



UNLOCKING OPPORTUNITY:

THE VALUE OF ETHNIC MINORITY FIRMS TO
UK ECONOMIC ACTIVITY AND ENTERPRISE

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**CREME**
Centre for Research in Ethnic
Minority Entrepreneurship

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COVID-19
SUPPORTING SMALL BUSINESSES

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Experts in Business

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ABOUT FSB

The Federation of Small Businesses (FSB) is the UK's leading business organisation representing small businesses. Established over 45 years ago to help our members succeed in business, we are a non-profit making and non-party political organisation that is led by our members, for our members.

Our mission is to help smaller businesses achieve their ambitions. As experts in business, we offer our members a wide range of vital business services, including advice, financial expertise, support and a powerful voice in Government. FSB is also the UK's leading business campaigner, focused on delivering change that supports smaller businesses to grow and succeed.

ABOUT CREME

The Centre for Research in Ethnic Minority Entrepreneurship (CREME) is based at Aston Business School, Aston University. CREME is internationally recognised for its work on ethnic minority entrepreneurship. Led by Professor Monder Ram, CREME engages with practitioners and policy-makers to further the understanding of the needs of ethnic minority businesses and to help influence policy and practice. The Centre routinely works with business support agencies, local authorities, community groups, public and private sector organisations, and ethnic minority entrepreneurs to develop informed approaches to enterprise support.

UK ETHNIC MINORITY BUSINESSES



In 2018, around

250,000

firms were **ethnic minority-led** (EMBs)



Economic contribution of ethnic minority entrepreneurs to the UK's Gross Value Added is

£25bn

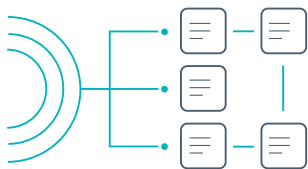


Since 2002 typically **ethnic minority entrepreneurs** have reported a **higher Total Entrepreneurial Activity** rate than non-ethnic minority entrepreneurs



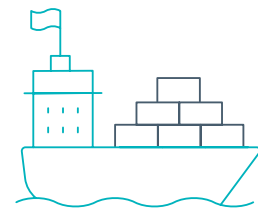
17%

of all ethnic-led firms were **led by a woman**



30%

of ethnic minority businesses **engaged in recent product or service innovation**, 11 percentage points higher than non-ethnic minority firms.



EMB owners in every UK region were **more likely to export** than non EMB owners

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FOREWORD

This report shines a spotlight on the important contribution of Black, Asian and Minority Ethnic business owners to the economy in the United Kingdom (UK). This industrious group are key drivers to the UK's wealth creation through their entrepreneurial skills, innovation and international trade; they also bring a positive social impact to many communities across the country by providing jobs and essential goods and services.

At this critical time for the economy, dealing with the impact of COVID-19 and exit from the European Union (EU), the need for a more inclusive economic approach that fully enlists the talents, resilience and drive of ethnic minority business owners, has never been greater.

The Federation of Small Businesses (FSB) is committed to championing inclusive growth and ensuring that the potential of ethnic minority business owners from sole traders through to scaling mid-sized companies is fully realised. FSB is keen to encourage a move away from a 'one size fits all' approach to policy that too often fails to meet the diverse and ever changing needs of different ethnic minority businesses. Our key objective is to reduce avoidable barriers and to open up opportunities for the inclusive growth that will benefit the UK as a whole.

This report also highlights how access to accurate, rich data about ethnic minority led businesses is an important precursor to building an economy that successfully maximises the talents and resources of all of its entrepreneurs. Consequently, an urgent priority is the need to create a national strategy for research and monitoring to enable the development of a sustainable and coherent knowledge base as a vital resource for policymakers.

Ultimately, we see inclusion as the way forward to ensure that ethnic minority business owners are fully represented and able to maximise their potential, not only within the FSB, but also more widely across the UK's economy.



Diana Chrouh

FSB, Black, Asian and Minority Ethnic Business Lead

EXECUTIVE SUMMARY

Ethnic minority businesses (EMBs) are located across the United Kingdom (UK), and they are particularly prevalent in cities across the UK. The determination of the owners of these firms to support local communities in the COVID-19 crisis by keeping local shops open, or running take-away food outlets reveals the vital but rarely acknowledged importance of UK's ethnic minority entrepreneurs. Their efforts are part of a largely untold story – revealed in this report - of the many ways in which the ethnic minority and migrant communities are helping to reshape the entrepreneurial landscape of the UK, forging vital trading links by leveraging international networks and providing employment opportunities in hard pressed local job markets.¹

This landmark study uses the most authoritative data sources available to highlight the importance of EMBs to the UK economy. At £25 billion per annum, the economic contribution of ethnic minority entrepreneurs to the UK's Gross Value Added (GVA) is huge and equivalent to that of vital sectors like the chemical industry, or large cities like Birmingham. More and more ethnic minority entrepreneurs are to be found in sectors such as Information Technology (IT) and construction, as well as the traditional strongholds of retail and hospitality. London, the West Midlands and a number of the larger urban areas in the UK are hubs of ethnic minority business activity. The vital social contribution of these small businesses is evident too in the cafés, convenience stores, grocers and private hire taxi firms we see across the UK. Yet, the value of this social or community contribution remains almost totally un-measured. Nevertheless, through this combined economic and social contribution, the widely advocated policy of 'inclusive growth' is being enacted in real-time by the daily actions of ethnic minority business owners.

Ethnic minority entrepreneurs are also important to a post COVID-19 recovery programme. There is likely to be an increased attention on the ways in which the economy can be revived in a manner that encompasses all communities. This report finds that business owners from an ethnic minority background are more likely to be growth-focused, innovative and export-oriented than other firms. These features - combined with the powerful social connections generated by EMBs in many localities - can help generate inclusive and creative strategies for economic recovery.

COVID-19 also highlights particular risks and challenges. The concentration of ethnic minority communities and businesses in deprived areas (as defined through the index of multiple deprivation) means that they are on the metaphorical frontline of the virus. EMBs are over-represented in sectors that have been most adversely affected, including hospitality, retail and transport, yet they are often detached from the formal networks of support and guidance that can make such a difference to their survival prospects.

COVID-19 has also highlighted structural inequalities in the UK. Ethnic minority entrepreneurs sometimes face discrimination at different stages of their business life. This can often affect their mental health and the growth of their business.

“I was told by one of my business contacts that a local official told them not to do business with me because I'm Asian”.

“In the last few years I changed my business name which previously included my surname. I've found the turnaround time between enquires and securing contracts is a lot faster now than with the previous business name. I no longer receive questions about 'where I'm from' as I did previously. Business growth in the last 3 years has been higher than in the previous 9-10 years under the old business name.”

British Asian Pakistani woman
FSB member, Building Design, North West

Many ethnic minority entrepreneurs are at the helm of dynamic and diverse businesses that are integral to the economy. These businesses are represented in old and new sectors and are vital

¹ For convenience, the term Ethnic Minority Businesses (or EMBs) is used in this report to reference ethnic minority-led businesses. The two phrases should be regarded as the same in this analysis and both are used. Similarly, the term ethnic minority entrepreneurs refer to people with an ethnic minority heritage or are recent migrants who run a business either as a sole trader, in a partnership or as a director of a small company with less than 250 employees. The number of ethnic minority entrepreneurs is by definition higher than the number of business units, so allowing for partnerships and limited companies with several directors.

to both local communities and the UK's economic performance. Their importance needs to be reflected in policy debates on inclusive growth, productivity, post-EU exit trade relationships and, of course, pathways to recovery following COVID-19.

Summary of key findings

Business Numbers and Self-Employment: A Significant Presence

- Based on the Small Business Survey produced by the Department of Business Energy and Industrial Strategy (BEIS), in 2018 around 250,000 firms were ethnic minority-led (EMBs), the majority of which (185,000) had no employees. Most of these businesses were operating with a self-employed business structure either as a sole trader or in a partnership. Ethnic minority business ownership was evident in just over 12 per cent of all the self-employed in 2018 - rising to 35 per cent in London and 16 per cent in the West Midlands.
- Moreover, across the UK as a whole in 2018 nearly 25 per cent of the Pakistani and 19 per cent of the Bangladeshi workforce were self-employed, although as a group the Black/Black British self-employed community had grown the fastest since 2011.
- The ethnic minority-led business community also included a further 65,000 SMEs who were employers (most of which were incorporated). They were more commonplace in the Asian/Asian British ethnic grouping.

Starting from small beginnings in the 1970s, in terms of sheer numbers alone, the growth of the ethnic minority business community has to be seen as impressive.

Gender and Diversity: Closing the Gap

- In 2018, about 42,000 ethnic minority-led firms were also women-led (17% of the total). Female-led firms were more evident amongst those reporting a mixed or multiple ethnic group management team. They were less common in the Asian/Asian British community overall.
- Most women-led firms were also self-employed without employees.

The growing prominence of South Asian women in self-employment is a key finding. Early research in Britain found that business ownership among the numerically dominant South Asian communities was almost exclusively male. However, by 2018 female-headed Asian/Asian British businesses made up 39 per cent of the female and ethnic minority-led business community. Since Asian/Asian British firms made up 54 per cent of all ethnic minority-led firms, this is still an under-representation. Nonetheless, it illustrates an important improvement in just over one generation.

Economic Contribution: Creating Wealth in Communities

- Based on official survey evidence, the contribution of EMBs to the UK economy is huge. In 2018, these businesses generated £25 billion of GVA (the same contribution as Manchester or Birmingham or the chemical industry).
- The ethnic minority-led business community is very diverse, comprising - as you may expect - older traditional sectors such as food takeaways, clothing businesses and private hire taxi firms reflecting waves of immigration over the last century. Many display a much greater role than typical in the UK business community overall for family-led firms. However, the EMB community also includes many younger British born entrepreneurs (who also still acknowledge an ethnic heritage) and recent immigrants. Both the firms set-up by younger UK-born entrepreneurs and recent immigrants are more often found in less traditional sectors and professions such as electronics, pharmaceuticals and advanced manufacturing.

With 250,000 firms led by ethnic minority entrepreneurs contributing £25 billion of GVA, their collective contribution to the British national economy is indisputable and rather more important than implied by the term 'minority'. As ethnic minorities and their businesses tend to be geographically concentrated in urban areas, their impact on local economies such as Greater

London, the West and East Midlands, North West England and West Yorkshire is likely to be magnified still further. We can assess the direct monetary contribution of EMBs to UK GVA, but their wider community value is largely un-measured and this highlights a serious gap in Government's knowledge.

Entrepreneurial Activity: Strong (but sometimes thwarted) Entrepreneurial Intentions

- Looking at entrepreneurial activity through the Global Entrepreneurship Monitor (GEM) framework and summing together results from 2002 to 2018, ethnic minority respondents from all main ethnic groups have typically reported a higher Total Entrepreneurial Activity (TEA rate – a measurement of those setting up or running a new business) than in the population as a whole. This was true across all the nations and regions of the UK and for both men and women. As the UK economy starts to recover from the COVID-19 recession, perhaps more now than ever we need to take measures to ensure this continues to occur in the future.
- However, this will not happen automatically and more perhaps needs to be done to secure this entrepreneurial contribution. For example, fairly consistently over the 16 years up to 2018, GEM respondents with a Black ethnic background reported a high rate of entrepreneurial intention which does not appear to have been fully reflected in subsequent entrepreneurial activity, unlike other ethnic minority groups. This is a potentially lost economic contribution we can no longer ignore and requires further investigation.
- In addition, looking at the GEM data on an annual basis since 2016 alone, indicates that the historical outperformance in terms of the TEA rate amongst all ethnic minority respondents has faded very sharply and indeed may have been reversed in 2018. Initial analysis points to a decline in the TEA rate amongst some recent immigrant communities. It's plausible, the period of economic uncertainty after the EU referendum until the outcome of the 2019 General Election, is a causal factor but this still remains to be investigated in detail as new data emerges. In addition, longer term developments may be evident. For example, young people in some UK ethnic minority communities increasingly look to enter the professions such as medicine or law, or join corporate graduate programmes, rather than go into the family business.
- Also, this recent decline in the entrepreneurial activity rate may already be making an early impact on the overall EMB population. For example, our research suggests that, although growing significantly in number since the 1970s, the number of ethnic minority-led firms has been around 250,000 for the last few years. This is still an impressive overall achievement. Nevertheless, by comparison, rather than also being stable the overall UK business stock continued to grow during the same period prior to the onset of the COVID-19 recession.

Entrepreneurship has been synonymous with many (though not all) ethnic minority communities for over five decades. This seemingly inexorable pattern of higher than average entrepreneurial activity appears to be coming to an end (or, at the very least, it may have been compromised significantly by external factors). Longer-term socio-economic trends may also be important, such as increasing numbers of ethnic minority graduates finding opportunities in the labour market. At the same time, the remaining strong entrepreneurial intentions of some ethnic minority groups are still failing to be translated into actual enterprises. All of these issues warrant close attention from policy makers and practitioners in the business support sector.

Minority-led Firms, Exports and Innovation: Excelling in both

- If the enhanced contribution to UK entrepreneurial activity from those with an ethnic minority background of all types has faded in recent years, what is even more worrying is the potential knock on effect this could have on future economic growth, trade and productivity.
- For example, based on the GEM survey between 2002 and 2018, EMBs in every UK region were more likely to export than the rest of the business population. The strong export

performance was especially evident in Northern Ireland – with a land border to another EU member (at the time) - and Scotland. However, it was still significant in many other English regions as well.

- Looking at the 2018 Longitudinal Small Business Survey (LSBS), the results again suggested a higher incidence of export activity in the previous year for EMBs than amongst non-ethnic-led firms. This was especially the case amongst firms with a mixed/other leadership team. LSBS results also indicated future export intention was higher amongst EMBs than in the rest of the business community.
- Based on LSBS data, both process and product innovation introduced in recent years was consistently higher amongst ethnic minority-led firms than others. For example, in 2018 nearly 21 per cent of EMBs reported recent process innovation, nearly six percentage points higher than the rest of the respondents. The results for product or service innovation were even stronger in favour of ethnic minority-led firms.
- Moreover, the stronger results from EMBs were evident across all of the main ethnic groups most of the time, notably for process innovation.

These findings highlight an impressive propensity to export and innovate. Such features will be vital to the new business models that are likely to be required in the wake of COVID-19, as well as the strong trading relationships needed in the post-EU membership era. Important here are the personal, cultural and linguistic links that ethnic minority entrepreneurs can forge with some of the world's largest and fastest growing markets (for example in Africa, China and India).

Minority-led Firms, Growth Performance and Ambition to Grow: Strong Growth Ambitions

- The LSBS also shows that ethnic minority-led firms performed better in terms of growth than the rest of the business stock, as they did for future growth intentions. This was especially the case for sales growth in the years after the global financial recession, notably amongst Black/Black British led firms.
- However, the situation immediately after the EU referendum was more mixed, providing further evidence to support the recent GEM data on the TEA rate amongst ethnic minority entrepreneurs discussed earlier. The LSBS results for 2018 indicated a fall in the number of EMBs reporting growth than three years before, again notably in the Black/Black British community. Indeed, the net balance of growth activity (the percentage of growing firms less the percentage contracting) amongst EMBs fell from +11 per cent to +5 per cent between 2015 and 2018. Over the same period, the net balance of growth activity amongst the rest of the business population went up slightly (from +6.5% to +7%) and exceeded the ethnic minority-led result in 2018.
- Ambition to grow amongst ethnic minority-led firms in 2018 was still reported by the LSBS as very strong, although again it had fallen back since 2015 across all ethnic groups (while holding steady in the rest of the business community). Nevertheless, longer term plans were still stronger amongst EMBs than other businesses. This strong ambition was evident in all the main ethnic groups, notably those with a mixed or Asian/Asian British heritage.
- Even so, how this growth would be generated was potentially more problematical. Between 2015 and 2018, ethnic minority-led firms appear to have turned to greater use of business support and staff training than other firms (maybe in response to more difficult trading conditions post 2018). However, EMBs more commonly relied on informal networks to do this when compared with the rest of the small business sector (especially amongst mixed and Black/Black British led business).

The strong growth ambition of ethnic minority entrepreneurs is encouraging and likely to be crucial in negotiating the economic challenges post COVID-19 and an uncertain trading environment. This finding also serves to correct the persistent view that ethnic minority firms are intent solely on

survival or engaged in 'lifestyle' businesses. It provides further proof of the importance of ethnic minority entrepreneurs to genuinely 'inclusive' growth.

Immediate Economic Outlook

- The optimism reported by all businesses in the GEM and LSBS results for 2018 both need to be re-assessed in light of the impact of COVID-19.
- The COVID-19 recession has already started, but it will be many months before we get reliable data on growth and performance of small firms split by ethnicity. Nevertheless, looking at the immediate prospects for EMBs, the industrial mix of many older, traditional sectors such as catering and taxi driving suggests a greater than average exposure to the COVID-19 economic shock. We also know from recent Enterprise Research Centre (ERC) research that many EMBs have less resilience than the business population as a whole. This suggests many ethnic minority-led firms could need targeted attention and business support in the months ahead, especially as traditionally many have often had a low engagement with mainstream support and advice.
- So, both in terms of current economic distress at the time of the COVID-19 downturn and securing the maximum potential future economic boost from ethnic minority-led firms in the years ahead, a strong case exists to re-double our support for the ethnic minority business community. Business engagement and support are key. We know older traditional EMBs are often disengaged from local formal business support networks. Evidence from faster growing and more ambitious firms is better with higher levels of engagement with business support and training than other firms. However, we do not really know how well this is structured and targeted to ensure we maximise the potential of these firms.

“The impact COVID-19 has had on the health of ethnic minorities is widely known. I’m worried people may not want to enter business contracts with me, if they think I may get Covid. I feel like I’m going to be scrutinised more because I’m Black when I’m trying to get contracts.”

Black British Caribbean woman
FSB member, business services, South East

FSB RECOMMENDATIONS

A comprehensive and regular national level study of ethnic minority entrepreneurship should be conducted, comparing the propensity for entrepreneurship along with improving data collection on ethnic minority groups that form part of the UK business population. Currently the ethnic minority categorisations being used (outside of the Census), in relation to the business population, are too broad, which prevents granular analysis between different types of ethnic groups, such as Asian Indian, Asian Bangladeshi, Black African or Black Caribbean, as opposed to broad ethnic groups such as Asian/Asian British. The current White ethnic group is also too broad, which makes it challenging to assess trends in businesses set up by EU migrants without reference to nationality data. These groupings are too broad to support the granular analysis required. That is why we want to see more precise ethnic groups categorisations used as part of the Annual Population Survey (APS) which runs every year. As well as greater disaggregation of ethnic groups in relation to cross benchmarking data, it would also be helpful to refine the categorisations of ethnic groups within longitudinal data. This could be achieved through refining the categorisation of ethnic minority groupings in Global Entrepreneurship Monitor (GEM) Longitudinal Small Business Survey (LSBS) and/or developing an ethnic marker within the Inter Departmental Business Register (IDBR) which provides the main sampling frame for surveys carried out by the ONS. A final important consideration is that the bulk of the minority ethnic group population in the UK have now been born in Britain. This is reflected in the fact that the mixed heritage category is the most rapidly growing in Britain. The 'mixed' group is projected to continue increasing significantly. If the categories used by agencies to collect data on the self-identified ethno-cultural characteristics of the population do not reflect salient terms, the process may give rise to social groups which are artificial, with no real meaning. This lack of meaning will automatically be carried over into a number of official data series of ethnic minority labour market and business activity.

Improve ethnic minority access to external finance. FSB is calling on Government to introduce a dedicated scheme to help ethnic minority-led businesses to access external finance. Alongside awareness-raising, a dedicated scheme – similar to the now defunct Aspire Fund – would help more ethnic minority-led businesses access the finance they need to grow. Government should commit to promoting these schemes as widely as possible, ensuring those who can benefit the most are fully aware of opportunities.

Support small business innovation. Our research shows that ethnic minority small businesses are more likely to engage in process, product and service innovation than non-ethnic minority firms. In 2018, nearly 21 per cent of EMBs reported recent process innovation, six percentage points higher than the rest of the respondents. The results for product or service innovation were even stronger in favour of ethnic minority-led firms than non-ethnic minority firms to the value of 11 percentage points. To support ethnic minority businesses to recover from the COVID-19 crisis, it is vital that Government supports new to firm innovation. That is why we are calling on the Government to support small businesses that have adopted and would like to adopt new digital technologies by widening the definition of Research and Development (R&D) and introducing digital vouchers for small businesses. Currently there are a plethora of initiatives to support new-to-market innovation, such as the R&D tax credit and Innovate UK grant programmes but very little financial support for new-to-firm innovation. The Business Basics Scheme is a step in the right direction but the current crisis requires an intervention of a different order of magnitude. As our research shows new to firm digital innovation will be even more important to enable smaller businesses to adapt to social distancing and to recover. That is why we need to see both a widening of the definition of the scope of 'development' within R&D tax credits and the introduction of digital vouchers for smaller businesses seeking to enhance their adoption of digital technologies. In March 2020, the Government announced it would consult on whether expenditure on data and cloud computing should qualify for R&D tax credits. Changes to the tax system are welcome, but it is also essential that immediate support is made available to small businesses that need to adopt digital technologies in the here and now.

Introduce export vouchers to support the full utilisation of future Free Trade Agreements across the globe (including the Commonwealth). It is widely acknowledged that exporting to emerging markets entails higher costs (for example, for utilising the services of intermediaries). Our research shows that ethnic minority led businesses are more likely to export than non-ethnic

minority firms. Equally ethnic minority firms that do not export are significantly more likely than non-exporting non-ethnic minority firms, to state they plan to export in the future. Ethnic minority business owners may see opportunities in securing trading links with their countries of origin or their parents' origin, utilising their cultural understanding to generate business. The highest intention to export (21% in 2015 and 23% in 2018) was demonstrated by Black/Black British-led businesses. The UK Government should increase its focus on ethnic minority businesses and trade. Introducing export vouchers for small businesses seeking to export, for the first time, to emerging markets - could have a disproportionately positive impact on ethnic minority entrepreneurs.

Ensure ethnic minorities are a key part of Government sponsored campaigns designed to boost exporting. Ensure ethnic minorities are a key part of Government sponsored campaigns designed to boost exporting. Government intervention, perhaps as part of the GREAT campaign, should facilitate successful ethnic minority exporting entrepreneurs sharing their stories and tips and effectively acting as role models. This could have a significant effect in enhancing ethnic minority entrepreneurship.

Improve the accessibility of business support through collaboration with organisations such as the British Library, Civil Society organisations and other local community-based organisations, which are able to reach out to ethnic minority business owners in our most diverse communities. It is important that business support is accessible locally and is comprehensive, providing support on areas such as, access to finance, leadership and management training, international trade and support to build and develop new skills. The ability to provide this level of support is likely to have a significant impact with hopeful young entrepreneurs and those with portfolio careers. With an upcoming Spending Review – there is an important opportunity to revitalise the business support landscape in England. This is particularly important to supporting a post Coronavirus recovery. It is crucial that formal business support is accessible to all entrepreneurs, particularly given the importance of the Levelling Up agenda. This means that state funded channels of business support, such as Growth Hubs, Be the Business, Business Basics – interact with community-based organisations to increase their outreach and appeal.

Support the self-employed in learning new skills to facilitate high quality self-employment. Our research shows that the self-employment rate particularly in the Bangladeshi (19%) and Pakistani (25%) communities is higher than the all populace average rate of 15 per cent. Ensuring that the self-employed can progress into high quality self-employment or employment is important. One major inhibitor, is that the self-employed cannot utilise a tax break to mitigate the costs of learning a new skill. The Government has recognised this problem and in 2018 announced a £10 million pilot project in Greater Manchester, in partnership with the FSB, to test what forms of Government support are most effective in increasing training levels for the self-employed. The pilot, Enterprising You, was launched in February 2020. However, COVID-19 has disrupted the project. FSB encourages Government to continue its commitment to this project.

Support those entering self-employment. The New Enterprise Allowance (NEA) should be scaled up, to play an important role in supporting the long term unemployed, on state benefits, into employment. The Government's Race Disparity Audit findings uncovered a race employment gap of nearly 12 percentage points between White and non-white groups, as well as lower rates of pay and career progression, in 2017². The NEA was initially rolled out across Great Britain between April and August 2011. The scope of the scheme has been expanded several times since it was first announced.³ The COVID-19 recession is likely to worsen the employment gap between ethnic minorities and non-ethnic minorities. Self-employment can play an important role in helping a person ultimately into business ownership or into employment. It is vital that Government maintains its commitment to the NEA, and looks for opportunities to scale it up in terms of profile and applicants to be ready for the increase of those on Universal Credit in the wake of COVID-19. The Government should also consider creating effective mentoring circles for ethnic minority women who have experienced long-term unemployment and who may have English as a second language.

² <https://www.gov.uk/government/publications/race-disparity-audit>

³ <https://commonslibrary.parliament.uk/research-briefings/sn05878/>

This should be rolled out across the JobCentre Plus network, similar to the current initiative for ethnic minority youth jobseeker plus claimants. The aforementioned initiatives for ethnic minority youth jobseekers should also be expanded, given the disproportionate impact the COVID -19 crisis is having on youth unemployment. We welcome the recent increase in mentoring spaces, but believe more needs to be done.

Ensure diversity and social value is part of the public procurement framework. We want to see ambitious strategies for engaging ethnic minority businesses in public sector procurement supply chains. This must include measurement and reporting of ethnic minority business on-boarding onto public sector frameworks and contracts. The involvement of ethnic minority businesses in this way requires culturally appropriate engagement via trusted intermediaries within ethnic minority communities, especially to overcome communication barriers.

Understand and enhance the social impact of smaller businesses in their communities.

This report shows the crucial role that many ethnic minority firms play in supporting their local communities. The Government must recognise the wider social impact of small businesses – beyond the economic – in tackling key societal issues such as ageing demographics, loneliness, wellbeing and social mobility. That is why we are calling on the Government to consider the potential for ‘Community Zones’ (following the model of Enterprise Zones). For small businesses operating outside urban centres and business hubs, the costs of doing business are often greater due to poor infrastructure, cost of transport and lack of economies of scale. However, these small businesses have a significant social impact and support their communities to be more resilient.

Occupational health support plans should be accelerated and Government should explore the potential for tax breaks to incentivise occupational health support for the self-employed and small businesses. Owning and running a business can be hugely rewarding. However, it brings with it demands, responsibilities and risks that can bring personal pressures that can impact a person’s health and wellbeing. In addition, research suggests that Black and minority ethnic communities are at comparatively higher risk of mental ill health, and disproportionately impacted by social detriments associated with mental illness.⁴

Introduce a one-year employer national insurance contribution holiday for SME’s that recruit from labour market disadvantaged groups. Our analysis suggests an EMB employer population in 2018 of around 63,000 firms (26% of all firms), is more common than in the business population as a whole. It is well established small businesses are disproportionately likely to employ from disadvantaged groups compared to larger employers.

Ensure the new points-based immigration system works for self-employed and small businesses. The Global Talent visa which was introduced in February 2020 should benefit the self-employed and enable self-employed individuals to support the growth of UK businesses and contribute to innovation in the UK. The MAC’s January 2020 report recommends the Tier 1 Exceptional Talent should also take into account the potential of applicants, not only an applicant’s established exceptional talent. FSB supports this view and we also recommend the Government considers talent beyond the areas of science and technology. FSB seeks to work with Government in expanding the range of areas in which a Tier 1 Global Talent visa may be awarded thus ensuring the UK is open to a range of talented individuals from across the world. The Innovator visa was introduced on 1 April 2019, however, since its introduction, only 14 Innovator visas have been granted. An applicant may only be successful if their idea is ‘innovative’ and therefore endorsing bodies are focused on digital technology industries, and while the technology sector is important, these strict requirements may be excluding other successful entrepreneurs. Many of the UK’s most successful businesses began as micro businesses started by entrepreneurial migrants. FSB wants to see this entrepreneurialism continue unabated; the Government should, therefore, commit to reviewing the Innovator visa within 18 months to ensure the eligibility rules are reasonable and protect the UK’s borders.

⁴ <https://raceequalityfoundation.org.uk/wp-content/uploads/2020/03/mental-health-report-v5-2.pdf>

INTRODUCTION

A thriving economy needs to engage with all communities regardless of ethnic heritage, race, religion or nationality to maximise its full growth potential. This report collated by Aston Business School brings together a number of key sources of new information and analysis on the health of the ethnic minority business population in the UK to support wider debate and policy formulation.

The report comprises three sections of data and analysis:

- An overview of the latest estimates of the ethnic minority business numbers and their economic contribution;
- An in-depth look at the contribution of people with an ethnic minority background to the UK's enterprise activity;
- New research on the contribution of ethnic owned businesses to exports, innovation and growth, all of which can help to solve the UK productivity puzzle.

While each section can be used on a standalone basis, it is hoped that by bringing these different areas of analysis together it will provide an important point of reference to assist wider debate on the role of ethnic minorities in UK commercial life from an economic and social perspective. Where possible, if findings made after data analysis could have an explanation by referencing other research, this connection has been made. However, not every line of enquiry leads to such an outcome. Often, we do not have an immediate answer, commonly because the data is not available and the research has not been done. Indeed, the report concludes with a summary of current issues facing the ethnic minority business community and how new research and data could help this important part of the UK economy and society reach its full potential.

ETHNIC MINORITY FIRMS AND ENTREPRENEURS IN THE UK – THE CURRENT SITUATION

How one defines an ethnic minority business is not as straightforward as may first be imagined. In part, a similar problem faces many business researchers. How do you classify any business – apart from perhaps a sole trader – where a categorisation needs to be applied to a firm or a company with a number of owners? The issue is compounded in the case of diverse businesses by the multiple ways in which ethnicity can be defined – such as UK born, Asian, African, Caribbean, immigrant cultural group or nationality.

In the first section of the report – Enterprising Firms – the emphasis is very much on business unit data and draws heavily on definitions originating from the work of the UK Census authority in the 1980s. This is based around cultural heritage groups (see Figure 1) along with ONS Longitudinal Small Business Surveys (LSBS) and Business Population estimates for small and medium-sized enterprises (SMEs).⁵ Using this approach, respondents self-classify themselves into a group based on a personal reflection of their familial heritage and culture.⁶

“We (ethnic minorities) possibly do better in self-employment than in employment. I think a lot of us prefer self-employment, we are our own bosses, we are less likely to be subjected to stereotyping and less likely to be sidelined in an office environment.”

British Asian Indian woman
FSB member, Financial services, London

For the purposes of this report, we define an ethnic minority-led business, as an SME where a majority of the owners have decided to classify themselves into these various ethnic communities. It will include UK-born individuals or foreign nationals. The term ethnic minority business (or EMB) is also used to identify these businesses and is interchangeable with the term ethnic minority-led business).⁷

⁵ A Small and Medium Sized Enterprise (SME) can be defined using a number of balance sheet and ownership characteristics but in the UK context a simplified definition is that these firms will employ less than 250 people.

⁶ Nationality was recorded in every Census from 1841. However, ethnic group only appeared in 1991. The first use of ethnic group in UK official statistics was in the General Household Survey from 1971. See ONS Blog-50 Years of Ethnicity Data.

⁷ It is acknowledged that defining ethnic minority firms is difficult and is becoming even more so. For present purposes we use a definition, which is typical of the (implicit) approach of many similar studies, recognising the role of recent or historical immigration into the country as a key differentiator. Hence, ethnic owned businesses can include recent immigrants as well as the children or grandchildren of immigrants. It does not involve nationality and is irrespective of whether they would be regarded as an ethnic minority in the country of origin or birth. See Smallbone, D. (2005). Entrepreneurship by Ethnic Minorities: Institutions. OECD Background Paper.

Figure 1: Key Census Definitions
Source: UK Gov.uk/ethnic-groups

UK Census Definitions - Ethnic Groups and Sub-groups
<p>White</p> <ul style="list-style-type: none"> • English / Welsh / Scottish / Northern Irish / British • Irish • Gypsy or Irish Traveller • Any other White background
<p>Mixed / Multiple ethnic groups</p> <ul style="list-style-type: none"> • White and Black Caribbean • White and Black African • White and Asian • Any other Mixed / Multiple ethnic background
<p>Asian / Asian British</p> <ul style="list-style-type: none"> • Indian • Pakistani • Bangladeshi • Chinese • Any other Asian background
<p>Black / Black British</p> <ul style="list-style-type: none"> • African • Caribbean • Any other Black / African / Caribbean background
<p>Other ethnic group</p> <ul style="list-style-type: none"> • Arab • Any other ethnic group
<p>Notes on Groups and Sub-groups in this report</p> <p>The main ethnic groups are shown in bold above and will be the principle sectors for discussion. In many cases, no definitive sub-group data is available. However, if a comment is made on a particular sub-group it will be limited to those listed under the bullet points above.</p>

It has to be acknowledged that such a definition is not perfect. In particular, the EMB definition does not provide a complete coverage of ethnic minority entrepreneurs. For example, a number of firms where ethnic minority business owners control less than a majority share in a firm will be excluded. Also, the White population will include many non-UK born business owners from European countries and other nations, such as South Africa, the USA, Australia or Canada. All studies in this area are limited by the quality of the data. A partial solution is to supplement the data on ethnic minority-led firms with data on self-employment. People who are self-employed are also business owners regardless of whether they are a sole trader or work in a partnership. The use of self-employment data by ethnic group adds valuable detail about the participation rate in business activity by ethnic origin.

“I worked previously as a management consultant working internationally. I started my career with Colgate-Palmolive in India, after which I moved to Nigeria and then to Europe. In 2008, I moved to Scotland, so my wife could train as a GP. We also had a young son, so I decided self-employment would be the best option for me and realised a gap in the hospitality sector in South West Scotland, so I decided to open an Indian restaurant, providing freshly cooked north Indian food.”

Asian Indian male
FSB member, restaurant owner, Scotland

Within the second section part of this report – Enterprising People – the focus shifts even more away from business unit level analysis to the individuals undertaking enterprising activity. We use Global Entrepreneurship Monitor (GEM) data based on a population survey of individual respondents rather than at a business level, which means some of the problems outlined earlier are less evident. In particular, the requirement for a business to be ethnic-minority-led is removed. As a result, we are able to examine the activities of all ethnic minority entrepreneurs. These two approaches to defining and scaling the ethnic business community, looking at firms or people, should be seen as complementary to each other. In both cases, they are based on people self-classifying themselves into an ethnic minority group based on familial or cultural heritage.⁸

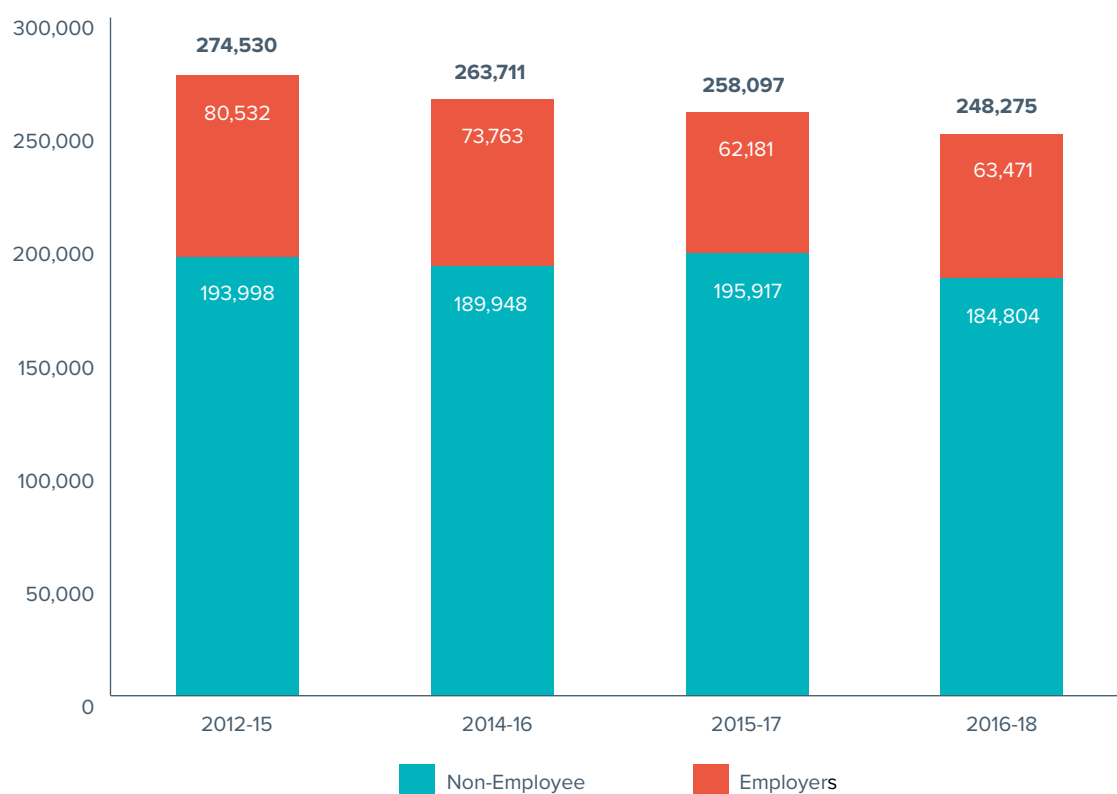
⁸ The key sources are referenced in more detail at appropriate points in the text and in the Sources and Data section at the end of the report.

ENTERPRISING FIRMS: THE UK ETHNIC-LED BUSINESS POPULATION: NUMBERS AND ECONOMIC CONTRIBUTION

How Many and Legal Format?

Based on official surveys and population estimates, the number of ethnic minority-led SMEs in the UK in the three years ending 2018 stood at 248,000. The use of three-year average estimates is appropriate to reduce sampling errors on survey results. To place this figure in context, it is equivalent to about 4.4 per cent of the business stock – or close to the number of firms in the UK manufacturing sector (290,000) or the business stock in all sectors across the West Midlands region (260,000). The business population estimate for minority led SMEs has been close to 250,000 for a number of years.⁹

Figure 2: Ethnic Minority-Led SMEs in the UK since 2012 - split by Employer vs. Non-employer
Source: CREME Project Analysis



The number of ethnic minority-led SMEs, like the business population as a whole, is predominantly made up of smaller firms. Indeed, most will also be self-employed operating as sole traders or in small enterprise partnerships with no employees. In the three years ending 2018, about 185,000 or just over 74 per cent of EMBs had no employees. This is slightly lower than in the business population as a whole (76%).

In 2018, about 590,000 (or 11.9%) of the 4.93 million self-employed people had an ethnic minority background (Figure 3). The number of ethnic minority self-employed grew by 46 per cent between 2011 and 2018, over twice as fast as the total self-employed population. In the case of the Black/Black British sub-group alone, the number nearly doubled over this period.

⁹ CREME Project Analysis.

“I didn’t have a background in business, but overtime I realised I had a lot of business acumen. After 16 years the business operates across the UK and I employ 15 people. My son has started his own business and I’m his mentor.”

Black British Caribbean woman
FSB member, recruitment business, South East

Figure 3: Self Employment by Ethnic Group

Source: ONS, Annual Population Survey – note mixed and other category has been combined in these results

Number mid-year averages (thousand)

	2014	2015	2016	2017	2018	Percentage growth since 2011
White	4096	4176	4328	4350	4345	16.0
Asian/Asian British	287	311	341	352	337	39.4
Black/Black British	78	97	98	109	108	98.6
Any other ethnic group	131	108	138	136	139	36.6
Total	4598	4699	4906	4948	4935	19.0

However, the extent of ethnic minority self-employment varies significantly by region and sub-group (Figure 4). In 2018, every ethnic minority sub-group was over represented in London and consequently 35 per cent of all the self-employed in the region were non-white. In contrast, nations and regions such as Northern Ireland, Scotland, Wales and the South West had low overall ethnic minority representation amongst the self-employed.

Figure 4: Breakdown of self-employed by ethnic group – UK and its regions, 2018

Source: ONS, Annual Population Survey

Percentage share of each ethnic group in self-employed workforce

	Black/Black British	Asian/Asian British	Mixed	Other	Total non-white	White
North East	0.7	2.2	0.3	0.7	4.0	96.0
North West	2.0	5.9	0.8	0.9	9.6	90.4
Yorkshire and The Humber	1.3	5.8	1.1	1.0	9.2	90.8
East Midlands	2.4	6.4	0.8	0.8	10.4	89.6
West Midlands	4.4	9.5	0.9	1.1	16.0	84.0
East	2.4	4.6	1.3	1.3	9.5	90.5
London	9.8	17.3	3.0	5.0	35.1	64.9
South East	1.8	5.4	1.0	1.4	9.6	90.4
South West	1.1	2.2	0.8	0.7	4.7	95.3
Wales	0.7	2.0	0.7	0.7	4.1	95.9
Scotland	0.7	2.0	0.4	0.6	3.7	96.3
Northern Ireland	0.3	1.0	0.2	0.4	1.8	98.2
UK	3.0	6.6	1.2	1.6	12.3	87.7

To better gauge participation rates amongst various diverse communities, an alternative approach is to look at the share of the self-employed in the UK workforce (that is people of working age who are in work or able to undertake any form of economic activity). Based on the Annual Population Survey, the UK self-employed community represented 15.3 per cent of the national workforce in 2018. The equivalent measure amongst the UK ethnic minority workforce was around 15 per cent, close to - but still just below - this UK average (Figure 5).

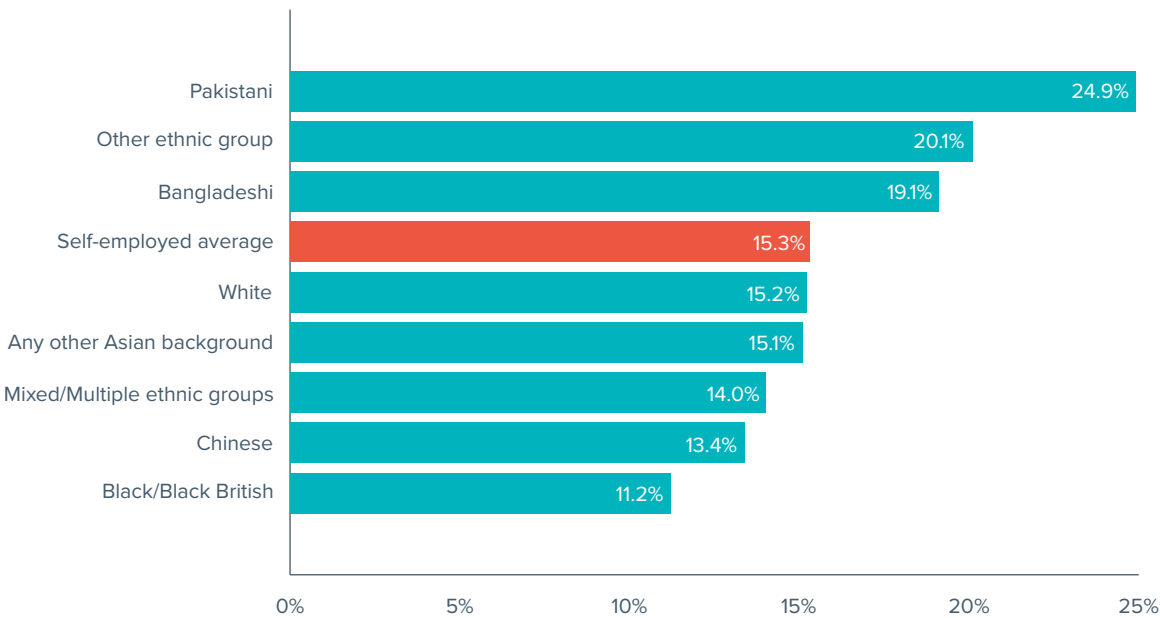
However, the average again disguised a very wide range of sub-group results. In the Bangladeshi and other ethnic communities, it was much higher at around 20 per cent. Amongst the Pakistani workforce the self-employment rate was close to 25 per cent. The Black/Black British workforce – despite substantial growth in numbers since the 2011 Census – still had the lowest workforce self-employment rate at a national level.

“There are two categories of people - your full-time entrepreneurs and your ‘side entrepreneurs’, there’s been a big rise in the latter over the last few years. The difficulties for those who are side entrepreneurs is that they may struggle with accounting and access to funding”.

Black African woman
Stephanie Itimi, Seida (cybersecurity), London

Figure 5: Workforce self-employment rates by ethnic group in 2018
Source: ONS, Annual Population Survey

Percentage of each ethnic workforce reported as self employed



Looking at the overall ethnic minority-led business population again, but focusing on firms with employees, our analysis suggests an EMB employer population in 2018 of around 63,000 firms (26% of all firms), slightly more common than in the business population as a whole.¹⁰ The majority of these were incorporated businesses with directors, but could include some unincorporated firms, particularly partnerships with employees.

The higher share of employer-based ethnic minority-led firms when compared with the rest of the business population, as well as regional variations in self-employment are probably both a consequence of the industry mix of firms and the relevant base sizes of the population sub-groups.

“I employ 25 people across my offices in north and central Manchester. We’re one of the oldest high street law firms in Cheetham Hill, Manchester an area of deprivation.”

British Asian Pakistani Male
Business owner, Legal services, North West

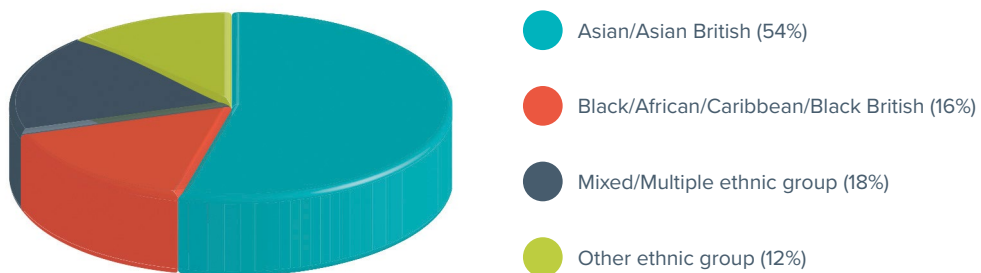
Data limitations currently prohibit reliable sub-sector business estimates to investigate this in detail. However, greater incidence within the Indian ethnic group of larger retail and catering outlets, small manufacturing sites or professional services, for example, would lead to such an outcome. In 2018, the Indian heritage workforce in the UK was 30 per cent higher in number than those with either Pakistani or Bangladeshi ethnicity. However, the breakdown of self-employed people was different with the number from an Indian heritage 30 per cent fewer than those from the Pakistani or Bangladeshi ethnic sub groups.¹¹

Numbers of Ethnic-led SMEs by sub-group

As indicated earlier, the key UK official SME data surveys follow established Census-based practice where respondents self-classify into heritage-based identity groups. Setting aside legal format, the number of ethnic minority-led SMEs in the three years ending 2018, split by ethnic sub-group is summarised in Figure 6. The Asian/Asian British sub-group accounted for over half of all ethnic minority-led SMEs (127,000). The next largest sub-group was comprised of firms with a mixed or multiple ethnic ownership (where White ownership was in the minority - or not represented at all - and the majority owners had either a mixed ethnic heritage or came from a number of non-white ethnic groups).

Figure 6: Ethnic Minority-Led SMEs in the UK, 2016-2018
Source: CREME Project Analysis

Percentage share by ethnic sub-group



¹⁰ CREME Project Analysis.
¹¹ ONS. (2012). Annual Population Survey (APS) QMI Methodology and Tables.

Looking at the share of the overall workforce participation by ethnic group compared with the breakdown of ethnic minority-led SMEs highlights the ongoing over-representation of the Asian/Asian British group within the overall numbers (Figure 7). In 2017/18, the Asian/Asian British share of the business stock was about 14 percentage points higher than the corresponding workforce share. The mixed ethnic grouping was also higher, albeit by a smaller amount (but this highlights a data inconsistency).¹² In both ethnic minority groups, the corresponding number of EMBs is higher than expected just by looking at the size of the economically active workforce.

Figure 7: SME Business stock and UK workforce by ethnic group

Source: CREME Project Analysis. ^{*see footnote 12}

Percent	2017/18		2017/18	2011/12
	Business	Workforce	Over/under represented	
Asian/Asian British	54.3	39.9	14.3	13.8
Black/Black British	15.3	22.9	-7.5	-12.6
Mixed/Multiple ethnic group*	18.2	9.7	8.5	2.1
Other Ethnic	12.2	27.5	-15.4	-3.3
All Ethnic Groups	100.0	100.0	0	0

Over Under

In contrast, the Black/Black British share of the business population was lower than its share of the economically active workforce. However, the biggest gap between the two measures was in the other ethnic category (-15 percentage points).

Looking back over the years to 2011 suggests this variation in the pattern of representation in the ethnic minority-led business community is not a recent development. However, the pattern has shifted in some respects. The constant is the over-representation of the Asian/Asian British business community in the stock of firms of all types. Earlier analysis strongly suggests the over-representation in the size of the Asian/Asian British community in the business stock is heavily reliant on Pakistani and Bangladeshi self-employment, but with Indian-owned firms more likely to be amongst SME employers. The mixed ethnic group has also remained over-represented in the business stock.

“I previously worked as a corporate banker, but was made redundant in 2008. I now run a few high street businesses, employing 22 people in Middlesbrough, Stockton, Redcar and South Shields. I want to grow my business, but have faced big problems in accessing funding. I need access to finance now due to the impact of COVID-19, if I can’t access finance my business will go under.”

Asian Sri Lankan male
FSB member, retail electronics, North East

In contrast, EMBs with a Black/Black British heritage appear to have been under-represented in the business stock for much of the last decade at least. Moreover, while small absolute numbers are involved, the under-representation in the other ethnic minority groups has increased. It is not clear why this has occurred.

¹² A business unit can have multiple owners with a different ethnic heritage while each person in the workforce can only have one ethnic group (but it could be the Mixed ethnic group) This does not apply to other categories but impacts on data quality.

Gender and diversity

Based on data covering the four years to 2018, about 17 per cent of all ethnic minority-led firms were also led by a woman. This represents about 42,000 EMBs.¹³ The share of female owned firms in the EMB stock was slightly lower than the share of women-led SMEs in the business stock as a whole.¹⁴

Data limitations curtail any detailed study of business ownership by gender as a time series. However, although some caution is required because of sample size issues, it is possible to provide an indication of the breakdown of female led firms by ethnic sub-group for 2018. Some marked differences were evident between the wider market and female-led firms only (Figure 8).

“I have built a career in an industry in which a very small percentage of the workforce, looks like me, both in terms of gender and race. Diversity in business is therefore extremely important to me. I enjoy spending a considerable proportion of my time mentoring women, ethnic minorities, and those who have social mobility issues, highlighting that they can also enjoy successful careers and challenge the status quo.”

Roni Savage, FSB member
Jomas Associates London, Manchester, Swindon, Kent and Wales

Figure 8: Ethnic Group Breakdown – Proportion of All SME Firms vs. SME Female-Led Firms
Source: CREME Project Analysis ^{*see footnote 7 but the gender comparison is still valid}

Percent	2018		Over/under represented
	All Businesses	Female led only	
Asian/Asian British	54	39	-15
Black/Black British	15	26	11
Mixed/Multiple ethnic group*	18	30	12
Other Ethnic	12	5	-7
All Ethnic Groups	100	100	

 Over  Under

The share of Asian/Asian British business led by women was lower than in the ethnic minority-led business stock overall, as was the representation of other ethnic groups. Both the share of Black/Black British and mixed/multiple ethnic groups led by women was higher. These differences probably reflect deep-seated cultural differences as well as industrial variations, although these are very difficult to examine further with the limited data available.

“There are a lot of young Asian girls that have said if you can do it (become an architectural professional) – I can too. They feel that because I’ve come from a similar background – my experience has given them the confidence to carry on.”

British Asian Pakistani woman
FSB member, Building Design, North West

¹³ Note that these figures are based on four year estimates rather than the three-year estimates for the whole EMB population in earlier sections. This adjustment is needed to improve sample sizes. Data has also been rounded to adjust for quality issues.

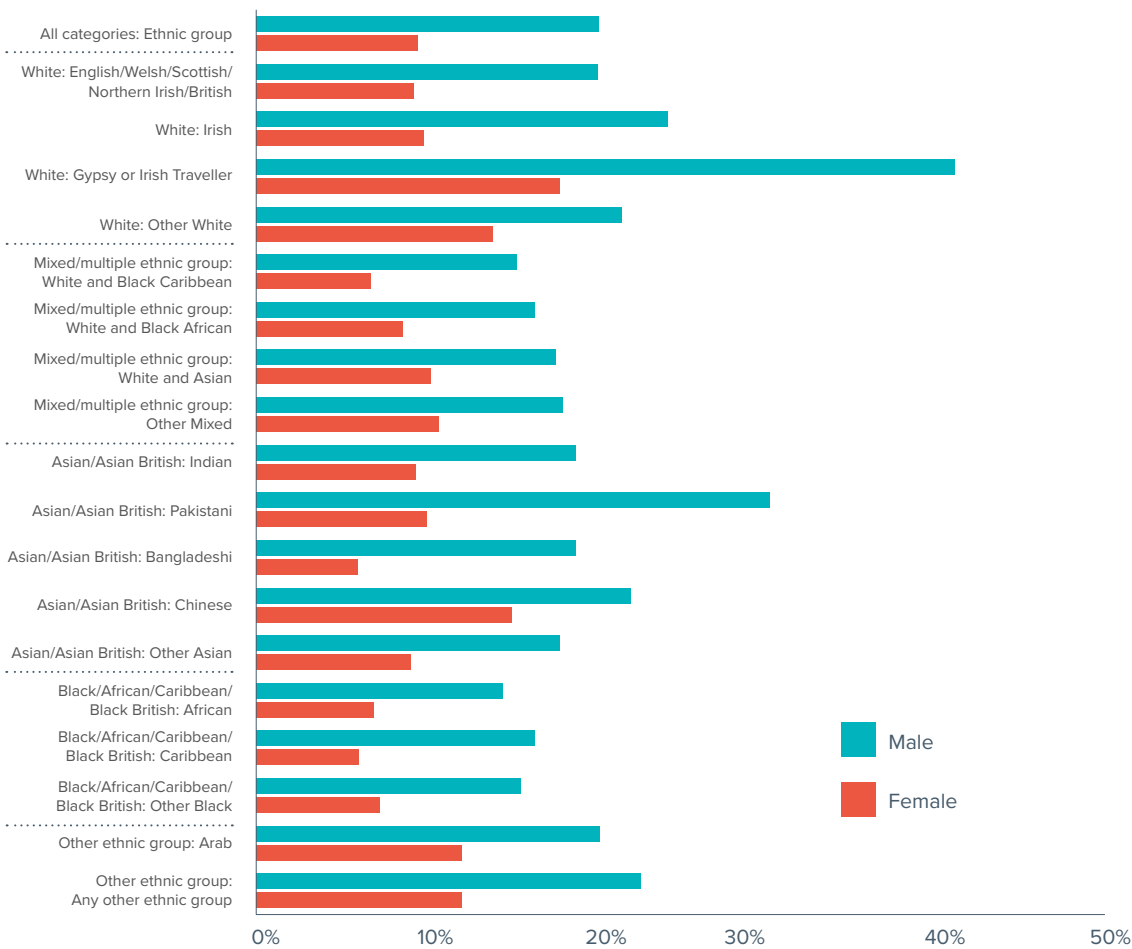
¹⁴ Department for Business, Energy and Industrial Strategy. (2020). Longitudinal Small Business Survey, 2015-2018 (LSBS)

Beyond the overall market estimates in Figure 8, limited detailed information on gender and diversity is available post the 2011 Census. However, published studies using the 2011 data on self-employment confirm these broad differences by gender and ethnic group (Figure 9). In all main ethnic groups, the male self-employment activity rate was higher than that of females. However, this was markedly less the case amongst the Black/Black British group and the mixed ethnic community than others. This was especially so in London.¹⁵

Figure 9: Self Employment Rates as a Share of the Workforce by Ethnic Group in 2011

Source: ONS, UK Census 2011

England & Wales* Note: England & Wales data used as it covers more ethnic sub-groups than for GB as a whole



Economic Contribution

In 2018, the economic contribution from ethnic minority-led SMEs was around £25 billion (bn.), or just under 4 per cent of private sector non-financial GVA. This estimate can be generated either through adding-up the broad sectoral contributions or top down looking at the overall share of the business stock. In 2018, the result from both methods gives roughly the same outcome. The same dual approach was used by official statisticians in 2014/15 again with similar results either way.¹⁶

For illustration purposes, £25 bn. of GVA in 2018 was similar in size to the economic output of Manchester (£22.5 bn.) or Birmingham (£29 bn.) and roughly twice that of Liverpool (£13.5 bn.). Similarly, ethnic minority-led firms contributed about the same to GDP as the whole of the pharmaceutical and chemical industries combined (£25 bn.) and twice that of agriculture (£13.6 bn.).¹⁷

¹⁵ ONS. (2014). 2011 Census analysis: Ethnicity and the Labour Market, England and Wales.

¹⁶ CREME Project Analysis; Department for Business Innovation and Skills. (2015). The Contribution of Women and MEG led Businesses to the UK non-financial Economy. URN:BIS/15/542

¹⁷ ONS, GVA Website and Definitions.

While still significant, the share of national GVA generated by ethnic minority minority-led businesses in 2018 also appears to be slightly lower than their corresponding share of the business stock. This reinforces a view that many EMBs are smaller than average in size and may be in lower valued-added sectors which, in turn, has implications for business resilience. The limited evidence based on data for employers only for 2015 to 2018 supports this conclusion. The industrial profiles vary between EMBs and the non-financial business sector as a whole. Amongst employers, EMBs are much less common in manufacturing, construction and business services, but notably more evident in sectors which often have lower value added.

Figure 10: Percentage share of all the SME business stock by sector (2015-2018 average)
Source: CREME Project Analysis

Split by ethnic minority SME firms vs. all SME firms

Sector	SIC Group	EMBs	All Firms	Dif +/-
Sector share (% of Employer Stock)				
Prod. & Constr.	A-F	11.0	20.2	-9.2
Tpt., Retail, Accom.	G-I	30.3	28.1	2.2
Bus. Services	J-N	34.1	44.1	-10.0
Other Services	P=S	24.6	7.5	17.1
All Employers		100.0	100.0	0.0
Non-Employers	A-S	74.0	77.0	-3.0
Employers	A-S	26.0	23.0	+3.0
All SME Firms		100.0	100.0	0.0

■ Over ■ Under

Enterprising people: Entrepreneurial activity in the UK ethnic minority population

The analysis of the UK ethnic minority enterprise sector so far has been based entirely on Census data and official economic surveys. As reported, these data tell us a lot but suffer from issues in relation to timeliness or definitional problems. The full UK Census only occurs once a decade, so the detailed information from the 2021 Census will probably not be available until 2024. Also, it is clear that in some surveys many people with an ethnic minority background are involved in business activity, but do not report themselves as being part of an EMB firm and so do not even consider the issue of majority ownership. This may reflect a generational shift in perceptions and attitudes, or it might actually reflect a growing integration of society in some communities.

FSB members have highlighted the importance of portfolio careers, the changing world of work has enabled some, especially women to work in contracted roles alongside self-employment. Some choose this route as a means to finance their business.

“I’m 25 and work as a full-time mental health nurse, but I’ve always wanted to start my own business. A year ago I started my own cosmetics line specifically for black women. I undertook research and due diligence, assessing different ingredients. I also travelled to Asia to source manufacturers. My plan is to grow my brand, end my career in nursing and grow my business.”

British Black African woman
 Damilola Roachford, Niquá Beauty, London

Another reliable source of information is the UK Global Entrepreneurship Monitor (GEM). GEM data used in this report are part of an international study linking enterprise activity and people.

In particular, the emphasis of the GEM project on the Annual Population Survey allows a wider perspective on enterprise activity at various stages and is not curtailed by the ethnic minority-led approach of some surveys.¹⁸ For example, the GEM survey is able to measure those thinking about going into business separately from those operating an established business. GEM is closer to the decennial census in its coverage. Indeed, although it is still a survey, GEM datasets dig deeper into enterprise activity better than any other current sources.

The UK GEM survey started in 1998, but for the purposes of this research we have used a consistent dataset starting in 2002, just after the 2001 Census and running through the next 2011 benchmark and the global financial recession. We have looked at some of the information on entrepreneurial activity by those with an ethnic minority background both as a time series since 2002 and a whole period between 2002 and 2018. Combining results over a full 16 year period has allowed greater detail to be used within minority ethnic groups and local areas. This data can be looked at in turn and, where possible, cross-referenced with the Census and survey-based analysis considered earlier. The key measures and definitions used by the GEM survey are summarised in Figure 11.

Figure 11: GEM Definitions

Source: GEM Consortium Note these are summaries of the key definitions

Key GEM definitions used in this Report

Intenders or Potential Entrepreneurs – those who plan to set up a venture next 2 years - or Intenders

Nascent Entrepreneur –starting a business but only paying wages for up to 3 months- or Nascent

Owner- Manager of a New Business –paying wages for between 3 and 42 months- or OM Start

Owner-Manager of an Established Business – paying wages more than 42 months- or OM -Est

Total Entrepreneurial Activity (TEA) is the combination of Nascent and OM Start

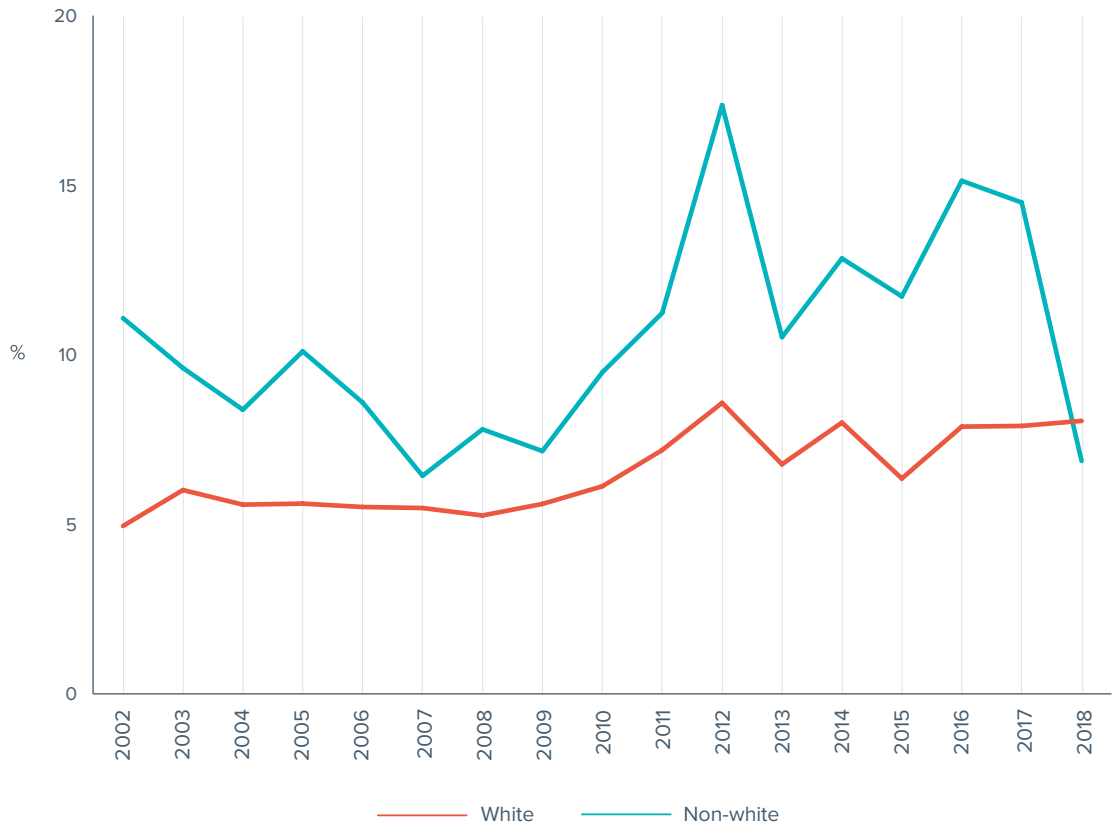
All results are normally calculated as a percentage of working age population

Entrepreneurial activity – Overall

The GEM measure of Total Entrepreneurial Activity (TEA rate) considers the percentage of working age people in the process of setting up a venture or already running a start-up/young business. The TEA rate can be examined with reference to the ethnic background of the respondents. However, to ensure statistically valid results our analysis was conducted in two different ways. Firstly, we have looked at a time series since 2002 and the results in Figure 12 have been grouped into “White” or “non-white” responses.

¹⁸ GEM UK Adult Population Survey. (2002-2018). GEM Global and Aston University.

Figure 12: Total Early Stage Entrepreneurial Activity (TEA Rate), 2002-18 by Ethnic Group
Source: GEM data (Percentage of population of working age)



The data shows that prior to 2017 at least, the TEA rate for the non-white group was much higher than the one for the White group. For example, in 2012, the non-white TEA rate was 17.4 per cent of the population of working age compared to 8.6 per cent for the White group. Also, the ratio between the non-white to White TEA rate during this year was over two, higher than the average outperformance of the non-white community since 2002 (which was 1.6 times, or 60 per cent higher than in the White community).

However, in 2018, there was a significant decrease in the TEA rate for the non-white group which fell to a record low level. Also, for the first time since the GEM study began, the TEA rate for the White group was higher than the non-white group (with the ratio of non-white to White falling to 0.9). To allow for statistical error, it is best to conclude that the ratio between White and non-white respondents to the GEM survey narrowed very sharply between 2017 and 2018.¹⁹ Even if the non-white TEA rate remained just above that for the White respondents, the very sharp fall is still a cause for concern. Initial analysis by the GEM UK team points to a decline in the TEA rate amongst some recent ethnic minority immigrant communities during the period of economic uncertainty after the EU referendum as one likely cause, but this still remains to be investigated in detail as new data emerges.²⁰

As an alternative to the White versus non-white analysis as a time series since 2002, the same results can be grouped together for the whole period to provide robust data for UK regions split between the main ethnic communities (see Figure 12 (a) and Figure 12 (b)).²¹

¹⁹ The upper boundary of the range for a 95% confidence test on the Non-White TEA rate result for 2018 is 8.4%.

²⁰ GEM UK. (2019).UK Monitoring Report, 2018.

²¹ Note the GEM data does not use the terms Asian British or Black British but this is a presentational variation which has no impact in the underlying results. The data results for Asian and Black respondents covers UK born responses as well.

Figure 12(a): Total Early Stage Entrepreneurial Activity (TEA Rate), 2002-18 by Ethnic Group – Regions in England

Source: GEM data (Percentage of Working Age Population)

	South West	South East	East	London	West Midlands	East Midlands	Yorks & Humber	North East	North West	UK Total
White	7.2	6.7	6.8	7.3	5.6	5.7	5.6	4.7	5.2	6.0
Mixed	9.2	11.5	9.8	10.6	6.9	7.8	8.5	8.4	6.4	9.3
Asian	6.6	7.6	7.8	8.3	10.2	6.7	10.4	10.8	9.1	8.6
Black	6.7	16.3	16.2	11.8	9.5	9.4	5.6	1.6	15.2	11.8
Total	7.2	7.0	7.1	8.2	6.1	5.8	6.0	4.9	5.6	6.4

Figure 12 (b): Total Early Stage Entrepreneurial Activity (TEA Rate), 2002-18 by Ethnic Group – Nations in the UK

Source: GEM data (Percentage of Working age population)

	Wales	Scotland	N. Ireland	UK Total
White	5.7	5.1	5.1	6.0
Mixed	10.3	5.3	4.0	9.3
Asian	7.2	8.3	8.1	8.6
Black	10.5	13.0	13.9	11.8
Total	5.8	5.2	5.2	6.4

Again, the results show that, apart from in two cases, the TEA rate over the whole period since 2002 was higher for each of the non-white sub-groups than for the White respondents in all UK regions and nations, often by a noticeable margin. The fall in the overall non-white TEA rate in 2018 does not change this general conclusion based on the whole 16-year period. Nevertheless, some significant variations were also evident which are summarised in the Figure 13 and further research would be needed to fully understand them.

Figure 13: Total Early Stage Entrepreneurial Activity (TEA Rate), 2002-18 by Ethnic Group – Regional Highs, Lows and Exceptions

Source: GEM data (Percentage of working age population)

	High	Low
White	London	North East
Mixed	South East	Northern Ireland
Asian	North East	South West
Black	South East	North East
Total	London	North East

Exceptions –

- Black TEA rate in Y&H was same as White
- Black TEA rate in NE was lower than White

However, it is also clear in some areas that the non-white contribution plays a noticeable role in raising the TEA rate of the whole region, largely because of the population sizes in each group. For example, in London, the West Midlands and maybe the South East the higher ethnic minority sub-group TEA rates appear to raise the regional outcome. In contrast, high TEA rates in a number of ethnic minority groups in Scotland, Wales, the North West and Northern Ireland have no obvious significant impact on the overall regional result (see Figure 12 (a) and 12 (b)).

Entrepreneurial Activity – Gender

Looking at summarised data from the GEM survey from 2002 to 2018, breaking down the TEA rate by gender and the main ethnic groups (Figure 14), it is clear that the female rate was consistently around half of the equivalent male rate. This underperformance was less evident amongst Black respondents (0.57), but this was offset by a low ratio of male/female TEA rates in the Asian community (0.37).

Figure 14: Total Early Stage Entrepreneurial Activity (TEA Rate), 2002-18 by Ethnic Group – Gender Analysis

Source: GEM data (Percentage of working age population)

	Male	Female	Ratio of Women to men
White	8.1	4.0	0.49
Mixed	13.0	6.0	0.46
Asian	11.9	4.5	0.37
Black	15.3	8.8	0.57
Total	9.3	4.5	0.49

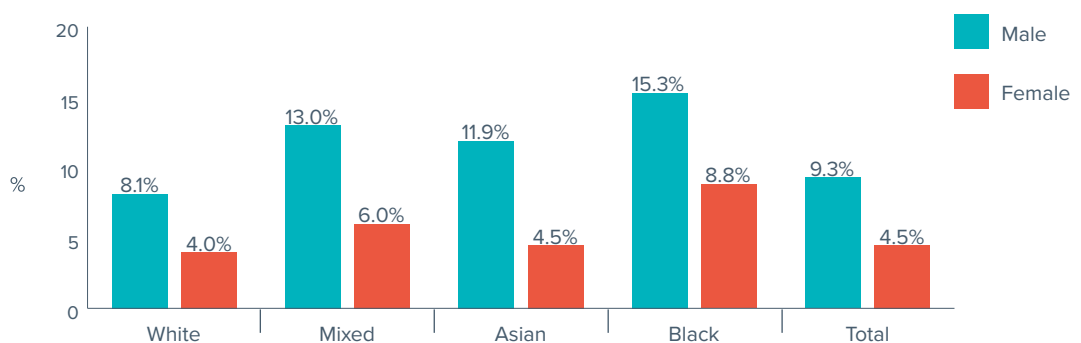
Nevertheless, looking at the results for female entrepreneurial activity only, the TEA rate for each of the non-white sub categories was still higher than that for the White female results. The same was true when analysing male only results.

“I come from a working class background – through a series of circumstance I started a business. I never thought I could do it. It wasn’t the norm to go out and start a business on your own.”

British Black Caribbean woman
FSB member, recruitment business, South East

Figure 15: Total Early Stage Entrepreneurial Activity (TEA Rate), 2002-18 by Ethnic Group – Gender Analysis

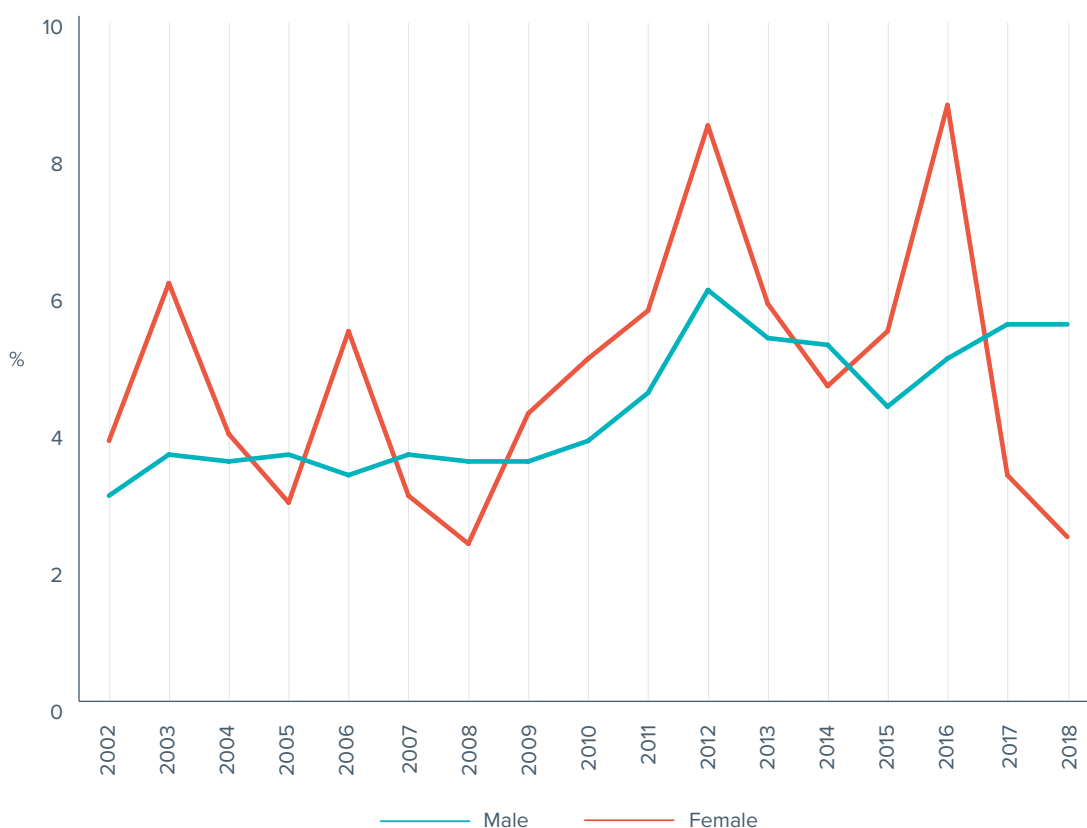
Source: GEM data (Percentage of working age population)



Looking at trends in female TEA rates by main ethnic groups over the years between 2002 and 2018 as a time series is made difficult by sample size issues. Consequently, Figure 16 only shows a comparison between the Asian and White female TEA rates. The two series do appear to stay close to each other over time, consistent with the results in Figure 14 and Figure 16. This again points to stronger combined results from other ethnic groups, although they are each smaller in size.

Figure 16: Total Early Stage Entrepreneurial Activity (TEA Rate), 2002-2018 White vs. Asian Female sub-group

Source: GEM data (Percentage of working age population)



In line with the overall results for ethnic minority responses to the GEM survey, the female non-white responses also show a decline in TEA rates over the most recent years. For example, amongst Asian women, the TEA rate fell after 2015 and was lower than the corresponding rate amongst White females in 2017 and 2018. Nevertheless, looking at the analysis in Figure 17, while a decline in female TEA rates clearly had some role in the overall fall in the TEA rate amongst non-white respondents over the last couple of years, this actually appears to have been mainly accounted for by a fall in the male TEA rate. In addition, to the earlier reference to a possible fall in the TEA rate amongst recent immigrants post the 2016 referendum, it may more generally also include a fall in entrepreneurial activity amongst Asian males in particular, where the ratio between its TEA rate and the overall male TEA rate fell from 1.86 in 2017 to 0.8 in 2018 (a similar decline occurred in 2018 when compared with the longer run average ratio for Asian males).

Figure 17: Total Early Stage Entrepreneurial Activity (TEA Rate), 2002-18 - Ratios: Male TEA ratios vs. Total TEA

Source: GEM data (Percentage of working age population)

	White	Asian	Other
Average 2002-15	0.94	1.41	1.65
2016	0.90	1.50	1.94
2017	0.86	1.86	2.12
2018	1.00	0.80	1.28

Entrepreneurial Activity - Business Status and Intention

While much attention is correctly given to the TEA rate as a measure of current entrepreneurial activity linked to starting a venture, it is important to note that the GEM research framework also allows insight into broader measures of business status and intention. The TEA rate measures only those who are actively starting an enterprise or running a young one. However, what about the wider business population of people running established firms? Also, at any point in time people may be intending to start a firm, but not actually doing so at the time of interview. Both are reported in the GEM population survey and can be analysed by ethnic group to provide a more detailed snapshot of the phases of enterprise activity.

Figure 18: Enterprise Status, 2002-18

Source: GEM data (Percentage of working age population)

	Intenders	Nascent	OM-Start	OM-Est	OM-Total	No Activity
White	4.5	2.7	3.1	5.9	9.0	83.8
Mixed	10.2	5.5	3.8	3.0	6.8	77.5
Asian	11.1	4.6	3.8	4.2	8.0	76.3
Black	15.5	8.3	3.2	2.6	5.8	70.5
Total	5.4	3.1	3.1	5.6	8.7	82.9

For definitions, see Figure 11 Note OM -Total is the sum of OM Start and OM-Est

The data in Figure 18 and Figure 19 covers the whole period of the GEM dataset since 2002 to look at business status across the main ethnic groups. Obviously, as the GEM survey covers a representative sample of the whole working age population, it is not surprising that at the time of the interviews the biggest group of people responding (83%) reported no current or planned enterprise activity. This finding was evident at a UK level and in each of the ethnic sub-groups. However, the reported range of activity varied by over 12 percentage points (between 71% and 84%) reflecting the sub-group performance.

Looking at the ethnic minority sub-groups provides an illustration. In the Black population, nearly 30 per cent of the respondents on average over the 16 years of the GEM survey were typically involved in thinking about, setting up or operating a business venture, nearly twice the level of the White population. The Asian and Mixed ethnic groups were also more entrepreneurial overall than the White community.

However, if we move further along the enterprise journey, the variation in activity rates have all but disappeared. About 3 per cent of respondents over time have been reported as running a start-up or a young business with limited variation between sub-groups. This suggests that a high number of nascent entrepreneurs from some ethnic minority sub-groups never actually make it to the full start up stage. This particularly appears to be the case with the Black population but may well be

evident in the Asian and mixed ethnic groups as well. The White community looks different with the numbers setting up a firm being similar to those intending to do so (if anything, the start-up rate is higher than predicted by the data on intenders). Consequently, the variations by sub-group along the enterprise journey may have significant implications for the size of the UK business stock as well as productivity and growth. Further research is needed to look at the underlying causes, which needs to be at a regional and sectoral level.

Figure 19: Enterprise Status by Ethnic Group, 2002-18

Source: GEM data (Percentage of working age population)

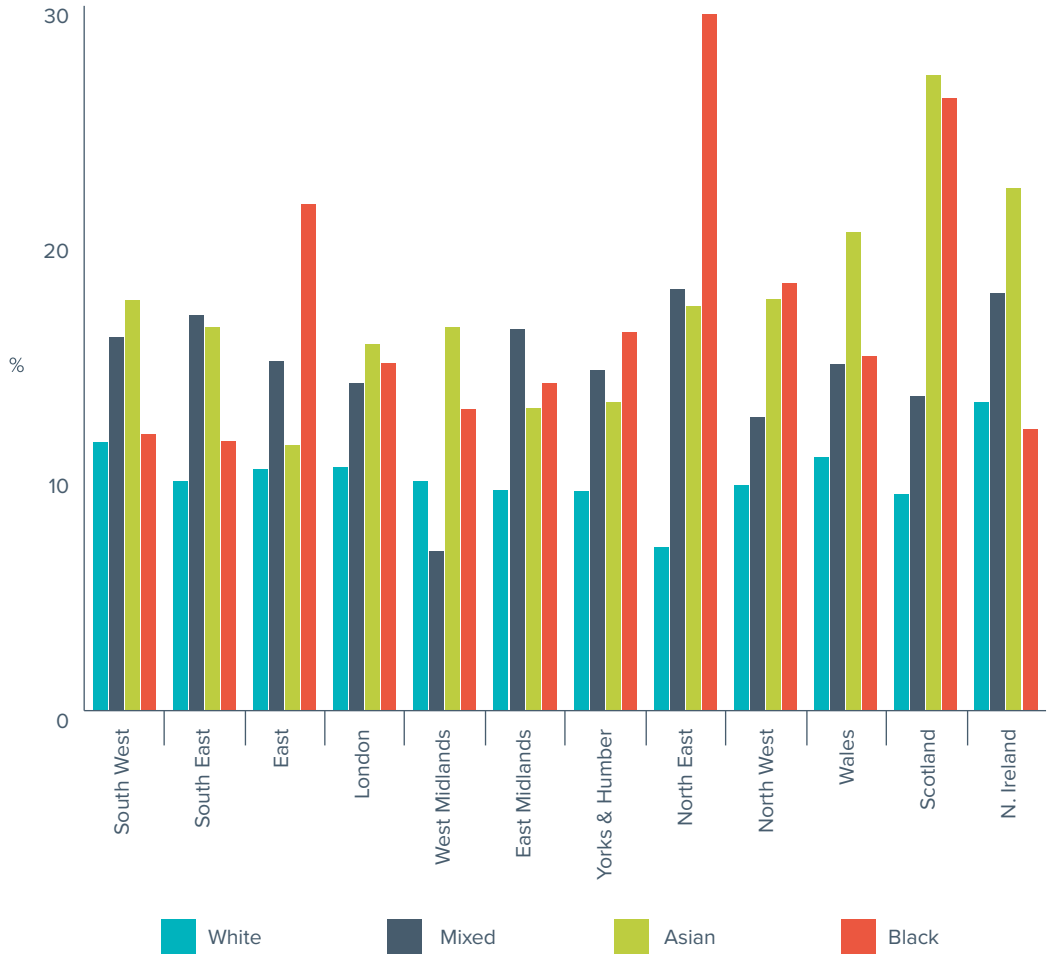
	Intenders	Nascent	OM-Start	OM-Est	No Activity
White	4.5	2.7	3.1	5.9	83.8
Mixed	10.2	5.5	3.8	3.0	77.5
Asian	11.1	4.6	3.8	4.2	76.3
Black	15.5	8.3	3.2	2.6	70.5
Total	5.4	3.1	3.1	5.6	82.9

In addition, the role of family firms is often seen as a significant feature of some ethnic minority business communities. While it is dangerous to over simplify, family firms can have many positive benefits in terms of the stability of ownership between generations. However, family firms can face problems, notably around succession planning. The GEM dataset allows this issue to be examined in the context of the main ethnic groups. Based on results over the ten years to 2018, the GEM survey suggests about 10.5 per cent of all owner managed firms have a family involvement (Figure 20). This is higher in all the main ethnic minority sub-groups: mixed (14%), Black (15%) and Asian (17%).

“The business was founded in 1969 by my father. The business has evolved several times since then. We now manufacture sauces and employ 50 people. My son is now working with me, so he is the third generation of the family working in the business.”

British Asian male of Indian origin
FSB member, Manufacturing business, Leicestershire

Figure 20: Percentage of All Owner Managed Firms that are Family Firms, by Ethnic Group
Source: GEM data (Percentage of all owner-managed firms, 2008-2018)



The importance of family firms results vary by UK region and between ethnic groups although this data series only goes back to 2008, so the results are not as robust as those based on the whole GEM dataset going back to 2002. Despite this note of caution, the prevalence of family firms was higher in almost every non-white group than the White business population in all regions.

“When I started the business I was working alongside my sister. There are positives working with family, it provides a degree of flexibility and they’re invested in the business to the same degree as you.”

British Asian Pakistani male
 Business owner, Legal services, North West

THE CONTRIBUTION OF ETHNIC MINORITY FIRMS TO INNOVATION, TRADE AND GROWTH IN THE UK ECONOMY – RECENT TRENDS

The fact that ethnic minorities are highly entrepreneurial and ethnic minority-led firms make a valuable contribution to GVA is illustrated clearly by the data and commentary presented in the first part of this report. In this section of the report our intention is to further use the wealth of data in the Global Entrepreneurship Monitor (GEM)²² and the Longitudinal Small Business Survey (LSBS)²³ to explore how ethnic minority businesses (EMBs) perform on a range of metrics compared to non-EMB businesses. In the case of GEM, as in the previous section, we use data from 2002 onwards. The LSBS data is taken from the 2015 and 2018 waves. The definitions of businesses and ethnic groups remain unchanged from the previous part of the report.

Using these two principal sources of data we can examine a range of key issues regarding the UK business sector. For example, are EMBs more or less likely to export than non-EMB firms? Do they carry out more product and process innovation? How do they perform in terms of employment and turnover growth? Do ethnic minority-led firms have higher ambition to grow their business than other firms? What is the extent of their use of formal business support and networks? And do they invest in their employees' skills by offering them training? All these are key issues facing the UK economy to support higher productivity and growth.

Exports

Our analysis of GEM data shows a regional breakdown of firms that stated they had sales abroad (Figure 21). Over the whole 16-year period to 2018, EMB respondents had higher levels of exports than non-EMBs in every region, with very clear differences in Northern Ireland, Scotland and the South West of England. Over 80 per cent of EMBs in Northern Ireland stated that they have some level of sales abroad, while just over 40 per cent said the same in non-EMBs. London saw the least difference, with 50-60 per cent of both groups stating they export. It is not clear why EMBs generally export more than other firms, perhaps reflecting some variations between industry groups and, more importantly, diaspora links or language skills. The very marked variations between EMBs and other firms in Scotland and Northern Ireland are especially puzzling.

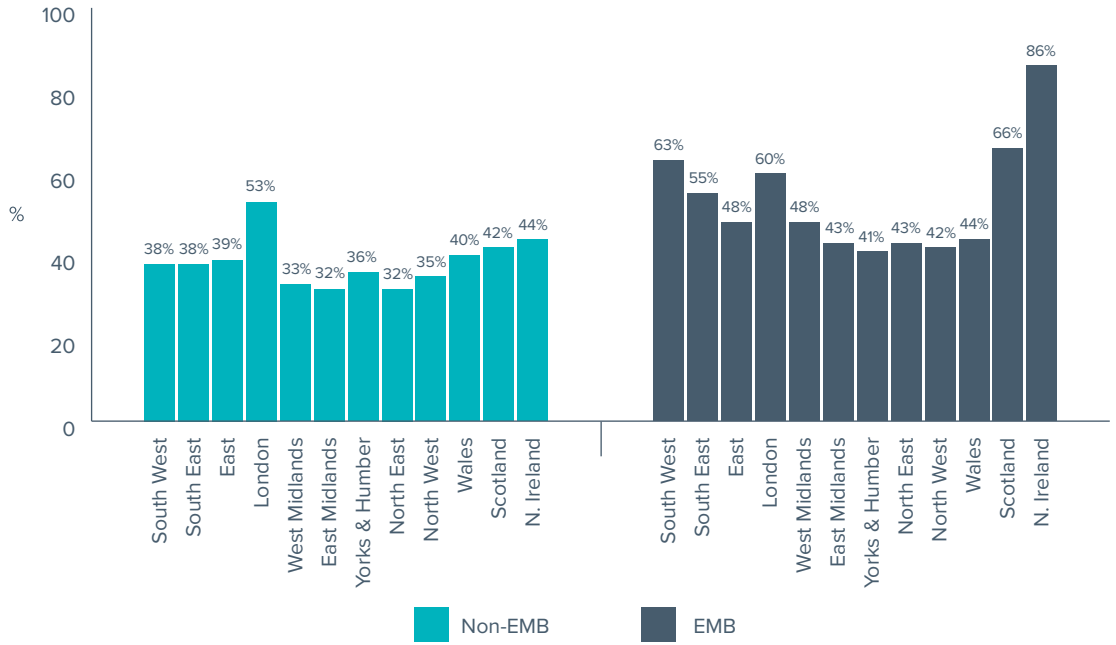
“People in my community were instrumental in helping me build my portfolio. This helped me secure projects overseas in countries, such as Kuwait and Pakistan.”

British Asian Pakistani woman
FSB member, Building Design, North West

22 Department for Business, Energy and Industrial Strategy. (2020). Longitudinal Small Business Survey, 2015-2018. [data collection]. 3rd Edition. UK Data Service. SN: 7973, <http://doi.org/10.5255/UKDA-SN-7973-3>.

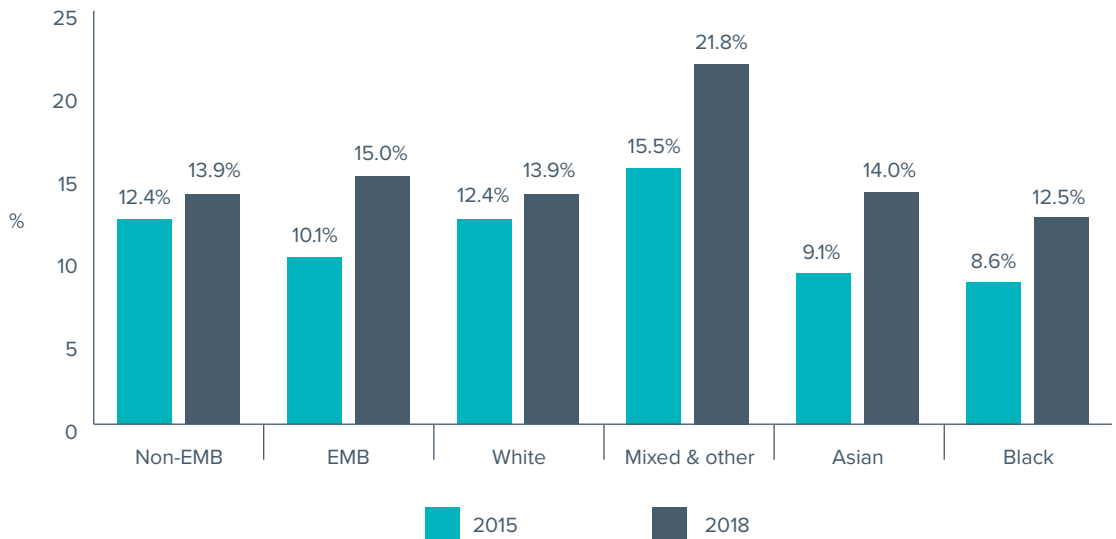
23 GEM UK Adult Population Survey (APS) 2002-2018, GEM Global and Aston University.

Figure 21: Percentage of SMEs that export, split by Non-EMB vs. EMB (by region)
Source: Global Entrepreneurship Monitor



In 2015, more than 10 per cent of ethnic minority-led firms interviewed by the LSBS reported export activity in the past 12 months.²⁴ This was slightly lower than the share of non-EMB exporters (12.4%). However, this position was reversed in 2018 where 15 per cent of EMBs reported exports in the previous year compared to the 13.9 per cent amongst remaining firms (Figure 22). Among ethnic groups, businesses led by owners or directors with mixed origins appeared to be the most likely to export.

Figure 22: SME Export Activity in the past 12 months, split by Ethnic Group
Source: Longitudinal Small Business Survey



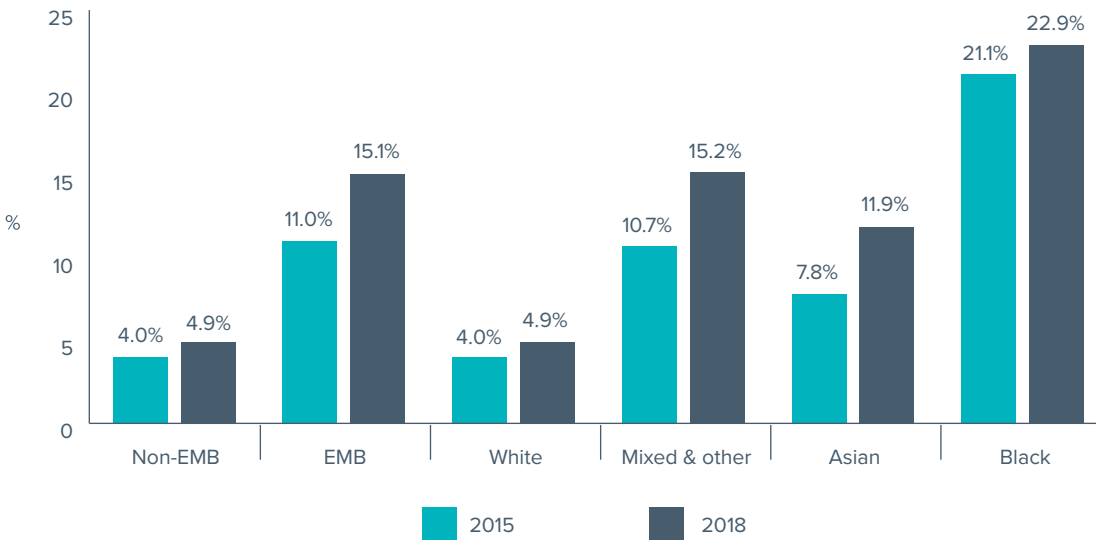
²⁴ GEM data and LSBS datasets do not cover the same population of respondents: while the LSBS includes only SMEs, there is no such constraint in GEM sample. Second, LSBS data is a snapshot for 2015 or 2018 while GEM figures presented in Figure 10 comes from a panel dataset over a long period of time.

However, past activity is only a part of the story. In both 2015 and 2018, when looking forward ethnic minority-led firms that did not export at the time were more likely than other firms to report a future plan to export (Figure 23). The highest intention (21% in 2015 and 23% in 2018) was demonstrated by Black/Black British-led businesses.

“Digital trade is really important for my business. 60 per cent of our clients are in the UK, the rest can be found in North America, Africa, India and Australia.

Black African woman
Stephanie Itimi, Seida (cybersecurity), London

Figure 23: Proportion of SME non-exporter, intention to export, split by Ethnic Group
Source: Longitudinal Small Business Survey



Innovation

Innovation is at the core of business dynamism and may be considered as a pre-condition of future growth and productivity. A recent ERC study found that both product and process innovation have an impact on business performance, albeit with around a two-year lag. All innovation supports growth, either sales or employment growth, but process innovation appears to be better as a way of increasing productivity.²⁵

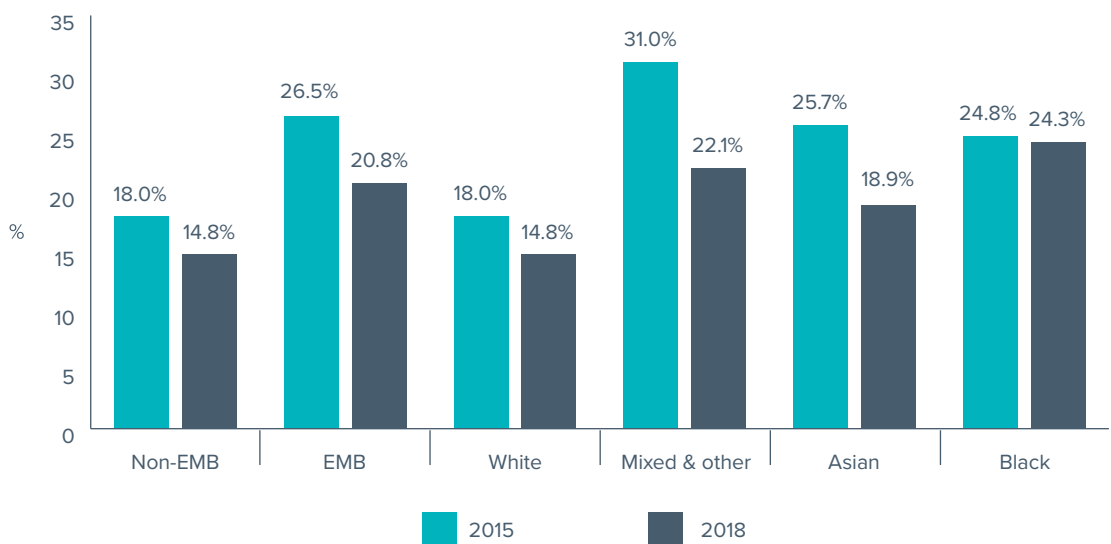
Figures 24 and 25 illustrate ethnic minority-led firms engage in both process and product/service innovation on average more often than non-EMBs. In 2018, 21 per cent of EMBs reported the introduction of process innovation in the past twelve months and 30 per cent reported product or service innovation (compared to 15% and 19% of non-EMB respectively). The number of businesses reporting both types of innovation decreased between 2015 and 2018. This was highly likely to be driven by the period of political and economic uncertainty immediately after the 2016 referendum. However, the stronger results from EMBs compared with non-EMBs regarding innovation persisted in both years.

²⁵ See ERC blog: <https://www.enterpriseresearch.ac.uk/lets-stop-talking-about-innovation/> and Turner, J., Roper, S. & Hewitt-Dundas, N. (2020), "Pathways to efficiency, pathways to growth: Evidence from the UK Innovation Survey", ERC Research Paper 83, March 2020.

“I’ve spent 40 years in the industry as an innovator something the UK does well in and something my company excels in, however, when it comes to finance that excellence isn’t able to translate into an investment because the majority of the lending is focused on asset lending. We develop software for the professional film and television industry. Our product is used by major broadcasters all over the world, including Hollywood. The business has been in operation for ten years and I employ six people. Growth has been tough, we are a very small business and need to sell our product globally; plus we are largely self-financed and we never have enough cash flow to make a serious investment. We have used local business support funds, but the interest rates are crippling”.

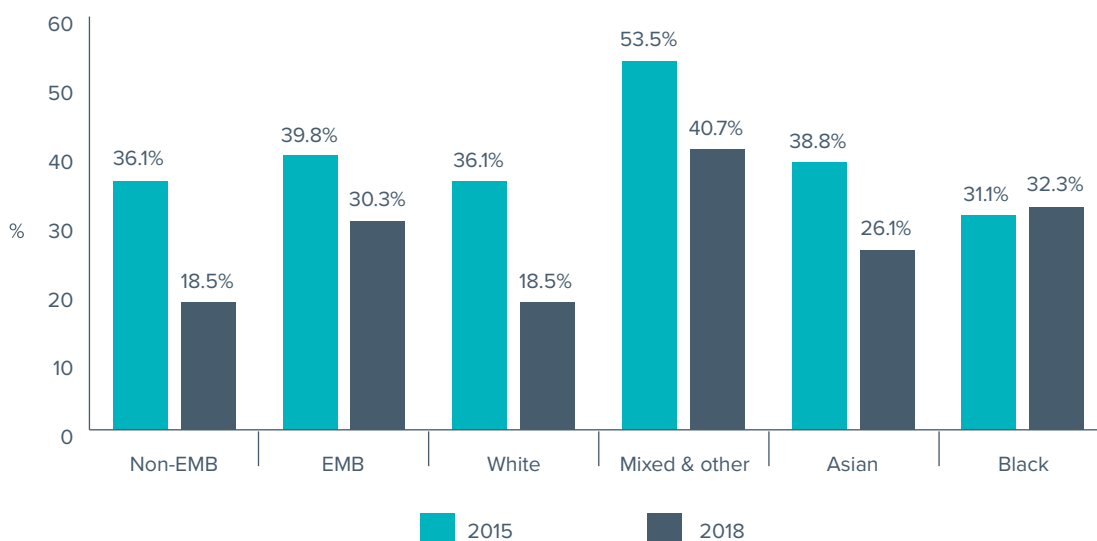
British Asian Indian male
MC Patel, Emotion Systems, South East

Figure 24: Proportion of SMEs undertaking Process Innovation, split by Ethnic Group
Source: Longitudinal Small Business Survey



Across all ethnic groups, in both 2015 and 2018 EMBs were more likely than others to introduce process innovation. As noted earlier, this type of innovation has been found to be more directly linked to future productivity growth. Moreover, the share of businesses reporting this type of innovation led by Black/Black British owners or directors did not change much between 2015 and 2018 while there was a substantial decrease for all other ethnic groups.

Figure 25: Proportion of firms engaged in Product or Service Innovation, split by Ethnic Group
Source: Longitudinal Small Business Survey



Product and Process Innovation by sector

Turning to look at the level of product and process innovation by sector for ethnic minority-led firms and others. Figure 26 shows the percentage of ethnic minority-led and non-EMBs that had some level of process innovation in 2015 and 2018. Apart from the other service sector results for 2018, ethnic minority-led firms consistently appear to report more process innovation in all sectors reported in the LSBS, confirming earlier comments on innovation trends (as well as a general fall off in innovation between 2015 and 2018 results for all SME firms).

Figure 26: Proportion of SMEs engaged in Process Innovation, split by Ethnic Group and Sector
Source: Longitudinal Small Business Survey

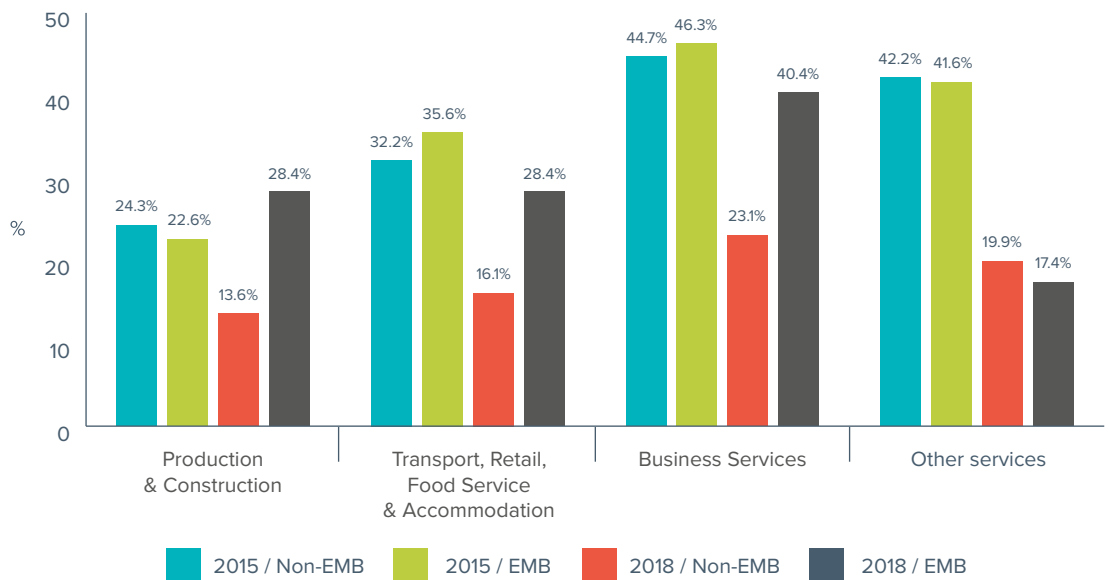
	2015		2018	
	Non-EMB	EMB	Non-EMB	EMB
Process Innovation by Sector				
Production & Construction	13.6%	13.7%	12.4%	21.6%
Transport, Retail, Food Service & Accommodation	14.1%	22.0%	11.0%	11.4%
Business Services	24.5%	33.8%	18.6%	13.8%
Other Services	17.4%	24.7%	15.4%	8.5%

When looking at product innovation by sector in Figure 27, in 2015 all sectors had a higher percentage of EMBs involved in product innovation. This was further amplified when looking at 2018, where there was a sharp drop in process innovation by non-EMB businesses. Only in other services did EMBs report a lower percentage than non-EMBs.

“I’m currently in full time employment, but I also have an online tutoring business. I have ideas to expand my business services, so I became involved in Innovate UK. I would love to be self-employed full-time, so that I can determine my time, but I haven’t been able to receive sufficient funding.”

Black African male
FSB member, Education and business services, South East

Figure 27: Proportion of SMEs undertaking Product Innovation, split by Ethnic Group and Sector
Source: Longitudinal Small Business Survey



Past Growth, Short-Term Turnover Expectations and Ambition

Looking first at past employment growth, as would be expected, the largest proportion of SMEs in both waves of the LSBS reported no changes in the number of employees from year to year (Figure 28). These data are best analysed by using the net trend in percentage balances (where the percentage of firms with rising employment is offset by those reporting a decline). On this basis, in both the 2015 and 2018 LSBS surveys, EMB employers reported a small negative net balance on employment (-3% and -5%, respectively). Results were similar for non-EMB employers, suggesting employment was flat or falling a little. Nevertheless, it should be remembered that, although economic activity was rising after the global financial recession, this may not have led to more staff being needed. Contemporary commentators reported, labour may have been retained from earlier years, despite lower levels of activity. Hence, for all types of firm, profitable sales growth could still be achieved with little employment growth as utilisation increased.²⁶

²⁶ For example, Financial Times. (20.12.2012). Puzzle of Falling UK Labour Productivity. However, the issue of labour hoarding is well established see Bank of England. (2003). Assessing the Extent of Labour Hoarding. BEQB Q2 2003

Figure 28(a): Proportion of SMEs that reported employment in the past 12 months: increased, stayed the same or decreased, split by Non-EMB vs. EMB

Source: Longitudinal Small Business Survey

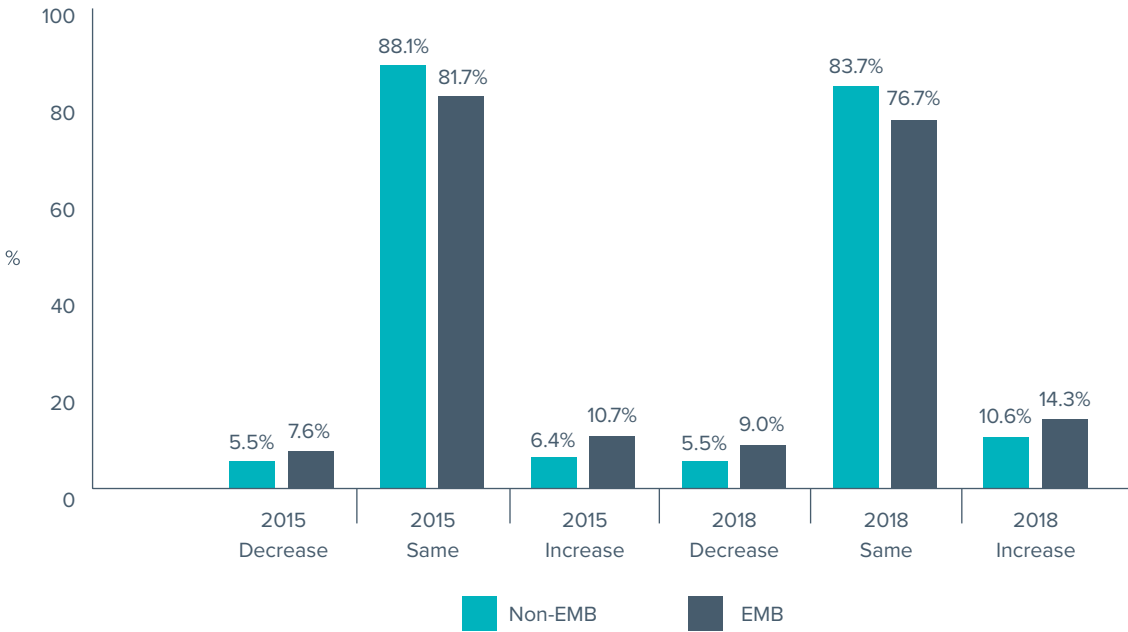
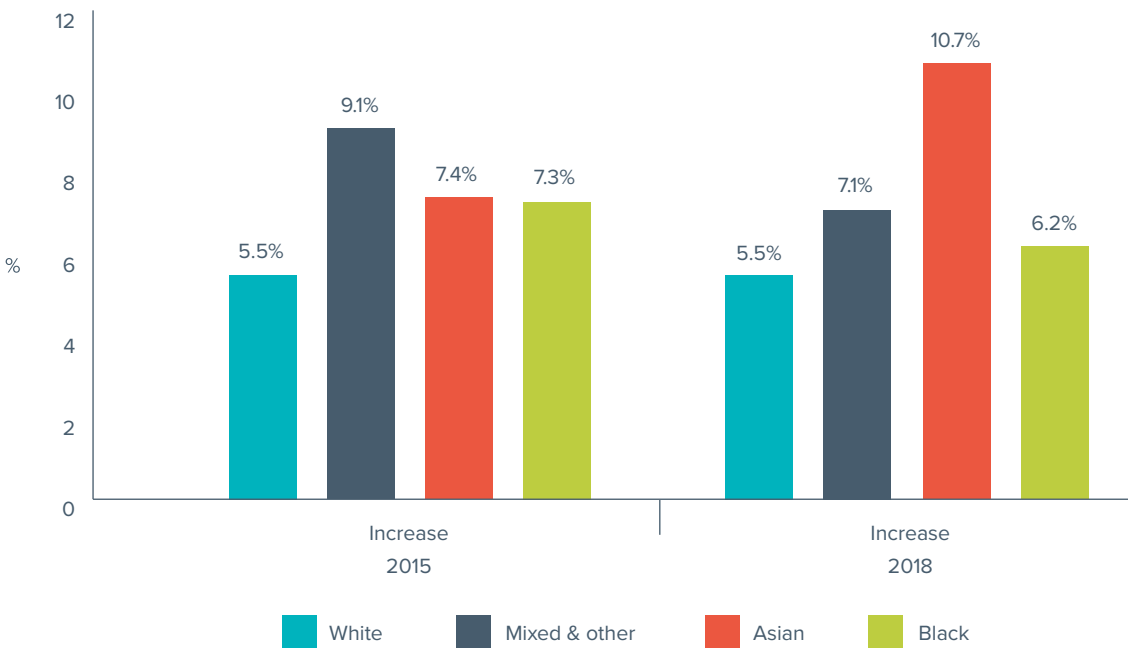


Figure 28(b): Proportion of SMEs that reported an increase in employment in the past 12 months, split by Ethnic Group

Source: Longitudinal Small Business Survey



The analysis becomes complicated and the implications more difficult for EMBs when looking at data on past sales growth rather than employment (Figure 29). Measured again on a net basis, ethnic minority-led firms achieved a net balance of growth of +11 per cent in 2015 falling to +5 per cent in 2018. In the same period, the remainder of the business population reported more stable net balances of sales growth (+6.5% and +7%, respectively).

Figure 29(a): Proportion of SMEs that reported their turnover in the past 12 months: increased, stayed the same or decreased, split by Non-EMB vs. EMB

Source: Longitudinal Small Business Survey

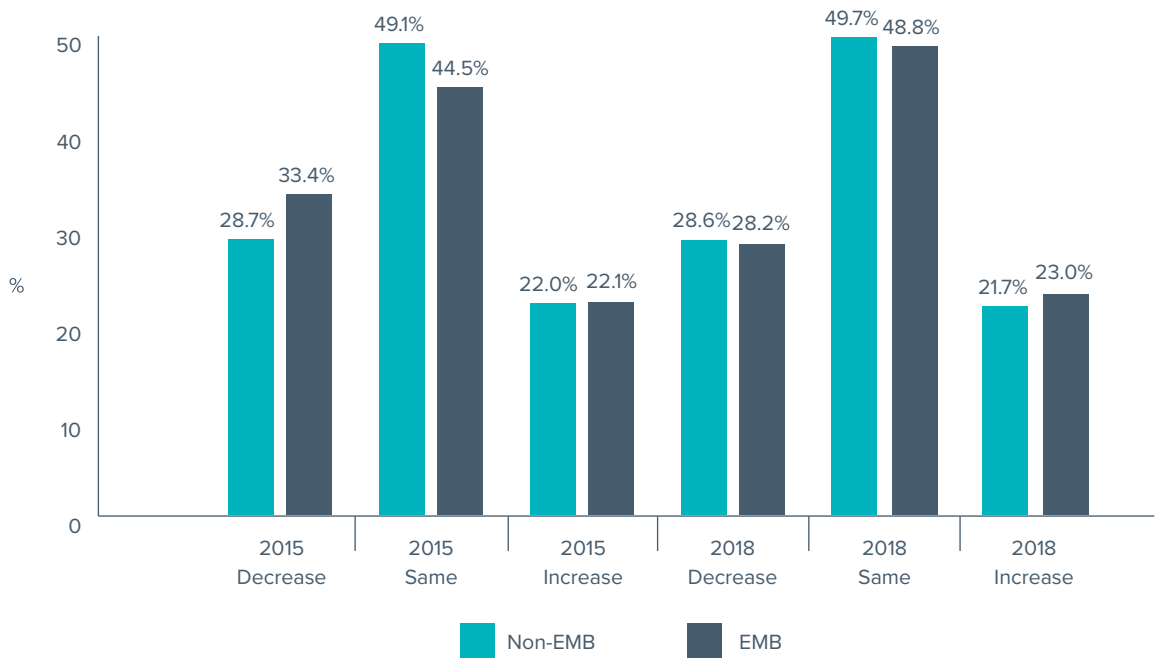
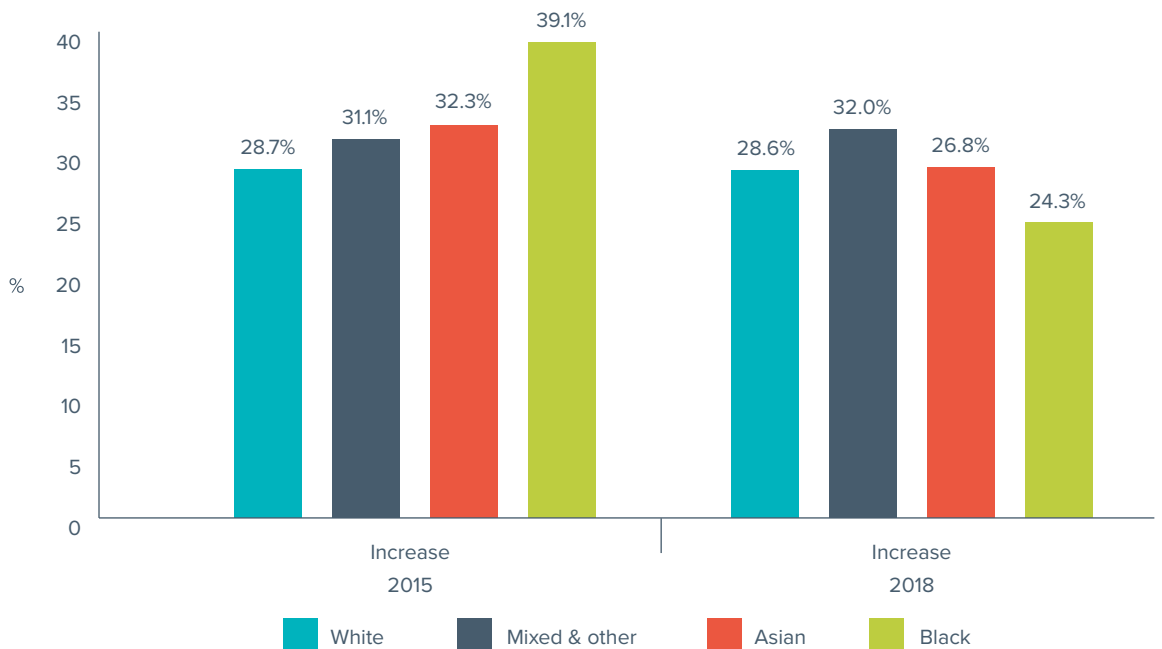


Figure 29(b): Proportion of SMEs that reported their turnover increased in the past 12 months, split by Ethnic Group

Source: Longitudinal Small Business Survey



These data on net balances suggest the sales performance of the EMB sector measured from the LSBS deteriorated between 2015 and 2018 and may even have fallen slightly below those reported by non-EMBs. Although, on balance, ethnic minority-led firms still reported growing sales, the pace of growth reduced sharply between 2015 and 2018. This suggests the weak corresponding employment performance was driven by business necessity, rather than increasing productivity. These results for ethnic minority-led firms' tie-in with those regarding the non-white GEM TEA rates for 2017-2018. In contrast, in the non-EMB population, sales growth remained stable between 2015 and 2018. The corresponding weak performance on job creation does suggest rising utilisation rates and productivity.

Regardless of some reported loss of momentum in sales growth between 2015 and 2018, ethnic minority-led businesses still reported strong growth expectations throughout the period. Indeed, the differences in growth plans between ethnic minority-led and other firms is quite marked. This has remained the case in both 2015 and 2018 results and for both employment and sales growth. Figure 30 shows the employment expectations of firms in the next 12 months.

Figure 30(a): Proportion of SMEs reporting different employment expectations, split by Non-EMB vs. EMB

Source: Longitudinal Small Business Survey

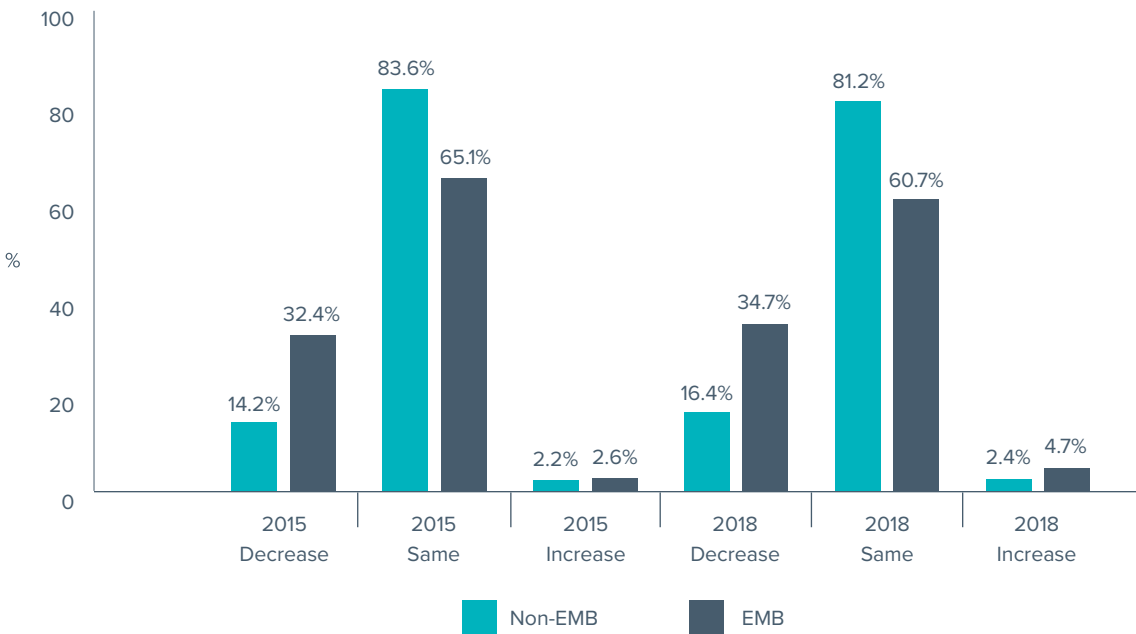
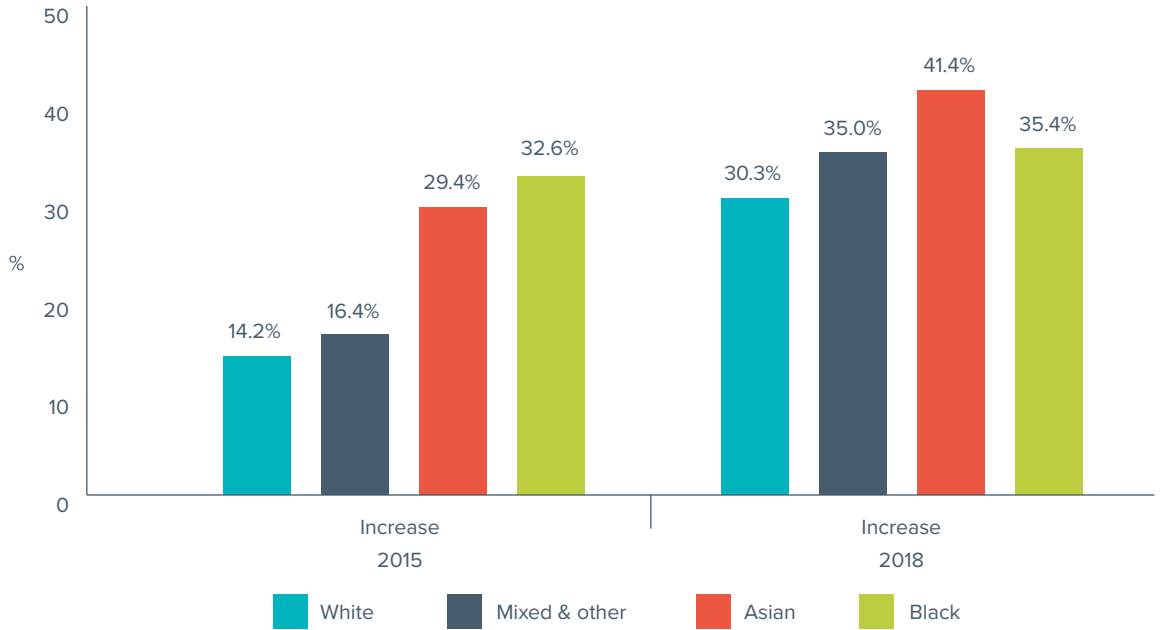


Figure 30(b): Proportion of SMEs reporting an increase in employment expectations, split by Ethnic Group

Source: Longitudinal Small Business Survey



In 2015 and 2018, measured on a net basis, a significant number of ethnic minority-led firms had plans to increase staff (about +30% for both years and just over double the corresponding non-EMB results in both surveys). These results did not change much over time, despite the uncertainties created by the outcome of the EU referendum and subsequent negotiations on exiting the EU. A further breakdown of ethnicity shows that Black/Black British-led businesses had the highest expectation to increase employment in 2015. This continued to be the case in 2018, but at slightly lower levels (41% in 2015 vs 35% in 2018).

Figure 31(a): Proportion of SMEs reporting different turnover expectations in the next 12 months, split by Non-EMB vs. EMB

Source: Longitudinal Small Business Survey

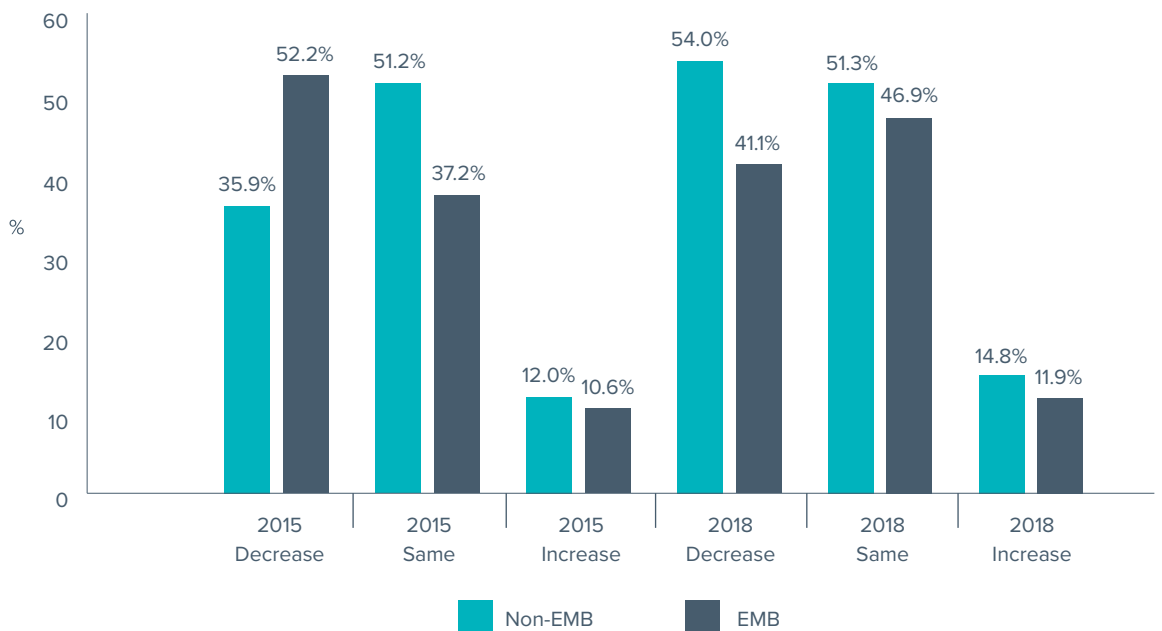
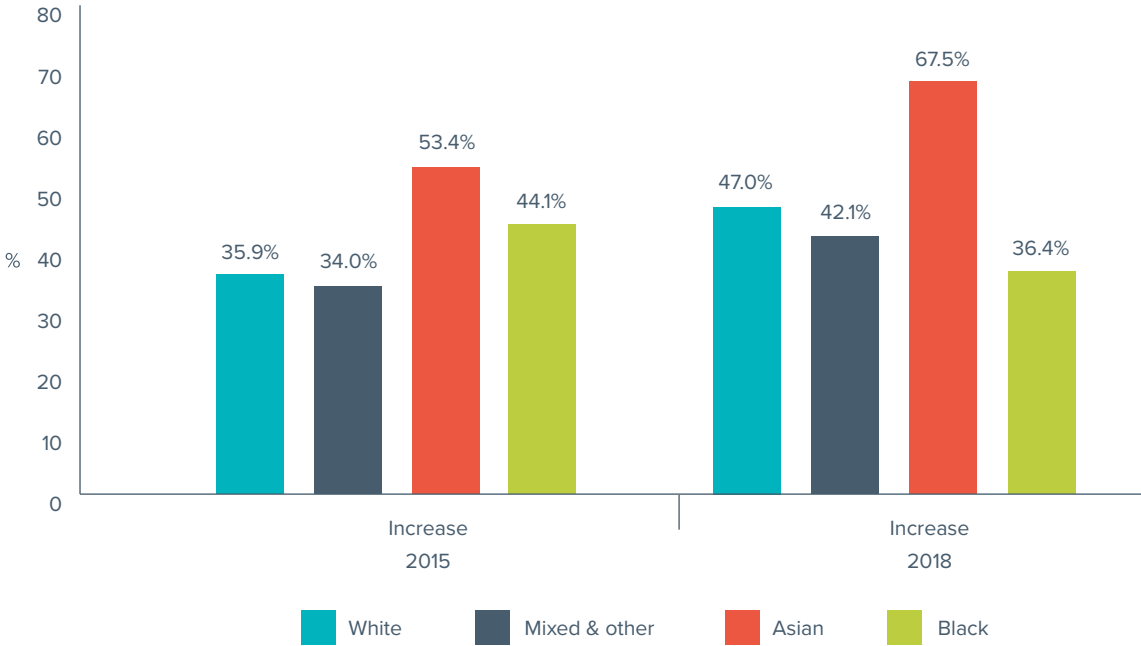


Figure 31(b): Proportion of SMEs reporting an increased turnover expectation in the next 12 months, split by ethnic group

Source: Longitudinal Small Business Survey



When looking at expected turnover growth, we see a similar pattern to that of employment growth as ethnic minority-led owners were consistently more optimistic than other firms in both 2015 and 2018 (Figure 31). However, looking at the net balance results suggests a slightly different outcome. Even measured on a net basis, the EMB results in both years were still higher than amongst non-EMBs. However, the positive balance reported by ethnic minority led firms again fell between 2015 and 2018 (from +42% to +29%, respectively). At the same time, non-EMB firms reported little change in sales growth projections over this period (+23% and +19%, respectively). The more granular breakdown of ethnicity shows a particularly significant fall in the percentage of Black/Black British-led businesses expecting sales growth from 68 per cent in 2015 to 36 per cent in 2018, but all ethnic minority sub sectors all reported a decline as well.

When looking at longer term ambition to grow sales, Figure 32 shows a comparable story of optimism regarding expected employment and turnover growth. It should be remembered that such responses may well reflect aspirations more than a current business plan so optimistic views are more likely. Even so, a higher percentage of ethnic minority-led firms stated they expected sales to grow in the next 3 years (72% vs 51% in 2015 and 69% vs 56% in 2018). There was again a significant drop in the percentage of Black/Black British-led businesses expecting longer term growth in 2018 compared with 2015. However, non-EMBs still had a lower percentage than all other ethnic groups in both years. When looking at those that expected at least 50 per cent growth, the trend was the same with an increase in the percentage reported by both Asian/Asian British and other-led businesses in 2018.

“Funding is crucial to our ambitions to innovate. I was signposted to the British Library, so I’ve signed up to webinars and skills training which has been helpful. If I was able to secure funding, it would allow me to grow and thus recruit an employee, which would reduce my workload. My hope in the next year is to recruit at least two employees.”

Black African woman
Stephanie Itimi, Seida (cybersecurity), London

Figure 32(a): Proportion of SMEs reporting an ambition to grow sales over the next three years, split by Non EMB vs. EMB

Source: Longitudinal Small Business Survey

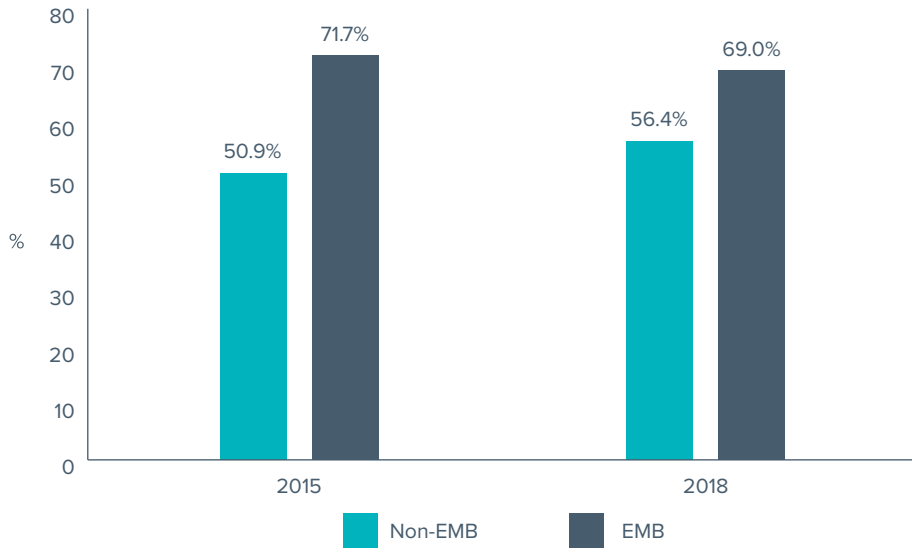


Figure 32(b): Proportion of SMEs reporting an ambition to grow sales over the next three years, split by Ethnic Group

Source: Longitudinal Small Business Survey

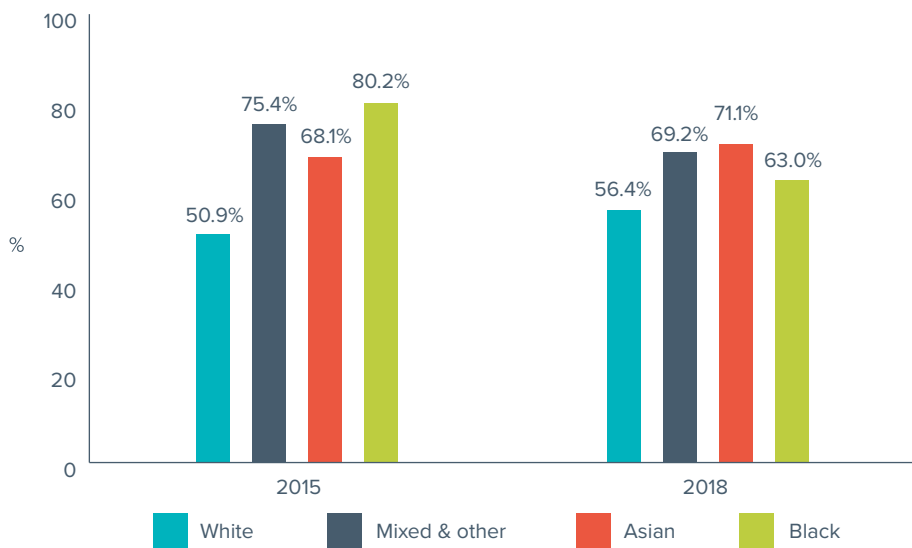
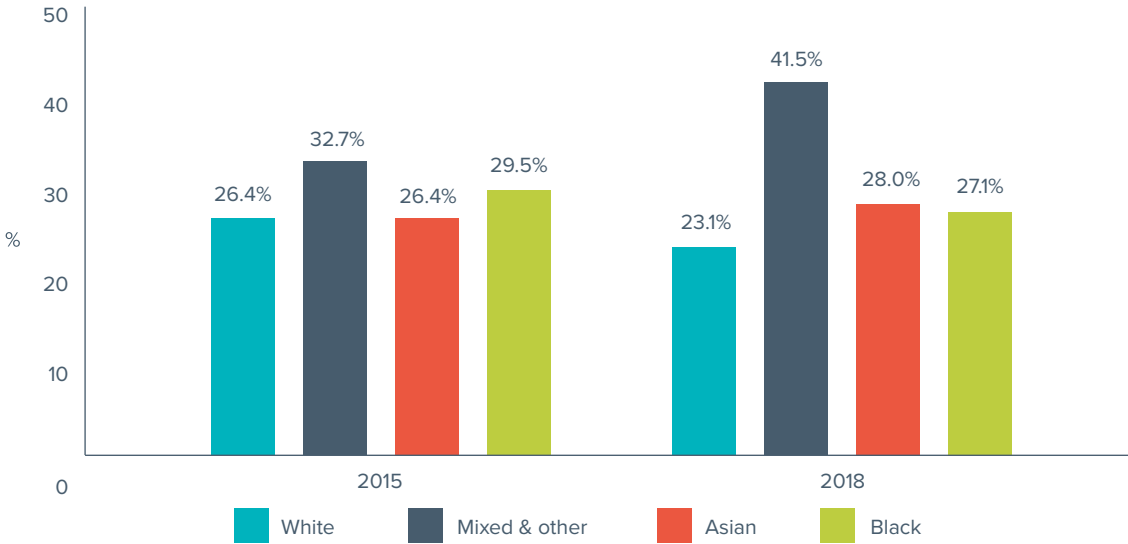


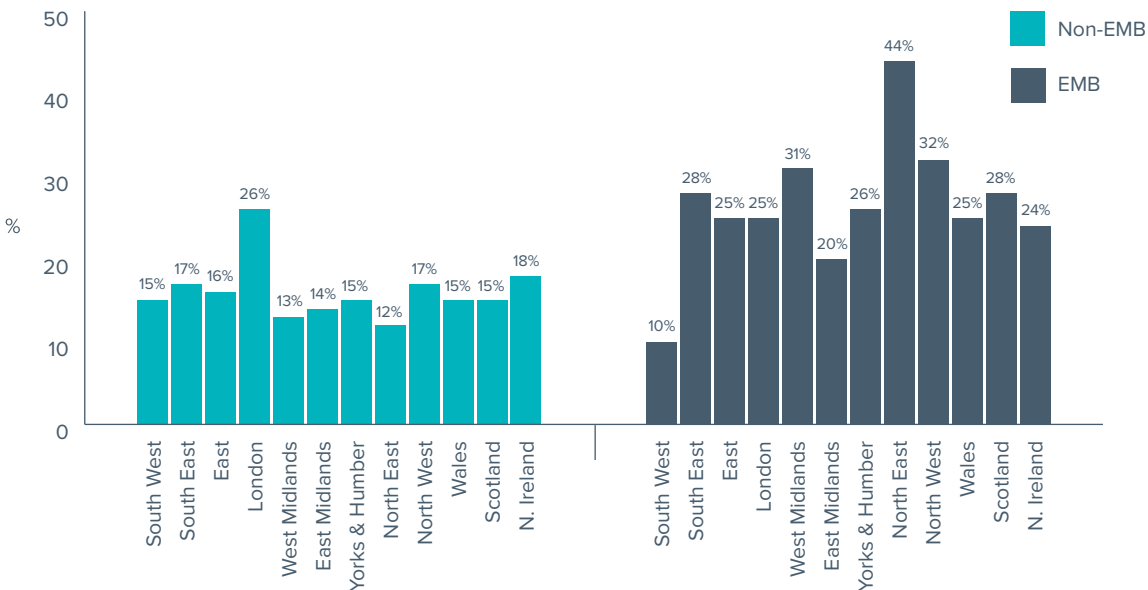
Figure 32(c): Proportion of SMEs aiming to grow sales by more than 50% over the next three years, split by Ethnic Group
Source: Longitudinal Small Business Survey



Using GEM data, we can also look at employment growth expectations by region. Figure 33 shows this breakdown, where firms expect an increase of 10 employees, which also translates into an increase of at least 50 per cent in growth of employees in 5 years' time. This data support findings from the LSBS where most regions have a higher percentage of EMBs stating expectations to grow to this level. The exceptions were the South West of England (15% vs 10%) and London (26% vs 25%), where a higher percentage of non-EMBs expected growth.

Figure 33: Proportion of SMEs aiming to increase their employment, split by Non-EMB vs. EMB and cut by region
Source: Global Entrepreneurship Monitor

Export Ambition to Grow by Region



Overall, looking at the LSBS results for 2015 and 2018 regarding recent trading performance points to mixed conclusions for ethnic minority-led firms. The marked fall in the net balance of

EMBs reporting past sales growth between 2015 and 2018, not seen in the rest of the business population, is a cause for concern. While it is important to acknowledge that the net balance was still positive in 2018, suggesting turnover was still rising, the rate of increase looks to have been falling. This marked change cannot easily be explained beyond the uncertainty created by the EU referendum, but it is noteworthy that it was only really a feature of the results for ethnic minority business owners. Similar conclusions can be drawn about the deterioration in short terms sales expectations for the next 12 months, which also fell for EMBs relative to non-EMBs.

Nevertheless, there were still clear positive differences in expectations and longer-term ambition to grow between EMBs and non-EMBs. In 2018, looking at both the LSBS results and those from GEM, a higher percentage of ethnic minority-led firms than non-EMBs expected to increase employment, turnover and sales in the coming years. This optimism seems to hold fast regardless of evidence from recent trading performance.

Business support and networking

Business support and networks are fundamental in providing resources to businesses to enable them to grow. Figure 34 shows the percentage of ethnic minority-led and non-EMBs which state they used different types of business support in the past year. While in 2015, a lower percentage of ethnic minority-led firms used business support, this was reversed in 2018. The more granular view by different ethnicities reveals more stark differences. A percentage of 35 per cent of mixed & other-led businesses and 32 per cent of Black/Black British-led businesses used business support in 2015, while only 16 per cent of Asian/Asian British-led businesses used support. This changed in 2018 for Black/Black British-led businesses, where there was a drop to 23 per cent. In contrast, the number of businesses using business advice increased among Asian/Asian British-led and mixed-led businesses. Given the number of firms involved, the increased use amongst Asian/Asian British-led firms was key to the overall higher level of business support use amongst EMBs.

“The Growing Club is a not-for-profit organisation based in Lancashire. The Growing Club provides a range of skills training and opportunities for women, using a creative and alternative peer support model. We are well aware of the discrimination that women may face especially women who come from an ethnic minority background. We have a number of women from ethnic minority backgrounds coming to us and we are delighted to see an increase in the number of Asian women coming to us too, but it’s still a small number.”

Jane Binnon (Founder of the Growing Club)
FSB member, Lancashire

Figure 34(a): Proportion of SMEs using Business Support, split by Non-EMB vs. EMB
Source: Longitudinal Small Business Survey

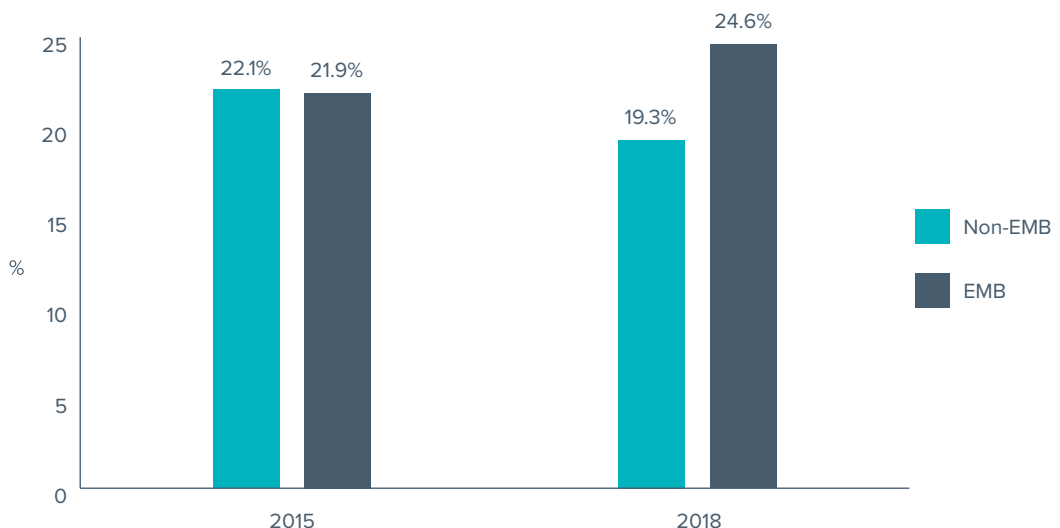
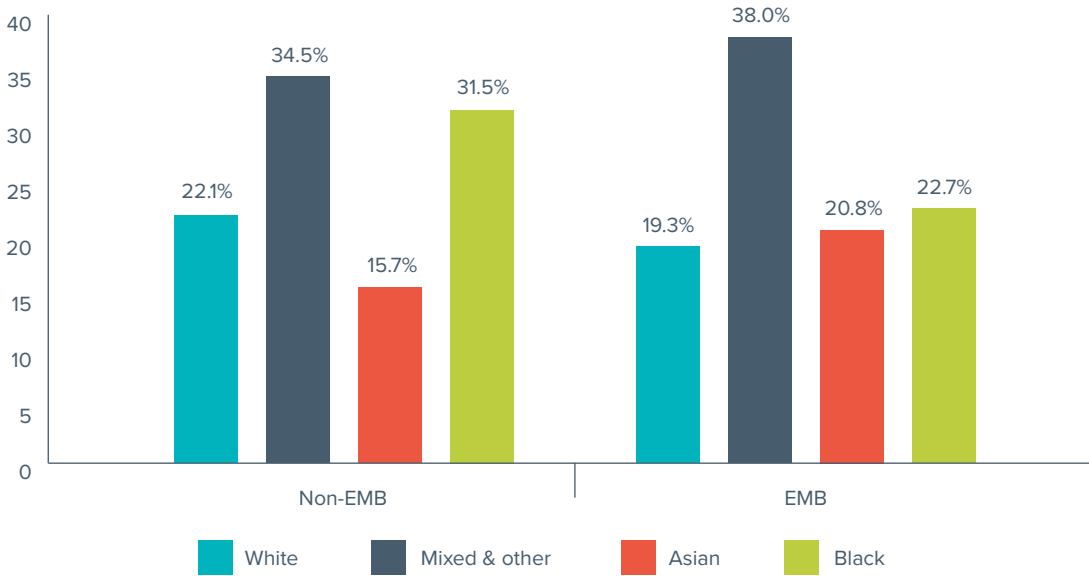


Figure 34(b): Proportion of SMEs using Business Support, split by Ethnic Group

Source: Longitudinal Small Business Survey



“I don’t have a lot of the networks that a lot of people have when they go out on their own. I don’t have the option to raise money from friends and family. When I’ve gone out to raise funds it’s been difficult because we don’t have pre-existing relationships with banks to raise debt financing and to raise equity financing. I think the lack of networks is a factor in access to finance. I have a PHD and a MBA. My digital marketing agency is successful, so I feel I have all the things investors say they want from candidates that are seeking investment, yet I’m refused.”

“We looking to rapidly extend our services in Spanish, French and German because we know international growth is important to our future success. The contacts we have as business in the UK and internationally helps us grow and thrive.”

White and Black African female
Khaleelah Jones, Digital and marketing agency, London

Figure 35 shows the use of informal and formal networks by businesses in 2015.²⁷ Overall, a higher percentage of ethnic minority-led firms reported using both formal and informal networks than amongst non-EMBs, relying especially on informal networks. The split by ethnicities follows the same trend, where informal networks are more often used than formal networks. Mixed & other-led businesses and Black/Black British-led businesses showed the most use of networks with over 50 per cent in both categories. White-led and Asian/Asian British-led businesses showed a similar percentage in both formal and informal networks.

“Networking can be tough, you have to show up and keep going back until you’re accepted. I had to learn this, as I felt a lot of the time people questioned me and questioned why I was there. There’s so much conscious and unconscious bias. Keep going back if you feel that’s the place you should be.”

British Black Caribbean woman
FSB member, Business Services, South East

²⁷ Formal networks were defined as those that stated to be part of a local Chamber of Commerce or a formal business network. Informal networks were defined as those that stated to be part of a social media business network such as LinkedIn or an informal business network that meets socially to discuss mutual business interests. Respondents can state to be in more than one group so there will be some overlap.

Figure 35(a): Proportion of SMEs engaged in formal and informal business support networks, split by EMB vs. Non EMB

Source: Longitudinal Small Business Survey

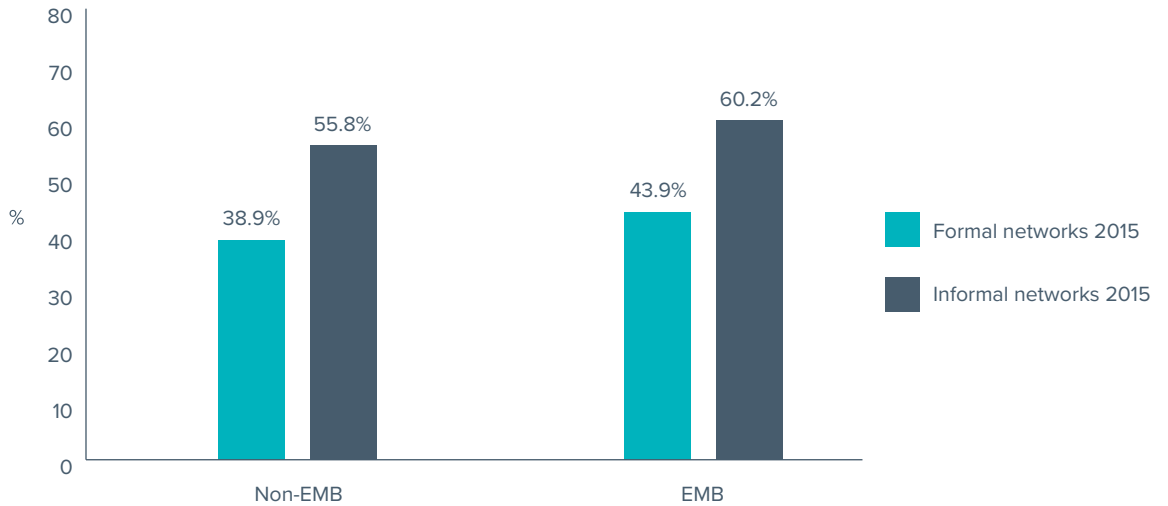
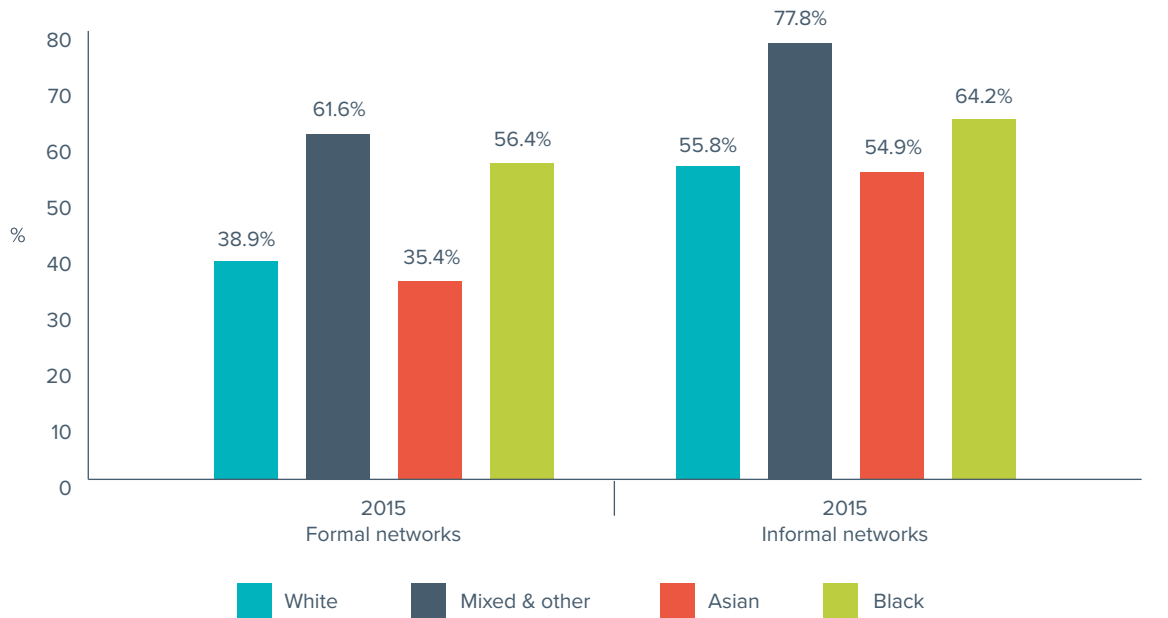


Figure 35(b): Proportion of SMEs engaged in formal and informal business support networks, split by Ethnic Group

Source: Longitudinal Small Business Survey



“I remember attending my local council and business networking events. I found that the majority of people that were coming back to me via networking events were from my community, so started going to more community events, than council events. Until I built up my portfolio the majority of my clients were from the same background as me. I realised that it was easier to generate business from my own ethnic group. I don’t think I would be where I am today without people from my community supporting me.”

British Asian Pakistani woman
FSB member, Building Design, North West

Higher levels of use of business support may well be important in realising growth ambitions amongst firms of all types. EMBs appear to have turned more towards using support and advice between 2015 and 2018. However, while ethnic minority-led firms had an overall slightly higher use of business support by 2018 at least, this was particularly dependent on informal networks. Hence, it is difficult to judge if the volume and quality of support and advice was appropriate alongside the corresponding growth ambitions.

“I received a business loan through the New Enterprise scheme five years ago. My mentor under the scheme helped me with my business plan which was really useful.”

Black British Caribbean woman
Grace Graham, Business trainer, London

“There is so much more the local council could do to let people know of the services that are out there. This has been a big issue during the Coronavirus pandemic, with many businesses in the area not knowing what support is available to them – information is simply not accessible. Local advice centres are so important and useful to communities, especially in deprived areas. We need to see more support for local advice centres and ensure they continue to be accessible for all.”

British Asian Pakistani male
Business owner, Legal services, North West

Staff training is also a core part of improving skills in firms and increasing potential to grow. Figure 36 shows the percentage of ethnic minority-led firms that had staff training in the past 12 months. In 2015, a higher percentage of non-EMBs (55%) stated they had either on the job or off the job staff training than ethnic minority-led firms. However, this changed in 2018, where 49 per cent of EMBs had training compared with 46 per cent of non-EMB. Other than mixed & other-led businesses, there was a decrease in the percentage of White, Asian/Asian British and Black/Black British-led businesses investing in training in 2018 compared with 2015. Asian/Asian British-led businesses had the smallest percentage in both years that stated they had staff training.

Figure 36(a): The proportion of SMEs engaged in staff training both on the job and off the job, over the last 12 months, split by EMB vs. Non-EMB

Source: Longitudinal Small Business Survey

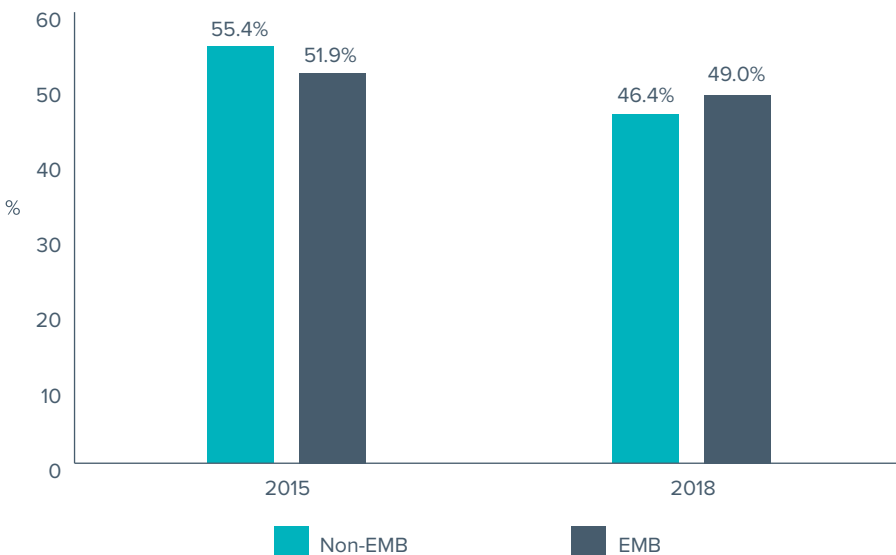
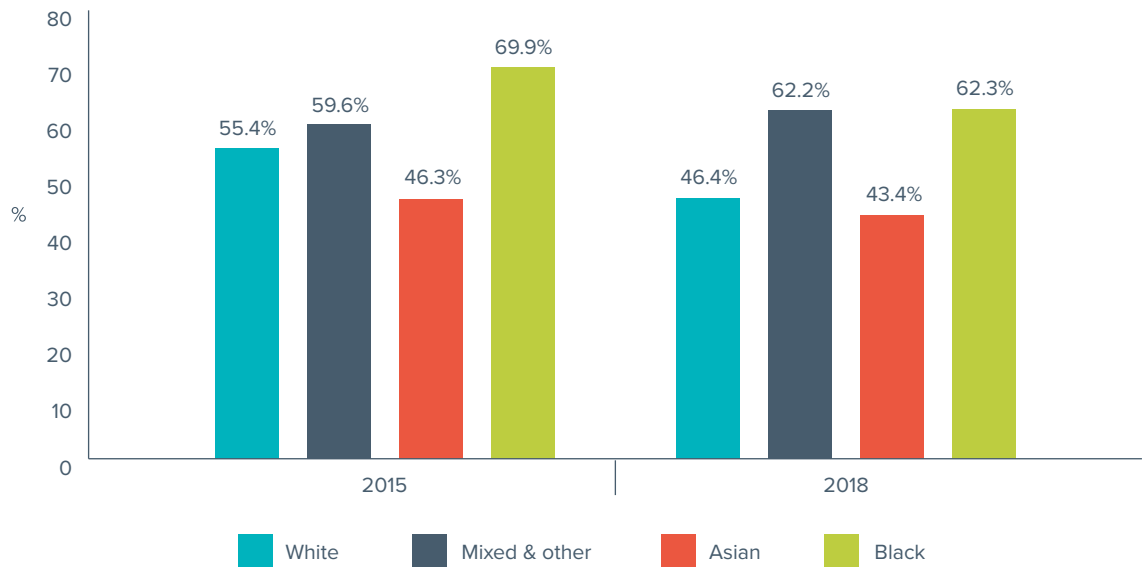


Figure 36(b): The proportion of SMEs engaged in staff training both on the job and off the job, over the last 12 months, split by Ethnic Group

Source: Longitudinal Small Business Survey



Ethnic minority-led firms appear overall to have cut back on staff training less between 2015 and 2018 when compared with non-EMB firms. This is comparable with developments reported earlier regarding business support, although EMBs increased their use of various types of external support, which is different from cutting back less on training when compared with non-EMB firms.

Looking at all the data presented on growth plans, support and training together, it is suggested that ethnic minority-led firms appear to have consistently higher ambition when compared with non-EMBs. In the face of more difficult trading conditions for EMBs compared with other firms between 2015 and 2018, ethnic minority entrepreneurs continued to innovate more frequently than other owners and looked to increase take-up of business support and advice, alongside preserving staff training from cutbacks. All these actions appear well thought through and appropriate. The main concern over this approach is the reliance on informal networks for much of this advice, particularly around the targeting and quality of this support.

Conclusions

Ethnic minority businesses (EMBs) are of two main kinds. Some are long-established firms, often with roots in South Asia or the Caribbean. Others are new businesses from a wide range of countries, including from Africa and the Middle East. These new businesses reflect a wide array of nationalities and, in many UK cities, as this report illustrates, they represent a significant part of the business landscape.

Policy discourse at one time treated EMBs as a distinct category defined by ethnic origin. That time has long gone. Business owners rarely identify themselves primarily in ethnic terms. The growing diversity of the population of firms underlines this point. There are far too many national origins for a single 'minority' category to mean anything.

This does not mean that EMBs are indistinguishable from 'mainstream' businesses. First, because of the often limited opportunities open to them, they are concentrated in specific sectors and geographical locations. Evidence shows that new businesses tend to reproduce the experience of older ones, in being located in highly competitive and low value-added sectors. This report suggests a trend towards diversification into higher value-added activities, although many EMBs continue to ply their trade in traditional sectors. Second, many of them rely on personal and

family contacts for financial support and sources of labour. Third, many continue to be detached from mainstream business support networks, or overlooked in strategies on ‘innovation’, ‘growth’ (inclusive or otherwise) and ‘productivity’ even though evidence suggests that in some respects they have a good track record of using some types of support.

An accurate picture of the nature of ethnic minority-led business activity in the UK is urgent in light of the changing nature of this important yet often overlooked segment of the small business sector. The task is all the more pressing given the increasing ethnic diversity in the general population. We have drawn on the best available data in this report to highlight key themes on EMBs to inform wider debates on small firm policy.

Economic and social contribution

With 250,000 firms led by ethnic minority entrepreneurs contributing £25 billion of GVA, their collective contribution to the British national economy is indisputable and more important than implied by the term ‘minority’. Bearing in mind that ethnic minority populations and their business owners are geographically concentrated and strongly urbanised, their impact on local economies such as Greater London, the West and East Midlands, North West England and West Yorkshire is likely to be magnified still further. We can assess the direct monetary contribution of EMBs to GVA but the wider community value is largely unmeasured and this remains a serious gap in our knowledge.

Our key findings on entrepreneurship resonates with other research, such as that by the Centre for Entrepreneurs’ (CFE) report on immigrant entrepreneurs which found in the “heartland SME segment of the economy” (companies with a turnover between £1m and £200m), foreign-born owners of small corporate enterprises were, amongst other things, almost twice as entrepreneurial as UK-born individuals.²⁸ Indeed, the CFE report concludes that “Britain relies heavily on entrepreneurial migrants to launch businesses, create jobs and grow the economy”. Combined with the compelling evidence in our study, the contribution of EMBs to the UK economy is far too significant to ignore.

This impact makes itself felt on several levels. At the top, there are growing numbers of South Asian, Chinese and other ethnic minority enterprises operating in technology-intensive sectors like electronics, pharmaceuticals and advanced manufacturing, which make a major contribution to local wealth and job generation. Their role in job creation is very much about quality as well as quantity. Alongside this, ethnic minority-led firms have a unique part to play in boosting local export capacity, a transnational role facilitated by personal contacts with and knowledge of their countries of origin. Our findings reinforce a longstanding theme in debates on ethnic minority entrepreneurship on the value of diasporic ties in facilitating overseas trade. It is clear EMB firms play a leading role in aspects of international trade and growth, and so have the potential to support the UKs productivity push. This point is worth emphasising in a post-Brexit era when the forging of international trading relationships is an important policy objective.

In addition to these high flyers, there are many EMBs in low value sectors. Refocusing on the rank and file EMBs we find that the vast majority earn their livings in low economic value activities like corner shop retailing, personal services and hospitality. From the very outset in the 1970s, the first wave of South Asian entrepreneurs mostly confined their business activities to easy to enter sectors requiring little capital or expertise. This pattern has continued to be reproduced by waves of new East European and African migrants in the present century. Inevitably such firms, often very small and struggling to survive, cannot be judged by the same yardsticks of job and wealth creation as the high flyers.

Nonetheless, the contribution of the iconic ‘corner shop’ and other locally-embedded ventures that serve the myriad communities is considerable, and often under-appreciated when only measured in hard financial terms. The COVID-19 crisis starkly illustrates the vital role of these local lifelines in supplying essential goods and services such as food retail, restaurants, taxi driving which are no longer provided by many non-ethnic minority entrepreneurs. These activities are necessary for

²⁸ Centre for Entrepreneurs/DueDil. (2014). *Migrant Entrepreneurs: Building our Businesses, Creating our Jobs*, London: Centre for Entrepreneurs.

the day-to-day functioning of the locality and contribute to the competitive attractiveness of the modern city. By adding to the cultural and visual diversity of the urban environment, ethnic shops and restaurants enhance its attractiveness for shoppers and tourists. While job generation tends to be smaller and less diversified, more often than not its benefits are maximised by its location in disadvantaged urban neighbourhoods where earning opportunities are scarce. Even more socially beneficial than job creation is the provision in these self-same deprived areas of essential services like food retailing. Large expanses of inner urban Britain have seen their local shops wiped out by supermarkets, with small migrant shopkeepers the last remaining source of daily needs. First enacted by Asian retailers in the 1980s, this role has subsequently been increasingly inherited by Polish, Somali, Kurdish and Arab owners.

As we highlight the contribution of ethnic minority-led firms to the British economy and society, it is easy to overlook that much of this comes at considerable cost to the providers themselves. Typically, the small EMB is a marginal operator fighting to survive in overcrowded competitive markets and often remaining viable only through the use of family resources (i.e. labour). The risks and sacrifices of many ethnic minority shopkeepers coping with COVID-19 have been widely recognised.²⁹

Recent changes: Contribution

Ever since the late 1970s, ethnic minority self-employment rates in the UK have exceeded those of the indigenous population, mainly due to high rates in the Indian and Pakistani communities. From the 1980s to the new millennium, this gap widened quite strikingly, as Indo-Pakistani business ownership was joined by an increase in participation from the Bangladeshi, Black Caribbean and African communities plus newcomer migrant groups such as those from Poland and Somalia. Over the last four to five years however, there have been signs from the GEM survey of a somewhat surprising reversal in fortunes, with this report showing that non ethnic minority respondents are now potentially more likely than ethnic minorities to declare an intention to start a business. Some supporting evidence on changing fortunes can also be seen in the 2018 LSBS results on sales growth amongst the wider EMB community. Although we need further survey results to confirm these recent findings, what accounts for this overturning of a longstanding and seemingly immutable trend in favour of immigrant-origin groups? There are probably three main reasons:

A growing proportion of young British-born South Asians, often themselves the product of business families, are increasingly using their UK educational qualifications to open up careers in the professions. Accordingly, South Asian self-employment has been falling for the past two decades or so, a downward trajectory especially marked among those of Indian origin. This has acted to depress the overall ethnic minority self-employment figure. For example, amongst the working age population the Indian self-employment rate was 18.5 per cent in 1991, but was down to 12 per cent in 2017/18. Within this group, the rate for Indian heritage, but UK born is now closer to 6 per cent (and this sub-group is rising in size).³⁰

Alongside this there has been growth in non-ethnic minority self-employment. This may be as a result of policies from the 1980s onwards to promote a new enterprise culture, alongside the evolution of the economy away from primary and production-based activities towards service industries- for example the surge in new internet/ technology-led and media based professions. However, in some communities self-employment is also a response to the 21st century evolution of the British job market, as an alternative to unemployment or low paid work.

The change in fortunes also coincides with the outcome of the EU referendum and the negotiation of the terms of the UK's exit. It is recognised that the sustained period of uncertainty post the EU referendum, until the outcome of the 2019 General Election, had an impact on all parts of the UK business sector. This may well have included disrupting start-up plans and sales results for some ethnic minority entrepreneurs and recent immigrants.

COVID-19 has and will continue to have a significant impact on both the UK and international

29 The Guardian 23/4/20, "Owners of corner shops are considered key workers but are an at-risk group. Three have died in the outbreak".

30 Clark, K and Drinkwater, S. (2006). Changing Patterns of Ethnic Minority Self Employment in Britain: Evidence from Census Microdata. IZA (Discussion Paper 2495); see also Table 1.

economies. The optimistic survey results for growth intentions from all firms collected by the LSBS in 2018 will clearly prove very difficult to deliver in the realities of economic conditions in 2020/2021. The potential prospect of a perfect storm cannot be ignored. COVID-19 could damage the economic environment for many older, more traditional EMB-led firms which often operate in low-value added markets with insecure incomes. At the same time, the emerging higher value-added, growth and export orientated firms led by ethnic minority entrepreneurs could also see plans and opportunities impacted by end of the transition period. This impact could still be short-term and be either positive or negative, but the uncertainty needs to be overcome as soon as possible. In the event of a growth in unemployment, we would expect the relative attractiveness of entrepreneurship to be bolstered for all ethnic groups, majority and minority alike.

Recent changes: Categorisation

Our findings show how difficult it has become to apply the label 'ethnic' minority business in a way that resonates with the experiences of diverse communities. Terminology in this field has always been contested, but the challenge has become even more pronounced because of the scale and pace of demographic change. The UK is increasingly 'superdiverse' in that it is characterised by communities that are differentiated by nationality, socio-economic background, religion, legal status, and gender.³¹ It is difficult to understand ethnic minorities and their businesses within the established ethnic minority framework customarily applied to their long-settled South Asian, African Caribbean and Chinese predecessors.³² Ironically, a key example of this is the limitations of the current White ethnic grouping which is too broad as we are no longer able to easily assess trends in businesses set up by some EU migrants without reference to nationality data.

Further, the bulk of the minority ethnic group population in the UK have now been born in Britain. Indeed, the proportion of UK-born will continue to increase steadily as the millennium progresses. It is likely that those born or brought up in Britain identify in different ways to the older migrant population (or even recent migrants of similar age). For example, the mixed heritage category is the most rapidly growing in Britain. In the 2011 Census, 1.2 million persons were enumerated in the renamed 'mixed/multiple' group (2.2% of the general population), up from around 670,000 (1.3%) in 2001. The 'mixed' group is projected to continue increasing significantly.³³ If the categories used by agencies to collect data on the self-identified ethno-cultural characteristics of the population do not reflect salient terms, the process may give rise to social groups which are artificial, with no real meaning.³⁴ This lack of meaning will automatically be carried over into a number of official data series of ethnic minority labour market and business activity.

As official business support for ethnic minority-led firms has developed from the 1980s onwards, ethnic minority entrepreneurs have become increasingly dissatisfied with the labels used by support agencies to categorise them. In the UK, recent enquiries with entrepreneurs have found many who would prefer simply to be treated as "entrepreneurs" without a prefix. Attention needs to be given to the multiple social identities of entrepreneurs, particularly looking at the age profile together with the market sector in which the individual is operating. Asians in Britain, for example, show stark contrasts between the first generation of immigrant entrepreneurs and their descendants. First generation Asian entrepreneurs, for example, were typified by the small firm survivalist low order retailer (the 'corner shop'). In contrast, their children and grandchildren are more likely to be engaged in knowledge-rich upmarket mainstream activities. It is not meaningful to categorise these together simply because of a common heritage.

This study breaks new ground in demonstrating the contribution of EMBs to the UK economy, drawing as much as possible from existing representative data sources. This is an important and valuable first step. The significant contribution of such firms to the UK's enterprise and innovation activity as well as GVA is now evident, as is the vital but often unacknowledged benefit to the social realm of communities. As the whole UK economy faces the uncertainties of the post Brexit and post

31 Vertovec S. (2007). Super-diversity and its implications. *Ethnic and Racial Studies* 30(6): 1024–1054.

32 Nathan, M. (2015) 'After Florida: Towards an economics of diversity', *European Urban and Regional Studies*, 22:1

33 Aspinall, P (2018) What kind of mixed race/ethnicity data is needed for the 2020/21 global population census round: the cases of the UK, USA, and Canada, *Ethnic and Racial Studies*, 41:11, 1990-2008

34 Aspinall, P (2000) 'The challenges of measuring the ethno-cultural diversity of Britain in the new millennium', *Policy and Politics*, 28:1:109-118

COVID-19 period, the particular issues facing the ethnic minority business community need to be kept under close scrutiny.

In addition, as we have argued above, entrepreneurship by old and new ethnic minority minorities has important external effects such as fostering neighbourhood links and providing community cohesion, cultivating the entrepreneurial spirit in society and forging closer links between labour markets at local, national and international levels. The limitations of existing data sources prohibit the review of this in any detail. Given this, it is imperative that a comprehensive and regular national level study of ethnic minority entrepreneurship now be conducted, comparing the propensity for entrepreneurship as well as improving existing data on the scale, sector and type of small business operated by people of different ethnic backgrounds and with different immigration and residence histories. Only then will we truly understand the impact of ethnic minority entrepreneurs in the UK.

SOURCES AND DATA

This report has been compiled from a number of key sources, in particular

The **Global Entrepreneurship Monitor** (GEM) is a long running survey measuring entrepreneurial activity in numerous countries since 1998. The core part of the survey is identical in each country and gives valuable insights into the different stages of individuals' entrepreneurial journey. The UK survey used runs from 2002 to 2018 and includes over 300,000 individuals interviewed across the UK. Here, we focus on the working age population (18-64) to look at level of exports and ambition to grow a business.

The **Longitudinal Small Business Survey** (LSBS) is a large-scale telephone survey commissioned by the Department for Business, Energy and Industrial Strategy (BEIS) and run each year. It collects a range of information on SMEs (less than 250 employees). All variables are weighted to be representative of SMEs population. We use 2015 and 2018 data, years when the sample size was the largest in order to have a better coverage of the EMB population. The sample includes both incorporated businesses and sole entrepreneurs. This also allows us to have a glimpse of situation before the 2016 Referendum and after it.

Other sources used are referenced where required.

In addition, the report references **CREME Project Analysis**. This was a project undertaken by staff at CREME and the ERC using a number of sources in addition to GEM and the LSBS. The sources collected as part of this project included:

- ONS Census data
- ONS Business Population Estimates
- ONS Annual Population Survey

These were used with the GEM and LSBS data to generate *estimates of the EMB population*. The term CREME Project Analysis indicates the data is an estimate not data reproduced from original surveys.

While this FSB has published this report along with a Preface and case study material, Aston University Business School have compiled the main content for the FSB and acknowledge responsibility for the accuracy of the data and the subsequent comments. These comments do not necessary reflect those of the FSB.

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