EQUIP Europe

Why an increasingly diverse Europe needs **EQU**ality **I**n **P**rocurement for ethnic minority entrepreneurs

Philippe Legrain and Martyn Fitzgerald
OPEN for MSDUK

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Minority Supplier Development UK (MSDUK) | @MSD_UK
is the UK's premier not-for-profit membership organisation championing diversity and inclusion in public and private sector supply chains. Since its inception in 2006, the organisation has worked with and supported over 3,000 ethnic-minority businesses and 120 Fortune Global 500 firms, generating revenue of more than £800 million for ethnic-minority businesses.

Having established itself as the UK's leading supplier diversity advocacy organisation, MSDUK is being asked by its corporate members to extend its service offering across Europe. Companies across the US, UK and Europe are looking for an intermediary to help them in their European efforts to support minority businesses. Major challenges to developing a pan-European business model include the lack of a recognised definition of ethnic minority businesses and complex economic and legal frameworks.

However, research evidence suggests that there is a significant number of socially and economically disadvantaged migrant and/or ethnic-minority businesses that, by leveraging corporate supplier diversity programmes, could grow and contribute to an integrated economic revival across mainland Europe.

By commissioning this report, MSDUK aims to better understand the European landscape, get to grips with the definition of the beneficiary groups in key countries and gain an expert insight into the political, social and economic frameworks that will shape its expansion plan into Europe. We are very grateful to our sponsors, AstraZeneca, Bristol Myers Squibb, GlaxoSmithKline, Facebook and Johnson & Johnson for their contribution to fund this landmark research.

This is our second major research project with Philippe Legrain and Martyn Fitzgerald of OPEN and their extensive knowledge and body of work around refugee and immigrant entrepreneurs across the world comes across in these two projects. Our sincere thanks to them and everyone associated with this research project for their commitment to a more inclusive Europe.

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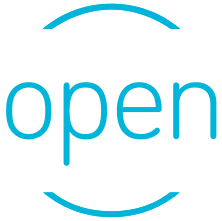

Open Political Economy Network | **@open2progress** is an internationally networked think tank that focuses on migration, diversity and other openness issues. Its mission is to inform, engage and influence both policymakers and public debate, notably by producing independent, rigorous and accessible research and analysis in partnership with a diverse global network of thinkers, experts and like-minded institutions. OPEN believes in being open to the world, open to everyone in society and open to the future and all its possibilities for progress.

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He is also the co-author of *Minority Businesses Matter: The Contribution and Challenges of Ethnic Minority Businesses in the UK* (co-published with MSDUK in February 2021).

His other studies for OPEN include *Refugees Work: A Humanitarian Investment That Yields Economic Dividends* (co-published with the Tent Foundation in 2016) and *Seven Steps to Success: Enabling Refugee Entrepreneurs to Flourish* (co-published with the Centre for Policy Development in 2019). He is of mixed French and Estonian heritage.

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Executive Summary

Immigrants and their descendants – who often have a non-Western background – make a growing contribution to European economies and societies as entrepreneurs. Yet they tend to struggle with huge disadvantages, not least discrimination, disconnection from mainstream business networks and disproportionate levels of doubt.[1]

To promote equality, encourage integration and boost economic growth, these ethnic-minority entrepreneurs need help.

One important — but largely overlooked — way in which both public authorities and large businesses could help is by giving smaller companies, notably those led by people with a non-Western background, more equal opportunities to win contracts to supply them. And by doing so they would also reap the benefits of more diverse, resilient, innovative and cost-competitive supply chains.

10%
of the EU population are from a non-white ethnic minority.

This pioneering report sets out the political, business and ethical case for *equality in procurement* in Europe. It explains how advancing what is known in the United States and elsewhere as supplier diversity requires adapting to European countries' particular legal, cultural and business characteristics. It identifies the countries in which conditions for inclusive procurement are most promising, while also setting out a framework for collective action at European level: EQUIP (EQUality In Procurement) Europe. And it outlines options for how best to work with existing organisations and networks to move forward with equality in procurement, notably for ethnic-minority entrepreneurs.

The primary focus of this report is non-white ethnic-minority entrepreneurs, whom we shall also call *ethnic-minority entrepreneurs or minority entrepreneurs* for short. Where ethnicity data is unavailable, the term (ethnic) minority entrepreneurs may refer to the closest available proxy, namely business owners with a recent non-Western background.

DISADVANTAGED MINORITY ENTREPRENEURS

Europe is increasingly ethnically diverse. But because most European countries don't collect data on the ethnicity of their populations, it is impossible to know exactly how diverse they are. What we do know is that immigrants and their children account for a large and rising share of Europe's population: 18% in the European Union and 47% in Switzerland.[2] While many are from a European background, most of those in the EU have non-Western origins – in Asia, Africa, Latin America or the Caribbean – and are typically non-white.

Using the number of residents with a recent non-Western background as a proxy, we estimate that around 10% of the EU population are from a non-white ethnic minority.

Some countries – notably in northern and western Europe – are much more diverse than others, especially those in eastern Europe. People with a recent migration background and those with a non-Western background in particular are concentrated in the richer EU-15 countries that avoided communism, as well as in Switzerland, Norway and the UK, which are not EU members.

Often, people with a migration background – especially those from a non-European one – are economically and socially disadvantaged. On average, immigrants in the EU tend to be 10% poorer than locals, while those in Switzerland are on average 11.5% worse off than people born in the country.[3]

Nearly three in five people in the EU say that discrimination on the basis of ethnic origin or skin colour is widespread in their country.[4]

People with a non-Western background are also particularly likely to experience discrimination, not least in the labour market.[5]

Despite those disadvantages – and in part because of them – immigrants and their children are often entrepreneurial. Indeed, they are increasingly self-employed: they work for their own account and also start businesses that employ others.

The EU-27 had nearly one million immigrant employers in 2019. While their numbers fell in 2020 due to the Covid-19 pandemic, they look set to bounce back this year and next as economies recover. Indeed, since immigrants accounted for 11.4% of employers across the EU-27 in 2019, up from 8.6% in 2010, they have a crucial role to play in that recovery.[6]

Many were born outside the EU. **Immigrants from outside the EU-27 accounted for 7.8% of EU-27 employers in 2019, up from 4.2% in 2010.[7]**

While there is no cross-country data on entrepreneurs with an immigration background, there is some national data. In Germany, a fifth of employers have a migration background. The proportion is similar in the Netherlands, where one in eight employers have a non-Western background.

Three in five

in the EU say that discrimination on the basis of ethnic origin or skin colour is widespread.

In short, while they face huge disadvantages, minority businesses matter to Europe.

WORTHY OF HELP

The political case for helping people with a migration background make the most of their potential is widely accepted. The three main reasons are:

- **Equality:** to promote greater equality of opportunity and outcomes;
- **Encouraging Integration:** to help immigrants and their children participate fully in society, and be accepted as valued members of it; and
- **Economic Growth:** to boost productivity and living standards by making the most of the dynamism and diversity of people from minorities.[8]

Both EU and national policymakers also increasingly recognise the importance of promoting entrepreneurship in general and inclusive entrepreneurship in particular. Big established companies are not the only source of prosperity; **new, smaller and faster-growing businesses also produce valuable goods and services, create jobs and wealth, innovate and export, and pay taxes.**

In addition to, or as part of, broader policies to promote entrepreneurship, **European policymakers increasingly pursue specific policies that seek to boost entrepreneurship among under-represented groups,** notably women, young people, seniors, the disabled and immigrants.

Immigrant entrepreneurs feature prominently in the impressive work on inclusive entrepreneurship by the Organisation for Economic Co-operation and Development (OECD) and the European Commission, notably in their flagship report, *The Missing Entrepreneurs*. Facilitating migrant entrepreneurship was also a goal of the EU's

Entrepreneurship 2020 Action Plan (which has yet to be updated for the 2021–27 budget period) and is an aim of the EU's Action Plan on Integration and Inclusion 2021–27.

At the same time, businesses and non-governmental organisations (NGOs) are also increasingly involved in promoting migrant entrepreneurship, for instance through start-up incubators and mentoring schemes.

GOOD FOR BUSINESS

One important way in which public institutions and businesses can help ethnic-minority entrepreneurs is through inclusive procurement.

Smaller businesses often struggle to win public and corporate contracts – an issue that is recognised in EU public procurement directives – **and minority-owned ones particularly so.** EU institutions, public bodies and large corporates are often more comfortable dealing with big companies with which they have established relationships, while big companies are better able to navigate and comply with complex and bureaucratic tendering processes.

This bias denies opportunities to smaller businesses, notably ethnic-minority ones, and also prevents public bodies and corporates reaping the benefits of more diverse, resilient, innovative and cost-competitive supply chains.

Corporate social responsibility (CSR) is one reason why large businesses ought to make bigger efforts to buy from companies led by people from disadvantaged groups.

At the same time, **broadening their purchase decisions can also enhance business performance.**

Through inclusive procurement policies, European businesses could:

- **Bolster equal opportunities** for potential suppliers – and **thus benefit from a wider, more cost-competitive, higher-quality and more resilient range of suppliers;**
- **Better reflect the diversity of businesses and society** – and by tapping into ethnic suppliers' diverse attributes, **boost their innovation, product development and market share;**
- **Be seen as good corporate citizens** – and thus **broaden their appeal to customers, employees, policymakers, investors and other stakeholders.**

OVERCOMING CHALLENGES

The need for equality in procurement in Europe is clear. So is the political and business case for it. **However, it faces a number of challenges.**

One challenge is a lack of awareness of the potential of inclusive procurement among policymakers and businesspeople. The EU's Entrepreneurship Action Plan 2020 didn't mention procurement, while the OECD's encyclopaedic *The Missing Entrepreneurs* 2019 report mentions it only once. So, a key aim of this pioneering report is to raise awareness of this important issue.

Another challenge is the need to tailor inclusive procurement programmes to European countries' particular legal, cultural and business characteristics. Europe is not the US. It is not the UK. And it is not all alike.

EUROPE IS NOT THE US

In the US – where supplier diversity programmes emerged as a result of the civil-rights movement of the 1960s – **large corporates increasingly have targets to boost their purchases from diverse suppliers:** businesses owned and operated by people from traditionally underrepresented groups, notably African Americans and other racial and ethnic minorities, women and veterans.

Crucially, **the US federal government also mandates that private companies which supply it subcontract business to minority and other underrepresented companies** – a stipulation that has been widely emulated at lower levels of government and by other public-sector bodies. Indeed, even private companies that don't directly supply the public sector may be required to source from minority businesses if they supply other private companies that do.

In Europe, such government mandates do not exist and would be illegal. Article 21 of the EU Charter of Fundamental Rights prohibits discrimination based on race and ethnic origin, among other things. Moreover, **the EU's Racial Equality Directive,**[9] which has been transposed into domestic law in similar ways by EU governments, **outlaws discrimination – positive or negative – on the basis of race, ethnic origin and other protected characteristics.**

However, it does permit and indeed encourage positive action "to prevent or compensate for disadvantages linked to racial or ethnic origin in order to achieve equal treatment."

In practice, the distinction between unlawful positive discrimination and lawful positive action is not always clear-cut. Broadly speaking, though, companies and public bodies are allowed to factor ethnic diversity into their procurement policies provided it is not an overriding criterion and all suppliers, including mainstream ones, can compete fairly.

The success of MSDUK, the minority supplier diversity organisation in the United Kingdom that commissioned this report, shows that EU law is not an obstacle to appropriate inclusive procurement policies; after all, the UK was an EU member until 2020.

Pan-European networks to encourage procurement from female-owned companies (WEConnect) and LGBTIQ-owned ones (EGLCC) also exist.

EUROPE IS NOT THE UK

Unlike the UK, however, most European countries – with the notable exceptions of Ireland and Finland – d**o not collect data on the race and ethnicity of their population, let alone that of entrepreneurs.** Instead, they tend to collect data on proxies such as residents' migration background.

Moreover, for historical and ideological reasons European countries are reluctant to emulate US-style identity politics. In part, this is a result of the post-war rejection of fascism and the discrediting of making distinctions between citizens on the basis of race or ethnicity. And it is also due to an egalitarian commitment to a single class of common citizenship rather than a jumble of competing hyphenated identities – a commitment that is particularly pronounced in France.

At the same time, politics and business are evolving. It is in France that Europe's first Diversity Charter was established in 2004 with a view to promoting diversity in the workplace – and this now has more than 4,000 signatories.

All EU countries (except Malta) now have a Diversity Charter, and there is an EU Platform of Diversity Charters to coordinate their activities. The EU's Commissioner for Equality, Helena Dalli, also organised a Diversity Month in May 2021 with a special focus on ethnic diversity.

France is also home to the only organisation in the EU that promotes supplier diversity: l'*Agence pour la Diversité Entrepreneuriale* (the Agency for Entrepreneurial Diversity), which was founded in 2009. While it was inspired by US initiatives, Adive now focuses on helping businesses located in deprived urban areas (*quartiers prioritaires*) where people with a migration background tend to congregate.

Yet while the EU outlaws discrimination on the basis of race or ethnic origin, it fails to mandate the collection of data to measure the extent of disparities and gauge whether they are being addressed.

Since corporate buyers, public ones and inclusive-procurement organisations are typically not in a position to certify that business owners belong to particular ethnicities or races, inclusive procurement policies that seek to help ethnic-minority businesses may instead need to focus on businesses owned or led by people with a migration background, particularly **entrepreneurs with a non-Western background.**

The success of MSDUK, the minority supplier diversity organisation in the United Kingdom that commissioned this report, shows that EU law is not an obstacle to appropriate inclusive procurement policies; after all, the UK was an EU member until 2020.

EUROPE IS NOT ALIKE

The immediate potential for inclusive procurement for ethnic-minority businesses is greatest in countries where minority companies are more numerous, the business climate is more receptive and the legal framework is supportive. Potential partners would be ethnic business organisations and Diversity Charters (or their members).

OPEN's scorecard suggests that Germany and Sweden are the most promising initial candidates, followed by Ireland and France, where Adive already exists, and then the Netherlands and Austria (see Table 1).

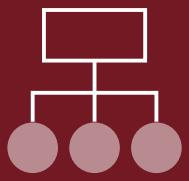
EQUIP EUROPE

At the same time, there is a strong case for creating an EU framework for inclusive procurement. This could be a key enhancement of existing EU strategies for inclusive entrepreneurship, facilitating smaller businesses' access to public procurement, integrating immigrants and people with a migration background, and ensuring equality.

Inclusive procurement is still in its infancy in Europe. It is most advanced, however, with respect to female-owned companies. **So, it would make sense to push for equality in procurement for ethnic-minority businesses through both individual national efforts and collective efforts at European level with WEConnect and the EGLCC.**

Such an EU-wide umbrella advocacy organisation could be called EQUIP Europe: EQUality In Procurement Europe. As with Diversity Charters, a decentralised country-by-country approach would fit well with EU-level coordination, information sharing and guidance.

The EU-wide umbrella advocacy organisation could be called **EQUIP Europe: EQUality In Procurement Europe.**



The case for equality in procurement in Europe is clear. Minority businesses matter to Europe – and so does equality. That's why both public authorities and large corporates ought to do more to ensure smaller ethnic-minority businesses have equal access to supply contracts. It is not only the right thing to do; it would also benefit them.

Table 1. Scorecard on European countries' readiness for inclusive procurement

	NEED: Migration-background population		POTENTIAL: Suppliers		APPETITE: Buyers				CONSTRAINTS		SCORE
	Ethnic-minority share of population (%)	Migration background share (%)	Employers who are non-EU-27 migrants (%)	Early-stage entrepreneurs with a migration background (%)	Diversity Charter	Minority supplier diversity organisation	WEConnect active	EGLCC active	Ethnicity data	Equalities law	/50
Germany	9.4	23.8	10.5	22.3	Y	N	Y	Y	N	Positive action	38
Sweden	15.1	30.6	17.6	13.7	Y	attempted	N	Y	N	Positive action	38
Ireland	5	22.2	5.1	23.2	Y	N	Y	N	Y	Positive action	36
France	19.6	26.8	9.2	21.2	Y	Y	soon	N	N	Ethnic hard	34
Netherlands	13.9	20.3	8.7	10.9	Y	N	Y	N	N	Positive action	33
Austria	6.8	30.5	10	n/a	Y	N	N	Y	N	Positive action	33
Denmark	8	18.4	9.1	26.3	Y	N	N	Y	N	Positive action	31
Norway	10.1	23.1	12.8	10	N	N	N	Y	N	Positive action	30
Finland	5.6	10.6	4.2	2.6	Y	N	N	Y	Y	Positive action	30
Italy	5.9	11.7	6.5	5.5	Y	N	N	Y	N	Positive action	29
Belgium	13.3	25.4	8.2	10.3	Y	N	N	N	N	Positive action	28
Spain	10.5	13.6	9	6	Y	N	N	N	N	Positive action	26
Portugal	9.6	10.6	10.6	9.7	Y	N	N	N	N	Positive action	26
Switzerland	11.8	46.8	8.5	18.1	N	N	Y	N	N	Positive action hard	26
Greece	4.3	8.7	2.8	3.7	Y	N	N	N	N	Positive action	16

Source: OPEN (see Section 5 for methodology)

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Introduction

The world's first Covid-19 vaccine was developed by BioNTech, a German biotechnology company founded and led by scientists of Turkish origin. CEO Uğur Şahin was born in Turkey and moved to Germany as a child to live with his father, who was a "guest worker" in a car factory in Cologne. His co-founder – and wife – Özlem Türeci, who is also the company's chief medical officer, was born in Germany to Turkish doctor parents.

The couple are serial entrepreneurs. They sold their first biotech company, Ganymed Pharmaceuticals, for €1.3 billion in 2016, while BioNTech, which is listed on the Frankfurt Stock Exchange, is valued at €94 billion.[10] BioNTech's market capitalisation captures only a tiny fraction of the value of its vaccine: the many lives saved, the many serious illnesses averted and the many benefits of reopening economies and societies earlier and avoiding further lockdowns. The contribution of Uğur Şahin and Özlem Türeci to the welfare of people in Germany, Europe and the world is monumentally massive.

BioNTech highlights the growing contribution to Europe of entrepreneurs with a recent migration background. In many ways, though, its experience is exceptional. In the midst of a pandemic, the demand for Covid vaccines was so universally pressing that BioNTech readily secured a partnership with Pfizer, a big US pharmaceutical company, to commercialise its novel jabs. And since then, governments have fought to secure large supplies of its vaccine as quickly as possible.

But for most smaller companies, ethnic-minority-led or otherwise, finding corporate or public-sector customers is much more of a struggle. Competition is tough – and unequal. Just as recruiters often limit their horizons to hiring people from similar social backgrounds who look like them, purchasing managers at big companies often restrict their procurement options to a small number of established larger suppliers with whom they have longstanding relationships.

This hurts the growth prospects of promising smaller businesses. And it harms larger mainstream businesses too, since their supply chains are less diverse, resilient, innovative and cost-competitive than they could be.

This pioneering report sets out the case for promoting equality in procurement in Europe. It covers the EU-27 as a whole plus Switzerland and Norway, while examining six countries with large established immigrant communities in greater depth: France, Germany, Ireland, the Netherlands, Sweden and Switzerland.

Uğur Şahin and Özlem Türeci, Alamy

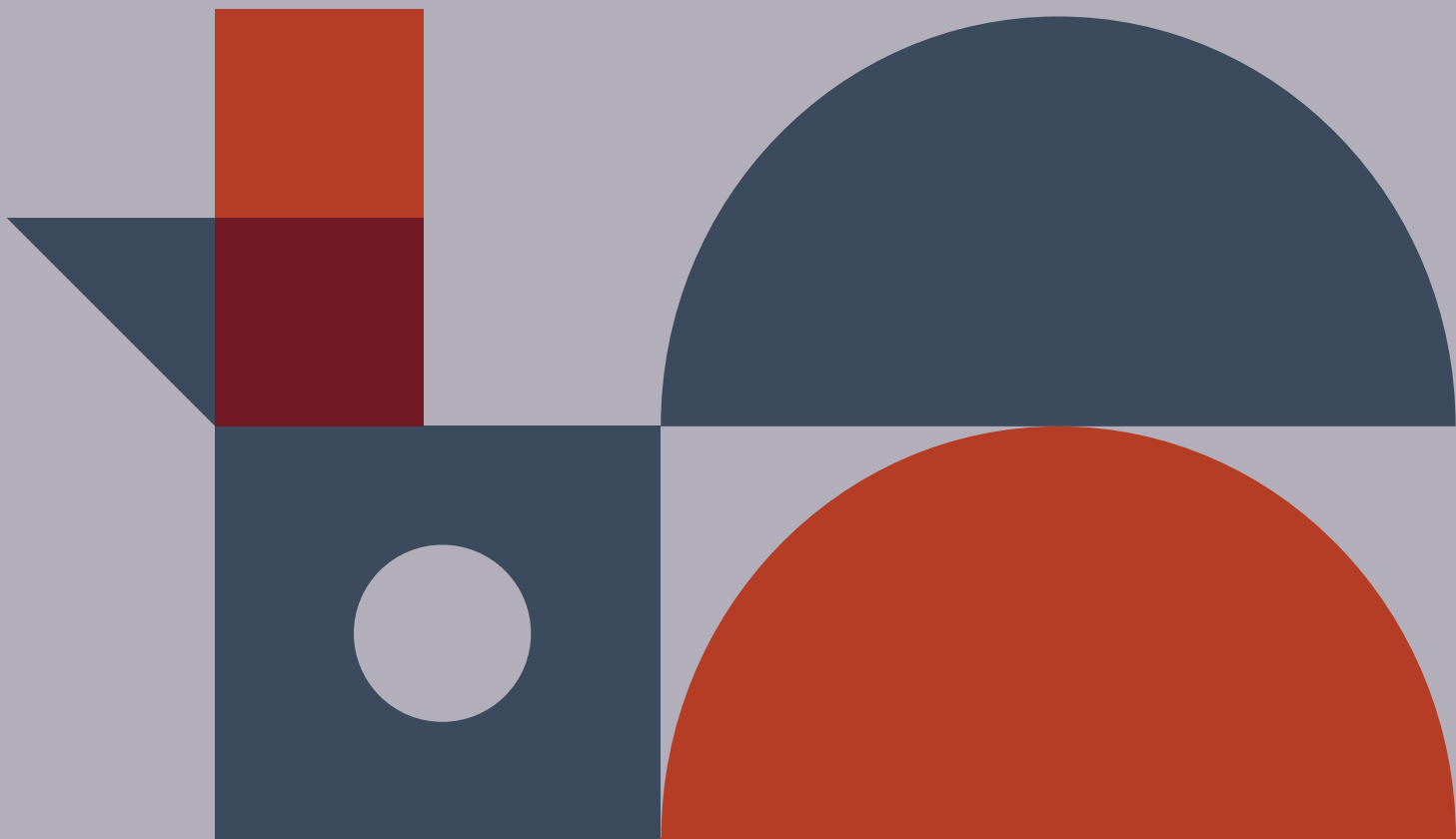
The study starts by presenting data on the importance of entrepreneurs with a migration background in Europe, notably those with a non-Western background (Section 1) and highlights how people from non-white ethnic minorities are often disadvantaged and discriminated against. It outlines the political, business and ethical case for why ensuring equality in procurement is so important (Section 2), while also explaining the challenges in implementing such policies and how they might be overcome. In particular, it looks at the legal, cultural and business characteristics that set European countries apart – both from each other, and from the US and the UK, where different forms of inclusive procurement programmes, known as supplier diversity, already exist (Section 3).

It then examines existing initiatives to promote inclusive procurement (Section 4) and sets out how best to proceed with implementing it more widely, arguing for a decentralised country-by-country approach within an EU framework (Section 5).

This report will use the terms *inclusive procurement* and *equality in procurement* interchangeably to mean *supplier diversity policies* that are tailored to European circumstances, namely those involving positive action – not US-style positive discrimination – to ensure greater equality in procurement for businesses owned or led by people from disadvantaged groups.

The disadvantaged group that is the main focus of this report is non-white ethnic-minority entrepreneurs, for which business owners with a recent non-Western background are a proxy. As shorthand, these are also referred to as ethnic-minority entrepreneurs or minority entrepreneurs. The study also looks more broadly at immigrant entrepreneurs and those with a migration background, who are also often disadvantaged and discriminated against.

1. Ethnic-minority entrepreneurship in Europe

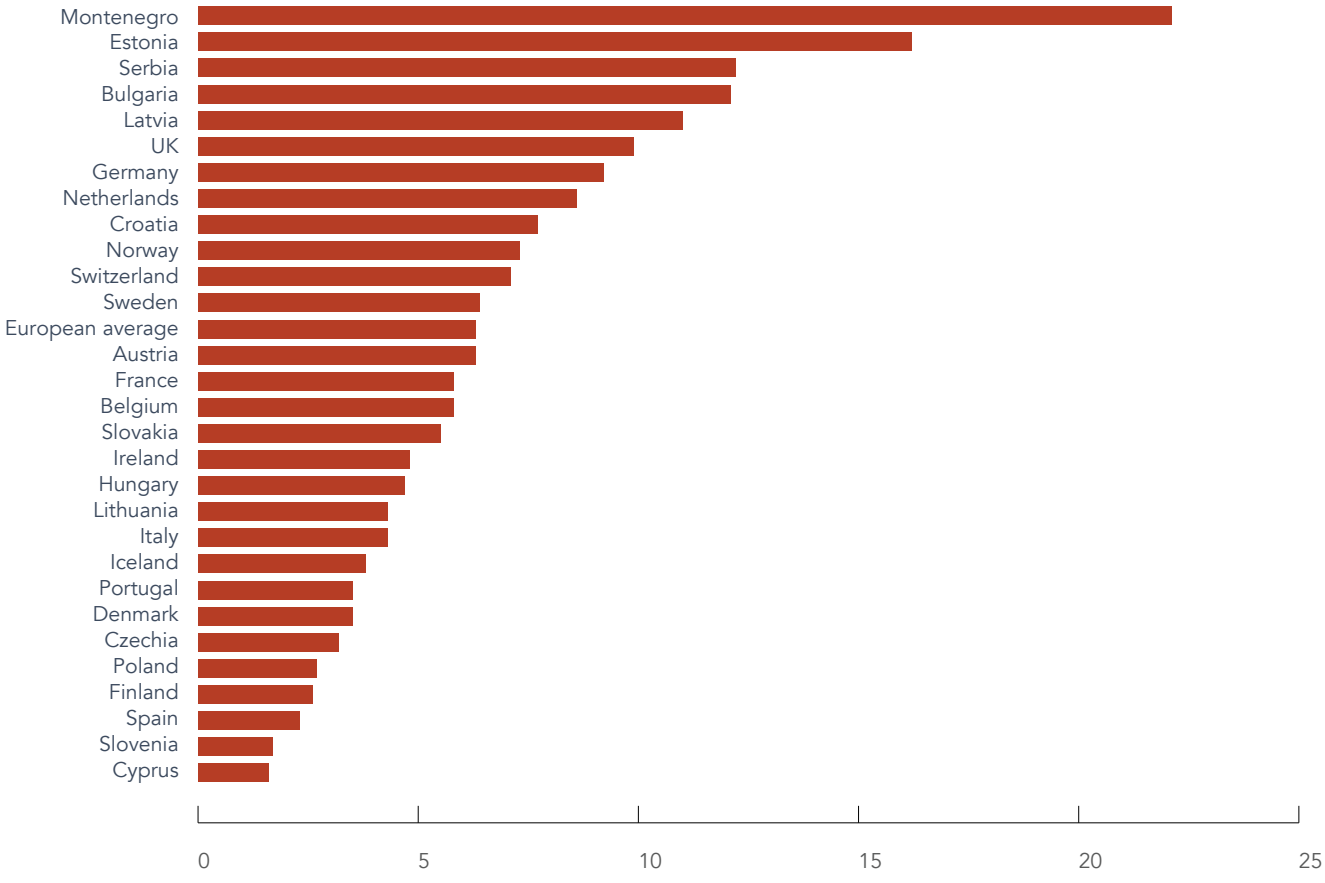


Establishing the potential benefits of inclusive procurement in Europe requires data on how many ethnic-minority businesses exist. But with the notable exceptions of Ireland and Finland, European countries don't collect data on the ethnicity of their residents, let alone that of entrepreneurs. So comprehensive, comparative data on the ethnic and racial composition of their populations and businesses is elusive.

Enquiries about ethnic origin are rare and unreliable. A special Eurobarometer survey in 2015 across the then 28 EU member states found that only 4.1% of respondents reported belonging to an ethnic-minority group.[11]

The European Social Survey (ESS), a periodic academic survey, asks respondents whether they "belong to a minority ethnic group in the country".[12] In 2018, 6.3% of respondents across 29 European countries said that they did (see Figure 1). However, this seems like a significant underestimate. In the UK, which does collect ethnicity data, only 9.9% of ESS respondents said they belonged to an ethnic minority.[13] Yet according to the UK's 2011 Census, 12.8% belonged to a non-white ethnic minority, a proportion that is likely to have risen since then.

Figure 1. Share of population stating they belong to a minority ethnic group in the country (%, 2018)



Source: European Social Survey

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ESTIMATING ETHNICITY

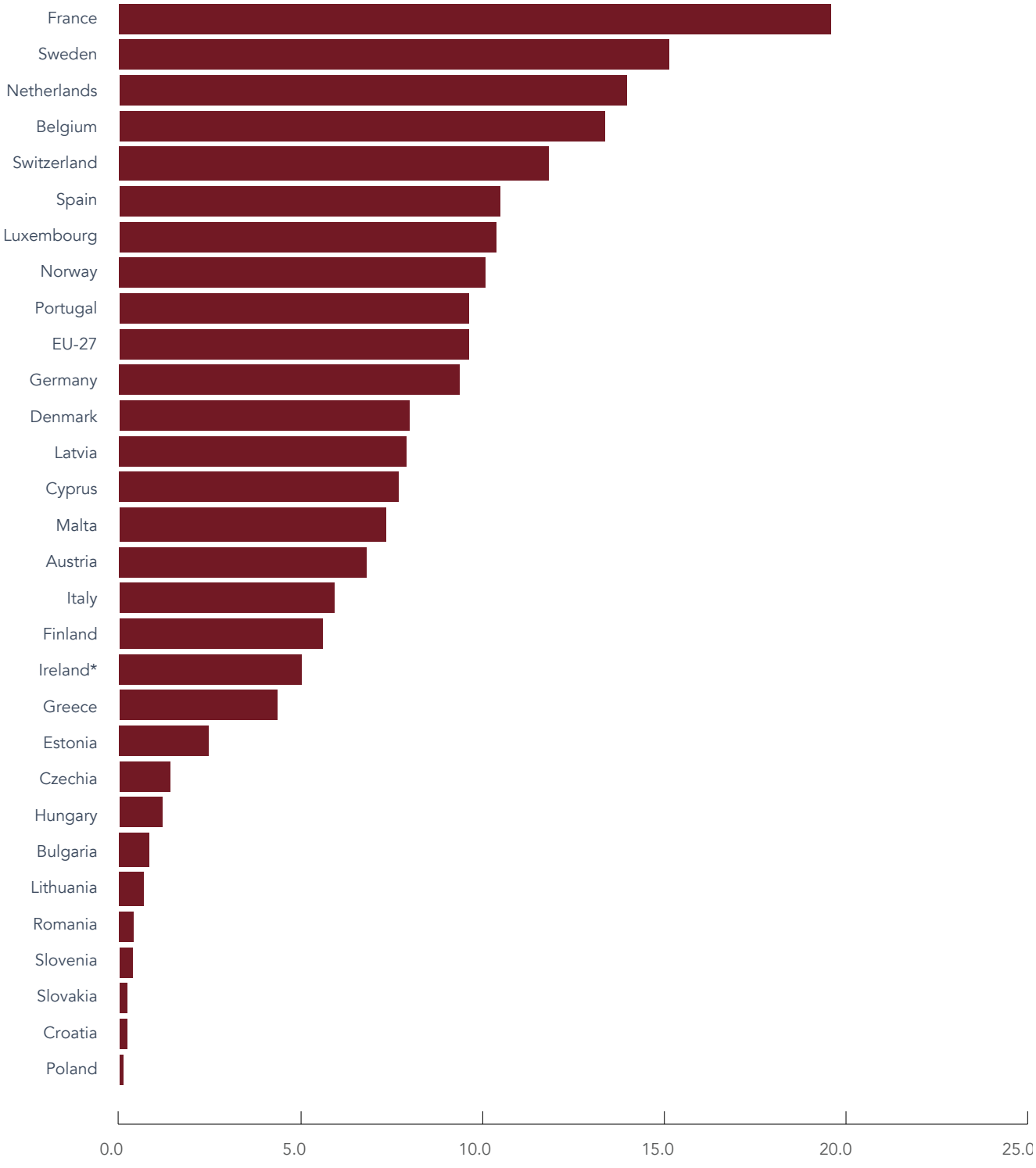
A better proxy for the ethnic-minority population in Europe is people who have a recent non-Western background. This includes those who were born in Africa, Asia, Latin America or the Caribbean, plus those born in a European country who have at least one parent with a non-Western background. By that measure, we estimate that around 10% of the EU population are from a non-white ethnic minority.[14]

10%
of the EU population are from a non-white ethnic minority.

Clearly, this measure is only approximate. It assumes that all immigrants from Africa, Asia, Latin America and the Caribbean are non-white. It excludes non-white immigrants from Europe, North America and Australia. It also omits non-white residents whose families have settled in Europe for longer than two generations. But in the absence of official data on ethnicity, it is arguably the best approximation possible. Our methodology estimates that 14.5% of the UK population in 2020 were from a non-white ethnic minority – which seems plausible.

In France, the European country with the highest ethnic-minority population, nearly one in five have a recent non-Western background. So are more than one in seven people in Sweden, and nearly one in seven in the Netherlands (see Figure 2). In contrast, only one in a thousand people in Poland are.

Figure 2. Estimated non-white ethnic-minority population* (% of total population, 2020 or latest)



Source: OPEN calculations from UN, OECD. *Actual ethnic-minority population in Ireland in 2016 Census

Given the legacy of European colonialism and the discrimination that non-white people often face in Europe, there is a good case for targeting inclusive-procurement initiatives at ethnic-minority entrepreneurs, as in the US and the UK. At the same time, the lack of data about minority entrepreneurs, the difficulties in certifying them as such, and the reticence about race and ethnicity that exists among policymakers in Europe may make this unduly problematic. A more promising target group may therefore be people with a migration background, or more specifically those with a non-Western background.

MIGRANT BACKGROUND

Better data exists about people with a recent migration background. In 2017, 18% of the population of the then EU-28 was an immigrant or the child of one: 10.6% were foreign-born and 7.4% had at least one immigrant parent.[15] They accounted for more than three-fifths of Luxembourg's population, nearly half of Switzerland's and three-tenths of Sweden's, but only 0.2% of Romania's (see Figure 3).

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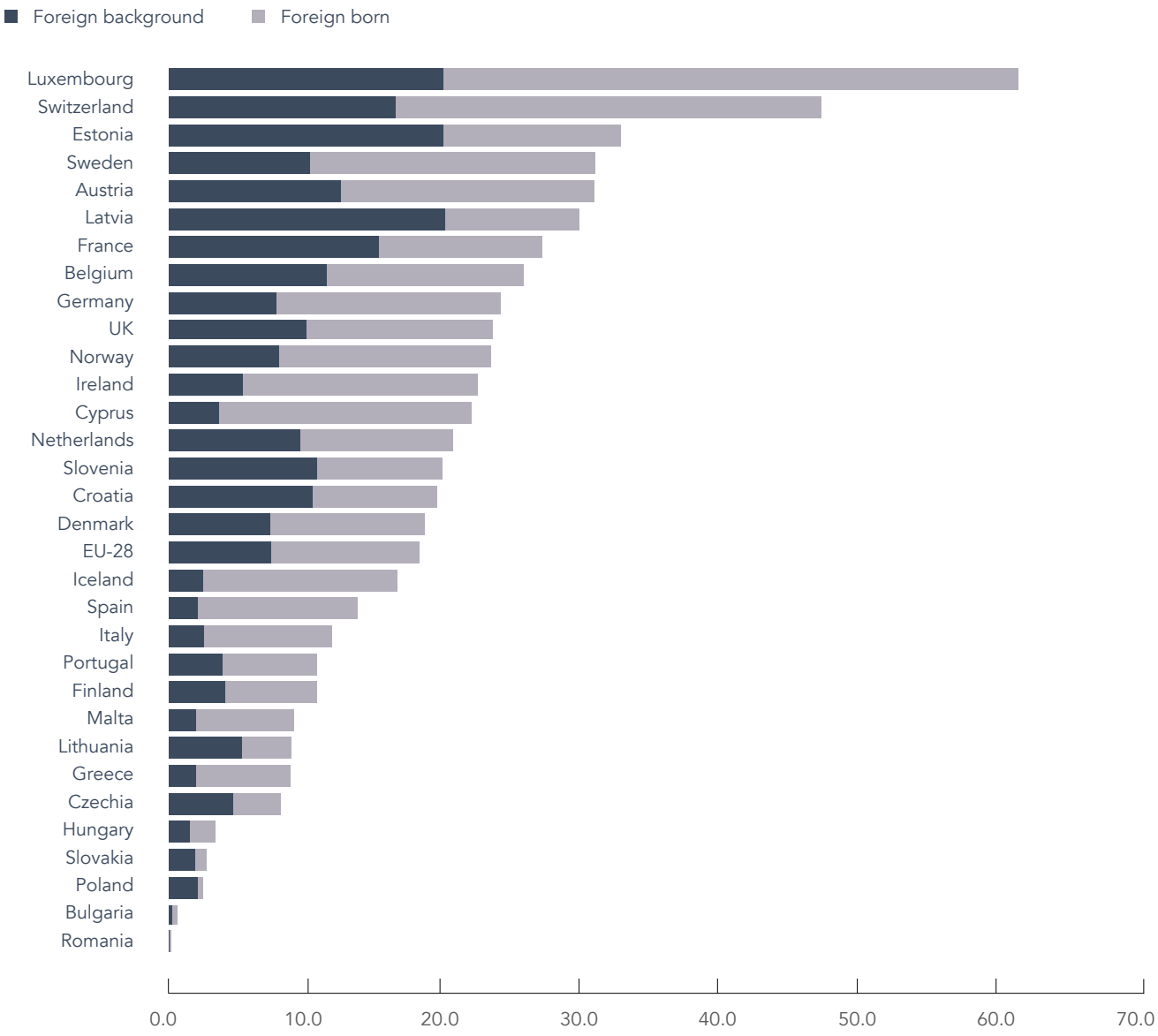
Figure 3. Immigrants and their children (% of total population, 2017 or latest)



Source: OECD

18%
of the EU population
are immigrants or their children.

DISADVANTAGED AND DISCRIMINATED AGAINST

Irrespective of their ethnicity, immigrants often face hurdles in their new country that locals don't, such as language issues, a paucity of business contacts and a lack of local qualifications. Perhaps unsurprisingly, then, immigrants in Europe tend to be poorer than locals. On average, immigrants in the EU have 10% lower incomes than locals, while those in Switzerland tend to be 11.5% worse off (see Figure 4).[16] In Spain, Italy and Greece, immigrants tend to be roughly a third poorer than locals. In Hungary, Bulgaria and Malta, however, immigrants are slightly richer, on average, than locals.

Immigrants in the EU tend to be **10%** poorer than locals.

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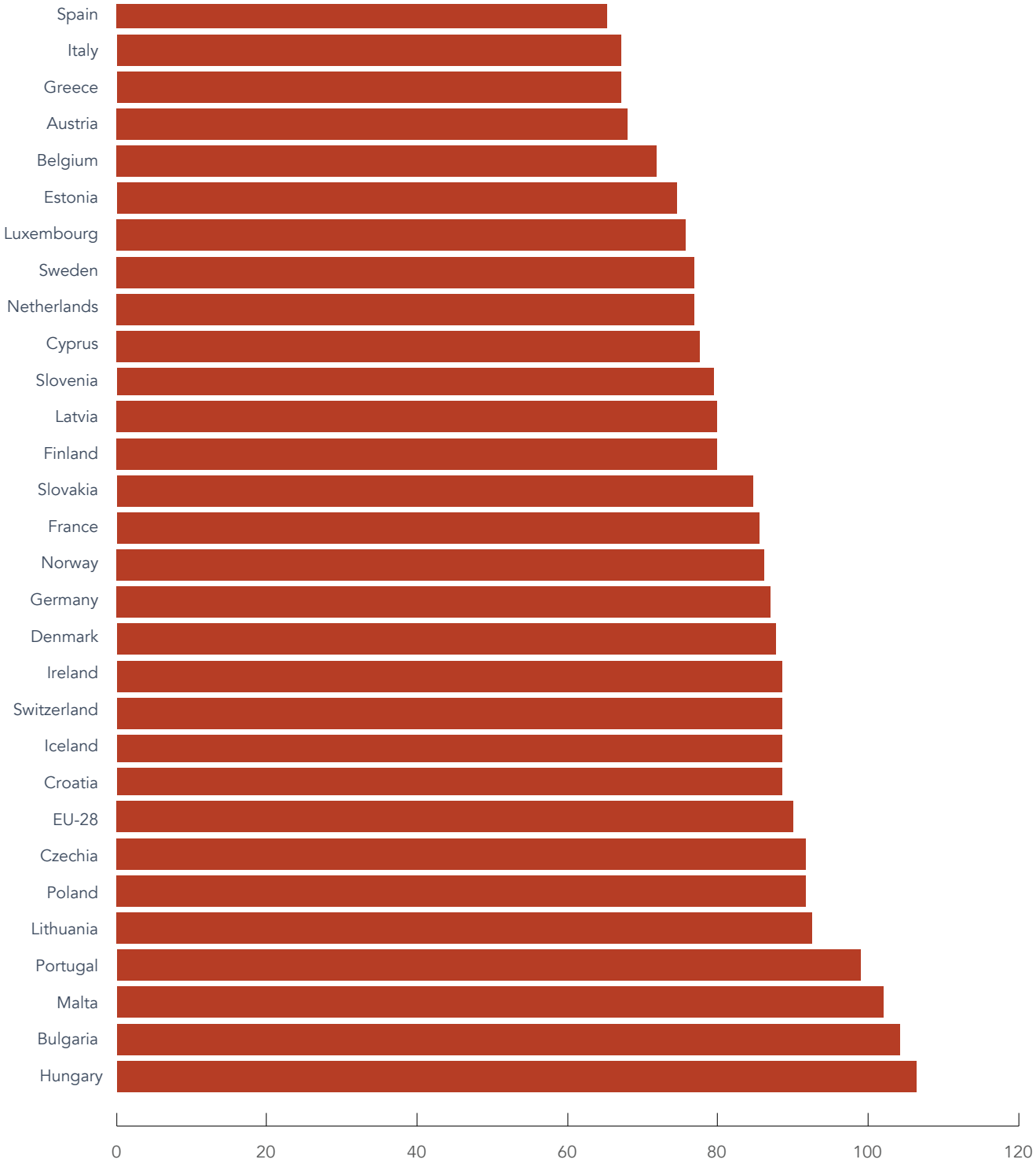
Figure 4. Immigrants' annual median equivalised incomes as a share of locals' (%, 2015)

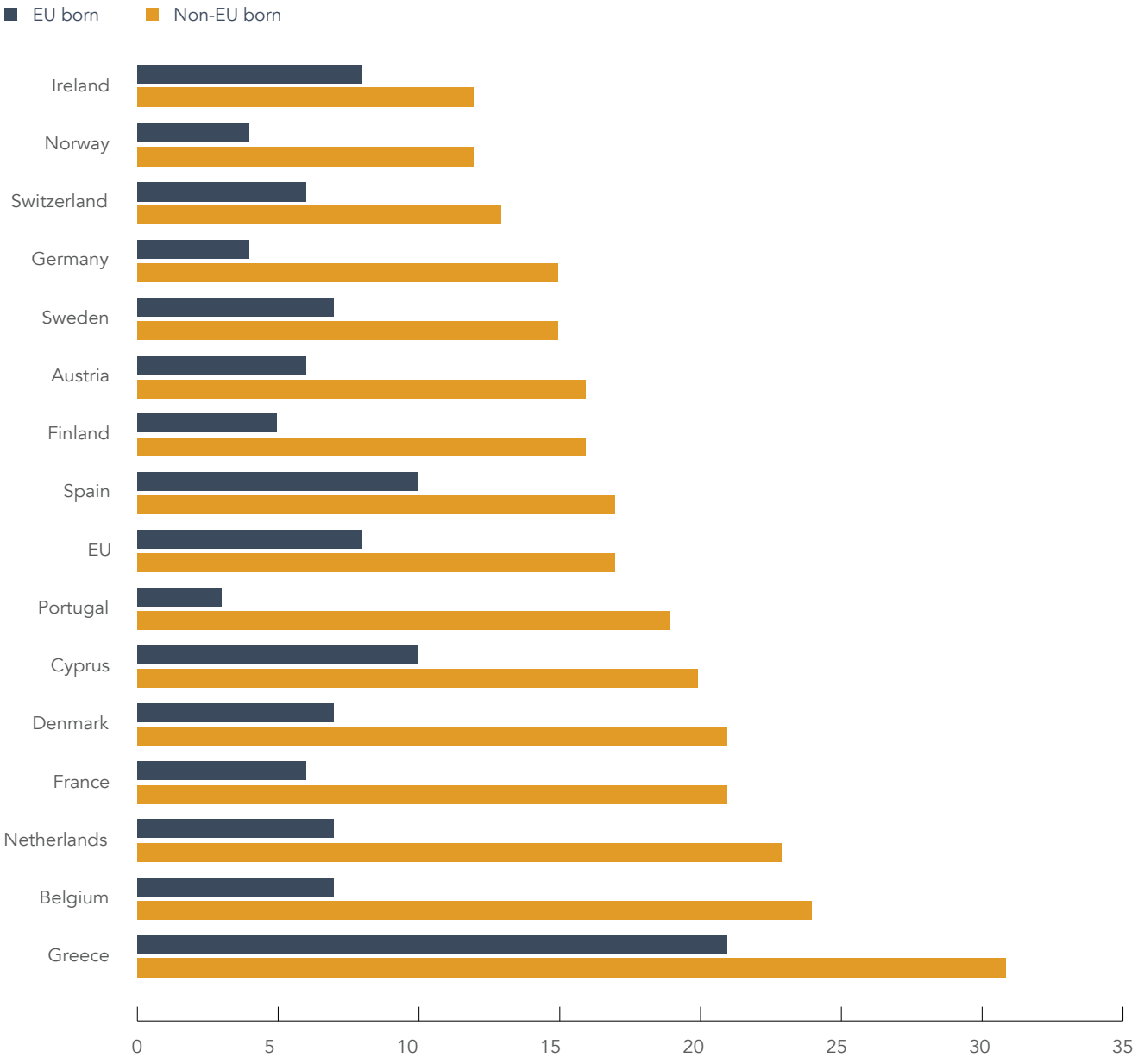


Source: OECD

Immigrants aren't just disadvantaged, they are also often discriminated against. Across the EU, 14% of working-age migrants report being discriminated against on the basis of ethnicity, nationality or race in 2008–16, with 8% of EU-born migrants reporting discrimination and 17% of non-EU born ones doing so (see Figure 5).[17]

By region of origin, only 6.5% of migrants from North America and Oceania reported being discriminated against in the EU-28 (which included the UK at the time), compared with 12.6% of those from Latin America, 16.7% of those from Asia, 18.1% of those from North Africa and 23% of those from Sub-Saharan Africa.[19]

Figure 5. Share of migrants who report discrimination based on ethnicity, nationality or race (%, 2008–16)



Source: OECD[18]

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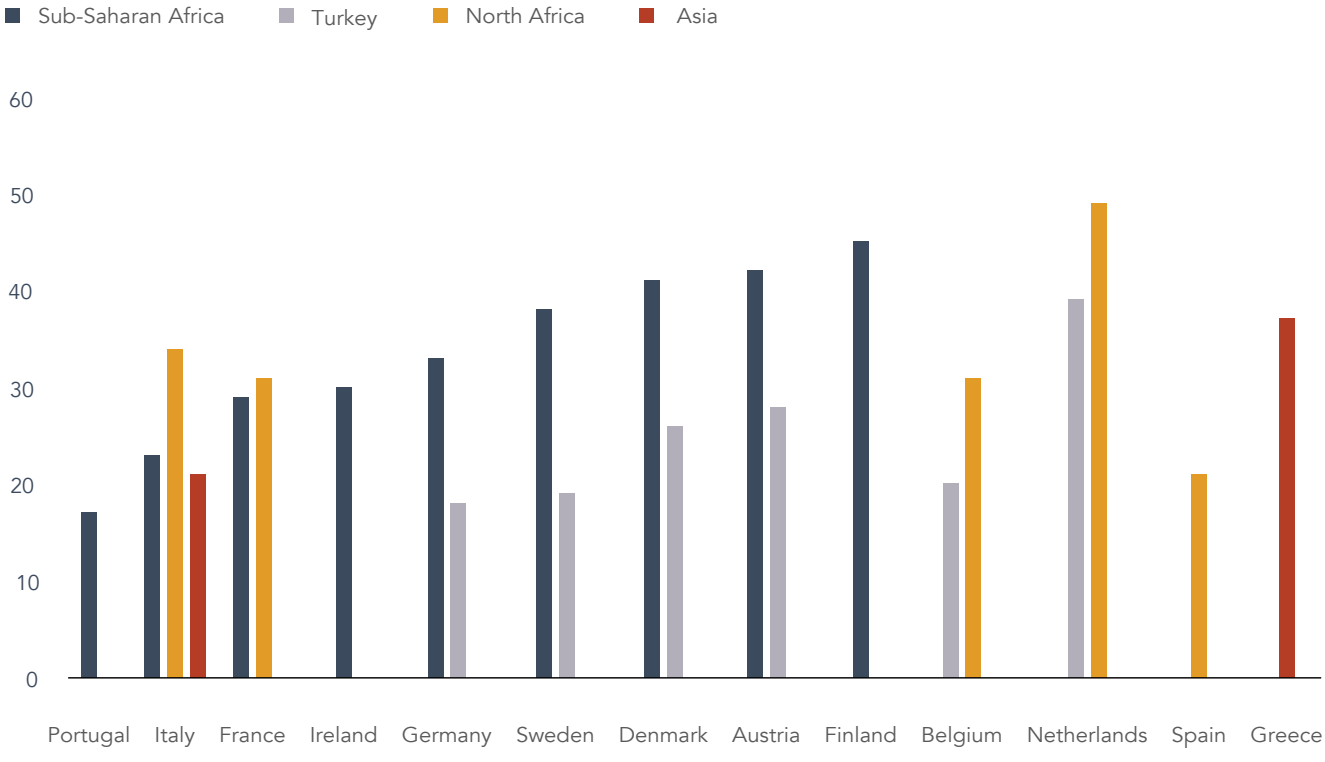
People of
African origin
are most likely to face discrimination.

Nearly three in five people (59%) in the then EU-28 surveyed in a special Eurobarometer survey in May 2019 said that discrimination on the basis of ethnic origin was widespread in their country.[20] The same proportion likewise thought this of discrimination on the basis of skin colour.[21] Among those who considered themselves a member of an ethnic minority, 40% said they had experienced discrimination in the past 12 months, while among those who considered themselves as having a minority skin colour, 46% said they had experienced discrimination.[22]

The second European Union Minorities and Discrimination Survey (EU-MIDIS II) provides insights into levels of discrimination experienced by different ethnic-minority groups in the EU. The proportion of immigrants and their descendants who report feeling discriminated against in the past 12 months because of their skin colour, ethnic origin or religion in ten areas of life – including at work or when looking for work – varies widely across countries and by ethnic origin (see Figure 6). Broadly speaking, those of Sub-Saharan or North African origin are particularly likely to suffer discrimination.

Figure 6. Share of ethnic-minorities who report discrimination in the past 12 months because of their skin colour, ethnic origin or religion in 10 areas of life (%, 2016)



Source: European Union Agency for Fundamental Rights[23]

MIGRANT ENTREPRENEURS

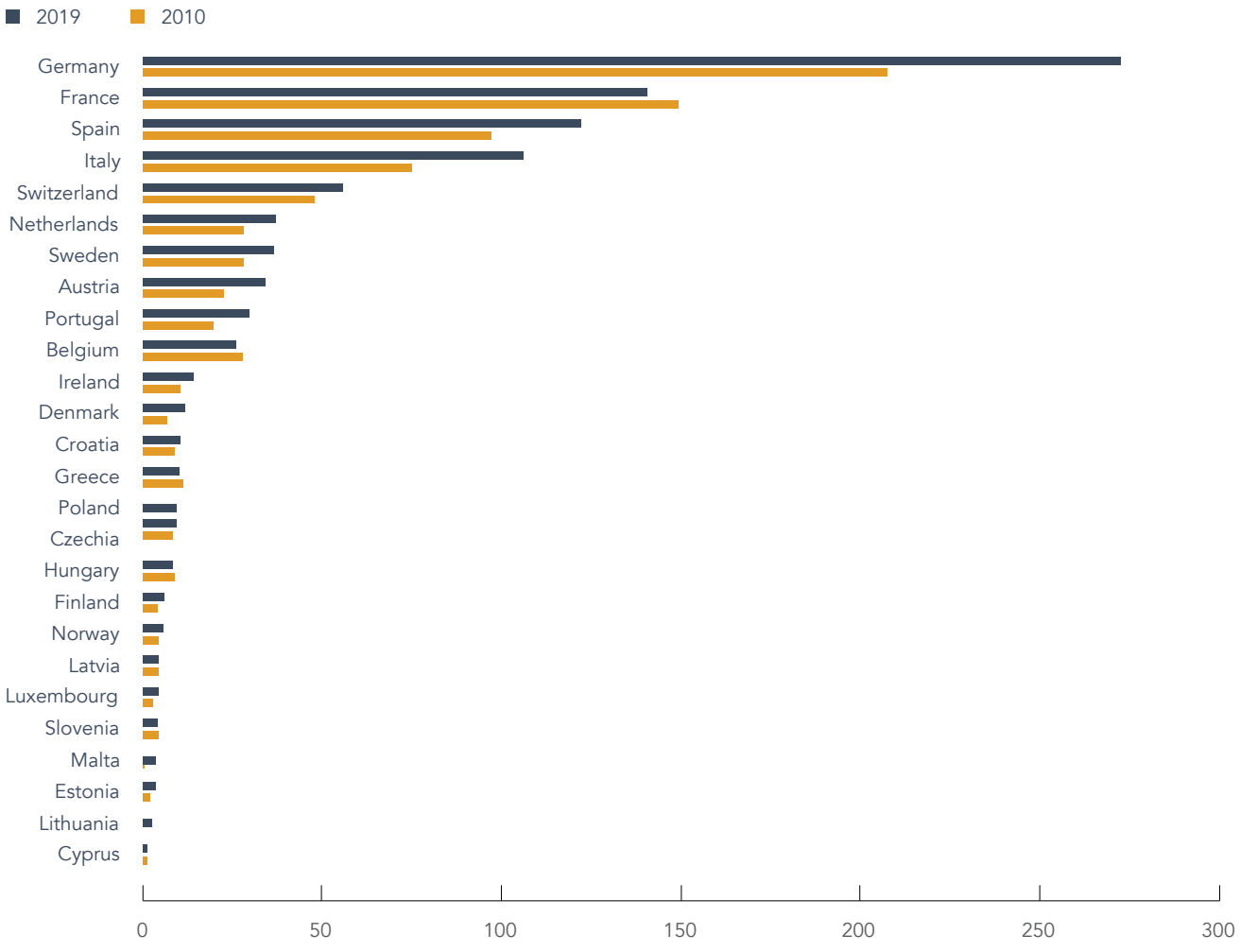
While reliable comparative data on ethnic-minority entrepreneurship does not exist, there is data on immigrant entrepreneurs, and to a lesser extent on those with a migration background.

Eurostat collects data on the self-employed by country of birth, including self-employed people with employees – namely, employers. Of the 8 million self-employed people with employees in the EU-27 in 2019, 910,900 were born in a foreign country.[24]

The EU has nearly **one million** immigrant employers.

While the total number of employers has fallen from 8.5 million since 2010, the number of immigrant employers has risen from 736,200. Germany had 272,300 immigrant employers in 2019, France 140,400 and Spain 122,100 (see Figure 7).

Figure 7. Immigrant employers (thousands, 2010 and 2019)



Source: Eurostat. No data for Bulgaria, Romania or Slovakia is available.

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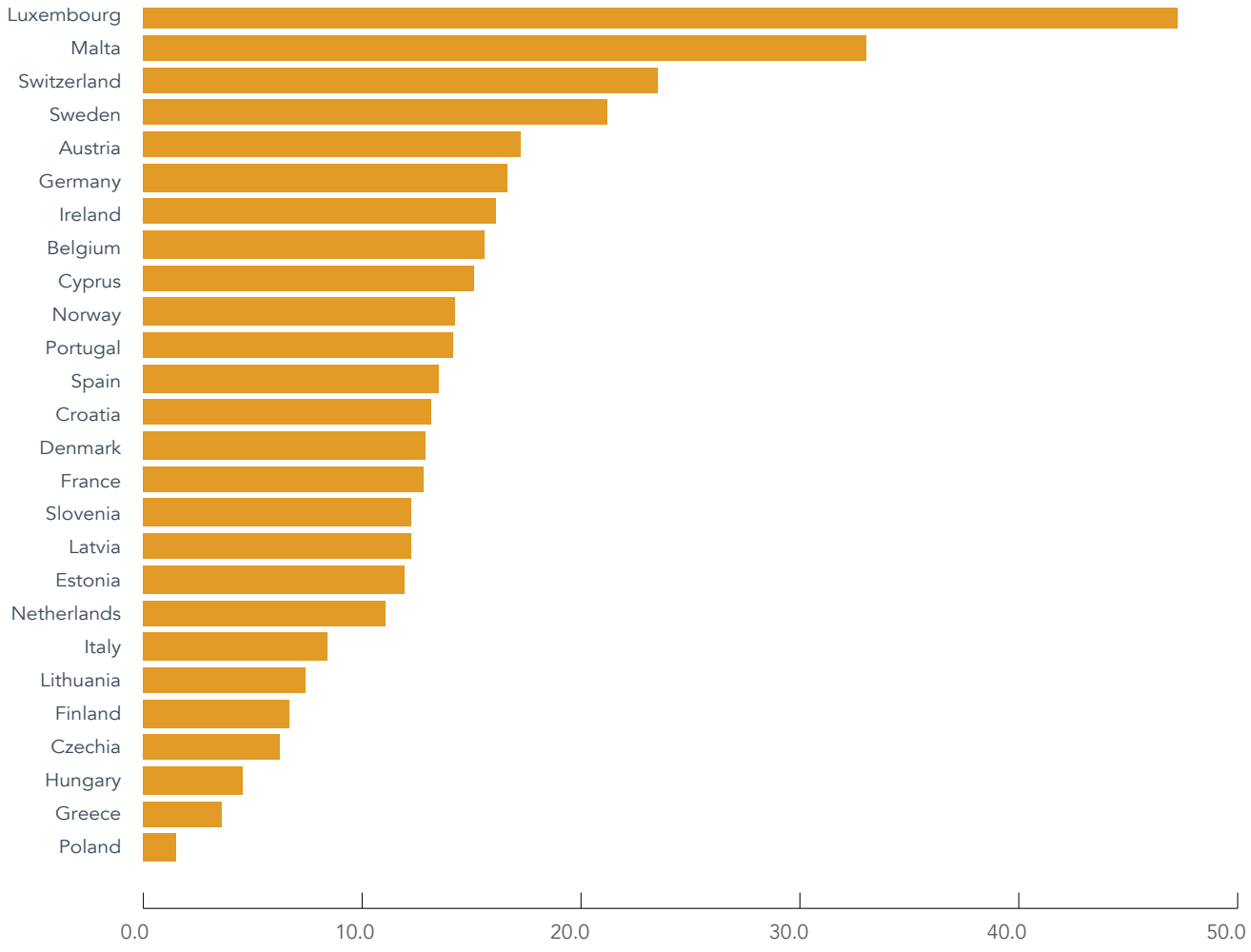
Across the EU-27, immigrants accounted for 11.4% of employers in 2019, up from 8.6% in 2010. Immigrants make up nearly half of employers in Luxembourg, a third in Malta, nearly a quarter in Switzerland and more than a fifth in Sweden (see Figure 8).

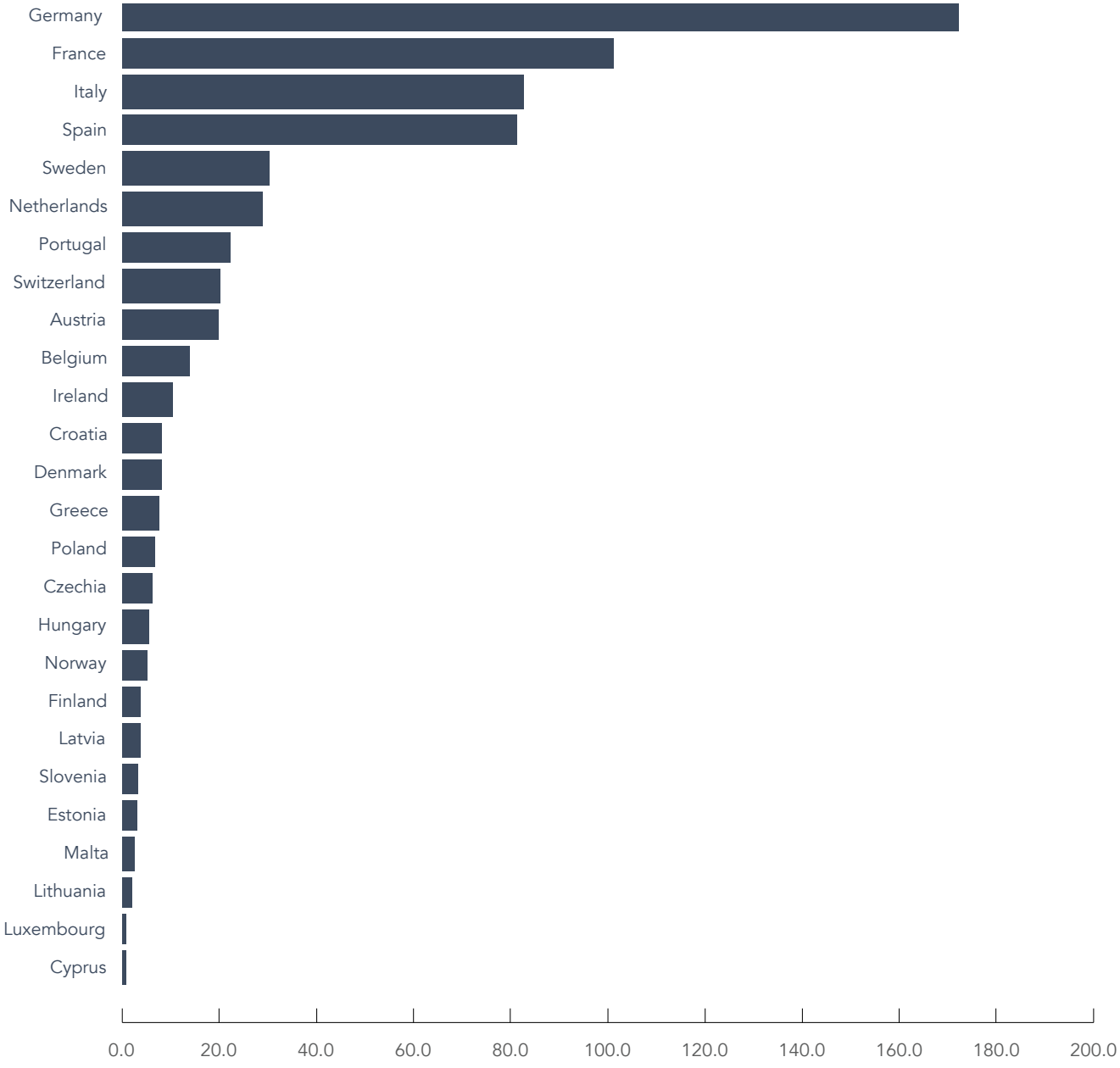
Figure 8. Share of employers who are immigrants (%, 2019)



Source: Eurostat. No data for Bulgaria, Romania or Slovakia is available.

Most of those immigrant employers were born outside the EU. In 2019, the EU-27 had 628,000 employers born outside the EU-27, up from 358,400 in 2010.[25] Germany had 172,200, followed by France with 101,200, Italy with 82,700 and Spain with 81,300 (see Figure 9).

Figure 9. Immigrant employers born outside EU-27 countries (thousands, 2019 or latest)



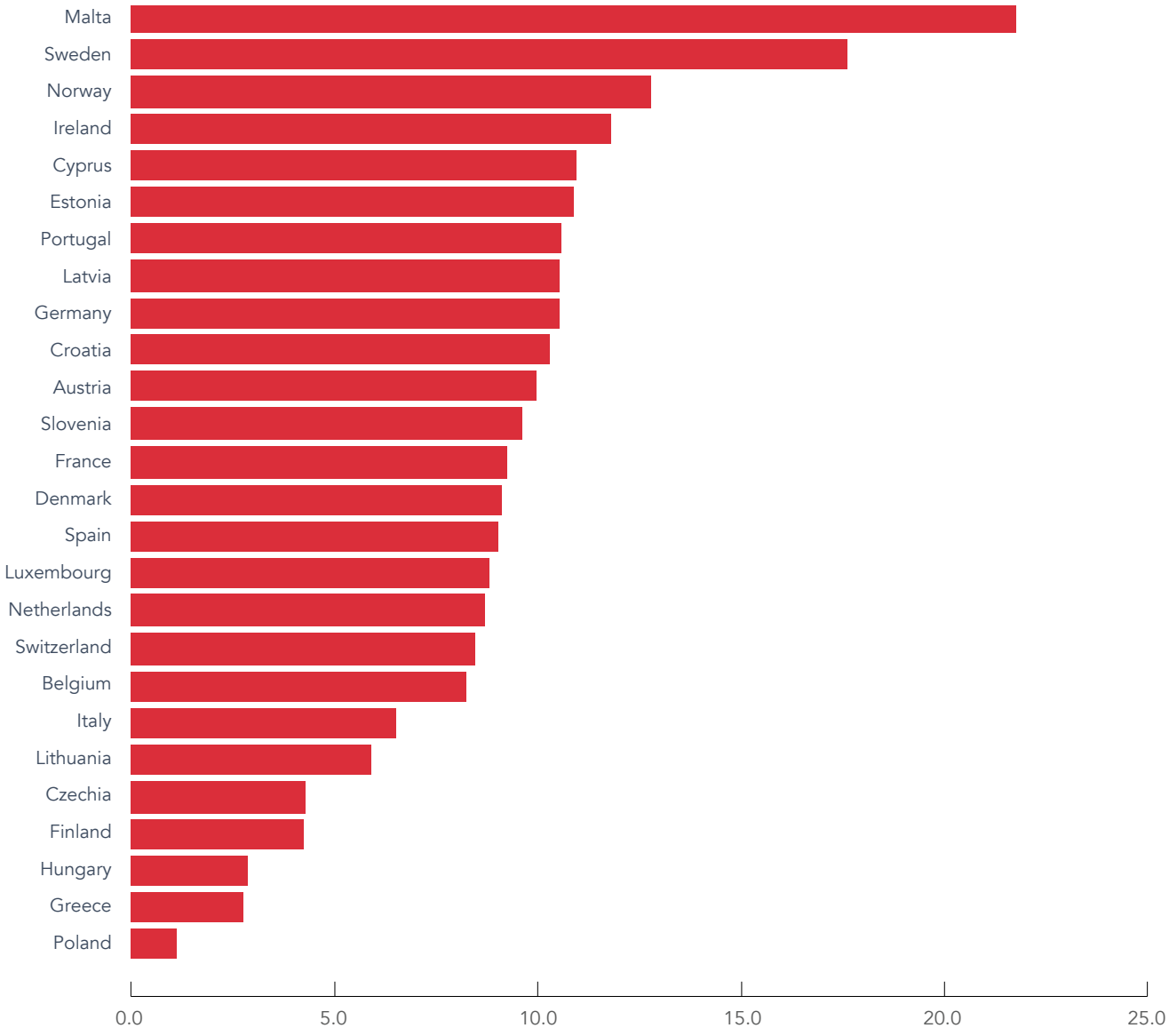
Source: Eurostat. Data for Luxembourg and Norway are from 2017. No data is available for Bulgaria, Romania or Slovakia.

Immigrants born outside EU-27 countries accounted for 7.8% of all EU-27 employers in 2019, up from 4.2% in 2010. In Malta they accounted for more than a fifth of employers, in Sweden for more than a sixth and in Norway for more than an eighth (see Figure 10).

The share of employers who are non-EU migrants nearly doubled between 2010 and 2019.

X2

Figure 10. Share of employers who were born outside EU-27 countries (%, 2019 or latest)



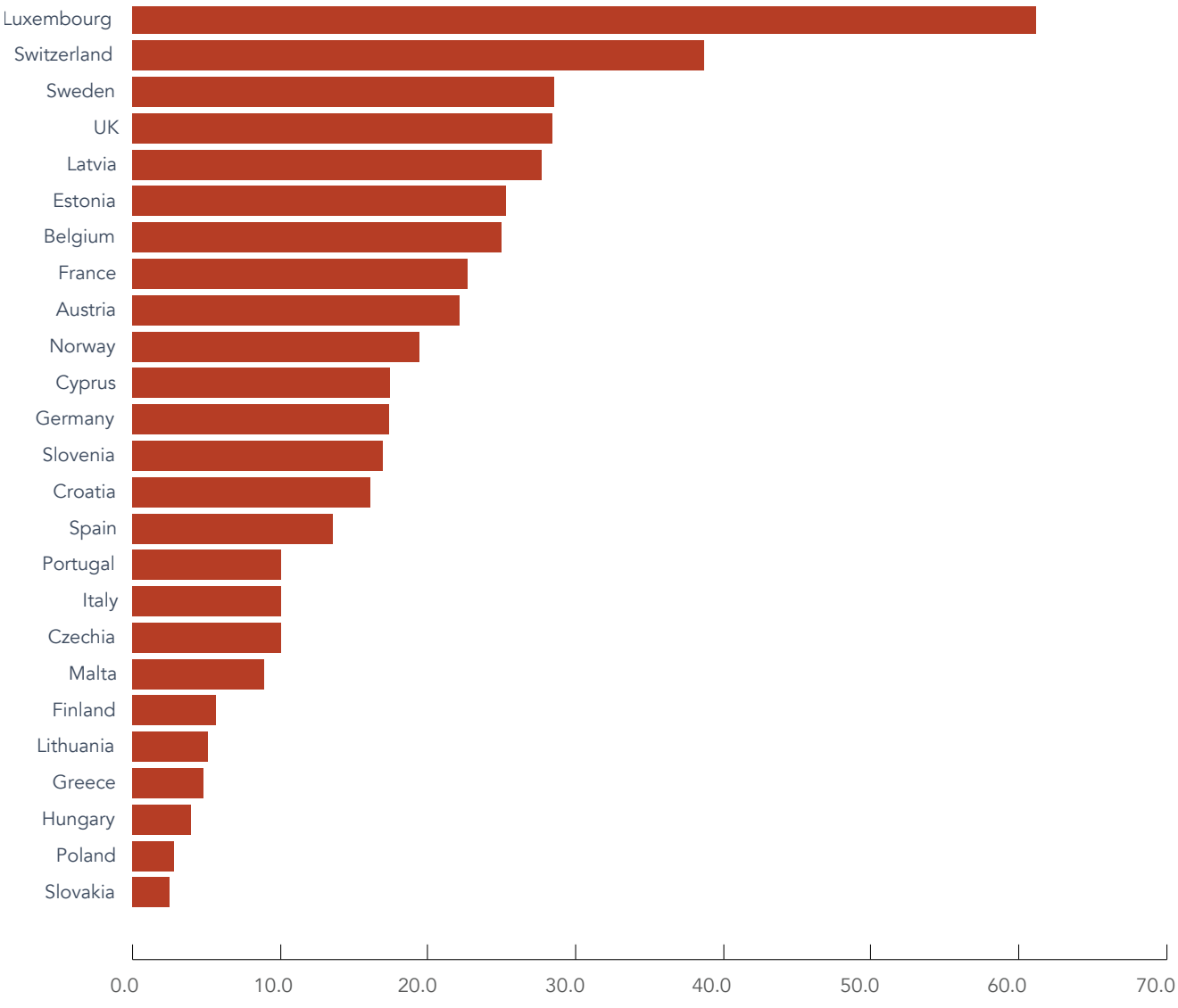
Source: Eurostat. Data for Luxembourg and Norway are from 2017. No data is available for Bulgaria, Romania or Slovakia.

MIGRATION-BACKGROUND ENTREPRENEURS

There is no official cross-country data on entrepreneurs with a migration background, ie, those who are immigrants or their children. However, a special module of Eurostat's Labour Force Survey in 2014 did collect data on self-employment among those with a migration background. This found that migrants and their children accounted for three in five of the self-employed in Luxembourg, three in eight in Switzerland and two in seven in Sweden (see Figure 11).[26]

The Global Entrepreneurship Monitor (GEM), which conducts the biggest international surveys of entrepreneurs, also provides a snapshot estimate of early-stage entrepreneurship among immigrants and their children in 2012 and 2013 (see Figure 12). Migrants and their children accounted for just over half of early-stage entrepreneurs in Luxembourg in 2012–13, more than a quarter in Denmark and more than two in nine in Ireland and Germany.[27]

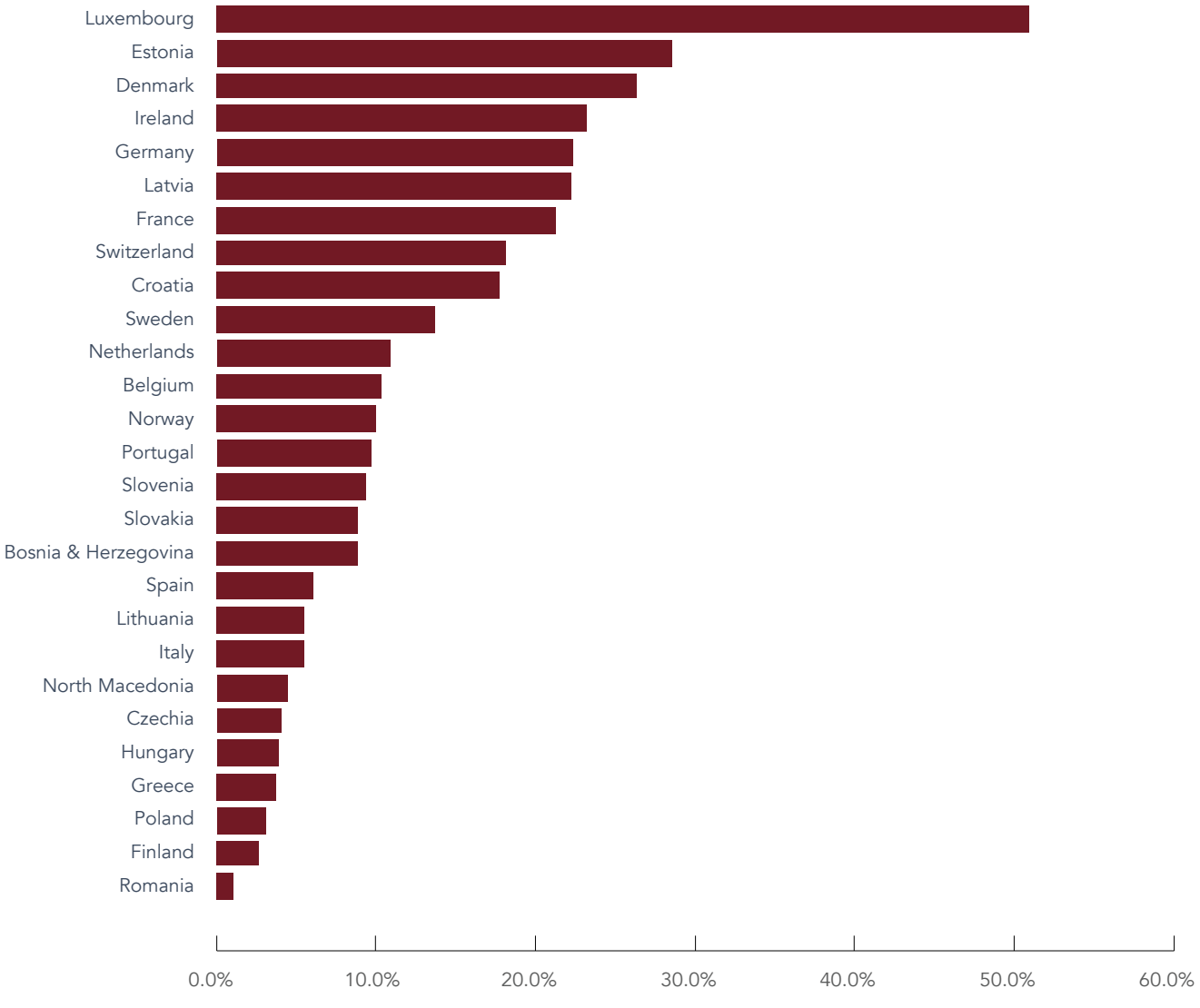
Figure 11. Share of self-employed who are migrants or the children of migrants (%, 2014)



Source: OPEN calculations from Eurostat

More than 20%
of early-stage entrepreneurs in Germany and France have a migration background

Figure 12. Share of early-stage entrepreneurs who have a migration background (%, 2012–13)



Source: Global Entrepreneurship Monitor

COUNTRY DATA

More granular data is available in the six countries that this report examines in greater depth.

France. Some 4% of residents were employers in 2010, as were 4% of immigrants born outside the EU and 3% of the descendants of non-EU migrants.[28]

Three of the four biggest immigrant communities are of non-Western origin, all of them North African (see Table 2).[29]

Table 2. Foreign-born population in France by country of birth (2015)

Country of birth	Immigrant population (thousands)	% of total immigrants
Algeria	1,375.3	17.5
Morocco	953.5	12.2
Portugal	648.1	8.3
Tunisia	397.8	5.1
Italy	323.9	4.1
Spain	286.2	3.6
Turkey	260.5	3.3
Germany	208.3	2.7
UK	166.5	2.1
Belgium	152.7	1.9
Senegal	132.7	1.7
Madagascar	127.1	1.6
Vietnam	117.9	1.5
Romania	117.3	1.5
China	109.7	1.4
Other countries	2,469.9	31.5
Total	**7,847.5**	**100.0**

Source: OECD

Germany. In 2019, there were 21,246,000 people with a migration background in Germany, 26% of the population. A person is deemed to have a migration background if they or at least one of their parents was not born with German citizenship.

Of those, 13,759,000 were from outside the then EU-28 and 7,457,000 – 9.1% of the population – from outside Europe. Nearly 6 million were from non-Western countries: 3,219,000 from Turkey and the Middle East, 1,381,000 from Asia, 988,000 from Africa and 366,000 from Latin America.[30]

The biggest immigrant community is of Polish origin, while the biggest migrant-background community is of Turkish origin (see Table 3).[31]

Most of the population of recent Russian or Kazakh origin are ethnic Germans who moved to Germany after the collapse of the Soviet Union. In 2019, Germany had 1,805,000 self-employed people with employees, of whom 355,000 (19.7%) had a migration background. Some 283,000 were foreign-born and 71,000 had at least one migrant parent.[32]

A fifth of the 6 million businesses founded in Germany between 2009 and 2015 were launched by migrants.[33] Newcomers start more full-time businesses than average and invest more working time in their projects. They also tend to have more employees and team partners – their start-ups are larger. But migrant-founded businesses also have a higher failure rate, in part because they face greater funding difficulties.

Table 3. Migration-background population in Germany by country of origin (2019)

Country of origin	Immigrants (thousands)	Immigrants' children (thousands)	People with a migration background (thousands)	% of total migration background population
Turkey	1,339	945	2,284	10.8
Poland	1,638	599	2,237	10.5
Russia	1,076	312	1,388	6.5
Kazakhstan	926	319	1,245	5.9
Romania	813	205	1,018	4.8
Italy	522	351	873	4.1
Syria	721	122	843	4.0
Greece	294	159	453	2.1
Bosnia & Herzegovina	304	134	438	2.1
Croatia	297	119	416	2.0
Austria	207	135	342	1.6
Serbia	223	106	329	1.5
Ukraine	264	50	314	1.5
Bulgaria	269	43	312	1.5
Iraq	245	65	310	1.5
Afghanistan	233	64	297	1.4
Other countries	4,311	3,836	8,147	38.3
Total	13,682	7,564	21,246	100.0

Source: Federal Statistics Office

Ireland. Data on the ethnicity of residents is collected in Ireland, albeit with less granular definition than in the UK or the US. In the 2016 Census, 233,962 (5%) of the population identified themselves as belonging to a non-white ethnic minority, up from 4.2% in 2011 (see Table 4). A further 124,019 (2.6%) did not state their ethnicity.[34]

By far the biggest immigrant community is UK-born, while the biggest non-Western immigrant community is from India (see Table 5).[35]

In 2017, 14% of new business owners were immigrants who were not born in the UK. Immigrants from countries other than the UK or the US are particularly likely to want to start a business: 30% aspire to do so in the next three years, compared with 8% of people born in Ireland.[36]

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Table 4. Ethnic composition of Ireland's population (2016)

Ethnicity	Number of people	% of population
White	4,331,940	92.37
Black or black Irish – African	57,850	1.23
Black or black Irish – any other black	6,789	0.14
Asian or Asian Irish – Chinese	19,447	0.41
Asian or Asian Irish – any other Asian	79,273	1.69
Other, including mixed background	70,603	1.51
Not stated	124,019	2.64
Total	**4,689,921**	**100.00**

Source: Central Statistics Office

Table 5. Foreign-born population in Ireland by country of birth (2016)

Country of birth	Immigrant population (thousands)	% of total immigrants
United Kingdom	277.2	34.2
Poland	115.2	14.2
Lithuania	33.3	4.1
Romania	28.7	3.5
United States	28.7	3.5
India	21.0	2.6
Latvia	19.0	2.3
Nigeria	16.6	2.0
Brazil	15.8	1.9
Philippines	14.7	1.8
Germany	13.0	1.6
Pakistan	12.9	1.6
France	11.9	1.5
Spain	11.8	1.5
China	11.3	1.4
Other countries	179.5	22.1
Total	**810.4**	**100.0**

Source: OECD

Some 3.7% of employers are of black, Asian, mixed-race or "other" ethnicity (see Table 6).

Table 6. Self-employed population aged 15 years and over, with employees and at work, by ethnic or cultural background (2016)

	All persons aged 15 years and over at work	Self-employed, with paid employees	% of ethnic group	% of all employers
White Irish	1,594,244	100,560	6.3	88.7
White Irish Traveller	2,142	54	2.5	0.0
Any other white background	261,893	7,922	3.0	7.0
Black or black Irish - African	14,294	400	2.8	0.4
Black or black Irish - Any other black background	2,525	89	3.5	0.1
Asian or Asian Irish - Chinese	8,807	1,145	13.0	1.0
Asian or Asian Irish - Any other Asian background	33,599	1,393	4.1	1.2
Other, including mixed background	27,100	1,188	4.4	1.0
Not stated	62,037	653	1.1	0.6
Total	**2,006,641**	**113,404**	**5.7**	**100.0**

Source: Central Statistics Office

Photo by Christina @ wocintechchat.com

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1 in 8
Dutch employers have a non-Western background

The Netherlands had 2,262,256 immigrants in 2020 and a further 1,958,449 people with at least one immigrant parent, representing 13.0% and 11.3% of the Dutch population of 17,407,585 respectively.[37] There were 1,440,111 immigrants with a non-Western background[38] (8.3% of the population) as well as 1,317,201 people with at least one immigrant parent with a non-Western background (7.6% of the population). In total, then, 15.8% of the population had a non-Western background.[39]

The three biggest migration-background groups – Turkish, Moroccan and Surinamese origin – are all non-Western (see Table 7).[40]

Of the 322,800 self-employed people with employees in 2019, 63,300 (19.6%) had a migration background, of whom 40,200 (12.5%) were of non-Western origin (excluding Indonesia or Japan).[41]

A study of ethnic-minority entrepreneurship in the Netherlands found that in 2011 those with a Turkish background made up a third of entrepreneurs with a non-Western background, followed by Surinamese (16%) and Moroccans (12%).[42] While Western and Surinamese immigrants were disproportionately engaged in business services, people of Turkish and Moroccan origin congregated in commerce and those of Chinese origin in catering. Of the total value added of €270 billion created by Dutch entrepreneurs in 2011, €37 billion came from ethnic entrepreneurs.

Table 7. Migration-background population in Netherlands by country of origin (2020)

Country of origin	Immigrant population (thousands)	Immigrants' children (thousands)	Total migration background (thousands)	% of total migration background
Turkey	197.4	219.4	416.9	9.9
Morocco	172.0	236.8	408.9	9.7
Suriname	177.0	179.4	356.4	8.4
Indonesia	96.7	259.3	356.0	8.4
Germany	107.8	241.5	349.3	8.3
Poland	154.6	43.4	198.0	4.7
Netherlands Antilles	82.2	76.3	158.5	3.8
Belgium	48.4	72.6	121.0	2.9
Syria	91.8	13.6	105.4	2.5
Iraq	45.4	19.3	64.7	1.5
Afghanistan	35.8	14.6	50.4	1.2
Iran	36.5	11.3	47.8	1.1
Other countries	1,016.7	570.9	1,587.4	37.6
Total	**2,262.3**	**1,958.4**	**4,220.7**	**100.0**

Source: Netherlands' Central Bureau of Statistics

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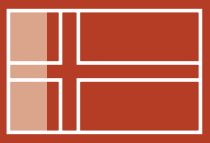

18.5%
of Swedish businesses were founded by someone of foreign origin

Sweden had 546,764 companies in 2017, of which 100,959 (18.5%) were founded by someone of foreign origin – either an immigrant or someone born in Sweden both of whose parents were born outside Sweden.[43] This was up from 65,567 (14.8%) a decade earlier.

The largest immigrant community in Sweden (Syrians) and the third biggest (Iraqis) are of non-Western origin (see Table 8).[44]

Table 8. Foreign-born population in Sweden by country of birth (2019)

Country of birth	Immigrant population (thousands)	% of total immigrants
Syria	186.0	9.5
Finland	147.9	7.6
Iraq	144.0	7.4
Poland	92.8	4.7
Iran	77.4	4.0
Somalia	68.7	3.5
Former Yugoslavia	65.1	3.3
Bosnia & Herzegovina	59.4	3.0
Afghanistan	52.0	2.7
Germany	51.1	2.6
Turkey	49.9	2.6
Thailand	42.4	2.2
Eritrea	42.3	2.2
Norway	41.7	2.1
Denmark	40.0	2.0
Other countries	794.8	40.6
Total	**1,955.6**	**100**

Source: OECD

Switzerland. In 2019, 2,722,000 (37.7%) of the permanent resident population aged 15 or over had a migration background, with 2,202,000 (30.5%) foreign-born and 520,000 (7.2%) the children of migrants.[45]

Most immigrants in Switzerland are of European origin; the biggest non-Western immigrant community is from Turkey, in fifth place (see Table 9).[46]

Of the 261,200 self-employed with employees (employers) in 2019, 74,700 (28.6%) had a migration background, of which 58,500 (22.4%) were immigrants and 16,300 (6.2%) were the children of immigrants.[47]

Table 9. Foreign-born population in Switzerland by country of birth (2019)

Country of birth	Immigrant population (thousands)	% of total immigrants
Germany	355.3	13.9
Italy	268.8	10.5
Portugal	217.7	8.5
France	169.4	6.6
Turkey	80.4	3.1
North Macedonia	69.3	2.7
Spain	68.6	2.7
Serbia	65.9	2.6
Austria	59.2	2.3
Bosnia & Herzegovina	57.4	2.2
United Kingdom	45.7	1.8
Brazil	42.5	1.7
Poland	40.8	1.6
United States	38.6	1.5
Sri Lanka	35.6	1.4
Other countries	938.2	36.7
Total	**2,553.4**	**100**

Source: OECD

CONCLUSION

In short, around one in ten people in the EU have a recent non-Western background, while immigrants and their children account for 18% of the population. Overall, they tend to be economically and socially disadvantaged and are often discriminated against. At the same time, they account for a rising share of employers: one in nine employers are immigrants and the share of employers who are non-EU migrants has nearly doubled over the past decade. The proportion of early-stage entrepreneurs with a migration background is even higher. Moreover, around a fifth of employers in Germany have a migration background, as do nearly a fifth of those in Sweden. The proportion is similar in the Netherlands; one in eight employers there have a non-Western background. Thus, minority businesses matter to Europe.

Clearly, there is huge potential for ethnic-minority companies to benefit from equality in procurement. The next section sets out the political, business and ethical case for it.

2. The Case for Equality in Procurement

Immigrants in Europe – notably those with a non-Western background – are more entrepreneurial than most. They tend to have a burning *drive* to succeed, *determination* to overcome difficulties and a valuable *diversity* of skills, perspectives, experiences and contacts.

At the same time, they tend to face huge disadvantages, notably *discrimination, disconnection* from mainstream business networks and disproportionate levels of doubt.[48] As a result, many ethnic-minority entrepreneurs fail to make the most of their potential. That is both tragic and unjust, and a huge waste for society as a whole. Equality in procurement could help put things right.

THE POLITICAL CASE

The political case for helping people with a migration background make the most of their potential is widely accepted. The three main reasons are:

Equality
To promote greater equality of opportunity and outcomes

Encouraging Integration
To help immigrants and their children participate fully in society, and be accepted as valued members of it

Economic Growth
To boost productivity and living standards by making the most of people from minorities' dynamism and diversity

While economic support for migrants and their children mostly focuses on education and employment, there is growing recognition of the importance of supporting their entrepreneurship too.

INCLUSIVE ENTREPRENEURSHIP

European governments have traditionally viewed a combination of employment and welfare as the primary means of assisting working-age people from disadvantaged groups in general and advancing the integration and socio-economic progress of non-EU migrants and their children in particular. However, over the past decade or so they have become increasingly open to the idea that self-employment and business entrepreneurship can also be vehicles for growth and inclusion.

EU and national policymakers now recognise the importance of promoting entrepreneurship in general and inclusive entrepreneurship in particular. Big established businesses are not the only corporate actors that matter; new, smaller and faster-growing businesses also produce valuable goods and services, create jobs and wealth, innovate and export, and pay taxes.

In addition to, or as part of, broader policies to promote entrepreneurship, policymakers also increasingly pursue specific policies that seek to boost entrepreneurship among under-represented groups, notably women, young people, seniors, the disabled and immigrants.

Immigrant entrepreneurs feature prominently in the OECD's work with the European Commission on inclusive entrepreneurship and their flagship report, *The Missing Entrepreneurs*. Facilitating migrant entrepreneurship was also a goal of the EU's Entrepreneurship 2020 Action Plan (which due to Covid has yet to be updated for the 2021–27 budget period) and is an aim of the EU's Action Plan on Integration and Inclusion 2021–27 (see Section 5).

At the same time, businesses and non-governmental organisations (NGOs) such as Singa are also increasingly involved in promoting migrant entrepreneurship, for instance through start-up incubators and mentoring schemes.

INCLUSIVE PROCUREMENT

One important – but often overlooked – way in which governments and businesses can help migrant and ethnic-minority entrepreneurs is through inclusive procurement. Public procurement in particular accounts for 14% of GDP in the EU.[49]

Smaller businesses often struggle to win public and corporate contracts – an issue that is recognised in EU public procurement directives – and minority-owned ones particularly so (see Section 3). EU institutions, public bodies and large corporates are often more comfortable dealing with large companies with which they have established relationships, while large companies are better able to navigate and comply with complex and bureaucratic tendering processes.

This bias denies opportunities to smaller businesses, notably those that are minority-owned, and also prevents governments and corporates reaping the benefits of more diverse, resilient, innovative and cost-competitive supply chains.

THE BUSINESS CASE

Corporate social responsibility (CSR) is one reason why large businesses ought to make bigger efforts to buy from companies led by people from disadvantaged groups. At the same time, broadening their purchase decisions can also enhance business performance.

Through inclusive procurement policies, European businesses could:

Bolster equal opportunities for potential suppliers
And thus benefit from a wider, more cost-competitive, higher-quality and more resilient range of suppliers

Better reflect the diversity of businesses and society
And by tapping into ethnic suppliers' diverse attributes, boost their innovation, product development and market share

Be seen as good corporate citizens
And thus broaden their appeal to customers, employees, policymakers, investors and other stakeholders

At a time of heightened awareness of racial inequalities in the wake of the global Black Lives Matter movement, many businesses and organisations want to do more to help people from ethnic minorities, notably through their hiring practices. Making bigger efforts to source from migration-background businesses could help ethnic entrepreneurs overcome the discrimination and disconnection from mainstream business networks that they often suffer from. By providing more equal opportunities for ethnic-minority suppliers, inclusive procurement would enable corporate supply chains to better reflect the diversity of European businesses and to be seen to meet environmental, social and governance (ESG) objectives – including diversity. From a public procurement perspective, it would also help create jobs and growth, promote social mobility, boost local communities and regenerate deprived areas.

Promoting equality in procurement would also be beneficial to large corporates and public-sector bodies. It would widen their pool of potential suppliers, giving buyers access to a broader range of companies with different attributes. Because that pool of prospective suppliers would be wider, it would offer a better range of higher-quality options at more competitive prices. And because those suppliers have different characteristics, their diversity of risk profiles would provide greater resilience. While until recently many companies had sought to reduce their number of suppliers, factors such as the pandemic and trade tensions with China have highlighted the value of having many different suppliers.

Thanks to their diversity of skills, perspectives, experiences and contacts, minority businesses also tend to be more innovative.[50] They often develop products and services tailored to the specific needs and tastes of minority consumers. And their specific attributes help them to reach new markets, near and far. By sourcing from those ethnic-minority businesses, larger corporates could benefit from that innovative capacity, better tailor their products to ethnic-minority consumers and reach new markets – and thus boost their revenues. For example, supermarket chains could stock a wider choice of ethnic food, cosmetics companies could produce beauty products appropriate for people with different skin colours and hair types, and clothing companies could capture different fashion trends.

Inclusive procurement could also bolster companies' broader appeal – to customers who are increasingly concerned about the ethics of corporate supply chains, to employees who want to feel they are doing social good, to policymakers who look to corporates to play their part in meeting social objectives, and to investors and other stakeholders who are increasingly focused on ESG issues.

Because inclusive procurement policies scarcely exist in Europe, there is as yet little evidence about their impact on corporate performance. There is evidence, though, from the US, where supplier diversity policies are well established. A study by the Hackett Group, a leading US enterprise benchmarking firm, found that "on average, supplier diversity programmes add $3.6 million to the bottom line for every $1 million in procurement operation costs."[51] Companies that focused heavily on supplier diversity generated a 133% greater return on procurement investments than typical businesses and often had lower operating costs too. They spent an average of 20% less on their buying operations and had less than half the procurement staff of their peers that did not have supplier-diversity programmes. Thus, what may have started as a box-ticking CSR activity – or, in the US, as a government requirement – has ended up boosting the bottom line. Indeed, companies that made the effort to properly implement a supplier diversity programme had a first-mover advantage that placed them in a better position to penetrate new market segments and gain new customers.

One example from the UK highlights the benefits of inclusive procurement to individual companies (see Box 1).

CHALLENGES

The case for inclusive procurement is compelling. At the same time, implementing it in Europe faces a number of challenges. The first is a lack of awareness of its benefits, which this report aims to remedy. The second is legal constraints on favouring ethnic-minority suppliers and respecting data privacy, which the next section addresses.

Farida Gibbs

BOX 1. FARIDA GIBBS OF GIBBS HYBRID INTERNATIONAL

Being made redundant by a tech recruitment company in 2005 spurred Farida Gibbs to fulfil her ambition of starting her own company. "I always had an entrepreneurial spirit," she says, explaining how she would help her father with his grocery store and newsagent from a young age.[52]

With ample experience in the recruitment sector, she had a vision of how to do things differently. "I love recruitment, I love people, but I'd seen how other firms do it and I didn't like the lack of values or morals," she explains. "It was all about the bottom line and the commission but nothing along the lines of service, outcomes and delighting the customer."

However, Gibbs – who is mixed race, with a Pakistani father and an Egyptian mother – immediately ran into a huge obstacle. "The biggest challenge I faced was being an ethnic-minority woman in a very white, male-dominated environment," she recalls. "When I went into briefing sessions with clients, I noticed I didn't look like anyone else. Also, there was a considerable amount of business done in a blokey mates-down-the-pub-after-work way and as I don't drink, I didn't socialise and interact in that way, so it was difficult. For me it was about going home and seeing my child and family."

Determined to succeed, she eventually found a way forward. "Those buyers would always give my competitors the heads-up as they were mates," she recalls. "Partly because of that there were times when I thought I would just need to get out of this industry, but I eventually decided I wasn't going to give up. My way of getting around this issue was to approach the senior females within those firms and build relationships with them. And thankfully I came across MSDUK, who introduced me to companies that were interested in doing business with people like me."

Thanks to Gibbs' drive and determination, and the help of MSDUK, Gibbs Hybrid International is now an award-winning IT and business-services company with a turnover of £45 million (€51 million) in 2018.

3. Legal Constraints

In the US, supplier diversity programmes emerged as a result of the civil-rights movement of the 1960s. Large corporates increasingly have targets to boost their purchases from diverse suppliers: businesses owned and operated by people from traditionally underrepresented groups, notably African Americans and other minorities, women and veterans.

Crucially, the US federal government also mandates that private companies which supply it subcontract business to minority and other underrepresented companies – a stipulation that has been widely emulated at lower levels of government and by other public-sector bodies. Indeed, even private companies that don't directly supply the public sector may be required to source from minority businesses if they supply other private companies that do.

In Europe, such government mandates do not exist and would be illegal. Indeed, the legal basis for inclusive procurement policies in Europe is very different to the situation regarding supplier diversity in the US.

For a start, while US law explicitly recognises different ethnic and racial groups – such as African Americans, Hispanics, Asian Americans and Native Americans – EU law does not. Second, whereas US law permits – and in some cases mandates – positive discrimination in favour of minority groups, EU law prioritises equal treatment of people. Thus, while US laws allows or stipulates quotas of contracts for members of minority groups, EU law merely permits measures "to prevent or compensate for disadvantages linked to racial or ethnic origin in order to achieve equal treatment". Third, whereas the US lacks comprehensive federal data-privacy legislation, all processors of the private data of EU citizens are bound by EU data-privacy legislation, whose requirements for processing sensitive data such as ethnic origin are particularly stringent.

This section looks in greater depth at the most important EU and national legislation, notably on racial equality and data protection, with which both corporate and public procurement policies must comply.

Positive action, not positive discrimination.

RACIAL EQUALITY DIRECTIVE

Article 21 of the EU Charter of Fundamental Rights prohibits discrimination based on race and ethnic origin, among other things. Moreover, the EU's Racial Equality Directive 2000/43/EC,[53] which implements the principle of equal treatment between persons irrespective of racial or ethnic origin, outlaws discrimination – positive or negative – on the basis of race, ethnic origin and other protected characteristics. This has been transposed into domestic law in similar ways by EU member states. (Whereas EU regulations such as the General Data Protection Regulation (GDPR) are legally binding across EU countries, EU directives prescribe results, while letting each member state decide how to transpose the directive into national law.)

The Racial Equality Directive lays down "a framework for combating discrimination on the grounds of racial or ethnic origin, with a view to putting into effect the principle of equal treatment".[54] Its scope encompasses "access to and supply of goods and services"[55] and it stipulates that "there shall be no direct or indirect discrimination based on racial or ethnic origin".[56] But while it prohibits discrimination, both negative and positive, it permits "positive action", stating that "With a view to ensuring full equality in practice, the principle of equal treatment shall not prevent any Member State from maintaining or adopting specific measures to prevent or compensate for disadvantages linked to racial or ethnic origin."[57] Moreover "such measures may permit organisations of persons of a particular racial or ethnic origin where their main object is the promotion of the special needs of those persons."[58]

However, although the Racial Equality Directive outlaws discrimination against racial and ethnic minorities, the data on racial and ethnic origin needed to monitor its implementation is often lacking.[59] Instead of collecting data on self-identified racial and ethnic minorities, EU governments tend to collect data on proxies such as citizenship and migration background, as explained in Section 1.

The Racial Equality Directive has been transposed into domestic law in broadly similar ways in the five EU countries that we are examining in depth. While it can be tricky to compare translations of domestic laws, the scope for positive action would appear slightly greater in the Netherlands and Ireland and more constrained in France (see Box 2). The Racial Equality Directive does not apply to Switzerland, which is not in the EU and lacks a comprehensive anti-discrimination law.

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BOX 2. THE SCOPE FOR POSITIVE ACTION IN VARIOUS EUROPEAN COUNTRIES

France. Article 1 of the 1958 Constitution states that France "shall ensure the equality of all citizens before the law, without distinction of origin, race or religion."[60] France has traditionally interpreted this principle particularly stringently, refusing to recognise any ethnic or racial distinctions among its citizens.

This has changed somewhat because of EU law. France's Law 2008-496, which transposes the Racial Equality Directive into domestic law, prohibits discrimination on the basis of origin, and of belonging or not, real or supposed, to an ethnicity, nation [or] supposed race.[61] This covers access to and supply of goods and services.[62] At the same time, the law specifically allows measures in favour of people residing in certain geographic areas aiming at equal treatment.[63] Immigrants and people from minorities in particular often congregate in deprived areas.

In 2020, the *Défenseur des Droits* (Defender of Rights), an independent authority mandated to defend citizens' rights and help combat discrimination, produced a ground-breaking report on discrimination linked to origin.[64] While French authorities have traditionally baulked at treating people from different ethnic backgrounds differently, the *Défenseur des Droits* advocated that public authorities demand that both public and private organisations actively combat discrimination linked to origin through structured action plans.[65] It also suggested drafting a common set of indicators to measure progress in combating discrimination.[66]

Germany. Article 3 of Germany's Basic Law enshrines the equality of all human beings before the law, while Article 3(3) states that no person shall be favoured or disfavoured because of their sex, parentage, race, language, homeland and origin, faith, or religious or political opinions.

In addition, the General Equal Treatment Act 2006 – the country's comprehensive anti-discrimination law, which incorporates the Racial Equality Directive into domestic law [67]– prohibits discrimination on the grounds of race and ethnic origin for all types of contracts for goods and services. However, it permits "suitable and appropriate" positive measures to prevent or compensate for disadvantages arising from race or ethnic origin.[68]

Ireland. The Equal Status Acts 2000–18 prohibit discrimination on the "ground of race" – namely that two people are of "different race, colour, nationality or ethnic origins".[69] At the same time, they allow "preferential treatment or the taking of positive measures which are *bona fide* intended to… promote equality of opportunity for persons who are, in relation to other persons, disadvantaged or who have been or are likely to be unable to avail themselves of the same opportunities as those other persons."[70]

Netherlands. Article 1 of the Dutch Constitution stipulates equal treatment, namely that in situations involving equal circumstances all people have to be treated the same way and it is forbidden to discriminate.[71]

In addition, the Equal Treatment Act (*Algemene Wet Gelijke Behandeling*) prohibits discrimination on the grounds of, among other things, race. It states that "It shall be unlawful to discriminate in offering or permitting access to goods or services [and] in concluding, implementing or terminating agreements on the subject".[72]

Section 2.3 provides a general exception to this. "The prohibition on discrimination contained in this Act shall not apply if the discrimination concerns a specific measure which has the aim of placing women or persons belonging to a particular ethnic or cultural minority group in a privileged position in order to eliminate or reduce *de facto* disadvantages in relation to the grounds of race or sex and the discrimination is reasonably proportionate to that aim."[73]

Sweden. The country's anti-discrimination legislation is the 2008 Discrimination Act.[74] Its purpose is to "combat discrimination and in other ways promote equal rights and opportunities" regardless of a number of factors including ethnicity,[75] defined as

Switzerland, Shutterstock

"national or ethnic origin, skin colour or other similar circumstance".[76]

Discrimination is "prohibited on the part of a natural or legal person who supplies goods, services or housing to the general public, outside the private and family sphere".[77]Moreover, discrimination is banned with regard to "financial support, permits, registration or similar arrangements that are needed or can be important for someone to be able to start or run a business".[78] At the same time, this does not "prevent measures concerning support that contributes to efforts to promote equality between women and men or equal rights and opportunities regardless of ethnicity."

Switzerland. Article 8 of the Swiss Federal Constitution establishes equality before the law for all and prohibits discrimination based, among other things, on grounds of origin, race and language.[79] It also acknowledges the need to promote equality and non-discrimination between men and women and to ensure people with disabilities are able to participate effectively in society, but makes no mention of promoting equality among people of different origins.[80]

Since Switzerland is not an EU member, the Racial Equality Directive does not apply. Moreover, the country lacks a comprehensive anti-discrimination law; instead, the federal government has enacted a series of laws that address discrimination within certain sectors of society.[81]

IMPLICATIONS FOR CORPORATE PROCUREMENT

In a nutshell, companies in the EU are allowed to implement inclusive procurement policies to help businesses from disadvantaged groups overcome the disadvantages they face in becoming suppliers and achieve a more equal share of procurement contracts – provided their actions do not amount to discrimination.

The crucial distinction is between *positive discrimination*, which is outlawed, and *positive action*, which is permitted and indeed encouraged. Companies must not systematically favour minority suppliers in their procurement policies or practices, but they are generally allowed to implement measures aimed at achieving full and effective equality in practice by alleviating disadvantages experienced by people with a protected characteristic, reducing their under-representation and meeting their particular needs.[82]

Unfortunately, the boundaries of what is permitted are not always clear-cut. Formal guidance is often lacking, and most judicial rulings relate to policies to encourage diversity in the workplace rather than in supply chains.

Broadly speaking, while mechanisms that automatically give preference to minority suppliers over mainstream ones are unlawful, favouring an ethnic supplier is generally legal in cases where both suppliers are equally qualified and, even if the stated goal is to favour minority suppliers, there is scope to fully, objectively and individually assess the mainstream supplier's bid. In short, companies are allowed to factor ethnic diversity into their procurement policy so long as it is not an overriding criterion and all suppliers, including mainstream ones, can compete fairly.

While automatically selecting minority suppliers would be illegal and helping them to compete fairly and equally would generally be fine, other types of measure require a more nuanced legal assessment. The promotion of ethnic and racial equality is recognised as a *legitimate aim* under EU law, so measures to address a disadvantage suffered by people who share a protected characteristic, their specific needs, or their disproportionately low participation in an activity is potentially lawful. But it needs to be achieved through *proportionate means*, which generally means one that is less likely to result in the unfavourable treatment of others.[83]

In practical terms, companies can develop internal policies that set out how their values, such as the promotion of ethnic and racial equality, influence their business behaviour, for instance by setting supplier-diversity targets. Their inclusive-procurement programmes should make clear that suppliers are selected on the basis of objective criteria that permit a full competitive assessment of offers received; while ethnicity can be a selection criterion, it cannot be the overriding one. They can seek to lift barriers that hold back minority suppliers – for instance, by providing better information about their procurement policies and needs, simplifying the application process and breaking contracts down into smaller lots. They can scrap procurement conditions that tend to hinder smaller and less-established businesses, and thus many minority suppliers, such as those stipulating a lengthy duration of a company's existence, minimum turnover requirements and unfavourable payment terms. And they can help stimulate supplier development, for instance by providing mentoring networking opportunities to minority entrepreneurs and supporting the creation of minority business organisations.

But companies must not implement procurement policies that exclude mainstream suppliers, award contracts solely on the basis of suppliers' ethnic origin, systematically select minority businesses over better-qualified alternatives, or set quotas for minority suppliers without indicating that companies will be selected on the basis of objective criteria.

PUBLIC PROCUREMENT RULES

While the legal constraints on inclusive procurement policies in the public sector are broadly similar to those that apply to the private sector, EU law explicitly allows member states and public-sector organisations to take account of social considerations in public procurement – including helping people from disadvantaged groups.

The European Commission provides further guidance on how to do so in the second edition of *Buying Social: A Guide to Taking Account of Social Considerations in Public Procurement*, published in May 2021.[84] Socially responsible public procurement can provide enhanced opportunities for people from disadvantaged groups, among whom the Commission includes migrant workers and people with a minority racial or ethnic background.[85]

EU public procurement law is based on the principles of transparency, equal treatment and proportionality. In addition, it is meant to increase quality, boost innovation, be economically efficient and consider the interests of small and medium enterprises (SMEs). Social and environmental considerations must also be taken into account.

In 2014, the EU adopted two directives that seek to simplify public procurement procedures and make them more flexible: Directive 2014/24/EU on public procurement[86] and Directive 2014/25/EU on procurement by entities operating in the water, energy, transport and postal services sectors.[87] These replace their earlier equivalents from 2004. Since they are directives, member states may transpose them into national law differently.

EU rules apply to public procurement above certain thresholds (see footnoted link for full details).[88]

- Works contracts, subsidised works contracts: €5,350,000
- All services concerning social and other specific services listed in Annex XIV: €750,000
- All subsidised services: €214,000
- All other service contracts and all design contests: €139,000
- All supplies contracts awarded by contracting authorities not operating in the field of defence: €139,000

The updated rules also seek to ensure greater inclusion of common societal goals in the procurement process.[89] For a start, Article 70 of Directive 2014/24/EU on conditions for the performance of contracts states that contracting authorities can lay down special conditions, including social considerations.[90]

Moreover, Article 76 on principles of awarding contracts states that while member states shall put in place rules "to ensure contracting authorities comply with the principles of transparency and equal treatment of economic operators,"[91] contracting authorities may take into account "the specific needs of different categories of users, including disadvantaged and vulnerable groups".[92]

In addition, Article 20 on reserved contracts states that member states may reserve the right to participate in public procurement procedures to "economic operators whose main aim is the social and professional integration of disabled or disadvantaged persons or may provide for such contracts to be performed in the context of sheltered employment programmes, provided that at least 30% of the employees of those workshops, economic operators or programmes are disabled or disadvantaged workers." Disadvantaged people could include "members of an ethnic minority within a Member State and/or requiring development of his or her linguistic, vocational training or work experience profile to enhance prospects of gaining access to stable employment".[93]

The Commission guide to social procurement highlights how the choice of selection criteria can help minority suppliers.[94] For instance, financial standing requirements – for turnover or profitability, for instance – can be limited to what is necessary to ensure a bidder is capable of delivering the contract. This ensures that they do not unduly restrict participation by social economy organisations, social enterprises, non-profits and community organisations.

Conversely, selection criteria can require that organisations demonstrate specific experience and expertise in dealing with social issues relevant to a contract, such as accessibility, racial equality and non-discrimination. They can also require evidence of successful completion of previous contracts involving similar social requirements, such as recruiting and providing opportunities for upskilling disadvantaged workers.[95]

EU public procurement directives are transposed as follows in the five EU countries this report is examining in depth. Each provides scope for taking account of social considerations. The rules in Switzerland, which is not an EU member, are least favourable to social procurement (see Box 3).

BOX 3. PUBLIC PROCUREMENT LAW IN VARIOUS EUROPEAN COUNTRIES

France. France's Public Procurement Code *(code de la commande publique, or CCP)* transposes EU law.[96] French Administrative case law is another major source of rules.

Germany. Part 4 of Germany's Act against Restraints of Competition implements EU public procurement law.[97] Depending on the sector and type of contract, the following detailed rules also apply: Regulation on the Award of Public Contracts, Regulation on the Award of Public Contracts by Entities Operating in the Transport, Water and Energy Sectors, Regulation on the Award of Public Contracts in the Defence and Security Sector and Regulation on the Award of Concession Contracts.

Below EU thresholds, public procurement is generally governed by budgetary law and is supposed to be less regulated and more flexible. However, in practice case law and national public procurement regulation have led to ever greater alignment with EU norms.[98]

Ireland. EU directives were transposed through the European Union (Award of Public Authority Contracts) Regulations 2016 (SI No. 284 of 2016).[99] The substantive procedural rules which apply to public and utilities procurement in excess of EU thresholds are contained in three pieces of legislation:[100] the European Union (Award of Public Authority Contracts) Regulations 2016 (SI 284/2016) (Public Contracts Regulations) which implement Directive 2014/24/EU; the European Union (Award of Contracts by Utility Undertakings) Regulations 2016 (SI 286/2016) (Utilities Regulations) which implement Directive 2014/25/EU; and the European Union (Award of Concession Contracts) Regulations 2017 (SI 203/2017) (Concessions Regulations) which implement EU Directive 2014/23/EU.

Netherlands. The Dutch Public Procurement Act implements EU directives. Dutch public procurement law recognises the general principles of public procurement law (equal treatment, non-discrimination, mutual recognition, proportionality and transparency) and the general principles of Dutch civil law (including pre-contractual good faith). The Public Procurement Act applies to all public contracts and is further detailed in the Public Procurement Decree.[101]

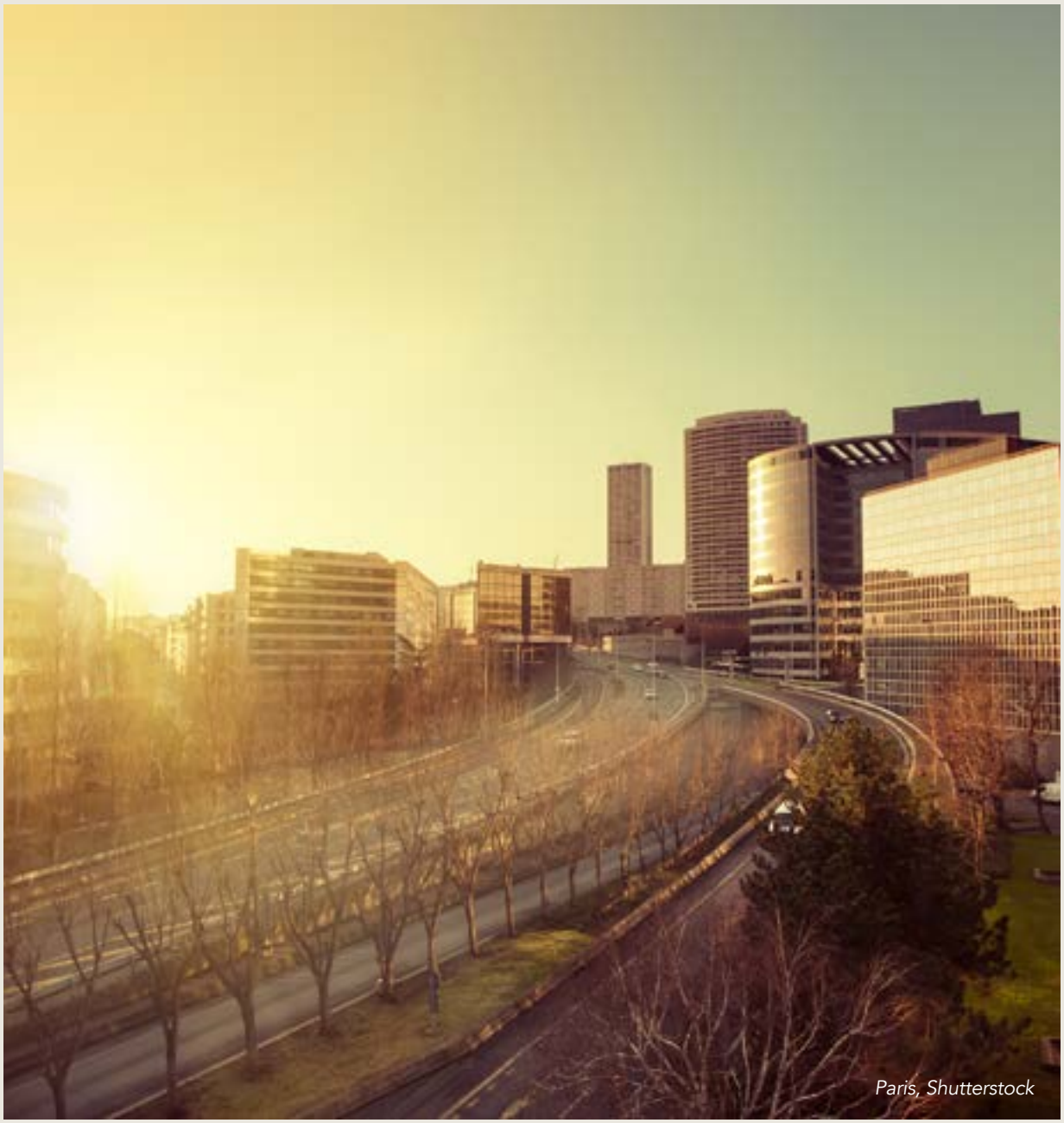
Sweden. The relevant laws are the Public Procurement Act (SFS 2016:1145), the Utilities Procurement Act (SFS 2016: 1146) and the Concessions Procurement Act (SFS 2016: 1147). Chapter 19 of the Public Procurement Act regulates procurement that falls completely or partially outside the directives' scope.[102]

Switzerland. Because of Switzerland's federal structure, public procurement legislation is very fragmented. It exists at federal, cantonal and even at municipal level. Since Switzerland is not an EU member, EU directives do not apply. However, it is bound by international obligations in the World Trade Organisation's Agreement on Government Procurement (GPA), the bilateral agreement between Switzerland and the EU, and the European Free Trade Association (EFTA) agreement.[103]

The laws governing federal procurement projects are the Federal Act on Public Procurement of 16 December 1994 (SR 172.056.1) (FAPP) and the corresponding Ordinance on Public Procurement (SR 172.056.11) (OPP).[104] Article 21(1) of the FAPP states that the contracting authority will enter into a contract with the bidder that made the most economically advantageous bid. A number of criteria will be taken into account, such as quality, price, deadlines, profitability, operating costs, customer service, expediency of the service, aesthetics, environmental sustainability and technical value.

While procurement projects may be divided into different lots, there are no express provisions aimed at furthering the participation of small and medium-sized enterprises.

The contracting authority may take into account other criteria it deems appropriate provided they are reasonable and justified. As a matter of transparency, all award criteria must be listed in the tender documentation according to their relevance and weight.



Paris, Shutterstock

In 2010, the federal government published guidelines on sustainable procurement that describe how contracting authorities may include social and environmental criteria in a tender. With respect to social criteria, particular attention is given to the principles in the eight core International Labour Organisation (ILO) agreements. The FAPP refers only to the bidder's obligation to adhere to the relevant employment regulation[105] and treat men and women equally in terms of wage payments.[106] Article 7(2) of the OPP makes a direct reference to the eight core ILO agreements.

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DATA-PROTECTION POLICIES

Apart from equal treatment requirements, the other big legal constraint on inclusive procurement policies in the EU is data-protection regulation.

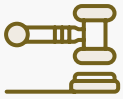
The EU's GDPR sets out detailed requirements for companies and organisations on collecting, storing and managing personal data. It applies to EU-based organisations that process personal data, regardless of where the data processing takes place, as well as to organisations established outside the EU that process personal data in relation to the offering of goods or services to individuals in the EU or monitor the behaviour of individuals within the EU. Non-EU-based businesses that process EU citizens' data have to appoint a representative in the EU.

Personal data is any information about an identified or identifiable person, also known as the data subject. This includes their name, address, ID card or passport number, income and cultural profile.

Personal data may only be processed in a fair and lawful manner, for a specified and legitimate purpose and only insofar as the data is necessary to fulfil this purpose. To lawfully process personal data companies must meet at least one of the following conditions:

Consent
The individual concerned has freely given a company clear, informed consent to process their personal data for a specific purpose;

Contract
The processing is necessary to fulfil a contractual obligation with the individual;



Legal obligation
The processing is necessary to comply with the law;

Vital interests
The processing is necessary to protect someone's life;

Public task
The processing is necessary to perform a task in the public interest;

Legitimate interests
The processing is necessary for a company's legitimate interests, or those of a third party, unless there is an overriding reason to protect the individual's personal data.[107]

The rules for sensitive "special categories" of data such as someone's racial or ethnic origin are even more stringent. In addition to meeting one of the conditions above for lawfully processing personal data, processing special-category data requires meeting one of the following separate conditions:

Explicit consent of the data subject

Necessary for employment, social security and social protection

Vital interests

By a not-for-profit body with a political, philosophical, religious or trade union aim in the course of its legitimate activities with appropriate safeguards and relating solely to its members, or those in regular contact with it

Relating to personal data that are **manifestly made public by the data subject**

Necessary for **legal claims or judicial acts**

Necessary for reasons of **substantial public interest** – including ensuring equality of opportunity or treatment – on the basis of EU or member state law, which is proportionate to the aim pursued, respects the essence of data-protection rights and provides for suitable and specific measures to safeguard the fundamental rights and interests of the data

Necessary for **health or social care**

Necessary for **public health**

Necessary for **archiving, research or statistics**

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Companies with inclusive procurement policies are allowed to request and collect data about ethnic identity and/or migration background, but appropriate controls must be in place. They should collect only as much personal data as necessary and clearly communicate how it will be used, making an informed decision about where and how consent is obtained. Companies should carefully consider the different stages of data processing – collecting, storing, securing, using and disposing – in deciding what controls to put in place, who has access to data – including third parties who certify that suppliers are minority-led – and communicate those policies to suppliers. They must consider whether appropriate individuals are designated to monitor compliance of the data collection programme – and monitor this regularly. It is important to document the legal analysis through a data protection impact assessment (DPIA).[108]

Companies should not assume that statistics anonymise personal data, use data for anything other than that for which consent has been sought, or proceed without legal approval.

In short, while inclusive procurement policies are lawful in Europe, they need to be carefully crafted so as to comply with EU and domestic legislation, notably on racial discrimination and data protection. Positive action is legal; positive discrimination is not. Public procurement can take social considerations into account. And special care is needed in processing sensitive personal data such as ethnic origin.

4. Existing Initiatives in Europe

The EU has many initiatives, both public and private, to support migrant entrepreneurship, at EU as well as at national level. It has pan-European networks to encourage inclusive procurement, from both female entrepreneurs and LGBT ones. But it has only one organisation to promote equality in procurement for ethnic-minority entrepreneurs – and, perhaps surprisingly, it is in France.

ADIVE

L'Agence pour la Diversité Entrepreneuriale (Agency for Entrepreneurial Diversity) was established in 2009, inspired by supplier-diversity initiatives at big US companies.[109] "Every year, big companies spend billions of euros in procurement, but discriminate against local entrepreneurs who do not have the right networks/reputation," says founder and CEO Majid El Jarroudi. "Adive is bridging the gap by setting all entrepreneurs on an equal footing in the eyes of corporations through a unique platform that connects procurement officers' needs and the potential of diverse entrepreneurs, which fosters an unprecedented shift of mind and reveals a new generation of first-class entrepreneurs."[110]

Adive got started when Airbus, the European aerospace company, won a contract in the US and requested a benchmarking of diversity business practices in the US and France. The challenge was that in France it is illegal to identify people by their ethnicity. But the Commission nationale de l'informatique et des libertés (CNIL), France's data-privacy regulator, did allow Adive to proceed on the basis of the region of origin of entrepreneurs, such as North Africa or South-East Asia, provided they self-identified – ie, that entrepreneurs identified themselves as being, say, of North African origin rather than being labelled as such. After Adive established a partnership with the Île de France (Greater Paris) region they decided to focus instead on entrepreneurs in disadvantaged areas – so-called priority neighbourhoods *(quartiers prioritaires)*, in which around 70% of the population have a migration background.

Adive initially focused on identifying business opportunities for minority companies, speaking with chief procurement officers to help them establish sustainable procurement programmes. They would find two or three suitable local businesses that met their procurement needs. In around 30% of cases the large corporates used the minority entrepreneurs suggested.[111]

However, the minority businesses often turned out to be too small to work with large corporates; they typically had only three to five employees and a turnover of €400,000 (£350,000). So Adive developed a capacity-building programme in partnership with the consulting firms Accenture and KPMG. They have supported around 100 entrepreneurs whose income they boosted by around 15%.

Adive also now supports other NGOs to duplicate what they achieved in Île de France, notably in cities such as Poitiers and Montpellier.

Adive's success shows that inclusive procurement initiatives are possible even in France, where the authorities are particularly loath to make distinctions between people on the basis of race or ethnic origin. At the same time, it highlights the need to be flexible in applying American supplier-diversity ideas in Europe, with Adive's focus now on entrepreneurs in deprived primarily ethnic enclaves.

INT'LINK

The only other European country in which a corporate inclusive procurement initiative has been established is Sweden. Int'link was a one-year supplier diversity pilot scheme launched in 2016 by the Stiftelsen Internationella Företagare i Sverige (IFS), a foundation that supports migrant entrepreneurship, and the American Chamber of Commerce in Sweden. The initiative aimed to help migrant-owned businesses gain access to large supply chains from which they had been traditionally excluded. Int'link had 60 large corporate members at launch, including Hammarskiöld & Co., IBM Svenska AB, ICA Sverige AB, Pfizer AB, SEB and UPS Sweden AB.

There is a growing awareness in Sweden that business solutions are needed to address the country's changing demographics and that by creating jobs immigrant entrepreneurs will play an important role in future integration. It was with this shared belief that Int'Link was started with high hopes and with the project receiving considerable positive press at its launch. Significant time and resources were invested, with IFS developing a software platform and corporate members making financial commitments.

Unfortunately, by 2019 it had been wound down due to funding issues and what appears to be the difficulty in matching relatively small minority suppliers to the demands of major companies. The key people we spoke to all said that lessons had been learned from the pilot and that things could have been done differently that may have resulted in a more successful outcome. Any new initiative would benefit from these insights.

INDIVIDUAL CORPORATE EFFORTS

In the absence of inclusive procurement initiatives for ethnic businesses in Europe, some international companies that have global supplier-diversity policies have taken matters into their own hands.

Unilever has committed to spend $2 billion (£1.5 billion, €1.7 billion) a year globally with diverse companies by 2025. While its initial efforts are focused on the US, Canada and South Africa, with the UK and Ireland the only European countries in the initial rollout, mainland Europe is set to feature in the second phase.

Alexandra Tarmo, Unilever's Head of Partnerships and Social Procurement, says the company is already making informal efforts in Europe. "We need to define the right criteria to have a proper impact on under-represented groups in Europe," she says.[112]

"Our procurement team looks for ethnic-minority businesses manually," she explains. "Unilever is conducting a large-scale survey starting this June [2021] for all its suppliers asking about their size and whether they are diverse. People will only disclose what they want to. Unilever doesn't work with minority business networks, but the global team does a lot of work with NGOs on social issues." Unilever is also working with procurement software developer Integrity Next to develop the supplier questionnaire for Germany.

Another inclusive procurement pioneer in Europe is IBM. It has a "rule of one" that requires at least one diverse supplier for each tender. This has proved challenging in many countries, especially in eastern Europe, and where it is not possible the tender has to go through an exception process. IBM allows businesses to self-identify as minority businesses but requires evidence to justify this. They go to WEConnect for women-owned businesses in the countries in which it operates.

Photo by Christina @ wocintechchat.com

INCLUSIVE PROCUREMENT FOR OTHER DISADVANTAGED GROUPS

Inclusive procurement is most developed in Europe for female entrepreneurs. WEConnect International certifies businesses as female-owned in Ireland, Switzerland, Germany and the Netherlands, with France due to come online shortly.

Founded in 2009 in the US to help women-owned businesses, WEConnect now operates in over 100 countries around the world. It has 112 large corporate members and its database of women-owned businesses is the largest in the world.

It employs a three-pronged strategy: educating female entrepreneurs about how to grow their companies, while helping potential buyers identify them; assessing the readiness of these companies to expand into corporate supply chains committed to inclusion; and connecting women owners to each other to create a growing and supportive global network at the local and multinational levels.

On a smaller scale, the European LGBTIQ Chamber of Commerce (EGLCC) certifies LGBTIQ-owned businesses in Germany, Italy, Austria, Denmark, Norway, Sweden, Finland as well as various countries in central and eastern Europe.

It was founded in Stockholm in 2018 by the LGBTIQ chambers of Italy (IGLBC), Scandinavia (SGLCC) and Central and Eastern Europe (East meets West). The following year it was joined by the German chamber (GGLBC). All national LGBTIQ chambers in Europe that subscribe to the Vienna Declaration on LGBTIQ Businesses are welcome to join.

The EGLCC seeks to work with regional chambers to create stronger local, national and European LGBTIQ business communities. As with other minority-owned businesses and inclusive procurement programmes, certification is crucial to help buyers identify potential suppliers. The EGLCC is the recognised European certifier of LGBTIQ businesses.

In terms of public procurement, one initiative has sought to develop buying from migrant businesses at city level (see Box 4).

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BOX 4. INCLUSIVE PROCUREMENT AT CITY LEVEL

City governments play a crucial role in urban economic development, and with around half of public procurement in the EU taking place at local level, their purchasing policies can help shape the entrepreneurial environment and meet social goals.

A Council of Europe project across 10 European cities – Bucharest (Romania), Cartagena (Spain), Dublin (Ireland), Getxo (Spain), Lisbon (Portugal), the London Borough of Lewisham (UK), Munich (Germany), Reggio Emilia (Italy), Rotterdam (Netherlands) and Vienna (Austria) – highlighted how inclusive procurement policies could help support migrant entrepreneurship as part of wider diversity and inclusion policies.[113]

Local governments can help migrant businesses bid for public contracts for the likes of construction and food services. Among other things the report suggested: establishing cross-sectoral cooperation with departments responsible for buying goods and services to enhance the socio-economic integration of migrant entrepreneurs; providing evidence and data to support the development of socially responsible procurement policies; making it easier for migrant-owned businesses to bid for contracts through the likes of smaller lots, better information and training; introducing social clauses in public procurement; and engaging the private sector to adopt inclusive procurement policies.

Procurement officials in Cartagena, Getxo, Lewisham, Lisbon, Munich, Reggio Emilia and Rotterdam showed interest. Getxo has a dedicated team for managing social clauses in public contracts. In Munich and Lisbon bigger contracts are split into smaller lots. Reggio Emilia has an inclusive procurement budget, which has been publicised, with its own manager. In Dublin and elsewhere procurement officers organise workshops on how to tender for underrepresented businesses. Through Intertrade Ireland, consortiums of SMEs have been built and encouraged to make joint bids for public contracts in Ireland.

In short, inclusive procurement is still in its infancy in Europe. The big question, then, is how best to move forward with developing it at scale.

5. The Way Forward

Inclusive procurement initiatives for ethnic-minority businesses are notable by their absence in most of Europe.

However, the building blocks for establishing them are in place to varying degrees in different countries.

Countries with significant migration-background populations tend to have organisations of ethnic businesses. All EU countries except Malta also have Diversity Charters whose corporate signatories have made a public commitment to advancing diversity, notably in the workplace, but potentially also in their supply chains. And both at EU and national level, there are government initiatives to promote inclusive entrepreneurship whose remit could be expanded to cover procurement.

ETHNIC BUSINESS ORGANISATIONS

In the six European countries that we examined in greater depth, several have significant ethnic business organisations. In Germany, for instance, the Association of Turkish Businessmen and Industrialists in Europe (ATIAD) boasted that already in 2011 there were 82,000 Turkish entrepreneurs employing 450,000 to 500,000 people in their companies in Germany.[114] In the Netherlands, HOGIAF has 120 ethnic business members, 80% of which are of Turkish origin, with the top 50 having a turnover of at least €3 million each.[115] The Suriname Dutch Chamber, meanwhile, represents 5,000 businesses (some of which are in Suriname). In Sweden, the IFS has a large database of migrant-owned businesses that formed the basis for the Int'Link project (see previous section).

DIVERSITY CHARTERS

While ethnic business organisations can help identify migrant-owned businesses, Diversity Charters bring together businesses, many of them large corporates, that are publicly committed to advancing diversity, equality and inclusion.

The first Diversity Charter was established in France in 2004 with a view to promoting diversity in the workplace – and it now has more than 4,000 signatories. While non-EU Switzerland lacks one, Diversity Charters now exist in 26 of the 27 EU member states.[116] These encourage organisations – private companies, public bodies and NGOs – to develop and implement diversity and inclusion policies. By signing a charter, an organisation voluntarily commits to promote diversity and equal opportunities in the workplace, regardless of, for example, age, disability, gender, race or ethnic origin, religion or sexual orientation.

There is also an EU Platform of Diversity Charters that was created in 2010 under the initiative of, and with funding from, the European Commission. It offers a place for Diversity Charters to exchange and share their experiences and good practices through platform meetings, expert seminars and annual high-level forums. The EU Platform now brings together more than 12,000 organisations with more than 16 million employees. The EU's Commissioner for Equality, Helena Dalli, also organised a Diversity Month in May 2021 with a special focus on ethnic diversity.

Diversity Charters focus on promoting diversity of all kinds in the workplace, including ethnic diversity. One option, then, might be to encourage them to expand their scope to supplier diversity too. Maria Hegarty, the founder of Diversity Charter Ireland, says that supplier diversity used to be on the agenda of the EU Platform around a decade ago but that for some reason interest had fallen off.[117] Even if the Diversity Charters themselves did not want to pursue inclusive procurement initiatives, their corporate members could be interested in joining separate initiatives.

Other potential partners are the American Chamber of Commerce in each European country, which represent the interests of US companies in those countries. Since US companies tend to have global diversity policies, they are often more open than most to such initiatives; indeed, AmCham Sweden partnered with IFS to develop Int'Link in Sweden.

WHERE FIRST?

While there is a strong case for an EU-wide network for inclusive procurement (see below), some countries are more ready for a national initiative than others. OPEN has compiled a scorecard to evaluate countries' readiness on the basis of four criteria: the *need* for inclusive entrepreneurship, its *potential*, the *appetite* for it among large corporates, and the stringency of the *constraints* on it (see Table 10).

Need is measured using two indicators: the estimated ethnic-minority share of the population, as per Figure 2 in Section 1, and the migration-background share of the population, as per Figure 3. Where this share is 10% or more (in green in the table), countries are awarded five points, where this is 5–10% (in yellow), they get three points and where this is below 5% (in red), they get one point.

Potential is measured using two indicators: the share of employers who are immigrants born outside the EU-27, as per Figure 10, and the share of early-stage entrepreneurs with a migration background, as per Figure 12. As previously, where this share is 10% or more (in green), countries are awarded five points, where this is 5–10% (in yellow), they get three points and where this is below 5% (in red), they get one point. In the case of Ireland, where most of the non-EU-27 migrant entrepreneurs are British, the figure for non-EU-28 entrepreneurs is used.

Appetite is gauged using four indicators: five points for the existence of a Diversity Charter; five points for the existence of a minority supplier diversity organisation – with three for Sweden (in yellow) for having attempted one; five points if WEConnect is active in the country and five points if the EGLCC operates there. Where such organisations exist, this is marked in green; where they aren't this is marked in red.

Constraints are measured using two indicators: data and discrimination law. On data, five points are awarded to countries that collect data on ethnicity, namely Ireland and Finland (in green); zero (in red) otherwise. On discrimination, five points are awarded if domestic law permits and encourages positive action to promote equality of opportunity for disadvantaged groups, as it does in all EU countries (in green) but not Switzerland (in red), with France (in yellow) getting only three points because the law specifies positive action for people in deprived areas but not for disadvantaged ethnic groups.

OPEN's scorecard suggests that Germany and Sweden are the EU countries in which the conditions are most propitious for establishing an inclusive procurement initiative for ethnic-minority businesses. Germany scores highly on need, potential and appetite while being marked down primarily for the absence of ethnicity data. Sweden seems well-placed to learn from the flaws of the ill-fated Int'Link initiative. Third-placed Ireland does collect ethnicity data, but falls short due to the lower prevalence of ethnic-minority businesses. In fourth place is France, where Adive already exists, followed by the Netherlands and Austria.

EQUIP EUROPE

While inclusive procurement is still in its infancy in Europe, it is most advanced with respect to female-owned companies. It would make sense, therefore to push for equality in procurement for ethnic-minority businesses through both individual national efforts and collective efforts at European level with WEConnect and the EGLCC.

Such an EU-wide umbrella advocacy organisation could be called EQUIP Europe: EQUality In Procurement Europe. Potential partners would be ethnic business organisations and Diversity Charters (or their members). Founder members could include the likes of Unilever and IBM, which are already active independently in this area, as well as the corporate sponsors of this report: AstraZeneca, Bristol Myers Squibb, GlaxoSmithKline, Facebook and Johnson & Johnson.

Mainstream business organisations – including, at EU level, Business Europe – can also play a role, notably in encouraging large corporates to introduce inclusive

Table 10. Scorecard on European countries' readiness for inclusive procurement

	NEED: Migration-background population		POTENTIAL: Suppliers		APPETITE: Buyers				CONSTRAINTS		SCORE
	Ethnic-minority share of population (%)	Migration background share (%)	Employers who are non-EU-27 migrants (%)	Early-stage entrepreneurs with a migration background (%)	Diversity Charter	Minority supplier diversity organisation	WEConnect active	EGLCC active	Ethnicity data	Discrimination law	/50
Germany	9.4	23.8	10.5	22.3	Y	N	Y	Y	N	Positive action	38
Sweden	15.1	30.6	17.6	13.7	Y	attempted	N	Y	N	Positive action	38
Ireland	5	22.2	5.1	23.2	Y	N	Y	N	Y	Positive action	36
France	19.6	26.8	9.2	21.2	Y	Y	soon	N	N	Ethnic hard	34
Netherlands	13.9	20.3	8.7	10.9	Y	N	Y	N	N	Positive action	33
Austria	6.8	30.5	10	n/a	Y	N	N	Y	N	Positive action	33
Denmark	8	18.4	9.1	26.3	Y	N	N	Y	N	Positive action	31
Norway	10.1	23.1	12.8	10	N	N	N	Y	N	Positive action	30
Finland	5.6	10.6	4.2	2.6	Y	N	N	Y	Y	Positive action	30
Italy	5.9	11.7	6.5	5.5	Y	N	N	Y	N	Positive action	29
Belgium	13.3	25.4	8.2	10.3	Y	N	N	N	N	Positive action	28
Spain	10.5	13.6	9	6	Y	N	N	N	N	Positive action	26
Portugal	9.6	10.6	10.6	9.7	Y	N	N	N	N	Positive action	26
Switzerland	11.8	46.8	8.5	18.1	N	N	Y	N	N	Positive action hard	26
Greece	4.3	8.7	2.8	3.7	Y	N	N	N	N	Positive action	16

Source: OPEN

procurement policies. However, they are not particularly active on diversity issues yet.

EU ACTION

EQUIP Europe could play a particularly important role in seeking to influence EU policy, which in turn helps frame policy at a national level. The EU already has many initiatives to support migrant and migration-background businesses and their focus could be broadened to encompass inclusive procurement initiatives.

The EU's Entrepreneurship 2020 Action Plan, which aimed to support an environment attractive to all forms of entrepreneurship, saw migrants as important potential entrepreneurs and recognised that entrepreneurship was a valuable way for them to participate in the economy and integrate into society.[118] It also recognised the need to address the specific legal, cultural and linguistic obstacles that migrant entrepreneurs face. Facilitating migrant entrepreneurship was therefore one of its goals.

However, because of Covid, that Action Plan has yet to be replaced with a new policy framework for the new 2021–27 budget period. Instead, the Commission has a vague commitment to supporting entrepreneurship by supporting EU citizens, entrepreneurs in general and "specific groups whose entrepreneurial potential has not been fully tapped yet, such as women and young people".[119] As it stands, though, this makes no specific reference to migrants or disadvantaged groups.

The EU has, however, published its Action Plan on Integration and Inclusion 2021–27. This promotes inclusion for all, recognising the important contribution of migrants to the EU and the need to address the barriers that can hinder participation and inclusion of people with a migration background, from newcomers to citizens, in European society.[120]

Promisingly, it includes a section on helping entrepreneurs with a migration background. Its aim is for migrant entrepreneurs to receive more support through easier access to financing, training and advice. The Commission commits to provide support for inclusive entrepreneurship under its InvestEU programme for both women and men, including migrant entrepreneurs, and foster inclusive mentoring schemes.[121] EU member states are also encouraged to promote entrepreneurship among migrants through tailored training and mentoring programmes, by opening up mainstream entrepreneurship support structures to migrants and including entrepreneurship in integration programmes. A mid-term review of the action plan will be conducted at the end of 2024.

In the fourth quarter of 2021 the Commission also plans to adopt an EU Action Plan for the Social Economy. This will aim to boost social investment and support social economy organisations and social enterprises in starting up and scaling their activities and their social impact, and thus innovate and create jobs.[122]

More broadly, the OECD, a Paris-based intergovernmental think-tank and policy forum for advanced economies that collaborates closely with the European Commission, has sought to promote inclusive entrepreneurship. This is defined as entrepreneurship that contributes to social inclusion by giving all people an equal opportunity to start up and operate businesses, regardless of their background, age or gender.

The OECD's flagship 2019 report on inclusive entrepreneurship, *The Missing Entrepreneurs*,[123] puts forward a host of policy recommendations, including for migrants and entrepreneurs from under-represented and disadvantaged groups. However, it makes no mention of supplier diversity and only one of procurement, namely taking "action to support access by start-ups to the European public procurement market."[124] Likewise, the country reports make scarcely any mention of procurement.

Given the commitment to inclusive entrepreneurship at both the European Commission and the OECD, a key aim of EQUIP Europe ought to be putting the case for prioritising procurement as a means of promoting more equal opportunities for ethnic-minority entrepreneurs and thus facilitating socio-economic integration and boosting economic growth.

Moreover, minority businesses have a key role to play in achieving EU objectives such as building back better from the Covid crisis, shifting to a net-zero-emissions economy and sustaining the European model and way of life.

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Conclusion

Europe is increasingly diverse. It is home to ever more people from ethnic minorities, who make an ever-greater contribution to European economies and societies – not least as entrepreneurs and employers. Minority businesses help local economies thrive, create jobs and wealth, innovate and export, not to mention paying taxes.

But minority entrepreneurs are often at an economic and social disadvantage. They suffer discrimination. They are often disconnected from mainstream business and social networks. And they manifest disproportionate levels of doubt.

As a result, both they and Europe as a whole often fail to make the most of minority businesses' huge potential, undermining economic growth and the principle of equality on which European societies are based.

To succeed, Europe needs to do more to tap into the diverse qualities of ethnic-minority businesses.

The good news is that policymakers and business leaders increasingly grasp this. They realise that small businesses and start-ups make a big contribution to Europe's dynamism, but that female entrepreneurs face higher hurdles than men and that immigrant entrepreneurs must overcome greater obstacles than local ones. They also want to help.

Now is the time to capitalise on those insights and good intentions. To ensure ethnic-minority entrepreneurs have an equal chance to succeed requires positive action by both governments and businesses, not least in their procurement policies.

This pioneering report highlights how there is the need, the potential and the appetite for inclusive procurement policies, both at EU level and in particular in Germany, Sweden, Ireland and France. And it has proposed how one might move forward, notably by establishing EQUality In Procurement (EQUIP) Europe, an umbrella advocacy organisation at EU level.

Providing a stronger basis for progress requires many things. One is better data on ethnic-minority and migration-background entrepreneurs. Another is a report that brings the subject to life by presenting the compelling life stories of minority entrepreneurs across Europe, as our report *Minority Businesses Matter* did in the UK. A third is a stronger evidence base on the benefits of inclusive procurement as it develops in Europe.

Above all, we need to harness the energies of EU and national policymakers, corporate leaders and ethnic-minority entrepreneurs to create a more dynamic, equal and inclusive Europe. It's time to EQUIP Europe for progress.

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63. *Ibid.* Article 2.5 b)

64. Défenseur des Droits, "Discriminations et Origines: L'urgence d'agir", 22 June 2020. https://www.defenseurdesdroits.fr/fr/rapports/2020/06/discriminations-et-origines-lurgence-dagir

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66. "De mettre en place un nouveau groupe de travail, associant le Défenseur des droits et la plateforme nationale RSE (responsabilité sociale des entreprises), pour faire converger les différentes obligations réglementaires portant sur la production de données en matière de lutte contre les discriminations dans l'emploi et élaborer un référentiel partagé qui permette d'identifier les indicateurs qui pourraient être retenus et mobilisés au sein des organisations."

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77. I*bid*. Section 12

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88. European Commission, "Public procurement: Thresholds". https://ec.europa.eu/growth/single-market/public-procurement/rules-implementation/thresholds_en

89. Santiago Lesmes Zabalegui, "How to Foster the Employment of Entrepreneurial Migrants Through Public Procurement", Migrant Entrepreneurship Growth Agenda.

90. "Contracting authorities may lay down special conditions relating to the performance of a contract, provided that they are linked to the subject-matter of the contract within the meaning of Article 67(3) and indicated in the call for competition or in the procurement documents. Those conditions may include economic, innovation-related, environmental, social or employment-related considerations." Directive 2014/24/EU, Article 70. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0024

91. "Member States shall put in place national rules for the award of contracts subject to this Chapter in order to ensure contracting authorities comply with the principles of transparency and equal treatment of economic operators. Member States are free to determine the procedural rules applicable as long as such rules allow contracting authorities to take into account the specificities of the services in question." *Ibid.*, Article 76.1

92. "Member States shall ensure that contracting authorities may take into account the need to ensure quality, continuity, accessibility, affordability, availability and comprehensiveness of the services, the specific needs of different categories of users, including disadvantaged and vulnerable groups, the involvement and empowerment of users and innovation. Member States may also provide that the choice of the service provider shall be made on the basis of the tender presenting the best price-quality ratio, taking into account quality and sustainability criteria for social services." *Ibid.*, Article 76.2

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105. Article 8(1)(b) of the FAPP for domestic bidders.

106. Article 8(1)(c) of the FAPP for international bidders.

107. Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), Article 6. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02016R0679-20160504

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