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Studying 'up' in migrant entrepreneurship

Privileged migrant entrepreneurs in Wroclaw, Poland

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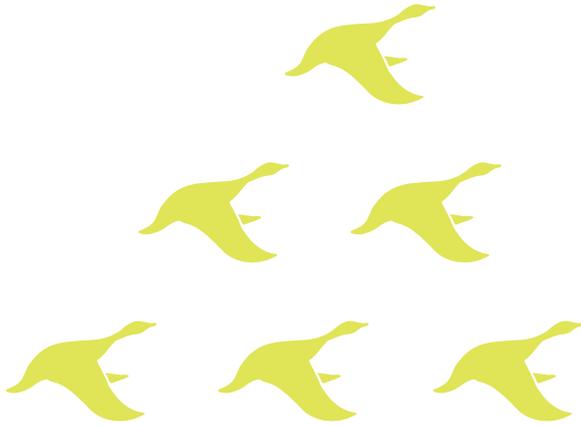
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6.



CHAPTER 6

Ethnic enclaves in reverse?

“All [my employees are] Polish...So I would program, but if I don’t want to, or I have too much stuff, I would outsource it to [Polish programmers]. Italians...if they know they can charge a hundred for something, they’ll always try to sell it for 200...[whereas] I felt that Polish programmers... would give me a fair price...My clients are Italian, but I try to do everything, as much as I can, in Poland. Which includes having collaborators in Poland, paying taxes here, having the company here”, (Giovanni, Italy, IT company).

6.1. Introduction

This is the second chapter looking at how migrant entrepreneurs, their motivations, and their access to resources interact with the environment of Wrocław, Poland, and the wider, international context. While Chapter 5 looked at opportunity structures, this chapter examines migrants’ ethnic division of labour. Within the literature, it has often been found that migrant entrepreneurs employ co-ethnic employees (Wilson & Portes 1980; Light et al 1994; Werbner 2001; Rametse et al. 2018). This reliance upon co-ethnic labour is one of the central premises around which Ethnic Enclave Theory (Wilson & Portes 1980; Light et al 1994; Portes & Shafer 2006) was formed. Indeed, within a geographically concentrated clustering of immigrants, ‘enclave entrepreneurs can cheapen labor costs...by the exploitation of the more vulnerable immigrant labor force’ (Wilson & Portes 1980: 315). Examples of such enclaves include Cubans in Miami (ibid), Koreans in Los Angeles (Min & Bozorgmehr 2000), and Arabic communities in Israel (Drori & Lerner 2002). Further, ethnic enclaves have often been described as being at the ‘lower end’ of host country societies, whereby migrant entrepreneurs’ networks of underprivileged co-ethnic labour not only enables them to offer cheaper prices (ibid), but also can hold back business development (Portes & Sensenbrenner 1993; Flat et al. 2000) and, subsequently, ‘breaking out’ from these enclaves is invariably seen as ‘progress’ (Ram & Hillin 1994; Engelen 2001; Drori & Lerner 2002; Ndofor & Priem 2011; Arrighetti et al. 2014). In other words, such studies follow a long tradition of social scientists’ ‘downward facing’ concentration upon ‘the poor, the ethnic groups’ (Nader 1972:5). But what happens when we begin to study ‘up’? Do migrant entrepreneurs, in an ‘upside down’, core-to-(semi-)periphery migratory context also rely upon co-ethnic labour? Is it also cheap and plentiful? And if not, then how do they meet their labour needs? And how does this compare with those in this study from periphery-states?

Indeed, below I will compare how the migrant entrepreneurs from core- and periphery-states vary in their ethnic division of labour. I will then, subsequently, provide insight into any variations encountered. In order to organize the analysis, I will once again divide the environment up into three layers: micro, meso, and macro (Kloosterman 2010). In doing so, I will pay close attention to how the macro level environment interacts with variations in the migrant entrepreneurs’ access

to resources (and motivations) on a micro level, resulting in variations in their ethnic division of labour on a meso level. As with Chapter 5, I further subdivide the macro level environment into four layers: 1. Politico-institutional; 2. Economic; 3. Socio-cultural; and 4. Technological. I begin first, however, with the meso level and, specifically, the ethnic division of labour of migrant entrepreneurs from the core-states subject group.

6.2. The ethnic division of labour of migrant entrepreneurs from core-states

As mentioned in the introduction, it has been found that migrant entrepreneurs and their businesses often make use of a plentiful supply of cheap, co-ethnic labour (Wilson & Portes 1980; Light et al 1994; Kloosterman et al. 1998). However, for those from core-states, in the semi-periphery environment of Wrocław, it seems to be quite a different story. Indeed, those who decided to hire employees⁶⁶ were found more likely to hire *native, Polish labour* and less likely to hire co-ethnic labour. As shown in Table 6.1 below, 20 (49%) of them employ a (predominantly) Polish workforce, while only 15 (12%) employ (predominantly) co-ethnic labour.

Table 6.1. The ethnic division of labour: Core vs. periphery subject group comparison

	No employees	Employs mainly Polish	Employs co-ethnic	Employs mainly other nationals
Migrants from core-states	13 (32%)	20 (49%)	5 (12%)	3 (7%)
Migrants from periphery-states	12 (50%)	1 (4%)	11 (46%)	0 (0%)

Source: Data collated from the qualitative interviews with the migrant entrepreneurs in this study⁶⁷.

One of these entrepreneurs is Giovanni (Italy, quoted at the beginning of this chapter). As seen, he made the conscious decision to employ native, Polish programmers and not co-ethnic Italian programmers. This, and the reasons underlying it, present a number of problems for Ethnic Enclave Theory. I will, now,

⁶⁶ 'Employment' here includes both official employment and unofficial employment, as well as work contracts of a temporary nature.

⁶⁷ Percentages have been rounded up or down to the nearest whole number, which means that the total percentages when amalgamated might amount to slightly over or under 100%.

list these problems below. At this point, I would like to point out that my goal here is to simply describe what is happening (among both groups), before later in this chapter going into depth to explain and understand the variations observed.

Co-ethnic (core-state) labour as more expensive

First, Giovanni states that Polish programmers are less likely to overcharge him. In other words, their labour is cheaper. This theme, that Polish labour is more affordable than co-ethnic (core-state) labour, is a recurring one among many of the other migrant entrepreneurs from core-states. It is perhaps most noticeable not when these entrepreneurs are hiring cheap, Polish labour, but rather, when they need to hire (comparatively expensive) co-ethnic labour. This was the case for Roberto (also from Italy), who is running his own Italian restaurant in Wroclaw:

“Our [Italian] chef is very expensive because we have to give him money with Euro. But if you want to have a real Italian place, you have to pay this price...[Otherwise] you are a random place without any soul, without any place. The chef will prepare carbonara with smietana,⁶⁸ a typical and original Italian recipe with the style of German or Polish people. We are integralist, fundamentalist. Never smietana in the carbonara, or you will go to fuck off!”, (Roberto, Italy, Italian restaurant).

As can be seen, Roberto is having to pay *above average wages* to retain an Italian chef. This is perceived as a necessary expense to provide his customers with authentic Italian food. Importantly, this seems to be in direct contradiction to one of the basic assumptions of Ethnic Enclave Theory, namely that co-ethnic labour is more affordable than mainstream native labour (Wilson & Portes 1980; Kloosterman et al. 1998). Moreover, it contradicts the wider narrative of how migrants supposedly ‘steal’ the jobs of native employees by under-cutting their wages. On the contrary, in the case of migrant entrepreneurs from core-states in the context of Wroclaw, it seems to be back-to-front, with these migrants commanding higher wages than the mainstream, native workforce. Indeed, in the words of another migrant from the core-state subject group: ‘people from the West expect higher salaries’.

Furthermore, the relatively affordable Polish labour seems part of a greater trend of expenses in general being lower in Poland. As seen in Chapter 3, for many of those from core-states, the cost of running a business and living in Wroclaw are perceived to be ‘cheaper’. This seems to further undermine not only the ethnic enclave as a source of cheap labour, but also a source of cheap products (Drori & Lerner 2002). Indeed, here it seems to be flipped, with core-state migrant labour and their businesses offering the opposite, namely, comparatively expensive labour

68 The Polish word for sour cream. The point here is that it is a Polish - and not Italian - ingredient.

and products. As such, it begins to paint a picture of ethnic enclaves in reverse. In doing so, it reveals how Ethnic Enclave Theory was formulated in 'downward' facing contexts and why, as a result, it struggles to account for more privileged forms of migration from core-states.

Co-ethnic (core-state) labour as NOT plentiful

Second, an ethnic enclave, with its concentration of co-ethnic labour, inherently assumes such labour to be plentiful. Yet, in the case of core-state migrant entrepreneurs in Wrocław, such supplies of co-ethnic labour are very limited. As seen in Chapter 2, the number of core-state migrants is much lower than that of those from periphery-states. This lack of co-ethnic labour provides an additional reason why migrants from core-states seem less likely to employ such labour. With co-ethnic labour in short supply, they seem to turn instead to a plentiful supply of native, *Polish* labour. This idea of Polish labour being selected for its plentiful supply, and not simply its affordability, was also a recurring theme. Igor (Finland), who runs a consultancy helping Finnish companies to conduct business in Poland, explains:

"In the IT world it is not anymore near-sourcing. The IT guys in Poland, they cost 3,6,7 thousand [Euro / month]. So it's not anymore an issue of cost. It's an issue of getting people....one company here in Poznan they started 2 years ago, they had 10 people in the beginning and now they have 90. And they don't come here for cheap labour, they come here to grow", (Igor, Finland, business consultancy).

Igor is one of several migrant entrepreneurs from the core-state subject group (as well as representatives from third party organizations, such as the American Chamber of Commerce) who point out the growing cost of labour in Poland which has led to it becoming less of a primary factor in the hiring of Polish labour. Instead, as Igor points out, for many of them it is now more about the *availability* of labour.

Co-ethnic (core-state) network not spatially confined

Third, ethnic enclaves, such as the Cubans in Miami studied by Wilson & Portes (1980), are usually presented in the context of being spatially confined, whereby their businesses rely on resources in the immediate environment (Drori & Lerner 2002). While this has also been observed among migrants from core-states, such as the study of British migrants in beachside regions in Spain (Blackwood & Mowl 2000; Stone & Stubbs 2007), the Algarve in Portugal (Torkington 2010), and North Americans in South America (Dixon et al. 2006; Hayes 2015), the findings of this study differ considerably. First, as noted above, for the migrants from the core-states subject group, the supply of co-ethnic migrants is somewhat limited. This means that if an ethnic enclave exists, it is extremely small. Perhaps as a result of this, Giovanni's social network seems to be less co-ethnic but instead more

multinational. He regularly attends international meetups at local bars in Wrocław,⁶⁹ which seems more in line with the multinational migrant communities observed in Singapore (Beaverstock 2002) whereby core-state migrants are united not by a shared nationality, but instead by their shared transnational core-state class (Weiss 2005).

Second, Giovanni's situation presents a further problem concerning the spatial assumption of ethnic enclaves. Enclaves have been found to provide migrant entrepreneurs not just with a pool of co-ethnic labour, but also co-ethnic *markets* (Chaganti and Greene 2002). But, as seen in Chapter 5, the opportunity structure is not always confined to the local, ethnic enclave. Giovanni, for example, despite making use of local labour, services clients internationally in Italy. Yet, despite Giovanni's clientele not being spatially proximate, they are still co-ethnic. This in itself seems to lend support to other scholars who emphasise how ethnic networks are not necessarily geographically concentrated (Toussaint-Comeau 2008) and can extend internationally (Saxenian 1999; 2002; Weiss 2005; Chen & Tan 2009; Valenzuela-Garcia 2018). It also lends support to the differentiation between spatially confined ethnic enclaves and broader, geographically unconfined ethnic economies (Light et al. 1994).

Other reasons

At this point, I would like to make it clear that what I have described so far are the overall *trends* of the core-states subject group. There were, however, a small number of migrants from this group whose reasons for hiring native, Polish labour were not necessarily rooted in its plentiful supply nor affordability. One such example is Anna, who employs Polish staff at her arts and crafts store:

“My employees are Polish. They do speak English. I have had employees in the past who did not speak English and that was not a good strategy. It's no problem for me to work with them, but we do have enough English-speaking clients that you need to know enough English to be able to explain things and answer questions and not panic and this is essential. And I have a hard time finding employees who speak both Polish and English and who are interested in art. Because I'm finding that a lot of the people who go to the art school here are either Polish who do art who don't really speak English, or foreigners who do art who don't speak any Polish. So it has not been as easy to find bilingual [staff] as I expected”,
(Anna, USA, arts & craft store).

69 For example, the 'Tower of Babel' meet-ups, attended by approximately 50 migrants every week at a local bar in the centre of Wrocław.

As can be seen, Anna's company is simultaneously servicing Polish and non-Polish clients, which is why both English and Polish language skills are required. As such, her reasons for hiring native, Polish labour seem less about Polish labour being affordable and plentiful and, instead, more about finding staff with the language skills necessary to access both an international and Polish clientele.

6.3. The ethnic division of labour of migrant entrepreneurs from periphery-states

“They [my employees] are all Ukrainian. I am not against employing Polish, but they are not willing to work for the wages I pay. Plus it's just easier hiring from the people I know who are mainly Ukrainian” (Bogdan, Ukraine, hairdressing salon).

Let us now switch focus to the migrant entrepreneurs from the periphery-states subject group. Here I ask if they are also more likely to employ native, Polish labour. The answer, in short, is no. Unlike the migrant entrepreneurs from the core-states subject group, the majority of them (who have employees) seem instead to opt for *co-ethnic* (periphery-state) labour. As seen previously in Table 6.1, 11 (46%) of the migrant entrepreneurs from the core-states subject group hire predominantly co-ethnic employees, whereas only 1 (4%) hire a predominantly Polish workforce. Bogdan (Ukraine, quoted above) is representative of this broader trend of those hiring co-ethnic labour. Using Bogdan as an example, I will now show, below, how his ethnic division of labour compares to that of the migrant entrepreneurs from the core-states subject group. Once again, my goal here is to simply describe what is happening, leaving deeper analysis of any variations encountered for later in this chapter.

Co-ethnic labour as more affordable (and easier to exploit)

As can be seen from Bogdan's words above, it seems that his co-ethnic, Ukrainian employees are more willing to work for the (apparently low) wages he pays. As such, in contrast to those from core-states, Bogdan's behaviour seems to be more in line with the labour practices described in the mainstream literature, whereby co-ethnic migrants can provide a source of more affordable labour (Wilson & Portes 1980; Kloosterman et al. 1998). It is a similar story for Pavlo (also from Ukraine), who runs a small construction firm and also employs co-ethnic Ukrainians. Like Bogdan, he does this because he can pay them less. This is possible, he tells me, because they are also Ukrainian, so he can trust them, which means he can pay them under-the-table, subsequently avoiding taxes. This lends support to other scholars' findings of higher levels of trust within ethnic groups sharing the same language and culture (Aaltonen & Akola 2018; Vershinina & Rogers 2020) and how

it can be exploited (see Rath 2000: 6) to add an extra level of economic concession upon an already comparatively affordable source of labour.

A plentiful supply of co-ethnic labour

For Bogdan, in addition to co-ethnic Ukrainian labour being more affordable, it seems that it is also 'easier' for him to access. He states that 'it's just easier to hire from the people I know', suggesting that he has a plentiful supply of co-ethnic labour within his social network. This theme, of hiring co-ethnic labour from within one's own social network, was also recurring. Danilo (also from Ukraine) employs four people at his construction company, all of whom are Ukrainians 'from friends and...family'. Danilo's and Bogdan's situations seem understandable within a wider perspective, whereby they are two of thousands of Ukrainian migrants who have moved to Wrocław in recent years. As such, a plentiful supply of co-ethnic labour is hardly surprising and seems in line with other studies which have found high rates of co-ethnic employment within larger, co-ethnic migrant groups (Portes & Sensenbrenner 1993; Flap et al. 2000). This seems in direct contrast to those from core-states who, as noted previously, seem to be part of much smaller migrant groups, resulting in their supply of co-ethnic labour, at least on a local level, being far less plentiful.

Co-ethnic (periphery-state) labour as spatially restricted?

Returning once again to the example of Bogdan, he is employing co-ethnic, Ukrainian labour at his barber shop. In other words, it is spatially confined to Wrocław. As such, it seems to conform with the conventional idea of ethnic enclaves, similar to that described by Wilson & Potes (1980) whereby entrepreneurs source their labour from a plentiful supply of geographically proximate, affordable, co-ethnic labour. However, for a small number of migrant entrepreneurs from the periphery-states subject group, this access to cheap, co-ethnic labour is not always geographically proximate. For example, for Vanko (Ukraine), it looks quite different:

"My developers are in the Ukraine, it's cheaper. So business development and accounting I have here, but developers I have in the Ukraine", (Vanko, Ukraine, IT company).

As can be seen, Vanko is hiring developers in Ukraine, well beyond the local environment of Wrocław and even Poland. On the surface, this seems to mirror the situation of many of the migrant entrepreneurs from the core-states subject group, whereby their co-ethnic networks are not necessarily restricted to the home country (Saxenian 2002; 1999; Weiss 2005; Toussaint-Comeau 2008; Chen & Tan 2009). Yet, on closer inspection, the use of such networks seems to be somewhat different. While those from core-states were found to be using their networks to access *demand*, Vanko appears to be using his to help with *supply*. Clearly then,

there seems to be more going on here. Further explanation of this will follow later in this chapter.

Other reasons

As with the migrants from the core-states subject group, there were of course a variety of other (albeit less common) reasons underlying their hiring practices. Indeed, for Olek (Ukraine), despite also following the trend of hiring co-ethnic (Ukrainian) labour, his reasons for doing so seem less about its affordability and availability and more about linguistic factors:

“We did a renovation, the building contractors were also from Ukraine... Everything was through [Ukrainian] friends, because it’s difficult without Polish...”, (Olek, Ukraine, cafe and e-scooter recharging firm).

Here, for Olek, hiring co-ethnic building contractors was more about the ability to communicate with them in Ukrainian (and Russian). At first sight, this lends support to other studies which have highlighted how a shared language and culture increases the chance of hiring co-ethnic labour (Clark & Drinkwater 2000). Yet, interestingly, as my conversation with Olek continued, it became clear that there was perhaps an even more pragmatic reason for hiring co-ethnic Ukrainians:

“[I] sometimes [hire] Polish, but the problem is they can then just open their own company. So in general I employ Ukrainians. They can do it after their other jobs because it can be done outside of regular work hours. It’s very important for them to earn more money and return to Ukraine with more money”, (Olek, Ukraine, e-scooter recharging).

In other words, he tries to avoid hiring Polish employees as a way of reducing the risk of them being disloyal to him and competing against him. Instead, he hires Ukrainians on work-visas without Polish passports or permanent residency cards. So, in this example, Olek’s trust of co-ethnic labour is apparently not based upon a shared language and culture, as highlighted in other studies (Aaltonen & Akola 2018), but rather in the lack of their legal capacity to formally compete against him. Regardless, the point here is that migrants from the periphery-states subject group are, at times, motivated to hire co-ethnic labour for reasons other than its plentiful supply and relative affordability.

Exceptions

Despite the majority of those from the periphery-states subject group predominantly hiring co-ethnic labour, there were also several exceptions, whereby a small number of them were found to be employing native, *Polish* labour. Petro (Ukraine) is one of these exceptions. He has a construction company with 30 employees, five of whom

are Polish. These five employees work in the office and it is their job to communicate with Polish clients, whereas the other 25 employees are all Ukrainian and work on the construction site. Petro explained to me that these Polish office employees are more expensive than his Ukrainian construction workers, but that he needs to employ them because he needs their language skills to interact with the Polish clientele. In this sense, his company presents a Polish 'face' to the predominantly Polish clientele, while engaging co-ethnic labour on the supply side. On first impressions, this seems to mirror the situation of Anna (outlined previously) who hires Polish employees for their ability to communicate with her predominantly Polish-speaking clientele. And, collectively, these examples lend support to other studies which have highlighted the vital role of host country language skills in accessing host country markets (L. Altinay & E. Altinay 2008; Arrighetti et al. 2014). But, upon closer examination, there remains a difference between the situations of Anna and Petro. Crucially, for Petro, hiring Polish labour appears to be a more expensive endeavour (relative to the cost of co-ethnic labour), whereas for Anna (and many of the other migrants entrepreneurs from the core-states subject group), hiring Polish labour seems to be the exact opposite, namely, *less expensive*.

6.4. Insight into the variation

Above I have outlined distinct meso level variations between the two subject groups in terms of their ethnic division of labour. While those from periphery-states seem are likely to conform with Ethnic Enclave Theory and hire co-ethnic labour, those from core-states usually buck this trend and, instead, are more likely to hire native, Polish labour. Now, in this section, my goal is to account for such variation. Specifically, I will show how these variations are the result of an uneven, *macro level* environment and how it interacts with migrant entrepreneurs' and their variation in micro level resources. In order to make such an analysis more manageable, I will once again divide this macro level environment up into four layers: 1. Politico-institutional; 2. Economic; 3. Socio-cultural; and 4. Technological.

6.4.1. The politico-institutional environment

As seen in Chapter 5, the political-institutional environment plays a role in shaping migrant entrepreneurs' opportunity structures. Here, I will show how it also seems to play a role in shaping their hiring practices. In support of Kloosterman & Rath (2001), I will show how this happens on both a regional and national level. Yet, once again, I will also show how it likewise plays a key role on an *international* level.

Regional

The increase in immigration to Wrocław in recent years, combined with a lack of capacity of the local government to process the paperwork of all the new arrivals, has led to Wrocław having reportedly the longest waiting times in Europe⁷⁰ with an average of 328 days in 2018.⁷¹ As a result of this, the supply of labour is, in effect, being limited through the action (or inaction) of the local government, subsequently causing problems not only among migrant entrepreneurs seeking to employ non-EU labour, but also Polish business owners in general.⁷² Despite this, as seen previously, many migrant entrepreneurs from periphery-states, in particular, Ukraine, continue to employ co-ethnic labour, so it seems that the long waiting times do not block labour altogether, but simply slow down the time it takes to formally access it. Although this demonstrates how the politico-institutional environment can affect migrant entrepreneurs' hiring practices on a local level, it does not, however, provide any insight into the variations between the two groups of migrant entrepreneurs.

National

I turn now, then, to the role of regulation on a national level. Andriy (Ukraine) explains to me below why he predominantly hires Ukrainian students:

“70% [of employees are] from Ukraine, but the people from Ukraine usually study here and can work and it's possible to work here. But when they finish their academy, they can't work and must go home”, (Andriy, Ukraine, cafe).

Andriy is referring to a national law which allows non-EU residents to work if they have a student visa. This, combined with the lengthy wait time and cost of applying for regular work permits, makes students a relatively more attractive source of labour. So, in other words, it seems that national laws reduce his access to some types of co-ethnic labour (non-student Ukrainians), but not others (Ukrainians with student visas).

For Olek (mentioned further above), these restrictions, regarding who can and cannot open a business, have had a positive effect, essentially reducing potential competition. As seen previously, he predominantly hires Ukrainian nationals as

70 'FOREIGNERS IN LOWER SILESIA WAIT THE LONGEST FOR RESIDENCE PERMIT': <https://wroclawuncut.com/2019/07/02/foreigners-in-lower-silesia-wait-the-longest-for-residence-permits/>

71 'REPORT CONFIRMS POLISH AUTHORITIES CAN'T COPE WITH IMMIGRATION INFLUX': <https://wroclawuncut.com/2019/08/20/report-confirms-polish-authorities-cant-cope-with-immigration-influx/>

72 'BUSINESSMAN BLOCKS URZĄD PARKING IN PROTEST OVER PAPERWORK DELAYS': <https://wroclawuncut.com/2019/11/14/businessman-blocks-urzed-delays/>

a way of increasing employee loyalty. Unlike Polish employees, these Ukrainian employees (on work visas) cannot legally open a sole proprietorship to compete against him. This, perhaps, offers a way to account for the high incidence of co-ethnic employment among Ukrainians. That being said, this was seldom mentioned by other migrant entrepreneurs, so it does not seem to be a common reason. Further, despite being unable to open sole proprietorships, his employees would still legally be entitled to open an LLC, so it would suggest that this is not a full-proof strategy.

International

Here, I will once again argue that an extra layer of the politico-institutional environment, namely an *international* level, also plays a key - albeit indirect - role in shaping migrant entrepreneurs' hiring practices. As seen in Chapter 3, for many of those from periphery-states, Wroclaw was not at the top of their list in terms of destination countries. As such, their choice of Poland depends upon three key components within the international politico-institutional environment. First, regulation within their country of origin must allow them to legally emigrate. Second, regulation within Poland must allow them to immigrate (or, at least, reside in Poland). Third, regulation of their first choice countries (e.g. Germany) must provide sufficient legal barriers to deter them to the extent that they choose Poland instead. These factors, when combined with the uneven international *economic* environment (which provides an economic incentive for those in impoverished locations to relocate to more affluent locations), provide the backdrop against which we have seen high levels of migration from periphery-states (notably, Ukraine) to Wroclaw and Poland in general. Subsequently, it seems fair to say that the international layer of the politico-institutional environment has played a key role in contributing to the plentiful supply of Ukrainian labour within Wroclaw. It still does not, however, explain why the Ukrainian migrant entrepreneurs seem more likely than their core-state counterparts to make use of this labour supply. Subsequently, in search of answers, I now turn to other layers of the global environment.

6.4.2. The economic environment

As seen previously, many of the migrant entrepreneurs from core-states spoke of how much 'cheaper' Wroclaw is in comparison to their (core-state) country of origin. Importantly, it seems that these migrant entrepreneurs are not the only ones who appreciate the relatively low-cost environment of Wroclaw. They, I propose, might just be micro-level examples of a macro-level trend of core-state companies outsourcing labour and production to Wroclaw. Indeed, in the previous chapter we saw this confirmed by a representative of the City of Wroclaw who explained how 'more than 120,000 jobs were created thanks to these investors'. It seems that the availability of affordable labour, combined with other factors (such as

Poland's membership of the EU and its geographical proximity to Western Europe) have contributed to Wrocław becoming 'the heart of outsourcing' (Niall, Ireland, IT support) for many Western multinational corporations. This is further supported by a range of third party data. In a report by KPMG,⁷³ it was found that American companies alone have created as many as 220,000 jobs in Poland with investments of 130 billion PLN in the first quarter of 2018. As such, the comparatively affordable (Polish) labour supply provides a mechanism to explain why the majority of migrant entrepreneurs from core-states predominantly hire native, Polish labour.

It seems, however, that Wrocław, despite having lower costs than core-states, is not the location of the lowest costs. As seen previously, several migrant entrepreneurs are accessing even 'cheaper' sources of labour located in periphery-states, such as Vanko (Ukraine) who is employing Ukrainians physically located in Ukraine.⁷⁴ For Vanko, his main motivation in hiring these employees is the relatively lower wages compared to the wages of equivalent labour in Wrocław. Conversely, it was seldom observed that migrant entrepreneurs employed (the relatively more expensive) labour located in core-states.⁷⁵ At this point, we begin to see the beginnings of a labour hierarchy, with labour in core-states at the top of this hierarchy, labour in periphery-states at the bottom, and labour in Wrocław (within the semi-periphery-state of Poland) being somewhere in between.

Indeed, this variation of the cost of labour across *space* is supported by the situation of Niall (Ireland) who runs his own IT company in Wrocław (and Cracow), employing about 200 people. He explains to me how, despite 70% of his labour being Polish, he also recruits employees from core-states and relocates them to Wrocław:

"We headhunt people from the West, yes they make less than London, but the costs are much less in Poland, so we can offer them a great life",
(Niall, Ireland, IT support).

So, in this example, the same labour, when present in core-states, is more expensive, yet, after being relocated to Wrocław, becomes less expensive. In other words, *the cost of the exact same labour can vary across space*.⁷⁶

But that is not all. Importantly, as seen earlier in this section, the cost of labour seems to vary not only according to its geographical location, but also according to its geographical origins. Let us remember, for example, how Roberto has to pay

73 'American investments in Poland', KPMG 2018.

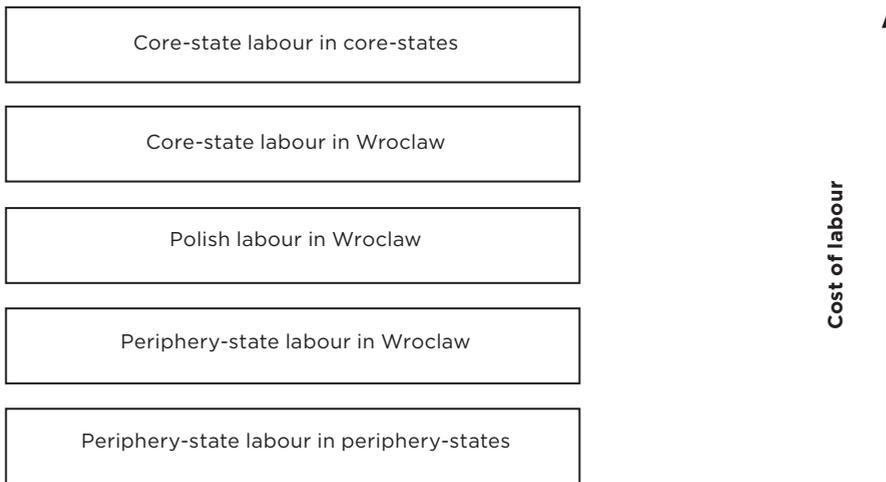
74 There was also one example of a migrant entrepreneur from the core-states subject group who was found to utilise periphery-state labour situated within a periphery-state. This was Bruce (Australia) who was employing an online assistant in the Philippines.

75 This was only observed in one case, which was Hans who employed a German employee (a qualified lawyer) physically located in Germany.

76 Later in this chapter I will also provide evidence for how it can vary across time.

higher wages for his Italian chef and, conversely, how Bogdan's employees are all Ukrainian because, according to him, they are more affordable. This, in effect, adds additional layers to the labour hierarchy, whereby the price of labour varies not only according to its location, but also its geographic origin. An outline of this hierarchy is shown in Figure 6.1.⁷⁷

Figure 6.1. Variation in the cost of labour according to the geographical origin and location of the labour



Source: My own illustration based upon trends which emerged from the qualitative interviews with migrant entrepreneurs and representatives of third party organizations.

When looking at this hierarchy, an important question arises: If labour from periphery-states is more affordable, then why don't more migrant entrepreneurs from the core-states subject group employ this demographic? That is to say, if the goal of migrant entrepreneurs from core-states is to reduce labour costs by relocating production to Wroclaw, then why don't they go 'further down the labour hierarchy' and hire periphery-state migrant labour in Wroclaw, or further still, hire periphery-state labour within periphery-states? Clearly, then, there are other factors at play besides purely economic ones. Indeed, I now turn to another layer of the macro environment, namely, the socio-cultural layer.

⁷⁷ At this point, I would like to point out that this hierarchy is non-static and can change over time. Earlier we saw how Igor (Finland) stated that 'in the IT world, it is not anymore near-sourcing.' His use of the word 'anymore' here implies that that was not always the case. Indeed, the cost of labour in Poland has increased considerably since it joined the EU. As such, this highlights how the economic environment not only varies across space, but also across time.

6.4.3. The socio-cultural environment

The socio-cultural environment, I will now argue, plays a role in two key ways: 1. It contributes to uneven wages; and 2. It provides the backdrop against which social and cultural capital can perform a bridging role to sources of labour. Starting with the first, I already showed in the first half of this chapter how migrant entrepreneurs are not only embedded within local socio-cultural networks (such as spatially confined ethnic enclaves), but also within a wider, international socio-cultural environment. This environment, as noted in Chapter 5, is far from being ‘flat’, but instead seems somewhat hierarchical with core-state cultures positioned toward the top of this apparent cultural hierarchy. The labour originating from these ‘top level’ cultures is, apparently, worth more. I have already mentioned the example of Roberto and his Italian chef, but this pattern was also repeated in other sectors, for example how Walter (UK) pays his teachers from the UK more than his teachers from Poland:

“I mean that’s dictated by the fact that the companies expect to pay less for Polish teachers [of the English language]. So, it’s not that we will set the prices. The prices are kind of...dictated by the market, so I don’t really agree with it necessarily, but at the same time there is some logic to it, because the British people have to come a little bit further and people are gaining knowledge about the culture as well as the language”, (Walter, UK, English language school).

Walter attributes this to the market, but why is the market (i.e. the wider society of Wrocław) willing to pay more for English language teachers from the UK, or Italian food prepared by Italian chefs? It seems that such cultural goods are viewed as being more valuable, while if they were to be provided by Polish labour they would somehow then be less valuable. Here, we begin to see the emergence of cultural hierarchies, to which I will return in Chapter 7.

Second, migrants’ social and cultural capital can perform an important *bridging role* to sources of labour. While in Chapter 5 I showed how such capital can bridge migrants (predominantly from core-states) to affluent core-state *markets*, here I highlight how it can also bridge migrants (predominantly from periphery-states) to the relatively affordable sources of (co-ethnic) periphery-state *labour*. So, for example, as seen previously, Danilo (Ukraine) employs an exclusively Ukrainian workforce with whom he was connected via his Ukrainian social and cultural capital. So, importantly, both subject groups are demonstrating the important role played by social networks in entrepreneurship (Zimmer & Aldrich 1987), albeit in varying ways. Yet, although this provides a way to explain why migrants from periphery-states seem more likely (and better able) to access affordable sources of periphery-state labour, it does not explain why they do ‘go further down the labour hierarchy’

by likewise utilizing it as a bridge to even more affordable sources of periphery-state labour physically located in periphery-states. This, I argue, can be explained by the final (technological) layer of the global environment, as outlined below.

6.4.4. The technological environment

Within the literature, it has been shown how technological developments have provided the backdrop against which migrant entrepreneurs are able to conduct business internationally (Zhou 2004). Indeed, as seen in Chapter 5, certain industries seem better able than others to lend themselves to international distribution. Importantly, the exact same ability, which allows a business to access clients internationally, inherently also allows businesses to choose sources of labour geographically distant from the clientele. This, when combined with the uneven global economic landscape, provides business owners with an opportunity to reduce costs by relocating their production to geographical locations where they can access a plentiful supply of affordable labour. But, of course, not all industries lend themselves well to long-distance distribution, in which case business owners can, instead, look to certain groups of immigrant labour as an alternate way of decreasing costs. This process is described by Sassen (1999):

'Immigration and off-shore production are ways of securing a low-wage labor force...in developed countries. They also represent a sort of functional equivalence: that is, productive facilities that cannot be shifted off-shore and have to be performed where the demand is, e.g., restaurants and hospitals, can use immigrant labor while facilities that can be shifted abroad can use low-wage labor in less developed countries', (Sassen 1999: 1144-1145).

This seems to be exemplified by the situations of Vanko and Bogdan (both from Ukraine). As seen previously, Vanko has a team of programmers in Ukraine which services his clients in the USA. Instead of employing programmers in the USA, or programmers in Wroclaw, he has chosen a geographical location which offers him a plentiful supply of affordable programmers. This act of sourcing labour from his home country seems in line with the behaviour of other high-skilled migrant entrepreneurs in (semi-)periphery-to-core migratory contexts (Saxenian 1999; 2002). Figure 6.1., previously, showed a hierarchy of labour costs. It seems somewhat logical that, given the freedom and flexibility of choosing the nationality and location of labour, that migrant entrepreneurs, such as Vanko, choose the most affordable option (so long as it also meets their other non-economic needs). While Vanko is able to employ co-ethnic labour situated in Ukraine, Bogdan, by contrast, who is running his own hairdressing salon, is in an industry which does *not* lend itself well to international distribution. As such, he is unable to make use of co-

ethnic labour physically located in Ukraine. Subsequently, and with the bridging role of his social and cultural capital (as outlined above), he has hired the 'functional equivalent' (Sassen 1999), namely, co-ethnic immigrant labour in Wrocław.

6.5. Conclusions

Within the literature surrounding ethnic enclaves, migrant entrepreneurs have often been found to recruit employees from a plentiful pool of local, co-ethnic labour (Wilson & Portes 1980; Light et al 1994; Min & Bozorgmehr 2000; Drori & Lerner 2002). Indeed, in this chapter I showed how many migrant entrepreneurs from periphery-states (in particular those from Ukraine) seem to be doing exactly this. Yet, when we begin to study 'up' and look at the migrants from core-states, we start to see a very different picture. These migrants appear less likely to employ co-ethnic labour which, it seems, is often *neither cheap nor plentiful*. On the contrary, it appears to be more expensive and limited in supply within Wrocław. As a result of this, these (core-state) migrant entrepreneurs seem more likely to opt for native, Polish labour.

Furthermore, in contrast to the assumption of Ethnic Enclave Theory that migrant entrepreneurs rely upon resources in the immediate environment (Wilson & Portes 1980; Drori & Lerner 2002; Portes & Shafer 2006), migrants from both subject groups were shown to (sometimes, but not always) make use of social capital extending *internationally*, subsequently lending support to other scholars who emphasise the international character of social networks (Toussaint-Comeau 2008; Chen & Tan 2009). Yet, importantly, the use of such capital seems to vary according to its geographical location. While social and cultural capital from core-states aids migrants with accessing core-state markets i.e. *demand* (as seen in Chapter 5), social and cultural capital in periphery-states seems more likely to play a role in labour *supply* and production.

Dividing the phenomenon of migrant entrepreneurship up into three (micro, meso, and macro) layers (Kloosterman 2010), I subsequently explored reasons for these variations. Here, I showed how the various layers (politico-institutional, economic, socio-cultural, and technological) of the macro environment interact with migrant entrepreneurs' variations in motivations and access to resources (on a micro level), resulting in these variations in migrants' ethnic division of labour (on a meso level). Starting with the politico-institutional layer of the macro environment, I showed how its specific, international configuration (combined with economic incentives) helps to explain why so many people from periphery-states (in particular, Ukraine) have migrated to Poland, leading to the plentiful supply of periphery-state labour within Wrocław. Yet, to understand why this supply of labour is not only plentiful, but also *affordable*, it was necessary to highlight the important role played by the economic environment. Here, I showed how its unevenness, on

an international level, creates spatial variations in the cost of labour, with labour located in core-states costing more than the equivalent labour in (semi-)periphery-states. Nonetheless, even on a local level within Wrocław, wage disparities seem to persist, with labour from core-states apparently costing more than the equivalent labour from periphery-states. This, I argued, shows how migrants are not only embedded within an uneven economic environment, but also an uneven socio-cultural environment which, as shown, assigns greater value to certain cultures over others. As a consequence of this, the outline of a labour hierarchy within Wrocław becomes apparent, whereby the cost of labour varies not only according to the location in which it is situated, but also the location from whence it came. Within such a hierarchy, there is an economic incentive for entrepreneurs to access the more affordable pools of labour further down the hierarchy (assuming they also possess the requisite skills required by the entrepreneur). But, importantly, their ability to do so is affected by their position within two other layers of the macro environment. First, returning to the socio-cultural environment, I showed how migrants from periphery-states (notably, Ukraine) seem better able to utilise periphery-state social and cultural capital to bridge themselves to relatively affordable (co-ethnic) sources of labour situated in - or originating from - periphery-states. Second, migrants' position within the technological environment helps to explain why some businesses, which lend themselves well to long distance distribution, seem better able than others to take advantage of more affordable sources of labour located in periphery-states.