

MEECOE Briefing

Minority Ethnic Enterprise Centre of Expertise

Issue 2 - October 2009

A Profile of Ethnic Minority Businesses in the West Midlands and the Implications for Policy and Practice

Effective policies to support the formation, survival, and growth of Ethnic Minority Businesses (EMBs) are recognised as being central to regional economic development and the tackling of deprivation and social exclusion. Yet developing an evidence base for policy and practice in this arena has been hampered by a lack of data. Most regional and national data on businesses did not identify the ethnicity of the owner of a business and EMB studies relied mainly on local surveys.

Matters have improved greatly with the 2001 Census and updates through the Annual Population Surveys. The Minority Ethnic Enterprise Centre of Expertise (MEECOE)¹ has used these sources and a review of EMB research to produce a profile of EMBs in the West Midlands. The profile draws out changing patterns of EMBs and different trends exhibited by different minority ethnic groups. MEECOE's analysis of this evidence also forms the base for an assessment of the economic and social role of EMBs in the West Midlands and for making policy and practice recommendations.

¹ Funded by Advantage West Midlands, the Minority Ethnic Enterprise Centre of Expertise is an exciting two-year project (Dec 2008 – Nov 2010) that will promote a strategic and innovative approach to supporting ethnic minority businesses in the West Midlands. A consortium led by De Montfort University's Centre for Research in Ethnic Minority Entrepreneurship (CREME) works with public and private sector stakeholders to enhance policy and practice for ethnic minority enterprise in the region. MEECOE works closely with AWM's other Centres of Expertise to develop an integrated approach to diversity and enterprise activity.

The traditional picture of EMBs

As people of ethnic minority descent have grown as a proportion of the region's population, so too has the significance of EMBs in the region's economy. In the past, this significance has been amplified by the greater tendency for people of South Asian descent to be self-employed. At the same time, the traditional picture of EMBs has been one of corner shops and restaurants, and perhaps of clothing manufacturers, reliant on family labour because of the low value and labour-intensive nature of the sectors engaged in, and mainly reliant on customers from ethnic minority communities.

But this is changing: *Entrepreneurial transition*

The MEECOE profile shows that for many minority communities, this traditional picture has been changing since the turn of the century. Many groups are experiencing an *entrepreneurial transition*, moving out of traditional sectors into less labour-intensive, higher value sectors such as financial services, real estate, IT and consultancy. This is accompanied by a decline in the self-employed proportion of certain minority groups as transition involves moving out of low paid *self-employment*, often the only career option available, into better paid *employment* in skilled occupations.

These trends are associated more with British born, second- and third-generation people of ethnic minority origin. However, many barriers to this transition persist, in particular under-capitalisation, and the process still has some way to go as ethnic minority groups are still under-represented in these new sectors.

The picture is different for different minority ethnic groups

In addition, levels of self-employment differ markedly between different ethnic minority groups as does the evidence of entrepreneurial transition as shown in the table and commentary below.

Self-employed as % of economically active by ethnic group, West Midlands

	2001	2005-07
All people	11.2	11.6
White British	11.1	11.7
Indian	13.2	11.1
Chinese	23.5	23.3
Pakistani	15.8	20.8
<i>Of which UK born</i>		9.0
Bangladeshi	11.6	19.5
<i>Of which UK born</i>		7.7
Black Caribbean	4.9	6.3
Black African	5.9	3.2

The impact of entrepreneurial transition is clearest in the Indian community where self-employment has fallen from 13.2% in 2001 to 11.1% in 2005-2007, below the regional average of 11.6%.

The ethnic minority group with the highest self-employment rate is the Chinese but nationally this is falling. However, the fall in the West Midlands has been marginal, from 23.5% in 2001 to 23.3% in 2005-2007. There has been a larger fall in the proportion self-employed in the restaurant trade, from 70.4% in 2001 to 65.5% in 2005-07, but this still remains very high.

Those of Pakistani and of Bangladeshi descent still have high and growing levels of self-employment, the former associated in particular with the taxi trade and the latter with restaurants. Nevertheless, there are signs of entrepreneurial transition amongst UK-born members of these communities who display much lower levels of self-employment.

Self-employment amongst people of Black Caribbean origin has been slowly increasing, from 4.9% in 2001 to 6.3% in 2005-07 although it remains below the regional average. However, the self-employed here have a greater involvement in non-traditional sectors than any other ethnic group, including the White British.

A number of small but rapidly growing ethnic groups still display low levels of self-employment. These include groups growing rapidly by immigration, such as Black Africans, and the still youthful populations of ethnically mixed ancestry, mostly born in Britain.

Implications for enterprise policy and practice

What does all this mean for enterprise policy and practice?

First, an appreciation is needed of the diversity of EMBs. This Profile highlights at least three forms of diversity: between ethnic groups; between first and second-generation business owners; and between EMBs in different sectors. The arrival of new migrant communities adds to this complexity.

Furthermore, other aspects of diversity should be considered, not just ethnicity, as a variety of factors shape the fortunes of EMBs. Indeed, mainstream business support could be redefined around this principle of diversity.

These considerations are reinforced by current and soon to be enacted equalities legislation. All agencies providing business support need to ensure that EMBs from all ethnic communities are aware of and able to access the available support.

From the above flows the need for business support agencies to develop coherent, consistent and comprehensive data on regional EMBs.

As EMBs become increasingly diverse, they face a variety of challenges and require a wide range of business support solutions. In the light of this heterogeneity, it is no longer tenable to deliver support to EMBs solely through segregated 'community-based' agencies. The entire business support offer of key agencies needs to be 'diversity-proofed' in order to ensure that a full range of interventions is accessible to ethnic minority entrepreneurs.

Economic development and regeneration: understanding the economic and social role of EMBs

While there may be a higher rate of self-employment amongst many minority ethnic groups, does the small size of many EMBs suggest that their contribution to the regional economy and economic growth is less significant?

First, MEECOE would emphasise that there are a minority of high growth EMBs which contribute strongly to regional economic growth. These include a number of Indian and Chinese businesses developing trade and investment with their ancestral countries, giving the West Midlands region access to two huge and rapidly expanding markets.

Furthermore, the multi-cultural environment EMBs create can provide a “diversity advantage” for the region, attracting shoppers, tourists and even inward investment.

Research suggests that the employment benefits of the growth of these companies are spread more widely than their “co-ethnic” communities because they adopt open recruitment practices².

As for the majority of EMBs, which tend to be geared more towards survival and independence at a reasonable level rather than high growth with its associated risks, many do make a valuable contribution to employment and service provision in socially and economically deprived locations shunned by larger, more ‘rational’ companies. They can act as a role model for aspiring ethnic minority entrepreneurs and provide informal training to co-ethnic, often socially excluded workers.

Moreover, research in the region has also shown that their contribution to job creation is far greater than might be expected³, with enhanced social value in a local context of persistent high unemployment.

Agencies concerned with economic development and regeneration are therefore more likely to achieve their objectives with greater clarity and emphasis on support to EMBs in their policy and practice. At the high growth end, many ethnic minority entrepreneurs could benefit from ‘business solutions’ that are designed to support growth businesses, such as access to finance initiatives, training and workforce development and ‘transformational’ business support. Business support agencies should ensure that such measures are actively promoted amongst ethnic minority communities; ethnic minority participation in such schemes should also be monitored.

An acknowledgement of the wider social role of EMBs in general, combined with recognition that deprivation is a drag on growth and represents a missed productivity opportunity, underlines the need for EMBs and ethnic minority start-ups to be a focus of economic development and regeneration policy and practice.

Supplier diversity is a policy area that merits careful attention although not all EMBs are in a position to supply either other businesses or government. Nevertheless, Regional Development Agencies and other public sector bodies are in a good position to take a lead in encouraging the use of good practice procurement policies

² See Mascarenhas-Keyes S (2008), *British Indian and Chinese Student, Graduate and Academic International Entrepreneurship*, London, Department for Innovation, Universities and Skills

³ See Ram, M. and Jones, T. (2006) *Ethnic Minority Businesses in the West Midlands*, Advantage West Midlands

in regeneration projects, encouraging their main contractors and suppliers to extend sub-contracting opportunities to EMBs. By sending strong signals down the supply chain, large corporations can also influence their suppliers in their choice of 'second-tier' sub-contractors.

Next Steps

MEECOE believes that the evidence from this Profile highlights the importance of ethnic minority enterprise being "everybody's business". We will therefore:

- Disseminate the findings of this research and encourage discussion and action on its implications for policy and practice.
- Work with Business Link West Midlands, AWM, the Minority Ethnic Business Forum and other stakeholders such as local authorities and regeneration partnerships to explore how the findings relate to their respective agendas.
- Pursue implications of findings with Legacy Group⁴ members.
- Promote a dialogue with these agencies to facilitate a consistent approach to the collection of data on EMBs.
- Undertake a complementary study of business support issues.
- Undertake further research into the diversity of EMBs including new migrant, female and young entrepreneurs.

The full report is available from meecoe@dmu.ac.uk. It is being circulated to policy makers with a request for a response on what the findings might mean for their policy and practice. Presentations can be made and discussions facilitated by MEECOE where appropriate.

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⁴ The Legacy Group is made up of private and public stakeholders including the Association of Chartered Certified Accountants (ACCA), Barclays Bank, Business in the Community (BitC), the Chartered Institute of Purchasing and Supply (CIPS), the Department of Business, Innovation and Skills (BIS), the Equality and Human Rights Commission (EHRC), Economic and Social Research Council (ESRC), Staples Advantage, West Midlands Business Council, and Business Link West Midlands.