

## **ETHNIC MINORITY ENTREPRENEURSHIP IN BRITAIN**

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**Abstract.** *Unlike the United States, most European countries have repeatedly refused to see themselves as countries of immigration. In the past half century however this has not prevented the arrival and settlement of large numbers from extra-European lands. Labour shortages and other economic factors have allowed the walls of 'Fortress Europe' to be comprehensively breached. The majority of newcomers have found their initial employment in the low-wage and low-skill parts of manufacturing, and of service sectors such as office cleaning and restaurants. Just as in the United States however some migrants have begun to enter self-employment, often as a response to lack of progress as an employee. The United Kingdom is a relatively deregulated economy. There are few constraints on the economic activities of those who are legally resident (though asylum seekers are an exception). Immigrants are thus able to set up in any business for which they can raise sufficient capital or credit. With the exception of a few sectors such as pharmacy retailing, there are no regulatory constraints on the number of businesses, although all must comply with general rules relating to issues such as town planning and health and safety. Immigrants certainly do not need to obtain bureaucratic permission from government or chamber of commerce in order to start trading.*

**Keywords:** entrepreneurship; ethnic entrepreneurship; ethnic minority self-employment

### **1. Ethnic minority in Britain**

Most of Britain's ethnic minorities have their origins in the imperial past. In the two decades after 1945 streams of migrants from the Caribbean, from South Asia, from Hong Kong, and from other quarters of the disappearing Empire, were established. Most of these newcomers, as citizens of former or current British colonies, held British passports. In spite of recurring moral panics, most notoriously characterised by the 1968 "Rivers of Blood" speech of the maverick Conservative politician Enoch Powell, these migrations were a response to vacant job niches in the British economy. In a period of economic growth and full employment, positions which were poorly paid, or involved long hours or unpleasant conditions, no longer attracted sufficient numbers of the indigenous population. Industries such as engineering in the West Midlands and textiles in Lancashire and Yorkshire relied on immigrants to maintain their competitiveness. Male newcomers, sometimes actively recruited from overseas, often staffed night shifts which were unattractive to white males, and illegal for female workers (Kalra 2000, 96). Similarly the National Health Service and train and bus operators plugged staffing gaps with immigrants of both sexes.

This replacement labour phase did not however continue. Primary immigration became much more difficult in laws of 1962, 1968 and 1971 which changed the passport entitlements of colonial and former colonial citizens. Nevertheless family reunification continued to be allowed, so that wives and children were able to join men who, for reasons of economy, had originally migrated alone. The passage of decades, with births and education in Britain, had the unintended consequence of turning possibly temporary migrant populations into settled ethnic minority communities.

### **2. The demographic and economic context**

The UK Government data have struggled to define these evolving populations. Until the 1971 census only birthplace and previous residence were recorded. Continuing this practice would have rendered the growing number of children, born in Britain of immigrant parentage, statistically invisible. In 1971 a census question was asked about parental birthplace. The 1981 census dealt with the matter by inference: ethnic minorities were identified on the basis of the birthplace of the head of the household in which a person resided (Coleman and Salt 1992, 483-486). Only in 1991 were census respondents asked directly about ethnicity. This was repeated in 2001, although the results have been classified slightly differently from ten years earlier. Additional complications arise from differences between the categories enumerated and reported in Scotland and those used in England and Wales. Northern Ireland even has a separate census, resulting in further variations in ethnic classification (NISRA 2003).

It is nevertheless possible to produce national figures by amalgamating some of the categories used in the component countries. Table 1 does this for Great Britain (that is the United Kingdom minus Northern Ireland). It is confined to the age group 16 to 74, which contains the majority of the working population. It can be seen that those identified as White British by their household's census respondent amounted to approximately 88 per cent of the potential workforce. Other white groups, including the Irish, other Europeans and those from the worldwide European diaspora made up just over another three per cent. Indians are the largest non-European group, with almost two per cent of the working age population, while their fellow South Asians from Pakistan and Bangladesh comprise respectively 1.2 per cent and 0.4 per cent. Black Caribbeans and Black Africans contribute 1.1 per cent and 0.9 per cent of the total, and the Chinese 0.5 per cent. Those of ethnically mixed descent amount to 0.8 per cent, and the three remaining 'Other' groups aggregate all remaining Asians (0.5 per cent), all remaining Black populations (0.1 per cent), and all those not covered by any more specific classes (0.4 per cent). It should be noted that these Asian and Black categories include those identified as British Asian or British Black; these forms of identification represent an assertion that British nationality is more important in characterizing individuals than their ancestral homeland.

By 2001 Britain's level of unemployment had fallen to 5.1 per cent of the economically active proportion of the 16-74 age group. This is not however a geographically or socially uniform phenomenon. The figure is much higher in many

inner city areas, which are the vicinities in which most ethnic minorities settled. Partly as a consequence of this, and partly because minorities are educationally polarised, with many of their members with poor educational and technical qualifications, the unemployment rate for every minority group is higher than for the White British. The degree of this disadvantage varies widely however: minorities of European descent fare best, together with Chinese and Indians. Both the latter groups have more well-educated members, with a much higher proportion of university graduates than British-born whites. Black groups do much worse, with unemployment two to three times the White British level. Pakistanis also do badly, but the worst figures are for Bangladeshis, a younger and more recent migrant group than most others. The group is also the worst qualified, and is heavily concentrated in a few localities, especially London's East End. (Table 1; Dustmann *et al.* 2003, 21.)

Unemployment is not the only way ethnic and gender groups are differentially engaged with the world of work. Table 1 also gives economic activity rates; these measure the proportion of those of working age who are either in employment or unemployed but available for work if it were to materialize. Outside the economically active 16-24 year olds are the economically inactive, those who are retired, full-time students without part-time employment, those looking after the home or family, the sick, the disabled, and a group of smaller categories. Overall almost exactly two-thirds of the working age population are economically active, and about one-third economically inactive. The proportion of men economically active exceeds 73 per cent, with the figure for women just below 60 per cent. The overall gender difference is largely accounted for by much higher proportion of those looking after home and family among women, 28.9 per cent, compared to 3.5 per cent of men. The gender gap is replicated for every ethnic group, but its size differs markedly. For the White British there is a 14 per cent difference, but for most minorities the figure is around 10 per cent, and for Black Caribbeans the gap is only 5.3 per cent. Once again Indians, Pakistanis and Bangladeshis are different, with respective gender differences of 16.2 per cent, 37.5 per cent, 39.1 per cent. This mainly reflects the high proportion of homemakers among the economically inactive women in these groups, 33.2 per cent, 50.7 per cent and 53.5 per cent, compared with 28.9 per cent of the total working age population. As with unemployment the table also shows that the overall activity rate among the working age White British is higher than for every minority. Much of this difference is accounted for by the proportion of students among the minority groups, itself a reflection of their younger age profile. For the White British, students are 11.6 per cent of the economically active, but the figure for most minorities is over twice this level, and reaches 55.5 per cent for the Chinese.

### **3. Ethnic minorities self-employment sectorial analysis**

Individual minorities have concentrated in specific economic sectors, mostly, but not exclusively, in service industries. This is tentatively described in Table 2. The data is weak because it is from the Labour Force Survey (LFS<sup>1</sup>) a quarterly continuous

survey based on household interviews conducted by the Office of National Statistics. The overall sample size for those in work (employed or self-employed) is about 62000, and for the self-employed about 6800. When the latter figure is tabulated by industrial sector and ethnic group the size of the sample in many cells becomes very small, with consequent uncertainty as to reliability. This can be appreciated by examining the sample sizes indicated in the final row of the table. Gender disaggregation becomes impossible because the number of females in some ethnic groups becomes vanishingly small, quite literally so in the Bangladeshi case. Only the most obvious points are therefore made about this table. Indians, Pakistanis, Bangladeshis and Chinese are all strongly represented in distribution, hotels and restaurants. Information not presented here allows us to say that for Indians and Pakistanis the principal involvement is in retailing, especially convenience grocery stores and newsagents. The Chinese and Bangladeshis are more prominent in the restaurant trade (Barrett *et al.* 2003). Pakistanis are also very strongly represented in transport and communication, with taxi driving as the predominant activity. This is an extremely marginal form of self-employment. The most common form of taxi driving followed is private hire, whereby the taxi is booked through a telephone office, rather than hailed on the street. Arguably the owner-drivers are engaged in a form of labour-only sub-contracting. The cabby is forced to take on the costs of illness and capital, together with the risks of slack business periods and illness, thus protecting the owner of the office and the radio service, which passes bookings to drivers, from many business difficulties. For the driver "...the potential of violence is added to the indeterminate number of customers and insecure daily income..." (Kalra 2000, 188-189). By 1991, one in eight Pakistani males was already a taxi driver, compared with one in a hundred in the whole population (Cabinet Office 2002, 56).

#### 4. Processes of change

Protected markets also allowed the first Indian and Pakistani food retailers to be established in parts of inner cities where these communities had settled. Specialist demand, derived from religious norms and cultural preferences, encouraged co-ethnic shops to become established. For example Muslims do not eat pork, and require their meat to be slaughtered in *halal* (permitted) fashion. More generally, South Asian communities required ingredients suitable for the cuisine of their country of origin, which traditional independent British food shops and supermarkets did not supply. Nor in the 1960s did mainstream cinemas or music stores provide for immigrant entertainment needs. In the case of the 'Curry Mile', a restaurant-dominated ribbon of consumer businesses in Rusholme, Manchester, the catalyst for the establishment of South Asian firms was the renting on Sundays in the 1960s of two declining suburban cinemas to show Bombay movies to South Asians from the wider metropolitan area. The flow of customers this generated allowed the founding of a whole series of food shops, clothing stores, travel agents and other firms supplying South Asian preferences (Barrett and McEvoy, 2006). Clothing and jewelry suppliers remain a protected market for South Asian businesses in most areas of South Asian residence, as mainstream

suppliers have never attuned to the culturally-specific demands for South Asian female attire. Even in communities without a strong tradition of business involvement unique preferences can allow some businesses to be sustained. Hairdressing and beauty salons are among the most common business activities among the Black Caribbean community. Similarly Nwankwo (2005) observes that Black African firms, which are growing rapidly London, are confined to mainly to co-ethnic markets.

Ethnic niches have their limitations however. The size of the minorities served, is very small compared with the overall British market, even when some minorities are rapidly growing. Moreover some minorities are poor, as evidenced by their unemployment and economic activity rates, which also constrains the value of a protected market. In these circumstances the key to expansion and prosperity is 'breakout', the entry into serving mainstream markets (Ward 1985, Ethnic Minority Business Initiative 1991, Ram and Hillin (1994). In many ways this equates to the 'Middleman Minority' model initiated in the United States by Bonacich (1973). It is a strategy followed by Korean Americans, and by each of the ethnic minorities in Britain with a higher than average share of self-employment. We have already seen how Bangladeshis and Chinese have dispersed geographically in order to serve the general population. Many Indians operate convenience stores selling newspapers, cigarettes, alcohol and foods in predominantly white residential areas, especially those localities within easy travelling distance of Indian population concentrations. This proximity allows the retailer to retain access to community life while serving non-community markets. Pharmacy retailing is also a sector which has attracted Indians (Hassell *et al.* 1998). Pakistanis are also prominent in convenience retailing, and are also heavily involved in running market stalls selling clothing. These markets typically operate on one or more days a week on sites in small rural towns, and in the major cities. Markets often have a history long predating twentieth century immigration. Traders typically move from one market to another with days of the week, thus accumulating a level of custom that could not be attracted to a permanent stall in any one location. Indians and Pakistanis can also be found in a variety of other businesses serving non-ethnic markets, including filling stations for cars, travel agencies, and retail opticians. A final example of Pakistanis entry to mainstream markets is the taxi business. The pattern described by Kalra (2000) in Oldham is replicated throughout most of the towns and cities in Lancashire and Yorkshire. The majority of the clientele, whether business travelers, or supermarket shoppers with heavy loads but no car, or late night drinkers and revelers, returning home long after public transport has ceased operation, are white.

The process of breakout has been conceptualized as a set of four market spaces (Jones and McEvoy 1992, Barrett *et al.* 1996, Barrett *et al.* 2001)). The initial situation of ethnic minority enterprise is labeled the *ethnic enclosure*, an essentially local market of co-ethnics, found in areas where a particular group is residentially concentrated. Ethnic enclosures are limited in their profitability by co-ethnic poverty, the size of the community, and often by intense co-ethnic competition. Breakout can be achieved by moving to one of three alternative market spaces. The first of these is the *local non-ethnic* niche, which we equated with typical middleman activities such as

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convenience retailing and hot food 'take away'. Here the enterprise has escaped the limitations of serving only the ethnic minority population, but it is still restricted to small-scale low-order activities by the neighborhood effect. The second alternative is the *ethnic non-local* market; this incorporates those firms which continue to sell mainly to co-ethnics, but draw their custom from geographically wider markets. These businesses retain some advantages provided by ethnic networking, but avoid the restrictions of a local market. Such businesses include the fashion and jewelry retailers found in the Curry Mile and other South Asian business quarters such as Green Street in the Newham district of east London (Shaw *et al.* 2004), Southall High Street in west London, and Belgrave Road in Leicester. Finally, there is the *non-ethnic non-local* market where minority firms have entered the economic mainstream by selling to the open general market. Examples of businesses in this market space include food manufacturers in Birmingham (McEwan *et al.* 2005) and elsewhere who sell both ethnic and non-ethnic packaged foods to national supermarket chains and to multinational markets. An apparently parallel development occurred in the Batley area of West Yorkshire. Here a virtual tripling of the number of South Asian firms manufacturing beds occurred in the period from 1989 to 1999. The main customers, both regionally and nationally, are furniture retailers. Ostensibly this is a very positive development, illustrating the triumph of ethnic minority entrepreneurship in a locality which has suffered heavily from de-industrialization. A more pessimistic interpretation is that this low-tech industry, making heavy use of co-ethnic labour on low wages, is an ingenious survival mechanism rather than a model for ethnic minorities and others elsewhere. It may be that it is only the bulk of the product, making it difficult to import cheaply, which has allowed the industry to grow (Barrett *et al.* 2002).

### 5. Conclusion

Political and legal frameworks are seen as a vital instrument which can completely change the number, types, and significance of minority enterprise in any economy. Relevant issues include constructions of nationality, policies on immigration and assimilation, credentialism in business registration, the regulation of urban land use, and attitudes to the enforcement of laws and regulations. It is for this reason the data given in this paper should be contextualised under the impact of a number of regulatory changes in the British case. In the absence of such changes a gradually shifting equilibrium might have developed between ethnic minority enterprise, market forces and the regulatory *status quo*, with adjustments occurring in response to economic cycles and demographic change. Regulatory changes can exert a sharp shock to this always emerging equilibrium, so that previous patterns are severely disrupted. This has clearly happened in the case of the clothing manufacturers described above, and it can be argued that convenience retailers are undergoing the same sort of experience. British governments have changed the rules because of a belief in the validity of market forces as promoters of economic efficiency. Sometimes this is justified as being beneficial for the consumer; the liberalisation of shop opening hours in England and Wales was such a

case. Almost always changes turn out to have been beneficial to large companies, and detrimental to the size of firms characteristic of minority ownership. In European states which are constantly urged to modernise and deregulate their economy, the British example may be a harbinger of future trends.

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\* The Labour Force Survey data were obtained from the UK Data Archive at Essex University. Neither the archive nor ONS bear any responsibility for the interpretations presented here



Table 1

## Ethnic Groups in Great Britain 2001: Working Age Population (16-74)

	Number	% of all people	% economically active	% males economically active	% females economically active	unemployed % of econ. active	unemployed % of econ. act. males	unemployed % of econ. act. females
All people	41338516	100.0	66.4	73.6	59.4	5.1	6.0	4.2
White British	36436344	88.1	67.1	74.2	60.2	4.7	5.5	3.8
White Irish	581712	1.4	59.9	65.7	54.4	5.4	6.7	3.9
White Other	1158952	2.8	65.7	73.1	59.4	5.9	6.3	5.4
Mixed	329236	0.8	63.7	68.9	59.0	10.6	12.4	8.6
Indian	789824	1.9	65.3	73.5	57.3	6.2	6.2	6.2
Pakistani	477923	1.2	47.6	66.2	28.7	13.9	13.6	14.6
Bangladeshi	172562	0.4	44.9	64.3	25.2	16.0	15.9	16.5
Asian British or Asian Other	185128	0.5	60.7	69.1	49.9	8.7	8.9	8.3
Black Caribbean	435009	1.1	66.4	69.3	64.0	11.1	14.9	7.8
Black African	335536	0.8	63.9	70.0	58.4	13.2	14.2	12.2
Black British or Black Other	59276	0.1	66.0	70.1	62.6	14.8	18.5	11.4
Chinese	194266	0.5	57.5	62.3	53.2	5.4	5.5	5.4
Other Ethnic Group	182748	0.4	56.2	64.1	50.3	8.7	10.2	7.4

Table 2

## Self-employed by economic sector, 2001-2002

	White British	Other White	Mixed	Indian	Pakistani	Bangladeshi	Other Asian	Caribbean	African	Other Black	Chinese	Other Ethnic Group
Agriculture & fishing	5.78	4.51	2.86	1.71	0	0	0	0	0	0	0	0
Energy & water	0.38	0	0	0.85	0	0	0	0	0	0	0	0
Manufacturing	7.04	4.51	5.71	9.4	10.84	8.33	0	2.13	4	0	2.38	4.44
Construction	22.56	18.05	5.71	5.13	0	0	3.13	27.66	8	0	2.38	4.44
Distribution, hotels & restaurants	16.32	17.67	20	46.15	25.3	50	37.5	14.89	28	0	64.29	26.67
Transport & Communication	6.63	6.39	2.86	9.4	45.78	8.33	12.5	2.13	12	0	4.76	6.67
Banking, finance & insurance	19.61	22.56	28.57	11.97	14.46	16.67	25	19.15	24	60	14.29	26.67
Public administration, education & health	9.17	13.16	11.43	11.11	2.41	8.33	12.5	14.89	24	0	11.9	15.56
Other services	12.5	13.16	22.86	4.27	1.2	8.33	9.38	19.15	0	40	0	15.56
Total	99.99	100.01	100	99.99	99.99	99.99	100.01	100	100	100	100	100.01
Sample size	6104	266	35	117	83	12	32	47	25	5	42	45

Source: Labour Force Survey, December 2001 – February 2002.