European Foundation for the Improvement of Living and Working Conditions

Ethnic Entrepreneurship in Wolverhampton, UK

CLIP Network
Cities for Local Integration Policy

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Table of Contents

Table of Figures

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.[1]

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 Wolverhampton.[2]

This report, however, could not have been written without the strong support of the local actors – particularly Chris Shears of the Wolverhampton City Council – 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 and third sector organisations, members of business associations and 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

[1] 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.

[2]

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.[3] 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.

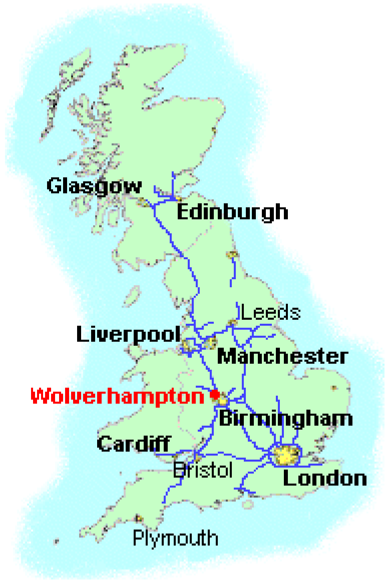
Here, we phrase the objectives into the following basic research questions: What are the characteristics of the urban economy, and, more specifically, what has been the development of the SME sector? What kind of profiles of ethnic entrepreneurship can be identified? What policies, rules and regulations 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.

[3] This section draws on the concept paper of this CLIP module (Rath 2009).

2. Wolverhampton's population

The city of Wolverhampton is located to the west of Birmingham, the second largest city in the UK. It is part of the English Black Country[4], and belongs to the West Midlands Metropolitan County, which is the UK's most populous conurbation outside London, and the West Midlands Region. In 2008, Wolverhampton had a **total population** of 236,400 (Wolverhampton City Council 2009d: 9, data based on the Mid-Year Estimates (MYE) from the Office for National Statistics (ONS)).

Figure 1: Location of Wolverhampton



Source: City of Wolverhampton College 2010

The city's population grew rapidly during the Industrial Revolution – from about 11,000 to approximately 100,000 people within the 19th century, and to about 160,000 inhabitants in the middle of the 20th century. This population growth was based on expanding coal, steel and manufacturing industries. As a result of the economic growth, people from all over the world migrated to Wolverhampton, creating a heterogeneous population, diverse in ethnicity and religion. Labour migrants from Ireland came to the city during the 19th century, making up a proportion of about 15% of the local population at the end of the century. During both of the World Wars, many Europeans (e.g. from Belgium, the Netherlands and Eastern Europe) migrated to Wolverhampton.

In the second half of the 20th century people descending from former British colonies – mainly the West Indies and the Indian subcontinent – settled in the city. As in other British cities, **migration** from the Commonwealth had the most significant impact on the ethnic diversity of Wolverhampton. The (predominantly male) migrants from the Caribbean, India, Pakistan and Bangladesh moved to Britain because of a labour surplus in their home countries and a labour shortage in the UK. They found work in local factories, settled in the

4 The Black Country is an area northwest of Birmingham which consists of four local authorities: the metropolitan boroughs of Dudley, Sandwell and Walsall as well as the city of Wolverhampton. It gained its name in the mid-nineteenth century either from the thousands of ironworking foundries and forges or the abundance of coal in the region (BBC 2008).

city and often got their family to join them; establishing dense communities in Wolverhampton (BE-ME 2005 and Wolverhampton City Council 2005b). Today, migration to the city of Wolverhampton is mostly characterised by economic migrants from European Union member states, in particular from Poland and other Eastern European countries that joined the EU in 2004. Furthermore, asylum seekers and refugees are dispersed to the city, mainly from the Middle East and Africa.

Due to the influx of migrants, Wolverhampton is today characterised by "super-diversity", i.e. the city has both "high rates and broad range of peoples of diverse nationalities, religions and ethnic backgrounds" (Wolverhampton City Council 2009d: 12). The 2007 MYE show that about 27% of the city's inhabitants belong to Black and Minority Ethnic (BME) groups.[5] This proportion is increasing and lies above the average **BME population** in England, which currently amounts to 16% (ONS 2009b).

Figure 2: Wolverhampton's population by ethnic groups (2007)

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

Asian Indians are the largest BME group in the city of Wolverhampton, consisting of 11.9% of the total population. The Black minority makes up a proportion of 4.8% of the population; other Asians and people with a 'Mixed' ethnic origin account for 3% each. Inhabitants with a non-British White background constitute 2.9% and Chinese and other ethnic groups 1.2% of Wolverhampton's total population (ONS 2009b) (see figure 2).

Estimates show that two major changes concerning the demographic structure of Wolverhampton's inhabitants will take place. First, the composition of the population's ethnic background is going to change. The White population is decreasing – with the exception of European migrants, whose share is increasing. The BME population is growing: those with Black and Bangladeshi origin are growing fastest (Wolverhampton City Council 2009d: 12). Second, Wolverhampton has a slightly ageing population, i.e. the number of elderly people is growing, mainly because of their increasing life expectancy. Although this includes a rising number of elderly migrants, it mostly pertains to the majority population, since ethnic minorities are on average younger (cf. section 3.2).

According to findings of the BME Housing Strategy Research Report (MEL 2006: 25), BME households often consist of young children: 61.4% of those living in households of Mixed

[5] In the UK statistics refer to 'Black and Minority Ethnic (BME) groups' or 'BME origin' when a person has an 'ethnic background', i.e. did not classify him- or herself as being 'White British'.

race are under sixteen years of age, 23.9% for Indian and 33.6% for Pakistani households. They also tend to be on average larger than those of the majority population, which is particularly true for Asian households: 20.3% of Pakistani households and 25.7% of Indian households have six or more members.

With regard to the **religious affiliations** of its inhabitants, Wolverhampton is also a diverse city. According to data from the 2001 Census, about two-thirds of the city's inhabitants are Christian, 4% are Hindu and about 2% are Muslims. Wolverhampton has one of the largest Sikh communities in the UK. Sikhs make up approximately 8% of the local population, which equates to 18,000 people. A further 20% of the city's inhabitants have either another religious affiliation, no religious affiliation or did not state it in the Census (Wolverhampton City Council 2002). Because of the increasing number of BME groups since 2001, it is likely that the proportions look slightly different today.

3. Wolverhampton's local economy

The subsequent sections examine the characteristics of Wolverhampton's 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

The history of Wolverhampton's economy dates back to the 13th century. From then on, the city hosted a weekly market, the Wednesday Market. It became a market town and a centre of wool trade in the Middle Ages. Still, industry played the most crucial part in Wolverhampton's history. It had a defining influence on the development of the city, particularly during the **Industrial Revolution**. At that time, the city and its region (the Black Country) were the most intensely industrialised in the country. There were flourishing coal mining, iron, steel and manufacturing industries in Wolverhampton. The city has long been known for its lock making industry ('Capital of locks'); later, motor vehicle manufacturing became an important part of the local economy (Wolverhampton City Council 2005a).

Following the European trend of the past few decades, the city of Wolverhampton has faced a **process of tertiarisation**, meaning that as a result of structural changes and a shift towards a service-based economy, the number of jobs in the tertiary (service) sector has risen, while there are fewer jobs in the secondary (manufacturing) sector. Many 'traditional' industrial companies closed down or reduced their staff significantly. Although manufacturing decreased in the city, it is still regarded as being important for employment in Wolverhampton. Some of the largest employers belong to the manufacturing industry, e.g. in the field of aerospace (Wolverhampton City Council 2009a).

This trend of declining 'traditional' industries is illustrated in figure 3. Between 1995 and 2008, the proportion of employees working in the manufacturing industry decreased from 30.3% to 14%. At the same time, employment in the service sector increased. Whereas in 1995 64.8% of the employees were working in services, the share was 81.2% in 2008. Similarly, the percentage of employees in construction slightly increased.

Figure 3: Development of employees' distribution according to industries (1995, 2008)

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

Altogether, there are about 121,000 jobs in Wolverhampton, including employees, the self-employed, government-supported trainees and soldiers. The city's jobs density[6] – i.e. the ratio of total jobs to working age population – lies at 0.85 and is thus higher than the job density in Great Britain (0.83) and the West Midlands (0.81) (ONS 2009a). During the current financial and economic crisis, a number of jobs were lost when companies went bankrupt or reduced their staff. More information on this topic will be provided in section 3.3.

The biggest proportion of employees in Wolverhampton, 30.1%, works in the field of public services (administration, education and health). 21.1% work in distribution, hotels and restaurants and a further 14.6% in financial services (e.g. banking, finance and insurance). These service industries are followed by manufacturing, in which 12.4% of all employees in the city work. In construction, the share is 11.7%. A further 4.8% are employed in transport and communication, and 4.5% in other **branches** (Wolverhampton City Council 2009d: 37) (see figure 4).

Figure 4: Percentage of employees by industry (2007)

Source: compiled by efms based on data from Wolverhampton City Council 2009d: 37

[6] The jobs density describes the total number of filled jobs in an area divided by the resident population of working age in that area. A jobs density of over 1.0 indicates that demand for labour exceeds supply with more jobs in the area than residents of working age.

The figures differ when looking at the proportion of businesses among the different branches of industry. Distribution, hotels and restaurants are the most numerous, with 30.9% of all businesses in the city being in this branch. It is followed by banking, finance and instruction (27.8%), public administration, education and health (11%) and manufacturing (10.1%). This can be attributed to the different sizes of the businesses. Enterprises in the distribution, hotel and restaurant sector as well as in the field of banking, finance and insurance are likely to be smaller and have fewer employees (Wolverhampton City Council 2009d: 37) (cf. section 3.3).

3.2. The local workforce

Size and characteristics of the local workforce

143,600 of Wolverhampton's inhabitants are currently (MYE 2007) of **working age**, i.e. between sixteen and sixty-four (men) or sixteen and fifty-nine (women) years of age. They make up a share of 60.9% of the city's total population. This figure, however, differs according to the ethnic background of the population: the proportion is lower for inhabitants who define themselves as having a White background and for those with a 'Mixed' ethnic background – 59.2% and 46.5%, respectively. Yet, it is higher for the other ethnic groups. The percentage lies at 65.5% for Black/Black British inhabitants, 68.7% for Asian/Asian British inhabitants and at a striking 83.3% for inhabitants categorised as 'Other' (ONS 2009b) (see figure 5).

Figure 5: Population according to age groups and ethnic groups (2007)

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

The share of young people is highest for Asian/Asian British inhabitants (21.7%) and particularly for those with a 'Mixed' ethnic background, of whom more than half (52.1%) are fifteen years or younger. Inhabitants with a White background have the largest percentage of elderly people (22.6%) (ONS 2009b). The data indicate that the population of working age will become more diverse. There will be more people from a BME group within the local population of working age.

Figure 6: Workforce according to ethnic background (2007)

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

At present, 74% of the local workforce has a White background. The largest BME group are Asian/Asian British inhabitants with a share of 16.8% among the city's population of working age. They are followed by Black/Black British inhabitants (5.2%) and of people with a 'Mixed' (2.3%) or 'Other' (1.7%) ethnic background (ONS 2009b) (see figure 6). There are only slight differences when compared to the distribution of the ethnic groups within Wolverhampton's total population (cf. chapter 2).

With regard to the **educational background** of the local population, the qualification of the city's workforce is on average lower than in the West Midlands region and in Great Britain. According to the annual population survey of the Office for National Statistics (ONS), which states the qualifications corresponding to the National Vocational Qualification (NVQ) levels, 28.2% of the local workforce have no qualifications. This percentage is much higher than the regional and national averages, which lie at 16% for the West Midlands and 12.4% for Great Britain. In addition, the proportion of the workforce with qualifications of NVQ4 and above (which corresponds to higher education qualifications) lies at 20.4% in Wolverhampton; compared to 24.5% in the West Midlands region and 29% in Great Britain (ONS 2009a).

Employment status of the local workforce

Wolverhampton's population of working age can be differentiated according to its economic position (see figure 7). Between July 2008 and June 2009,

57% of the local workforce were employed

26.8% were economically inactive

11.3% were unemployed and

7.4% of the people of working age living in Wolverhampton were self-employed (ONS 2009a).

Figure 7: Workforce according to economic position (2008/2009)

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

Between July 2008 and June 2009 the **unemployment rate** in the city of Wolverhampton was 11.3% and was, thus, significantly higher than the unemployment rates within the West Midlands region and the United Kingdom, which amounted to 8.6% and 6.8%, respectively (ONS 2010). Unemployment in Wolverhampton has long been above the national and regional average. During the past years, the unemployment rates strongly increased in the city, as they did in the region and country as a whole. In Wolverhampton, the rate rose from 8.2% in 2006/2007 to the most recent rate of 11.3% (ONS 2008). This increase was mainly due to the current economic crisis and downturn of the UK's economy (cf. section 3.3).

According to the city, unemployment rates for ethnic minority groups tend to be higher on average than those of the majority population. There is, however, no official data available concerning this topic. Similarly, no data is available with regard to the occupations of people from BME groups. Still, according to the city, it is expected that retail plays an important role in the employment of BME groups – this would include both employees as well as business owners.

3.3. Development of SMEs and recent trends

Apart from characteristics of the local workforce and key sectors and branches, 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 less 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.

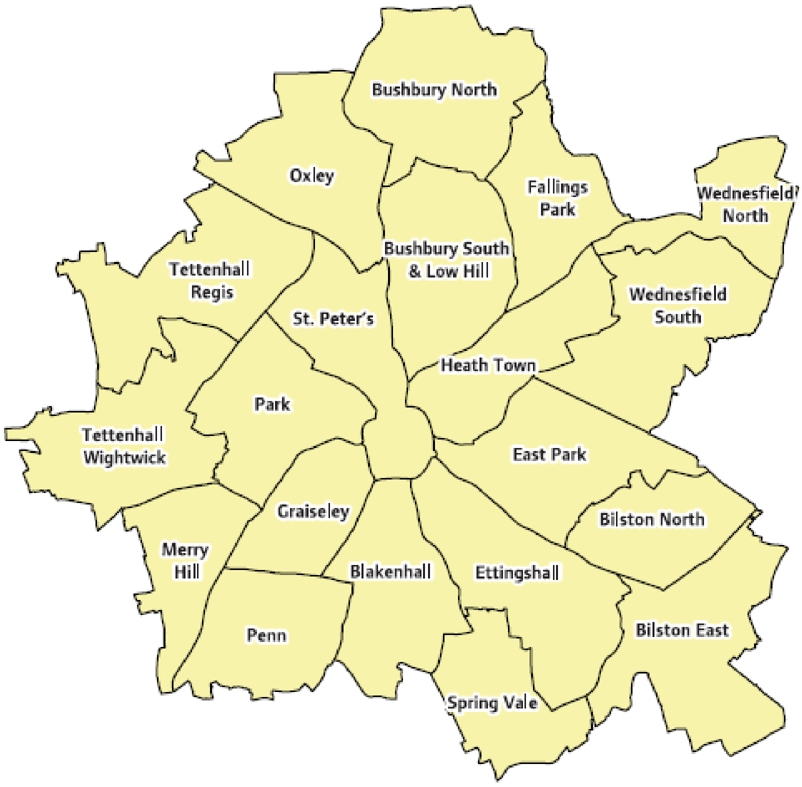
SMEs play the most important role in the European economy: they represent 99% of all businesses in the EU. Moreover, nine out of ten SMEs in the EU are micro firms, having on average two employees (Rath 2009 and European Commission 2009).

In 2007, there were 5,530 VAT registered businesses, i.e. businesses with an annual turnover of more than £58,000 (about € 66,000), in Wolverhampton (ONS 2009a). According to the city, there are over 8,500 active businesses operating in Wolverhampton, of which more than 90% are SMEs. The proportion of SMEs was rising over the past decades. This was often due to the fact that some large companies went bankrupt, reduced their staff or split into smaller enterprises.

SMEs can be found in all **sectors** of the local economy in Wolverhampton. In manufacturing, for instance, larger aerospace or automotive companies create a need for smaller engineering and manufacturing suppliers. There is also a small but significant textile industry. Furthermore, the retail sector has a large number of businesses, and is still expected to grow.

With regard to the **spatial distribution** of SMEs (and other businesses), staff members of the City Council stated that business sites and industrial estates have historically been established around the transport infrastructure. For many years, the city's canal system was a key means of transport for businesses; today, motorways, roads and train routes are most important. According to the city, the majority of businesses can be found in the east of Wolverhampton– for instance in Bilston, Ettingshall and Wednesfield. Retail is mainly concentrated in the city centre, i.e. St. Peter's ward.

Figure 8: Wolverhampton's wards



Source: Wolverhampton City Council 2009d: 48

According to the city, the current **financial and economic crisis** has had an impact on all business sectors in Wolverhampton. According to the interviewed experts, larger companies were more affected by the crisis than smaller ones. Many companies in the manufacturing industry, for instance, either had to make redundancies or operate with reduced working hours. Since Wolverhampton is less reliant on the automotive industry than other areas in the Midlands, it is doing slightly better than neighbouring authorities. At the same time, Wolverhampton was to some degree also protected from the current crisis by its aerospace industry, which tends to have order books filled that go beyond the timescale of a recession. Thus, the suppliers of the aerospace industry were also protected as work in the field continued. Apart from the manufacturing sector, retail was particularly hit as well. Some independent retail outlets closed down, leaving units vacant in the city centre; others had to make redundancies. According to interviewed experts, Wolverhampton has now one of the highest proportions of empty shops in the UK.

There has been a large increase in unemployed people since the crisis started (cf. section 3.2). The types of work that the recently unemployed are seeking suggest that it was lower skilled workers who suffered the majority of the redundancies, rather than those in skilled labour and managerial posts. Furthermore, many employees were working on reduced working hours. The growing unemployment rate also has an impact on self-employment in the city. Generally, self-employment rates rise in times of a crisis due to a lack of opportunities in paid employment. Still, starting a business out of economic necessity is often regarded as a temporary solution by the entrepreneur. One of the interviewed experts from a business advice agency stated that people becoming self-employed in Wolverhampton recently are more likely to be lower-skilled and to open up micro businesses with no employees. These entrepreneurs will mainly close down their business and switch into paid employment as soon as the economy recovers and companies start seeking employees again.

4. Profiles of ethnic entrepreneurship

The following sections deal with ethnic entrepreneurs in Wolverhampton. 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 entrepreneurship 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). As 'ethnic entrepreneurs', the CLIP project considers entrepreneurial persons who were born abroad as well as the second- and third-generation of immigrants (Rath 2009: 10). In the city of Wolverhampton, migrants and their descendants are usually referred to as Black and Minority Ethnic (BME) groups. Thus, when referring to 'ethnic entrepreneurship', the term 'BME enterprises' or 'BME businesses' is commonly used.

Within the last decades, **ethnic entrepreneurship in Wolverhampton changed and grew**. The growth of the number of BME businesses in Wolverhampton is a "natural progression", as stated by one of the interviewed experts: since large and well-established ethnic communities developed and now live in the city, leading to a growing proportion of BME groups, the number of ethnic businesses increased as well. Enterprises founded and run by people with an Eastern European background are new phenomena in Wolverhampton, due to the recent immigration of Eastern Europeans (particularly migrants from Poland) to the city. One of the interviewed experts from a business advice agency expects an enhanced growth of ethnic entrepreneurship during the current economic crisis, because as fewer jobs are available and unemployment grows, the number of people pushed towards self-employment will increase (cf. section 3.3).

The interviewed expert from the City Council stated that the vast majority of BME businesses in Wolverhampton are SMEs. However, their exact number is not known. According to an interviewed expert from a business advisory organisation, people with an Indian, Pakistani, Eastern European and African-Caribbean background make up the biggest groups among ethnic entrepreneurs. Asian entrepreneurs, in particular, are predominantly male and start their businesses at a younger age. The latter holds true for African-Caribbean founders as well. Entrepreneurs with an Eastern European background are usually older when they start their businesses. Generally, the percentage of female entrepreneurs is lower for BME enterprises compared to businesses founded by the majority population.

With regard to the **sectoral distribution** of minority ethnic businesses in Wolverhampton, it can be noted that they operate in all branches of the economy and are very diverse. The vast majority of BME businesses belong to the service sector, as in the general Wolverhampton economy. According to information provided by the city, BME enterprises tend to dominate certain industries, e.g. small retail outlets and clothing manufacture. However, the latter is a declining industry in the city. Interviewed experts also noted a switch from retail to IT for Asian businesses, in particular those run by third-generation migrants.

In the case of retail, many members of the same ethnic group will set up their businesses in premises near each other. They seem to find it easier to trade in a community where members of the same BME group already trade and live. For example, Dudley Road, which is south of the city centre in the Blakenhall ward, has a large concentration of BME communities and businesses. Yet above all, the **location** has to fit the business. A concentration in areas where people live is more suitable for retail or the catering industry, for instance. In other branches, in particular when factories or warehouse units are required by manufacturing or engineering companies, suitable premises are only available in less-residential areas. BME businesses are sometimes concentrated around specific areas, but can also be distributed all over Wolverhampton, depending on their needs.

4.2. Market and competition of ethnic businesses

All interviewed experts agreed that generally, **markets** that BME businesses in Wolverhampton cater to differ according to the nature of the business and include local as well as international markets. For some sectors, e.g. clothing manufacturers, changes in cost, for instance, forced them to look into new markets, in particular overseas. The customer base of ethnic businesses also changed over time. Whereas in the past, BME businesses often had customers with a minority ethnic background, today, they sell their products and services to all ethnic groups in society. Some enterprises in the retail and textiles sectors still cater mainly to ethnic customers, for instance with clothing produced specifically to meet BME group cultural or religious needs. Other industries, such as manufacturing, restaurants or business and professional services, mainly have customers that belong to the majority population. According to the interviewed experts from the City Council and a business advice agency, successful businesses cannot only cater to one specific (ethnic) group. In many sectors of the economy, entrepreneurs with ambitions to develop their businesses have to broaden their markets and customer base. Thus, catering to diverse markets and customers makes good economic sense for (BME) businesses.

Due to their wide markets and customer base, ethnic businesses face **competition** from all other businesses in their sectors. As one of the interviewed experts from a business advice agency put it, BME businesses in Wolverhampton "compete against the world". According to a staff member of the City Council, they are, however, more likely "to be able to tap into sections of society that would be difficult for non-ethnic businesses to access". Entrepreneurs with a minority ethnic background have a sound knowledge of their ethnic community, can overcome possible language barriers and often receive support from members of their community. Thus, they may also find it easier to build up and maintain business in their country of origin, facilitating transnational economic relationships.

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

With regard to the **ownership structure** of BME businesses, information provided by the city suggests that the majority of ethnic entrepreneurs are the owners as well as the managers of their respective enterprises. Partnerships are less common, and often involve family members. There is no evidence either way to suggest that opening franchises is more common or rare for ethnic entrepreneurs. Moreover, the number of ethnic entrepreneurs that start franchises is unknown. Furthermore, there is no official quantitative data available on ownership structures of BME businesses in Wolverhampton.

According to the experts interviewed in the course of the city visit, owners of BME businesses often tend to employ members of their extended family and friends – in particular during the start-up phase in order to reduce costs. In the beginning they often rely on their own network of support. However, when the business develops and more employees are hired, the ethnic background of the employees does not matter. Ethnic entrepreneurs usually hire staff from all ethnic groups – including the majority population – as business survival is dependent on the ability of staff members rather than their ethnic background. One of the interviewed experts from an ethnic business association stated that "race has no play in business", since "business is business". Generally, the **workforce** employed by ethnic entrepreneurs can be very diverse although the level of diversity sometimes differs according to the nature of the business.

There is no quantitative evidence available on the issue of **employment conditions** and labour relations in minority ethnic businesses. Most of the interviewed experts, however, stated that ethnic entrepreneurs and entrepreneurs from the majority population do not differ in the ways they operate their companies. However, two particularities of BME businesses are very likely to have an impact on employment conditions in Wolverhampton. According to an interviewed expert from an ethnic business association, employing family members or friends can sometimes lead to problems, e.g. family employees overstepping the rules due to the entrepreneur's lacking authority or ability to set the rules. Another particularity is the degree of unionisation, which is (according to information provided by the city) expected to be very low in BME businesses in Wolverhampton.

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. They are the typical motives for entrepreneurial careers in the city of Wolverhampton as well.

First, there are factors that are likely to **'push'** people into self-employment. For some migrants, entrepreneurship is a rational response to their specific and difficult situation in the labour market. This situation entails problems finding work that fits their qualifications and aspirations and facing racial discrimination. Members of minority ethnic groups are more likely to work in underpaid jobs and their upward mobility is blocked by a 'glass ceiling'. Unemployment is another important push-factor. Generally, in times of recessions featuring higher unemployment rates, self-employment rates also rise. The factor is likely to be even more significant for ethnic minority groups, which have higher unemployment rates on average than members of the majority population (cf. section 3.2).

According to the city, self-employment rising from unemployment was more common for first-generation ethnic groups, because they were more likely to work in lower paid jobs and/or in factories of the declining manufacturing industry. The 'glass ceiling', which prevents BME groups from getting into more senior positions within larger organisations and features discrimination in and exclusion from the labour market, is a push-factor that particularly applies for second- and third-generation migrants, who are usually well educated and have good skills helping them to start an innovating business. When push-factors apply, there are often no other options but self-employment; thus, it is 'necessity-driven' rather than 'opportunity-driven'.

Second, there are various factors that act as a **'pull'** towards self-employment for BME groups in Wolverhampton. The wish to be independent and one's own boss or to earn more money is crucial in this regard, as stated by most of the interviewed experts. Further reasons differ according to ethnic groups. For some communities, e.g. newly arrived immigrants such as Eastern Europeans, self-employment offers the opportunity for a better life and working in a job that fits the qualifications they obtained in their country of origin. According to the interviewed experts, within other communities, e.g. Asian ones, there is a cultural spirit that enhances the wish to become self-employed. The interviewed experts described this desire for starting a business within Asian communities as "running in people's blood", "natural" and an "accepted way to go". Influences from the family and peers add to this inclination towards self-employment. A family tradition of being an entrepreneur and the wish to be doing better than one's parents are often pull-factors for ethnic entrepreneurship in Wolverhampton.

Ethnic resources or opportunities – i.e. group-specific influences – represent another set of pull-factors. BME groups have certain advantages in information, knowledge and perceptions of new market opportunities, particularly with trans-national economic relations. Moreover, the existence of ethnic enclaves is also regarded as a reason for ethnic entrepreneurship. They act as reliable markets for ethnic products and services. An ethnic enclave and/or an extended family can also be of importance concerning the access to informal resources such as finance or (cheap) labour, which are crucial particularly in the start-up phase for some BME groups.

Generally, previous experience as an entrepreneur, market knowledge or a family tradition of self-employment can positively influence the wish to become self-employed. A change in circumstances is also likely to be both a push- and a pull-factor for starting an entrepreneurship career. Still, there are usually several motives that simultaneously influence the decision to become self-employed. In Wolverhampton, the interviewed experts assessed that pull-factors seem to be more influential in the decision of BME groups to start a business.

4.5. Problems and barriers

When setting up a business and/or being self-employed, ethnic entrepreneurs face several problems and barriers. Generally, most of the local experts interviewed in the course of the field visit believe that with regard to problems, there are very few differences between entrepreneurs with and without a minority ethnic background.

To begin with, evidence from the interviews conducted in the course of the city visit suggests that some ethnic entrepreneurs in Wolverhampton face difficulties due to a lack of **business experience and training**. On the other hand, finding workers with appropriate skills is sometimes also difficult. Some entrepreneurs are unable to cope with situations, because their self-employment proves to be more problematic than they planned it to be. They set their sights too high, make over-optimistic forecasts, lack long-term planning, have poor supplier contracts, stock management or credit arrangements and hire the wrong people (Business Link 2010b). A thorough preparation is, therefore, of particular importance when founding a business, but is hardly possible without professional help and advice. Furthermore, entrepreneurs with an ethnic background generally use counselling services less often than the majority population does (Business Link 2010b, Ram/Jones 2008 and Thompson et al. 2010).

Most of the interviewed experts noted that business advice and support sometimes turns out to be a barrier for BME businesses. On the one hand, institutions offering advice are historically 'White' organisations that do not specifically reach out to BME groups. Although they have started to implement measures to improve access from BME groups, no equal treatment in taking up support has been achieved yet (cf. section 5.3). On the other hand, some BME groups' culture or experiences in their country of origin makes them reluctant to ask for or take up public support. According to the experts, there is also a lack of awareness of business support on the part of some BME businesses.

Access to finance is another major problem for ethnic entrepreneurs. Research shows that BME groups have more difficulties accessing formal means of finance (Barrett et al. 2002, Fraser 2008, Ram/Jones 2008 and Smallbone et al. 2003). On the one hand, this is a 'typical' problem for SMEs in general, particularly micro-enterprises (the majority of BME businesses belong to that category; on the other hand, this is also due to 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 on parts of the banks, problems ethnic entrepreneurs face with regard to accessing bank loans or formal credit (often related to interest-bearing schemes) create a perceived discrimination. This often discourages entrepreneurs with a minority ethnic background to even apply for these financing possibilities (Fraser 2008: 23/24). As with other issues, there are different extents to the problems various ethnic groups have with accessing finance. Some ethnic groups have more problems accessing finance than others, however.

All interviewed experts noted that entrepreneurs in Wolverhampton with a BME background are in a disadvantaged position and face more stipulations when they go to a bank and apply for credit, based on the specific features mentioned above. Thus, many ethnic entrepreneurs do not approach banks at all, because they assume that they will not get the funding. The issue of finance is regarded to be less problematic for some BME entrepreneurs. Some interviewed experts noted that Asians, for instance, can easily borrow money from their extended family and then find it easier to approach banks. Generally, government policy now encourages people with a BME background to become entrepreneurs and offers increasing support for them, such as the Business Link BME Fund. Furthermore, non-profit organisations also offer grants that BME businesses can apply for. The current financial and economic crisis, however, makes it harder for every business – in particular SMEs – to borrow money. Banks set an even higher stipulation, which worsens the possibility to obtain credits for BME businesses.

A frequent problem for entrepreneurs lies in the field of **marketing**. According to an interviewed expert, marketing problems are common in Wolverhampton, since most people are not good at advertising their business. But this holds true for all entrepreneurs, irrespective of whether or not they are from a BME group.

In addition, entrepreneurs are faced with problems concerning national or local **rules and regulations. Bureaucracy and intermediary institutions** are regarded as barriers as well. Recent immigrants are particularly likely to be less familiar with regulations, incentives and norms on the UK labour market (Levi 2007: 146/147), which is problematic when starting or running a business. Again, there is no data available suggesting that these topics influence BME businesses in Wolverhampton in a particular way. Still, one of the interviewed experts from a business advice agency stated that understanding rules and regulations sometimes proves to be difficult for newly arrived immigrants who start a business (in particular migrants from Eastern Europe) due to a lack of proficiency in English. Whether or not this translates into more illegal actions on their part cannot be assessed due to a lack of data (cf. section 5.1).

5. Policies, rules and regulations

This chapter starts with an overview of national rules and regulations controlling the formal access to entrepreneurship and of some illegal practices in Wolverhampton (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 Wolverhampton is regulated as in every other British city, i.e. it goes along with general **formalities** every entrepreneur (with or without a minority ethnic background) has to meet. First of all, the entrepreneur has to 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.[7] 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 (if applicable) partners. 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 or hygiene that are inspected by a Building Control Service. Furthermore,

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

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 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 currently lies at £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 demanded of 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).

There are no differences between entrepreneurs with or without a minority ethnic background with regard to these regulations. 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/es 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 Business Link and the Government; information is given 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. The advice centres and business associations, in particular, help with developing a marketing plan and a business plan, which is an essential 'road map' for the enterprise and a prerequisite for certain financing possibilities. Given the set of rules, establishing a business without professional advice can be difficult. 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). In Wolverhampton, the proportion of Business Link service users with a minority ethnic background is, according to information provided by one of the interviewed experts, only slightly lower than the percentage of the city's population belonging to BME groups. Thus, one could assume that entrepreneurs with a minority ethnic background have access to information and services and do not face more difficulties concerning the fulfilment of the rules and regulations than entrepreneurs without a BME background.

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 instance, 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 2010b). 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 the city of Wolverhampton are obliged to adhere to these sectoral rules and regulations just like any other business. There is no evidence of whether or not they are particularly affected by these regulations. According to the city, there are no specific spatial rules and regulations for BME businesses either. No zoning plans that influence such businesses exist – with the exception of land designated for employment under the Joint Core Strategy.[8]

Illegal and informal practices

There is no data available on the issue of illegal and informal practices. According to the city, this topic is not seen as a major problem in Wolverhampton. The interviewed experts agreed and stated that in their view, with regard to illegal practices, no differences between BME-led businesses and businesses owned by a member of the majority population exist. They are treated identically when illegal actions are disclosed. According to one interviewed expert, there are generally "plenty of people trading illegally in Wolverhampton". Still, the extent to which BME businesses conduct informal practices is not known.

[8] The local authorities of the Black Country (Dudley, Sandwell, Walsall and Wolverhampton) united to develop a Joint Core Strategy, which is supposed to be published and adopted in March 2011. This document will be the guideline for the spatial planning of the region up to 2026, encompassing topics such as the economy, environment, housing and leisure. The aim is to turn the Black Country, through regeneration and reconstruction, into an attractive place for investors, inhabitants and visitors (Dudley, Sandwell, Walsall and Wolverhampton Council 2010, Wolverhampton City Council 2008a).

5.2. Local strategy

Overall strategy, objectives and target groups

This section looks at the role ethnic entrepreneurship plays within the city's economic development and equality schemes. It starts with the latter. As typical for the UK, creating **equal opportunities** and ensuring equality of all groups in society is the basis for policies integrating ethnic minority groups in Wolverhampton. Thus, the City Council develops and implements Race Equality Scheme Action Plans. The 2008 – 2011 plan (Wolverhampton City Council 2008b) presents various outcomes to be achieved in this regard. The issue of ethnic entrepreneurship is not part of the city's current Race Equality Scheme Action Plan.

Wolverhampton's **economic development strategy** neither focuses on nor includes the topic of ethnic entrepreneurship. There are also no projects specifically aimed at BME groups. According to the interviewed expert from the City Council, BME-specific policies are missing because the city does not want to discriminate against its inhabitants. Since Wolverhampton is a very diverse city and home to many different ethnic groups, the Council "could get flagged" when offering specific projects for single BME groups. That would be deemed unfair or even discriminative by the majority population as well as BME communities, which mostly want to be treated like any other business and be dealt with in mainstream services, as stated by several other interviewed experts. In the past, there used to be specific services for minority ethnic groups, but the city now addresses ethnic enterprises simply as businesses, without focussing on the ethnic aspect. Thus, as the interviewed expert from the City Council stated, ethnic entrepreneurship does not play a role in the city's strategy; it is regarded as entrepreneurship, since "it is the nature of the business that is important".

Generally, the city's **objectives** for economic development are to create employment and wealth. It aims at supporting investment in business in Wolverhampton. Therefore, inward/outward investment of ethnic businesses as well as international trade and transnational economic relationships are encouraged, e.g. the India Project (cf. section 5.3). Furthermore, since Wolverhampton has one of the highest unemployment rates in the country, the city aims at reducing unemployment. In order to reach its goals, the city does not focus on BME groups, but rather includes all groups at all levels of business progression. Still, there is a focus on businesses that have a high growth potential and are more likely to create jobs (Wolverhampton City Council 2009c). Moreover, the city also initiates projects that aim at helping people become self-employed. Such projects are usually conducted in cooperation with partner organisations and sometimes target specific groups such as disabled people, people living in disadvantaged areas or young graduates.

Main actors and institutions, dialogue and involvement of migrants

Within the Wolverhampton City Council, the **main actor** for implementing the economic strategy is the Economic Development Department. Its staff members offer various means of support and projects in cooperation with partner organisations, in particular Business Link – the England-wide governmental business advice and support service. Business Link is a one-stop-agency and 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 (e.g. Advantage West Midlands in the case of Wolverhampton) and backed up by government departments, agencies and local authorities (Business Link 2010a). At the time of the completion of this study, the Regional Development Agencies as well as Business Link face an uncertain future. They are likely to be closed down by the end of March 2012 at the latest and then be replaced by Local Enterprise Partnerships (LEPs). The specific field of work of the LEPs remains unknown at present though.

In the Black Country, Business Link contracted out its business start-up support to a company called Black Country Enterprise (BCE) in 2007. It is a wholly-owned subsidiary of the Black Country Chamber of Commerce and gets funding from the regional Business Link, local authorities and Advantage West Midlands, a Regional Development Agency. Eight full-time advisers provide support, information, training and mentoring to people who consider becoming self-employed and to businesses up to one year after their creation. BCE also cooperates with smaller service delivery organisations across the Black Country which have access to different client groups, e.g. ethnic business associations such as ACBF and BCABA (see below) (Black Country Enterprise 2010).

Whereas BCE was generally regarded by the interviewed experts as an important and helpful organisation for potential and existing entrepreneurs, they had varying views on the efficacy of the City Council and Business Link. With regard to the former, the interviewees agreed that the city plays a crucial role in assisting (BME) businesses in Wolverhampton. However, some of the interviewed experts from business advice agencies also noted that “the Council is not doing enough” and “is not fulfilling its important role”. According to them, the Council should increase the data monitoring and raise awareness of its business services. Furthermore, they believe that more practical advice is needed and positive role models should be presented in order to encourage young people to start a business. Additionally, the Council should increase its efforts to encourage international relations and thereby tap into resources of BME groups in the city.

Similarly, the views on Business Link also differed. Although all of the interviewed experts acknowledged that BME groups seem to be well represented in the support offered by Business Link West Midlands, others criticised the agency’s changed focus. Some years ago, Business Link West Midlands started to concentrate on businesses with growth potential when issuing grants, i.e. those businesses with a substantial number of employees, higher turnover or engaged in international trade. This puts smaller businesses – and, thus, many BME businesses – in a disadvantaged position. Furthermore, one of the interviewed experts criticised Business Link for not reaching all groups. Asian people, for instance, do not seem to be happy with the support offered, because of “cultural differences”, although Business Link provides intercultural training for its staff.

Apart from the Wolverhampton Council, Business Link and Black Country Enterprise, there are several other **relevant institutions** for (ethnic) entrepreneurs in the area. According to the interviewed experts, they include:

- ethnic business associations,
- the Chamber of Commerce,
- other public, private or third-sector business advice agencies,
- the Regional Development Agency ‘Advantage West Midlands’,
- other local and regional authorities,
- the local University, Colleges and other educational institutions,
- research institutes and
- family and friends.

Membership in these organisations (e.g. the Chamber of Commerce or (ethnic) business associations) is on a voluntary basis. BME businesses have just as much a right to become members as any other business. **Membership** fees are determined by the size of the company. Very small businesses with up to five employees currently need to pay about £240 per year to become a member of the local Chamber of Commerce. The membership rate is generally low. According to one of the interviewed experts, it lies at about 5% for all businesses in the Black Country. The membership rate of BME-led businesses should be slightly lower. This is mainly due to the structure of many BME businesses and the fact that they can often be found in sectors where there is not much benefit from joining the chamber, e.g. retail.

There are various **ethnic business associations** in Wolverhampton as well as in the Black Country. The African-Caribbean Business Federation (ACBF) and the Black Country Asian Business Association (BCABA) are the two biggest organisations. They were established in 2001 by individual business owners with a BME background in cooperation with both the local Chamber of Commerce and Business Link. The establishment of BCABA and ACBF was part of a changing process of the Chamber and Business Link and they received funding from them at first. ACBF represents about 900 businesses, BCABA has approximately 1,500 members. They organise various events, provide information, advice and mentoring for businesses in all phases and support a networking process. Their founders are also board members of the local Chamber of Commerce and through their involvement with Black Country Enterprise, the local ethnic business associations are also engaged with Business Link. Such cooperation helps strengthen the involvement of BME businesses in mainstream services as well.

Furthermore, various business forums exist in Wolverhampton. One of the biggest is the SME Forum, which provides a place for businesses to network and discuss issues that they face. Additionally, the City Council is engaged with these forums and, thus, provides contacts with local businesses. According to an interviewed expert, BME businesses are to a lesser extent involved in these general forums, since it is mainly well-established companies with a long tradition in the region that participate. The city advertises the forums indiscriminately, and BME businesses are not particularly encouraged to get involved. Nevertheless, there are specific forums for BME businesses, for instance the local Chamber's BME Forum or the Minority Ethnic Business Forum of Advantage West Midlands, which provide a platform for the city to engage with BME businesses. Moreover, the City Council started to encourage a dialogue between different actors in Wolverhampton, e.g. bringing local companies and the police together in order to discuss business crime.

5.3. Local activities

Public, voluntary and private organisations offer a variety of **projects, workshops, seminars and one-on-one business support** in Wolverhampton as well as the Black Country and the West Midlands region. 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 various organisations that provide business support and advice usually cover a wide range of topics. The workshops and training sessions include:

- pre-start-up support,
- advice on how to secure funding (e.g. from trusts or foundations),
- information on health & safety and other legislation,
- legal consultation,
- help with various forms of marketing (e.g. business promotion on the internet),
- procurement training and
- Business Advice Days (Business Link 2010c).

Business Link and its partner organisations – in particular Black Country Enterprise – are the most important institutions to offer advice. According to one of the interviewed experts, the regional government decided a few years ago to particularly support female and BME entrepreneurs by setting up quotas for these groups in its business advice services. Thus, Business Link West Midlands had the goal of having at least 30% of its customers female, and 26% of customers with a minority ethnic background. The quotas also apply for its sub-contractors, e.g. Black Country Enterprise (BCE), which offer pre-start-up support free of charge. As stated by the interviewed expert of BCE, 4,000 people approached the company in 2009 and sought help concerning a business start-up. About 530 people actually started a business in that year and approximately half of them survived the first twelve months. Slightly more than 26% of the potential entrepreneurs and the actual founders had a BME background.

Setting up quotas, complying to them and, thus, guaranteeing that different groups access the business support service can be regarded as good practice, since BME groups are less likely to use public business advice than the majority population (Business Link 2010b, Ram/Jones 2008 and Thompson et al. 2010). It can be assumed that the cooperation with local ethnic business associations helped to make the services known to potential customers with a BME background and, thus, met the quota. Involving advisers with a minority ethnic background can help to approach BME groups and build up trust, which is regarded as being crucial by one of the interviewed experts. Some entrepreneurs with a BME background might find it easier to interact with an adviser who has a minority ethnic background as well. Thus, having heterogeneous staff can be seen as a means for Business Link and other business advice agencies to reach out to diverse groups.

Another very promising new programme concerning support for potential entrepreneurs is the '**Black Country Pathway to Enterprise**' project. It is run by the Wolverhampton Network Consortium (WNC), a voluntary-sector company which aims to improve the local community by supporting voluntary and community organisations, assisting community-based projects and gathering people together into a network. Its 'Black Country Pathway to Enterprise' project was established in order to help SME business start-ups from people belonging to disadvantaged groups. By the end of 2012, the project plans to offer pre-start-up support for 1,500 disadvantaged people and to help them access Business Link West Midlands' pre-start offers. The objective is to help to establish an additional seventy-five new business start-ups.

Local authorities decided to promote the establishment of SME businesses, since the Black Country is characterised by a declining and lower-than-average level of entrepreneurial activity. The four local Black Country authorities as well as several other public and voluntary sector organisations support this project (which starts in summer 2010) and consider it to be an important key factor for further economic growth. They will target disadvantaged groups that are facing higher obstacles in the labour market than others. These barriers will be broken down by providing coaching and mentoring to develop valuable skills in managing a business. It will also give inspiration for becoming self-employed, e.g. by addressing unemployed persons. Although there is no specific focus on entrepreneurs with a minority ethnic background, they will definitely benefit from it, because some BME groups face higher unemployment rates and often live in deprived areas. The project will offer sub-regional grassroots engagement in the Black Country (within thirteen communities) and grant sustainable support for business starters (Wolverhampton Network Consortium 2010). Since it is only about to start, it cannot be regarded as good practice yet. Still, the 'Pathway to Enterprise' is a very promising project that might become an important means to approach disadvantaged groups, and guide them into (self-)employment and foster economic growth.

The city of Wolverhampton also offers advice for businesses, mainly for those already existing. It established the **Red Carpet Programme** in order to support businesses in Wolverhampton that are deemed strategically important. According to an interviewed expert of the City Council, such key businesses – or "big players" – are of importance to the city, because they are large employers and entail a supply chain of smaller local businesses. This category includes big companies in the aerospace, food and drink, engineering and construction industries. Within the Red Carpet Programme, staff members of the Council, the Wolverhampton Development Company and other public sector agencies as well as councillors meet the managers of the companies to talk about the businesses' requirements and how to possibly meet them. Since the vast majority of businesses in Wolverhampton are SMEs, however, the city established the **SME Forum** in order to get in contact with them. Councillors and staff members of local public agencies attend the Forum's meetings and discuss requirements, problems and possible solutions. Furthermore, the city uses both projects to inform businesses about legislation or changing regulations (Wolverhampton City Council 2009b). The Red Carpet Programme, as well as the local SME Forum, can be regarded as examples of good practices for establishing contacts between key figures of local authorities and local businesses. However, the city should make sure that all different groups are involved in the project, in particular the SME Forum, and, where necessary, use group-specific means of marketing.

As described in section 5.2, attracting inward investment is an important objective of the city for local and regional economic development. The sub-regional, inward investment agency Black Country Investment (BCI) is in charge of achieving this goal. It aims at generating and promoting investment from national as well as international companies looking to expand or relocate in the area. Among other things, the agency helps with finding property and with financing issues, e.g. advice on meeting the funding criteria to access Advantage West Midlands' Grant for Business Investment (Black Country Investment 2010). Support from the BCI can be very useful for migrant entrepreneurs living in another country and planning to start a business in the area.

The city of Wolverhampton also uses the **transnational economic connections** of its inhabitants to attract inward investment and help business expand. The regional chamber has an India Pakistan Trade Unit to support international trade between the West Midlands and South Asia. The UK Trade and Investment (UKTI) and its regional portal The Heart of England advertise the West Midlands abroad.

The city of Wolverhampton further established its own project to tap into transnational economic connections. In 2007, the city launched the Wolverhampton India Project (WIP) in order to strengthen existing close ties to India and in particular the Punjab region (about 12% of the local population have an Indian background and mainly stem from the Punjab), and to open up new opportunities. The project focuses on three areas: trade, education and culture/sport. It brings together different partner organisations from Wolverhampton which are undertaking activities in India such as local businesses, the Black Country Chamber of Commerce, Wolverhampton University or the Wolverhampton Wanderers Football Club and is supported by national and regional government institutions or organisations, e.g. UK Trade and Investment (UKTI), Advantage West Midlands and the Black Country Asian Business Association (BCABA).

The Wolverhampton India Project aims at fostering stronger trade links between the two regions. Local (Asian) businesses are connected to businesses in the Punjab to encourage trade. Furthermore, the project concentrates on promoting joint ventures and possible new market opportunities for both local and Indian businesses. There is a focus on inward investment as well. The city makes sure that Indian investors thinking of locating in Wolverhampton will receive help with premises as well as staff recruitment and are connected to the University, College and other businesses operating in the region (Wolverhampton City Council 2010).

6. Summary and conclusion

The city of Wolverhampton is situated in the West Midlands region to the north-west of Birmingham. Together with the metropolitan boroughs of Dudley, Sandwell and Walsall it forms the Black Country. About 236,400 people currently live in Wolverhampton (2007 MYE) and its population is very diverse: Black and Minority Ethnic (BME) groups make up a proportion of 27% among Wolverhampton's total population. This high percentage of BME groups is based on the city's long tradition of immigration, which dates back to the 19th century. Immigration from former British colonies – in particular the Indian sub-continent – after the Second World War had the most crucial impact on the composition of Wolverhampton's population – about 15% of its 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.

Wolverhampton's economy is dominated by the service sector, which more than 80% of the local businesses belong to. Traditionally, Wolverhampton has been a centre for trade and manufacturing. It was known for its lock making, iron and steel industry and later on, motor vehicle manufacturing became an important part of its economy. Within the past decades, Wolverhampton experienced a process of tertiarisation whereby 'traditional' industrial companies closed down or reduced their staff significantly. Generally, unemployment is a problem in the city. The local unemployment rate lies at 11.3% and is, therefore, considerably higher than the national average rate of 6.8%. The number of unemployed people, in particular those with lower skills, rapidly increased in the course of the current financial and economic crisis. The crisis hit all branches of the economy in the city and led to several bankruptcies, mainly of larger businesses.

There is hardly any official data available on BME businesses in Wolverhampton. Information provided in the study originates from the expert interviews conducted during the city visit and is, thus, mostly based on observation and experience. According to the interviewed experts, BME businesses today do not tend to differ much from businesses run by a member of the majority population. However, BME businesses seem to have a few peculiarities: they are often family businesses; some of them offer migrant-specific goods and services; and the issue of finance is regarded as being specifically problematic for some BME groups. This also shows that BME businesses cannot be characterised as a homogeneous category, but rather differ among each other. In order to get a detailed knowledge of local BME businesses, it is recommended to the city to collect and monitor data on businesses. Such data is likely to have already been gathered by Business Link or other advice organisations; it usually also includes information on the ethnic background of business owners. Analysing the data with regard to different (ethnic) groups is crucial for knowing the businesses' issues, trying to solve or prevent problems they face and helping them to grow.

Although setting up a business in the UK is fairly easy (most entrepreneurs only need to register with HM Revenue & Customs, which requires "just a phone call", as one of the interviewed experts put it), several rules and regulations have to be considered. A thorough preparation is, thus, of high importance for the potential entrepreneur. There are various workshops, seminars, projects and other forms of business advice in the city of Wolverhampton, the Black Country and the West Midlands region that people who are planning to start a business or running an existing business can attend. Business Link is the main actor in this field. All of its services are free of charge to the entrepreneurs using them. The services are usually of a general nature, i.e. they do not focus on specific (BME) groups, which is useful in terms of delivering them in a non-discriminatory way. It is, however, crucial to guarantee equal access to these general services and to make sure that all groups of society actually are involved. Quotas for BME groups, such as those that exist for Business Link services, are one way of guaranteeing access; cooperation with and the active involvement of ethnic business associations in the mainstream organisations are another. Both can be regarded as examples of good practices. The 'Black Country Pathway to Enterprise' project is another good example in this regard. However, it is only about to start in July 2010, and its impact cannot be assessed yet. The project aims at breaking down barriers by providing coaching and mentoring for disadvantaged groups, which face higher obstacles in the labour market, in order to help them start a business and use the start-up services offered by Business Link and Black Country Enterprise, respectively. Thus, it can be seen as a good means to approach groups that are usually less likely to access public business support.

The city's strategy for local economic development is concentrating on creating employment and wealth. Hence, it is focusing on larger companies that are deemed strategically important for the employment in the area and provide many jobs. In the course of the current financial and economic crisis, according to the interviewed experts, bigger companies suffered most in Wolverhampton; some even went bankrupt. However, it is also important to attend to smaller businesses. The Wolverhampton SME Forum – as a platform to establish contacts between the city and local businesses and talk about their issues – can be regarded as helpful in this regard. The city should, however, make sure that ethnic businesses are also involved in this general forum. For example, they could promote it through the ethnic business associations.

Attracting inward investment is another main aspect of the city's strategy for economic development. The Wolverhampton India Project is one example of such a strategy. It builds on and strengthens existing transnational connections to India and opens up new opportunities as well. Among other things, the project connects local and Indian businesses and provides help with premises and staff recruitment for Indian businesses relocating in the area. The Wolverhampton India Project is an example of a good practice that utilises the ethnic entrepreneurs' potential. The city should establish further programmes to tap into this potential, since entrepreneurs with a BME background provide a valuable resource for the (economic) development of Wolverhampton.

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List of persons interviewed

During the field visit, which took place from 11th to 14th of May 2010, the following experts were interviewed:

Cooper, Chris; Head of Enterprise, Black Country Enterprise

Croasdale, Sandra; ethnic entrepreneur; founder of the African Caribbean Business Federation

Saini, Rakesh; ethnic entrepreneur, RS Associates; Business Advisor

Shears, Chris; enterprise and innovation officer, Wolverhampton City Council

Sohal, Ranjit; ethnic entrepreneur; member of the Black Country Asian Business Association

Taylor, Betty; Chief Executive, Wolverhampton Network Consortium