REFUGEES AND THE ENTREPRENEURIAL PROCESS

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Abstract

The MV Tampa incident in 2001 involving refugees was a watershed in public opinion in New Zealand. Refugees and their right to claim asylum created a great deal of debate. There is public disquiet regarding the diverse backgrounds of refugees and their reliance on the welfare system. Official data shows that 86 percent of refugees are still unemployed after five years residency in New Zealand (JR McKenzie Trust 2004). As a result of public concern at the high level of state dependency amongst refugees, creating alternative avenues of economic independence has become the focus of government and NGO action. The transition of refugees to becoming entrepreneurs and small business owners is one way of escaping both welfare dependence and the discriminatory views of many employers. However, the nature of this assistance and how successful these programmes have been are still unknown. In addition, whilst current literature recognises indigenous, ethnic and minority entrepreneurs there is still little mention of the entrepreneurial activities of refugees in New Zealand.

The aim of this paper is to add to the literature on entrepreneurship as well as advancing the literature from the traditional focus on refugees “plight” to their attributes as entrepreneurs and small business owners. The paper commences with a critique of the relevant literature and arrives at a set of synergistic definitions. A conceptual model on refugee integration and transition as developed by Valtonen (2004:87), together with the Human Capabilities Framework (Tipples 2004) are used as platforms to develop a new framework. The paper presents preliminary findings on the type of assistance available to refugees in New Zealand. The paper concludes with a summary of the key barriers facing refugees in becoming entrepreneurs.

Introduction

One of the outcomes of recent world events since 9/11, the MV Tampa incident and the Asian tsunami has been an increased awareness of the plight of people in foreign countries and their survival in difficult circumstances. There has also been a crystallising of the New Zealand public’s opinion, particularly since the MV Tampa incident, to either accept or reject refugees and their plight. The New Zealand public, is also concerned with the acceptance of increasing numbers of refugees from an increasingly diverse number of countries that seemingly have very little similarity to the New Zealand way of life.

Many people in difficult situations in hot spots around the world are forced to flee their country of origin and claim asylum in a second or third host country. How they fare in their host nation depends on the policies and treatment of refugees by the government and society as well as their ability to integrate.

For many in New Zealand the result of their efforts to integrate into the host nation, is welfare dependence, with 86% of refugees being unemployed at the five year mark after arrival. Adult refugees are leaving the harder tasks of integration into the workplace to their children. For many, the initial dreams of a new start and a prosperous future gives way to the reality of workplace discrimination, invalidated qualifications, steep down grading of work, the safety and security of the welfare system, day to day difficulties with language use, transport problems, housing issues and cultural shock. Social exclusion and family reunification are also problematic.

What is lacking from both society and the refugee literature is positive framing of refugees so that they move from welfare dependence to economic independence. This paper proposes to connect the concepts of refugee and entrepreneur in an effort to assist refugees and enhance the academic understanding of both refugees and entrepreneurs. Critiquing relevant literature and defining relevant definitions provides a basis for exploring the concepts of refugees becoming entrepreneurs. The concepts of integration as noted by Valtonen and the Human Capability Framework as noted by Tipples and the new Garnham Framework will explore these concepts. The type of assistance that refugees can receive will also be detailed as well as the barriers to becoming a refugee entrepreneur.
Critique of Relevant Literature and Definitions

It is important to distinguish between refugees and migrants. Refugees are different to migrants as they have been designated refugees either by the United Nations High Commissioner for Refugees (UNHCR) or by their host country. Refugees are admitted to a country for humanitarian reasons. Migrants are people who are admitted to a country for reasons of economic nature.

New Zealand has adopted the 1951 United Nations Convention for Refugees and the 1967 Protocol Relating to the Status of Refugees. These two conventions, case and statutory law form the basis of how New Zealand authorities treat refugees and people seeking asylum.1

The 1951 definition of who is a refugee is as follows:

"A person who owing to a well founded fear of persecution for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his [or her] nationality and is unable or unwilling to avail himself [or herself] of the protection of that country." (UNHCR, 1951, 1967)

There are four ways of being accepted as a refugee by New Zealand. The first is as a refugee in the annual quota of 750 UNHCR designated refugees. The second way a person qualifies is by becoming an asylum seeker at New Zealand’s border.

One off allowances, such as accepting 133 refugees off the MV Tampa is the third way of qualifying.2 The fourth method is that of repatriation of the family members of refugees and is a way that family members of refugees who come from refugee like circumstances can be granted citizenship.

Statistics on the intakes of refugees from both the New Zealand Statistics Department and the Immigration Service are difficult to obtain. However, New Zealand has in the period 1979 – 2002 admitted 16,860 quota refugees. Since 1992 there have been 2041 convention refugees.3 Still unknown are the numbers of family reunification refugees and one off intakes due to specific events. The trend has been to accept refugees from Africa, the Middle East and South East Asia in the last 25 years.5

Refugees who become entrepreneurs do so out of a need to secure work, be independent financially and be free from the welfare system. Entrepreneurship is an academic field of study itself but there is a lack of consensus in the definition of entrepreneur. The definition of an entrepreneur often depends on what the intentions of the researcher are.6 This is in spite of the Organisation for Economic Co-operation and Development (OECD) stating that 30%-60% of small to medium enterprises (SME’s) are entrepreneurial in nature.7 Research into the definition of who is an entrepreneur can be divided into the environmental school and the sociological school.8

The OECD (2000) states, “entrepreneurs are people who sense opportunities, innovate, take risks and develop new goods and services. They drive business dynamics and fuel overall economic growth.”11 Chell (2001) states that the definition of entrepreneur has many influences from several directions. Chell (2001) brings together several contributors to make a definition of what is an entrepreneur so that what results is a multi faceted and possibly evolving idea. Schumpeter for example contributes the idea of innovation. Schumpeter, contributes the idea that the entrepreneur perceives the potential of a situation and the need for risk taking. Casson, notes that judgement or perception of opportunity are important. Low and MacMillian’s contribution of opportunities being created and assisted by the advantageous positioning of the business in the first place show that making the best of what you have and being in the right place at the right time is important. Bird contributed the idea of entrepreneurial intention. Busenitz suggests that personality characteristics play a part in the definition of entrepreneur. There is an interaction between intention, sense making and the decision to found which highlights the organic nature of the process of entrepreneurship.12 Tying these characteristics into one definition becomes problematic. Schaper and Volery (2004) state that entrepreneurs “are risk taking people who react to profit opportunities, bear uncertainty and serve to bring about a balance between supply and demand in specific markets.”13 Ucbasaran, Westhead and Wright (2001:59) point out that there are several types of entrepreneurs: nascent, novice, habitual, serial and portfolio entrepreneurs.

A sub group are the ethnic entrepreneur group who are not part of the most prevalent culture of any given society. Although they are a sub group of entrepreneurs they may also be the major group into which refugee entrepreneurs fit. Ethnic entrepreneurs are seen as an economic and sociologically different group within the entrepreneur class. Social factors mobilise the ethnic person and their resources to create the entrepreneurial business idea into a viable business.14 Three elements contribute to the concept of ethnic entrepreneur and they are the ethnic resources, the structure of the business and the causal factors, which lead to the mobilisation of the resources. Ethnic resources are seen as “socio-cultural” features of the ethnic group from which the entrepreneur comes that they use in their business venture.15 The structure of the business is based on the social networks of webs of personal interaction that are gained through personal interaction and economic activities. Capital, information and resources are mobilised through these activities to create the ethnic business.16 The third element is that of the causal factors that lead the ethnic entrepreneur into business. These causal factors are seen as an adaptation to the “historic and racialised labour market discrimination.”17 The ethnic entrepreneur recognises the inherent discrimination in the labour market and responds to their needs for financial security by enacting an entrepreneurial business idea.

The “theory of middleman minorities” contributes to the ethnic entrepreneur understanding by suggesting ethnic
enterprises occur when the person has an orientation towards their country of origin and experience a hostility from the native population in which they live.19

Refugee and ethnic entrepreneurs have differences and similarities. The similarities are based on the use of the ethnic difference in formulating the business idea and to differentiate themselves out in the marketplace. The structure of the business is often the same with reliance on their own ethnic groups as the start of the web network for the business as well. The causal factors are usually based on experiencing discrimination in the labour market.

The differences become apparent when comparing the backgrounds of refugees and ethnic groups. Refugees are often traumatised individuals who have experienced degradation. They have come to the host country with very little assets often and have to start from the beginning. The ethnic entrepreneur while holding onto their culture are further along in the integration journey and do not have the added label of refugee to loose while integrating. They also are more likely to have assets that can be used for financial security.

It is also important to define a small to medium enterprise (SME). The most common definition of a small to medium enterprise (SME) is one where a business has less than 250 employees and has a turnover of less than $150 million annually.10

Models

Valtonen’s model of integration (2004) has been chosen as it best represents the integration process that refugees go through. Integration is the major task for the refugee to achieve once reaching their host country. Integration is defined as “the ability to participate fully in economic, social, cultural and political activities without having to relinquish one’s own distinct ethno cultural identity and culture. It is at the same time a process by which settling persons become a part of the social, institutional and cultural fabric of society.”20

Valtonen (2004) has formulated a model that has split into three. The initial phase of integration, termed pre-flight, is where the person becomes aware of their well-founded fear of persecution and threat to their personal safety.21 The person flees becomes a refugee and after an intervening period are transferred to a country of asylum. The second phase is where the refugees are in their host country and are focused on the activities and processes involved in becoming established in the country of asylum. The refugee has economic goals and political goals of achieving equality and fairness for themselves as well as overcoming any discrimination. Refugees have social objectives relating to finding and creating a social network in their host nation that is supportive for their needs. Refugees also have cultural goals of maintaining their own culture and making sense of their new culture to achieve.22

Within the second phase Valtonen (2004:74) details the concept of formal citizenship and substantive citizenship and contributes the idea of refugees gaining formal legal citizenship by the legal processes of a host country. Substantive citizenship is seen as the experience of citizenship in the host country.

The third phase is where the refugee is integrated into the host nation and they no longer strive with the process of integration. They no longer see themselves as refugees but as citizens of the host nation freely able to be themselves no matter what their past experiences are. Refugees also need to gain the experiences of emancipation, parity, independence and cultural integrity as well.23 Emancipation is seen as “freedom from systemic and structural oppression, and the openness or access of societal spheres to settling refugees and immigrants.”24 Parity is seen as “the realisation among the citizens of the society’s procedural commitment to deal equally and fairly with each other.”25 This would include refugees being treated fairly and equally. Independence is seen in terms of the refugee community having “dense networks of interaction and mutual transactions that take place in informal circles attest[ing] to social bonding at the community level.”26 In this context, independence from the structures of society and formal relationships occurs. Personal relationships in the forms of networks become important. Cultural integrity is seen as: the person’s ability to shape the terms and pace of cultural adjustment.27 This process does not mean that they let go altogether their former culture but when they integrate they find meaning in the old culture and the new culture at a speed that allows for the dignity of the refugee to remain intact.

For full settlement to take place there needs to be adjustments in the receiving society must also take place. It requires capacity building within the host societies as well as ethnic communities that result in integration that both refugees and host societies desire. Figure 1 shows the Valtonen (2004:87) conceptual framework for refugee integration.
Human Capability Framework

The Human Capability Framework is a concept that has been developed and introduced by the New Zealand Department of Labour in 1999.28 It was introduced as a research model and a guide for Ministers of the Crown to develop policy and to understand employment policy specifically.29 However, it also applies to the refugee who wishes to become an entrepreneur and is a way of documenting this process. The concept has at its core the well-being of the person and the advancement of this well-being is it’s primary goal. It can be seen as physical, material, psychological, social and cultural well-being. Well-being can be advanced by using “financial, physical, cultural, social and human resources.”30 Capability is seen as “the ability of people to do things – both the capacity and the opportunity to do things.”31

Figure 2 and is a diagrammatic form of the Human Capability Framework that shows the three sections – Capacity, matching and opportunities. The Human Capability Framework model “has [three] main components: capacity, opportunities and matching, which provide a basis from which individuals may be seen as participating in a variety of social relations that affect their choices and aspirations.”32 Capacity is defined as the skills, knowledge and attitudes that people have, that they can use to their advantage either in the labour market or other opportunities.33 Opportunities are described as the choices available to the parties involved in the process where their capacity can be used to gain financial or other rewards.34 Matching is described as links between the capacity and opportunities and allows for the influences that affect the people involved.35 The quality of information determines whether the matching is ultimately successful or not. Matching and therefore linking allows the exploration of what components come together as capacity to do a particular skill as well as how the capacity is usefully enhanced.36

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The Human Capability framework is applied to the refugee entrepreneur case in Figure 3. Refugee entrepreneurs have influences that enhance their capacity. Each refugee entrepreneur has societal and cultural influences that impact on their capacity. This is because different societies and different cultures have different needs and wants that influence the capacity of the individual refugee. Each society and culture has strengths that are present in the refugee entrepreneur. For example, if the refugees come from a non-English speaking country they will have different cultural influences. Local community influences enhance the refugee’s ability to become an entrepreneur. Each refugee also has individual attributes that make them more likely to become entrepreneurs. Some are outgoing or introverted, some are physically more able find and others are more mentally attuned to the work they are looking for. Refugees may have formal skills knowledge of a particular job and attitudes that enhance their ability to become an entrepreneur. They may be willing to undergo further training or have the right training for particular opportunities. Their family or ethnic group may have input into the decisions that a refugee makes. For example, they may open a business, which is placed to solve a problem that has occurred in their own family that the refugee sees as a profitable venture.

Balancing out the capacities that refugee entrepreneurs have are the entrepreneurial opportunities. Refugees may have entrepreneurial ideas of starting their own business. The international workplace environment may make opportunities for refugees to take advantage of entrepreneurial opportunities. The technological business environment may give them opportunities to further expand their opportunities. Refugees may have a business opportunity and lack the required financial backing but they find this in the market place. There may be a consumer preference for their type of entrepreneurial abilities that makes their business ventures desirable. They may have the right cultural background for example to prepare meat in the Halal method of meat processing. They may have a different ethnic background that leads them to opening an ethnic restaurant.

The skills that the refugee has are matched with the opportunities that are in the business environment so that they can take up the opportunities that arise. The opportunities may or may not be paid work to begin with but lead to entrepreneurial business ventures in the future because they have made contacts, got New Zealand work experience or found an entrepreneurial business idea to follow up on.

The Garnham Framework detailed here describing the refugee entrepreneurial process in figure 3 is an extension of the Human Capability Framework. Refugees bring with them experiences that only a refugee could have experienced. They are added to the supply side of the model because they influence the capacity of the refugee and offer something different to the market place. Experiences that the refugee has prior to asylum add to the character of the refugee. Experiences after arrival are also important as they assist in mobilising the entrepreneurial ideas, ethnic resources, the structure of the business and the web of contacts to convert the entrepreneurial ideas into businesses.

Figure 3: The Human Capacity framework applied to the Refugee Entrepreneurship.

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<tr>
<th>Capacity Influences</th>
<th>Refugee experiences</th>
<th>Capacity</th>
<th>Labour market opportunities</th>
<th>Refugee entrepreneurial opportunities</th>
<th>Labour Market opportunity influences</th>
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The demand side of the model is extended by including the refugee entrepreneurial opportunities. By extending the demand side of the model it then balances the model. Refugees may have entrepreneurial ideas of their own that are connected to the fact that they are refugees or opportunities may occur that they convert into businesses.

**Type of Assistance Available to Refugee Entrepreneurs**

Any assistance that is available to refugees is available to all New Zealanders as there is no one government department whose focus is to assist refugees. In 2002, a scheme of mentoring for non-English speaking job seekers was started however this scheme did not assist refugee entrepreneurs specifically. In 2003, a sum of $62 million was set aside by the government to assist refugee’s integration into the workplace. This money, to be spent over four years, was budgeted to assist refugees with learning English, careers advice, qualification assessment and community resource providers that would assist refugees integrating into New Zealand society. There was no money allocated to assist refugees who had entrepreneurial ideas of starting a business.

Business assistance for refugees is based on the fact that they wish to become entrepreneurs and discounts the fact that they are refugees. Targeting the specific needs of refugees is not done and so the refugee needs to be very motivated and able to learn about the New Zealand business environment from the structures that are in place that for all entrepreneurs. There is no bridging information for the refugee for example who had operated successful businesses in their country of origin or who wish to do the same in New Zealand. The information that a refugee requires is about New Zealand business systems, government regulations and general business information.

Assistance available to all entrepreneurs in New Zealand is based on the following:

- Business incubators that develop their ideas and reduce the risks of the business.
- Business memberships and networks that grow the webs of personal interaction necessary to grow a business.
- Specialist funding assistance is available through the funding information service, MINE for Business Angels and the Escalator service.
- There are government departments that assist entrepreneurs with their business ideas, funds and seeking further advice. They are the: Business Information Zone, the Inland Revenue Department, the Intellectual Property Office, the Ministry of Economic Development, New Zealand Trade and Enterprise and Work and Income New Zealand (WINZ).

In the beginning the most applicable assistance is provided by WINZ because the majority of refugees receive some sort of income assistance. Beneficiaries are given an allowance for 1 year following the start of their business while it is going through the start up phase. It is a cash grant and does not have to be repaid. To be eligible the refugee / beneficiary:

- Needs the grant to start up their business.
- Has been enrolled with WINZ for 6 at least months and receiving income support from them.
- Are of a legal working age and a New Zealand permanent resident.
- Have a good business idea and are not an undischarged bankrupt or been self-employed within the last 12 months.

The allowance amount depends on how long the person has been enrolled with WINZ, the cash flow needs and their personal financial situation. The allowance can either be used for personal living needs, business education or for business needs and advice.

**Key Barriers Facing Refugees**

Refugees face many barriers to becoming entrepreneurs in their host nations. While New Zealand does not necessarily restrict refugees from becoming entrepreneurs it does not encourage them. The most prominent barrier is the financial barrier. Financial institutions are reluctant to lend refugees capital because of a perceived greater risk and higher potential loss of return on investment. As a result start up finance is difficult to obtain because they usually do not have any security for the loan. Then, once the refugee has started their business there is the requirement that they discontinue welfare support and so this places undue pressure on the refugee to succeed in their new venture.

Often when a refugee does become an entrepreneur, it is in the retail sector and they set up businesses that service their own ethnic community. Refugee communities are not often large enough to support a growing or financially successful business. There is then a pressure to expand the business and appeal to the wider community just to make it profitable.

Western societies have lengthy official legal requirements before a person can start up a business. This combined with English as a second language difficulties can make starting a business for a refugee a daunting process particularly when there is a lack of specifically targeted advice for refugees who want to start their own business.

The ethnicity of a refugee can be a barrier because of discrimination when dealing with financial institutions, government agencies and the wider business community. Preconceived ideas and stereotyping by society may result in lost opportunities by both parties but ultimately
the refugee misses out on the goal of financial independence.

In New Zealand there is a lack of appropriate training in business knowledge at a level that is targeted at refugees. This results in the failure of business ventures to get off the ground or that greater risks are taken and businesses struggle to grasp the compliance issues required of them.

Factors enhancing success of refugee entrepreneurs:

- Recognising that refugees are a special group with special needs who also need to be treated the same as other citizens.
- Support structures that are targeted to assisting refugees become entrepreneurs.
- Government, nationally and locally, putting initiatives in place that target the specific needs of refugee business owners.
- Venture Capital assistance
- Allowing the refugee to receive welfare assistance through the initial period.
- Mentoring by experienced business people.
- Assistance with the regulatory framework and compliance costs.
- Targeted training for refugees wanting to become entrepreneurs.

Discussion

In New Zealand, refugees are people who qualify under the definition of the 1951 and 1967 UN conventions and are granted asylum. Refugees start to achieve integration tasks and goals once asylum is granted. Refugees who become entrepreneurs do so out of a need to secure their future financially and to overcome labour market discrimination. The difference that refugee entrepreneurs have is that their refugee experiences are incorporated into the person that they are. These experiences and opportunities are directly related to the fact that they are refugees and are combined with the socio-cultural aspects of a business venture, the structure of the business venture and the causal factors that motivate the refugee to choose the path of refugee entrepreneurialism.

Entrepreneurs are people who “are risk taking people who react to profit opportunities, bear uncertainty and serve to bring about a balance between supply and demand in specific markets.”

Ethnic entrepreneurs, a sub group of entrepreneurs, is the large group into which refugee entrepreneurs fit. The Garnham Framework is a way of documenting the refugee’s journey into entrepreneurship. And so added to this are the refugee experiences preand post arrival and the refugee entrepreneurial opportunities that refugees can convert into a business venture.

There are however, barriers that refugees face when converting an entrepreneurial idea into a business venture. Assistance though for the motivated refugee entrepreneur is available but not for those who need basic understanding of business skills and requirements. There are factors that would enhance the likelihood of success of a refugee entrepreneurial idea being converted into a successful business.

Conclusion

Refugees are a specific group within the community who have qualified for New Zealand residency and citizenship because they are refugees who have been accepted for asylum by the New Zealand government. The experiences that they bring with them together with opportunities shape the path they take to financial independence. This financial independence can include becoming an entrepreneur. Being a refugee gives an added dimension to the entrepreneurial experience. Socio-cultural factors help shape the entrepreneurial experience as does the structural shape of the business venture. Causal factors, which help motivate the refugee into becoming an entrepreneur, are also at work.

Future Research

Learning of the process of becoming an entrepreneur can be beneficial for the refugee community as well as the academic community. Steps in future research therefore involve case studies of refugee entrepreneurs and their business ventures - both successes and failures, in depth documentation of the refugee entrepreneurial process, distinct from the ethnic entrepreneurial process, case studies of the start up phase in the business cycle will be valuable as well as the documentation of the barriers to entrepreneurial success and how they can be overcome.

Notes


30 Department of Labour. Human Capability - A Framework for Analysis. www.dol.govt.nz 12.7.05

31 Department of Labour. Human Capability - A Framework for Analysis. www.dol.govt.nz 12.7.05


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