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**REFUGEES, NEW ARRIVALS & ENTERPRISE:
Their contribution and constraints**

**Report prepared for Minority Business Diaspora Interchange
Equal II Development Partnership**

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EXECUTIVE SUMMARY

Rationale

There has been little research carried out on refugee entrepreneurship and self-employment. However, unemployment is very high amongst refugees and new arrivals, especially from disadvantaged ethnic groups, and self-employment is one of the strategies used by these populations to secure a livelihood.

This project builds an initial evidence base on the impact of refugee and new arrival businesses on the economy of disadvantaged communities and localities. It also identifies constraints that these people face when setting up and running businesses.

Methodology

The research methodology comprised a review of existing literature and case studies of businesses run by refugees and new arrivals (40 in total). Primary data was collected using semi structured interviews via face-to-face interviews. In addition, material from five focus groups of refugees in business or thinking about starting were drawn on (34 individuals in total).

Main findings

The contributions of refugee enterprises

- The majority of the entrepreneurs recognise that their income level, skills and business experience improved as a result of becoming an entrepreneur. It is especially important for micro- businesses run by women, operating informally from homes, working around childcare responsibilities. Many of these enterprises did not consider themselves to be a 'business'.
- Self-employment and entrepreneurship have allowed refugee entrepreneurs to move from a 'culture of benefits' towards a 'culture of self-determination', and has boosted a sense of integration into society.
- Entrepreneurs are compelled to work long hours to survive in the highly competitive markets in which their businesses operate. They tend to be concentrated on those sectors that are easier to enter.
- Employees are often refugees from the same ethnic groups. Refugee enterprises give these people opportunities but they tend to have flexible working conditions, informal labour arrangements based on trust, long working hours, and low salaries.
- Refugee enterprises play a role in building the skills of the owners and employees, with regard to technical issues and management/business skills. There is very little formal training, with more emphasis on learning on the job. Many new enterprises referred to building entrepreneurial attitudes and skill development while working as employees for others before 'spinning out' their own business. This is particularly important for refugees who have arrived recently in the UK.
- The local community benefits from the products and services supplied by refugee businesses, especially in deprived areas where there are few other services.
- Refugee enterprises can play a role as hubs of their community, building social capital both within ethnic groups and external linkages. For recent arrivals such bonding and bridging social capital is especially important.

Constraints faced

- Limited availability of financial resources (for investing in the business and to cover living expenses in the start up period) is the main constraint particularly for those who were destitute on arrival in the UK. In some cases entrepreneurs cannot open a bank account and many do not qualify for credit. For those operating more in the cash economy, bank finance is harder to come by as they do not have a recognised track record. There is a reliance on using their own limited savings, combining part time jobs with start ups and finding resources within their own community (both locally and in the diaspora). 'Rotating Saving and Credit Organisations' (ROSCOs) were found to be used by the smaller enterprises, particular those being run by women from their homes.
- While for some entrepreneurs business ideas came from gaps found in the market (i.e. specific products and services that were not available for their community, including translation and advice services, traditional food, and travel agencies) for others they were copied from other 'first mover' entrepreneurs – who often are from the same community. This leads to considerable displacement unless the business can identify ways to diversity and break out of co-ethnic markets. Identifying new markets is a particular constraint for those new arrivals reliant on customers from their own community and without knowledge of the wider market place.
- The uncertain immigration status of refugees and the desire of many to return to their homes can restrict long term planning, investment and some forms of risk taking.
- Refugees and new arrivals face further constraints from a lack of understanding of UK regulatory environment and business institutions generally. This is exacerbated for those with poor English on arrival. Informal activity (minimising tax paying and meeting regulations) is driven by both a lack of understanding and a response to the competition they face from other businesses keeping costs down by operating informally.
- Information mainly comes from within their communities with some businesses such as restaurants and internet cafes playing the role of information hubs and community centres. However, some ethnic groups are characterised by strong internal divisions and some smaller ethnic groups have less developed community structures, and linkages outside of their ethnic group.
- There is evidence of resistance to seek public sector funded business support. This is due to suspicion following the negative experiences individuals may have had with public sector bodies with regard to their immigration status as well as the perception that information provided is not considered useful, and a need for more mentoring forms of advice, particularly for those refugees who are facing psychological effects of conflict and exile.
- Women in self employment face additional constraints in covering childcare. While this can constrain options, several women interviewed had used their involvement in childcare, school runs and community activity as a marketing opportunity.

Policy implications

- Need to recognise the contribution that refugees make economically and socially especially in deprived areas. This can be in terms of creating jobs, investment in the regeneration of deprived areas, training people who start their own businesses, and building confidence. However, the costs for those that fail in business may be higher for refugees than other parts of society and increase exclusion.
- Need to recognise difference in needs between refugees and other EMBs. These include destitution on arrival, uncertainty of their length of stay, and poor access to finance.

- Business support needs to combine the understanding and access of community based organisations with the expertise of business support organisations. Tailored support programmes may be needed and support providers may need to be assisted in being sensitive to the needs of refugees.
- Need to recognise differences between refugees in terms of different countries of origin and type of conflict that is generating new waves of refugees, social class, levels of education and qualifications, gender, age, and above all previous business or job experience.
- Specific difficulties exist with regard to access to bank accounts and formal loans which forces people into informal activity. Support should help people open bank accounts and encourage loan finance that does not require traditional collateral. The promotion of 'Islamic' banking to Moslem refugees should also be promoted.
- Many refugee businesses are very small and part of a portfolio of income sources for households. These businesses tend to rely on cash transactions and informality. The lack of use of banks can reduce access to bank finance in the future. The benefits of becoming more 'formal' should be included in business support strategies.
- Alternative community based finance solutions should be promoted such as the rotating savings and credit systems used by many refugees already and which are well established in the countries of origin.
- Most information comes from family and friends although this may be limited for some ethnic groups where communities are small or fragmented due to conflict in the home country. Therefore there is a need for introductions to UK business institutions for new arrivals in their own language as well as provision of ongoing practical training and capacity building. Where there is good community support, business support should build on these existing networks.
- Refugees may have links to diasporas across the world. These links are important sources of information, new markets and finance for some enterprises already and these could be strengthened and built on.
- Refugees may have limited knowledge of market opportunities and business experience so require start up counselling. Markets tend to be limited as most entrepreneurs work in easy to enter sectors with customers from their own ethnic group. Support is required to help them break out into mainstream markets, develop a range of marketing techniques and avoid displacing other businesses.
- The level of business advice provided by refugee support organisations is variable and many refugee support organisations are not perceived to have business advice experience. Furthermore many refugees have had negative experience on arrival and when gaining refugee status which can result in reluctance to seek support, especially from mainstream institutions. Innovative approaches are required for encouraging refugees to seek support. Support may need to be tailored to their needs while also helping their integration. Providing business support via existing refugee support organisations raises issues of their capacities in this area and the variable coverage provided by such organisations within and across different refugee groups. Collaboration between these organisations and mainstream support providers is recommended.

REFUGEES, NEW ARRIVALS & ENTERPRISE:

Their contribution and constraints

1. INTRODUCTION

1.1 Introduction

Refugees¹ and new arrivals from disadvantaged ethnic groups face multiple constraints with regard to integrating into the society in which they have to live. While unemployment is very high amongst refugee groups, self-employment is one of the strategies used by new arrivals to secure a livelihood. However, there is very little evidence about the constraints faced by new arrival/refugees moving into self employment, their perception of support provided, and the potential contribution they make to disadvantaged areas. The social and economic contribution may be defined in terms of financial benefits to owners and employees, skill and confidence building, multiplier effects and building social capital (see CEEDR and NEF, 2002).

This information is required so that business support programmes can be developed to meet the specific needs of refugees and so that business advisors can develop relevant skills. In particular there is a need to know if specific programmes are required, and to find ways of encouraging people who may be suspicious of public sector supported programmes to access support.

Joblessness amongst refugees in the UK is the highest within any working age group, including other immigrant groups. No figures on refugee unemployment are regularly published, however a 2001 estimate made by the GLA projected that there are between 350,000 to 450,000 refugees and asylum seekers living in London alone, which works out at 1 in every 20 resident population in the capital (GLA, 2001). Refugees who are eligible to work, however are far more likely to be unemployed than other groups within the UK working population. For example, in 1995, a Home Office survey on unemployment levels amongst refugees in England revealed that based on a sample of 263 individuals, only 27% of those actively seeking work were employed (Carey-Wood by Duke *et al*, 1995; Wood *et al*, 1995). Six years later, a comprehensive survey carried out amongst 400 refugees and asylum seekers in four different regions of England, showed that only 29 % of these refugees sampled were working at the time of the study, compared with 60 % of ethnic minority people, according to the LFS (Bloch, 2002). Latest immigration figures of asylum seekers who have the right to work² show that there is an estimate of 36 to 90 percent who are not working (Refugee Council, 2004).

¹ There is not a single definition of the term 'refugee' and defining it may prove to be a complex issue as there are legal, sociological, and political meanings and understandings of what a refugee is. The term will be understood here in a legal sense (originally provided by the 1951 United Nations Convention Relating to the Status of Refugees signed and adopted by the UK in 1954:

- A '**refugee**' is a person who, following his/her application for asylum in the UK through the Home Office, has been awarded refugee status (*asylum*), that is, Indefinite Leave to Remain (ILR) or other form of remain to leave. These include Exceptional Leave to Remain (ELR), Humanitarian Protection (HP), and Discretionary Leave (DL), all of which have lesser status than 'refugee status' in terms of rights. ELR and ILR have recently been replaced with a system of Humanitarian Protection (HP) and Discretionary Leave (DL) which allow the holder full access to mainstream benefits and employment but do not allow the right to family reunion; the difference being that HP is normally awarded for 3 years and DL is awarded for no longer than 3 years (The Immigration & Asylum Act 1999 and The Nationality, Immigration & Asylum Act 2002). Refugees can apply to the National Asylum Support Service (NASS) for financial support and accommodation.

- An '**asylum seeker**' is the person who is awaiting refugee status determination, which at present takes approx 6 months. Asylum seekers are not legally allowed to take up employment or self-employment.

² In 2003, 3,865 asylum seekers entering the UK were granted full refugee status, 3,975 were granted Exceptional Leave to Remain and 3,235 were granted Humanitarian Protection or Discretionary Leave (Home Office Statistical Bulletin, July 2004). All of these groups are entitled to seek either employment or self-employment.

Significantly, studies to date on refugees and employment like those referred to above have tended to focus either on employment as a whole (see Bloch, 1996, 1999; Wheeler, 2004) or on isolated sectors, such as refugee medical professionals (see Stewart, 2003; Baxter *et al*, 2003). By contrast, there has been very little research carried out on refugee entrepreneurship and self-employment, which is remarkable when observing the high rates of self-employment refugees had in their home countries. For example, a recent study showed that 35% of 1,827 refugees residing in the UK had been in employment before coming to the UK, with **32%** having been self-employed (Kirk, 2004). This is similar to the percentage of ethnic minority groups who are self-employed in the UK, as well as the percentage of self-employed in the total labour force (see Bloch, 2003; Kirk, 2004).

There is evidence that these figures underestimate the level of self employment as many new arrivals are involved in self employment, often of an informal nature. The type of this informality includes both paid informal work (cash economy) and unpaid reciprocal arrangements (CEEDR, 2004).

At the time of writing, individuals with full refugee status are allowed to seek employment or take on self-employment ventures in the UK. Entrepreneurs from this group are the main focus of this study³. However, a recent change of policy by the Home Office prohibits asylum seekers seeking any form of employment whilst waiting for their application to be processed. The only exception are for those people who have Discretionary Leave status, who are those who have been refused asylum, but have the same rights to employment for up to four years as any EU resident. A special case that has arisen recently due to EU enlargement is that of asylum-seekers from the accession countries (with the exception of Maltese and Cypriot asylum seekers): From May 1st 2004, these nationals are entitled to work in the UK, provided they register their employment or self-employment status with the Workers Registration Scheme.

1.2. Aims

This is a policy oriented scoping study with the following aims:

- To build an initial evidence base on the impact of refugee/new arrival businesses on the economy of disadvantaged communities and localities.
- To identify constraints experienced by these segments of population to set up businesses.
- To examine how these needs can be met.

The extent to which refugee/new arrival businesses are distinct from other EMBs (Ethnic Minority Businesses) and the general business population are examined throughout the report it aims to examine. Recommendations are made concerning future policy design and research on refugee/new arrival businesses.

³ The distinction between refugee status and other forms of remain to leave is an important one for this study since situations of temporary remain to leave (i.e. three years) frequently generate uncertainty amongst refugee entrepreneurs which could deter investments and entrepreneurial attitude at large. Entrepreneurs' stability and sense of settlement in the host country is likewise affected when family reunion is not allowed. Psychological and sociological readings on the subject question the scientific relevance of using legal definitions (i.e. the distinction between 'refugees' and 'asylum seekers' above) as the phenomenon is seen as a long term (social and mental) process, which starts even before the actual exodus takes place and extends throughout the exile experience (Castles, 2004; Koser, 1997). Whether refugees want to settle or somehow integrate in the host country largely depends upon socio-emotional factors associated with the exile experience even when full refugee status has been granted.

1.3. Methodology

The research methodology comprised the following elements:

- A review of existing literature and other source material.
- Case studies of 40 businesses run by refugees and new arrivals completed in three rounds of interviews (June-August 2004, April 2005 and October 2005) (see Tables 1 and 2 in Appendix).
- A total of 10 business advice and refugee community-based organisations were also interviewed (see Table 4 in Appendix).
- Entrepreneurs from two 'refugee sending regions' with incidence of recent migration to the UK according to Home Office figures (Kirk, 2004) were the main focus: the 'Horn of Africa' (Eritrean, Ethiopian, Somali and Sudanese) and 'Western Asia' (Afghanistan, Iran and Iraq).
- Face-to-face interviews and telephone interviews were conducted with refugee entrepreneurs based on a semi-structured questionnaire
- Five focus groups were also held in Birmingham (2 sessions), Bolton (Greater Manchester) (1 session), and Leeds (2 sessions), 34 individuals in total (see Table 2 in Appendix).
- Identifying refugee businesses is particularly difficult. This project used a range of sampling methods including identifying premises on high streets owned by people from the focus countries, asking these business owners for names of other businesses (a 'snow ball technique') and developing contacts through business support and community development organisations. Cases of 'less visible' enterprises i.e. in which business premises do not exist were referred by key informants from refugee community-based organisations. This was especially important for the identification of women owned businesses and those operating more informally.
- The study concentrated upon London, particularly in boroughs that play a role as reception areas for refugees, including Camden, Hackney, Haringey, Islington, Lambeth (Brixton market) and Newham. Boroughs such as Westminster, Kensington and Chelsea were areas where well established businesses were also found.
- Statistics in the report are mostly based on a total sample of 40 interviews. However, in some cases the total number varied either because the sample included two control cases of former entrepreneurs (see details on section 1.4) or because entrepreneurs did not answer questions which were perceived as 'controversial' (i.e. number of employees).

1.4. Profile of the sample

The sample of refugee enterprises was stratified to reflect the variety of different types of refugee businesses. The study did not cover asylum seekers, although the responses of interviewees, key informants and the focus groups suggests that asylum seekers can make similar potential contributions and they face similar problems, often to a greater degree as they are not allowed to run a business.

Region and country of origin

The sample of businesses was made up of individuals from the 'Horn of Africa' (25 cases = 63% of the sample) and 'Western Asia' (15 cases = 37%), with the largest group from Somalia (a quarter of the sample) and the smallest from Iraq and Sudan (3 cases each).

Table 1. Entrepreneurs by region and country of origin

The 'Horn of Africa'	No	Western Asia	No
a. Ethiopia	7	a. Afghanistan	6
b. Eritrea	5	b. Iran	6
c. Somalia	10	c. Iraq	3
d. Sudan	3		
Total	25 (63%)	Total	15 (37%)

(n=40)

Focus Groups

Additional information was generated from five focus groups conducted in Birmingham, Bolton, and Leeds (during May 2005) with a similar target population. Thirty-four individuals attended the sessions (see Table 2 in Appendix), they were mostly Somali (41%) and Iraqi Kurds. It also comprised refugees from other countries including Algeria, Jamaica, Malawi, Nigeria, Pakistan and Zimbabwe (11 in total).

Gender

Over two thirds (68%) of the interviewees were male entrepreneurs (27 cases) and one in three was a female entrepreneur (13 cases). Of the 34 attendants to the focus groups 28 were male entrepreneurs and 6 were female. Difficulties of access to female entrepreneurs are explained further on the report.

Age

Entrepreneurs of different ages were interviewed with four cases under 25; fifteen between 25 to 35 (the largest group) (approx 40 %); eleven between 36 to 45; and ten above 45. Focus groups age distribution was mainly concentrated in the age group 25 to 35.

Year of arrival to the UK

Over 50 percent of the entrepreneurs interviewed came to the UK in the last decade (1995-2005). Approximately 35 percent of the sample came to the country between 1985 and 1994, and the remaining before 1985. In contrast, the large majority of the participants in the focus groups came to the UK during the last ten years.

Size

The sample of businesses is divided into two groups. 21 cases are micro-enterprises that employ on average four employees and 19 cases are self-employed (47 percent of the sample), single person enterprises or family/friend businesses which rely on family and friends 'to help out' when needed.

Year of establishment

The sample of enterprises comprised 60 per cent of new businesses (0 to 5 years), 7 of which were start up businesses (established less than two years ago); and 32 per cent of enterprises had been in operation for 6 or more years.

Business profile and growth potential

The sample of businesses is divided into two main groups, 'Fledging' (7 cases) and 'Existing' businesses (31 cases). A control group of 'Former' refugee entrepreneurs (one from each region) was also interviewed (2 cases). In turn, 'Existing' businesses were divided into three subcategories according to their competitive performance, including 'Stable' (13 businesses), 'Growers' (10 cases) and 'Limited Market/Decliners' (8 cases).

The sample was largely made up of entrepreneurs that had premises (29 of 40). The focus groups were attended by twelve *existing* entrepreneurs (35 percent of the total), sixteen *fledging* entrepreneurs (47%), and six *would-be* entrepreneurs (18%).

Table 2: Business profile and growth potential

Category	Subcategory	Description
a. Fledging		Recently started, some uncertainty about whether they can succeed and build a customer base
b. Existing	b.1. Stable	Reached a certain size and owner/manager does not want to grow and has a relatively secure customer base
	b.2. Growers	Growing in size in terms of employment, turnover, customer base and has plans for further growth
	b.3 Limited market/ decliners	Those at threat from declining customer base, difficulty in finding new markets/breaking out of ethnic niches
c. Former		Those that closed down

2. CONTEXT AND ENTRY INTO SELF EMPLOYMENT

2.1. Sectors

Economic activities varied enormously including retailers of all sorts (food, groceries, butcher, jewellery, and clothing) making up 33% of the sample, restaurants and catering trade (café, take away) being 35% of the sample, with the rest in a diverse range of consumer services (hairdressers and nail bars, photo shop, wedding services, printing and translation), food import export, internet cafés, travel agencies, and trades people (including domestic electricians and plumbers) (see Table 3 in Appendix). In addition, some of the attendees of the focus groups were entrepreneurs running social enterprises established to support the access of refugees to health, housing and care services.

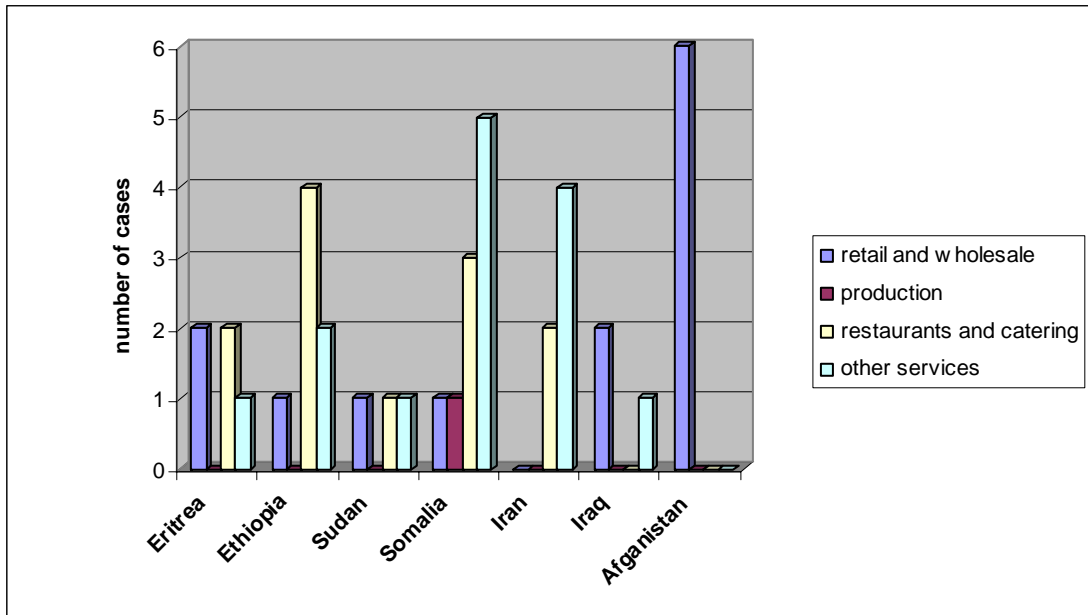
While 'Males' in the sample are concentrated in 'Retail and Wholesale' and 'Services' sectors (10 cases each), 'Female' entrepreneurs were more likely to be found in 'Restaurant and Catering' (5 cases) and other 'Services' (4 cases).

Table 3: Business sectors, gender and country of origin

	Gender				Group Total	
	Male		Female		No	%
	No	%	No	%		
Sector						
Retail and Wholesale	10	(37%)	3	(23%)	13	(33%)
Production	0	(0%)	1	(8%)	1	(3%)
Restaurants and Catering	7	(26%)	5	(38%)	12	(30%)
Services	10	(37%)	4	(31%)	14	(35%)
Total	27	(100%)	13	(100%)	40	(100%)
Country of Origin						
Eritrea	2	(7%)	3	(23%)	5	(13%)
Ethiopia	3	(11%)	4	(31%)	7	(18%)
Sudan	1	(4%)	2	(15%)	3	(8%)
Somalia	7	(26%)	3	(23%)	10	(25%)
Iran	5	(19%)	1	(8%)	6	(15%)
Iraq	3	(11%)	0	(0%)	3	(8%)
Afghanistan	6	(22%)	0	(0%)	6	(15%)
Total	27	(100%)	13	(100%)	40	(100%)

Of the total number of interviews, Afghans entrepreneurs were the largest group in 'Retail and Wholesale' sector (6 cases), followed by Iraqis and Eritrean (2 cases each). In 'Restaurant and Catering' sector, the largest number of people interviewed was from Ethiopian (4 cases) and Somali (3 cases). Five Somali and four Iranian entrepreneurs were in the other 'Services' and only one entrepreneur (from Somalia) was in 'Production' sector (garment).

Figure 1: Business sector and country of origin of entrepreneurs



There is a concentration of businesses in those economic activities where entry barriers are low (i.e. in terms of initial investment required to start up and qualifications), but competition is intense. Individual stories relating entrance into self-employment were similar (see activities below): Prior to going into business the entrepreneur was employed in different activities, saved money for a period of time until the business idea matured. In the meanwhile, his or her English language skills improved and a network of contacts within and outside the community had been crafted. A (co-ethnic) friend with more business experience often was the person that encouraged, advised and partly funded them to set up their own ventures.

Internet Cafés and Call Centres

Internet Cafes and Call Centres generally operate as 'multi-businesses' comprising diverse activity such as mobile phones and accessories or café shops. Four cases of entrepreneurs from the Horn of Africa (notably, Somali and Ethiopian) were examined in this study.

Barriers to entry are low (i.e. low initial investment needed and basic skill requested) but competition is tough due to the high number of competitors operating in the same area (sometimes next door). Profit margins are very low and hence this is mainly a survivalist market niche. People from ethnic minority groups (notably, foreign born), students (particularly overseas), local residents and passers by are the main market. Apart from tough competition, finding good premises' (affordable, suitable and well located) is frequently the main constraint faced by the entrepreneurs in this activity. Owing to the nature of the business and premises involved, Internet Cafes and Call Centres sometimes operate as social gathering and information points for members of the same ethnic group. Hence they have potential as places in which information circulates and social capital is constructed.

Interestingly, it must be noted that there is nothing in these activities associated to cultural traditions (artistic expressions, cuisine, religion, etc.) which has been brought by the entrepreneurs from the country of origin (as occurs in the case of restaurants) rather it is rooted in the need for regular communication with family and friends abroad (i.e. via phone calls and e-mails). What we find here is that people from specific ethnic groups tend to learn and specialise in certain business activities while venturing abroad. It might be the consequence of the action of single individuals from an ethnic group which have initially succeeded in opening a new market (the typical 'Schumpeterian' entrepreneur) who inspired many other co-ethnics ('copycats' entrepreneurs).

Restaurants, Take Away and Catering

Restaurants and take aways are typical business activities developed for immigrant entrepreneurs of all origins. Six cases run by refugee and new arrival entrepreneurs from the Horn of Africa were analysed in this study.

Restaurants in the sample were family-owned businesses which comprise the first and 'one-and-half' generation of family members – the entrepreneur often being the first generation of migrants. Cultural traditions are a key competitive asset and the main trigger for businesses setting up. Restaurants frequently target the traditional cuisine market from the entrepreneur's region or country of origin. Family recipes and exotic ingredients (alongside traditional music and decoration) are necessary ingredients in this market. These characteristics make restaurants a very different case than Internet Cafés or Call Centres, which do not relate to cultural traditions. However, restaurants (particularly in deprived areas) are often highly dependant on co-ethnic clients or those from culturally close countries (i.e. East of Africa region) (approx 90 per cent of clients were co-ethnics in two cases studied). Breaking through mainstream markets has proved to be a difficult task for the majority of these entrepreneurs and the success of such a strategy relies on multiple factors including, grade of customisation of menus, the marketing strategy used, quality and location.

The case of Take Aways (i.e. pizza and kebab shops) is very different. They generally target the general public (relying on high turnover of customers), some are local branches of bigger chains and, in contrast to restaurants, they have less reliance on cultural traditions coming from the entrepreneur's country or community of origin. Iranians are for instance a well established ethnic group in the pizza-take away market in the UK.

2.2. Entry into self employment

A combination of 'push' and 'pull' factors help to explain entrepreneurialism amongst refugees and new arrivals from emerging ethnic minority groups.

Entrepreneurs interviewed largely saw self-employment and micro businesses as a means to generate an income and so to tackle the marked lack of job opportunities or even 'discrimination' in mainstream labour markets, which affects qualified and under qualified refugees and new arrivals from disadvantaged ethnic groups. Expressions such as, *'I have to do something to survive'* or *'I have to support my family'* were frequently heard in the interviews. The desire for independence or *'to do what I like or want to do'*, were mentioned in second place as a trigger to the entrepreneurial venture, particularly by entrepreneurs who had previously been employed in other business activities for many years (i.e. bus and taxi drivers).

Motivations that entrepreneurs had upon arrival seem (in some cases) to play a role in defining future entrepreneurial attitudes amongst refugees. In response to the question about whether 'that business was what they wanted to do upon arrival', 34 percent of the sample answered 'Yes, definitely'. Similarly, 32 percent responded 'Yes, to some extent'. In contrast, 34 percent of the sample responded negatively, 'No, at all'. A majority of this latter group hold a degree or technical skills and that for one reason or another could not practice their professions in the UK. In response to the question on whether they 'wanted to continue in the business' some entrepreneurs argued, *'I'd rather like to be practicing my profession'* or *'I was better off back home'*.

Within the group of entrepreneurs with positive motivations towards business activities upon arrival 66 percent (26 cases) had previous business experience gained back home while they were a 'child' by helping/working in their parent's businesses. A successful Afghan entrepreneur points out: *'I came to England with no money; I lost everything back home and started my business here from nothing. I only brought with me the business experience I gained working in my father's business since I was 4 years of age'*. He highlights that his English was 'very basic' at the beginning, he never went to college but *'knew how to make money, my experience made the whole difference'* (he explains). In the Refugee Women Association's experience, a combination of 'attitude' and 'background', but also 'knowledge about the system', was recognised as what made a person successful in starting up a business. It must be stressed however that prior experience gained

back home (either in the same or in a similar business activity) was not directly 'transferable' into the UK business setting for many entrepreneurs (see details in Section 4).

Likewise, positive attitudes and determination shown by some entrepreneurs in relation to their business ventures must be examined in the context of uncertainties that they have had to deal with during the process of starting up a business. A group of entrepreneurs (8 in total) remarked that they were concerned about the immediate financial future of their businesses, mainly owing to the nature of the market they are serving and the absence of a business strategy. A second group of entrepreneurs (4 in total) pointed out the uncertainty about their legal situation as an obstacle to their business ideas as they did not know what exactly was going to happen after the legal issue was sorted upon arrival. This problem was also expressed by one successful entrepreneur whose remain to leave is due to expire in 2006. In turn, four entrepreneurs stated that they permanently want to go back to their home countries, despite the fact that they have not done it. Legal, financial and personal aspects that generate uncertainty may undermine the entrepreneurs' will and commitment towards their business ventures.

Entrepreneurs' uncertainties, and experience, perhaps explain the fact that some *'fledging'* entrepreneurs expressed a higher level of aversion to risk or less motivation to take their ventures into more advanced business stages.

The vision of some refugee organisations is valuable to place the issue of the business motivation portrayed by the refugee population in a wider context. As the Refugee Women Association (RWA) and Praxis pointed out, only a 'tiny minority' of refugees come to the UK with the prime motivation (no less idea) of starting up a business. In fact, the RWA estimates only 5 percent of their clients have shown prior interest in business activity. In turn, these organisations suggest that many of those who go into businesses do it because they did not have many opportunities in the mainstream labour market.

Age seems to play a different role in shaping entrepreneurial attitudes. *'Existing'* entrepreneurs in the sample were slightly older than their *'fledging'* counterparts which is linked to the years that the entrepreneurs spent in the host country (i.e. working as an employee) before deciding to open a business. Hence it could be hypothesised that, despite the experience entrepreneurs had, there is a minimal 'threshold of time' and 'a learning curve' that *'would-be'* migrants entrepreneurs have to go through before they open their own business.

A different case is that of the youngest entrepreneurs in the sample (*'one-and-half'* generation of migrants) which have been partly educated in the UK (some of these entrepreneurs hold degrees from British universities (8 cases in the sample)). These entrepreneurs (often no older than 35 years of age) start their business career in a different position than that of their parents, they master a better understanding of *'how the system works'* in this country (i.e. taxes, regulations), they speak better English and, at the same time, they understand the needs of people from their own community. A Somali entrepreneur who owns a thriving travel agency specialised in East Africa explains that to become an entrepreneur was 'much easier' for him than for his fellow Somali immigrants since he *'grew up here'*, is partly educated in England and therefore *'knows how this country and the system works'*. He adds that many Somali people want to set up businesses without understanding basic issues concerning taxes or how to get the business registered.

The research found that a typical strategy of entrance into self-employment used by *'fledging'* entrepreneurs is to keep the jobs they have whilst working part time in the new venture. This form of 'portfolio-entrepreneurship' allows the entrepreneurs to test the performance of their ventures without giving up a secure source of income which can be in the form of employment but also state benefits. This was found to be particularly important for those businesses operating more informally and those being run by women.

3. THE IMPACTS

This section explores the wide range of roles that enterprises have in the deprived areas in which they operate. This contribution is rarely measured or acknowledged in economic development and regeneration activities. However a greater evidence base on this topic can be used to justify greater support for refugee businesses and to put pressure on local stakeholders to include refugee businesses within their programmes.

3.1. Local markets and customers

Refugee enterprises play an important role in terms of providing services in some deprived areas with less facilities. A majority of businesses studied sought to meet demands from the same ethnic group or others culturally close ('ethnic niches'). This is especially important amongst restaurants and personal services (i.e. hair salons). From the other half, there is a group of businesses that rely heavily on customers from diverse ethnic minority groups. A Somali female entrepreneur explained how her customer base was broadening: *'I wanted to do something that the Somali community needed and now I am the only one in my community providing a one stop wedding shop service. Also, most of my customers are Muslim women and they travel far when it comes to do their hair. Muslim women don't like their hair to be seen by men. Here they have privacy and whatever they need I'll do it for them'*.

The presence of co-ethnics constitutes an important factor which triggers entrepreneurs' decision on premises' location. A total of thirteen entrepreneurs mentioned the fact that people from the same community live in the local area as a primary factor when deciding upon the location of business premises. However, where businesses depend on co-ethnic customers there can be a high number of direct competitors in the area (i.e. Internet Cafés and Take Away). Co-ethnic dependency (and spatially bounded markets) is less evident with respect to the suppliers of the businesses, which were found to be EMB wholesalers (especially Indian and Pakistani) and mainstream businesses (i.e. Supermarkets) alike. Suppliers normally are located beyond the local area.

3.2. Impact on the owner-manager

The research found that a major impact of refugee enterprises is on the owners themselves in terms of livelihoods and building skills. Thirty five of the 40 entrepreneurs interviewed stated that their income level had improved '*substantially*' (20 cases) and '*to some extent*' (15 cases) as a result of becoming an entrepreneur. These income streams are especially important for women entrepreneurs with childcare responsibilities as they had very few other sources of income.

Table 4: Income level improvement as a result of becoming entrepreneur by sector

		Sector				Total
		Retail & Wholesale	Production	Restaurants & Catering	Other Services	
Income Level	Not at all	3			2	5
	Yes to some extent	5	1	7	2	15
	Yes definitely	5		8	7	20
Total		13	1	15	11	40

Business's experience and skills

Both business experience and skills have been gained as a result of becoming an entrepreneur and are highly valued by the interviewees. Twenty one entrepreneurs responded that their skills had increased '*significantly*', while six said that they had improved '*to some extent*'. A quotation illustrates this point: '*My client service skills have improved. I have obtained more experience from being in contact with people from different backgrounds, characters and dealing with them. My skills have improved [by] putting in practice both the education and knowledge that I'm obtaining*' (Eritrean beauty therapist).

Only five entrepreneurs in the sample pointed out that their level of skills '*did not improve at all*' as a result of having a business. Most of them are individuals that hold a degree or are highly experienced but who cannot practice their profession in the UK and therefore feel degraded in what they do. Quite often they were part of the middle class in their countries of origin.

Social inclusion

Interviewees and focus group participants reported that *being an entrepreneur* has improved social inclusion and integration into society through a wider socialisation with other members of the local community (notably, other business people, public servants, and local government agencies) and beyond (i.e. suppliers), enabling them to break out from the co-ethnic or refugee circles to which they often feel 'tied'. There is also a suggestion that being an entrepreneur affords them a different status which allows them to socialise widely and, at the same time, be considered as 'peers'; and not as benefit seekers or a social burden.

Hence, evidence suggests that self-employment and entrepreneurial activity have allowed some entrepreneurs to move out from a 'culture of benefits' (or a 'useless life' as some interviewees described it) towards a 'culture of self determination'. Enhancing 'self esteem' and a 'sense of integration' into society, particularly amongst well established businesses, were linked to this critical transition.

It must also be noted that there are potential negative impacts: interviewees referred to the fact that they frequently are compelled to work long hours to compete in the market place and therefore they have less time for their families and wider socialisation. Furthermore, financial costs can be high but hidden, especially if a business closes. The impact of failed business and associated debt could not be assessed in this project as such individuals are hard to identify and become hidden.

3.3. Impact on employees

A diverse range of indicators were used to estimate the impact of businesses on their employees. A total of 21 entrepreneurs in the sample are employers with an average of four employees each. It must be highlighted that it was extremely difficult to raise questions in relation to employees during the interviews due to (we assume) the informal character of some labour arrangements.

Nature of labour contracts

As an entrepreneur claimed, '*They [the government] put restrictions to employ staff, so everybody is a volunteer here!*' Those not employing people officially were sole traders relying only on family and friends who "*help them out*" in running their businesses 'if required' and 'when they are available'. As regards 'flexibility', four entrepreneurs explained that '*when they were busier than normal*' or '*required special works to be done*', they arrange '*with people that they know and trust*'. In such cases it is difficult to draw the line between formal 'employment' and informal 'paid favours' (see Section 4.4). The nature of labour contracts are based to a large extent on 'trust', which is here associated with personal/family networks, and 'flexibility' of contractual arrangements: '*He [the*

employee] *is a friend of mine, so I can trust to leave him in charge of the shop*' (Ethiopian entrepreneur).

Employee profile

With regard to the profile of employees, staff in the business sampled were mainly young people (notably, students) from the entrepreneur's ethnic group or other minority ethnic groups (16 of 21 businesses with employees). Some entrepreneurs note that young employees generally take the jobs 'transitorily' in order to save money and gain experience until a better job opportunity comes up. This profile of employees may also relate to the sectors in which refugees are operating rather than the nature of refugee businesses themselves.

The majority of the employees in the sample have been living in the UK for many years ('they speak good English') or were born in the country. Cases of new arrivals employed in refugee business were also identified (i.e. restaurants). Staff were found to be mainly recruited via word of mouth through friend or family/kin networks. Boards at local news agents, local news papers and premises' windows are also used to advertise job openings, although word of mouth is preferred. Fifty per cent of these employees live in the local area (that is, within a 2 miles radius) in which the business is located. This demonstrates the considerable local impact these businesses have through encouraging local money flows and through their multiplier effects.

Where employment was recognised as such by the entrepreneurs, flexible working conditions, long working hours, and salaries around (or below) the minimum hourly wage seem to be the norm. Only in a few cases were better payment conditions for the employees identified (3 cases of 'growers' businesses).

Training and skill development

The study found evidence that refugee businesses contributed to building the skills of their employees. The nature of learning and skill development within these businesses is predominantly 'informal' and career opportunities are rare. Seven entrepreneurs specifically highlighted that they had personally trained their employees in issues such as customer services and other specific aspects related to the trade. *'She [the employee] is from the community. She is studying and works here part time. She gets experience with customers and practice'* (Somali female entrepreneur).

Only two entrepreneurs out of the 21 cases with employees had provided 'formal' training to the staff (i.e. a restaurant owner who sent his chef to do a course on hygiene and food handling). In some entrepreneurs' vision, the 'transitory' nature of jobs affects any attempt to 'formalise' skill acquisition and career development.

However, entrepreneurs also highlighted that informal training not only improves the development of skills but also encourages an entrepreneurial attitude amongst the youngest employees. *'I do help people'* (one entrepreneur points out), *'I am a very kind person and if I see young people doing something for themselves I give them business advice'*. Five cases of spin-off were identified, including an Iranian student working for a printer shop who after two years set up her own graphic design business. The owner of an internet café pointed out that three of his employees had left to open their own shops and similarly the owner of one hair salon whose friend helped her out was intending to leave to open her own salon once she has finished her studies.

3.4. Impact on the community and local economy

The study examined the impacts of enterprises on the local economy and community as reported by the entrepreneurs. Further studies of this with suppliers and community-based organisations in areas with a significant presence of refugee businesses were not possible owing to restrictions of time and resources. Indicators of impact on the local economy are as follows:

Supply of products and services

Local communities living in the local area benefit from the 'specialised' and/or 'cheap' supply of products and services offered by some refugee and new arrival businesses. Other businesses may offer specialised services such as translations to/from 'ethnic minority languages' for charities, private companies, local authorities, legal services, as well as individuals.

Local consumption

Likewise, a group of entrepreneurs (approx a quarter of the sample) and their families live and consume in the local area (as do many of their employees), which has positive effects on the economy of those local areas. There is a second group of entrepreneurs who, although they do not live in the area in which they have the business, often live in areas with a strong presence of both co-ethnics and ethnic minority businesses.

Regeneration

The need that entrepreneurs have of access to suitable and affordable premises or work-places compels them to seek premises in both streets adjacent to high streets in commercial areas and in zones with lesser commercial activity in less affluent areas. This is the case of two hair salons with premises on adjacent roads to high streets. The following quotation illustrates the issue of premises: *'My premises are not on the main road. It is very expensive to have premises on a main road. Here the rent is not very expensive and I can afford it'* (Ethiopian female entrepreneur). Another entrepreneur adds: *'I would like a bigger place, on a main road, so that people can see me. I am really trying my best to get a bigger place, because right now I don't have much room'*.

Refugee businesses can invest and therefore regenerate local (deprived) areas away from high streets. In this way small scale private investment and work carried out by these new businesses results in improvements and maintenance of pavements, illumination, decoration, cleaning outside premises, and security.

Participation in local business organisations

In general, refugee entrepreneurs do not belong to community-based organisations, business associations or formal business networks, unless the nature of the activity they are engaged in requires this (i.e. travel agencies belong to IATA). Institutional engagement is rather informal and at a personal level, i.e. meetings, parties, festivals or religious activities organised by the community. Only seven entrepreneurs responded affirmatively to the question on affiliation to organisations. Two cases mentioned belonging to community-based business-oriented organisations including a recently established Ethiopian Business Consortium and an independent Ethnic Minority Business Advice organisation. Other cases related to sectoral organisations such as the National Association of Translators and different community-based organisations in North London (i.e. Somali and Sudanese), and others including housing associations.

Community building and engagement

Evidence suggests that some businesses operate as 'community centres', as gathering and information points for members of the (co-ethnic) community, and where the entrepreneurs turn into both informal mentors and business advisers to *'fledging'* and *'would-be'* entrepreneurs. This is perhaps the most important form of business-led social capital identified in the study which might have significant effects on the process of construction of an 'identity' within specific ethnic groups and communities. *'In addition to the interpreting business, I give advice to people. I tell people to think in their long term plans, and all what they need to do first in order to open the business. People have made a lot of money with my business advice. I feel I have said the right advice, at the right time and place'* (Iraqi entrepreneur). Specifically, those entrepreneurs that have been in the UK longer possess a better knowledge and understanding of 'how the system works' in the UK, which can be transferred to co-ethnic new arrivals through these informal networks.

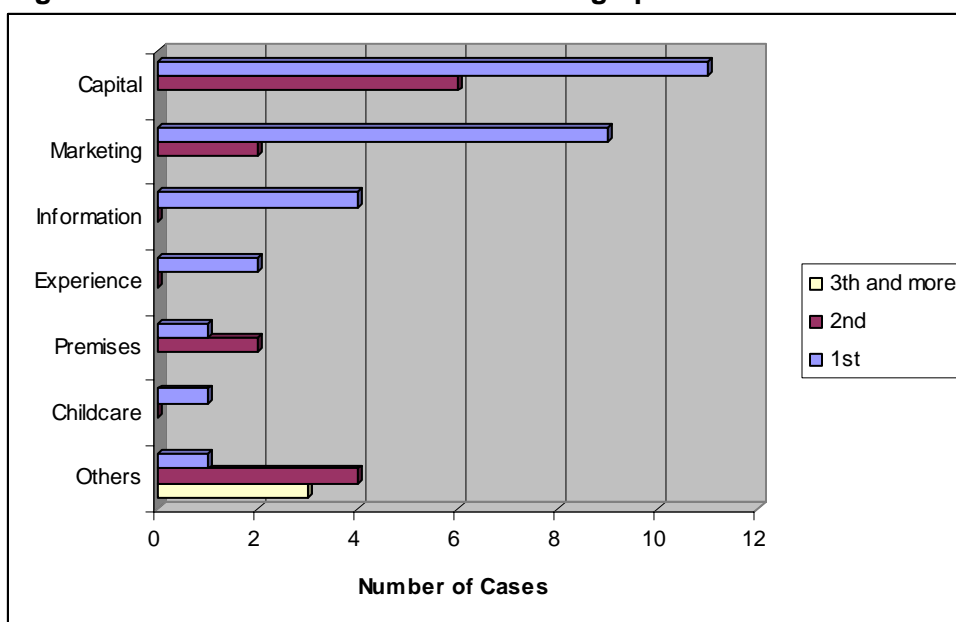
The study found that some ethnic groups are less cohesive and where there are smaller numbers from the same group, there may be less of a critical mass of people to ensure community organisations are set up and sustained. There can also be considerable differences between people coming from different ethnic groups within a single country, demonstrating the risks of assuming the refugees coming from one country are homogenous.

4. CONSTRAINTS TO ENTREPRENEURSHIP AND ENTERPRISE GROWTH

Entrepreneurs were asked about the main barriers or constraints that they faced when starting up and running their ventures. The four main barriers identified in the interviews can be summarised as follows:

- 'Limited availability of financial resources' or 'finding initial capital' was the biggest barrier that the entrepreneurs in the sample faced when starting up their businesses (38 percent of the sample identified it as their main constraint and 21% as their second constraint).
- 'Difficulties in identifying marketing strategies appropriate to the short term financial sustainability of the ventures', particularly in the case of recently launched businesses (31 percent).
- 'Lack of information' on critical aspects for new businesses, notably, UK business institutions (i.e. taxes and regulations), alongside 'lack of relevant business experience' (21 percent).
- Other barriers mentioned by entrepreneurs (10 percent of the sample) were: 'finding suitable and affordable premises', 'accessing childcare services', and 'lack of time' to do the tasks involved in setting up businesses. 'Finding references', 'problems of informality' (chasing customers for payment), 'red tape', 'finding the right employees', and 'making sure the premises were safe and secure' were also mentioned as barriers for entrepreneurship.

Figure 2: Main barriers faced when starting up the business



4.1. Finance and investment

Bank Finance

Access to bank financial resources was the main constraint faced by 'existing' and 'fledging' entrepreneurs alike. The critical difference between these two types of entrepreneurs is that a lack of start up capital directly impedes some 'fledging' entrepreneurs materialising their businesses ideas, which was particularly evident in the case of 'would-be' entrepreneurs interviewed in the

focus groups. Restricted access to mainstream sources of funding can also be seen as a reason for failure. Funding is required for both capital investment and to provide an income in the early stages of ventures being set up by people with no savings. A Somali female entrepreneur who owns a wedding and hair salon explained: *'I see so many people opening businesses, especially hair dressers, but they are not able to make it through the first year. If you open a business you can't expect profits straight away. You might have to struggle for a year or a year and a half before you see profits coming in. You have to have pocket money for several months'*.

Refugees and new arrivals experience this restriction as a result of specific problems that they face, including: the lack of a financial trade record, difficulty in proving home addresses (frequently they do not possess utility bills in their names) and, most notably, the lack of business references and collateral. This situation is exacerbated by many refugees arriving destitute and without any identity papers.

Many refugees do not qualify for credit applications whether they are longer term loans, credit cards or overdraft facilities. Some are not even able to open a (personal) bank account; a successful Afghan entrepreneur explains that he *'ended up opening the shop before opening a [personal] bank account'*. Others stated that *'I couldn't get money from the bank to open my jewellery business. You cannot get anything because you need references and history with the bank'* (Iraqi entrepreneur) and these entrepreneurs at large do not have them. Informality is also an issue for refugee *'fledging'* entrepreneurs when it comes to open a bank account. A Sudanese female entrepreneur dedicated to trade clothes explains: *'you cannot get a loan because [in theory] you are not working, even though I showed to the bank financial means'*. Furthermore, by operating in the cash economy, it becomes harder to build a track record with a bank and provide evidence of a profitable business able to pay off a loan.

Restricted access to mainstream financial resources has a two-fold consequence. On the one hand, the entrepreneurs feel excluded from mainstream sources of funding (notably, banks). On the other, after successive frustrating experiences with bank managers, the entrepreneurs exclude themselves from banks - and also from business support agencies.

In explaining this constraint some entrepreneurs pointed out: *'May be there is something hidden'*; *'The problem is that we are refugees'*; *'The problem is that we are black, [the problem] is the colour'*. Discrimination and institutional racism are in fact perceived to be major barriers for entrepreneurship within the refugee population. *'It is not easy to get money from lenders because they don't trust you'* (Eritrean female entrepreneur); *'Because I was refugee I was not able to ask any help to banks or anyone to fund my business'* (Iranian entrepreneur).

There was also reluctance amongst Muslim entrepreneurs to take out interest paying loans as it is not allowed by their faith. This demonstrates how different cultural patterns influence the nature of entrepreneurship in culturally diverse business environments. However, the majority of the entrepreneurs interviewed (even within Muslim groups) did not mention their beliefs with respect to 'interest charges' as a main problem but rather limited access to bank loans.

Use of own savings

Many respondents relied on their own savings by having other employment at the same time as starting their business. *'I have worked in a restaurant for 15 years and saved enough money as to buy this place [shop]. Because I was refugee, I was not able to ask for any help to banks or anyone to finance my business'* (Iranian entrepreneur). *'Getting the start up cash was very difficult. We have worked for 10 years to save the money [to set up the business]'* (Ethiopian entrepreneur). *'We struggled [to get started] because a lot of people cheated on us and we did not have a lot of capital. It was all from our own savings'* (Iraqi entrepreneur). Hence, a wide-spread belief amongst entrepreneurs is that *'if you really want to start your own business you can and will do it anyway'*, that is, despite the restrictions imposed by banks to their loan applications. However, many potential entrepreneurs are put off starting an enterprise at an early stage because of the lack of funds.

Access to finance sources seems to be gendered, particularly when it comes to the access to or use of 'personal savings' as a main source of *start up* capital for refugee and new arrival entrepreneurs. A Sudanese female entrepreneur explained, *'men are more successful in business because they can work and save money while women often have to take care of the family'*.

Finance from family and friends

Almost every entrepreneur in the sample remarked that financial resources obtained from their direct 'family', 'friends', and 'personal savings' were the main sources of capital used to launch and sustain (in the short term) their ventures. *'My problem was mainly financial. It was a bit tight money-wise, although my family supported me financially. A good friend of mine who knows a lot about businesses helped me a lot'* (Somali social entrepreneur). The concepts of community and diasporas were also referred to as sources of *start up* capital, since loans sometimes are obtained from 'community' members which could be from other countries (i.e. extended family in continental Europe).

An interesting case of an 'informal' micro-finance institution, called HAGBA (an Arab name which translates into English as 'HELP') was reported in field research. HAGBA, is a rotating saving and credit organisation operating as a small scale informal community-based 'credit union'. It is utilised within the co-ethnic groups (in this case women's groups) to fund all types of small investments, including house renovations, weddings, travels, and start up businesses. Two Somali female entrepreneurs (but also a Somali refugee-base organisation) explained that the HAGBA they are part of is formed by a group of 20 women who know each other mostly through personal relationships (family, friends, friends of friends, schools, local markets, etc.). Each member of this HAGBA puts £100 pound per month in the kitty; one member of the group is in charge of collecting the money. Every month all of the money in the kitty (£2,000 pounds) goes (via a draw) to one person who can use the money for whatever the person decides to do. No interest is charged on the money given. The practice is repeated every month until everybody in the group has secured the money. They explain that the kitty sometimes can be worth £10,000 or more and could be divided for two or more people. HAGBA style micro-finance institutions allow some refugee female entrepreneurs to secure financial resources without contradicting their religious beliefs.

HAGBA operates without contractual agreements between the organisation and its members. There is no written agreement and the system works entirely based on 'trust'. The Somali female entrepreneurs explained that each group member is accountable to their own community and that the person that brought a new member to the group is then responsible for them if they cannot pay their monthly contributions or leave the group after securing money. Community social sanctions are also applied when a person breaks HAGBA tacit agreements. A member of a Somali community-based organisation commented that they are trying to find ways to formalise HAGBA initiatives, so as to gain access to larger funding streams which can be allocated within the community.

4.2. Marketing and business development

Difficulties in identifying marketing strategies appropriate to sustain the short- and also medium-term financial sustainability of businesses is a key barrier faced by refugee/new arrival entrepreneurs.

Uncertainty with respect to financial sustainability is directly related to the poor market research carried out by the entrepreneurs prior to launching their ventures. In fact, only three entrepreneurs in the whole sample had conducted some sort of market research and identified a market niche prior to setting up their ventures. *'Do research before you do anything'* is a good practice, a Somali female entrepreneur highlights. *'You have to find about location and what people want. When you start a business of any kind you have to find your clients first. You need to be patient, build up customers and not giving up easily. I advertised in the radio and local news papers. At the beginning I wasn't focussed on making money but in building up my clients'*.

This barrier was greater amongst entrepreneurs from Western Asia and partly it was attributed to the weaker intra community links within immigrant groups from Iraq, Iran and Afghanistan. 'Community' is rather an abstract term for these entrepreneurs, either because no 'community' really exists for them or because the 'community' is bitterly divided (i.e. for Afghans). In contrast, for entrepreneurs from the 'Horn of Africa', the market niche was not a major barrier prior to the business launching since 'the community' itself is often seen (erroneously or not) as the 'natural market' for businesses (i.e. Somali community).

Intense competition at a local level and displacement are major problems associated with businesses' marketing strategies and possibilities of growth. In fact, less than a quarter of the businesses studied stated they had grown during the last 12 months. As stated in Section 3.1, fifty percent of the businesses in the sample heavily relied on co-ethnic customers and competed in highly populated business sectors and sometimes in situations of declining sales. Fear of displacement was expressed by an Ethiopian entrepreneur as follows: *'There are 4 internet cafes in the area. I don't know who is going to survive. I guess whoever sells cheaper'*.

Diversification of product portfolio is a strategy pursued by many entrepreneurs. Diversification is not always however the result of a planned marketing strategy but the result of a trend commonly observed in these entrepreneurs to follow up what other competitors in the same ethnic niche do, i.e. to expand the product portfolio and so become a 'multi-business'. Internet Cafés are a typical case of 'multi-business' providing photocopy and fax facilities, operating as call centres, repairing PC , and retailing mobile accessories.

The ability to break through into mainstream markets either via product/service diversification or specialisation is the major challenge that refugee and new arrival businesses face to survive and grow in the market place, and hence is a key area for policy action. However the scale of this challenge is indicated by the fact that only 6 of the entrepreneurs interviewed expressed an awareness of the limitations linked to co-ethnic market dependency and a desire to break out into mainstream markets. Some businesses are in fact making progress in this sense. This is evident in the case of a travel agency offering exotic tourist packages to East Africa to British customers; a translation enterprise that works with mainstream organisations, including public agencies; and a shop which trades organic products from East Africa and targets co-ethnics and mainstream customers alike. However, these remain the exceptions within the businesses studied.

There are also restrictions on breaking out when there is a lack of understanding of the local business culture, although as one entrepreneur pointed out local culture *'is not a problem when your customers mostly are from you own community or from different cultures other than the local one'*. However, a Somali entrepreneur claimed that knowledge of business culture is an issue for her, not because she does not understand the British culture but because she has or attempts to have clients from many different cultures which she does not know or understand well. In her words, *'I opened a shop in a sector where mainly Asians live. People from this community didn't come to my shop. They prefer to go to shops run by their own community. I thought I would be able to capture the market of local Asian people but it didn't happen'*. The issue of multiculturalism is an increasing business opportunity but also a challenge for small businesses in global cities like London in which cultural diversity is becoming the norm in the high street.

With regard to market research prior to the launch of a business, entrepreneurs frequently rely on personal judgments and 'guesstimations' and/or advice provided by (co-ethnic) friends with larger business experience.

Advertising 'within' the community through community or local newspapers or magazines and through *'word of mouth'* referrals are the main and most valued marketing strategies used. An interesting example is that of Abesha Business Card (a small leaflet with a listing of businesses, addresses and telephones numbers) developed by the Ethiopian and Eritrean communities in the area Caledonian Road - North London.

Advertising in Time Out or the Yellow Pages is part of the marketing strategy of some businesses (i.e. Restaurants and trades-people), but it is not considered as an effective form to attract new customers from the general public.

4.3. Information and advice

Lack of information on critical aspects for new businesses such as taxes, regulations and red tape in general, 'limited access to relevant business advice' and 'lack of relevant business experience' were identified as a major barrier to entrepreneurship amongst the refugee and new arrival population (21 percent of the sample).

General Information, advice and guidance is secured through personal networks, notably by friends, relatives or acquaintances, often members of 'the community', who have greater business experience in the UK (the largest group). Professional advice from accountants, solicitors and bank managers (the second group) is also requested. When entrepreneurs were asked 'who they would ask for help if a problem in running the business comes up', over a third of the sample said that they ask friends for advice, although if the problem is extremely serious, some entrepreneurs also request advice from banks and professionals. A fifth of the sample (8 cases in total) stated that they do not seek external advice/help at all and, if they do so, they rely (again) on friends.

While community support was found to be important, this assistance was found to be much stronger among the Somali community compared to other ethnic groups in the sample. For many refugee and new arrivals the community of co-ethnics do not represent a key supporting factor to go into business upon arrival. 'Ethnic knowledge' that is said to exist within well established ethnic minority communities (i.e. Indian, Pakistani and Caribbean EMBs in the UK) is rarely available. Some Somali entrepreneurs in the focus groups also felt disadvantaged as they felt that Indian and Caribbean business associations can lobby government agencies from a stronger position, not only because they know 'how the system works' but also because members of the community itself work for these agencies or other mainstream policy decision-making spheres. For these entrepreneurs, community organisation and mobilisation is a necessary condition if ethnic minority groups are going to turn themselves into a potent actor in promoting entrepreneurial activity within their constituencies.

The need for information relating to the UK business institutional framework is greater amongst entrepreneurs with less business experience. Compared to other new immigrants, refugee entrepreneurs may not have any business ideas prior to arrival or be motivated by entrepreneurship. Furthermore, lack of confidence in starting up a business may be more acute for those refugees facing the psychological side-effects of conflict and exile. A business support agency that supports refugee '*would-be*' and '*fledging*' entrepreneurs reported that some clients (especially those who are professionals and cannot practice their professions), not only lack experience in running business but also are unwilling to ask for advice.

There is a consensus amongst those entrepreneurs who have had access to relevant information (whether in the form of leaflets, brochures, newsletters or through websites) that without 'appropriate advice' and 'guidance' concerning how to process and understand the information given, it is of very limited value. The issue of the appropriateness of advice given was raised by all of the refugee and community-based organisations interviewed and is a key point to be observed by business support organisations when liaising with refugees.

Practical and ongoing guidance in relation to 'what to do' and 'how to do it' (either to establish a business or access to support from mainstream business agencies), and 'where to do it' (signposting to relevant agencies) is considered as essential support to entrepreneurial careers within the refugee population.

It must be highlighted that only 3 entrepreneurs in the entire sample requested advice or support from business support agencies, including local authority business support. In turn, from the 90 percent of the sample who did not request support only 8 recognized 'to know' about support agencies/programs available to refugee/new arrival businesses, these included: local authorities, advice bureaus, Business Link, governmental grants, Job Centres, banks, and community-based organisations.

The quotations below illustrate personal experiences of those entrepreneurs who have requested some sort of advice or support from relevant agencies:

'I know the local council but it is not good. They ask too many questions and ask you why you are doing things in one way or another. Too much paperwork' (Iraqi entrepreneur)

"I have never contacted any organisation. I don't even know what type of services they provide" (Somali female entrepreneur)

'I advise people that the Job Centres, to put you an example, have less knowledge and experience than me' (Iraqi entrepreneur)

'You call the council and they don't know anything about specific questions you ask. It's never the right department, they tell you to call different numbers where nobody answers, or they keep you on hold' (Iraqi entrepreneur).

Other factors that prevent entrepreneurs from getting information and formal advice from business support agencies are the 'lack of time' to do the tasks involved in (i.e. setting up businesses) and the costs of advice, along with entrepreneurs' self-reliance and a general belief that (as expressed by one entrepreneur) *'you learn very quickly'* about red tape, taxes and regulations once *'you are up and running your business'*.

Finally some of the smaller businesses, especially those operating more informally, did not consider themselves to be businesses and so would be unlikely to seek support with a 'business' label attached to it. This was found to be especially important for women starting businesses at home to complement other employment or childcare. Two women interviewed stated:

"I don't think this is a business yet, I would like to build up my customers first. Right now I am doing it because I like cooking and people like what I do" (Sudanese self-employed).

"This is not a business, but I have clients who contact me to get done their manicures, hair or beauty therapies. I want to start up my business one day but right now I am too busy" (Eritrean self-employed).

4.4. Refugee enterprise and informality

Informal economic practices are a common business strategy observed in start up businesses amongst refugee businesses as well as others setting up in business. These businesses may operate in the cash economy, avoiding taxation and regulations, but may be constrained from growth due to fear of being caught and the difficulty of obtaining bank finance as they have little in the way of a track record.

According to Kloosterman *et al* (1999), cutting costs to compete in markets with low barriers to entry and tough competition is a common strategy amongst immigrant businesses, particularly start ups; and because doing it in 'formal' ways has a limited scope, many entrepreneurs cut costs in 'informal' ways, by cutting corners with respect to taxes, labour regulations, minimum wages, or employing

illegal workers. To a certain extent these practices can be based on a lack of awareness of regulations, especially for those who have come from countries with minimal public sector regulation.

- Both 'fledging' and 'existing' entrepreneurs without business premises (i.e. street vendors) operate almost entirely in the 'cash-in-hand' economy. Almost a quarter of businesses studied (9 cases) operate partly or entirely 'in the shadows'. The findings also suggest that self-employed female refugees often have smaller enterprises which tend to operate informally (such as those engaged in home-based catering activities, other services and trading).
- With regard to the more established businesses in the sample (i.e. businesses with visible premises) (75 per cent of cases), informal economic practices reported relate to compliance with minimum wages and employment/payment arrangements of employees and those who 'help the entrepreneurs out'. Cases of payments below the minimum wage per hour and 'off-the-books' paid work to relatives or friends were 'hinted' at by some entrepreneurs. Unfortunately we are unable to comment in relation to VAT registration or Health and Safety regulations' compliance.

It seems that both registration and compliance with taxes and regulations in many cases comes after and not before businesses' break even. As a successful Afghan entrepreneur stated, *'I felt the need to move from being [informally] self-employed to be an established business when the business began to grow and so I needed to secure business premises subject to a proper long term lease'*. With respect to this transition into the formal economy, the entrepreneur explained, *'I was never afraid of regulations or taxes, but you have to deal with taxes and regulations step by step. [Then] when the business grows, when you get to the point that you can pay for [being formal], lawyers and accountants can help you with these things [taxes and regulations], but you have to go step by step'*.

As previously mentioned, most entrepreneurs in the sample went into business without having a bank account - a key credit tool for mainstream start up businesses. This fact links with some patterns of informalisation and informality observed within the business population studied. Owing to problems derived from their 'legal status' and lack of relevant documentation or bank track record, refugee entrepreneurs are pushed to go into business without a key 'accessing tool' to formal business institutions and opportunities. Two entrepreneurs claimed that they were able to open a 'business' bank account only after a year or so after starting up and only then, once they could demonstrate that the business was growing, were they able to obtain a bank loan.

The previous two points relate to the life cycle of the refugee business population and their possibilities firstly to become a business and then to make the transition into the formal economy following a learning process relating to UK business institutions.

As with informal economic activity in general, refugee businesses face the problem of an entire lack of legal instruments to guarantee fully the completion of transactions. This affects particularly those businesses that sell 'expensive' products or services within the community on the basis of instalment payments and which often involve extremely complicated and time-consuming activity to secure regular payments by customers. In such cases, communities have their own set of rules and regulations.

4.5. Premises

Although securing 'suitable' and 'affordable' premises became a major entrepreneurship barrier for only two entrepreneurs, the issue of business premises was raised by several entrepreneurs interviewed. Refugee organisations also mentioned the lack of premises as an important issue affecting refugee enterprise which could and should be addressed by business support initiatives.

'Identification' and 'sign posting' available premises to entrepreneurs is a task which is already being carried out by refugee organisations such as The Somali Speakers Association (SSA). As the SSA states, however, they currently do not have the capacity to meet the level of demand for working space by entrepreneurs from the Somali community.

Landlord requirements and conditions (i.e. business references and red tape), alongside the financial outlay involved in hiring premises, in many cases slows down or even deters entrepreneurs from going into businesses. The SSA explained, they can only provide minimal help to entrepreneurs to negotiate landlord requirements once premises have been identified and signposted to entrepreneurs.

4.6. Childcare responsibilities and opportunities

Childcare is frequently highlighted as a barrier to entrepreneurship among the female population. In particular, it is said it affects refugee women who, owing to cultural patterns, younger age, high birth rates, or other specific circumstances, commonly take onboard all of the caring responsibilities. Typical cases in this respect are Somali and Sudanese refugee women, who are often lone parents with more than two dependants at different school ages (three cases in the sample).

Two female entrepreneurs reported that childcare limits the growth potential of their business ventures since the time allocated to parental duties prevents them from focusing on the business. Hence for some entrepreneurs self-employed activities are rather income support activities, which are carried out alongside child caring when time is available.

The Refugee Women Association (RWA) explains that the problem is not only the childcare costs (which refugee women often cannot afford) but also a cultural problem which derives from the fact that women from certain cultural backgrounds do not trust mainstream childcare services (i.e. Surestart-style ones), which are seen as childcare provided by '*strangers*'. Instead, they prefer services provided by members of their same ethnic or faith groups (i.e. Muslim childminders).

The findings also reveal that having children of school age is not always a constraint to entrepreneurship among women. It could in fact become an asset and the school a market opportunity to gain customers. Three female entrepreneurs interviewed (one Sudanese and two Somali) stated that the fact of taking the children to school is the form in which they market the products that they make or trade. A Sudanese woman explained, '*women in the school were always curious about where my dresses came from. We don't have many places where to go and buy our clothes and prices are expensive. So because they liked the quality and the colours of my garments I decided to bring clothes to sell to women in the school and community*'.

Schools and community centres thus constitute key market places used by 'informal' refugee women entrepreneurs to trade products, including typical food, garments, and make-up, and personal services to women who are from the same or other close communities. As a Somali woman who has five children of different school age explained, '*I take my kids everyday to the school, they go to different classes and so they have different friends, some of which are Somali kids. Some times they meet their school mates outside the school and so I meet their mums too. One mum liked the clothes I had on and asked my where I bought it from. I told her that I made it myself. So she ordered my clothes and the same happened again and again, in the school and then with mums friends, etc.*' '*Now I also make clothes for special events, parties, weddings, etc.*'

4.7. The English language

The command of English is considered as a very important tool for businesses due to the need for entrepreneurs to: a) communicate with customers, suppliers, and relevant authorities; b) read and understand paper work and forms; and c) fill in forms rightly when required. As an Iraqi entrepreneur notes, *'the language is the main thing. If you are not able to have good communication with people then you can't go and ask the right questions. Not everyone thinks about setting up a business, but when that is the case you have to be able to communicate to ask for financial help. You also have to work hard and improve [the English language] yourself'*.

Language skills vary enormously among the refugee population by county of origin, level of education and class. Refugees from former British colonies tend to speak better English. The higher the social class and the level of education reached the better the English, although generalisations in this sense are rather complicated. Younger entrepreneurs in the sample who have partly been educated in the UK show the highest levels of fluency.

Although English courses are one of the most frequent forms of support provided by refugee and community-based organisations, and despite the fact that many of the entrepreneurs interviewed had initial difficulties with the language, none of them enrolled on English courses upon arrival. Day-by-day informal acquisition of the language is considered enough to gain a level of language ability sufficient to run a business. This is particularly the case of entrepreneurs who trade with co-ethnics only. Alternatively, language support from friends with a better command of English and refugee organisations to a lesser degree, are used by entrepreneurs when they have to prepare paper work and fill-in forms.

4.8. Recognition of skills and qualifications and professional training

Recognition of qualifications and professional training are not seen as a major issue by the entrepreneurs interviewed. In fact, it was seen as largely irrelevant to the process of entrepreneurship. As an Iranian entrepreneur stated, formal qualifications matter *'only if you are looking for a job, but nobody is going to ask you for a degree if you want to sell food in a restaurant'* Focus groups showed that it does become a barrier for *'fledging'* entrepreneurs, notably self-employed 'trades people', who rely on official certification to practise their trade (e.g. electricians, gas engineers, and plumbers).

Recognition of qualifications was instead mentioned as an issue by four entrepreneurs in the sample who hold foreign university degrees but who have not been allowed to practice their professions in the UK (two accountants and a medical doctor) and as a result had become involved in business activities. *'Because I could not be a medical doctor here I started [upon arrival] working driving an ambulance'*.

As some refugee and business support organisations state, non-recognition of professional qualifications causes anxiety and prompts low self-esteem amongst professional refugees (since they feel under-valued) and does affect personal motivations if individuals are carrying out work they perceive to be demeaning. Gender is also an issue here. The Somali Speaker Association notes, *'male refugees that hold a degree experience have a hard time adjusting and adapting to a place where usually they cannot practice their professions. [The problem being that] their social position suddenly is not the same and they can't cope with the idea that they have to do something drastic like either getting another job where their skills don't apply or retrain themselves. This group is doing less well than other members of the Somali community'*.

4.9. Business support organisations and the refugee business population

The fact that most of the entrepreneurs interviewed have almost no relationship with business support organisations has been raised throughout this report. The existing gap between supply of and potential demand for business services and supporting programs is itself a barrier to entrepreneurship regardless of the quality and suitability of the products and programs offered to the businesses. Some issues evident in this empirical study include:

- The refugee business population does not have access to, or know about, relevant information concerning institutional sources of business support and what is more, most of the time they do not even know whether and where this information is available. Refugee organisations interviewed supported this finding.
- The few entrepreneurs that knew of one or more sources of business advice pointed out that the advice or services provided were 'useless' or a 'waste of time'. Entrepreneurs pointed out that there is too much 'red tape' involved in accessing such services and that they did not 'trust' mainstream business support organisations.
- These findings coincide with those from a study recently carried by the Islington Enterprise Agency (IEA) which concluded that mainstream business support organisations frequently lack the necessary base-line knowledge to liaise and provide support to the refugee and EMBs population.
- Distressing experiences with reception organisations upon arrival such as migration officials, the Refugee Council, Job Centres and others, set a negative precedent for future liaison with mainstream business support agencies. This also applies to new arrivals from disadvantaged ethnic minority groups.
- Organisations such as the Refugee Council and other mainstream refugee agencies are seen as too close to the 'benefit culture' which refugee entrepreneurs seek to move away from.
- Refugee and community-based organisations are perceived to be knowledgeable about the needs of the refugee population 'at a grass routes level' and are trusted by the refugee population. However, they may not possess the expertise and resources to provide business support and demonstrate variable levels of development across different refugee groups.

One conclusion here is that any initiative targeted at supporting the refugee and new arrival business population should first and foremost seek to generate links with the target population to learn about their needs, and then to design tailored supporting services. Hence it becomes evident that a key policy solution here is the development of links and partnerships between mainstream business support organisations and refugee/community-based organisations which are already doing outreach work with refugees and emerging business communities.

5. POLICY IMPLICATIONS

- Need to recognise the contribution that refugees make economically and socially especially in deprived areas. This can be in terms of creating jobs, investment in the regeneration of deprived areas, training people who start their own businesses, and building confidence. However, the costs for those that fail in business may be higher for refugees than other parts of society and increase exclusion.
- Need to recognise difference in needs between refugees and other EMBs. These include destitution on arrival, uncertainty of their length of stay, and poor access to finance.
- Business support needs to combine the understanding and access of community based organisations with the expertise of business support organisations. Tailored support programmes may be needed and support providers may need to be assisted in being sensitive to the needs of refugees.
- Need to recognise differences between refugees in terms of different countries of origin and type of conflict that is generating new waves of refugees, social class, levels of education and qualifications, gender, age, and above all previous business or job experience.
- Specific difficulties exist with regard to access to bank accounts and formal loans which forces people into informal activity. Support should help people open bank accounts and encourage loan finance that does not require traditional collateral. The promotion of 'Islamic' banking to Moslem refugees should also be promoted.
- Many refugee businesses are very small and part of a portfolio of income sources for households. These businesses tend to rely on cash transactions and informality. The lack of use of banks can reduce access to bank finance in the future. The benefits of becoming more 'formal' should be included in business support strategies.
- Alternative community based finance solutions should be promoted such as the rotating savings and credit systems used by many refugees already and which are well established in the countries of origin.
- Most information comes from family and friends although this may be limited for some ethnic groups where communities are small or fragmented due to conflict in the home country. Therefore there is a need for introductions to UK business institutions for new arrivals in their own language as well as provision of ongoing practical training and capacity building. Where there is good community support, business support should build on these existing networks.
- Refugees may have links to diasporas across the world. These links are important sources of information, new markets and finance for some enterprises already and these could be strengthened and built on.
- Refugees may have limited knowledge of market opportunities and business experience so require start up counselling. Markets tend to be limited as most entrepreneurs work in easy to enter sectors with customers from their own ethnic group. Support is required to help them break out into mainstream markets, develop a range of marketing techniques and avoid displacing other businesses.
- The level of business advice provided by refugee support organisations is variable and many refugee support organisations are not perceived to have business advice experience. Furthermore many refugees have had negative experience on arrival and when gaining refugee

status which can result in reluctance to seek support, especially from mainstream institutions. Innovative approaches are required for encouraging refugees to seek support. Support may need to be tailored to their needs while also helping their integration. Providing business support via existing refugee support organisations raises issues of their capacities in this area and the variable coverage provided by such organisations within and across different refugee groups. Collaboration between these organisations and mainstream support providers is recommended.

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APPENDIX

Table 1. Entrepreneurs by country, business sector, No of employees and year of establishment – Interviews (second and third round)

CODE	SECTOR	NO EMPLOYEES	YEAR OF ESTABLISHMENT
1	Printer, litho Printing	2 to 4*	1986
2	Travel Agency; art products & mobile + accessories	2 to 3 family members*	2001
3	Community nursery	Self-employed	1987 to 1988
4	Ethiopian Bar & Restaurant	2 + 3 family members*	2004
5	Internet Café & mobile + accessories	Co-managed with the entrepreneur's brother	2004
6	Somali restaurant	N/A	2005
7	Traditional Somali cuisine	2 + 1 to 2 family members*	2002
8	Car mechanical workshop	1 to 2 + his business partner*	2001
9	Travel agency specialised in East Africa and the Middle East	3	1999
10	Internet Café , mobile phones, sales & repairs	1 family member	2003
11	Internet Café & calls centre	Solo trader	2004
12	Traditional Somali food, restaurant & take away	2 + 2 family members*	2003/2005
13	Import of food products (mostly, dried fruits from Afghanistan)	Solo trader	2001/2003/2004
14	Translation company (Arabic-English)	3 to 5 + 200 freelance workers*	2003
15	Retail & wholesale (bongs, pipes, cigarettes, jewellery & souvenirs)	6	2003/2004
24	Garment maker	N/A	1997
25	Garment trader	N/A	1998
26	Hair dresser and wedding services	1	2002
27	Food for Sudanese complementary school	N/A	2004
28	Beauty therapist	N/A	2002
29	Coffee shop and cakes/ telephone translations/	N/A	2001
30	Pizza Shop	4	2005
31	Garment Trader	N/A	2000
32	Coffee shop and Internet café	1	2003
33	Organic Herbs and spices store	2	2005
34	Hair salon	2	2002
35	Restaurant	7	1992
36	Groceries	N/A	1999
37	Restaurant	N/A	2003
38	Interpreting and translation services	500 free lance	1999
39	Mobile Phones and Communications shop	4	1990
40	Jewellery	N/A	1997

* Estimated number based on partial information given by the entrepreneurs

Table 2. Entrepreneurs by type, gender, age, country of origin and year of arrival to the UK – Focus Groups (FG) in the UK regions

	FG NO 1 BIRMINGHAM	FG NO 2 BIRMINGHAM	FG NO 3 BOLTON	FG NO 4 LEEDS	FG NO 5 LEEDS	TOTAL (N= 34)
Type of entrepreneur:						
'Existing'	4	2	1	0	5	12 (35%)
'Fledging'	2	4	0	4	6	16 (47%)
'Would-be'	0	3	2	1	0	6 (18%)
Gender:						
Male	6	9	3	5	5	28 (82%)
Female	0	0	0	0	6	6 (18%)
Age (Average estimated):	30 to 40	30 to 35	27	30	28 (1 st group) & 40	-----
Country of origin:						
*						
Somalia	4	9		1		14 (41%)
Iraq - Kurds			3		2	5
Malawi					3	3
Eritrea				2		2
Pakistan					2	2
Zimbabwe					2	2
Iran				2		2
Jamaica	1					1
India	1					1
Algeria				1		1
Nigeria					1	1
Year of arrival:*	2000 to 2005	1999 to 2005	2000 to 2005	1999 to 2005	1999 to 2002	

*Three individuals (all of them Somali) recently came to the UK following a previous stay in other European countries, including Holland, Sweden and Denmark.

Table 3. Sectors

Sectors*		No	of cases
Retail and Wholesale:			13
	Street vendors	4	
	Suitcases and belts		
	Toys		
	Children clothing		
	Mobile phone accessories		
	Shops	8	
	Butcher		
	Spices shop		
	Communications		
	Retailer		
	Jewellery		
	Groceries		
	Garment trader (2 cases)		
	Import/Export	1	
	Food		
Production: Garment Maker			1
Restaurant and Catering:			12
	Ethnic food restaurant (7 cases)		
	Ethnic food and catering		
	Pizza shop		
	Catering		
	Coffee shop and Internet café		
	Coffee shop and cake making		
Other Services:			14
	Car mechanic workshop		
	Hair salon		
	Hair salon and wedding services		
	Beauty therapist		
	Nursery		
	Photography		
	Printing		
	Translation services(2 cases)		
	Internet Cafés (3 cases)		
	Travel agent (2 cases)		

*One case unless stated

Table 4. Business advice and refugee community-based organisations interviewed:

ORGANISATION	NAME
Ethiopian Community in Britain (London)	Mr. Ephrem Woube
Islington Enterprise Agency (London)	Ms Julie Parish & Ms Marcia Harris
Praxis Groups (London)	Mr. Vaughan Jones
Refugee Women's Association (RWA) (London)	Mrs. Simin Azimi
Somali Speakers Association (London)	Mr. Mohamoud Nur
Refugee Education and Training Advisory Service RETAS(London)	Ms. Roya Ebrahim
Refugee-Action (London)	Ms. Maria Patterson
Sudanese Complementary School (London)	Ms. Hanan Babicker