

South Asian businesses in retreat and new generation's opportunities

**South Asian businesses in retreat? The case of the UK
Trevor Jones & Monder Ram**

Summarised by
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Introduction

Self-employed in Britain during the **1980s and 1990s were new entrepreneurs of Indian, Pakistani and Bangladeshi origin**. To be precise, the rapid movement of South Asians into business ownership had already taken off and achieved strong momentum in the 1970s, so that by the onset of the Thatcher era this head start was reflected in self-employment rates markedly higher than the national rate. Subsequently, the pace was maintained so that **by the early 1990s Asian self-employment rates stood at more than one and a half times that of the white population** (Campbell and Daly 1992; Ram and Jones 1998).

Within the field of ethnic minority entrepreneurialism, this has been widely acknowledged as a remarkable feat of **against-the-odds advancement** on the part of initially disadvantaged racialised immigrants.

For some, this is explicable primarily in terms of an Asian capacity to mobilise social capital in the form of privileged insider access to their **own cohesive kinship and co-ethnic networks** (Basu 1998; Srinivasan 1995) with potential entrepreneurs receiving 'strong cultural support to enter business' (Metcalf et al. 1996: 10).

Others, more sceptical, have seen Asian entrepreneurialism more as a **survival strategy** in the face of **deindustrialisation and displacement from the low-level manual jobs for which Asian immigrants were initially recruited** (Jones et al. 1989, 1992; Phizacklea 1990; Ram 1992, 1994).

Observers who stress the **highly limited amount of space available** in the narrow range of markets customarily exploited by these firms, have **tended to assume that further development will occur by 'breaking out' into new spheres of activity** (Jones et al. 2000; Ram and Hillin 1991). Yet, little noticed by most commentators in this field, **official figures over the last decade or so suggest that the Asian entrepreneurial trend is subject to reversal**.

Suggesting that any **retreat from business ownership** is likely to result from a **combination of improving job opportunities elsewhere** in the labour market together with a **mounting competitive squeeze** in those sectors where **Asian firms are over-concentrated**.

However, this **quantitative shrinkage can be viewed in a positive light** if it is accompanied by qualitative improvement, in the **shape of a colonisation of fresh, more capital-intensive activities which ought to release these entrepreneurs from the customary toilsome labouring intensive drudgery of the corner shop and sweatshop** (Jones et al. 1994).

Relation between self-employment and unemployment over the years

Table 1. *Ethnic self-employment (SE) and unemployment (UE)*

	Indian			Pakistani/Bangladeshi			White	
	SE	SE ratio	UE	SE	SE ratio	UE	SE	UE
1979–83	13.8	1.5		17.4	1.9		8.8	
1989–91	20.2	1.6	10	21.9	1.7	22	13.0	6.8
Autumn 1993	18.0	1.4	15	21.0	1.6	29	13.0	9.5
Summer 1996	14.0	1.2	11	18.0	1.5	26	12.0	7.8
Winter 1999–00	14.5	1.3	6	18.0	1.6	18	11.5	5.3

Note: SE ratio is the ratio between Indian or Pakistani/Bangladeshi self-employment and the figure for the white majority.

Source: *Employment Gazette* and *Labour Market Trends*, various issues.

The Asian minorities entered the 1980s well in advance of their white counterparts and in this narrow chronological sense might be seen as trend-setters, actually **anticipating the entrepreneurial revolution ahead of their white counterparts**.

In reality of course there are highly negative aspects to this kind of trend-setting and there can be little doubt that much of the rise **in Asian business ownership has to be interpreted as a counter-cyclical response to displacement from employment** (Ram 1994).

As a racialised minority specifically **recruited to fill low-level jobs as replacement labour and then subject to various exclusionary racist practices** (Miles 1992), they were **among the first victims of deindustrialisation** (Brah 1996). In seeking **refuge in self-employment**, they certainly **were setting some kind of entrepreneurial precedent**, though not necessarily under circumstances of their own choosing.

Reality of choices

There are many Asian millionaires in Britain, many of whom had won their places on the rich list via business ownership however these successful fast-growth Asian firms were a small fraction of total Asian firms and that **self-employed entrepreneurs ought still to be seen as unrepresentative of a community in which unemployment, underemployment and even outright poverty were rife.**

It is also worth noting the **possible influence of language skills** here. While one in three Indians claimed in 1992 to be using English as their main language, this applied to less than one-quarter of Pakistanis and only one in ten Bangladeshis (Office of National Statistics 1996). **A communication barrier such as this can hardly be other than disabling at any level of the labour market.**

Because of persisting language barriers, the **job choice for many Asian workers** – especially for recent arrivals entering via family reunification, marriage and clandestine routes – is largely **restricted to firms owned by members of their own ethnic-linguistic group** (Ram et al. 2001a).

There is a **gender dimension here also**, since as many as one in three Bangladeshi women – who are now aged 36–59 are unable to speak English, a profound constraint **which very much confines their job search to Bengali or Sylheti-speaking firms** and places many of them outside the job market altogether, **creating high rates of economic inactivity** and an **over-dependence on home-working** and other **poorly remunerated informal activities** (Phizacklea 1990).

The **predominant trend** is one **of increasing acquisition of qualifications and entry into professional and white-collar jobs** in the wider economy, a tendency most advanced among Indians but clearly not exclusively confined to them.

Its most **obvious effect is a reduction in numbers of self-employed Asian entrepreneurs**, but this **quantitative decline may be more a cause for celebration** than grief if it raises the **quality of enterprise for those who remain**. One of the keys to this is choice –if young Asians now enjoy a greater degree of job choice, those who **continue to opt for self-employment are likely to be the positively motivated and entrepreneurially resourced** rather than those obliged to use self-employment by default.

Ill-resourced entrepreneurs

65 per cent of British independent retailers were Asian owned at the start of the 1990s is to be taken as a positive indication of an unstoppable entrepreneurial momentum; and for **Werbner (1990)**, it is **evidence of an Asian ability to identify and reshape business opportunities** neglected by their blinkered white entrepreneurial counterparts.

For others, however, it appears more like a case **of ill-resourced entrepreneurs compelled to fight a struggling rearguard action in shrinking sectors of the economy unwanted by any other entrepreneur in a position to choose** (Jones et al. 1992, 2000; Ram and Hillin 1991).

To a considerable extent, Asian entrepreneurs have been **confined to abandoned commercial vacancies** and, in consequence, survival for many of them has been contingent on **long working hours for returns which are uneconomic in the strict sense** (Jones et al. 1989, 1994).

For many, too, these disadvantages are compounded by location in hostile inner city or sink estate environments, with all the attendant problems of old ill-adapted premises, insecurity, criminality, exposure to racist attacks and crippling insurance costs (Jones et al. 1989, 1992). As indicated by writers such as Kloosterman et al. (1998), survival is often contingent upon highly informal working practices, frequently **shading into the illicit**, as with the use of **undocumented labour at wage rates well below the official minimum** (Ram et al. 2001b).

Overcrowding –as in so many other Asian-dominated sectors, there are simply too many suppliers to enable all to make a viable living, with the number of restaurants growing at an even faster rate than market potential and producing hyper-competition (Ram et al. 2002). **A good example of this would be the restaurateurs**, intense price competition has demanded such stringent cost-cutting that, as with clothing manufacture, survival is dependent on the use of low-wage labour and the deployment of ‘informal’ working practices (Ram et al. 2001b).

These include the possibility of ‘customer poaching’ by other more novel ethnic cuisines like Thai and Mexican and it is estimated that the market for other ethnic cuisine and catering (excluding Chinese) is growing at twice the rate of South Asian custom. Alongside this, there is a strong trend towards the purchase of ready-meal versions of Asian cuisine. Finally, as very much a discretionary purchase, restaurant meals would be among the first victims of any recession.

New Generation of Asian and Opportunities

There is much evidence to suggest a **progressive shift by better-resourced Asian entrepreneurs** into fresh pastures where yields are superior and where rewards are contingent more upon the deployment of financial and human capital than upon labour-intensive drudgery.

Indeed, recent research reveals that more than a few **youthful, innovative, personally well-resourced Asian entrepreneurs are moving into areas of the new economy** where few entrepreneurs of any ethnic background have yet ventured for the simple reason that many of these sectors hardly existed a decade ago (Deakins et al. 1997; Ram et al. 2001c).

Now established in such activities as computer manufacture, web design, IT consultancy, business consultancy, mobile phone retailing and private health care, it seems that the **highly-educated British-born rising generation is successfully carving itself a share of the future economy**, at the very cutting edge of what Castells (2000) calls 'informational capitalism'. We note also that what most of these activities demand above all is human capital in the form of **education, knowledge and expertise; and further, that the progressive acquisition of these resources by young Asians appears to be paying off**, in some individual instances with **explosive growth and profits** (Ram et al. 2001c).

Moreover, in a further departure from the pre-existing norm, **these progressive entrepreneurs are also prepared to make very positive use of enterprise support services** for such essential purposes as strategic planning, financing and marketing (Husband and Jerrard 2001; Ram et al. 2001c). **Nothing could be further from the traditional Asian business stereotype.**

We are bound to stress that **these fast-track performers probably represent only a tiny fraction of the Asian-owned sub-economy** and are thus still **heavily outnumbered by traditional operators** in the sunset sectors of the economy. Annoyingly, in the **absence of any meaningful nationwide statistical breakdown of self-employed Asians by sector**, there is no systematic means of verifying or disproving this and 'probably' has to be the operative word.

Nevertheless **historical precedent insists that, irrespective of ethnic identity, growth-oriented profit-maximisers are an extremely rare breed** (Storey 1994), and it **would be astonishing indeed if the informational and new service sector capitalists represented more than a tiny**, if multiplying, vanguard group.

Second, new research on **growth-oriented Asian firms** (Ram et al. 2001c) shows that such enterprises continue to be **plagued by the same problems of undercapitalisation** that seem **endemic to ethnic minority enterprise as a whole.**

While part of this might be related to investment barriers common to all fast-growth new firms (Moore 1994), there is also a **perception among many of these entrepreneurs** that some kind of **racist discrimination** may be operating within the banking system. Whatever the truth of this, what is certain is that the **realisation of growth potential** is being seriously impeded in many instances.

Third, the hype that tends to be generated by **glamorous hi-tech trail-blazing activities** tends to overlook the reality that these may give **no greater guarantee of genuine entrepreneurial empowerment** than those in more traditional sectors. Here Kundnani (1998: 60) offers a timely reminder that **'control of these small [informational capitalist] firms** remains effectively in the

hands of the large corporations' who control them through ownership of intellectual property and **huge market leverage**.

Moreover, **small owners** in these sectors are often at the **mercy of extreme volatility**, as witnessed at the time of writing by the imminent saturation of the frenzied mobile phone market (Doward and Wachman 2001).

Summary

Although the experiences of South Asian groups in business are divergent in important respects, the numerical gap between them and the rest of the small business population is gradually being narrowed. A combination of 'push' and 'pull' factors account for this almost unnoticed convergence.

There is a **clear trend towards the acquisition of qualifications** and into professional and white-collar work in the wider economy, **rather than self-employment**.

This is most pronounced among Indians, but not exclusive to them. The evidence would seem to give credence to recent studies that have examined the issue of business succession in South Asian enterprises (Metcalf et al. 1996; Ram et al. 2000).

In both these studies the authors found that the **respondents (who were mainly first-generation South Asians) had markedly different aspirations for their children**: few wanted their children to take over the business. The onerous personal experience of self-employment persuaded many respondents to encourage their children into 'professional' careers.

Hence, high rates of South Asian self-employment are not necessarily a permanent feature of the small business population. However, it would be premature to argue that South Asian self-employment is simply a temporary expedient in the process of social and economic adaptation.

Businesses **built on initially precarious foundations can gradually accumulate sufficient class resources in the form of wealth, property and credit-worthiness to establish themselves in higher-level spheres** (Jones et al. 1994).

Often **class resource accumulation is an inter-generational process**, as when the business generates sufficient income to support the owner's offspring through **advanced education and training to acquire vocationally relevant expertise and credentials** (Mulholland 1997).

We currently see **competitive and regulatory pressures** are exerting considerable strain on those sectors that have **traditionally provided opportunities for Asian entrepreneurs**: retailing, catering, clothing and CTN. The **capacity of Asian businesses to counteract these pressures is bound to be limited**. Nonetheless, it does give rise to policy-related questions on **how best such firms can be supported** in the midst of a clearly hostile operating environment.

Although there has been **recent interest in developing appropriate policies to support ethnic minority businesses** (Ram and Smallbone 2002), **there are few concrete examples of such initiatives in practice**.

Exceptions include locally-based initiatives to support concentrations of clothing firms in the West Midlands (Husband and Jerrard 2001); and a London-based project to assist some Asian shopkeepers to upgrade their businesses (**the Asian Business Initiative 2001**), and others to leave the sector altogether. **There is a clear need for further work in this area.**

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