NyföretagarCentrum: Note on Gaps, Needs & the Way Forward

Summary:

This note on the ***Gaps, Needs & the Way Forward*** is a multi-perspective collection of experiences, feedback, and recommendations to further support migrant and refugee entrepreneurship in Sweden within the COVID-19 context. It is a snap-shot of the situation and reflects the views of the entrepreneurs themselves, those working directly to support entrepreneurship, and the larger support system. The overarching emergent commonalities of the varied perspectives is the need for greater entrepreneurship financial and knowledge resources, and accessibility to the Swedish entrepreneurial regulatory system. In this regard, the systemic gaps and needs as identified at the user, implementer, and strategic levels are aligned and therefore reinforcing of their validity.

It is important to note that the particularities of these needs and gaps are specific to the stakeholder group. As each perspective holds value towards addressing the system as a whole, this paper does not attempt to amalgamate the findings from each perspective, but instead reflects the reported realities of each stakeholder group.

Methodology: The following results are based on the qualitative responses from four data sources:

1. Focus group: NyföretagarCentrum taskforce, i.e. 15 local NyföretagarCentrum, September 2020.
2. NyföretagarCentrum National 5-Year Client Survey (2015 - 2020), September 2020. 58,000 recipients, 8% return rate.
3. NyföretagarCentrum Stockholm county specific, extracted from 5-Year Client Survey (2015 - 2020), September 2020. (Note: 5% respondents are New in Sweden. This is not representative of the Stockholm population).
4. NyföretagarCentrum National Advisor Survey, October 2020. 200 recipients, 40% return rate.
5. *NyföretagarCentrum / NES Round Table: Entrepreneurship for recent arrivals and the consequences of Covid -19*, November 2020. 39 participants, representing: the Ministry of Enterprise and Innovation; the Swedish Agency for Economic and Regional Growth; the Swedish Tax Agency; Academia; Former Counsel General New York; Finance sector - major and niche banks; Union; Revent non-profit sector; and Relevant Private Sector / NyföretagarCentrum Partners.

Note: To ensure both inclusion and adherence to Swedish cultural context, NyföretagarCentrum does not ask nor identify any entrepreneur as a migrant or refugee. It is the organization's policy to support any entrepreneur regardless of gender, background, residency status or social situation. The below results include recently arrived entrepreneurs who identify as being born outside of the EU, and arriving in Sweden in 2015 or later.

I. State of play - *Impact of COVID-19 on migrant/refugee businesses*

1. In what ways are these businesses hit harder in the crisis than other businesses?

Local NyföretagarCentrum / Advisors:

Businesses owned by recently arrived entrepreneurs are in a more vulnerable position: no financial buffer compared to Swedish-born owned businesses, and have a more difficult time in accessing financial services.

Recently arrived entrepreneurs:

Recently arrived entrepreneurs are in many cases in a good position to operate a business, and at the same time the most vulnerable in comparison to their Swedish-born counterparts. Due to their vulnerable financial situation, their businesses are less able to absorb environmental shocks and stressors (attachment 1).

- **Well Educated**: Within the Stockholm area, 84% of recently arrived entrepreneurs report having a university degree and 16% having a secondary degree, while nationally 73% of recently arrived entrepreneurs report having a university degree and 16% with a secondary degree. The proportion of university degrees at both the Stockholm and national levels is significantly higher than the Swedish national average of 28%[1].
- **Prior Business Owners**: Within the Stockholm area, 31% of recently arrived entrepreneurs report being prior business owners, while nationally 29% were prior business owners. This is significantly higher compared to only 8% of their Swedish born counterparts in Stockholm and 5% nationally.
- **Financially Vulnerable:**
    - Within the Stockholm area 38% of recently arrived entrepreneurs report being unemployed before starting their businesses, while nationally 36% of recently arrived entrepreneurs were unemployed. This is a significant difference compared to their Swedish-born counterparts with 15% unemployed in the Stockholm area and 16% nationally.
    - Within the Stockholm area 44% of recent arrived entrepreneurs report living below the poverty level[2] before starting their businesses, and 58% nationally, compared to 10% of their Swedish-born counterparts at the Stockholm and national levels. In actuality, Sweden has one of Europe's largest proportion of residents born outside the EU whose income is at or below the poverty level[3].
    - Within the Stockholm area, 75% of recently arrived entrepreneurs reported low annual turnover of less than 25,000 euro compared, and nationally 73% nationally. This is a significant difference compared to 41% of their Swedish-born counterparts within the Stockholm area and to 47% at the national level. (Note: Swedish median income is 32,217 euro/year.[3])

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[1] Equal share of persons born in Sweden and foreign born persons have post-secondary education. (source Sweden Statistics Bureau. Published 5 December 2018. https://www.scb.se/en/finding-statistics/statistics-by-subject-area/education-and-research/education-of-the-population/educational-attainment-of-the-population/pong/statistical-news/educational-attainment-of-the-population-in-2017---educational-attainment-among-foreign-born-persons-2017/

[2] Relative poverty or 'low financial standard' is 60% below the median income; Median income 32,217 euro/year: Relative poverty in Sweden is 19,327 euro/year. (source: SCB, Inkomster för personer, 2 Sept 2020)

[3] SCB, Sweden Sverige sticker ut i statistiken om risk för fattigdom, 14 October 2020

Both within the Stockholm area and nationally, recently arrived migrant and refugee businesses (in Sweden for 5 years or less) are more likely to be affected by the pandemic compared to their Swedish born counterparts (attachment 2).

- Within the Stockholm area 75% of recently arrived who have been in Sweden for less than 5 years report being affected by the pandemic and 70% nationally , vs 55% of Swedish born in the Stockholm area and 52% nationally.
- Delayed Start-up: In the Stockholm area, almost three times as many recent arrivals have had to delay start-up compared to counterparts, and nationally more than half of recent arrivals have delayed started-up compared to Swedish born entrepreneurs.
- Temporary closed: Within in the Stockholm area 6% of recent arrivals and 5% of Swedish born report temporarily closing their businesses. Nationally, twice as many recent arrivals have had to temporary close their business compared to Swedish-born counterparts.
- Lost customers: Within the Stockholm area, 9% of recent arrivals report having lost customers, compared to 6% of Swedish born entrepreneurs. This trend is reversed at that national level with 3% more Swedish born reported lost customers, then recent arrived.
- Increased business: Within the Stockholm area, 16% of recent arrivals report having increased business compared to 22% of Swedish born. This number is much higher compared to the national average of 6% of Swedish born entrepreneurs have increased business during the crisis, compared to 2% of recent arrivals.
- Permanent closure: Within the Stockholm area, no recent arrivals have reporting permanently closing their business and only 1% of Swedish born. Nationally, Swedish born and recent arrived entrepreneurs have reported permanent business closures at the same rate of 2%. Note: this rate may be significantly skewed due to respondent participation, it may be assumed that those who closed businesses permanently may be less likely to participate in an entrepreneurship an survey.

2. Are there differences between the impact of the crisis on early stage businesses and established businesses (incubating and accelerating stages)?

Local NyföretagarCentrum / Advisors:

Yes - early stage businesses have smaller or no liquidity; do not have a solidly established infrastructure and operations necessary to adapt to the changing environment; limited loyal customer base, and smaller networks.

3. Which groups of businesses have shown to be most vulnerable? (e.g. related to different sectors, communities, gender, residence status, duration of stay, etc.)

Local NyföretagarCentrum / Advisors:

- Observed that the business sector is a great significance. This target group is more likely to have businesses in the service and retail sectors, which has been hit the hardest.

Recently Arrived Entrepreneurs:

The most vulnerable business owners are those who have been in the country the least amount of time, and women. However, length of stay is a more significant factor to vulnerability than gender (attachment 3). This could be contributed to:

1. Business stage (incubator vs accelerator);
2. Establishment in country, i.e. language, network/contacts, legitimacy;
3. Gender consideration - women are generally more educated than men in this target group and therefore better prepared to adapt to changing situation; and
4. Business form: New arrivals (0 - 3 years in Sweden) are more likely to have sole trader, which are more vulnerable to shocks and stressors; and eligible for less government economic support; Note: women have higher rates of sole traders than men (both migrant/refugees and Swedish born).

Impact of COVID-19 on support system (incubators, accelerators, other services)

4. Which needs cannot (or not sufficiently) be addressed by existing support services?

Local NyföretagarCentrum / Advisors:

- Recently arrived entrepreneurs lack sufficient support networks
- Knowledge to run a businesses, especially the Swedish tax system
- Access to finance services - i.e. financing and to get a business bank account

Recently Arrived Entrepreneurs:

- Navigating the Swedish System
- Access to financing services (loan, investors, to get a business bank account, etc.)

5. What are the gaps and weaknesses which became especially visible during the crisis (of the supporting organisations and the support environment as a whole)?

NyföretagarCentrum/NES Round Table Multi-Sectoral participants:

- Regulations and system not geared to support entrepreneurship: Overall the Swedish system and regulations are not designed for entrepreneurs, it continues to operate on the historical premise of employment. Regulations need to be simplified and more transparent. Government verification and security processes need to be reviewed.
- Gaps in financial support:
  - Deficiencies in governmental financial support packages: Initially the crisis packages targeted limited companies, not sole traders.
  - In general, there is limited available financial support opportunity for recent arrived entrepreneurs.
- Knowledge resource gaps: Their is a gap in available knowledge and skill building resources for new entrepreneurs at the secondary education level, the unemployment agency, and other support agencies.
- Understanding of entrepreneurship situation: There is limited overview and data comprehensively capturing the situation of recently arrived entrepreneurship in Sweden.

Local NyföretagarCentrum / Advisors:

- Outreach and communication deficiencies of governmental financial support services - 25% of advisors identified that recent arrived entrepreneurs struggle with accessing existing governmental support services due to: *lack of knowledge that the support exists, how to navigate the system, and the necessary language skills to understand the complex/technical language of the support services.*
- Gaps in the government financial support packages:
    - Limited eligibility:
        - Many sole traders fall outside the possibility to receive some support options, due to high turnover requirements. (This is especially so for recently arrived women who are more likely to register as a sole trader)
        - Start-ups are not eligible for some support options due to requirements of having filed taxes in the previous year
    - Information/Application process
        - Rules, information, and process difficult to understand
        - Language barriers - information was not adapted for non-native speakers
        - Complicated application process
    - Limited to no additional support, for example NyföretagarCentrum, who is attempting to fulfill the information/service gap regarding:
        - increase in client needs
        - needed support to access government support package
        - Impact from the dismantling of Swedish Public Employment Service, and supporting 'forced entrepreneurs' who cannot get other employment

Recently Arrived Entrepreneurs:

- Government Crisis Financial Support is inaccessible, primarily designed for established and larger businesses.
- Affordable trainings: To start or convert business to e-commerce and adapt business during crisis

II. Way forward

1. Top 5 needs for organisations to better support migrant/refugee-owned and run MSMEs

Local NyföretagarCentrum / Advisors:

- Language support (32% of advisors identified language barriers as a top need)
    - Information and advise available in multiple languages
    - Business plan simplified - easy swedish and budget section
    - Advice
- Access to Financial services - funding and business bank account
- More education and knowledge support of the Swedish system - i.e. tax, laws and regulations
- Increased financial support/resources for civil support sector - i.e. NyföretagarCentrum, to provide the additional advising time and support necessary

NyföretagarCentrum/NES Round Table Multi-Sectoral participants:

- Changes in regulatory system to be more entrepreneurial friendly, i.e. transparency, simplicity, changes to validation and security requirements, financial support, and etc.
- Resource availability: Entrepreneurship knowledge, skill building, and finance
- Greater multi-sectoral networking and collaboration amongst entrepreneurship resource and service providers

2. Key drivers and necessary partners

Local NyföretagarCentrum / Advisors:

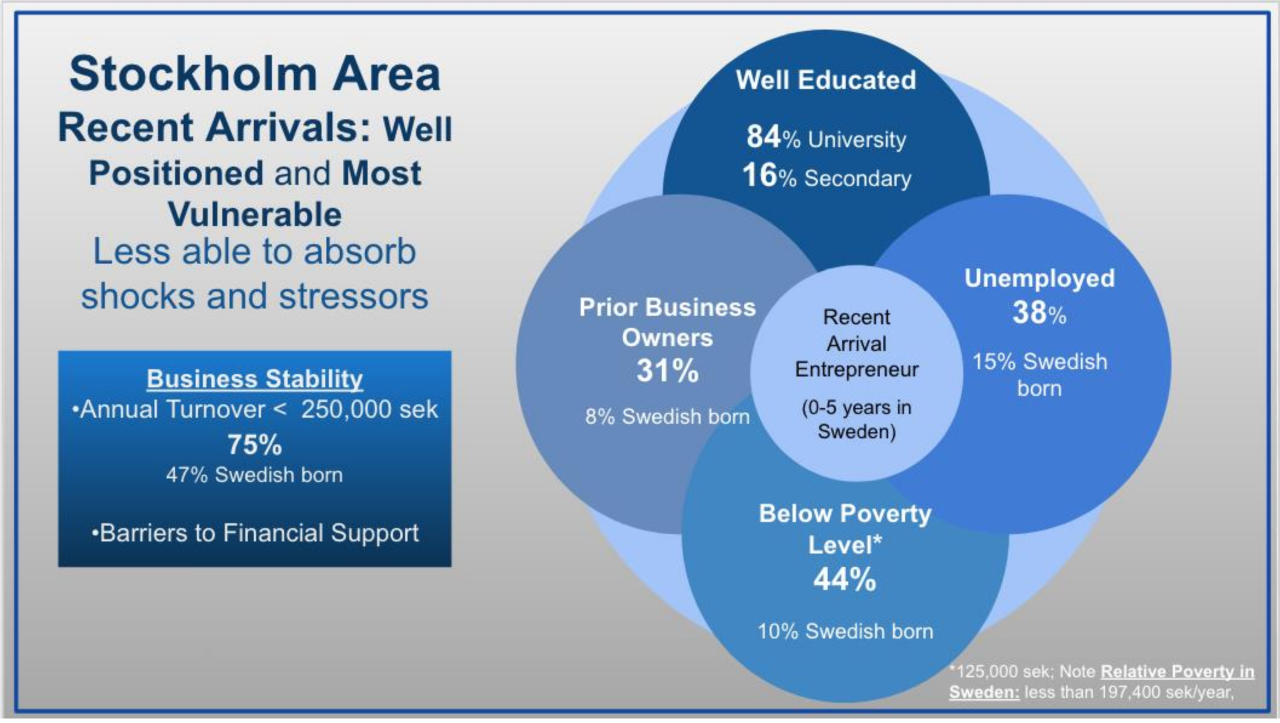
- Contacts/corporate networks
- Bank
- Municipalities

3. How: what are appropriate methods to create commitment and collaboration?

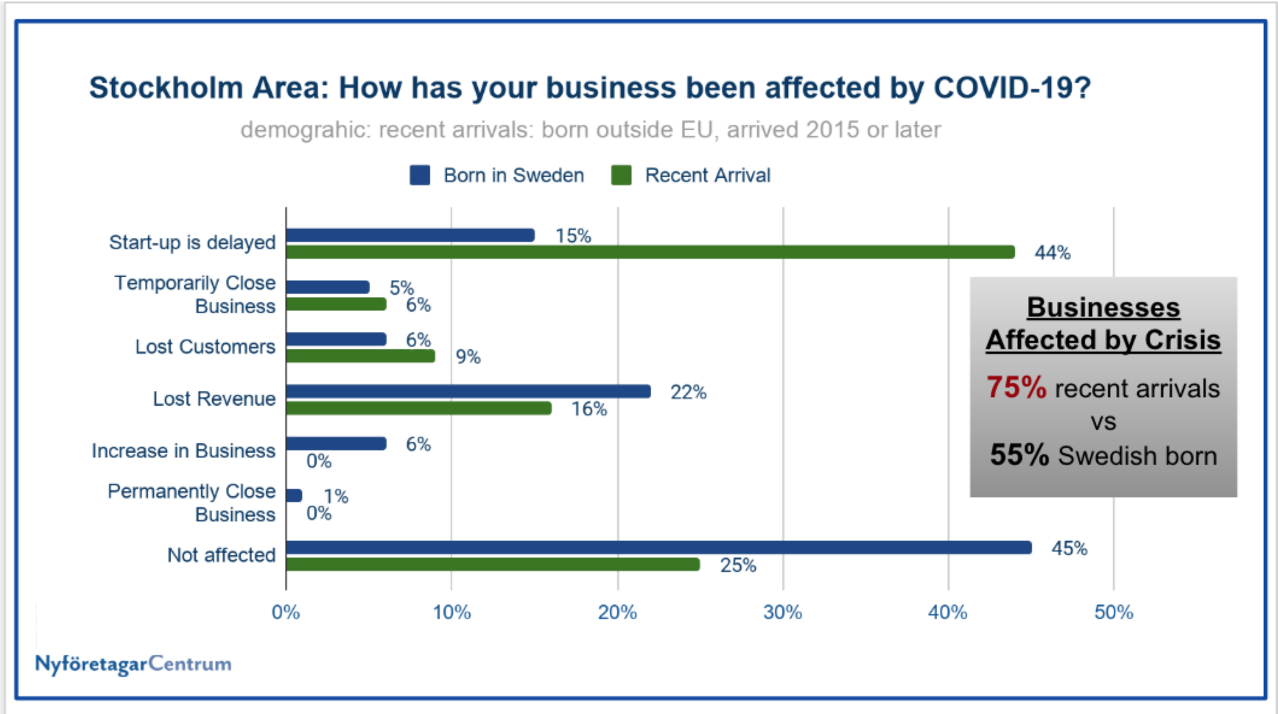
Local NyföretagarCentrum / Advisors:

- **Between NyföretagarCentrum and Entrepreneurs:**
    - Network meetings and outreach activities
    - Advising
    - Training, education, and knowledge development
    - Relationship building
    - Long-term support
- **Between NyföretagarCentrum and other companies:**
    - Networking
        - meetings
        - relationship building
        - joint activities
    - Newsletters and Social media
- **Between NyföretagarCentrum and local authorities:**
    - Network development
        - relationship building
        - network meetings
        - collaboration
    - Informational Advocacy
        - Discuss needs, problems, solutions, results
    - Newsletters and Social Media

Attachment 1



Attachment 2:



Attachment 3: National Level