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## **Mixed Embeddedness: (In)formal Economic Activities and Immigrant Businesses in the Netherlands**

Robert Kloosterman, Joanne van der Leun & Jan Rath

### ***Immigrant entrepreneurs and advanced urban economies<sup>1</sup>***

The impact of immigrants has very noticeably changed the outlook of larger Dutch cities in the last quarter of this century. It started with the crowds in the streets and by now this demographic shift has also manifested itself in the rising number of immigrant entrepreneurs. Because of this, the four largest Dutch cities (Amsterdam, Rotterdam, The Hague and Utrecht) have not only acquired a distinctly more cosmopolitan outlook (Rath & Kloosterman 1998b), but have also become more like other advanced urban economies, such as New York, Los Angeles, London, Paris and Marseilles, where immigrants and immigrant entrepreneurs are prominently present as well (Barrett et al. 1996; Body-Gendrot & Ma Mung 1992; Häussermann & Oswald 1997). These immigrant entrepreneurs are affecting cities in numerous—and sometimes quite unexpected—ways as, for example, by revitalising formerly derelict shopping streets, by introducing new products and new marketing strategies (Rath & Kloosterman 1998a), by fostering the emergence of new spatial forms of social cohesion (see, for example, Simon 1997; Tarrus & Péraldi 1995), by opening up trade links between far-away areas that were hitherto unconnected through so-called transnational communities (Faist, 1997; Guarnizo 1996; Portes 1995b; Portes & Stepick 1993; Tarrus 1992; Wallace 1997; *The Economist* 1998) and by posing challenges to the existing regulatory framework through being engaged in informal economic activities (Kloosterman, Van der Leun & Rath 1998). As for the latter, contemporary urban economic sociological studies suggest that immigrants and especially immigrant entrepreneurs play a pivotal role in these informal economic activities. According to Portes & Sassen-Koob (1987: 48): ‘immigrant communities have provided much of the requisite labor for these activities, have frequently supplied sites for their development, and have furnished the entrepreneurial drive to initiate them’.

Below, we will explore the role of immigrant entrepreneurs in informal activities. We will show that the socio-economic position of immigrant entrepreneurs—and, consequently, also their prospects with respect to upward social mobility—can only properly be understood by taking into account not only their embeddedness in social networks of immigrants but also their embeddedness in the socio-economic and politico-institutional environment of the country of settlement. We, therefore, propose the use of a concept, *mixed embeddedness*, which encompasses both sides of embeddedness to analyse processes of insertion of immigrant entrepreneurs. Complex configurations of mixed embeddedness enable immigrant businesses to survive—partly by facilitating informal economic activities—in segments where indigenous firms, as a rule, cannot.

With the rising number of immigrants and, more particular, of immigrant entrepreneurs in Dutch cities, the issue arises whether the small shop run by an immigrant is a step up on the avenue of social mobility or whether it is located on a dead-end street. Exploring these forms of mixed embeddedness among immigrant entrepreneurs in concrete Dutch metropolitan milieus will eventually allow us to assess to what extent immigrant entrepreneurship in conjunction with informal economic activities constitutes a distinct trajectory of incorporation.

We will start with a short overview of recent developments in immigrant entrepreneurship in the Netherlands. After that, we will present a more thorough account of mixed embeddedness and its relationship with informal economic activities. We will then use this concept to explore a case study of a specific group of immigrant entrepreneurs more in depth, namely that of Turkish and Moroccan Islamic butchers. Finally, we will offer some conclusions on the relationship between immigrant entrepreneurs and the context of the receiving country.

### ***The rise of immigrant entrepreneurs in the Netherlands***

At first glance, the rise in immigrant entrepreneurship in advanced cities seems to be the obvious outcome of, on the one hand, the inflow of immigrants, and, on the other, the resurgence of self-employment in general (OECD 1992; Martinelli 1994; Light & Rosenstein 1995). The share of a particular group or category among the ranks of the self-employed is, however, anything but a straightforward reflection of its share of the

population as a whole. The rate of participation in entrepreneurship of a particular group of immigrants depends on the intricate interplay between socio-economic and ethno-social characteristics of the group in question and the opportunity structure. This opportunity structure—which in itself is primarily a function of the state of technology, the costs of production factors, the nature of the demand for products, and the institutional framework—determines when, where and to which extent openings for such businesses will occur.

Immigrants in the Netherlands, have found themselves—from a socio-economic point of view—in a rather marginalised position. Despite the fact that the Dutch job machine has been churning out jobs at a very high rate almost constantly in the 1990s, unemployment among immigrants has remained relatively high. In 1997, when the Dutch economy was booming, the average rate of unemployment among immigrants still stood at 18 per cent; whereas only 6.3 per cent of the indigenous workforce was out of work. Turks (31 per cent) and Moroccans (24 per cent) are especially hard hit by unemployment (CBS 1998). Excluded to a considerable extent from the mainstream labour market, an increasing number of immigrants has opted to set up shops themselves. In 1986, 11,500 firms in the Netherlands were run by immigrant entrepreneurs. This number had doubled in 1992 and trebled to 34,561 in 1997 which amounts to about 5.5 per cent of all non-agricultural firms in the Netherlands. The share of self-employed in the total population of immigrants from non-industrialised countries rose from 3.3 per cent in 1986, to 7.4 per cent in 1997 (Tillaart & Poutsma 1998: 40-46).

This spectacular rise of immigrant entrepreneurship has not been evenly distributed in a spatial sense nor with respect to economic activities (cf. Kloosterman & Van der Leun 1999). Firstly, immigrant entrepreneurs are heavily concentrated in the four largest cities and especially in Amsterdam. In 1997, about 40 per cent of all immigrant entrepreneurs could be found in these cities and about 20 per cent in Amsterdam alone. The rise of the number of immigrant entrepreneurs in the four largest Dutch cities is shown in Figure 1.

<< Figure 1 about here >>

This specific spatial pattern clearly reflects the demographic distribution of immigrants in the Netherlands: about 44 per cent of the population of immigrants from non-industrialised countries lives in Amsterdam, Rotterdam, The Hague or Utrecht (CBS 1997). Kloosterman and Van der Leun (1999) have shown that the relationship between

demographic trends and the development of immigrant entrepreneurship also holds within cities. Neighbourhoods with high shares of immigrants in their population turn out to be those with a relatively high number of business start-ups by immigrants with respect to business start-ups by indigenous entrepreneurs.<sup>2</sup> This relationship seem to underline the importance of social networks that are mainly based on proximity of co-ethnics for fledgling firms run by immigrants, although the high numbers of immigrant businesses in those neighbourhoods may also be related to the large availability of cheap commercial premises.

Immigrant entrepreneurship is not just selective in a spatial sense but also heavily skewed towards specific economic activities. Lacking in most cases access to substantial funds of (financial) capital and also deemed lacking in appropriate human capital (educational qualifications), most fledgling immigrant entrepreneurs from non-industrialised countries can, generally, only set up shop at the lower end of this opportunity structure; i.e. in markets with low barriers of entry in terms of capital outlays and required educational qualifications. Notwithstanding these ostensibly atavistic characteristics, these markets are part and parcel of advanced urban economies (cf. Sassen 1991; Barrett et al. 1996).

As Figure 2 shows, about three in five of the immigrant entrepreneurs in the largest four cities in the Netherlands have set up shop in either wholesale, retail or restaurants. These are not only economic activities that may cater for an 'ethnic' demand (specific foodstuffs, clothing or hair styles), but also sectors where businesses may be started with—in principle, but not exclusively—relatively small outlays of capital and limited educational qualifications. Our research findings do show that immigrants gravitate to businesses at the lower end of the market (Kloosterman, Van der Leun & Rath 1997; Rath 1988b, 1999a).

<< Figure 2 about here >>

Low barriers of entry is one side of the coin, fierce competition the obvious flip side in these highly accessible economic activities. Survival, therefore, is generally difficult and profits can be very low and, in many cases, even non-existent. The survival of immigrant businesses in these cut-throat markets depends to some extent on the fact that many immigrant entrepreneurs (and their families) have different sets of preferences still partly rooted in the sending countries that allow for long hours and low pay (Waldinger 1996).

Their survival is, however, also possible because of the fact that entrepreneurs are embedded in specific social networks that enable them to reduce their transaction costs in formal but also in informal ways (Portes & Sensenbrenner 1993; Portes 1995a; Roberts 1994; Zhou 1992). Informal practices can thus be seen as an intrinsic part of contemporary capitalism especially as the rise of the service sector contributes to a more favourable environment for small firms that partly rely on informal production (Castells & Portes 1989; Engbersen 1997; Fainstein, Gordon & Harloe 1992; Kloosterman, van der Leun & Rath 1997 and 1998; Rath 1998b; Tarrus 1992).

### ***Informal economic activities***

Informal production encompasses those ‘activities aimed at producing a positive effect on income (for the person executing the activities and/or for the person receiving the results), for which the terms of legislation and regulations (planning requirements, social security legislation, collective labour agreements, and the like) applicable to the activities are not being met (Renooy 1990: 24).’ Portes and Sassen-Koob (1987: 31), explain that ‘although this definition encompasses criminal activities, the term is customarily reserved for such activities as those in the food, clothing, and housing industries that are not intrinsically illegal but in which the production and exchange escape legal regulation’. The informal economy is thus conceived as a process of income generation rather than a characteristic of an individual (if only because a moonlighter may have a entirely legal job at another time of the day). The decisive characteristic of the informal economy which distinguishes it from the formal economy is the lack of governmental control (Renooy 1990: 25).

Although a useful definition, five observations have to be made. Firstly, this definition is wholly contingent on the regulatory context and this may differ from time to time and from place to place. What is informal in one place may be completely legal in another. Prostitution, for instance, is completely illegal in a number of American states but (partly or entirely) legal in other states such as Nevada or in countries as the Netherlands. Moreover, specific regulatory contexts may even create distinct informal economic activities. By establishing monopolies for the sale of cigarettes, the Italian government—inadvertently, one presumes—also created the somewhat peculiar sight of African immigrants selling cigarettes along major exit routes in cities. This points to the dynamic

character of the informal economy. Activities that are entirely legal at one time, may turn out to be illicit at another. Only three decades ago, the Dutch government welcomed undocumented immigrants who were represented as ‘spontaneous guestworkers’ (Rath & Schuster 1995: 103; Wentholt 1967: 189). They were duly regularised as soon as they found a job. Today, the Dutch government perceives undocumented immigrants as ‘profiteers’ who should be expelled instantly.

Secondly, being contingent on the regulatory framework also precludes an unequivocal description of the nature and extent of the informal economy. Depending on the rules and regulations one takes as a point of departure, one may, in one case, describe and measure the informal economy in terms of money (e.g. the amount of evaded tax money). In another case, however, the unit of measure could be in terms of persons (e.g. the number of undocumented workers).

Thirdly, the difference between informal economic activities and criminal activities is not always easy to make. If certain activities are illegal under certain circumstances, does breaching of the rules imply an informal or a plain criminal activity? In the Netherlands, legal actions are taken against people who trade in hard drugs; their economic activities are considered as violations of the Criminal Law. The tax authorities, however, usually consider these same activities as just another form of income generation and, accordingly, levy taxes. By the same token, the criminal is entitled to the same kind of tax deductions with respect to the costs accrued in the process of income generation. Having said this, it can be argued that the risks of criminal activities are higher and this may affect the strategies of the (criminal) entrepreneur. However, this makes the criminal economy at best a special variant of the informal economy.

Fourthly, within one given regulatory context and regardless of its potential criminal content, it may still be hard to delineate formal and informal economic activities. If an employee of a firm parks his van without paying the parking fee to deliver a package, should this be considered as a form of informal production? Furthermore, no ordinary man of flesh and blood is capable of knowing all the rules and regulations by heart, let alone live by them. Especially in advanced welfare states such as the Netherlands with its enormous corporatist legacy of rules and regulations, it seems nigh impossible to avoid some form of informal production. What is considered to be an informal economic activity then becomes, to a certain extent, a matter of arbitrariness.

Fifthly, to examine informal economic activities one also has to take into account the ways in which government agencies *actually* deal with these activities. Law enforcement is not self-evident nor does it follow a fixed course. This has, amongst other, to do with the way in which it is organised. The government may assign many or only a few powers to enforcement agencies, and/or may give them the power to establish their own priorities. These priorities are affected by political decisions as well as the caseload, the interpretation of the job, the motivation and the efforts of the law enforcers themselves. The system of law enforcement may undermine itself when the financial or other costs of policing the rules become a greater burden to society or to the industry concerned than taking a more lenient position. For this reason, the new Labour government in Britain has intended to relax the procedures as to the employment of illegal immigrants (*The Independent*, May 29<sup>th</sup>, 1997). Labour, moreover, believes that strict law enforcement has deterred many employers from giving jobs to immigrants and that it has created a new market for false ID papers. By relaxing the rules the government tries to prevent such perverse effects. This actual law enforcement is to some extent dependent on the culture of public administration in general, and of the enforcing agencies in particular. Perhaps partly as a result of their plethora of rules, the Dutch have developed a rather awkward way of dealing with certain infringements: they are officially tolerated as part of the typical Dutch policy of *gedogen*, 'a nigh-untranslatable term that means looking the other way when you must' (*The Economist*, October 12<sup>th</sup>, 1996; see for a more sophisticated view Blankenburg and Bruinsma 1994). Most famous (or notorious) in this respect is the Dutch policy towards soft drugs; although illegal, they are tolerated within certain limits. This same approach of *gedogen* is also used towards certain activities by immigrants. The sale of foodstuffs in mosques in Rotterdam, for instance, provides the *cemaat* with important financial resources which it otherwise cannot obtain. This sale is illicit but nevertheless tolerated (Rath et al. 1996). Likewise, the government has designed a quite flexible set of transitional arrangements for Islamic butchers working with no permits because of the prevailing importance of the sale of *hâlal* meat. We will turn to this issue more in detail below.

The implications of these observations are far-reaching. Against the grain of many popular views, there is no sharp demarcation between 'the' formal and 'the' informal economy. On the contrary, there is an extensive and ever changing transitional area in which the formal economy gradually transforms into a more informal one. How can the emergence of immigrant businesses and their involvement in the informal economy be understood?

### ***Mixed embeddedness***

Embeddedness has become a crucial concept in explaining the success of entrepreneurs in general and that of immigrants in particular (Granovetter 1985; Granovetter & Swedberg 1992; Portes 1995a; Waldinger 1995 and 1996; Rath 1999b), in the latter case also with respect to informal economic activities for as far as they take place outside the regular framework (Epstein 1994; Robert 1994). Embeddedness, however, tends to be mainly used in a rather one-sided way, referring almost exclusively to the social characteristics of groups that are conceived *a priori* to consist almost solely of co-ethnics. Using embeddedness in this circumscribed way, neglects the wider economic and institutional context in which immigrants are inevitably also inserted or embedded (cf. Cassarino 1997; Rath & Kloosterman 1998; Rath 1997, 1999a and 1999b). We, therefore, propose to use the more comprehensive concept of *mixed embeddedness*—a concept that is much closer to the original meaning of embeddedness as intended by Karl Polanyi (1944)—encompassing the crucial interplay between the social, economic and institutional contexts (Kloosterman, van der Leun & Rath 1998; Rath 1999b). In this view, the rise of immigrant entrepreneurship is, theoretically, primarily located at the intersection of changes in socio-cultural frameworks, on the one side, and transformation processes in (urban) economies and the institutional framework on the other. The interplay between these two different sets of changes takes place within a larger, dynamic, framework of institutions on neighbourhood, city, national or economic sector level. As such, relevant research into immigrant entrepreneurship (and its relationship to informal economic activities) has to be located at the cross-roads of several disciplines (cf. Granovetter 1994: 453; Martinelli 1994: 487; Rath & Kloosterman 1998; Rath 1999b).

The exact shape of the opportunity structure with respect to openings for businesses that require only small outlays of capital and relatively little educational qualifications constitutes a crucial component in this mixed embeddedness. Market conditions determine to a very large extent in which segments these kind of openings occur. These conditions have to be taken into account to explain (immigrant) entrepreneurship. Markets and economic trends themselves, however are embedded and enmeshed in institutions (cf. Esping-Andersen 1990; 1996). Institutions as the welfare system, the

organisation of markets, the framework of rules and regulations together with their enforcement, housing policies (impacting on the residential distribution of immigrants) and also business associations and specific business practices which regulate particular markets, significantly affect opportunity structures both on a national, a sector and a local level (Freeman & Ögelman 1999; Kloosterman 1999; Kloosterman & van der Leun 1999; Rath 1999b).

In the case of the Dutch corporatist welfare state, as in other continental European welfare states, the opportunity structure at the lower end is—in marked contrast to the United States—curtailed by relatively high minimum wages which choke off the growth of low-value added activities. These low-value added activities include location-bound manufacturing such as sewing shops but also potentially booming post-industrial personal services such as child care and housecleaning.

Openings at the lower end of the opportunity structure do occur even in these highly regulated welfare states as invasion and succession processes in neighbourhoods affect local businesses (Kloosterman 1999). Two types of processes by which openings are created can theoretically be distinguished although they tend to blend in the real world. Firstly, openings are created by the emergence of a demand for ‘ethnic’ products, such as specific clothing, hair styles and foodstuffs. Secondly, long-established, native shop-owners leave neighbourhoods where the number of immigrants rises and they are replaced by immigrant entrepreneurs. Partly driven by the lack of prospects as employees, and by the near absence of openings in personal services, immigrant entrepreneurs in continental European states flock towards these kind of opportunities and set up shop in especially wholesale, retail, and restaurants (Cf. Body-Gendrot 1992; Body-Gendrot & Ma Mung 1992; Barrett et al. 1996). As we have seen, this pattern is also found in the Netherlands (Figure 2).

Most of the markets where these kind of openings emerge will be near saturation given the easy entry and the push to become self-employed, among others due to exclusion from the labour market. Inevitably, cut-throat competition will evolve in these already shrinking markets. Firms that operate in these markets at the lower end of the opportunity structure, compete primarily on flexibility of supply and on price rather than on quality. The most evident route to survival, hence, is cutting on (labour) costs. This strategy, however, is only partly feasible within the prevailing regulatory framework. If one goes beyond this framework, by, for instance, evading payment of taxes or social contributions

or by ducking the minimum wage and working-hour regulations, the room to manoeuvre increases considerably. These strategies—illegitimate as they may be—can be very profitable, as production at the lower end of the opportunity structure is typically very labour intensive. The entrepreneurs may, moreover, tap resources such as social capital. Through their networks of relatives, co-nationals or co-ethnics they have privileged and flexible access to information, capital and labour at relatively little (monetary) costs. The use of social capital within the current opportunity structure gives these businessmen a competitive advantage, both within the formal *and* informal economies.

Mixed embeddedness does not only refer to market conditions on a more structural level. Immigrant entrepreneurs are also concretely embedded in Dutch society in other ways as they operate in cities with their own morphology, socio-economic and cultural dynamics as well as in sectors with more or less established own traditions of doing business. Immigrant entrepreneurs in the Netherlands are predominantly to be found in neighbourhoods with high shares of immigrants. Due to the particular history of migration in conjunction with Dutch housing policies, levels of immigrant concentration in most of these neighbourhoods remain rather low (Musterd 1997). This implies that immigrant neighbourhoods in the Netherlands have a very diverse immigrant population and cannot be equated with American ‘ethnic neighbourhoods’. This diversity may reduce the possibilities for immigrant entrepreneurs catering for a specific ‘ethnic’ demand by lowering the number of potential nearby consumers.

Being embedded in Dutch society may also refer to (voluntary or obligatory) membership of organisations such as shop-owner associations (based either on operating in a common line of business or on being located in the same street). These organisations may provide mutual assistance and may also furnish a common set of both written and unwritten rules with respect to business practices. In Dutch society, displaying its outspoken corporatist legacy, these kind of organisations are quite important. They tend to protect the insiders—the already established entrepreneurs—at the expense of the outsiders—the would-be entrepreneurs by throwing-up barriers of entry such as minimum requirements with regard to the shop interior.

Configurations of mixed embeddedness may be very complex and manifold. We now turn to a specific case of immigrant entrepreneurship to investigate this mixed embeddedness more in depth.

### ***The case of Islamic butchers***

In their recent report to the Dutch Ministry of Economic Affairs, Tillaart en Poutsma (1998: 50) counted 360 butcher shops run by immigrant entrepreneurs in the Netherlands in 1997. These shops are almost exclusively run by Moroccans (51 per cent) and Turks (38 per cent). Islamic butchers are located at the lower end of the market where openings are created by vacancy-chain processes markets in neighbourhoods where indigenous butchers quit the business. In the case of Islamic butchers, the vacancies are, however, only a part of the story. Islamic butchers cater for a specific 'ethno-religious' demand by selling *hâlal* meat. Islamic dietary laws prescribe Muslims to refrain from eating pork and animals that have not been slaughtered according to the Islamic rite. These products are considered unclean (*haram*) and therefore strictly taboo.

Consequently, the arrival of hundreds of thousands of Islamic immigrants, particularly from Turkey and Morocco, from the 1960s onwards has had a substantial impact on the market for meat in the Netherlands. In early 1960s, when the first Turkish and Moroccan guestworkers arrived, *hâlal* meat was virtually nowhere obtainable. This was, of course, due to the then extremely small size of the market, but also to the fact that there were legal impediments to Islamic slaughtering. Jews, long-term citizens, had already obtained special statutory arrangements for slaughtering but these did not apply to Muslims. In order to meet the demand for *hâlal* meat, immigrants from Turkey and Morocco slaughtered animals illegally. These illegal butchers got caught every now and then and were fined under the Law on the Economic Criminal Offences.

According to Bakker and Tap (1985: 37), the first Islamic butchers set up shop in the late 1960s. They started without the proper permits and in accommodations that hardly resemble those of regular butchers. The demand for *hâlal* meat rose steadily, however, and in the 1970s already a few dozen of Islamic butchers run their businesses. It was not until 1975, that a small number of butchers received temporary official permission to slaughter animals according to the Islamic rite. This interim ruling was replaced two years later by a more definitive regulation when the Ministry of Public Health and Environmental Protection altered the Ministerial Order on the Meat Inspection (*Vleeskeuringsbesluit*) (Bakker & Tap 1985: 36; Rath et al. 1996: 45-57).

In 1985, the total number of Islamic butchers amounted to 224, of which 138 in Amsterdam, Rotterdam, The Hague and Utrecht. Today, the number of Islamic butchers officially stands at 360. However, according to the Commodity Board for Cattle, Meat and Eggs (*Produktschap voor Vee, Vlees en Eieren*) there are actually more than 500 butchers, as some Islamic butchers work 'on the sly' (*de Volkskrant*, March 8, 1996). Some slaughterhouses supply private customers too, while meat is also obtainable (informally) from coffee shops and mosques.

Islamic butchers initially catered almost solely for a specific ethno-religious clientele, mainly made up of Turkish, Moroccan, Surinamese and other Muslims from other countries. This clientele can be seen as a captive, but relatively stable market in the sense that Islamic customers will rarely if ever buy their meat from native Dutch butchers. Whether this will continue remains to be seen as some Dutch supermarkets have started selling pre-packed *hâlal* meat and have thus become potential competitors (*de Volkskrant*, March 27, 1996).

On the other hand, there seems to be a growing native Dutch clientele. These customers, mostly living nearby in these mixed neighbourhoods, but sometimes from the suburbs, want to prepare 'exotic' meals, are attracted by the low prices or do not want to queue up in supermarkets. Some of the indigenous Dutch customers also appreciate the cutting of the meat in their presence (Baetsen & Voskamp 1991: 55-56). Islamic butchers, however, are still trapped in severely limited markets as many native Dutch customers shun their shops partly because of doubts concerning the hygiene. They do cut corners by insufficiently observing the Code of Hygiene for Islamic Butchers (Groeneveld-Yayci 1996).

These limited opportunities for market expansion are reflected in the fact that only a few Islamic butchers are doing well. In the 1970s on Fridays and Saturdays, numerous customers queued for their shops, but these 'golden years' are over as the market became saturated. Too many butchers set up shop in a neighbourhood, which subsequently leads to a cut-throat competition. A Turkish entrepreneur wonders:

'Who starts a butcher or greengrocery where four others are perishing? I do not understand how they can make a living, really I don't. But I do know three businessmen who are nearly bankrupt.' (Quoted in *de Volkskrant*, June 4, 1996).

This saturation of the market has led to many turnovers and a relatively short average life span of Islamic butcher shops (Bakker & Tap 1985: 82). Most butcher shops did not exist for more than three, four years. Operating in saturated markets, Islamic butchers are clearly constrained on the demand side. They do possess, however, certain competitive advantages with respect to their production costs in comparison to indigenous Dutch butchers. Firstly, Islamic butchers make use of much more parts of a body of an animal than their Dutch counterparts who mostly only sell legs and haunches. Secondly, they keep a smaller range of meat and related products. Thirdly, they invest much less money in their presentation and their shop interior. The Trading Association of Butchers (*Bedrijfschap Slagersbedrijf*)—a key institution in the field promoting the interests of butchers—voices the opinion that the shop fittings, the range of products and the marketing strategy are rather ‘unusual’, ‘messy’ and ‘old-fashioned’. Fourthly, they accept smaller profit margins than Dutch butchers do.

Faced with stiff competition, Islamic butchers in many cases revert to cut costs by paying workers off the books, by saving on investments, or by selling products that are allegedly not in their line of business like bread and other foodstuffs. In particular, butchers reduce labour costs, firstly, by only employing assistants during peak hours, especially on Friday afternoon. These predominantly male assistants—females are rarely to be found behind the counter, they are doing mostly back-office tasks, if any—are generally recruited from their own group of relatives, friends of co-ethnics and are in many cases employed on an informal base. Sometimes families have entered into an agreement to assist each other (Bakker & Tap 1985: 110-112). The rewards can be in financial terms, but also in pay in kind or in terms of strengthening social relationships. The shop assistant, for instance, may be allowed to bring foodstuffs home, learn the tricks of the trade as an apprentice or invest in his social relations with his dad or uncle. The butcher, on his part, gets the opportunity to invest in social relations with people that might be of interest to his enterprise either as potential employees, clients or as suppliers. This constitutes a clear case of Portes’ *relational embeddedness* (Portes 1995).

The informal economic activities are not only enabled by social networks based on trust, but also by management practices that contribute to obscuring what is going on in these butcher shops (irrespective of the question whether the shop owner consciously tries to commit fraud or is ignorant of what is considered as regular management practices). There are reports that financial management is in many cases totally unsound. Financial reserves are practically non-existent, partly due to the cut-throat competition, but also

due to the inefficient way of price-fixing. A (Turkish) counsellor working for the Trading Association of Butchers on this: ‘those people’ lack the necessary know-how in the field and ‘just mess around with the meat’. They:

‘have not a clue of bookkeeping. (...) A kilo of minced meat for which they themselves paid six guilders is sold in the shop for eight guilders. They seem to forget completely that they have to pay taxes, levies and rent’ (Quoted in: *de Volkskrant*, March 8, 1996).

In the corporatist and highly regulated Dutch economy, every butcher is legally obliged to register at the Chamber of Commerce and the Trading Association of Butchers and is also required to have proper professional qualifications. Exemption from the legal requirements regarding professional skills can be granted if the applicant supplies a need that otherwise cannot be filled. Such exemptions have often been granted. Initially, it was assumed that butchers were eligible to exemption if catering to less than 1,000 Islamic inhabitants in a neighbourhood. In the meantime, this threshold has been raised to 2,000 inhabitants for the first butcher in an area, 3,000 for the second one, 5,000 for the third one and so forth.<sup>3</sup>

Butchers-to-be mostly do sign up at the Chamber of Commerce. However, many of them do not have the proper professional qualifications, according to the Trading Association of Butchers. Due to communication difficulties, inadequate counselling, and the immigrants’ poor insight in the highly opaque Dutch bureaucracy, many ‘forget’ to apply for an exemption making their enterprise outright informal. This also excludes them from support by the Trading Association of Butchers. The Chambers of Commerce are not authorised to close the shop down, while the Economic Control Service has given its priorities to other matters and does not take firm actions (anymore). *De facto*, Dutch authorities somewhat turn a blind eye to this kind of informal economic production by immigrant entrepreneurs.

Butchers can qualify for proper professional qualifications after following courses at centres of the Butchers Vocational Training (*Slagers Vakopleiding SVO*). Not all of those Islamic butchers who are aware of this, are willing or able to leave their (informal) shop for these courses. In addition, for many candidates who did follow these courses, the exam proved to be too difficult. The Dutch language appeared to be an insurmountable obstacle and the same could be said for the questions on pork

(Tunderman 1987: 23). In 1975, the exam was replaced by a 'professional test on the Mohammedan rite'.<sup>4</sup> In the late 1980s, the Trading Association of Butchers announced to provide an immigrant-specific training (Tunderman 1987: 24), but it was not until 1993 that the training really proceeded. Since then the special policy regarding Islamic butchers—including the right to get an exemption from the legal requirements—has entered a new stage. The changes added up to a policy that is supposedly more strict on these matters, although it is still possible to apply for an exemption if the entrepreneur supplies a need that otherwise cannot be filled. An Islamic butcher is now eligible to exemption if the owner enrolls in the Butchers Vocational Training and passes its exam and if the manager receives the Training on Commercial Practice (*Cursus Handelskennis*, see: *Handboek Minderheden* 3/1100 (1994) 8).

Whereas informal production by Islamic butchers is—at least partly—tolerated by Dutch state agencies, the Trading Association of Butchers has actively set out to reduce informal production by Islamic butchers (and thus stamp out, in a typically corporatist fashion, what is considered as unfair competition). They have appointed a special councillor and set up a special Committee for Islamic Butchers. The objective is to bring the Islamic butchers to 'a higher standard of quality'. By improving the communication with Islamic butchers, promoting the Butchers Vocational Training, and by making an inventory of specific problems, the Trading Association of Butchers attempts to combat informal economic practices. The association has entered into consultations with the Chambers of Commerce about reducing the proliferation of Islamic butchers. Furthermore, they have also put pressure on the so-called Economic Control Service as well as the Social-Economic Council to enforce the laws more strictly and put a halt to tolerating informal economic activities.

These endeavours are hampered by the fact that the Trading Association of Butchers has not managed to organise Islamic butchers yet. A key-informant of the Association told us that 'these people are not capable of organising. It is not in their culture'. Although this culturalistic statement is clearly at odds with evidences from other fields (cf. Tillie & Fennema 1997), it does show that there is still a large distance between an established and formal institution such as the Association on the one hand and Turkish and Moroccan Islamic butchers on the other.

## **Conclusions**

An increasing number of immigrants from non-industrialised countries are starting businesses in advanced urban economies. Lacking both in financial and human capital, many of these fledgling entrepreneurs can only set up shop in specific segments of these urban economies that allow for small-scale, labour-intensive, mainly low-skill production. In the Netherlands, with its extensive welfare system and its relatively high minimum wage, these kind of openings primarily occur in wholesale, retail, and restaurants in the four .

To survive in these mostly saturated markets, many (immigrant) entrepreneurs cut corners by engaging in informal economic activities. This informal economic production can only take place on a more permanent base, if a framework of trust exists. This trust can be generated by social networks that are based on either a shared migration experience or a shared non-indigenous identity. Because of its link with social capital and its subsequent enabling of informal economic activities, embeddedness of immigrants has quite rightly come to occupy a central stage in research into the socio-economic aspects of immigration.

Focusing on embeddedness this way, however, tends to cloud other aspects of embeddedness. Economic activities by immigrants are situated in a larger institutional context. This institutional context determines on a macro-level to a large extent the opportunity structure for businesses in general. Firms are not only embedded in these macro-economic structures but also in sets of rules and regulations, neighbourhoods, associations and business traditions. To address the socio-economic position of immigrant entrepreneurs in general and in particular with respect to informal economic activities one has to incorporate this side of embeddedness as well. We have, therefore, proposed the use of *mixed embeddedness* to grasp immigrant entrepreneurial activities.

We have illustrated this mixed embeddedness by exploring the case of Islamic butchers in the Netherlands. A complex configuration of different types of embeddedness has emerged. Islamic butchers in the Netherlands are clearly located at the lower end of the opportunity structure in openings that are partly vacancy-chain and partly 'ethno-religious' demand driven (*hâlal* meat). They set up butcher shops in neighbourhoods with high shares of immigrants. Low barriers of entry and a lack of opportunities in other segments funnels many would-be immigrant entrepreneurs towards this specific line of business.

The ensuing cut-throat competition in these highly saturated markets puts pressure on the entrepreneurs to cut costs. This is partly done in informal ways, for instance, by selling meat off-the-book and employing relatives who are (partly) paid in kind or not at all and, moreover, by starting a butcher shop without the necessary qualifications. This informal production is clearly linked to the fact that Islamic butchers in the Netherlands benefit from being embedded in social networks that mainly consist of co-ethnics and co-religionists. These networks generate clients, employees, capital and, moreover trust enabling them to start a business and engage in informal economic practices.

These informal economic activities by Islamic butchers clearly show the dynamic interaction between different domains of embeddedness. Although by definition unlawful, informal production is to some extent tolerated by government agencies as they consider Islamic butchers are meeting a demand that otherwise would not be met. Moreover, some rules and regulations are changed in such a way that specific informal economic activities become formalised. The case of Islamic butchers also shows that in the specific corporatist context of the Netherlands, the role of business associations is very important in embedding entrepreneurs. The Trading Association of Butchers is much more active in combating informal production by Islamic butchers than state agencies. Both immigrant entrepreneurs and indigenous institutions are thus interactively negotiating new territories and, hence, creating new forms of mixed embeddedness.

These dynamic processes of constructing new forms of mixed embeddedness will be crucial in determining to what extent forms of self-employment will constitute an avenue of social mobility in post-industrial Netherlands. A successful trajectory of incorporation of immigrant entrepreneurs will—after having started on the base of being embedded in immigrant networks—largely depend on the way they manage to become embedded in the overall Dutch context. The case of the Islamic butchers shows that this is not wholly a one-way process nor solely a government affair. Changing the mix of embeddedness is an open, contingent social process in which many social actors may take part and on which the insertion of immigrant entrepreneurs depends.

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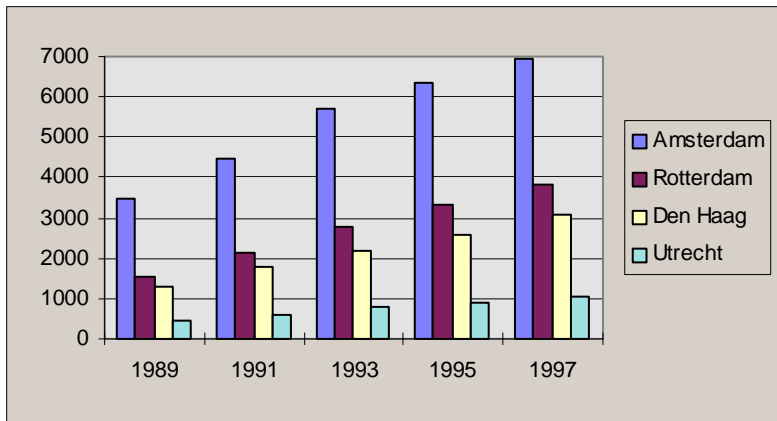
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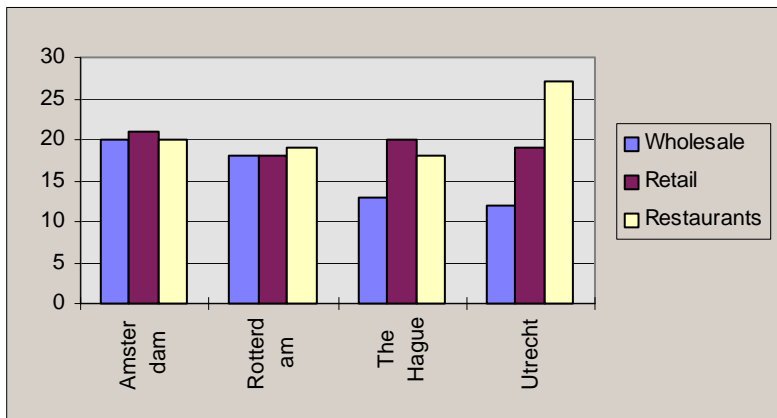
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**Figure 1** The number of immigrant entrepreneurs in the four largest Dutch cities, 1989-1997.



Source: Based on van den Tillaart & Poutsma 1998: 186.

**Figure 2** Immigrant entrepreneurs in wholesale, retail, and restaurants as a share of the total number of immigrant entrepreneurs in the four largest Dutch cities, 1997



Source: Based on van den Tillaart & Poutsma 1998: 186.

## Notes

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- 1 This research project is part of *Working on the Fringes; Immigrant Businesses, Economic Integration and Informal Practices*, a thematic European network for exchange of knowledge and experiences. This international network, co-ordinated by Jan Rath and Robert Kloosterman and funded by the European Commission under the Fourth Framework, involves both international comparison and collaboration with regard to research on immigrant entrepreneurs in Austria, Britain, France, Germany, Israel, Italy and The Netherlands.
- 2 This relationship between the share of the immigrant population and the ratio of immigrant business start-ups and indigenous business start-ups was found statistically significant across all neighbourhoods in Amsterdam and Rotterdam (excluding the centres). By using this ratio, other neighbourhood characteristics that may influence the number of business start-ups in general (such as the availability of cheap business accommodations) were eliminated and the focus was solely on the number firms set up by immigrant entrepreneurs relative to those started by indigenous (see Kloosterman & Van der Leun 1999).
- 3 See: *Handboek Minderheden* 3/1100 (1994) 8. Recently it was decided that the Social-Economic Council had to grant exemptions, but the Trading Association of Butchers was still unfamiliar with its policy. See: Groeneveld-Yayci 1996.
- 4 There too, a separate set of regulations was drawn, which was approved in 1977 by the Ministry of Economic Affairs. See: Bakker & Tap 1985, bijlage III.