terms of migration flows, of regularising illegal migrants. These new trends blend with what is currently understood of economic activities of migrants in the past, assumptions (which are often, but not in all cases, true) of ethnic niche formation in sectors such as in construction, housecleaning, and retail. However, it should be recognised that the formation of these niches is also dependent on the regulatory context, influencing the accessibility of various sectors for immigrant populations as well as the viability of operating in that particular sector in a given place. Niche formation is therefore neither universal nor endless. Economically, three trends regarding the employment of migrants are notable: general economic shifts including the growth of the service economy and the related changes in both the high and low skilled job opportunities it provides; changes in economic structures due to flexible specialisation and contracted work; and impressions and activities related to informality and the informal economy. For example, allowing or simply tolerating irregular employment may help a sector, such as the garment industry, to grow and reduce costs for the business owners. In other words, as the economy
changes, opportunities for immigrant employment, including entrepreneurship, are also changing.

Immigrant entrepreneurship is of interest to policy makers because of its impact both for incorporating migrants into the labour market and for the growth it can create. However, several aspects of immigrant entrepreneurship are often taken for granted. It is often assumed that immigrant entrepreneurship is counter-cyclical and further taken for granted that it is contingent on cultural features and mobilisation of ethnic social networks. However, in reality, it is dependent on the mix between the individuals, regulatory structure, and opportunities in various markets.

Broadly, three types of markets can be identified. Each of these markets offers different opportunities, requires different sets of skills and resources, and allows for different types of network mobilisation. Vacancy chain markets occur when a certain task changes hands, such as immigrant running the local corner grocery store. These markets are accessible, often do not require high skills and immigrants in these sectors often utilise their social networks for both business purposes and for reaching customers. While these markets typically have low start-up costs, they also have low thresholds and added value. Further, these markets are often categorised by cut-throat competition and high levels of informalisation. Post-industrial/low-skilled markets occur in markets in the early stage of their lifecycle (such as in recently privatised sectors) or in meeting basic service needs of the population, such as in domestic work or in caring for the elderly or for children. These markets are often broadly accessible by their nature; however, barriers are often established to block immigrants from accessing these sectors, for example by setting educational qualifications. The third form of market is the post-industrial/high-skilled market. This market often directly involves becoming part of the flexible specialisation and contract manufacturing process, as well as ‘new’ service (such as consultancy) and media-based industries (such as gaming). These markets involve specialised skills. However, the type of skills can vary and these markets would include thing ranging from software programming to detailed work in garment making. The common variable, however, is the generally high added value of the product or service. Finally, it is important to mention that ethnic markets may be formed in any one of these sectors, if the business relies primarily on co-ethnic as customers. In these cases, the mobilisation of ethnic and other social networks is often particularly important.

While the above classification is important for looking at the economic activities and network mobilisation of immigrants with Europe, another important aspect involves understanding the utility of networks in directing migration flows in general. In these cases, the governance of migration is particularly important to the receiving countries, as migration ‘success’ politically as well as in public discourse, is often defined in terms of allowing forms of migration deemed beneficial (such as those filling skills shortages) and limiting the others to illegal channels,
often with higher risks and social exclusion. Migration networks are important to in- and outflows of both regular and irregular migration. In terms of sending countries, migration is increasingly seen as a route of economic development, with migrants carrying both financial resources and increased human capital.

In conclusion, networks help to explain processes, which are important both to integration of migrant groups as well as to better understanding migration flows. Yet, although networks are important, they are also difficult to define given that they take numerous forms and serve various functions. Furthermore, ‘networks’ act on a variety of scales; some are local while others are international. Being able to successfully mobilise networks for policy purposes therefore will require a strong understanding of their forms and applications.

Topics for further research

There is still a large gap in understandings about the various relationships that exist between trade and migration, and their related networks. Literature is beginning to appear about changing production systems and international division of labour; however, this line of thought typically still focuses on process at the company level (contracting, vertical specialisation, etc.), rather than people (such as labour migration, or specific roles individuals have in networks) dimensions. The amount of empirical cases of combining both immigration and production and market-related forms of networks is limited. Instead, immigrants involvement in businesses is still most likely to be viewed in terms such as immigrant enterprises or ethnic entrepreneurship, which often presumes that immigrants are tied to only working with their co-ethnics and within their own geographical communities (with some studies extending the geographical area to contain a transnational link with the country of origin). In other words, a better synthesis is needed to understand:

- the overlap of social, industry/organisational and/or market-bound networks;
- international trade and investments resulting directly from migration;
- economic sectors that are reliant on immigrant labour and changes resulting from free market agreements (EU/EFTA).

With these gaps, the following areas could be fruitful for additional research:

- *Further internationalisation of business and its links to migration*. Several themes could be examined to understand the intersections between immigration, business, cross-border subcontracting and/or migration, and their impacts.
Relationships between these variables are diverse. Examples of a few topics that would fit within this theme are the role of contract construction workers from Eastern European countries into Northern Europe, the role of immigrant entrepreneurs in clusters with both high numbers of SMEs and immigrant labour (such as those similar to that seen in the amount of immigrant workshops in garment clusters, or investigating further possibilities and constraints for foreign entrepreneurship among the Indian and Eastern European software workers in Ireland).

- **Further understanding of processes and barriers to return migration, as well as forms of investment and entrepreneurship across a range of countries.**
- **Role of immigrants and immigrant entrepreneurs and workers in creating or enhancing cross-border trade and the implications.** One approach that could be taken would involve looking at a specific form of entrepreneurial market (high skilled post-industrial, low-skilled post-industrial and vacancy chain) in terms of supply chains and/or production systems within a given area(s) (for example, individually-owned discount stores within a single city or a comparison across several cities). Another approach could look at trade increases related to areas of immigrant concentration.
- **Flexible labour and mechanisms facilitating recruitment of foreign workers (including those already living in the country, those who are recruited in the sending country).** This topic includes more thorough study of temporary migration, flexible labour, and recruitment practices, including informal network aspects, legislation (especially the role of bilateral agreements) and the emergence, importance, and impact on labour relations. It may also include changes resulting from increasing amounts of temporary staffing firms.
- **Examining employment patterns of return and circular migrants (in home country and place of temporary migration) across a range of sectors.** This could be especially interesting in light of new recruitment programs as well as in emerging knowledge-industries.
- **Monitoring the development of and role of migrant networks in the forms of associations and organisations across time, including aspects related to national developments and economic involvement and/or development, and the specific benefits incurred.**

**Policy implications**

Networks definitely matter, as they represent interconnectedness in both the social dimension of migration as well as economically; however, their impact is neither uniform nor guaranteed. Networks matter in that they direct migration flows, facilitate business development and viability, and can offer a voice and an avenue
of political representation to specific migrant communities and enhance social cohesion. As mentioned previously, addressing networks allows an approach that extends beyond quantifiable factors by directly addressing relational and social factors. Yet, it is important to recognise that networks not only take on a range of forms (as identified in Table 1; migrant associations, business partnerships, supply chains, etc.) but each type can also serve various functions. Further, the impact of each network is also contextually bound and influenced by the regulatory structure, market characteristics, and characteristics of the migrants.

**General guidelines**

How can policy utilise, direct, or mobilise social, industry/organisational and market-bound networks for greater societal benefit? In general terms, mobilising networks in policy entails a process of acknowledging, appreciating, targeting, and connecting various (social and business) networks that migrants are part of with other institutions.

- **Acknowledging.** The process of ‘acknowledgment’ involves identifying the key networks. First, policy makers must recognise that networks take on various forms, and that each network has a function. Networks organised primarily around social criteria may operate very differently than those focused on business activities; however, both are valid forms of networks. Second, policy makers should identify specific networks operating, their goals, and ways they can be included in policy. Hence, acknowledging relevant networks is contingent on first setting appropriate policy direction or goals and also identifying networks that could be involved.

- **Appreciating.** In distinct contrast to assimilation-based policies, policy targeting social networks predicates recognition that immigrant groups and organisations centered on cultural, religious, or other characteristics of difference can create distinct benefits for the society. In other words, networks can only be addressed within policy, when their members, activities, contributions, and goals are appreciated.

- **Targeting.** Targeting involves combining the identified goals with concrete actions and choosing specific networks. However, it is important to keep in mind that targeting also involves an element of selectivity, of choosing the ‘winners’ vs. the ‘losers’. This point is important whether addressing, for example, specific migrant organisations or specific industry clusters. In other words, targeting is not all-inclusive and hence will be debatable. It is, however, outside the scope of this paper to discuss appropriate guidelines for targeting.
• **Connecting.** The final stage involves connecting existing networks either to other networks or to specific institutions. Networks with denser connections, that is those more integrated with other networks and local institutions, are typically considered to be the most beneficial. Again, this process can operate in numerous ways depending on the network and goal identified.

**Further examples for discussion**

While these suggestions offer guidelines in very general terms, it is important to remember that there are few definitive answers on how to best achieve each of these processes, given the range of diversity in networks, migration, economic benefits, and the selectivity entailed. A few ways (for discussion purposes) in which each of the types of networks can be utilised in policy are listed below:

**Social networks**

- Migrant organisations can be mobilised for policy purposes, but typically only in select cases with some degree of institutional accountability is possible and the network is clearly defined (ie. formal organisation). However, these will only be representative of a certain sub-segment of the population as well and divided by specific interest groups.

- Social networks can also be targeted where they can be identified as part of specific ‘migration systems’ or process. This form of social networks is more in line with the policy goals related to understanding and directing migration flows. However, this form of network is much more difficult to recognise and address. Therefore, it is our perspective that in terms of policy, understanding the utility of immigrant’s social networks in migration systems (processes of immigration) will involve both identifying examples where social networks are seen as benefits, as well as when they commonly come into use because existing policy mechanisms are not meeting the needs (for example in job attainment) of the group/population. In other words, in some cases, networks may lead to greater understandings of shortcomings of existing policies, ways these are avoided, and possible benefits as well as risks attached to this circumvention. Hence, the role of social networks will not only be specific to the group assessed, but also to the regulatory context and place it occurs within. This is relevant to both sending and receiving countries.
Industry/organisational networks

Utilising industry and organisational networks once again involves targeting and hence selectivity of both specific industries as well as in the specific networks addressed. Again, it is nearly impossible to make blanket statements about how industry networks can or should be shaped and utilised, as each approach involves trade-offs. A few examples (for discussion purposes) include:

- Cross-border as well as local cluster development utilising not only the close proximity of businesses but also aiming for a more common migration policy, perhaps targeted to the cluster/sector’s needs to allow growth, a competitive environment, and sufficient supply of labour of all skill levels, while potentially reducing the need of informal hiring. Businesses involved in these clusters should contribute to the discussion before specific policy is formulated.

- Targeted economic zones of development, in either disadvantaged communities or geared towards targeted economic advancement (for example Export Processing Zones).

Market-bound networks

Addressing market-bound networks means acknowledging that networks can be international and increase cooperation both in terms of capital and labour across nation-states:

- Disparities in the (freeness of) mobility of people versus capital and goods is in part is due to its governance. While trade is partially regulated on the supranational level through the WTO, the regulation of migration remains almost strictly a national affair. It too has spawned debate on the possibility of new multi-lateral legislation, with perhaps the ‘closest’ application lying in further explicating the bounds for implementing Mode 4, trade in services, within the WTO’s General Agreement on Trade in Services (GATS) Treaty. The multi-lateral Mode 4 of GATS establishes guidelines for allowing trade (temporary international mobility) in services, but its actual applications and implications have not been realised. However, if further commitments were made to this treaty, the implications could be large, both in the scope of the treaty, since it involves both developed and developing countries, as well as in its inclusive definition of trade in services, which includes both high- and low-skilled labour. Hence, while the implications of GATS Mode 4 are currently

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22 The GATS treaty is officially binding for all 148 members of the WTO, yet its interpretation has varied and it is still felt to be underutilised.
tentative, if enacted it could have wide-spread implications for migration flows as well as trade and hence enhance the market-bound aspect of networks discussed in this paper.

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