

CHAPTER 6

BLACK AND MINORITY ETHNIC ENTERPRISE AND SELF-EMPLOYMENT³⁵

Introduction

In this chapter, we look at the issue of ethnic minority business growth and self-employment. We have divided the chapter into two sections. In the first section, we focus on the characteristics of the sector today, its potential for expansion, and the specific measures we believe are needed to stimulate its development as an important contributor to local economic growth. In the second section, we examine the issues that are specific to self-employment.

The differences between enterprise, business growth and self-employment are not always clear. For the purpose of this report, we use the term ‘enterprise’ to describe the activity of starting up and growing a new business. We use the term ‘self-employment’ as a way of distinguishing the specific group of people who leave the benefit system to establish their own firm.

In conducting our review and formulating the recommendations for this chapter, we have drawn heavily on the expertise and assistance of the Ethnic Minority Business Forum and the panel’s SME board. In addition, we have reviewed existing research, commissioned analysis on key issues and interviewed academics and government experts. Most importantly, we have visited RDAs, Business Links, the Prince’s Trust, business support agencies and community groups, and we have spoken to more than 50 ethnic minority businesses.

The Challenge for BME Businesses

One of the most challenging aspects of our research on Black and Minority Ethnic (BME) businesses has been the lack of existing data needed to define the size and attributes of the sector.

Neither Companies House nor Inland Revenue require firms to flag their returns as to whether they are BME owned or managed. We have, therefore, been unable to construct a census-type profile of BME business today. The Government funds two regular and relevant scans of UK enterprise: the Small Business Service’s (SBS) Small Business Survey and the Global Entrepreneurship Monitor (GEM) survey. However, the sample size of both of these surveys is too small for us to reliably disaggregate the data to specific ethnic minority groups.³⁶

³⁵ In this chapter we use the term Black and Minority Ethnic (BME) businesses which, in the context of this field, is more commonly used to describe ethnic minority enterprise.

³⁶ The Annual Small Business Survey 2003 included a booster sample of BME owned businesses. This is the first survey of its type to allow for a detailed analysis of different BME businesses. Some of the provisional (and as yet unpublished) findings are included in this chapter.

If the Government is to have a sound evidence base on which to formulate policy and improve delivery to BME firms it needs more detailed information. Therefore, we recommend that:

The Government should ensure that the sample sizes of ethnic minorities in the enterprise surveys that it funds are large enough to allow the data to be disaggregated down to the major ethnic groups.

However, we do know some key facts that point to a picture of a thriving, increasingly important sector:

- There are an estimated 100,000 businesses in the UK that are ethnic minority owned or managed, of which about 66,000 are based in London;^{37, 38}
- Roughly 10 per cent of all UK businesses are BME, mirroring the total proportion of ethnic minority adults, although this may well mask under-representation of African Caribbeans in terms of business ownership;³⁹
- BME businesses are smaller than average with 90 per cent classifying themselves as micro-enterprises (one to nine employees), against 82 per cent of White businesses; and
- The sector distribution of BME businesses is significantly different from that of non-BME firms. Of all BME businesses surveyed, 90 per cent are in the services sector – primarily retailing, catering, and transport – compared to 70 per cent for non-BME firms.

There are two other important findings that help to define the nature of BME business today. First, there is a *generational difference in the motivation behind business start-ups*. Many first-generation enterprises were established out of necessity – out of the lack of alternative employment. Today, the situation appears to be quite different. The findings from our discussions with BME businesses has been confirmed by the research we commissioned for this project: *of all BME businesses that demonstrated entrepreneurial activity, 85 per cent did so in order to take advantage of a market opportunity and only 15 per cent did so through necessity.*^{40, 41}

The second striking finding is the difference between BME and non-BME businesses is their use of start-up support and advice. According to the SBS' booster survey on BME businesses, *almost 50 per cent of all BME businesses did not seek any advice at all when they started up.*

37 There are 1.2 million businesses with employees (SBS website) and an estimated 9.8 per cent of all businesses with staff are BME owned (SBS Annual Small Business Survey, 2003/04).

38 *Redefining London's BME Businesses*, London Development Agency, 2005.

39 *Annual Small Business Survey: Minority Ethnic Business Booster Sample*, SBS, 2005.

40 The GEM survey compares levels of 'total entrepreneurial activity'. Levels of total entrepreneurial activity compare the proportions of people who on their own or with others are setting up a stand-alone business or are setting up a business as part of their work.

41 *Ethnic Minority Global Entrepreneurship Monitor 2004*, London Business School – an independent research paper commissioned by the NEP.

There is a generational difference in the motivation behind business start-ups.

The most generally held view is that BME businesses are more likely to rely on family and friends for advice. However, the SBS' booster survey on BME businesses indicates that they are less likely than non-BME businesses to seek any form of support or advice. This difference is particularly marked in the non-use of accountants and lawyers.

According to the SBS, the quality and accessibility of business support received during the start-up stage is a critical determinant of a firm's future success.⁴² Therefore, the fact that almost half of all BME businesses do not use this assistance is potentially of concern. The evidence we have suggests either that the current business support infrastructure is not meeting the needs of BME start-ups, or that BME businesses are simply unaware of its availability.

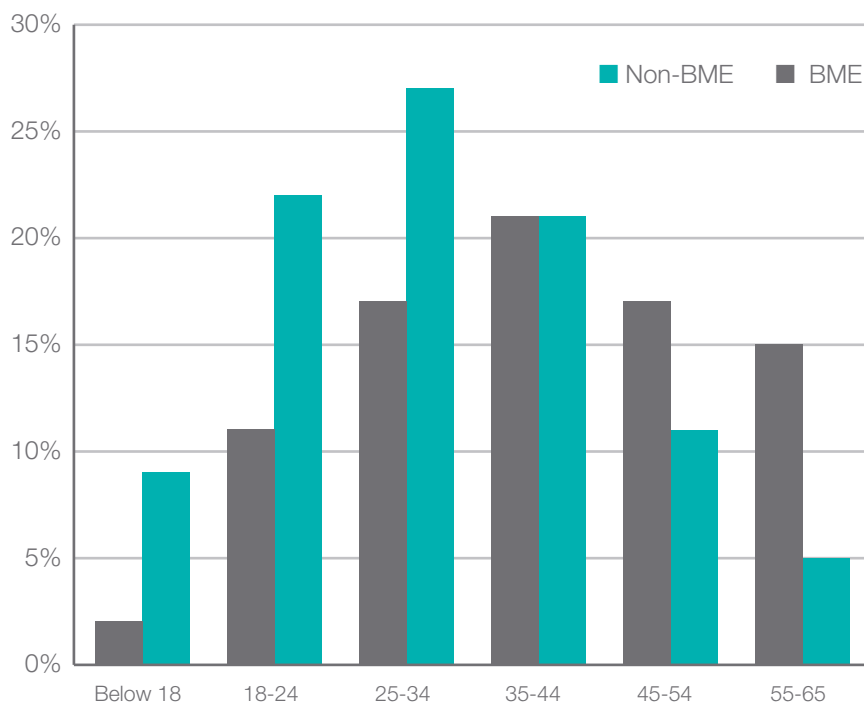
The Next Generation: the New Entrepreneurs

So far, we have described the BME business landscape as it is today. Emerging evidence suggests that we may be about to witness an important change in that picture. Recent data that we commissioned from the GEM survey reveals that the Total Entrepreneurial Activity (TEA) of ethnic minorities is higher (at 7.4 per cent) than in the White population (at 4.7 per cent). This difference is marked dramatically in the 18 to 34 year age bracket, where almost twice as many ethnic minorities demonstrate entrepreneurial activity as Whites.

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⁴² A Government Action Plan for Small Businesses: The Evidence Base, SBS, 2004.

**Figure 8: Total Entrepreneurial Activity by Age
(Levels of TEA)**



Source: GEM 2004

In chapter two, we described the much younger age structure that all ethnic minority groups have when compared with Whites. The rapid growth of young ethnic minorities in major urban areas, coupled with their propensity to start new firms, could signal an exciting new generation of entrepreneurial talent.

During our consultations we spoke with many young adults. Typically, these men and women are English-born, from second or third generation families. *Their business interests extend well beyond the traditional services provided by their parents to their local communities.* Many are interested in developing mainstream businesses in information and business services, IT and the creative industries. Interestingly, many expressed a preference for conventional sources of advice and funding, such as accountancy firms and banks.

A significant proportion of this younger generation are as *committed to remaining in their communities as their parents.* This augers well for them providing a fresh impetus in the regeneration of their cities.

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Transitional Support

We have tried to estimate the size of this group of young ethnic minority entrepreneurs. We know that there are 612,000 ethnic minority young people aged between 18 and 24.⁴³ According to the GEM data, 8.3 per cent of ethnic minorities surveyed in this age band stated that they expected to start up a business within the next three years.

In crude terms, this means that approximately 51,000 new BME businesses might be established over the next few years. *This would represent a striking increase in the total number of BME businesses.*

The majority of this generation have or will attend local FE colleges. Many will choose to work for several years before starting their own businesses. We know that of established BME businesses:

- 65 per cent were started by individuals who left full or part-time employment;
- 21 per cent expanded from self-employment;
- 8 per cent were started directly following completion of education or training; and
- 5 per cent were started following a period of unemployment.⁴⁴

We believe that this important group of potential entrepreneurs merits special attention. However, there is a real *issue of how to provide the right business support at the right time*. This is a key question since only 12 per cent of BME firms use publicly funded enterprise support. Moreover, a recent report raised concerns about the difficulties that can occur when younger entrepreneurs wish to set up small business in the newer sectors.⁴⁵

While many local firms will wish to use Business Link, we believe that a fresh approach may be needed to facilitate the development of young people (and some adults), particularly those who are attending – or recently attended – their local FE college. Therefore, we suggest that specialist support for potential and new entrepreneurs be established to provide both theoretical approaches and practical skills such as market research and sales, business planning and project management, budgeting and cash flow, production, quality control and distribution, IT and networking skills.

To achieve this objective, we recommend that:

New Centres of Vocational Excellence (CoVEs) for Entrepreneurship should be established in the designated cities.

⁴³ Labour Force Survey, 2004.

⁴⁴ Annual Small Business Survey: Minority Ethnic Business Booster Sample, SBS, 2005.

⁴⁵ *Engaging Black and Minority Ethnic Entrepreneurs in Business Support*, SBS, 2003.

Development of this initiative should be done in close collaboration with the RDAs, particularly with the new East Midlands initiative that is being designed to provide focused coaching for new start-ups and business development.⁴⁶ Consideration might also be given to including access for 14 year olds as a means of enriching the school curriculum.

We have also considered how best to provide customised support to BME firms (and other SMEs) in a way which meets documented demand, is cost efficient and does not duplicate the existing business support infrastructure. In particular, we have considered ways to assist younger ethnic minority entrepreneurs to accelerate business development as part of boosting local employment and regeneration.

Our concept is based on feedback from the many ethnic minority owner/managers with whom we met during the consultation and from the Panel's own SME Board. A good deal of frustration in those discussions centred on the *perceived imbalance between the sizeable amount of advice that is available and the lack of practical hands-on help with actual business operations.*

Many BME start-up businesses are in concentrated geographical areas and many are in similar sectors. Therefore, it should be possible to *provide a tailored package of professional business services to these firms in the five designated cities.* This shared back-office service could include payroll management, monthly account reconciliation, cash-flow forecasts and basic management information, as well as advice on employment law, health and safety, and access to finance. In return, the businesses would pay a competitive fee.

Clearly, there should be a collaborative relationship between these service facilities and the CoVE entrepreneurship centres. Therefore, we recommend that:

Consideration should be given to the implementation of practical business support through shared back-office incubation facilities, within the CoVEs or under separate private sponsorship.

BME Business Growth

We were asked to consider measures for increasing BME business growth. To build a better picture of the current situation, we have drawn directly upon the SBS' booster survey of BME businesses.

The SBS research indicates that there is little difference between past and anticipated job growth for existing BME and non-BME businesses. *Just over 60 per cent of all businesses responded positively to the question 'Do you intend to grow the business over the next 2 or 3 years?'* Black businesses were significantly more likely to expect to grow than other BME businesses.

⁴⁶ An initiative developed by Connect Midlands and backed by the East Midlands Development Agency and the European Regional Development Fund is providing start-up companies with seed-funding and ongoing support.

BME businesses employ similar growth strategies to White businesses with one exception. *Almost 30 per cent plan to grow by expanding or purchasing new premises, against 16 per cent for White businesses.* This may be a reflection of the sectoral differences between BME and non-BME businesses. The greater propensity for BME businesses to provide services (e.g. retailing and restaurants) may explain the greater need for new or larger premises in order to expand.

The relative ranking of barriers to business growth is similar for BME and White businesses. These barriers include competition, the economy, taxation, regulation, staff recruitment and cash flow problems. Importantly, however, the survey reveals that *obtaining finance and the availability or cost of premises are more frequently problems for BME firms.* Given that double the proportion of BME businesses depend on premises to grow; this is clearly a major barrier for some firms.

The Business Support Infrastructure

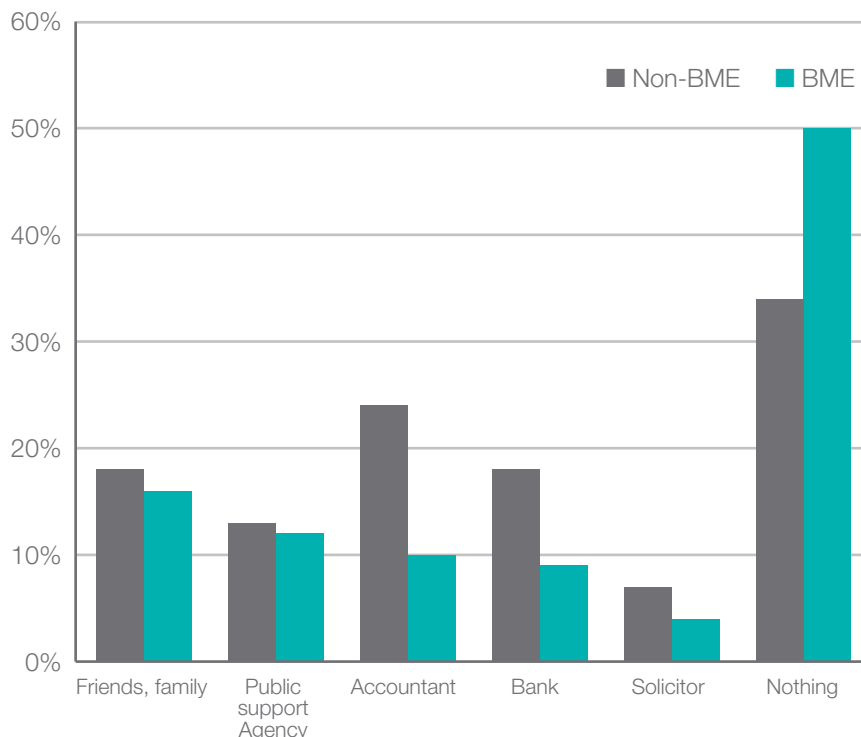
The Government currently spends £2.5 billion per year on support to small firms. Of this sum, £1.8 billion is spent on business support services. These services aim to help people start their own or grow existing businesses. Business Link is the main government brand providing a national small business support gateway. Through direct service provision and services contracted to other agencies, Business Link spends approximately £140 million per year.

The SBS research indicates that only 12 per cent of all ethnic minority businesses approached public agencies for start-up advice. According to a British Bankers Association (BBA) report, only 7 per cent of BME firms surveyed in 2000 reported using public or quasi-public agencies for start-up advice; this compared with 11 per cent of White-owned firms.⁴⁷ Given the scale and coverage of the UK's business support infrastructure, this low usage is perplexing.

Obtaining finance and the availability or cost of premises are more frequently problems for BME firms.

⁴⁷ *Accessing Finance and Business Support by Ethnic Minority Businesses in the UK*, British Bankers Association, 2002.

**Figure 9: Sources of Advice about Starting-up a Business
(Proportion of survey respondents)**



Source: SBS Booster Survey 2005

Visibility

Perhaps the most obvious explanation is *lack of awareness* of existing provision. Business Link is the Government's prime brand for business assistance and the main gateway to both public and private sector business support services. Research commissioned by the SBS found that there is a marked difference in Business Link brand awareness between all firms at 68 per cent and BME businesses at 46 per cent.⁴⁸ Targeted outreach activity for ethnic minority groups occurs in some locations, and some areas have created alternative brands for BME business services, but in our view, more needs to be done to raise awareness.

Complexity

A second explanation could relate to the *infrastructure – that it is too large and complex*. In London alone there are 345 public or quasi-public agencies providing small business services, including a Business Link for Greater London.⁴⁹ In the North East, there are 457 small business support services offered by 115 different organisations.⁵⁰

The fragmentation of services make it confusing for BME firms to get the help they want.

48 *Business Links and Companies House Awareness and Understanding*, 2004.

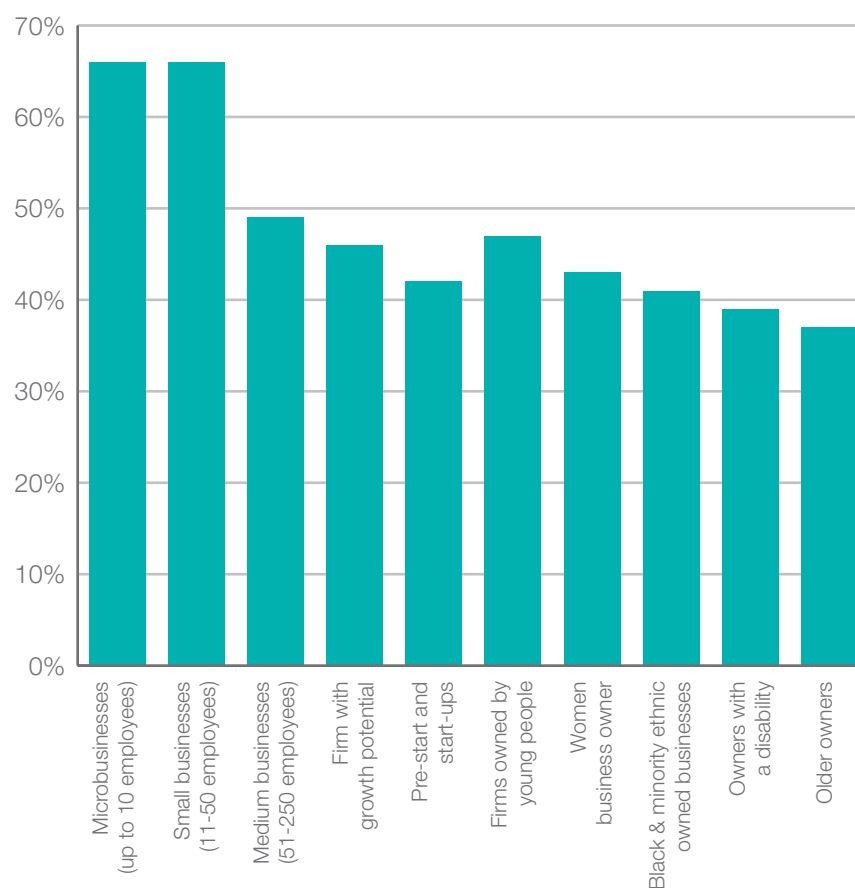
49 London Development Agency.

50 North East Regional Development Agency.

There is a marked difference in Business Link brand awareness between all firms at 68 per cent and BME businesses at 46 per cent.

Figure 10 shows the proportion of business support agencies in the North East that target assistance at specific types of businesses or business owners. The myriad of services and the focus by most agencies on micro-firms is noteworthy. There are 46 agencies in the North East providing assistance to BME firms – a region with a relatively low ethnic minority population.

Figure 10: Targeting of Business Support Services in the North East (Percentage of business support agencies)



Source: North East RDA

The labyrinth of enterprise support agencies appears to have developed more as a response to the diversity of funding sources rather than being configured to ensure ease of access and effectiveness for its customers. It is further exacerbated by a target and resource allocation system which stimulates competition rather than collaboration and results in the aggressive recruitment of the same customers. Equally importantly, the *fragmentation of services and diffusion of resources undermine the quality and reliability of the network and make it confusing for BME firms to get the help they want.*

Responsiveness

A third explanation for the low use of Business Link and other enterprise support agencies services is that they don't provide what BME firms need at the time and in the way that they need it. In the interviews we conducted for this project, the most common complaints about business support organisations were:

- staff frequently lack real commercial experience;
- the services and processes are bureaucratic;
- there is little sense of urgency or proactive assistance;
- most assistance is limited to advice and sign-posting when hands-on help is needed to sort out issues and help with such things as completing grant applications; and
- there is little help or expertise on premises – a high priority for ethnic minority entrepreneurs.

Taking Stock of the Infrastructure

Several reviews before this project have assessed the business support infrastructure and evaluated the extent to which it meets the needs of BME businesses.⁵¹ In 2002, the Ethnic Minority Business Forum (EMBF) summed up their views by stating:

“ The Government should note that the prevailing business support service format as adopted by most of its network does not meet the needs of its client businesses. It is inaccessible and inflexible and fails to recognise that there is not a single best-fit solution in engaging Small and Medium Enterprises in general, and ethnic minority business in particular. ”⁵²

We endorse many of the recommendations put forward by previous reviews which suggest that Business Link should:⁵³

- develop a strategy to enable its operators to gather *data on local BME businesses and their needs*;
- deliver focused and *tailored information on its services to ethnic minority entrepreneurs* and, with its operators, forge closer working relations with those institutions that are used most by ethnic minority entrepreneurs; and
- set *year-on-year improvement targets* for each Business Link operator to increase the proportion of BME businesses served until it reflects the business composition of the locality.

51 In the last three years, the PM's Strategy Unit, the Social Exclusion Unit, SBS and EMBF have all undertaken reviews of the business support infrastructure with respect to BME businesses.

52 *Ethnic Minority Business Forum Annual Report, 2002*

53 Recommendation 15, *Ethnic Minorities and the Labour Market*, Strategy Unit Report, 2003 and Chapter 10, *Jobs and Enterprise in Deprived Areas*, Social Exclusion Unit, ODP, 2004.

In response to these recommendations, SBS has introduced a system to monitor ethnic minority usage through quarterly customer surveys. It has also secured agreement that all local Business Link operators will have a target to ensure that their customer base reflects the proportion of BME businesses in the area within three years.

In 2004, it was announced that Regional Development Agencies (RDAs) would manage local Business Link operators from April 2005. It will be up to the RDA to determine the shape and scope of the business networks in their area. However, in light of the relatively low use of publicly-funded business support services by BME firms, we believe it is essential that RDAs conduct a special assessment of existing BME services. Specifically, we recommend that:

Regional Development Agencies should assess the needs of ethnic minority businesses as part of their Regional Economic Strategies.

Given the exceptional number of business support agencies that exist today, their apparent lack of specialisation and effective collaboration, and their low use by BME firms, we also suggest that:

Regional Development Agencies should undertake a comprehensive stocktake of all business support services that are available in their region, including Business Link, to determine comparative performance and value for money.

Such a review would provide a basis on which to assess whether greater rationalisation and more tailored provision would make services more accessible to BME businesses.

Parenthetically, we recommend that the lessons learned through the Phoenix Development Fund are carefully analysed and integrated into RDAs' regional planning frameworks.⁵⁴ We believe that the Phoenix Fund experience provides a rich base of knowledge and that more Spending Review 04 Phoenix funding should be invested in peer learning and 'technology transfer' between the RDAs, drawing on this information.

Access to Finance

Throughout the ethnic minority business community *there is a clear perception that access to finance for BME firms is a serious problem*. Our research indicates that while finance is a real issue, it is a complicated one. Broadly, ethnicity appears to be one of a range of factors that include geography, sector, size and age. The exception to this is *Black Caribbean firms, where several studies indicate that they have much less success in accessing bank loans than other groups*.⁵⁵

⁵⁴ The DTI's Phoenix Development Fund was established in 2000 to provide support for under-represented groups in business, particularly women and ethnic minorities. The Phoenix Fund has received £152 million in funding and will continue its work through to 2008.

⁵⁵ *Access to Finance and Business Support by EM Firms*, British Bankers Association, 2002.

A much higher proportion of BME businesses seek finance to buy or improve buildings or premises (30 per cent) than in the non-BME population (18 per cent).

The SBS' booster survey on BME businesses illustrates why it is difficult to draw any firm conclusions on this issue. The survey shows that, on average, just under a quarter (23 per cent) of BME businesses attempted to obtain finance at least once during the previous 12 months; this was almost exactly the same as for non-BME firms (24 per cent). However, almost 20 per cent of BME businesses reported difficulties in obtaining finance from the first source; this compares with just over 10 per cent for non-BME applicants. So, BME businesses require additional finance at the same rates as non-BME businesses; the difference is that the BME firms are less likely to secure the required funds.

However, what appears to be a pattern of discrimination in lending may be explained, in part, by sector and geography. *A much higher proportion of BME businesses seek finance to buy or improve buildings or premises (30 per cent) than in the non-BME population (18 per cent).* This may be explained by the fact that a higher proportion of BME businesses are service-based and therefore require extensions to premises in order to grow. In addition, a much higher proportion of ethnic minorities (and therefore BME firms) are based in the most deprived wards.

The problems that many BME enterprises face in obtaining finance may be linked to the fact that *banks are less willing to lend money to extend or refurbish premises in poor neighbourhoods.* Another anomaly highlighted by the SBS' booster survey is that, while 18 per cent of all BME businesses seeking finance were doing so to buy premises or land, only 7 per cent had applied for a mortgage: the majority applied for personal loans. Therefore, another explanation may be that *some BME businesses may be seeking assistance through inappropriate financial instruments.*

On the basis of our interviews and the limited evidence outlined above, we believe that BME businesses are less successful at obtaining finance. We also perceive that some banks do not have a good understanding of BME businesses and customers.⁵⁶ This can result in either overt or indirect discrimination.

In addition, the *practice of 'redlining'* – withholding finance or insurance from neighbourhoods considered to be high economic risk – frequently results in indirect discrimination. We therefore believe that access to finance should be tackled at the local level. Specifically, we recommend that:

The Small Business Service should work with banks and financial intermediaries to review the availability and accessibility of finance in the designated cities.

⁵⁶ This applies particularly to the Muslim community. An overarching principle of Islamic finance is that all forms of interest are forbidden; the Islamic financial model works on the basis of risk sharing. A number of sharia-compliant financial services vehicles have been offered by Middle Eastern banks in the UK for a number of years. However, only in the last couple of years have any of the major UK banks begun to offer similar products.

Self-Employment

Technically, self-employment refers to the move from unemployment to contracted labour for multiple employers. In the context of the welfare-to-work system, it is usually interpreted simply as helping a jobless person to start their own business.

Policy-makers have long debated the merits of actively encouraging self-employment as an alternative to traditional employment, particularly for the unemployed. Proponents argue that self-employment provides individuals with a greater degree of independence, self-esteem and flexibility; it is an option attractive to many, particularly to women with children or carer responsibilities. Sceptics argue that self-employment is riskier since the individual incurs all of the administrative overheads and is often solely responsible for securing and delivering new business.

There are currently 3.2 million self-employed adults in the UK, representing 12 per cent of the total employed population. At the time of the 1991 census, 15 per cent of ethnic minorities were self-employed compared with 12 per cent of Whites. Over the last 10 years, the overall picture has remained unchanged for Whites, while the ethnic minority rate has dropped to 11 per cent. These total figures disguise significant variations between genders and different ethnic groups, as well as some interesting trends over time.

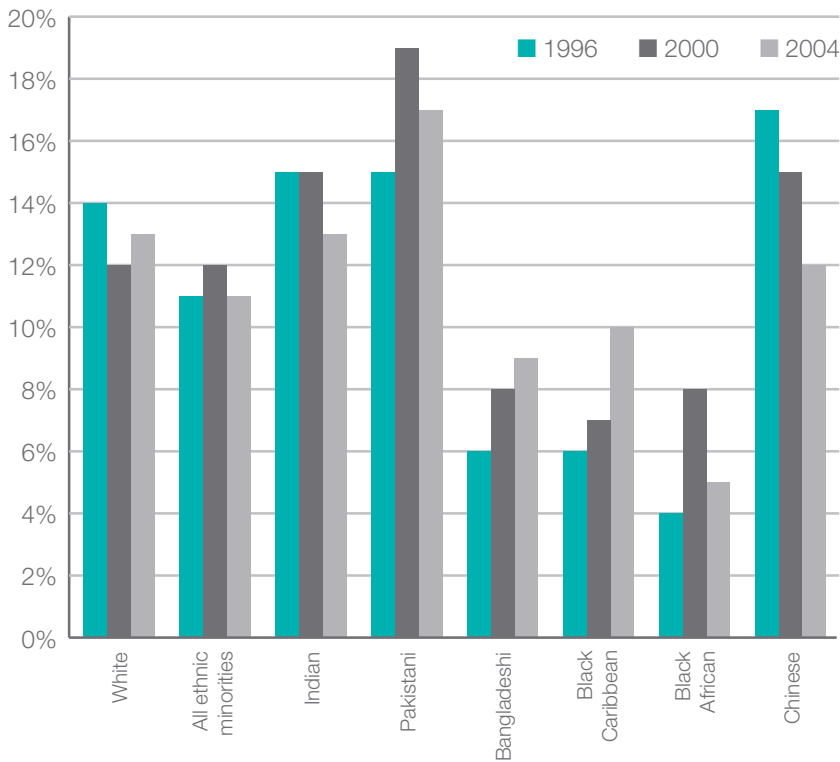
Figure 11 shows the proportion of self-employed men over the period 1996 to 2004.⁵⁷ Some of the variation in self-employment rates is explained by the concentration of certain ethnic groups in specific sectors. For example, a large proportion of Pakistani men work as taxi drivers and since taxi drivers tend to be self-employed this explains the difference in self-employment rates.

Figure 12 shows the proportion of self-employed women from 1996 to 2004. The pattern for women is similar to that for men except that there has been a decline in self-employment rates for ethnic minority women. This surprised us as many women with whom we spoke expressed an interest in the more flexible arrangements that this form of work allows.

Self-employment provides individuals with a greater degree of independence, self-esteem and flexibility.

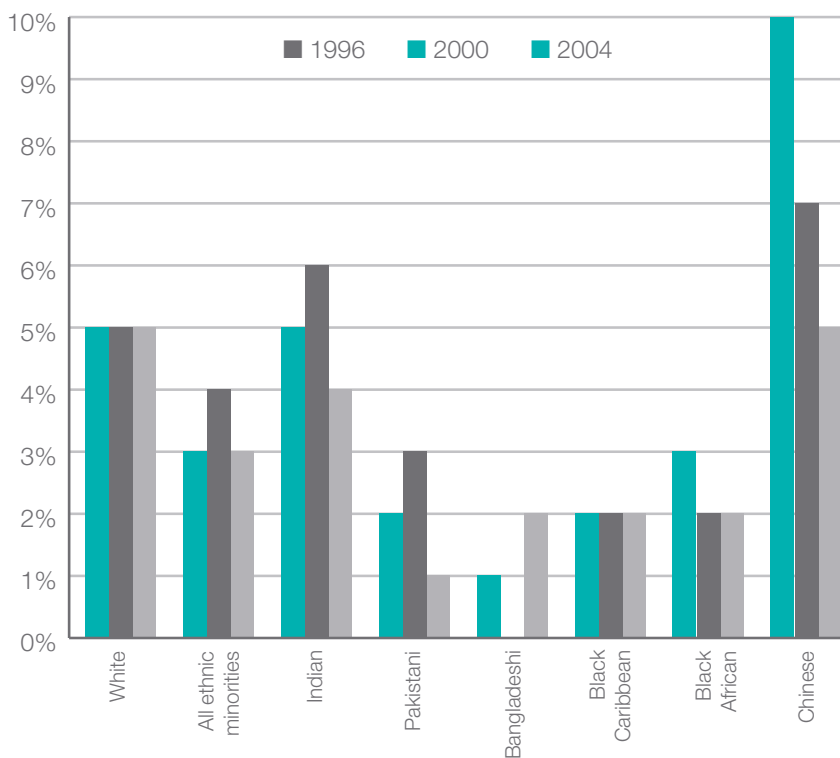
⁵⁷ Due to small sample sizes and changing definitions the following two charts should be viewed with caution.

Figure 11: Self-Employment Rates for Men, 1996-2004
(Proportion of working age population)



Source: Labour Force Survey, 2004

Figure 12: Self-Employment Rates for Women, 1996-2004
(Proportion of working age population)



Source: Labour Force Survey, 2004

Self-Employment Provision

During the course of this project, we undertook a brief survey of the support provided to the aspiring self-employed to determine if there were any barriers that might have a disproportionate impact on ethnic minorities. We looked at services offered by the two principal providers: Business Link and Jobcentre Plus.

Confusion in Terminology

Jobcentre Plus and Business Link define the terms ‘self-employment’ and ‘start-up’ inconsistently – and often interchangeably. This causes confusion because the needs of the two types of customers may be quite different.

The term ‘start-up’ refers to the process of establishing a new business that may have multiple employees and is funded on the basis of a business plan. These businesses often require premises and staff and therefore employment contracts, a payroll system, and health and safety certification. Individuals who become self-employed simply require an accountant, a bank account and registration as being self-employed with Inland Revenue.

Therefore, the practical steps required to finance and establish a start-up business as opposed to the less formal self-employment status are very different. The results of this confusion are twofold: many Jobcentre Plus Advisers fail to differentiate the intent of the individual and neither Jobcentre Plus nor Business Link contractors effectively hand-off potential entrepreneurs from one office to another.

Jobcentre Plus Self-Employment Services

Overall, we found Jobcentre Plus’ self-employment option to be well designed and delivered. However, our review revealed two potential stumbling blocks for would-be entrepreneurs.

Our first concern is that in order for benefit claimants to be referred to Jobcentre Plus’ self-employment provision they must first have a firm idea for their business. For example, the Prince’s Trust, Jobcentre Plus’ main provider of self-employment support, has received £35 million in funding from the DWP since 1999 to provide training and support to claimants, aged between 18 and 30, who have a clear view about the business that they wish to start.

Pre self-employment support would enable individuals to determine what services are in demand in their local market and to develop a corresponding business concept.

However, there are many others with an ambition to be self-employed but who lack a well-defined concept or a business plan. We believe that, for these claimants, there is a need for a *pre self-employment component*. Pre self-employment support would enable individuals to determine what services are in demand in their local market and to develop a corresponding business concept. At this point, they could be referred on to the Jobcentre Plus self-employment provision where, based on current performance, they are highly likely to complete the provision, including a period of test trading.

Secondly, we are concerned that Jobcentre Plus' target structure is likely to dissuade Personal Advisers from referring claimants to self-employment provision. We also believe that this may have a disproportionate impact on ethnic minorities. Jobcentre Plus' front-line staff are highly target driven; staff receive job entry points immediately for clients that obtain employment. However, in the case of self-employment, Advisers may have to wait for up to nine months to be credited with any job entry points for successful self-employment results. This effect may be more pronounced for ethnic minorities since additional points are awarded for claimants who live in deprived wards.

We have not had time to assess fully the evidence of this, but we speculate that the target system may be encouraging staff to press clients towards regular employment rather than suggesting the self-employment option. We have not made recommendations to address this as we believe that the changes to the target structure in April 2006 are likely to eliminate this problem. Job outcomes will be measured in a different way, removing the incentive to promote short-term employment above a long-term 'career' decision.

Self-employment in Deprived Areas

In its 2004 publication, *Jobs and Enterprise in Deprived Areas*, the Social Exclusion Unit recommended that the SBS should work with RDAs during 2004 to develop a national core Business Link offer of advice and support for those considering self-employment.⁵⁸ We endorse this recommendation and would like to take it one step further.

We believe that the addition of pre self-employment support could increase the number of ethnic minorities who choose to become self-employed. We believe that this option could be particularly helpful to ethnic minority women. We would like to see it become an integral part of the core business offer. Therefore, we recommend that:

Business Link and Jobcentre Plus should jointly run pilots in the designated cities to offer pre self-employment support to unemployed and inactive groups. These should focus particularly on ethnic minority women.

58. *Jobs and Enterprise in Deprived Areas*, Social Exclusion Unit, 2004. The unit is part of the Office of the Deputy Prime Minister.

Conclusions

The 100,000 BME firms represent 10% of all UK businesses today – roughly the same proportion as ethnic minorities in the working age population. Many of the challenges they face are the same as those experienced by all SMEs. However, there are opportunities to capitalise on the growing numbers of young ethnic minority entrepreneurs and to address some barriers that seem to be particularly important to BME businesses. We have recommended that:

- *New Centres of Vocational Excellence for Entrepreneurship* are established which are linked to practical back-office support for start-up firms.
- RDAs assess whether *greater rationalisation and targeting* will increase the quality, efficiency and accessibility of the existing business support network for BME firms.
- The SBS analyse the *availability and accessibility of finance for BME firms* in the five cities.
- Business Link and Jobcentre Plus jointly pilot *pre self-employment support for disadvantaged people*.