



European Foundation for the Improvement of Living and Working Conditions

# **Ethnic Entrepreneurship in Kirklees, UK**



Franziska Pohl

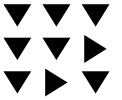
european forum for migration studies (efms)

June 2010



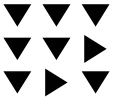
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## Foreword

European cities, in particular major cities with strong economies, attract immigrants from all over the world. As a result, urban populations have become increasingly heterogeneous. The multi-ethnic, multicultural and multi-religious structures of urban society are on the one hand, an opportunity for cities; on the other hand, heterogeneity challenges a city's ability to maintain peaceful and productive relations among the different segments of its population. For this reason, cities have a genuine interest in successful local integration practices.

In order to address this interest, the Congress of Local and Regional Authorities of the Council of Europe (CoE), the City of Stuttgart and the European Foundation for the Improvement of Living and Working Conditions ('Eurofound') formed the European network of 'Cities for Local Integration Policies' (CLIP). This network, launched in 2006, brings together about thirty European cities in a joint learning process. Through the structured sharing of experiences, the network aims to enable local authorities as well as national and European policymakers to learn from each other and, thus, pursue more effective integration policies for migrants at a regional, national and European level. The learning process is facilitated by researchers from six academic research centres.<sup>1</sup> To gather the necessary information for the common learning process, the CLIP team applies a mixed-methods approach; the data is collected through a standardised common reporting scheme that has been filled in by city officials, statistical data, as well as qualitative semi-standardised interviews with local experts. Based on this information, the research teams produce a case study on each city – as with this report on ethnic entrepreneurship in Kirklees.<sup>2</sup>

This report, however, could not have been written without the strong support of the local actors – particularly Kirklees Council's Alan Archer and Ahmed Khan – who assisted in collecting the necessary data, provided precious comments for the study and organised the interviews with various local experts such as staff members of business advice agencies, a bank and the Chamber of Commerce as well as ethnic entrepreneurs. I would like to thank all those who have cooperated in providing valuable resources for this report. Further thanks go to Friedrich Heckmann, Doris Lüken-Klaßen and Heaven Crawley for reviewing and to Joseph Camp for editing the study.

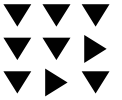
Franziska Pohl

Bamberg, June 2010

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<sup>1</sup> The Institute for Migration and Ethnic Studies (IMES) in Amsterdam, the European forum for migration studies (efms) in Bamberg, the Centre for Migration Policy Research (CMPR) in Swansea, the Forum of International and European Research on Immigration (FIERI) in Turin, the Institute for Urban and Regional Research (ISR) in Vienna and the Institute of International Studies (IIS) in Wrocław.

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## 1. Introduction

Many advanced economies, particularly the larger cities, acquired a more cosmopolitan outlook in the closing decades of the twentieth century and the opening decades of the twenty-first.<sup>3</sup> This is reflected in an ever-broadening product range, which now not only includes items such as Nokia cell phones, McDonald's hamburgers and Nike sneakers, but also Turkish *döner kebab*, Greek food or Russian import-export businesses. In addition, various enterprises such as craft enterprises, insurance companies and law firms are run by migrants.

The appearance of ethnic entrepreneurs and 'exotic' products in shops reveals the deepening links between economies. These two highly visible aspects of globalisation – the international mobility of capital and labour – are often directly related to each other as migrants themselves introduce their products to far-off places. They start businesses in their countries of settlement and become 'self-employed', 'migrant entrepreneurs' or 'ethnic entrepreneurs'.

Although increasing numbers of ethnic entrepreneurs have set up shops, they have long remained "unsung heroes" (BusinessWeek Online 2000). In socio-economic terms, for a long time migrants were largely viewed as workers and not entrepreneurs, and were predominantly depicted as suppliers of cheap, low-skilled labour in advanced economies. Recently, there has been more attention placed towards migrants who start their own businesses. This attention is well-founded in the increasing importance of ethnic entrepreneurship for local economies. By starting their own businesses, migrant entrepreneurs are active agents shaping their own destinies as well as revitalising economic sectors: they create their own jobs as well as jobs and apprenticeships for others, pay taxes and contribute to local economies, provide goods and services (some of which are not very likely to be offered by indigenous entrepreneurs) and contribute different forms of social capital to the local community.

The general aim of this CLIP study is to explore the development of ethnic entrepreneurship and to review the role of policy interventions in that process. It is motivated by the desire of municipal, national and European governments and third sector institutions to create an environment conducive to setting up and developing small and medium-sized enterprises (SMEs) in general and ethnic businesses in particular.

Here, we phrase the objectives into the following basic research questions: What are the characteristics of the urban economy, and, more specifically, what has been the development of the SME sector? What kind of profiles of ethnic entrepreneurship can be identified? What policies, rules and regulations govern the SME sector in general and the ethnic SME sector in particular? These three basic research questions are addressed in chapters three, four and five. First, we provide a short description of the city and its population.

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<sup>3</sup> This section draws on the concept paper of this CLIP module, see Rath 2009.

## 2. Background information on Kirklees

The metropolitan borough of Kirklees is located to the south of Bradford and Leeds in West Yorkshire (see figure 1). It belongs to the Yorkshire and the Humber region and is the most populous local government district of England without city status. In 2007, Kirklees had a total population of 401,000 (ONS 2009b, data based on the Mid-Year Estimates (MYE) from the Office for National Statistics (ONS)).

*Figure 1: Location of Kirklees*



Source: Kirklees Council 2010

Kirklees was formed in 1974 through a merger of the county boroughs of Dewsbury and Huddersfield along with the municipal boroughs of Batley and Spenborough and the urban districts of Colne Valley, Denby Dale, Heckmondwike, Holmfirth, Kirkburton, Meltham and Mirfield. It consists of seven districts: (1) Batley, Birstall and Birkenshaw, (2) Denby Dale and Kirkburton, (3) Dewsbury and Mirfield, (4) Huddersfield North, (5) Huddersfield South, (6) Spen and (7) The Valleys (see figure 2) and twenty-three wards. The metropolitan borough is polycentric and made up of urban as well as rural communities; Huddersfield is the largest settlement of the district and the administrative centre. It was named after the Kirklees Priory, situated midway between Huddersfield and Dewsbury, where Robin Hood is said to be buried.

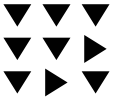
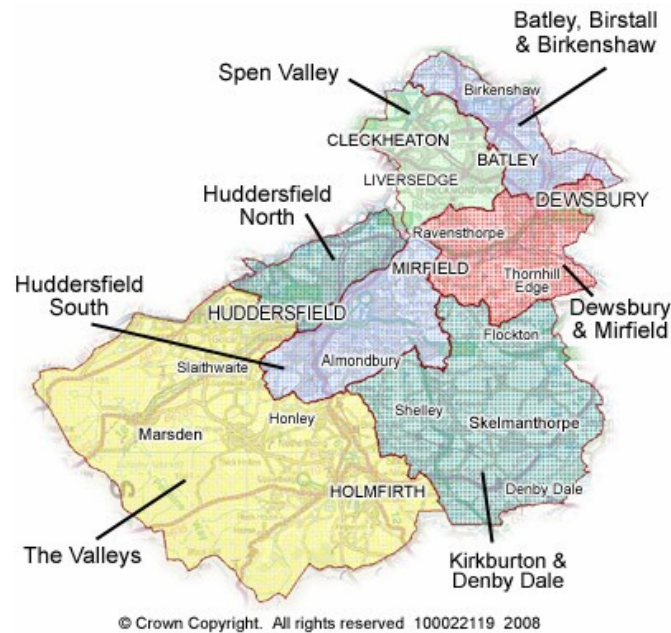


Figure 2: Districts of Kirklees



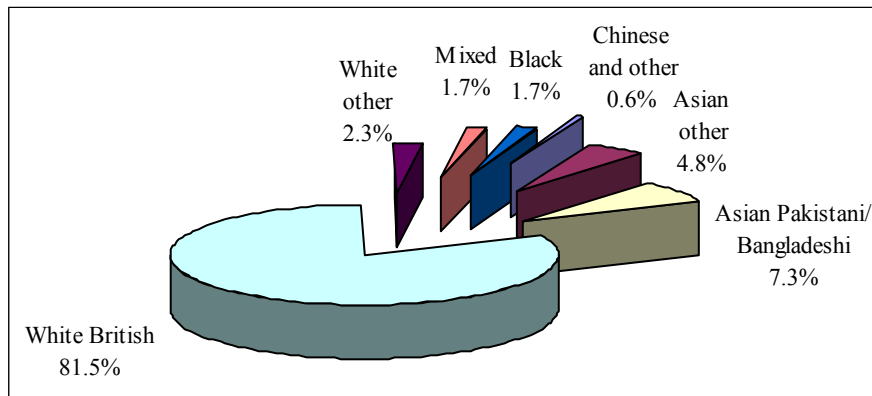
Source: West Yorkshire Police 2010

As in many other British cities, labour migrants from Ireland and Eastern Europe moved to the area of Kirklees in the 19<sup>th</sup> century. Large-scale immigration started after the Second World War. Citizens from the former British colonies – mainly the Indian sub-continent and the Caribbean – migrated to the towns which today constitute Kirklees. A local need for cheap labour, particularly in the textile industries, attracted many labour migrants from India and Pakistan. At the beginning, mostly men migrated; later on, they got their families to join them. Thus, in the course of time, various ethnic communities developed in the area (Asian Voices 2008).

In recent years, migration to Kirklees was mostly characterised by labour migrants stemming from Eastern European countries joining the European Union in 2004, in particular Poland. In addition, asylum seekers and refugees from the Middle East and Africa were dispersed to the metropolitan borough of Kirklees. With regard to recent labour migrants, the number of people who migrated to the area is difficult to define, since exact data on ethnic groups mainly derives from the national census which last took place in 2001 (iCoCo 2007: 19).

According to recent estimates (2007 MYE), minority ethnic groups (MEGs) make up a share of 18.5% of the local population. As can be seen in figure 3, Asian Pakistani/Bangladeshi is the largest minority ethnic group in Kirklees, with a proportion of 7.3% of the total population; other Asians amount to 4.8%. Inhabitants with a non-British White background constitute 2.3% of the local population. The Black minority and people with a Mixed ethnic origin add up to a proportion of 1.7% each; Chinese and other ethnic groups account for 0.6% of Kirklees' total population (ONS 2009b).

Figure 3: Kirklees' population by ethnic groups (2007)



Source: compiled by efms based on data from ONS 2009b

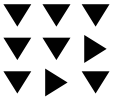
The ethnic minority population in Kirklees is on average younger than the majority population. Looking at the data concerning the ethnic origin of school pupils in the borough, the percentage of White British pupils was about 67% in 2009. Thus, it is lower than the total proportion of White British residents in Kirklees (81.5%). By contrast, about 23% of all students have an Asian background (Kirklees Council 2009b: 22).

The different ethnic and religious communities living in Kirklees are not evenly distributed across the borough. According to the Isolation Ratio – measuring the degree to which Black, Asian and Minority Ethnic (BAME) groups and communities of the majority population are concentrated or separated in geographical terms – Kirklees is the 9<sup>th</sup> most racially segregated local authority area in Great Britain (iCoCo 2007: 8). Kirklees was among England's most deprived fifty districts with regard to both income and employment in 2004 (Kirklees Council 2007: 3).

Concerning religious diversity in Kirklees, slightly more than two thirds of the total population are Christians (according to data of the 2001 census). Muslims are the main minority faith group, representing about 10% of the local population, which is way above the national average of 3%. Kirklees has one of the highest Muslim populations in Britain. Sikhs, Hindus, Buddhists and other religious groups account for slightly more than 1% of Kirklees' inhabitants. About 21% of inhabitants have no religious affiliation or did not state it (Kirklees Council 2009b: 23). Since the demographic structure of the borough's population has changed over the past decade, the religious composition is likely to have altered as well.

### 3. Kirklees' local economy

The subsequent sections examine the characteristics of Kirklees' local economy. The first illustrates historical developments and recent trends, the second section presents the local workforce and the third outlines the development and recent trends of small and medium enterprises (SMEs).



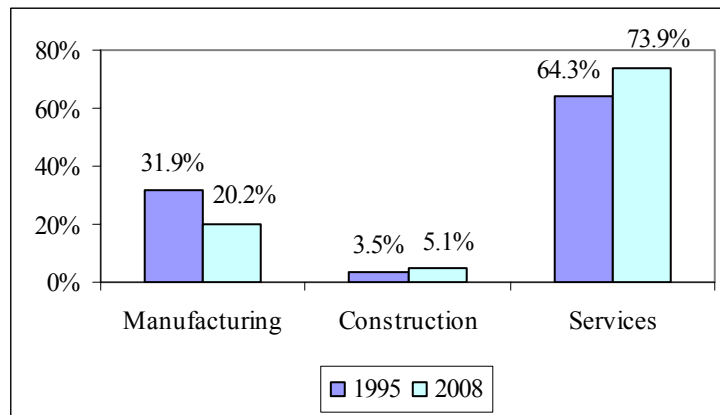
### 3.1. Historical development of the urban economy and recent trends

Kirklees has one of the oldest industrial heritages in the world. Even before the Industrial Revolution, there was skilled manufacturing activity in the area. Historically, the most important industries were textiles, chemicals and engineering. The area was particularly known for producing woollen goods, as the textile industry was booming and attracted many workers from all over the world (iCoCo 2007: 44).

In line with the trend in the UK's economy, the traditional labour-intensive manufacturing industries have declined over the past decades. The sector, however, still plays an important role in the local economy. Today, about one-fifth of Kirklees' workforce is employed in manufacturing industries. The rate for the UK as a whole is considerably lower, at about 13%. Forecasts show that more jobs are to be lost within the coming years, particularly in the textile, clothing and other manufacturing industries, but also in public administration and other financial and business services (iCoCo 2007: 44/45).

As the traditional manufacturing industries declined, the economy diversified, and the service sector grew. For example, there was an increase in the creative, cultural and knowledge sectors and retention of a high-tech advanced manufacturing base. These changes are illustrated in figure 4. Whereas in 1995, almost one-third of the local employees were working in the manufacturing industry, their percentage declined to one-fifth in 2008. At the same time, the percentage of employees working in service industries increased from 64.3% to 73.9%. The share of people in construction also rose, though at a lower level (ONS 2009a).

*Figure 4: Development of employees' distribution according to industries (1995, 2008)*



Source: compiled by efms based on data from ONS 2009a

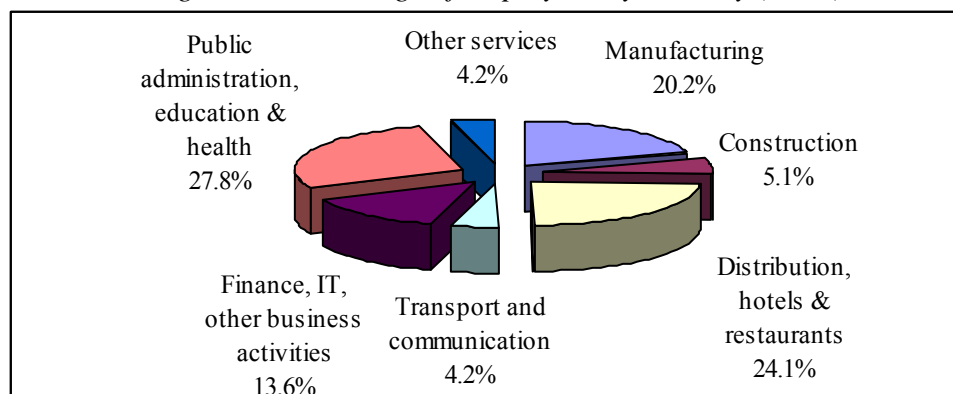
Today, the education sector is important for the local economy. Kirklees is home to the University of Huddersfield and the Kirklees College, which was formed when the colleges in Huddersfield and Dewsbury merged in 2008. The retail sector is crucial as well. Dewsbury, for instance, has a market with a long tradition. In 2007, the market won the 'Britain's Best Market' award. Many of the stall holders are of Asian origin. The metropolitan borough of Kirklees also has good transport connections. It is set between the large conurbations in



South and West Yorkshire and Greater Manchester, benefiting from good motorway and rail connections (BMG 2010: 1).

The biggest proportion of employees in Kirklees (27.8%) work in the field of public services (administration, education and health). 24.1% work in distribution, hotels and restaurants. These service industries are followed by manufacturing, in which 20.2% of all employees work. 13.6% are employed in financial services (finance, IT, other business activities). In construction, the share is 5.1%; in transport and communication and in other services, the percentage is 4.2% each (ONS 2009a).

*Figure 5: Percentage of employees by industry (2008)*



Source: compiled by efms based on data from ONS 2009a

The largest sectors in terms of business numbers are distribution, hotels and restaurants (33%), banking, finance and insurance (25%), construction and manufacturing (11% each) (Kirklees Council 2009a: 9). Except for the latter, this indicates that there are many micro-businesses with very few employees in these branches (cf. section 3.3).

### **3.2. The local workforce**

#### **Size and characteristics of the local workforce**

248,900 of Kirklees' inhabitants are currently of working age, i.e. between sixteen and sixty-four (men) or sixteen and fifty-nine (women) years of age (according to the 2007 MYE). They constitute 62.1% of the borough's total population. However, this figure differs according to the ethnic background of the population: whereas the proportion is lower for inhabitants who define themselves as having a White background and for those with a Mixed ethnic background – namely 61.9% and 47.1% – it is higher for the other ethnic groups. The percentage is 63% for Asian/Asian British inhabitants, 70% for Black/Black British inhabitants and at a striking 81.5% for inhabitants with another ethnic background (ONS 2009b) (see figure 6).

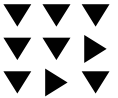
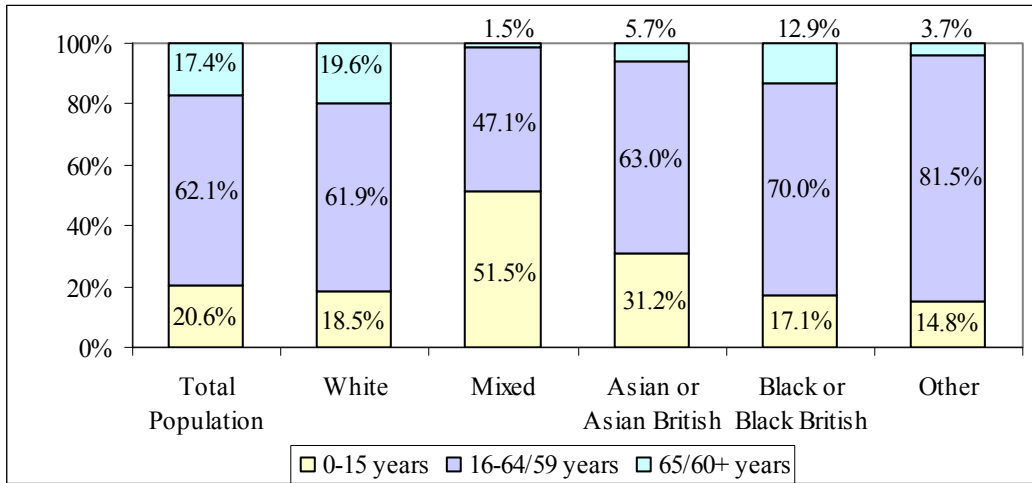


Figure 6: Population according to age groups and ethnic groups (2007)

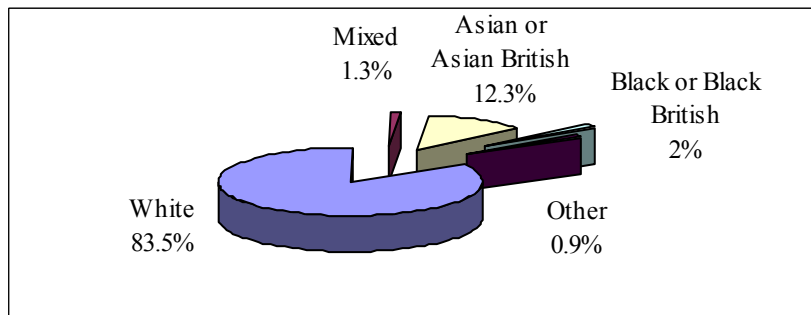


Source: compiled by efms based on data from ONS 2009b

The percentage of young people is highest for Asian/Asian British inhabitants (31.2%) and particularly for those with a Mixed ethnic background, of whom more than half (51.5%) are fifteen years or younger. At the same time, inhabitants with a White background have the biggest percentage of elderly people (19.6%); all Black, Asian and Minority Ethnic (BAME) groups have shares of elderly people that lie below the average of the total population (ONS 2009b). As for the future, the population of working age will become more diverse. There will be more people from a BAME group within the local population of working age – in particular those with a Mixed ethnic or an Asian background.

At present, 83.5% of the local workforce has a White background. Asian/Asian British inhabitants are the largest BAME group, with a share of 12.3% among Kirklees’ population of working age. They are followed by Black/Black British inhabitants (2%) and by people with a Mixed (1.3%) and another (0.9%) ethnic background (ONS 2009b) (see figure 7). There are only slight differences when compared to the distribution of the ethnic groups within Kirklees’ total population (cf. chapter 2).

Figure 7: Workforce according to ethnic background (2007)



Source: compiled by efms based on data from ONS 2009b



According to Kirklees Council, the gender ratio of the local workforce is balanced. Furthermore, about one third of the population of working age is older than fifty years, and approximately 12% are under the age of twenty-five.

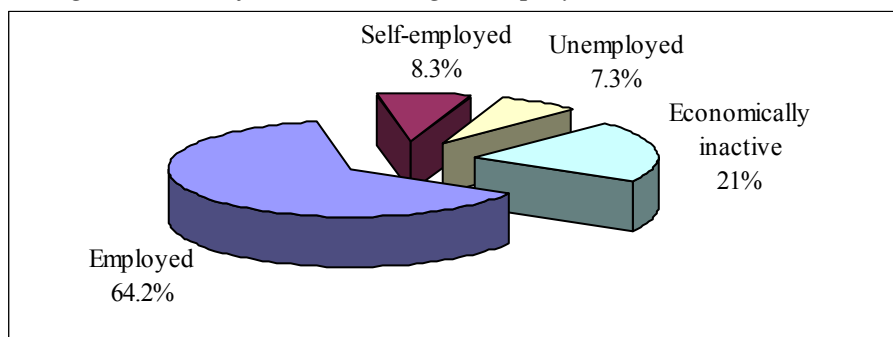
With regard to the educational background of the local population, the qualification levels of the borough's workforce is on average slightly higher than in the Yorkshire and The Humber region and about equal to the national average in Great Britain. According to the annual population survey of the Office for National Statistics (ONS), which determines the qualifications corresponding to the National Vocational Qualification (NVQ) levels, 14.4% of the local workforce has no educational qualifications. This percentage is marginally higher than the regional and national averages, which are 13.4% for Yorkshire and The Humber and 12.4% for Great Britain. At the same time, the proportion of the workforce with qualifications of NVQ level 4 and above (which corresponds to higher education qualifications) is 27.7% in Kirklees, compared to 25% in the Yorkshire and The Humber region and 29% in Great Britain (ONS 2009a). Again, there are differences in the qualification structure among different ethnic groups. In particular Asian or Asian British inhabitants are on average more likely to have no formal qualification and less likely to have a qualification of level four and above (Kirklees Council 2009b: 22).

### Employment status of the local workforce

Kirklees' population of working age can be differentiated according to its employment status (see figure 8). Between July 2008 and June 2009,

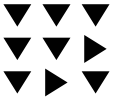
- ▶ 64.2% of the local workforce were employed
- ▶ 21% were economically inactive
- ▶ 7.3% were unemployed and
- ▶ 8.3% of the people of working age living in Kirklees were self-employed (ONS 2009a).

*Figure 8: Workforce according to employment status (2008/2009)*



Source: compiled by efms based on data from ONS 2009a

Between July 2008 and June 2009, the unemployment rate in Kirklees was 7.3%, and was thus slightly lower than the unemployment rates within the Yorkshire and The Humber



region (7.6%), but higher than the average rate in the United Kingdom, which was 6.9% (ONS 2009a). Unemployment in Kirklees has usually been marginally lower than the regional and national average, but as in most other British cities and regions, unemployment in Kirklees increased significantly over the past two years. The most recent rate of 7.3% represents the highest rate for Kirklees within the last decade. This is mainly due to the current economic crisis and downturn of the UK's economy (cf. section 3.3).

Unemployment rates for ethnic minority groups tend to be higher on average than those of the majority population. Whereas in 2006, the International Labour Organization (ILO) unemployment rate was 5% in Kirklees, it was 14% for BAME groups in the borough. In particular foreign-born Pakistani and Bangladeshi men and British-born African-Caribbean men are more likely to suffer from unemployment. Local research suggests that this is related to low educational achievements, high levels of deprivation and discrimination in the labour market (iCoCo 2007: 47).

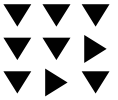
BAME groups in Kirklees also tend to have different economic activity rates – with regard to both the majority population and between different ethnic communities. According to census data, 68.5% of all White inhabitants of working age were economically active in 2001. The proportion was 64.6% for Black inhabitants and other ethnic groups, and 47.2% for the local Asian or Asian British population (Kirklees Council 2009b: 23). Indian and Pakistani women have a particularly low level of economic activity, 34.2% and 23.1% respectively, compared to 62.6% for all White ethnic groups (iCoCo 2007: 47).

According to the local business development department, ethnic minority employees in Kirklees are more likely to work in sales or semi/unskilled manual occupations and less likely to work as managers/senior officials or in skilled manual trade. The largest proportion of workers with an ethnic minority background can be found in the public sector, distribution, hotels and catering, in retail as well as in manufacturing. The 2001 census showed that a higher proportion of Asian people are working in wholesale and retail trades (27% compared to 18% of the total population), manufacturing (29% compared to 24%) and in hotels and restaurants (6% compared to 4%) (iCoCo 2007: 46).

### **3.3. Development of SMEs and recent trends**

The structure of businesses is another important factor to consider when describing the urban economy. One way of categorising businesses is according to their size. If an enterprise has fewer than 250 employees and less than € 50 million turnover (or € 43 million balance sheet total), the EU defines it as a small and medium-sized enterprise (SME). Within this category, there are:

- ▶ 'medium-sized enterprises' employing between fifty and 249 people and having a turnover of less than € 50 million (or less than € 43 million balance sheet total),
- ▶ 'small enterprises' with ten to forty-nine employees and less than € 10 million turnover/balance sheet total and



- ▶ ‘micro enterprises’ with less than ten employees and less than € 2 million turnover/balance sheet total.

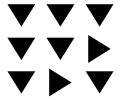
SMEs play the most important role in the European economy: they represent 99% of all businesses in the EU. Moreover, nine out of ten SMEs in the EU are micro firms, having on average two employees (Rath 2009 and European Commission 2009).

The same is true for the metropolitan borough of Kirklees, although the categories vary. About 99.5% of the approximately 14,000 businesses in Kirklees are SMEs employing less than 200 people. 85% of the local businesses have less than eleven employees, 58% have less than five employees (iCoCo 2007: 45). The highest number of small businesses can be found in distribution, the hotel and catering industry and in financial and business services. Larger businesses are usually found in retail, in the public sector and in manufacturing.

As said before, the economic crisis did have a negative effect on Kirklees. Many companies saw their profits fall, and the unemployment rate increased (cf. section 3.2). The construction industry suffered particularly bad profit losses, and the financial and manufacturing sectors had also earned less money (Kirklees Business News 2010: 5). Several enterprises had to close down due to the crisis. More than 700 job losses were reported from fifteen companies between October 2008 and January 2009. The number of people claiming Jobseeker’s Allowance (an unemployment benefit) increased by approximately 2,300 (42%) within 2008. At about the same time, there were 1,000 fewer job vacancies reported to the Jobcentres in Kirklees. 55% of the decline in vacancy notifications was from the banking, finance and business service sector. Notifications from the transport and communication sector as well as from retailing, hotels and catering significantly decreased as well (Kirklees Council 2009a: 6/8).

However, the recession did not have a negative impact on all branches of the economy in the borough. Retail companies, particularly the food sector, observed an increase in their profits (Kirklees Business News 2010: 5). The total number of businesses in Kirklees grew by 1% in 2008. This growth was among micro enterprises employing less than ten people. There was a marginal decrease in the total number of large businesses. Furthermore, there are currently slightly fewer insolvencies in the Yorkshire region than one year ago (March 2009), indicating that the economy has started to recover (Kirklees Business News 2010: 1).

Nevertheless, according to the interviewed expert working for a bank, the crisis has not finished yet. He stated that there are generally three waves during an economic crisis. Within the first wave, many businesses go bankrupt, particularly if they were poorly managed and/or operated in a declining sector. Furthermore, some businesses use the crisis to rationalise and make redundancies. During the second wave, businesses mainly fail because their clients, i.e. the companies they supply, are affected by the recession. This can be seen in the motor industry, for instance. The third wave starts when the recession is over. Then, some businesses run short of capital and will not have enough money to start again when the economy is improving, leading to bankruptcies. Since the third wave has not happened yet,



the definite impact of the current economic crisis on the borough of Kirklees has yet to be seen.

## 4. Profiles of ethnic entrepreneurship

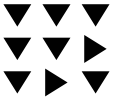
The following sections deal with ethnic entrepreneurs in Kirklees. Section 4.1 presents an overview of the development of ethnic entrepreneurship in the city. The subsequent sections outline markets and competition of ethnic businesses (4.2), ownership structures, workforce and labour relations in ethnic enterprises (4.3), reasons for entrepreneurial careers (4.4) as well as problems and barriers ethnic entrepreneurs face (4.5).

### 4.1. Development of ethnic entrepreneurship and recent trends

Before presenting the development of ethnic entrepreneurship, a **definition** should be given. In the CLIP project, we “simply define an entrepreneur as a person in effective control of a commercial undertaking for more than one client over a significant period of time” (Rath 2009: 7). The CLIP project considers ‘ethnic entrepreneurs’ as those entrepreneurial persons who were born abroad as well as the second and third generation of immigrants (Rath 2009: 10). In Kirklees, migrants and their descendants are usually referred to as ‘Minority Ethnic Groups’ (MEG) or ‘Black Asian and Minority Ethnic’ (BAME) groups. Thus, when speaking of ‘ethnic entrepreneurship’, the terms ‘MEG-led enterprises’ and ‘BAME businesses’ are usually used in Kirklees. These terms refer to an enterprise which is majority-owned or managed by individuals from an ethnic minority group.

Unfortunately, there is no quantitative data available about the **development of ethnic entrepreneurship** in Kirklees. Nevertheless, local experts interviewed in the course of the field visit provided an insight into its history and recent trends. According to the interviewed expert from Business Link Yorkshire, the different generations of migrants must be considered when looking at the development of ethnic entrepreneurship in the region. The first-generation migrants who settled in the area were employed first and usually started their businesses after losing their jobs. They opened up restaurants, post offices, news agencies, catered mainly to local markets and needed to put in long working hours in order to earn a living. The second-generation migrants often took over their family’s existing businesses and brought in different ideas. The customer base of these businesses started to diversify. Third-generation migrants who become self-employed usually do not differ much from the majority population. Their businesses can be found in all sectors of the economy, explore new industries and reach wider markets. Since there are new groups immigrating to Kirklees, in particular labour migrants from Eastern European EU member states, one can assume that this cycle continues.

Generally, it can be said that ethnic entrepreneurship in Kirklees has increased over the past decades and that the nature of the businesses has changed within the last years. A further increase of ethnic businesses is also very likely to continue in the future, given the growing



numbers of BAME communities in Kirklees and their higher propensity for self-employment and business ownership (Yorkshire Forward 2009: 36).

In 2009, 9% of businesses in Kirklees were MEG-led, i.e. owned or managed by individuals from an ethnic minority group. This proportion decreased from 11% in 2008. MEG-led businesses are far more common amongst smaller businesses; only 3% of enterprises employing more than twenty-five people are owned by a person with a minority ethnic background (BMG 2010: 78).

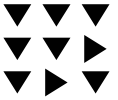
According to the Kirklees Employer Survey, **sectors** with higher proportions of minority ethnic ownership were transport, storage and communications (21%), wholesale and retail (20%) and hospitality and leisure (11%) (BMG 2010: 78). BAME entrepreneurs can often be found in specific businesses such as shops, restaurants, food preparation and retailing, taxis, bed and bedding manufacturing, textiles and clothing, dentistry or Post Offices (Yorkshire Forward 2009: IV). Such sectors are usually highly labour-intensive as well as competitive and provide only lean rewards (Barrett et al. 2002: 15 and Ram/Jones 2008: 64). According to the interviewed experts, it is mainly first-generation migrants who start their businesses in these specific sectors. As described above, this pattern is slowly about to change with regard to new businesses. Today, the sectoral distribution of ethnic businesses is getting more diverse. Businesses started by third-generation migrants are hardly any different than business start-ups within the majority population.

The **spatial distribution** of MEG-led businesses reflects the geographical concentration of the minority population within the more urbanised parts of the metropolitan borough (Yorkshire Forward 2009: 26). Whereas 12% of the businesses in North Kirklees are owned by a person with a BAME background, only 2% of businesses in South Kirklees belong to that category (BMG 2010: 78). The interviewed experts from the Council noted that ethnic businesses are generally located in areas with a high percentage of minority ethnic groups.

## **4.2. Market and competition of ethnic businesses**

Similar to the development of ethnic entrepreneurship and its sectoral distribution in Kirklees, the **markets and customer base** of MEG-led businesses have also changed over the past decades, as stated by the experts interviewed during the field research. Whereas businesses of first- and second-generation migrants were often directed towards their ethnic communities and local markets, businesses led by third-generation BAME groups tend to serve more diverse markets. They move away from saturated markets and sell their products and services not only locally, but also regionally, nationally and internationally.

The customer base of ethnic businesses is usually mixed today and includes people from all ethnic groups. Sometimes, MEG-led businesses focus on minority ethnic customers, but generally, customers belonging to the majority group are common in ethnic enterprises. This is also due to a change in the majority population, which gradually became more open to new products. According to an interviewed expert from the local Council, it is generally more



profitable for a business to have a broad customer base instead of focussing on specific ethnic groups.

MEG-led businesses compete with all other businesses in their sector. According to the interviewed experts who run businesses, **competition** is particularly problematic when there are many businesses of the same sector operating in one area. Nevertheless, many restaurants in one area can have a positive impact, since they usually help to attract more customers. One of the interviewed ethnic entrepreneurs also stated that some customers have a preference for businesses of the same ethnic group. This can be problematic for MEG-led businesses, as a large portion of their competitors are businesses run by members of the majority population.

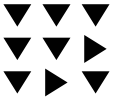
In order to outperform their competitors, MEG-led businesses tend to open long hours and offer good prices. They are likely to have more flexible labour costs, as they often employ family members who are willing to support the business during growth periods without requiring formal payment. Furthermore, ethnic businesses are more often able to use a wider community savings pot than mainstream businesses without needing to pay interest and with loose agreements on when to pay back the money, which facilitates growth. According to an interviewed expert of Kirklees Council, ethnic entrepreneurs sometimes give credit to customers they know well and often tend to operate on low profit margins. Furthermore, the interviewed experts running businesses stated that both price and quality of the products and services are the most important factors with regard to competition. Word-of-mouth recommendation is seen as the most crucial means of marketing by the ethnic entrepreneurs. Furthermore, they use other forms such as advertisement in local or ethnic newspapers or leaflets to make their products and services known to potential customers.

### **4.3. Ownership structures, workforce and labour relations in ethnic enterprises**

Family businesses are particularly common among MEG-led enterprises in Kirklees. Ethnic entrepreneurs are typically either partners or directors in these family businesses, which were often started by one key family elder and developed with siblings and close relatives. The owner or director of a MEG-led business is usually also its manager.

The structure of the **workforce** of MEG-led businesses in Kirklees usually differs according to the size, sector and nature of the business. Traditionally, there is a ‘small business’ bias (less than twenty employees), but bigger companies owned by a member of a BAME group can also be found. Since many MEG-led businesses are family businesses, particularly at the beginning, members of the owner’s extended family are employed (Yorkshire Forward 2009: 47). Nevertheless, external specialists (such as accountants) are often recruited to cover short-term appointments or deal with legal requirements.

As most of the interviewed experts stated, ethnic entrepreneurs usually consider it safer to employ people they know and trust, leading them to recruit their employees among their family, friends and acquaintances. Migrants will also often turn to other migrants to find



work or help to develop a business. Since a very low number of migrants with qualifications obtained in their country of origin are able to get a job in their profession in mainstream businesses, migrants find it easier to work in a MEG-led business. This is particularly the case for newly arrived migrants lacking knowledge of English. Furthermore, there are specific branches where employees have the same ethnic background as the owner of the businesses, because it is more suitable to the products and services sold.

Research also shows that the profile of the workforce in local MEG-led businesses is biased towards ethnic minority groups and in particular towards the ethnicity of the owner (who, in Kirklees, is most likely to belong to an Asian ethnic minority group). Thus, more than half (52%) of the workforce within MEG-led businesses in Kirklees is Asian, 38% belong to a White, 8% to a Black group; 2% are of Mixed race. 58% of MEG-led firms do not employ people from a White group at all (BMG 2010).

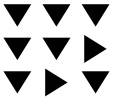
The interviewed experts stated that as businesses develop, grow and become more sustainable, however, ethnic entrepreneurs are more likely to employ people from other minority ethnic groups or the majority population. For example, third-generation migrants starting their businesses today usually have a more diverse workforce than previous generations. Recruitment is then more often based on qualifications and particular skills of the employee rather than on cultural or ethnic affinity.

With regard to **employment conditions** and labour relations, all interviewed experts agreed that MEG-led businesses generally do not differ much from businesses that are run by people from the majority population, and that they usually vary from business to business. Nonetheless two particularities of BAME businesses are very likely to have an impact on employment conditions in Kirklees. First, family businesses naturally have unusual labour relations, as an employee is also a family member. According to interviewed experts from the Kirklees Council, family members employed in MEG-led businesses are often not paid as employees, but rather receive lower pay. They are also expected to work as long as the owner in order to get a job done, resulting in long working hours. Employees recruited from the entrepreneur's extended family are also regarded to be dutiful and complete all tasks required regardless of what is involved out of respect for their elders. Furthermore, interviewed experts stated that there is a very low level of unionisation in Kirklees' ethnic businesses, which can possibly have a negative impact on employment conditions.

According to the Kirklees Employer Survey (BMG 2010), MEG-led companies are less likely to offer training for their employees: only 56% do so, compared to an average of 66% of all local enterprises.<sup>4</sup> At the same time, the proportion of MEG-led businesses that have an equal opportunity policy is higher than average, although ethnic businesses are more often smaller firms that are generally less likely to have such a policy.

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<sup>4</sup> This could be based on BAME businesses being on average more concentrated in certain sectors, such as retail and the hospitality industry, where further training is generally less common.



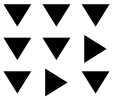
#### 4.4. Reasons for entrepreneurial careers

Research on ethnic entrepreneurship shows various reasons for migrants to become self-employed (Basu/Altinay 2002, Clark/Drinkwater 2000, 2010, Levie 2007 and Ram/Jones 2008). The reasons can generally be classified in two categories – push-factors and pull-factors – and are typical motives for entrepreneurial careers in the metropolitan borough of Kirklees as well.

First, there are factors that **‘push’** people into self-employment. For some migrants in Kirklees, entrepreneurship is a rational response to their specific and difficult situation on the labour market, including racial discrimination. Members of minority ethnic groups are more likely to work in underpaid jobs. Moreover, their upward mobility is often blocked by a ‘glass ceiling’. In order to avoid discrimination and disadvantages on the labour market and to find appropriate work that fits their qualifications and aspirations, some migrants choose self-employment. Unemployment is another push-factor. According to the interviewed experts, unemployment was particularly important for first-generation migrants who lost their jobs when industries, such as the textile industry, declined. Being made redundant from traditional or moribund industries and not being able to find conventional employment often drives minority ethnic groups into self-employment. When push-factors apply, there are often no other options but self-employment, which is, thus, ‘necessity-driven’ rather than ‘opportunity-driven’.

Second, there are various factors that act as a **‘pull’** towards self-employment. According to the interviewed experts, they are important reasons for people with a BAME background in Kirklees to start a business. Potential entrepreneurs wish to be independent, to balance family and work life, to explore their talent and fulfil their aspirations. There seem to be high levels of entrepreneurial drive among BAME groups in Kirklees and a particular culture within these groups that regards self-employment as a success. Furthermore, ethnic entrepreneurs in the area seize the opportunities to serve the needs of the local ethnic minority community. BAME groups have certain advantages in information, knowledge and perceptions of new market opportunities, in particular with regard to transnational economic relations. Moreover, the existence of ethnic enclaves, and thus markets for ethnic products and services, are also regarded as reasons for ethnic entrepreneurship. An ethnic enclave and/or an extended family can also be of help concerning the access to informal resources such as finance or cheap labour, which are crucial, particularly during the start-up phase.

Local ethnic entrepreneurs interviewed during the course of the city visit stated that family traditions play a major role, in particular for second-generation migrants. Self-employed parents or other family members serve as a positive role model for young people who want to start their own business. However, young people are also “forced into business” by their parents, by being urged to take over a family business, for example. Nevertheless, the interviewed experts – in particular the local entrepreneurs with a minority ethnic background



– also stated that among third-generation migrants, the reasons to start a business generally do not differ from those of the majority population.

There are usually several motives that simultaneously influence the decision to become self-employed. The reasons are also thought to be differing with regard to the various ethnic communities.

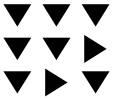
#### 4.5. Problems and barriers

When setting up and running a business, ethnic entrepreneurs face several problems and barriers. Some of these problems are specific for BAME groups; others apply for all businesses – particularly for SMEs. However, local experts interviewed in the course of the field visit believe that there are certain difficulties which particularly concern BAME groups.

To begin with, evidence from the interviews conducted in the course of the city visit and from a study on BAME businesses issued by the Regional Development Agency (Yorkshire Forward 2009: 55) suggests that some ethnic entrepreneurs in Kirklees face difficulties due to a lack of **business skills**. Ethnic entrepreneurs sometimes lack knowledge in areas such as sales, IT or new media. Moreover, some face difficulties in finding premises as well as qualified and experienced staff. Another common problem for ethnic entrepreneurs in Kirklees is the issue of attracting new business. Problems regarding the general management of a company do usually not differ according to the BAME background of the business. As one of the interviewed experts put it, every entrepreneur needs to invest a lot of time and energy when running a business; it “is a headache” for everyone.

A thorough preparation, particularly professional help and advice, is perceived by many professionals operating in this area to be important when founding a business. However, this does not always match the expectations or the experience of minority ethnic entrepreneurs. Entrepreneurs with an ethnic background use counselling services generally less often than members of the majority population do (Business Link 2010b, Ram/Jones 2008 and Thompson et al. 2010). This seems to be true for Kirklees as well (cf. section 5.3).

The **financial management** of a company is viewed as the biggest problem for ethnic entrepreneurs. Research shows that BAME groups find it more problematic to access formal means of finance (Barrett et al. 2002, Fraser 2008, Ram/Jones 2008, Smallbone et al. 2003 and Yorkshire Forward 2009). On the one hand, this is a ‘typical’ problem for SMEs, particularly micro enterprises (the majority of MEG-led businesses belong to that category). On the other hand, this can also be due to religious, cultural and other specific features of minority ethnic groups. These features include: (1) a lack of security available, (2) high failure rates of sectors most common for BME businesses and, thus, a higher risk for banks, (3) the location of ethnic businesses, the majority of which are located in the most deprived areas, (4) a lack of presenting a formal business plan and (5) discrimination. Although research could not verify discrimination by banks, problems ethnic entrepreneurs face in accessing bank loans or formal credit often related to interest-bearing schemes can sometimes



lead them to perceive bank actions as discriminatory. This tends to discourage entrepreneurs with a minority ethnic background from applying for such finance options (Fraser 2008: 23/24).

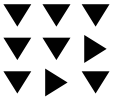
In Kirklees, it is apparent from the field survey that there is very little support for ethnic entrepreneurs from mainstream financial institutions. Generally, banks are not allowed to discriminate against BAME communities; however some of their regulations negatively affect people with a minority ethnic background and make it “difficult to fit the bill”, as stated by the interviewed experts of a local bank. MEG-business owners who have less than three years verifiable good credit status in the UK will rarely succeed in obtaining any financial support from finance sectors and this includes those MEG-businesses and entrepreneurs who have available sound capital investment resources. The field study highlighted that the banks will only consider a credit status based on a rating obtained in the UK and exclude credit worthiness achieved in the country of origin, even if it is excellent.

In addition, since the recession, banks have considerably tightened their lending criteria, basing decisions as much on personal credit rating as on other available security assets. This puts newly arrived migrants who want to start a business in a disadvantaged position, because they often have difficulties providing sufficient securities. Furthermore, according to the interviewed expert from the bank, people do not have a chance to get credit without presenting a business plan. Although “this has nothing to do with ethnicity”, it still affects BAME groups, since they are less likely to have a business plan prepared.

The interviewed ethnic entrepreneurs complained about a lack of support and difficulty in obtaining credit from banks. One of the interviewed experts running a business noted that at the bank, “they make you feel as if you were begging for money”. Furthermore, many forms have to be filled in, meaning lots of paperwork, which discourages local BAME entrepreneurs from applying for credit. It also proved to be difficult for ethnic entrepreneurs to fulfil the requirements when applying for other means of finance, e.g. public funds. Many MEG-led businesses in the borough – in particular those with Asian management – typically rely on their extended family, successful acquaintances and interest-free schemes as sources for borrowing. Hence, they are “bankers to themselves”, as one of the interviewed experts put it. Other entrepreneurs rarely have access to these options and often view access to finance as more severe than Asian entrepreneurs (Yorkshire Forward 2009: 57).

It was also apparent that lenders often do not take ethnic entrepreneurs seriously, as funding resources accessed by MEG-led businesses are usually not sufficiently transparent to inspire lender confidence. Furthermore, MEG-led businesses, like other SMEs, often show a lack of financial skills. Training in finance is often on-the-job, and fledgling entrepreneurs are sometimes difficult to persuade to use computerised systems for finance management, according to the interviewed experts from Kirklees Council.

Another problem for ethnic entrepreneurs lies in the field of **marketing**. According to Business Link (2010b), entrepreneurs, regardless of their ethnic background, often lack in-



depth market research and analysis concerning their business idea and its viability in the market. Moreover, according to the interviewed experts, it appears that problems in marketing do not differ between MEG-led businesses and those owned by persons of the majority population. Nevertheless, the interviewed entrepreneurs believe that ‘word-of-mouth’ marketing within their ethnic community is particularly crucial for MEG-led businesses.

In addition, ethnic entrepreneurs are faced with problems concerning national or local **rules and regulations**. Recent immigrants, who are less proficient in English, are particularly likely to be less familiar with regulations, incentives and norms in the UK labour market (Levi 2007: 146/147), which is problematic when starting or running a business. Most of the interviewed ethnic entrepreneurs stated that was difficult for them to get to know and adopt the business culture at first. Some entrepreneurs also regard regulations as a burden, in particular when they differ much from the rules in their country of origin.

Entrepreneurs with a minority ethnic background are informed about rules and regulations by the appropriate local and national agencies in the same way as all businesses. According to Kirklees Business Advisers, BAME business owners usually appreciate the help given by these institutions. At the same time, ethnic entrepreneurs perceive that Kirklees Council and other regulatory bodies are essentially ‘enforcers’ rather than ‘collaborators’. The Kirklees Business Partnership, which has regular contact with MEG-led businesses (particularly in the food industry) and helps them to understand rules, regulations and requirements, noticed a reluctance of some ethnic entrepreneurs to undertake required measures, such as health and safety training or environmental training, due to cultural misunderstanding.

Finally, **bureaucracy and intermediary institutions** are also regarded as barriers to entrepreneurship. Generally, there is no difference in the way bureaucracy affects MEG-owned businesses and enterprises owned by a person from the majority group. Dealing with intermediary institutions sometimes proves to be difficult for both MEG-led businesses and SMEs in general as well. Discussions revealed that many small enterprises do not ‘appear on the radar’ of the institutions, in particular with regard to timely business support. This seems to be due to some small MEG businesses’ ‘low profile’. Additionally, the support agencies are sometimes unable to reach out to MEG businesses, i.e. relate to their concerns and find means of addressing them (cf. section 5.2). Furthermore, the procurement system of public bodies also seems to be at odds with MEG businesses, since some fail to meet the required criteria.

## 5. Policies, rules and regulations

This chapter starts with an overview of national rules and regulations controlling the formal access to entrepreneurship and the violation of these rules and regulations, i.e. illegal practices (5.1). The following sections concentrate on the city’s strategy concerning ethnic entrepreneurship (5.2) and on local activities, programmes, projects and networks (5.3).



## 5.1. Rules and regulations

### General rules and regulations

Formal access to entrepreneurship in Kirklees is regulated as in every other British city, i.e. it goes along with general formalities every entrepreneur has to meet. First of all, the entrepreneur must choose a legal structure for his/her business. The legal structure strongly influences taxes that an entrepreneur must pay, National Insurance contributions, records and accounts that need to be kept. It also affects management decisions, the owner's financial liability and the ways that an entrepreneur may raise money. Common business structures include sole traders, partnerships, limited liability partnerships, limited liability companies, franchises and social enterprises (Business Link 2010b).

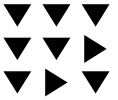
If an entrepreneur wants to be a sole trader, a partner, or a member of a limited liability partnership, he/she needs to register as self-employed with HM Revenue & Customs (HMRC) within the first three months of starting the business.<sup>5</sup> This applies to the vast majority of entrepreneurs and, therefore, ethnic entrepreneurs as well, as most are sole traders. Registration can be made by telephone, mail or online and is fairly easy. The entrepreneur only has to provide some personal information as well as information about the business and partners, if applicable. HMRC then arranges to collect National Insurance (NI) contributions (Business Link 2010b).

National Insurance contributions are taxes on earnings of more than a certain level that have to be paid during working age. Paying them is a prerequisite to certain benefits such as the State Pension, Employment and Support Allowance (ESA), Incapacity Benefits and further allowances. Self-employed persons need to pay 'Class 2' National Insurance contributions. If their earnings are expected to be less than £5,075, self-employed individuals can apply for Small Earnings Exceptions, which would exclude them from paying 'Class 2' National Insurance contributions. However, in doing so they could lose entitlements to benefits such as the basic State Pension. Nevertheless, a voluntary payment of NI contributions is also possible when the Small Earnings Exception has been allowed (Directgov 2010).

Other important prerequisites when starting a business are permits, regulations and planning permissions for the business premise. Entrepreneurs, who build, extend or change a business premise need to apply for these permits with their local planning authority via the Planning Portal website. They must comply with building regulations such as health and safety standards that are inspected by a Building Control Service. Furthermore, the business premises must meet minimum workplace standards. The entrepreneur is required, for instance, to carry out a risk assessment, comply with fire safety regulations, make sure that the staff is using the equipment safely and install suitable signs and notices. He/she has to guarantee that the facilities used by employees and/or customers meet specific standards. In

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<sup>5</sup> Limited companies must be registered with Company House, an Executive Agency of the Department for Business, Innovation and Skills (BIS), an official government register for UK companies.

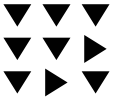


addition, all entrepreneurs are legally required not to discriminate against disabled people and other groups (Business Link 2010b).

Apart from NI contributions and planning regulations, entrepreneurs are legally required to have a record-keeping system and balance sheets. Moreover, they should have suitable and proper insurances. Paying taxes is also an important issue for start-up businesses. Entrepreneurs have to pay taxes on their taxable income above a basic Personal Allowance, which is currently £6,500 per year (Income Tax), and Business Rates and Stamp Duty Land/Reserve Tax. Businesses with a certain legal structure need to pay Capital Gains Tax and/or Corporation Tax. Registering for VAT (Value Added Tax) is required for businesses with an annual turnover of more than £70,000. Furthermore, if a business has employees, the employer has to pay them in accordance to the National Minimum Wage and their deductions, e.g. income tax or National Insurance contributions. There are various tax advantages for new businesses; for instance, capital allowances for new investments, business premise renovation allowance and stamp duty exceptions for businesses in specific disadvantaged areas, tax relief and credits for research and development expenses as well as the enterprise investment scheme for small companies. Some businesses, e.g. SMEs, can apply for accounting and audit exemptions. Furthermore, with regard to taxes, there are always reduced options for entrepreneurs with small earnings (Business Link 2010b).

These regulations apply equally to entrepreneurs with or without a minority ethnic background. Nevertheless, foreigners (i.e. people without British citizenship) from outside the EU who live in the UK need to have a valid and eligible entry clearance or leave to remain if they want to work or start a business. Third country nationals who wish to leave their country of origin and migrate to the UK in order to become self-employed have to apply for entry clearance or leave to remain as a ‘Tier 1 (General) Migrant’, Tier 1 (Entrepreneur) Migrant’ or ‘Tier 1 (Investor) Migrant’. The applicant must meet specific requirements: he/she must have a certain minimum score in the points-based system, no recourse to public funds and a registration with the police. A ‘Tier 1 (Entrepreneur) Migrant’ can only work for the business or businesses that the applicant has established, joined or taken over. He cannot be employed by somebody else to qualify. Citizens from a European Union member state do not need permission to settle in the UK, because of the freedom of movement, of establishment and of trade within the EU (Home Office 2010).

Comprehensive information about founding a business in the UK is provided online by the national business advice agency Business Link and the Government in English. On the local level, government and municipal departments, business advice agencies, the Chamber of Commerce and different business associations offer information, advice and support for entrepreneurs. In particular, the advice centres and business associations help with developing a marketing and business plan, which is an essential ‘road map’ for the enterprise and a prerequisite for certain financing possibilities. However, research shows that entrepreneurs with a minority ethnic background use professional help less often than the majority population (Business Link 2010b, Ram/Jones 2008 and Thompson et al. 2010).



According to the interviewed experts, this is also likely to be the case in Kirklees. Given the extensive set of rules, establishing a business without professional advice can be difficult. Thus, one could assume that entrepreneurs with a minority ethnic background face more difficulties concerning the fulfilment of the rules and regulations on average.

### **Sectoral and spatial rules and regulations**

Apart from these general rules and regulations, there is a variety of sectoral regulations, permits and licences in the UK. In the private security and surveillance industry, for example, staff members need specific training and qualifications and the business has to have a security licence. Similarly, restaurants, childminders, cab drivers or street traders need special permission (i.e. a local authority licence) for their businesses. In order to obtain them, the business premises and qualifications of staff are inspected (Business Link 2010d). In the manufacturing industry, there are specific health and safety measures and waste regulations, e.g. with regard to electrical and electronic equipment. Specific safety and hygiene standards also exist in the food and drink sector. In building and construction, different VAT rates must be considered and charged. Vehicles used in transport and logistics must be registered and taxed specifically. Drivers are required to possess specific licences and to comply with the rules saying how many hours one may drive (Business Link 2010d).

Ethnic enterprises in Kirklees are obliged to adhere to these sectoral rules and regulations just like any other businesses. There are no known discriminatory impacts of these rules on MEG-led businesses. However, when Kirklees Council conducted interviews regarding this topic, it was ascertained that the food sector is thought to be the most prominent for ‘rules and regulations’ enforcement. The food sector is one of the most important sectors for MEG-led businesses. Some of the interviewees with a BAME background believed the involvement from the authorities and enforcement of regulations to be onerous and overly-biased, because of a stricter reaction to complaints and related inspection compared to their counterparts from the majority population.

As spatial regulations are concerned, they have no impact on ethnic entrepreneurship in Kirklees. According to the interviewed experts of the Council, zoning plans, i.e. the Local Development Framework (Kirklees Council 2009c), apparently do not influence MEG-led businesses positively or negatively.

### **Illegal and informal practices**

There is no data available concerning illegal or informal practices in BAME businesses. The interviewed experts could not provide any information either. Most of them stated that the situation rather depends on the sector and that BAME businesses should not differ much from businesses owned by native British inhabitants. Still, according to one interviewed expert of the local Council, illegal employment could be more common in minority ethnic businesses, e.g. when people with a BAME background are employed who do not possess a valid working permit.



## 5.2. Local strategy

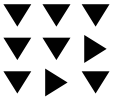
### Overall strategy, objectives and target groups

This section looks at the role ethnic entrepreneurship plays within the borough's official action plans and strategies. As is typical for the UK, creating equal opportunities, ensuring equality of all groups in society and promoting community cohesion is the basis for policies integrating ethnic minority groups in Kirklees. Within its Community Cohesion Strategy 'Shaping Our Future Together', the Council and its partners emphasise that they want to improve employment opportunities, and thus increase the number of new businesses in Kirklees and support local entrepreneurs (Kirklees Partnership 2002 and 2008). According to the interviewed experts of the Council, the borough aims at increasing the number of successful and sustainable businesses that are run by individuals from diverse backgrounds, and in doing so, it also plans to significantly increase the utilisation of mainstream business support services by these groups. Furthermore, the Council focuses on the improvement of the business-related skills of its diverse population to foster economic success. It aims at "reaching out to these groups, tapping into their skills and helping them to progress" (Kirklees Council 2008).

However, the local strategy for economic development is of a general nature and does not focus on specific groups such as communities with a minority ethnic background. The local authority deals with the population in a non-discriminatory fashion. Nevertheless, the Council recognises the value of the BAME business sector, which provides employment and wealth and supports the societal integration of migrants. Whether this translates into action was unclear to all of the interviewed experts, though. They stated that they cannot see any specific measures backing this recognition.

According to the interviewed experts, ethnic entrepreneurship does not play an important role in local policies in Kirklees. There are indirect measures for BAME communities, e.g. within the Council's regeneration objectives which affect areas with high concentrations of minority ethnic communities. Furthermore, the Council's Business Broker focuses on deprived areas and disadvantaged communities from which ethnic entrepreneurs often emerge. The Business Broker is a person employed by the Council to offer information and support to local entrepreneurs who are less likely to engage with official advice services. He has a minority ethnic background himself, which helps to approach BAME communities more easily. Unfortunately, Kirklees Council ceased the role of the Business Broker during the time of the research for this case study and did not replace it by similar measures.

Additionally, the Council's Regeneration and Economic Development Service provides proactive information and support for the top 1% of businesses in the area (that have a major impact on the area in terms of wealth and jobs created and sustained) as well as for smaller businesses when they seek advice. The focus on the local top 1% businesses, which is based on financial constraints, puts most MEG-led enterprises in a disadvantaged position, since they are mainly smaller businesses.



The national Local Enterprise Growth Initiative (LEGI), established in 2005 by the Department for Communities and Local Government, HM Treasury and the Department for Trade and Industry, could be helpful for smaller businesses and ethnic enterprises. The programme provides money to implement services that will increase economic growth by stimulating the entrepreneurial activity and economic potential in the most deprived areas, and reduce the failure rate of locally-owned businesses (Communities and Local Government 2008). Kirklees has not managed to successfully apply for LEGI so far.

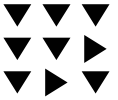
Kirklees Council is trying to facilitate dialogue between local entrepreneurs and business support agencies. Twelve out of its sixty-nine councillors have a minority ethnic background and strong links to their ethnic communities. Furthermore, area committees have consultations with the BAME communities and also facilitate dialogue with other relevant actors. However, the interviewed experts did not know any measures that build up contacts between ethnic entrepreneurs and official institutions.

All interviewed experts criticised the Council's actions – the lack of actions, respectively – with regard to supporting ethnic businesses. Most of them stated that “what the Council does cannot be seen”. They believed that “the Council is ignorant towards the needs of ethnic businesses”. Ethnic entrepreneurs are not involved in discussing the local policies either. The employees of the Council believed that this is partly due to the problematic characteristics of Kirklees, which is a large borough with no real centre, no local identity and a concentration on Huddersfield. According to them, Kirklees is often overlooked when government or EU money is spent on the region, leading to a lack of available resources for possible projects and programmes.

The interviewed experts suggested that the Council needs to attract more businesses to Kirklees and support existing ones, for instance by offering temporarily reduced business rates or help in finding appropriate staff. According to them, the Council should give more practical support to local businesses. This could include helping with customers and with increasing growth and sales, e.g. through creating business, bringing entrepreneurs together in networks, facilitating contacts between businesses and providing legal advice. Furthermore, the interviewed experts running their own businesses believe that the Council needs to bring potential BAME entrepreneurs into the mainstream, that is, educating minority ethnic communities about public services for business start-ups, since many ethnic entrepreneurs do not know about available help. According to the interviewed entrepreneurs, such a lack of knowledge and an actual lack of help keep people away from starting a business. Thus, in order to encourage self-employment, there should be more initiatives for potential entrepreneurs and start-ups in Kirklees.

### **Main actors and institutions and involvement of migrants**

Kirklees Council – in particular its Regeneration and Economic Development Team – is the main local actor in the field of ethnic entrepreneurship. In the course of the city visit, local



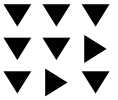
experts interviewed named a number of institutions that offer support for start-ups and existing businesses. They include:

- ▶ Business Link,
- ▶ the Chamber of Commerce,
- ▶ business associations, e.g. the Federation of Small Businesses, and ethnic business associations,
- ▶ other private and voluntary sector organisations,
- ▶ government agencies such as HM Revenue & Customs,
- ▶ health & safety executives,
- ▶ solicitors and accountants,
- ▶ banks,
- ▶ the University and the Colleges as well as
- ▶ family and friends.

Some of the interviewed experts – mainly those who run their own business – stated that they were unable to identify a single institution that is actually helping entrepreneurs with a BAME background with starting or running a business. They assessed that support from friends and family is really important, but official institutions are not really helpful in this regard. Furthermore, the interviewed experts from Kirklees Council observed that entrepreneurs with a BAME background do not engage with local authorities or business support agencies unless they can see a direct and immediate benefit (cf. section 5.3).

Ethnic entrepreneurs are able to join the Chamber of Commerce and other business associations; membership in these institutions is optional and not restricted. However, according to the interviewed experts, only a small proportion of local MEG-led businesses are members of the Chamber. On the one hand, this is due to the Chamber being “traditionally White British male”, as stated by the interviewed expert from the local Chamber; on the other hand, membership has no appeal to certain sectors that usually have a high percentage of BAME businesses, e.g. the food or retail sector. Entrepreneurs with a BAME background seem to be reluctant to become involved as they see little relevance to their business needs.

According to all interviewed experts, ethnic business associations cannot be found in Kirklees. The Asian Business Network (ABDN), for instance, covers the area but is not present in the borough. This was surprising to most of the interviewed experts since there is a large Asian community in Kirklees with many potential members. According to one of the interviewed experts, the lacking presence of ethnic business associations indicates that there is “not much business for them”.



### 5.3. Local activities

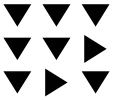
Public, voluntary and private organisations offer a variety of projects, workshops, seminars and one-on-one business support in Kirklees and West Yorkshire. Some of them concentrate on people who are just planning to start a business; others provide comprehensive advice to existing businesses. The services offered do not target specific groups, but are rather the same for all businesses. The organisations that provide business support and advice usually cover a wide range of topics. The workshops and training sessions include:

- ▶ pre-start-up support (e.g. on how to produce a business plan),
- ▶ ‘How-to’-workshops on various issues,
- ▶ information on legislation,
- ▶ advice on international trade,
- ▶ help with various forms of marketing (e.g. business promotion on the internet),
- ▶ information on recruiting, developing and retaining staff,
- ▶ sector-specific support and
- ▶ Business Advice Open Days, an advice workshop from Business Link (Business Link 2010c).

Furthermore, the borough of Kirklees established the Kirklees Business Partnership, a network of agencies that regulate businesses. It aims at making it easier for local businesses to understand and comply with regulations, at improving communication between regulators and enterprises and breaking down barriers. The partnership issues a bi-annual newsletter, organises events on regulatory changes and provides a network for local businesses, in particular SMEs (Kirklees Business Partnership 2010).

Additionally, the Council offers help with finding premises. Ethnic entrepreneurs interviewed during the field visit, however, did not know about such measures. They also assessed that they either do not know programmes which help with financing issues or that such programmes are mainly utilised by the majority population.

Business Link – the England-wide governmental business advice and support service – is the most important institution to offer advice. Business Link is a one-stop-agency that was developed by subject experts within government and relevant business-support organisations in order to inform people about regulations (e.g. how to pay taxes correctly) and to help them with obtaining and maintaining a good business performance. The service is free of charge, open to any person who plans to start up or runs a business and is available through local advisers, by phone and online. Business Link has local branches that are funded by the Regional Development Agency and backed up by government departments, agencies and local authorities (Business Link 2010a).



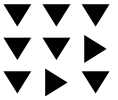
In the case of Kirklees, the local advice and support service – Business Link Yorkshire – is a private company, but under contract of ‘Yorkshire Forward’, the Regional Development Agency of the Yorkshire and the Humber region. It was established in April 2008. Two shareholders own the company conjunctly and work in association with the Regional Development Agency to improve the region’s economy. In order to achieve this improvement, Business Link Yorkshire organises events (e.g. ‘How-to’-workshops), launched a website, and established a Customer Information Centre customers can phone, email or fax to obtain solid information. Additionally, it has a Mobile Unit to reach out to a variety of businesses (Business Link Yorkshire 2009). Business Link Yorkshire has no specific measures for BAME businesses, but offers its services to all entrepreneurs. According to the interviewed expert from Business Link, there used to be specific measures, but Business Link decided to remove them and establish issue-based measures instead, e.g. on running a family business or on working from home. Nevertheless, Business Link offers diversity training for its advisers to help them understand barriers of different groups.

In 2008, 8,205 customers accessed services in Kirklees through Business Link Yorkshire. Established businesses constitute the largest group of customers in Kirklees in this period with 6,412, followed by pre-starts with 1,347 and start-up businesses with 446. 474 of all customers (again, mainly from established businesses) used in-depth support from an adviser. The most popular enquiries in Kirklees concern strategic planning (43%), business planning (13%), managing finance/accounting (11%) and sales and marketing (8%) (Business Link Yorkshire 2009).

There are no data available on the ethnic background of Business Link Yorkshire service users. Thus, information about and the assessment of the service is based on the interviews with local ethnic entrepreneurs conducted in the course of the city visit and a report on BAME businesses issued by Yorkshire Forward (Yorkshire Forward 2009). According to the latter, access to as well as the quality of the service is of concern to BAME businesses in the Yorkshire and the Humber region. Just over half of Asian-owned businesses have accessed Business Link services; three-quarters of Black-owned businesses did. Generally, BAME businesses in the region wish for a provision of targeted and tailored advice (Yorkshire Forward 2009: VI).

The majority of the interviewed ethnic entrepreneurs did not use the Business Link service. Most of those who had experiences with Business Link Yorkshire stated that they were not happy with the support provided. They assessed it to be too theoretical and not inclusive. According to them, business support is not reaching all groups and is unable to engage with BAME communities. According to the interviewed expert from Business Link, the agency is aware that BAME groups do not approach the service as often as native British people and is trying to change that fact. To date, this change has apparently been unsuccessful.

There are several potential reasons for the lack of involvement of BAME businesses with Business Link. The support it provides moved away from one-to-one support to larger seminars, which makes it more difficult to build up trust – a topic important for BAME



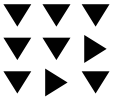
groups. Moreover, the interviewed self-employed experts noted that entrepreneurs do not have time to attend seminars during the start-up phase of their business, since they are too busy. One of the ethnic entrepreneurs used the service after the start-up phase and found the seminars to be helpful. Another entrepreneur with a BAME background interviewed stated that the Business Link service she used was not of any help and that the advisers did not seem to be qualified.

To sum up, one can say that a change on both sides is needed. On the one hand, Business Link should try to reach out to all groups of the population and offer more practical and more qualified support. On the other hand, BAME communities should increase their acceptance of official advice services, given that most of the interviewed experts believed that many entrepreneurs with a BAME background want to do it all on their own, without official support, and do not trust the advisers.

## **6. Summary and conclusion**

The metropolitan borough of Kirklees is located in the north of England, near Bradford and Leeds. It belongs to the Yorkshire and the Humber region and is the most populous local government district of England without city status. The borough has a polycentric structure and includes urban as well as rural communities. About 401,000 people live in Kirklees. Black, Asian and Minority Ethnic (BAME) groups make up a proportion of 18.5% of the local population. This high proportion is based on the borough's long tradition of immigration. Migrants from former British colonies (in particular the Indian sub-continent), who came after the Second World War to the towns which today constitute Kirklees, had the most crucial impact on the composition of the population – about 12% of Kirklees' inhabitants have an Asian background. Today, immigration is mainly characterised by migrant workers from the EU – particularly from Poland and other Eastern European member states.

Kirklees has one of the oldest industrial heritages in the world which has historically been focused on manufacturing industries such as textiles, chemicals and engineering. As many other British and European cities, Kirklees has gone through a process of tertiarisation: traditional manufacturing industries declined and the service sector grew. Today, about 74% of the employed persons in the borough work in the service sector. Education, public administration, retail and the hospitality industry are the biggest branches of the economy. About 250,000 people living in Kirklees are currently of working age. 8.3% of the local workforce are self-employed, 7.3% are unemployed. The unemployment rate increased in the course of the economic crisis, which hit parts of the local economy, in particular the construction industry, financial services and the manufacturing sector. Nevertheless, the total number of businesses increased during the crisis. This growth, however, was due to the establishment of micro enterprises employing less than ten people.

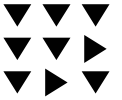


There is only limited official quantitative data available on BAME businesses in Kirklees, which made up a proportion of 9% in 2009 and are mainly owned by people with an Asian background (BMG 2010). Information provided in the study originates from the expert interviews conducted during the field visit and is thus based mostly on observation and experience. According to the interviewed experts, MEG-led businesses in Kirklees are not a homogeneous category and differ in particular between the migrant generations: the first generation of migrants usually became self-employed after losing their jobs and concentrated on specific businesses such as restaurants and retail, mainly catering to the local market. Second-generation migrants often took over the existing family businesses and broadened the products and services as well as the customer base. Third-generation migrants, who start their own businesses today, however, do not seem to differ from entrepreneurs without a BAME background. In order to validate this description and to get a detailed knowledge of local MEG-led businesses, it is recommended to Kirklees Council to collect and monitor data on businesses. Such data is likely to have already been gathered by Business Link or other advice organisations and usually also includes information on the ethnic background of business owners. Analysing the data with regard to different ethnic and other groups is crucial for knowing the businesses and their issues, trying to solve or prevent problems they face and helping them to grow.

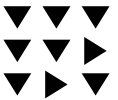
Kirklees Council and other local institutions – in particular Business Link Yorkshire – offer various workshops, seminars, training courses and business support measures. All of them are of a general nature, i.e. there are no specific programmes for BAME groups. All of the interviewed experts criticised that these business advice measures are not inclusive, that is, they do not reach out to all groups of society. On the one hand, Business Link Yorkshire seems to fail in approaching BAME groups, e.g. in their way of offering the services. On the other hand, entrepreneurs with a BAME background seem to be reluctant to take up official support. According to the interviewed entrepreneurs, existing support is too theoretical and does not suit the needs of the businesses. Negative experiences, a lack of trust and a mentality to do it on their own keeps them away from using the support measures. Thus, a change on both sides is needed.

Moreover, Kirklees Council does not exploit its potential to support entrepreneurs with a minority ethnic background either. Within several strategic action plans, the Council stresses the importance of BAME groups for the development of the local economy. However, it was unclear to the interviewed experts how this currently translates into action.

The borough of Kirklees does not, for instance, use the transnational economic connections of its population, although the diversity of its inhabitants provides links to other countries that could be utilised to attract new business. The close personal ties entrepreneurs with a BAME background living in Kirklees have to their (or their parents') country of origin offer various opportunities to initiate projects and partnerships that focus on inward investment, joint ventures, and new market opportunities for local businesses.



Kirklees Council has not installed measures to improve financial support for local ethnic businesses either. This is unlikely to change in the near future since the new national government plans budget cuts for the public sector. Such budget cuts will restrict support measures even more in the coming years. Furthermore, the Regional Development Agencies as well as Business Link face an uncertain future; they are likely to be closed down and replaced by Local Enterprise Partnerships (LEPs) by March 2012 at the latest. However, details of the new LEP that is supposed to cover the Kirklees area remain unknown at the time of the research. It is to be hoped that the public-private LEP scheme provides structures and funds in order to help the borough tap into the potential of its local BAME groups for the well-being of its communities and economy.



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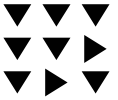
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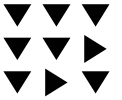
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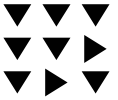
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## List of persons interviewed

During the field visit, which took place from 4<sup>th</sup> to 6<sup>th</sup> of May 2010, the following fourteen experts were interviewed:

*Ahmed, Qamar*; ethnic entrepreneur; Director, Appna Exotic Food

*Ahmed, Zahoor*; Specialist Partnership Manager, Business Link Yorkshire

*Archer, Alan*; Business Initiatives Manager, Regeneration & Economic Development Service, Kirklees Council

*Arshad, Mohammad*; former ethnic entrepreneur

*Assyaed, Mufaras*; ethnic entrepreneur; Studio 116 Web Design

*Awan, Shahida*; ethnic entrepreneur; Managing Director, Awan's Cuisine; former politician

*Choi, Andrew*; Chief Executive Officer, Mid-Yorkshire Chamber of Commerce

*Dhorat, Mushtaq*; ethnic entrepreneur; proprietor of Spices & Rices

*Gawronski, Eryk*; ethnic entrepreneur; Polskie Specjaly

*Khan, Ahmed*; Key Account Manager, Regeneration & Economic Development Service, Kirklees Council

*Liang, Hua Dr.*; ethnic entrepreneur; Renji Chinese Medical Practice

*Matharu, Danny*; Managing Director, Hillrich Ltd

*Qasim, Yaqoob*; ethnic entrepreneur; Managing Director, Qasim International

*Rolls, Stephen*; Business Manager, Yorkshire Bank plc