



# ENTERPRISING PEOPLE ENTERPRISING PLACES

MEASURES TO INCREASE  
**ETHNIC MINORITY EMPLOYMENT  
AND BUSINESS GROWTH**

**A REPORT BY THE NATIONAL EMPLOYMENT PANEL  
WORKING WITH THE ETHNIC MINORITY BUSINESS FORUM  
MAY 2005**

## PROJECT COMMISSION AND OVERVIEW

### **Remit for the project:**

The Government recognises the need to ensure that New Deal and other mainstream labour market and enterprise support meet the needs of ethnic minority clients and that proper lessons are learned from targeted initiatives. The National Employment Panel (NEP), working with the Ethnic Minority Business Forum (EMBF), will report by Budget 2005 on measures to encourage employment, self-employment and the growth of small business for ethnic and faith minority groups. (*Pre-Budget Report December 2004, p82, para 4.45*)

### **Project overview**

The project has been overseen by a Steering Group composed of members of the NEP and the EMBF. It has been chaired by Jeremy Anderson, Head of Financial Services, KPMG and Deputy Chair of the Panel. Karan Bilimoria, Chief Executive of Cobra Beer and Chair of the Panel's SME Board, and Binna Kandola, Partner, Pearn Kandola, and Chair of the Panel's Minority Ethnic Group, have served as Deputy Chairs for the project.

Staff support has been provided by the NEP and HM Treasury, working in close collaboration with officials from the Department for Work and Pensions (DWP), the Department for Trade and Industry (DTI), the Department for Education and Skills (DfES), the Learning and Skills Council (LSC), and Jobcentre Plus.

### **Note to reader on terminology:**

*Enterprising People, Enterprising Places* focuses largely, though not exclusively, on individuals of Black African, Black Caribbean, Indian, Bangladeshi and Pakistani descent, using categories defined in the 2001 census. For simplicity, throughout the report we use two general terms in relation to ethnic minorities: in the context of labour market activity, we use 'ethnic minority' individuals or communities; in the context of business growth, we use the more accepted term, 'Black and Minority Ethnic' (BME) businesses.

We recognise that there is considerable variation in the labour market experiences within and between ethnic minority groups based on such factors as gender, age, generation, faith and culture, residence, education and work experience. Unfortunately, small sample sizes limit existing labour market data and our ability to undertake reliable analysis at this level or to distinguish between ethnic minorities who are British and non-British.

**CONTENTS**

<b>Chair's Foreword</b>	<b>Jeremy Anderson</b>	<b>3</b>
<b>Executive Summary</b>		<b>5</b>
<b>Chapter One</b>	<b>Introduction</b>	<b>9</b>
	Our Approach	
	Report Structure	
	First Principles	
	A Manageable Ambition	
<b>Chapter Two</b>	<b>The Challenge and The Case for Change</b>	<b>15</b>
	Introduction	
	The Challenge	
	The Case for Change: The Demographic Time Bomb	
	Conclusions	
<b>Chapter Three</b>	<b>Connecting Ethnic Minorities to Work: Assessing the Effectiveness of Current Programmes</b>	<b>23</b>
	Introduction	
	The New Deal	
	Building on New Deal	
	Pathways to Work	
	Basic Skills and ESOL	
	Work-Based Training and Apprenticeships	
	Sector Skills Councils	
	Further Education	
	National Employer Training Programme	
	Conclusions	
<b>Chapter Four</b>	<b>Reaching Out to Ethnic Minority Groups</b>	<b>35</b>
	Introduction	
	Homemakers	
	Disadvantaged Young Men	
	Measures to Reach more Ethnic Minorities	
	Conclusions	
<b>Chapter Five</b>	<b>Introducing an Integrated Skills and Employment System</b>	<b>43</b>
	Introduction	
	Rationale for Change	
	The Concept of a Deal	
	Key Objectives of an Integrated System	
	Employer Leadership	
	Elements of an Integrated System	
	Performance and Funding	
	Conclusion	

<b>Chapter Six</b>	<b>Black and Minority Ethnic Enterprise and Self-Employment</b>	<b>51</b>
	Introduction	
	The Challenge for BME Businesses	
	BME Business Growth	
	The Business Support Infrastructure	
	Access to Finance	
	Self-Employment	
	Self-Employment Provision	
	Conclusions	
<b>Chapter Seven</b>	<b>Driving Change in the Private and Public Sectors</b>	<b>69</b>
	Introduction	
	The Challenge: Equal Opportunity and Fairness at Work	
	Accelerating Change in the Workplace	
	Public Procurement: A Driver for Private Sector Change	
	Conclusions	
<b>Chapter Eight</b>	<b>The Leadership and Policy Framework</b>	<b>79</b>
	Introduction	
	Leadership	
	Targets	
	Community Consultation	
	Conclusion	
<b>Chapter Nine</b>	<b>Summary of Recommendations</b>	<b>83</b>
<b>Annexes</b>		
	A) Recommendations accepted in the 2005 Budget	
	B) Steering Group, Executive Group and Project Team Members	
	C) Growth Prospects and Ethnicity in the City Regions	
	D) Individuals Consulted During the Project	
	E) Bibliography	
	F) Glossary	

# FOREWORD

## FROM JEREMY ANDERSON

In December 2004, the Chancellor asked the National Employment Panel what could be done to increase the employment and business growth of ethnic minority and faith groups. He asked that we make our recommendations to him in advance of the March 2005 Budget.

We wrote to the Chancellor in March with our key recommendations. This report, *Enterprising People, Enterprising Places*, follows our letter and contains our detailed findings and conclusions. It sets out our thoughts on how to capitalise on the immense resource and talent that exists within ethnic minority communities throughout the UK today. It also argues that failure to do so will jeopardise the future productivity and growth of our major economic centres.

We approached this project from two perspectives. First, as an employer-led organisation, we tried to use our business acumen in tackling a complex problem. Second, in close collaboration with the Ethnic Minority Business Forum, we undertook eight weeks of extensive consultation and analysis.

During that time, we met over 150 individuals and held detailed discussions with employers, political, faith and public sector leaders, grassroots practitioners and local residents throughout the country. We saw the extraordinary leadership, energy and ability of individuals striving to improve the social and economic prospects of their communities and the lives of their families. We also sensed the deep frustration with progress that is too slow, with public services that don't meet specific needs, and with employer practices that undermine access to good jobs.

*Enterprising People, Enterprising Places* attempts to capture the themes of these consultations and to suggest policy and operational changes that we believe will make a difference. Within the time constraints, we recognise fully that we have been unable to cover all the issues or to recognise the many valuable initiatives that are already underway in this area. However, taken together, we believe that our findings are right and our recommendations are sound.

Perhaps the most important and promising of these findings is that, throughout our consultations, we sensed a real appetite for change – a recognition by public and private sector leaders that the inclusion of ethnic minorities at every level of the workforce is not simply an issue of fairness or social justice; it is central to Britain's future prosperity. We believe that if we act with boldness, creativity and determination, there is an opportunity to accelerate significantly the pace of progress.

Many people worked very hard to help make this project successful and give us the support needed to meet a demanding challenge. In particular, I would like to thank the members of the Panel and the Ethnic Minority Business Forum, who contributed so much expertise and time to the Steering Group for this project, and the excellent cross-departmental team which produced *Enterprising People, Enterprising Places* in record time.

The National Employment Panel will continue to take a keen interest in improving the economic and social position of ethnic minorities in Britain. We hope that this report will play a part in making a difference to the lives of people in some of our most deprived communities and help them to increase the vigour of the UK economy.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeremy Anderson', with a long horizontal flourish extending to the right.

**Jeremy Anderson**  
Chair

# EXECUTIVE SUMMARY

In his December 2004 Pre-Budget Report, the Chancellor asked the National Employment Panel to recommend measures to increase the employment, self-employment and business growth of ethnic minorities and faith groups. The Panel, in collaboration with the Ethnic Minority Business Forum, submitted its ten key recommendations in time for the March 2005 budget. These recommendations have been accepted by the Chancellor and can be found in Annex A. *Enterprising People, Enterprising Places* contains the Panel's full findings and recommendations.

## FIRST PRINCIPLES

Drawing on the expertise of our members and extensive consultations throughout the country, our report begins with six key principles which we believe are critical to increasing ethnic minority employment and business growth:

- increasing *ethnic minority participation in the workforce is an economic issue* that will be central to the nation's future productivity and growth;
- the issues of *ethnicity and poverty are closely intertwined*; to be effective, our proposals must become an integral part of a coherent local anti-poverty strategy;
- *ethnic minority and faith groups within the UK are highly diverse*; greater community consultation and customisation of programmes will be essential to designing successful policy and delivery in the future;
- increasing ethnic minority employment will require action on both the supply and demand sides of the market and should *build on programmes that are already in place*;
- *equal opportunity and fairness at work are fundamental principles* in a just society; there must be consequences for discriminatory behaviour; and
- *serious and sustained political and business leadership are crucial* to increasing employment and enterprise development opportunities for ethnic minorities.

### The Case for Change

From our analysis of the available data about ethnic participation in the labour market, we draw four broad conclusions which have shaped the recommendations in this report.

- *ethnic minority groups are overwhelmingly concentrated (64%) in five areas*: London, Birmingham, Manchester, Bradford/Leeds, and Leicester. Given limited resources, these places should serve as the focal points for a concerted effort to increase ethnic minority employment and business growth;

- to close the gap in employment rates between ethnic minorities and Whites, it will not be sufficient to assist only those ethnic minorities on benefit; *we will need to reach people who are currently out of the labour market altogether* – individuals who are not working and are not on benefit;

- the skills picture is complex: at one end of the spectrum, a number of ethnic minorities are over-achieving – gaining more qualifications than their White peers but are still not securing employment; at the other end, too many are leaving education with low or no skills and qualifications. *Both groups will need special help in making the transition to work*; and

- *discrimination, overt and indirect, represents a major barrier to employment for all ethnic minority and faith groups.* Strong leadership and some ‘blunt instruments’ will be needed to influence employer behaviour.

### **Connecting Ethnic Minorities to Work**

In assessing how well the current and proposed mainstream programmes meet the needs of ethnic minorities, we conclude that, *irrespective of how well the existing and new welfare-to-work initiatives are designed and operated, they will have little impact on raising ethnic minority employment rates unless they are better focused on the five designated cities.* We also address:

- the importance of basic skills and ESOL to improving the employability of many ethnic minorities and the need to expand and raise the standards of this provision;

- the fact that work-based learning and the Apprenticeship system is not serving ethnic minority young people well;

- the lack of good data makes it difficult to assess how well the FE system is implementing the Race Relations (Amendment) Act 2000 and, more broadly, preparing disadvantaged ethnic minorities for sustainable employment; and

- the National Employment Training Programme (NETP) offers real promise for raising the skills of ethnic minorities in work and additional resource should be targeted on NETP in the five cities.

### **Reaching Out to Ethnic Minority Groups**

We believe that reaching the 21% of ethnic minorities who are not in work and not on benefit is an essential step to achieving equal opportunity in the labour market.

Extending services to this group will represent a new undertaking for Government and additional public investment. It will require resources to support:

- outreach by grassroots and faith groups;

- additional basic skills and ESOL provision;

- work with employers to identify jobs and develop staff cultural competence; and

- intensive provision for disadvantaged young men.

Changes in the existing target and funding regime will also be needed to reflect the needs of this group.

### **Integrated Skills and Employment System**

While strengthening mainstream programmes and reaching out to those not in the labour market are essential building blocks, we do not believe they are sufficient to close the employment gap between ethnic minorities and Whites. To achieve this, *we propose an employer-led, integrated local delivery system in the five cities*. The rationale for the radical changes that we propose are:

- strong leadership from employers and the ‘pull’ of the labour market is needed to open more and better job opportunities for ethnic minority and disadvantaged residents;
- there is no local forum which gives employers a voice to influence the planning and performance of the supply system which should be responding to their skill and employment requirements; and
- the local LSCs and Jobcentre Plus operate as two separate but overlapping systems; the most cost effective way to deliver high quality, flexible services to disadvantaged people and local employers, is to better integrate programmes and services.

The strategy we outline is based on the concept of a ‘deal’ between employers and the local employment and skills systems – *a deal in which jobs are offered in return for qualified candidates*. The objectives will be to:

- increase substantially the number of ethnic minorities (and other disadvantaged residents) who gain good jobs and new careers;
- meet employer demand for job-ready candidates using skill levels 2 and 3 as the threshold platforms for work;
- encourage fair and effective employer recruitment, retention and promotion practices;
- create a high-performance, efficient labour and learning market; and
- radically streamline funding and contracting systems to achieve increased performance and efficiency.

The fundamental changes that we suggest are contingent on 1) *securing the leadership of top employer executives and giving them sufficient authority to achieve real change* within the employment and adult skills delivery system; 2) far greater flexibility in the use of existing funding systems. To take this work forward, we recommend that the Panel reconvenes its *Welfare to Workforce Development* Working Group to develop detailed implementation proposals.

### **Enterprise and Employment**

The 100,000 Black and Minority Ethnic (BME) firms represent 10% of all UK businesses today – roughly the same proportion as ethnic minorities in the working age population. Many of the challenges which they face are the same as those experienced by all SMEs. However, there are opportunities to capitalise on the growing numbers of young entrepreneurs and to address some barriers that seem to be particularly important to BME firms. Our recommendations include:

- new *Centres of Vocational Excellence for Entrepreneurship*;
- an assessment by Regional Development Agencies (RDAs) of the business service network to assure quality, efficiency and accessibility for BME firms;
- an analysis by the Small Business Service (SBS) of the *availability and accessibility of finance for BME firms* in the five cities; and
- that Business Link and Jobcentre Plus should jointly pilot *pre self-employment support for disadvantaged people*.

### **Driving Change in the Public and Private Sectors**

It is clear that, while progress is being made, employer discrimination still exists as a barrier to ethnic minority employment. We believe that this requires swift and effective action in both the private and public sectors. We recommend a five-part strategy that includes:

- *employer leadership in opening more and better job opportunities* in the local labour market;
- *practical help for employers* to ensure fair recruitment and retention practices focusing on high demand sectors and occupations;
- *making the public sector a role model* in promoting race equality and in meeting its legislative public duty through Race Equality Impact Assessments;
- *using public procurement* to promote race equality within existing legal and policy frameworks; and
- *establishing a Commission of business leaders* to advise and assess progress in achieving race equality in the private sector.

If these measures do not produce marked results within the next few years, we believe that the Government will need to consider seriously the need for legislation to cover the private sector.

### **Leadership and Policy Development**

While most action to increase ethnic minority employment, self-employment and business growth will occur at regional and local levels, to achieve real impact, it must be:

- backed by Cabinet-level commitment;
- measured through an effective system of targets and milestones; and
- informed by on-going community consultation and customer feed-back.

We outline some of the actions that will be required by these three recommendations.

# CHAPTER 1

## INTRODUCTION

In the December 2004 Pre-Budget Report, the Chancellor asked the National Employment Panel, in cooperation with the Ethnic Minority Business Forum, to recommend measures to increase the employment, self-employment and small business growth of this country's ethnic minority and faith groups.

In March, we wrote to the Chancellor with our ten key recommendations (see Annex A); these were accepted in the 2005 Budget and they are highlighted throughout this report.<sup>1</sup> *Enterprising People, Enterprising Places* follows the Panel's original letter and contains our full findings and recommendations for taking the work forward.

In the decade between 1999 and 2009, 50 per cent of the growth in the UK workforce will come from ethnic minority communities.<sup>2</sup> In such major urban areas as London, Birmingham and Leicester, ethnic minorities now constitute a third of the population; in many inner-city neighbourhoods, they represent a substantial *majority* and are the backbone of thriving local economies.

There are significant variations between and within ethnic minority groups but, on average, they are at a distinct disadvantage in the labour market. Ethnic minorities are more likely to be poor. They are more likely to be unemployed, underemployed or out of the labour market altogether. Many lack fluency in English and the skills needed to secure decent jobs. And many will face institutional and employer discrimination during their working lives.

But, in the UK's largest cities, ethnic minorities hold the key to future productivity and economic growth. Their active participation in the labour market will be pivotal to meeting the challenge of demographic change – to offsetting the declining number of young people and the large numbers of skilled, White workers who will be retiring within the next decade. And because these urban hubs are the principal drivers of the nation's economy, *the inclusion of ethnic minorities at every level of our workforce is not simply an issue of fairness or social justice; it is central to our future prosperity.*

**The inclusion of ethnic minorities at every level of our workforce is not simply an issue of fairness or social justice; it is central to our future prosperity.**

1 A copy of the Panel's letter to the Chancellor is available on our website, [www.nationalemploymentpanel.org.uk](http://www.nationalemploymentpanel.org.uk)

2 *Ethnic Minorities and the Labour Market*, Strategy Unit Report, 2003.

## Our Approach

We recognised at the outset of this project that ethnic minority employment and enterprise development have been the subject of frequent examination by academics and expert policy-makers. Our intention has been not to duplicate this work. Rather, our aim has been to draw directly on this research and to enrich it with extensive consultations and with the practical expertise of Panel and Ethnic Minority Business Forum members.

During the course of the project, we have reviewed relevant research and framework documents and commissioned analyses of specific issues. We have met with over 150 individuals – Ministers, policy-makers, front line staff, academics and local practitioners. We have held consultations with employers, public sector organisations, and community and faith groups throughout the country. And we have talked to local ethnic minority residents and small employers as the end consumers of public services. Annex D lists the individuals who have advised us during the course of this project.

The time constraints governing this project have been tight. We have had eight weeks to conduct the research and develop our recommendations in order to meet the deadline of the March 2005 Budget. For this reason, it has not been possible to explore fully a number of important issues which we recognise merit further attention; in these cases, we have put down markers, suggesting the need for follow-up by the relevant departments. Nor have we had time to cost our proposals. We have done our best to redirect existing resources rather than call for more funding. However, we recognise that it will not be possible to achieve all of our recommendations without some additional investment.

We have limited our review to ethnic minorities in England.<sup>3</sup> We have not addressed the specific challenges faced by refugees and asylum seekers. We have not been able to discuss the profound influence that primary and secondary education has on the life chances of ethnic minority children, or to undertake a satisfactory examination of the further education system as a crucial route to employment. Nor have we been able to integrate our recommendations with many of the important emerging proposals from the Office of the Deputy Prime Minister's Neighbourhood Renewal Unit, particularly as they relate to the new targets for urban regeneration and the work of the Local Strategic Partnerships.

In developing our approach, we have:

- been mindful of overall spending constraints; so, wherever possible, we recommend focusing on existing programmes or building on existing effective practices;

**We have met with over 150 individuals – Ministers, policy-makers, front-line staff, academics and local practitioners.**

<sup>3</sup> Although the scope of this review has been limited to England, some data used for analysis has been taken from the Labour Force Survey which relates to Great Britain, and is not specific to England.

## We hope that *Enterprising People, Enterprising Places* provides a roadmap for real change.

- sought to have a significant impact on the issue and have, therefore, concentrated on larger initiatives rather than many small pilots; and
- been aware of the law of unintended consequences; as a result, while we feel strongly about some issues (such as the procurement incentive and the potential need to extend legislation to the private sector), we have stopped short of prescriptive recommendations for implementation because we think more work needs to be done.

Some of our recommendations are far-reaching; others are simply practical proposals that should be easy to implement. Many of the ideas and principles which we set out in this report are not new. However, in the past, too few of them have been actively pursued in ways that have produced positive results for ethnic minorities. We hope that *Enterprising People, Enterprising Places* provides a roadmap for real change.

### Report Structure

*Enterprising People, Enterprising Places* examines four broad questions. First, we look at whether today's mainstream programmes current and proposed are effective enough to achieve the objective of increasing ethnic minority employment. Second, we examine how an integrated employment and skills system might help more people to enter and succeed in the labour market. Third, we consider what might be done to support the start-up and expansion of ethnic minority businesses. Finally, we examine the 'blunt instruments' that are most likely to accelerate change in the public and private sectors.

Our report is organised in nine chapters:

- **Chapter One** introduces the issues, describes our approach, and suggests some principles that we believe should guide the future development of policy and delivery with respect to ethnic minority employment and enterprise development.
- **Chapter Two** summarises the key data relating to ethnic minority labour market participation in the UK and then sets these facts against a demographic picture of labour and skill shortages – lending urgency to the issue.
- **Chapter Three** assesses the effectiveness of current and proposed mainstream programmes that help prepare ethnic minorities for work and suggests some practical proposals for improving their design and delivery.
- **Chapter Four** examines what might be done to reach ethnic minority groups who are not on benefit and not in the labour market as a key step towards closing the current employment gap.
- **Chapter Five** describes a radically different approach to increasing ethnic minority employment by engaging business leaders in the design and delivery of an integrated skills and employment system.

## In future years it will be difficult to increase productivity and growth without drawing on the talent and resource of ethnic minority workers.

- **Chapter Six** shifts our attention to enterprise and self-employment, beginning with current trends, key issues related to the existing support system and barriers to the growth of BME firms; it concludes with specific recommendations for assisting a generation of highly entrepreneurial people.
- **Chapter Seven** looks at the major levers which are available to drive change within the private and public sectors, focusing particularly on public procurement.
- **Chapter Eight** discusses the importance of leadership, targets and community consultation in achieving the Government's objectives.
- **Chapter Nine** concludes with a summary of our recommendations. Those which are in bold are our key recommendations which were accepted by the Chancellor in the 2005 Budget.

### First Principles

Six themes have run strongly throughout our research and consultations. These have influenced our thinking and are reflected directly in our recommendations. We believe they are *critical to achieving the objective of increasing ethnic minority employment and business growth and should be used as first principles when designing policy and delivery.*

*First, ethnic minority participation in the labour market is an economic issue. Changing demographics, coupled with future demand for labour and higher skills, escalate its importance and afford an exceptional opportunity to achieve a step change in the prospects of ethnic minority communities. Indeed, for many employers, the demographics are compelling: in future years it will be difficult to increase productivity and growth without drawing on the talent and resource of ethnic minority workers.*

*Second, in large measure, the issue is not additional funding but increased focus. Three-quarters of ethnic minorities live in just five areas. Almost two-thirds live in five cities within those areas and the vast majority are concentrated within an even fewer number of wards – most of which are severely deprived. So, if we are to make serious headway in raising employment and stimulating business growth, we must ensure our proposals are an integral part of a coherent anti-poverty strategy; we must concentrate existing public and private resources on those five key urban areas.*

**Given the exceptional diversity between and within each group, consultation is critical to the required customisation of programmes and services.**

**Active and visible leadership from the top – from the Government and the business community – underpinned by a clear objective and measures to track progress, is now essential.**

*Third, community consultation should be an essential first step* in the development of public policy and in the delivery of the services which most affect the individuals at stake. We have been struck deeply by how good government is at communicating its products but how few of those products are shaped by the consumers themselves. *Given the exceptional diversity between and within each group, consultation is critical to the required customisation of programmes and services.*

*Fourth, there are no simple or quick-fix solutions to the complex of ethnic minority employment and enterprise issues.* It will require simultaneous and integrated action on both the supply and demand sides of the market, in national and local policy, and in the work of different government departments. Wherever possible, it is important to *build on what is already in place.* New initiatives are likely to overload delivery systems that are already under considerable pressure. In light of today's financial constraints and the drive for greater efficiency, it makes more sense to work with and through mainstream programmes, unless it is clear that they are unable to deliver the requisite quality, performance and scale.

*Fifth, voluntary action is not enough.* Over the past five years, a number of studies have demonstrated that, after accounting for educational qualifications, age, gender and location, ethnic minorities are less likely to be working and less likely to be earning as much as their White counterparts. Discrimination and the 'ethnic penalty' contribute significantly to the gap in employment rates today. *Equal opportunity and fairness in work are fundamental principles in a just society.* Wherever possible, this should be achieved by incentives, by example, by public advocacy – by carrots rather than sticks. But if these measures fail – as they have in recent decades – it is important that there are consequences to inaction and discriminatory behaviour.

*Finally, serious and sustained political and business leadership is crucial.* The 15 per cent gap between ethnic minority employment and the overall population is large.<sup>4</sup> It has persisted for decades, notwithstanding the steady economic growth of the past ten years. Active and visible leadership from the top – from the Government and the business community – underpinned by a clear objective and measures to track progress, is now essential.

4 The current 'employment gap' is 15.3 per cent as measured by the four quarter average of Labour Force Survey data to Autumn 2004 for the employment rates of the ethnic minority (59.6 per cent) and UK (74.9 per cent) working age population (16 to state pension age). Labour Market data defines ethnic minority as any non-White ethnicity. A detailed comparative breakdown on the unemployed ethnic minority population is covered in chapter two.

## A Manageable Ambition

In 2003, the Prime Minister set out the following aspiration:

**“In ten years’ time, ethnic minority groups living in Britain should not face disproportionate barriers to accessing and realising opportunities for achievement in the labour market.”<sup>5</sup>**

If we take this statement to mean closing the gap between White and ethnic minority employment as the starting baseline, the implications are that 540,000 more ethnic minorities will need to move into jobs by 2013.<sup>6</sup> This equates to roughly 60,000 more per year, approximately 38,000 of whom live in the five major urban areas. With almost half of the target population living in London, it is possible to extrapolate annual targets that range from as little as an additional 1,500 people in Leicester to 3,000 – 4,000 in Birmingham and Manchester, and 28,000 in London.

*Put another way, with political and business leadership and concerted action, we believe that achieving the Prime Minister’s vision is well within the nation’s grasp.*

**With political and business leadership and concerted action, we believe that achieving the Prime Minister’s vision is well within the nation’s grasp.**

<sup>5</sup> *Ethnic Minorities and the Labour Market*, Strategy Unit Report, 2003.

<sup>6</sup> This figure assumes that the ethnic minority working age population will remain static. However, this population is expected to increase, meaning that this figure could be considerably higher.

# CHAPTER 2

## THE CHALLENGE AND THE CASE FOR CHANGE

### Introduction

In this chapter, we provide a brief snapshot of the status of different ethnic minority groups in the labour market today. We look initially at key statistics related to employment, unemployment, skills and qualifications. We then examine the demographic trends which, particularly in our major urban centres, lend urgency to the need for increasing ethnic minority employment at all levels of the workforce.

### The Challenge

#### Ethnic minorities in the UK today – an overview

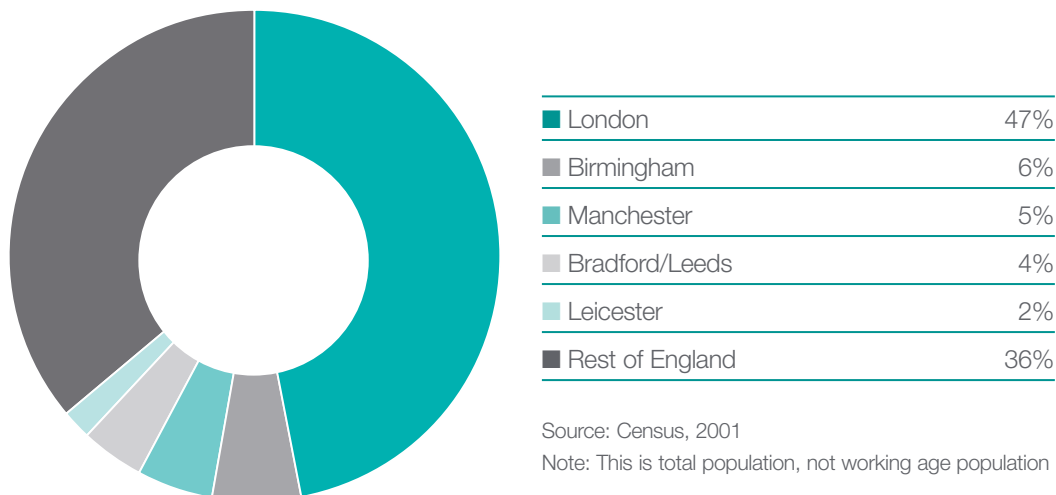
The status of different ethnic minority groups varies widely by gender, generation and age, location, skill and employment status, faith and culture. However, there are some important statistics that provide the context for our discussion.

- The ethnic minority *population has grown by 53 per cent* in the past decade, rising from 3.0 million in 1991 to 4.6 million today, it now represents 8 per cent of the total population (9 per cent in England).<sup>7</sup> Importantly, *50 per cent of the growth in the working age population* between 1999 and 2009 will come from ethnic minority groups.
- All ethnic minority groups have a *much younger age structure*: 20 per cent of White people are under 16; for mixed race the equivalent figure is 50 per cent; for Pakistanis it is 38 per cent; and for Bangladeshis it is 35 per cent.
- Almost two-thirds of *ethnic minorities are concentrated in five areas*, with nearly half living in London. They are more likely to be living in low-income households: 42 per cent live in the 50 most deprived districts of England as compared to 22 per cent of Whites.

**Between 1999 and 2009, 50 per cent of the growth in the working age population will come from ethnic minority groups.**

<sup>7</sup> Figures in this chapter are taken from 'Focus on Ethnicity and Identity', Office for National Statistics website, 2004 and Labour Force Survey (autumn 2004). All figures from the Labour Force Survey from winter 2003 to autumn 2004 are based on working age population of Great Britain (those aged 16 to state pension age) and are averaged over the four quarters.

Figure 1: The Top Five Cities Where Ethnic Minorities Live



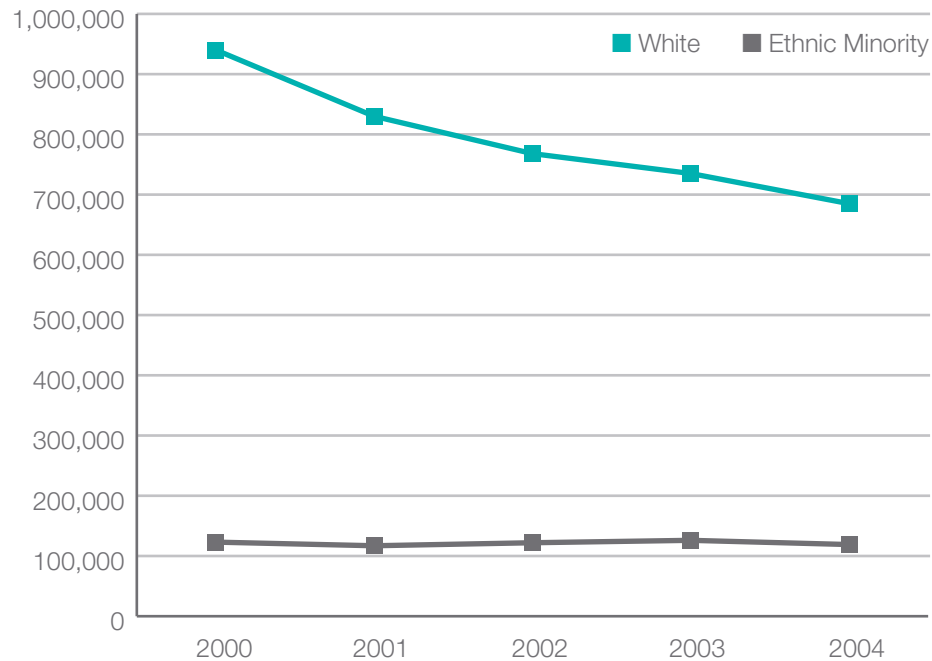
### Ethnic minority labour market participation and benefit status

- There are significant variations between ethnic minority groups but, on average, there is a *15 per cent gap in the employment rate* of ethnic minorities (60 per cent) and that of the overall population (at 75 per cent); the employment rate is even lower for Bangladeshis (44 per cent), Pakistanis (45 per cent) and Black Africans (57 per cent).
- *Unemployment rates are very high* for ethnic minority men: for example, 18 per cent of Bangladeshis, 15 per cent of Black Africans, 14 per cent of Pakistanis and 13 per cent of Black Caribbeans are unemployed compared to 5 per cent of White men.
- At least *16 per cent of Jobseeker's Allowance (JSA) claimants are from ethnic minority groups*, the largest of which are Black Caribbean, African and Pakistani men.<sup>8</sup>
- Since ethnic minorities are not moving off JSA at the same rate as White people, they are becoming a larger proportion of the overall JSA claimant population.

**There is a 15 per cent gap in the employment rate of ethnic minorities and that of the overall population.**

<sup>8</sup> There are 130,000 JSA claimants with unknown ethnicity, February 2005.

**Figure 2: JSA Claimant Count, 2000-2004**  
**(Numbers of White and Ethnic Minority JSA Claimants)**

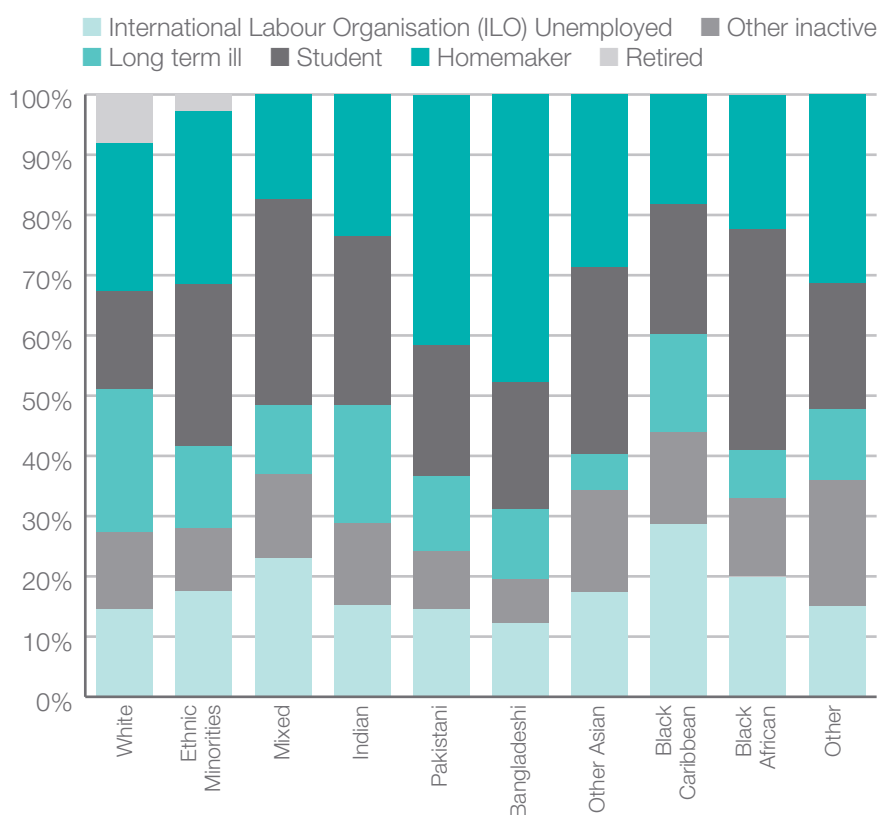


Source: Ethnic Minority Employment Division, DWP 2005

- The proportion of ethnic minorities (6 per cent) on Incapacity Benefit (IB) is marginally lower than that of Whites (7.5 per cent).<sup>9</sup>
- The number of working age people who are not actively seeking or are unavailable for work is *significantly higher for ethnic minorities* (33 per cent) than for White people (21 per cent).
- The majority of ethnic minorities who are neither working nor collecting benefits are Bangladeshi and Pakistani women, students and young Black African and Caribbean men.

<sup>9</sup> There are 1.65 million IB claimants with unknown ethnicity, Feb 2005

**Figure 3: Economic Status of those Not in Employment**



Source: Labour Force Survey, 2003-04

### Skills and Qualifications

People’s human capital – their knowledge, skills, qualifications and experience – is crucial to determining their future success in the labour market. Throughout their working life, this will influence their chances of getting a job, their prospects for advancement and their long-term earning power.

Ethnic minority educational attainment rates vary widely for different groups. They are also clustered at the top and the bottom of the scale: large numbers are entering post-16 study while, at the same time, too many are leaving school with no qualifications or lacking fluency in English. Worryingly, ethnic minority graduates experience more difficulty in finding employment than White graduates. The key data below underscores these issues.

- *Ethnic minorities have a greater propensity to continue into higher education:* Asians (85 per cent) and Black people (82 per cent) are more likely to continue in further or higher education than Whites (69 per cent).<sup>10</sup>

**People’s human capital – their knowledge, skills, qualifications and experience – is crucial to determining their future success in the labour market.**

<sup>10</sup> Unless otherwise stated, figures in this skills section are from *Minority Ethnic Attainment and Participation in Education and Training: The Evidence*, DfES, 2003.

## A total of 600,000 ethnic minorities in England have no qualifications; their chance of being in work is only 36 per cent.

- *Black Africans of working age are more likely to be studying for a qualification (44 per cent) than Indians (24 per cent) or Whites (17 per cent), although Black students are 10 per cent less likely than Whites to have their applications to university accepted.*
- *The greater percentage of ethnic minority young people in post-16 education is not reflected in the numbers that enter employment or government-sponsored training: only 4 per cent are enrolled in work-based training or Apprenticeships as compared to 10 per cent for White young people.<sup>11</sup>*
- *Ethnic minority graduates have a 6 per cent lower employment rate than White graduates; those with some qualifications are 16 per cent less likely to be employed.<sup>12,13</sup>*
- *39 per cent of Bangladeshis and 28 per cent of Pakistanis have no qualifications at all and as adults are much less likely to be participating in learning; this compares to 18 per cent for Indian and 14 per cent for White learners.*
- *A total of 600,000 ethnic minorities in England have no qualifications; their chance of being in work is only 36 per cent.*
- *Seventy-five per cent of Bangladeshi women over the age of 25 years do not speak fluent English.<sup>14</sup>*

### What the Data Says

Taken together, the position of ethnic minorities in the UK today is complex. Many are living in poverty within areas of severe deprivation. Typically, this means that they experience higher rates of substandard housing, poorer schools and inadequate transportation systems. Many experience discrimination within public institutions and by employers. More adults are unemployed or economically inactive. Those who are employed are likely to be less well paid and to work for employers who do not invest in their workforce.

At the same time, ethnic minority groups represent a young, fast-growing population. They bring a cultural diversity that enriches the cities in which they live. Many are highly entrepreneurial. Larger numbers of young people are aiming high – with growing numbers participating in further and higher education. With childcare and the right support, it is likely that an increasing number of Asian women will choose to enter the labour market.

## Ethnic minority graduates have a 6 per cent lower employment rate than White graduates.

<sup>11</sup> *Youth Cohort Study*, DfES, 2004.

<sup>12</sup> *Ethnic Minority Employment Task Force: Year 1 Progress Report*, 2004.

<sup>13</sup> 'Some qualifications' is defined as higher education, A-Levels (or equivalent), GCSE A-C (or equivalent) or other qualifications.

<sup>14</sup> *Ethnic Minority Employment Task Force: Year 1 Progress Report*, 2004.

## The Case for Change: The Demographic Time Bomb

After a generation of economic restructuring and urban renaissance, the economies of most major cities have expanded in recent years. London generates more than 20 per cent of the English Gross Value Added (GVA).<sup>15</sup> Leeds, Birmingham, Derby, Manchester, Bradford, Sheffield and Liverpool have either outstripped or come close to the national average.<sup>16</sup>

The potential for future employment growth in these cities is enormous – either through new jobs or replacement demand. By 2012, it is projected that almost 2.5 million more job opportunities will be available in London; 400,000 in West Yorkshire; 350,000 in the Birmingham City region; and nearly 300,000 in Greater Manchester.

*Looking at new jobs alone, the Treasury has projected a growth of 1.3 million additional jobs by 2012 – 90 per cent of which will require level 2 skills and 65 per cent will require level 3 skills.*

However, this prospect of flourishing future job growth becomes less promising when juxtaposed against the potential workforce of the future. Within the next five years, we will face an immense squeeze on the availability of skilled workers. For many of our skilled and semi-skilled jobs, the workforce is now aged between 45 and 50 years; between 2010 and 2015, many of these men and women will retire. Normally, we could expect the flow of young people into the labour market to take their places. But beginning in the mid-nineties the birth rate fell and we stopped replacing the population. By 2011, the 7.9 million young people in today's 16-24 age cohort will start to fall and by 2016, it will be 7.6 million.

In addition to helping existing employees to work longer, it is essential that we draw the maximum possible number of new workers from the 8.8 million pool of unemployed and inactive people. *Approximately 15 per cent of these are ethnic minorities, many of whose skill levels are well below level 3.* The formidable challenge ahead, particularly for our major conurbations, is how to draw on and develop this large pool of potential talent as a crucial driver of the nation's future productivity and growth.

**Looking at new jobs alone, the Treasury has projected a growth of 1.3 million additional jobs by 2012 – 90 per cent of which will require level 2 skills and 65 per cent will require level 3 skills.**

<sup>15</sup> GVA is the difference between output and intermediate consumption for any given sector/industry. It is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in the production (ONS).

<sup>16</sup> In this section, findings and figures have been quoted from *Growth Prospects and Ethnicity in the City Regions*, West Midlands Regional Observatory, A Phillips, 2005 and *Skills Challenges and the UK*, City and Guilds Presentation, C Humphries, 2005.

### Birmingham Case Study

The case of Birmingham illustrates the challenge faced by many of our major urban cities.<sup>17</sup> In the next decade, it is estimated that Birmingham will lose 35,000 manufacturing and utilities jobs but could gain up to 90,000 new and replacement jobs within the business, professional, health, tourism, transport and retail sectors. Overall, the city projects a net growth of some 50,000 new jobs and in some sectors the demand for workers will be acute.

However, at the same time that Birmingham's job scene is booming, the demographics of the city's working age population are shifting radically and will have a direct impact on whether it will be able to capitalise on its projected job growth. During the next ten years, Birmingham will have 50,000 more people who are over 45. But it will have 40,000 fewer people aged 24 to 45 years and 20,000 fewer aged 16 to 25.

The culture and ethnicity of Birmingham's neighbourhoods are also changing rapidly. By 2015, there will be 105,000 fewer White working age people; 60,000 more working age people of Pakistani and Bangladeshi heritage; 25,000 more African Caribbeans; 10,000 more Indians and 35,000 new immigrants from other ethnic groups.

Older workers and ethnic minorities are the fastest-growing groups, but they are also more likely to be unemployed and less trained, and under-represented in technical and higher-level occupations. So unless Birmingham – and many of Britain's other regional economic centres – invests well in its rapidly growing ethnic minority population, it will be unable to meet the labour and skill requirements of its high-demand sectors, thereby threatening the future prosperity not just of the city but of much of the West Midlands economy.

### Conclusions

While our analysis of the status of ethnic minority groups in today's labour market has been constrained by the lack of reliable and sufficiently detailed data, we believe that there is enough information available to draw some broad conclusions.

- *Ethnic minority groups are overwhelmingly concentrated in five areas; given limited resources, those are the places where government and its partners should focus their efforts.*

- *To close the gap in employment rates between ethnic minorities and Whites, it will not be sufficient to assist only those ethnic minorities on benefit; people who are currently out of the labour market altogether – individuals who are not working and are not on benefit – will need to be reached and helped to secure the right jobs.*

17 Cragg D, *A Case Study on Birmingham*, Learning and Skills Council research paper, 2005.

■ The skills picture is complex: at one end of the spectrum, a number of ethnic minorities are over-achieving – gaining more qualifications than their White peers and still not securing employment; at the other end, too many are leaving education with low or no skills and qualifications. *Both groups will need targeted help in making the transition to work.*

■ The wide gap in employment rates, the difficulty which ethnic minority graduates face in gaining decent jobs, along with our description of the ‘ethnic penalty’ contained in chapter seven, make clear that *discrimination represents a significant barrier to employment for all ethnic minority and faith groups.* Stronger leadership and some ‘blunt instruments’ will be needed to influence employer behaviour.

In the following chapters, we outline our suggestions for tackling these issues.

# CHAPTER 3

## CONNECTING ETHNIC MINORITIES TO WORK: ASSESSING THE EFFECTIVENESS OF CURRENT PROGRAMMES

### Introduction

In the next two chapters, we focus on the supply side of the market – on the process of giving people the skills, experience and job search assistance that they need to succeed in today's workplace. In chapter seven, we focus on employers and the demand side of the market.

As previously noted, the project team has consulted extensively with public sector staff, local providers, grassroots organisations and faith groups about how well existing programmes and services are meeting the needs of different ethnic minority communities. Those discussions have been rich with fresh ideas and extremely fruitful.

We have drawn on these discussions, on existing research and on the extensive experience of the Panel and the project's Steering Group members in this chapter to:

- *assess the effectiveness of employment programmes* current and proposed that are designed to help ethnic minority groups make the transition from benefit or education into work; and
- *propose some specific recommendations for making the existing delivery system work better* for disadvantaged ethnic minority people.

### Working Assumptions

We have framed our recommendations in the context of two working assumptions.

First, we believe that, with limited resources, it will be important to *target funds geographically*. As we indicated at the outset of this report, 64 per cent of ethnic minorities are concentrated in five cities: London, Birmingham, Leicester, Manchester and Leeds/Bradford. In our view, these are the places which should serve as the focal points for any future strategy for increasing ethnic minority employment rates.

The recent experience of Jobcentre Plus in shifting an increasing amount of resources to the 30 most deprived local authorities and wards gives us confidence that this approach is effective. In only one year, Jobcentre Plus increased its performance in the key wards from 25 per cent below target to 13 per cent above the target for 2004.

**64 per cent of ethnic minorities are concentrated in five cities: London, Birmingham, Leicester, Manchester and Leeds/Bradford.**

For this reason, our overall recommendation is that:

***The Department for Work and Pensions and the Department for Education and Skills should ensure mainstream and discretionary resources are sufficiently targeted on the five designated cities.***

Our second working assumption is that *sound programme design and effective delivery* are central to increasing ethnic minority employment. Throughout our consultations there was considerable agreement on the basic attributes of an effective system:

- the importance of a known and desirable *job at the end* of the process;
- *effective supply chains* that are employment-focused and use specialist organisations to deliver the key steps from outreach through to job entry and continued skills development;
- investment in quality staff training and in employment-focused *capacity-building* for supplier organisations;
- *support for employers* to improve recruitment and retention and to address discriminatory workplace practices; and
- a *high-performance system* with stretching targets, underpinned with intelligent procurement systems, effective management information/financial management systems, and professional management of performance-based contracts.

### **The New Deal**

Since its inception in 1997, the New Deal has had an impressive track record of helping over one million jobless people move from benefit into work. Long-term youth unemployment has been virtually eradicated and long-term adult unemployment has been reduced by 75 per cent since 1997. However, the programme has been less successful in assisting ethnic minority participants than it has for Whites. As of the end of 2004, ethnic minorities achieved only 82 per cent of the job outcomes of White leavers.<sup>18</sup> Indeed, in the last five years, there has been little increase in the job entry rate for the ethnic minorities.

**Sound programme design and effective delivery are central to increasing ethnic minority employment.**

<sup>18</sup> Total figures as of December 2004 for New Deal for Young People, New Deal for 25+, and New Deal for Lone Parents, Department for Work and Pensions.

In recent years, as unemployment rates have dropped significantly, those individuals who have remained on benefit are more disadvantaged – frequently facing complex barriers to employment. This is particularly true for ethnic minorities who face the twin obstacles of disadvantage and discrimination. As the Panel argued in its report, *A New Deal for All*, the current design of the New Deal does not meet the special needs of many at-risk individuals within its changing customer base.<sup>19</sup> Specifically, the New Deal:

- is not sufficiently flexible to respond to people facing multiple barriers to work who require more intensive, personalised services;
- has a target system that is neither aligned with the aim of reaching the most disadvantaged nor of recruiting more job-ready ethnic minorities;
- lacks an effective, consistent system for engaging employers in the design of employability training or for tackling employer discrimination; and
- uses a procurement and contracting system that fails to drive up performance, is bureaucratic and excludes many smaller, specialist providers that are key in reaching ethnic minority communities.

### **Building on New Deal**

To address some of these issues, the Government has designed the Building on New Deal (BoND) programme. The Panel has long espoused the principles underpinning BoND: decentralisation and local flexibility; customisation of programmes to meet individual and employer needs; streamlined processes; and improved performance outcomes.

We believe that BoND is a particularly promising programme for ethnic minorities. However, as currently proposed, in our view it will only have a marginal impact on raising their employment rates. This is for two reasons. First, the projected roll-out of BoND prototypes will affect few areas with large concentrations of ethnic minority residents.<sup>20</sup> Second, in the longer term, we doubt that BoND, designed as a universal programme, can really deliver its objectives to disadvantaged people given Jobcentre Plus' current capacity and the proposed funding regime.

To succeed, BoND will require a major investment in the training of Personal Advisers, an overhaul of procurement and contracting systems, and a level of contract management that does not exist today. Moreover, it is best suited for areas that have competitive provider markets and concentrations of employers.

In our view, the implementation of *BoND will provide greater return on investment – certainly in raising ethnic minority employment rates – if it were targeted on areas of greatest need*. At the same time, it should be heavily backed by technical assistance from the centre for staff training, programme design and systems development that would be exceptionally difficult to deliver well for a national programme.

<sup>19</sup> *A New Deal for All*, National Employment Panel, 2004.

<sup>20</sup> BoND roll-out locations are likely to be Ayrshire, Dumfries, Galloway & Inverclyde, Buckinghamshire & Oxfordshire, Calderdale & Kirklees, Cardiff & Vale, Cheshire & Warrington, Cornwall, Gateshead & South Tyneside, Norfolk, Northamptonshire, North East London, and the Marches (Hereford, Shropshire & Worcester).

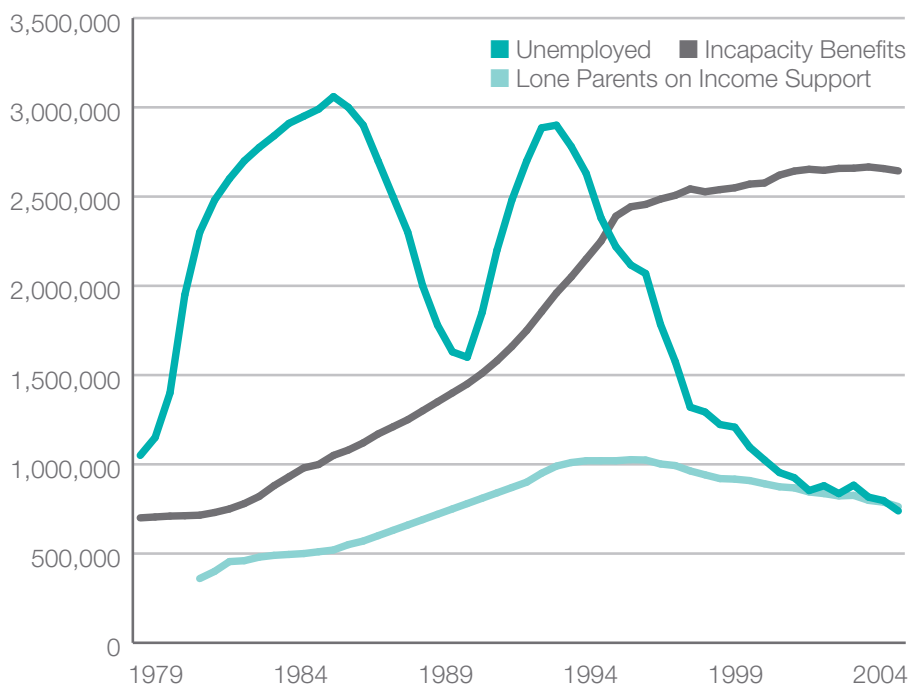
For this reason, we recommend that:

***DWP should undertake an urgent review of BoND's overall implementation and targeting strategy. In addition, in the context of the immediate prototype roll-outs, it should give priority to the five designated cities, focusing particularly on the most deprived wards and on those with large numbers of low-income ethnic minority residents.***

### Pathways to Work

As unemployment rates have declined steeply in recent years, the numbers of individuals on Incapacity Benefit (IB) have risen steeply since 1979. While those numbers have now stabilised, IB recipients represent by far the largest group of welfare recipients.

**Figure 4: The Rise in Incapacity Benefit Claimants (Number of claimants)**



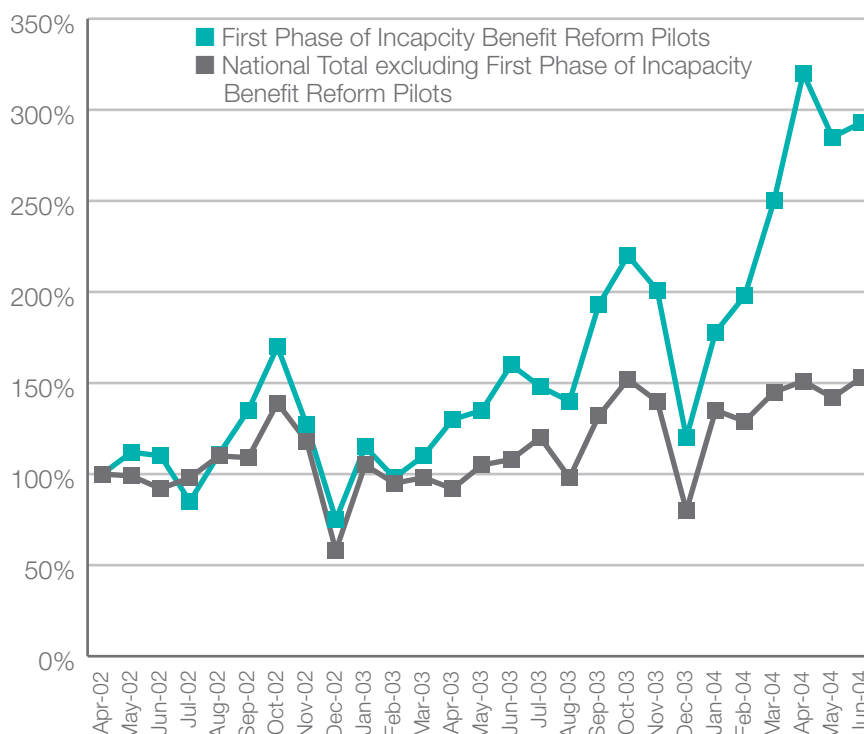
Source: Incapacity Strategy Team, DWP, 2004

To tackle this problem, the Government launched the Pathways to Work pilots in 2003. Over the next few years, the Pathways to Work initiative will be expanded and, coupled with other planned action, will provide:

- preventive measures to reduce the number of people who become sick or injured on the job;
- assistance for employers to increase recruitment and retention of disabled people, and address discriminatory workplace practices; and
- intensive support to help move people from benefit into work or productive activity.

The initial success of the Pathways to Work programme, as illustrated below, is exceptionally promising.

**Figure 5: Performance of Pathways to Work Pilots  
(Indexed job entry performance)**



Source: Incapacity Strategy Team, DWP, 2004

On current plans, it is unlikely that Pathways to Work will contribute to raising employment rates of ethnic minorities. It is scheduled to be rolled out in northern areas, of which only Manchester has large numbers of ethnic minority residents. However, there are significant numbers of ethnic minority IB claimants in both Birmingham and London, neither of which are included in the current programme.

Given that Pathways represents one of the Government's most important strategic investments in helping people move from benefit to work, and given that ethnic minorities are a high priority, we believe that it is sensible to join the two in the context of the pilots. Therefore, we recommend that:

***Birmingham and at least two London districts should be included in the next tranche of Pathways to Work roll-out, beginning in October 2005; in these districts, Pathways should incorporate specific elements of ethnic minority outreach.***

#### **Basic Skills and ESOL**

Basic skills and language training is of paramount importance in any effort to increase ethnic minority employment rates. It is particularly crucial in light of the fact that 75 per cent of Bangladeshi women over 25 years are not fluent in English. It is equally critical to the substantial number of other ethnic minorities, for whom lack of English is the principal barrier to employment.

**Basic skills and language training is of paramount importance in any effort to increase ethnic minority employment rates.**

Basic skills and English for Speakers of Other Languages (ESOL) were the subject of the most widespread criticism by Learning and Skills Councils (LSCs), Jobcentre Plus, providers and learners. Poor quality and inaccessibility; insufficient provision to meet fast-growing demand; lack of relevance to work or practical life skills; poor integration with work experience or links to job placement were comments consistently cited.

In August 2004, DfES introduced new certificates, as part of its Skills for Life programme, to replace existing ESOL qualifications. These redesigned qualifications will be extremely important in:

- increasing consistency, quality and relevance in the existing system;
- standardising progressive levels of achievement so that it will be possible to measure the 'distance travelled' of learners enrolled on ESOL courses; and
- improving the accountability of ESOL and basic skills contractors as this provision becomes more integrated into work-focused supply chains.

In the Panel's report, *Welfare to Workforce Development*, we recommended that local LSCs be given 'lead responsibility for purchasing and managing the provision of all basic skills and ESOL training in their areas.'<sup>21</sup> This recommendation was based on three factors:

- increasing efficiency of procurement and contracting;
- almost ten times the number of benefit claimants are enrolled in LSC-funded basic skills courses as those funded by Jobcentre Plus; and
- the LSC invests systematically in developing the quality of its basic skills and ESOL provision.

With the design and roll-out of the redesigned basic skills and ESOL qualifications within the LSC system, we believe the case for implementing this recommendation is now compelling. Under these terms, *Jobcentre Plus would remain the budget-holder and hold the LSC to account for the specified quality and outcomes of its basic skills/ESOL provision.*

For the LSC, we see two equally important implications in assuming lead responsibility in contracting. First, we would *expect the LSC to ensure that its own procurement systems are sufficiently robust* to ensure that it can purchase quickly and efficiently the services which Jobcentre Plus clients will require. Second, in implementing the use of the re-designed qualifications for basic skills and ESOL, we would like to see *priority given to training more ESOL staff and to assisting key contractors in the five designated cities.*

**Work-based training and Apprenticeships represent a small but important route for improving the skills and employment levels of ethnic minorities.**

<sup>21</sup> *Welfare to Workforce Development*, National Employment Panel, 2004.

Based on these considerations, we therefore recommend that:

- *the LSC should be given lead contractual responsibility for all basic skills, ESOL and vocational training provision nationally;*
- *the content, quality and accessibility of basic skills and ESOL provision should be increased in the five designated cities, using the redesigned qualifications; and*
- *basic skills and ESOL courses should be held in places that offer a safe environment for Pakistani and Bangladeshi women such as faith-based organisations, SureStart centres, schools and community facilities.*

### **Work-Based Training and Apprenticeships**

Work-based training and Apprenticeships represent a small but important route for improving the skills and employment levels of ethnic minorities. Apprenticeships, in particular, provide an excellent way for ethnic minority young people to earn and learn simultaneously.

However, the numbers we have seen are troubling and indicate that ethnic minority groups do not do well in this area. If we look at the Apprenticeship programme, for example, their overall experience, particularly for Black Caribbean, Pakistani and Bangladeshi young people, is less satisfactory than for the rest of the population as measured by participation, achievement and learner outcomes.

*Proportionately, ethnic minorities are half as likely as Whites to be training as an apprentice.*<sup>22</sup> Given the younger age structure of the ethnic minority population, we would expect the ethnic minority figure to be higher as a proportion of the whole population than for Whites. We have been unable to determine to what extent this reflects a positive choice by ethnic minorities to improve skill levels by other routes or whether, more disturbingly; this is a result of discrimination in recruitment and selection for Apprenticeships.

A recent study by the Adult Learning Inspectorate, found for Apprenticeships that 'learners from minority ethnic groups generally have lower success rates than their White counterparts', with learners of Black or mixed ethnic origin faring particularly badly.<sup>23</sup> Furthermore, information provided to us by the LSC indicates that ethnic minorities are concentrated in the lower level Entry to Employment (E2E) and Foundation Apprenticeships. Few are in the Advanced Apprenticeships (particularly Black Africans) that will lead to better jobs with the blue-chip companies.

## **Proportionately, ethnic minorities are half as likely as Whites to be training as an apprentice.**

<sup>22</sup> 0.4 per cent of the ethnic minority population are training as apprentices compared to 0.8 per cent of the White population (Learning and Skills Council, unpublished data).

<sup>23</sup> *Equality of Opportunity Survey*, Adult Learning Inspectorate, 2005.

We believe that this issue is of considerable importance and recommend that:

■ *the LSC should commission a full Race Impact Assessment of all work-based training, including Apprenticeships, by the end of 2005; and*

■ *the LSC should strengthen significantly the outreach, provision and outcomes of work-based training and Apprenticeships for ethnic minority participants in higher-skilled careers.*

### **Sector Skills Councils**

The Sector Skills Councils (SSCs) have a vital role to play in increasing employment opportunities for ethnic minority groups. Their analysis of the impact of future demographic trends within their industries should make clear that, in many cities and regional economic centres, future productivity and growth will depend on the ability of employers to recruit a diverse workforce. For this reason, we recommend that DfES should work with the Sector Skills Development Agency to ensure that:

*The Sector Skills Council Agreements should address measures for recruiting ethnic minorities to meet projected skills shortages and plans for tackling patterns of discrimination in employment, retention and advancement that may exist within their sector.*

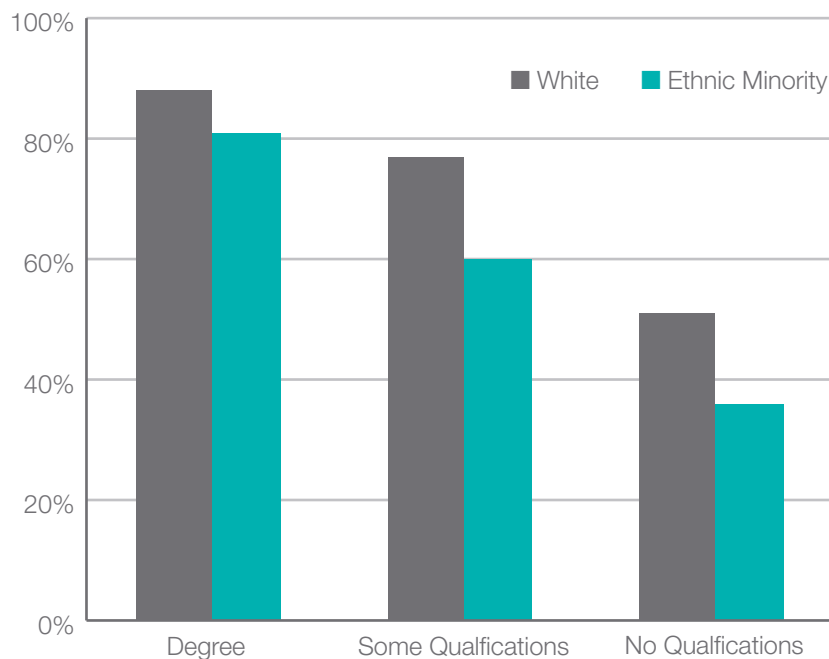
### **Further Education**

The post-16 education system is the principal route into work for most ethnic minority young people, and many adults. Today, a higher proportion of the total ethnic minority population are students enrolled in further and higher education (HE) (10 per cent) than Whites (3 per cent). While this can be explained largely by the fact that the age structure of ethnic minorities is younger than the White population, it is a promising indicator that ethnic minorities from every group are developing their employability skills and improving their prospects for future success in the labour market.

While the scope of our review did not allow us to conduct a detailed examination of the experience of ethnic minorities within the further education (FE) system, four issues were consistently raised during our consultations. We think that they are of sufficient importance to merit discussion and, in several cases, further review by DfES and/or the LSC.

First, throughout our discussions with young people and community leaders, there was a consistent view that *ethnic minorities need to gain more qualifications than Whites simply to secure the same job opportunity*. It is difficult to determine how much of this is because of poor quality educational provision; lack of access to better jobs; unfair employer recruitment practices – or a combination of all these factors.

**SSCs should assume a leading role in identifying and tackling patterns of discrimination in employment, retention and advancement that may exist within a specific sector or occupation.**

**Figure 6: Comparative Employment Rates by Educational Attainment**

Source: Labour Force Survey, 2003-04

Figure 6 provides disturbing evidence of the disparity between the employment rates of Whites and ethnic minorities with a degree, with some qualifications and with no qualifications. While the gap between White and ethnic minority graduates is narrower than the 15 per cent gap of the working population as a whole, it is distinct and certainly suggests employer discrimination in recruitment. Further evidence of discrimination is contained in a Commission for Racial Equality (CRE) study which reveals that White graduates are three times more likely to be offered a position by a top British company than their ethnic minority counterparts.<sup>24</sup>

The gap between Whites and ethnic minorities with no qualifications is very large indeed. Again, this may well point to unfair recruitment and retention practices by employers but it is also likely to be compounded by lack of job readiness and fluency in English.

Second, throughout our consultations, a number of people criticised the lack of support which FE and HE institutions provide to ethnic minority graduates in making a *successful transition from education to work*. We found little evidence of systematic and expert measures to help students prepare CVs, practice interviewing techniques or organise their job search.

**Ethnic minorities need to gain more qualifications than Whites simply to secure the same job opportunity.**

<sup>24</sup> *Towards Racial Equality*, Commission for Racial Equality, 2004.

## **There is a lack of support provided by FE and HE institutions to ethnic minority graduates in making a successful transition from education to work.**

Many students seemed to know little about how to navigate the local job market and held unrealistic expectations of the world of work and their place in it. This perception was confirmed by employers, who commented frequently on the number of FE and HE graduates who lacked a basic understanding of workplace disciplines.

In the longer term, we think that it should be possible to help tackle employer discrimination, expand social networks and improve the transition from education to work through a *national, high-profile internship programme*. Building on best practice of existing exemplar programmes, this initiative would provide students with quality work experience during the school year and summer months with prime employers.<sup>25</sup> It would also link with Advanced Apprenticeships to improve the access of ethnic minority young people to level 3 and 4 employment opportunities.

As a first step, we recommend piloting the concept in the five designated cities. Specifically, we recommend that:

***A Workforce Investment Board or strengthened LSC (as described in chapter five), should work with the local LSC, Jobcentre Plus and educational institutions to develop an internship programme in high-demand occupations with good career potential, primarily targeting ethnic minority students.***

Third, overall, we found a *lack of coordinated data, impact measures and research on ethnic minority participation and outcomes in the FE system* and, more broadly, throughout the workforce development field. This includes, critically, measures (and supporting data) to track job entry and retention rates.<sup>26</sup> We believe that this is a serious weakness which impedes the ability to monitor progress, improve delivery and influence policy development effectively. For this reason, we recommend that:

***The LSC should work with its key partners to undertake a fundamental review of its approach to the collection and analysis of data, impact measures and research on ethnic minority issues and reporting arrangements.***

<sup>25</sup> Positive Action Training Highway (PATH) has successfully trained over 2,000 people from ethnic minority communities for professional careers through its Trainee Management Programme. Through its MBA Intern Programme, Project Fullemploy has worked with the London Development Agency to design a development programme offering management skills and personal development for ethnic minority graduates.

<sup>26</sup> In the Panel's report, *Welfare to Workforce Development*, 2004, four common measures are recommended to track LSC and Jobcentre Plus performance: job entries, job retention, qualifications, entry wage levels.

## We found a lack of coordinated data, impact measures and research on ethnic minority participation and outcomes in the FE system.

Fourth, in an environment in which resources are increasingly constrained, it is important that the maximum amount of funding is focused on individuals with the greatest need. We have been unable to determine the degree to which the LSC's core funding for FE colleges (and other mainstream programmes) reflects this principle. More specifically, we want to ensure that *the allocation formula is designed to ensure that disadvantaged students, particularly ethnic minorities, are given every opportunity to gain the skills and qualifications needed to secure good jobs in high-demand occupations.*

Therefore, we urge that:

***DfES and the LSC should undertake a review to ensure that the allocation of core funding reflects the priority for preparing residents of the most deprived areas to succeed in the local labour market.***

Taken together, we have sufficient concern about the position of ethnic minorities within the FE system to recommend that:

***The LSC should develop a detailed action plan, by December 2005, to accelerate the Race Equality Standard in Further Education to meet the requirements under the Race Relations (Amendment) Act 2000.***

### National Employer Training Programme

In 2002, DfES announced the creation of the Employer Training Pilots. Their early success resulted in the Chancellor's announcement in the 2004 Pre-Budget Report that, by 2008, the pilots would be rolled out across the country and become the National Employment Training Programme (NETP).<sup>27</sup>

The NETP represents an important departure from the conventional way of funding and operating skills training programmes. First, it provides *grants directly to employers to invest in upgrading the skills of their low and semi-skilled employees.* Second, because the employer chooses which provider is best suited to the firm's needs, it *introduces a genuinely demand-led approach to the local training market;* thus, in order to get an employer's business, FE colleges, private providers and voluntary organisations must compete and be able to adapt their standard provision quickly to the changing needs of the market.

While it is still very early days, the NETP appears to be offering significant promise for increasing the skills of ethnic minorities in the workforce. Early evidence suggests that in 10 out of the 12 original pilot areas, ethnic minority participation rates exceed their proportion in the local population.<sup>28</sup> This appears to be in large part because of a specific aim of the programme to target firms in disadvantaged urban areas.

<sup>27</sup> Section 3.99, *Pre Budget Report 2004*, HM Treasury 2004.

<sup>28</sup> Learning and Skills Council, unpublished data.

We believe the NETP is particularly important for ethnic minorities for three reasons:

- it can ensure that disadvantaged individuals who are placed in jobs with NETP employers will be on the *first rung of a work-based ladder to higher skills*;
- it can serve as an important means of increasing the basic and language skills of all non-English speaking employees; and
- it can *open the market to ethnic minority training organisations* to assist employers to recruit and retain employees.

For this reason we are very keen that the Government ensures that:

***The National Employer Training Programme should be funded to meet demand in the five designated cities to increase basic, language and higher skills (level 3) of ethnic minority employees.***

Within these cities, we recommend that LSCs focus NETP resources on those individuals and employers with the greatest need.

## **Conclusions**

In assessing how well the current and proposed mainstream programmes meet the needs of ethnic minorities, there are several points that we believe are particularly important to note:

- Irrespective of how well the existing and new welfare-to-work initiatives are designed and operated, they will have *little impact on raising ethnic minority employment rates unless they are better targeted on the five designated cities*.
- *Basic skills and ESOL are pivotal* to improving the employability of many ethnic minorities and the newly designed qualifications will be exceedingly important in raising the standards of provision in this area.
- The work-based learning and Apprenticeship system is not serving ethnic minority young people well. *Serious attention should be given to improving outreach and outcomes*, particularly in the higher-skilled occupations.
- The FE system is central to preparing large numbers of ethnic minority young people and adults for work and continued learning. The lack of good data makes it difficult to assess what is working well, what needs to improve and *the degree to which the Race Relations (Amendment) Act 2000 has been embedded* in local colleges. Importantly, it is also unclear whether the LSC funding *allocation formula* is appropriately weighted to helping those individuals and communities who need it most. These issues should be addressed by DfES and the LSC this year.
- Finally, while still early in its development, the National Employment Training Programme offers real promise for raising the skills of ethnic minorities in work. *Additional NETP resource should be targeted on the designated five cities*.

**NETP appears to be offering significant promise for increasing the skills of ethnic minorities in the workforce.**

# CHAPTER 4

## REACHING OUT TO ETHNIC MINORITY GROUPS

### Introduction

In chapter two, we established that it will not be possible to close the 15 per cent employment gap simply by helping more ethnic minorities move from benefit into work. To make real progress, we must attract more of the 21 per cent of ethnic minorities who are not working and are not on benefit into the labour market.

In practice, this will mean extending welfare-to-work services to a sizeable group of people who are currently ineligible and ensuring that those services are very carefully tailored to their needs. In addition to students, this group is composed largely of 'homemakers', particularly Bangladeshi and Pakistani women. A smaller, but equally important group are disaffected young men.

In this chapter, we describe these two groups and suggest some measures which we believe will help them move into (or closer to) work.

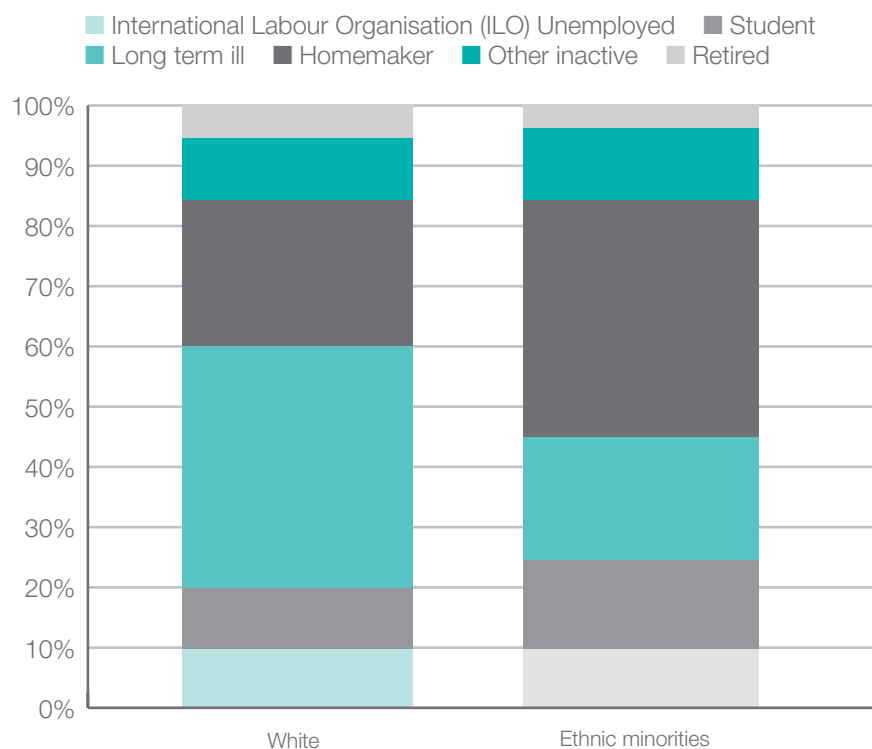
### Homemakers<sup>29</sup>

Within the total working age population, ethnic minorities are twice as likely as White people to be homemakers. However, if we focus only on people who are not working the difference is considerably smaller. White and ethnic minority women who have degree-level or some qualifications are equally likely to be homemakers. *The major difference occurs in those with no qualifications, where ethnic minorities are 50 per cent more likely to be homemakers than Whites.*

**To make real progress, we must attract more of the 21 per cent of ethnic minorities who are not working and are not on benefit into the labour market.**

<sup>29</sup> We have used 'homemakers' in this report to describe people who define themselves in the Labour Force Survey as individuals who are either 'not seeking or not presently available for work because they are looking after their family.'

**Figure 7: Labour market status of people with no qualifications who are not in work (Proportion of population)**



Source: Labour Force Survey, 2003-04

Bangladeshi (72 per cent) and Pakistani (68 per cent) women have the highest female economic inactivity rates; the majority of these women are looking after their family or home. Conventional wisdom has long held that this is largely because most women from these communities choose to stay at home for cultural reasons.

However, there is emerging survey evidence that an increasing number of Pakistani and Bangladeshi women might enter employment under the right conditions.<sup>30</sup> Our discussions with Muslim community and faith organisations revealed the following about these changing attitudes:

- economic pressures make the concept of dual income households more socially acceptable, particularly in cases where the male partner is unemployed;
- acculturation is shifting lifestyles and raising the aspirations of women for themselves and their families; and
- second and third generation women are better educated, with more graduates having career expectations.

**An increasing number of Pakistani and Bangladeshi women might enter employment under the right conditions.**

<sup>30</sup> *British Muslims in the Labour Market*, Open Society Institute, 2005; and *Ethnic Differences in Women's Employment*, Work, Employment and Society Journal Vol.11, 1997.

At the same time, there are very real barriers to employment that must be addressed if more Pakistani and Bangladeshi women are to move towards the labour market or into work. The most important of these are:

- family and carer responsibilities;
- language and skill barriers;
- resistance from family and community, arising from religious and cultural traditions;
- lack of accessible and affordable childcare;
- artificial or discriminatory barriers to employment; and
- lack of access to jobs that are culturally acceptable and that provide flexible working patterns.

In many respects, these obstacles are very similar to those faced by most lone parents. However, there are two key differences. The first is the need to use creative and sensitive ways *to reach and support economically inactive women through faith-based, family-oriented and grassroots organisations.*

The second difference is the *scale of language and basic skills training that will be required.* As previously noted, 75 per cent of Bangladeshi women over 25 years old are not fluent in English. This represents a serious handicap – not just to work but to helping their children learn to read; to conducting the day-to-day business of household management; and to participating in social and civic activities outside their immediate circles.

### **Disadvantaged Young Men**

In virtually every discussion with ethnic minority community leaders and frontline staff, concern has been voiced about the growing number of young people, mostly young men, who are alienated or excluded from mainstream society and institutions.

Many live in isolated neighbourhoods with few cross-ethnic networks or positive role models. Many have done poorly in school and have few or no qualifications. They see little prospect for securing decent jobs. Some may gravitate to substance abuse, crime and antisocial behaviour.

As one Asian youth worker noted, for some of these young men, simply growing older and assuming family responsibilities will give them the stability and motivation to start training or move directly into work. But for others, it will not. For these individuals, *intensive wrap-around services will be required* that draw heavily on the expertise of faith and voluntary sector groups. Equally, the *opportunity of a steady job with prospects* will be extremely important in motivating a behavioural shift.

**A growing number of young people, mostly young men, are alienated or excluded from mainstream society and institutions.**

It is difficult to estimate accurately the size of this group. Some are on JSA, some are on IB and some are out of the labour market altogether. If we use the number of ethnic minority men aged 16 to 24 who are *not employed and not in education or in training*, the number is approximately 76,000 (2004), having increased from 59,000 (1997) and 68,000 (2000).<sup>31</sup> In addition 18 per cent of Black young people, 17 per cent of Bangladeshi and 14 per cent of Pakistani young people are not in education, work or training.<sup>32</sup> Without new interventions, this trend is very likely to increase in the next few years given the younger age structure of ethnic minority communities.

### **Measures to Reach More Ethnic Minorities**

We believe that these two groups of economically inactive people represent an important pool of largely untapped talent – people with the potential to make a significant contribution to their communities and the local economy. We recognise that extending services to these individuals will represent a new undertaking for government. However, in our view, this investment is both economically sound and socially right. Therefore, our overall recommendation is that:

*Outreach support for employability skills development and job access should be focused on people who are not in work, not on benefit and who may have been traditionally excluded from the labour market.*

In practice, we believe that this means that existing mainstream programmes should be adapted and expanded in four ways to meet the needs of inactive people.

### **Community Outreach**

As one community leader said, “There is no such thing as ‘hard to reach’ groups; in reality, they are simply ‘out of reach’ to mainstream institutions such as Jobcentre Plus, the LSC and many large providers.” Recognising this issue, Jobcentre Plus introduced the Ethnic Minority Outreach (EMO) initiative in 2002 to increase support for jobless people making the transition into work.

For the most part, EMO has been delivered by community and voluntary sector organisations with close ties to specific target groups. While it is too early to draw conclusions on the overall impact of the programme, Jobcentre Plus local staff suggested several points that are particularly relevant to any future design of an outreach programme:

**Economically inactive people represent an important pool of largely untapped talent – people with the potential to make a significant contribution to their communities and the local economy.**

<sup>31</sup> Due to small sample sizes and changing definitions, these figures may not be statistically robust but we believe they can be used as an indication of the directional trend.

<sup>32</sup> Youth Cohort Study, DfES, 2004.

## There is no such thing as ‘hard to reach’ groups; in reality, they are simply ‘out of reach’ to mainstream institutions.

- *EMO has been highly successful* in increasing ethnic minority awareness of employment and training opportunities particularly for Pakistani and Bangladeshi women, where common language and cultural understanding are key to engagement;
- generally, *EMO providers* have been expert at reaching target groups, patchy at providing ESOL and skills training, and less successful in connecting with employers unless they are part of a ‘supply chain’; and
- *Jobcentre Plus must be clear at the outset* on whether it is trying to reach the most disadvantaged (or just those closer to the labour market) and, if so, must ensure that enriched programmes and outcome measures support that objective.

We are very clear that if we are to reach inactive ethnic minority groups, it is essential to go where they are, using faith groups, SureStart centres, schools, GP surgeries, community facilities and trusted intermediaries. We recommend that:

***A well-planned and extensive outreach programme targeted specifically at inactive ethnic minority adults and young people, and using trusted intermediaries, should be developed as a central part of the broader ethnic minority strategy within the five designated cities.***

### ESOL and Basic Skills

In the previous chapter, we discussed the importance of ESOL and basic skills for non-English speaking ethnic minorities. For many Pakistani and Bangladeshi women language skills represent the first essential step towards work and active community participation. For this reason, we are keen to see in the five designated cities:

***Basic skills and ESOL courses should be expanded and held in places that offer a safe environment for women; with content that is relevant to their lifestyles and ambitions for family and work; and to a standard that contributes to increased participation and success rates.***

### The Right Job

The power of the right job as a magnet to attract people into the labour market was a consistent theme throughout our consultations. Bangladeshi and Pakistani women described the ‘right job’ as one in which the employer offers flexible hours and is attuned to their culture and faith. The NHS, schools and some large employers were cited as being the most attractive.

For disadvantaged ethnic minority young men the 'right job' was described as one that pays well and has real career potential. Given that many of these young men have low skills and little or no work experience, this is a difficult challenge to meet. From our discussions with community leaders, it appears that there are few work-based training places for this group or opportunities for training with the promise of an attractive, known job at the end.

It is unlikely that either the New Deal or the Apprenticeship system, as currently structured, will provide the high-support, job-focused programme required by many of these young men. We would, therefore, like to see a small, specially designed initiative in the five cities that would combine the following elements:

- in-depth assessment and guidance to identify the individual's aptitude, attitude, skills and career aspirations;
- integrated skills (basic and vocational) with work experience leading to an identified and desirable job;
- intensive personal support and counselling before and after job placement; and
- work with employers to develop cultural competence and job coaching skills to support new recruits.

Programme cost, duration and outcomes should reflect the at-risk population and draw on the highest quality provision available within the city.

### **Funding and Targets**

Understandably, the welfare-to-work delivery system is designed to assist people on *benefits* to find work. But, as we have already noted, if the Government decides to close the employment gap it will need to reach out to a new group of people. This, in turn, will require a change in the existing policy and funding framework. Currently *Jobcentre Plus* has neither the resources nor the tools to help individuals outside the benefit system to develop their employability skills and find suitable jobs. In our view, it will not be possible to provide the requisite outreach and tailored services for this group without additional funding.

In addition, the *current target system will be inappropriate to many ethnic minorities who are not in work and not on benefit*. Many of these individuals will need time to increase basic and language skills, develop work disciplines and address complex barriers to work. Moreover, since they are not on benefit, they will need to be 'wooded' into work with the prospect of the right job. These measures are difficult to implement within the existing target system, which places a premium on getting people into any job quickly.

**The power of the right job as a magnet to attract people into the labour market was a consistent theme throughout our consultations.**

**Conclusions**

Reaching out to the 21 per cent of ethnic minorities who are not in the labour market will require additional public investment, but we believe it is an essential first step if we are to close the employment gap in the labour market. Resources will be required to support:

- targeted outreach by grassroots and faith groups to different ethnic minority communities;
- additional basic skills and ESOL provision provided in suitable environments;
- work with employers to identify jobs that will be desirable for priority groups (women and young men) and to develop cultural competence among staff;
- integrated training, work experience and personal support for disadvantaged young men; and
- changes in the resource and funding regime to reflect a new target group and the required employability development activities.



# CHAPTER 5

## INTRODUCING AN INTEGRATED SKILLS AND EMPLOYMENT SYSTEM

### Introduction

In the previous two chapters of this report, we focused primarily on two subjects:

- improving the effectiveness and responsiveness of today's mainstream programmes for ethnic minorities; and
- augmenting existing mainstream programmes with a concerted effort to reach ethnic minorities who are not in work and not in the labour market.

We believe that implementing the recommendations in these chapters is critical to providing some of the *key building blocks* that will be needed to close the employment gap between Whites and ethnic minorities. But we do not believe that these recommendations, by themselves, are sufficient. In this chapter we set out a more radical vision for change – *to shift from what is largely a supply-driven system to one that is demand-led, using employer resources and expertise to attract and retain more ethnic minorities into work.*

In our view, this strategy, coupled with our recommendations in chapter seven for driving change in the private and public sectors, will go far towards achieving the Prime Minister's ambition for parity of opportunity in the labour market. Our overall recommendation, therefore, is that:

***An integrated, employer-led employment and skills framework should be established in each of the designated cities to increase the number and quality of jobs for ethnic minorities and disadvantaged residents.***

### Rationale for Change

We believe that there are three powerful arguments for change. First, in our view, *only by developing a genuinely employer-led (demand-driven) system will it be possible to increase substantially the numbers of jobs and career opportunities for ethnic minorities and other disadvantaged residents.* Put another way, our aim is to use the 'pull' of the labour market to improve access to decent jobs in high-demand sectors and to increase the quality and relevance of the local supply system.

**Only by developing a genuinely employer-led (demand-driven) system will it be possible to increase substantially the numbers of jobs and career opportunities for ethnic minorities and other disadvantaged residents.**

## The most cost-effective way to deliver the high-quality, flexible services needed for a diverse customer base is through an integrated delivery system.

Second, the Regional Skills Partnerships provide an important strategic framework for meeting the economic, social, employment and skill needs of a region. However, few employers and even fewer disadvantaged jobseekers think in regional terms. Most labour market transactions are local. Currently, there is *no area-based forum that gives employers a strong voice – any real ownership – in the strategic planning and performance of the local supply system*. There is no effective way in which businesses can influence the recruitment, employability development and skills provision that should be contributing directly to their bottom line.

Third, today Jobcentre Plus and local LSCs operate as two separate but overlapping systems. At a time when resources are severely constrained, there is considerable opportunity to increase efficiency through rationalisation of provision. Equally importantly, in our view, *it is not possible for either organisation, acting on its own, to provide full and effective services to its customers – either individuals or employers*. We believe the most cost-effective way to deliver the high-quality, flexible services needed for a diverse customer base is through an *integrated delivery system* that is based on joint planning, shared resources, and common information and performance management systems.

In developing our recommendations, we have made several assumptions. First, our proposals must *build on the mainstream programmes and local initiatives* that are already in place. Equally important, they must be developed within the existing strategic framework which has been established by the Regional Skills Partnership and the Regional Development Agency (RDA).

Second, in our previous report, *Welfare to Workforce Development*, we recommended that each Jobcentre Plus district and local LSC develop a joint delivery plan for providing *integrated employment and skills services* for their area. During the past year, good progress has been made in implementing this recommendation: all Jobcentre Plus and local LSCs have joint plans in place. We must now build on and extend this approach.

Third, the five designated cities with two-thirds of the ethnic minority population (London, Birmingham, Manchester, Bradford/Leeds, and Leicester) should remain the focal points for our proposals. However, *the issues of ethnicity and poverty are inextricably linked*; so, any effort to increase ethnic minority employment and business growth must be integral to a broader anti-poverty strategy. This means *concentrating on the most deprived wards or neighbourhoods* within the five cities as well as those with the highest numbers of ethnic minority residents. It will be particularly important, in this context, that close links are maintained with the Local Strategic Partnerships (LSP).

### **The Concept of a Deal**

Our proposal for developing an integrated skills and employment strategy draws on the best practice of Jobcentre Plus and local LSCs, on the Employment Zone models, and on the Panel's own work with the *Fair Cities* and *Ambition* initiatives.

As with *Fair Cities*, the strategy is based on the fundamental concept of a 'deal' between employers and the local employment and skills systems – *a deal in which jobs are offered in return for qualified candidates*.<sup>33</sup>

Within this framework, employers commit to working with the LSC and Jobcentre Plus (and their contractors) to discuss human resource requirements, projected recruitment needs and the skills and qualifications required for each vacancy; they agree to interview all 'approved' candidates referred to them for specified posts; and they commit to reviewing their existing recruitment, retention and promotion practices to ensure that they are fair and appropriate for a diverse workforce. In return, the supply system commits to ensuring that its outreach, employability skills development and job placement activities produce candidates that meet the agreed specification and quality standards.

### **Key Objectives of an Integrated System**

We believe that the objectives of an integrated, demand-led system will be to:

- increase substantially the number of ethnic minorities (and other disadvantaged residents) from targeted wards who gain good jobs and new careers;
- meet employer demand for job-ready candidates using skill levels 2 and 3 as the threshold platforms for work;
- encourage fair and effective employer recruitment, retention and promotion practices;
- create a high-performance, efficient labour and learning market; and
- radically streamline funding and contracting systems to achieve increased performance and efficiency.

### **Employer Leadership**

A demand-led system, encompassing the concept of a deal, depends crucially on having the calibre of employer leadership that is needed to exercise real influence within the local business community, with political leaders and with the major public sector partners. In our view, this means having a group of chief executives (from large private and public sector organisations, SMEs and ethnic minority firms) who are able and committed to fulfilling the following responsibilities:

**The strategy is based on the fundamental concept of a 'deal' between employers and the local employment and skills systems – a deal in which jobs are offered in return for qualified candidates.**

<sup>33</sup> For more information on *Fair Cities* visit [www.nationalemploymentpanel.org.uk](http://www.nationalemploymentpanel.org.uk)

- overseeing the development of the integrated skills and employment plan of Jobcentre Plus, the local LSC and their partners;
- promoting the development of sector skills compacts, (effectively, local Sector Skill Agreements) in collaboration with Sector Skills Councils, guaranteeing jobs for ethnic minorities and other residents of the targeted wards;
- acting as champions for diversity, able to articulate and promote the business case within their sector and across the wider business community; and
- advising and commenting on the performance of the employment and skills system (in the first instance, Jobcentre Plus and the LSC) in meeting employer demand within the city.

We are more concerned with objectives and underlying principles of an integrated system than with the specific organisational form which it takes. Irrespective of form, it will be *critical that these business leaders have 1) sufficient standing to influence employer recruitment, retention and promotion practices and 2) the authority to achieve change in the quality, performance and cost that will be needed in the local employment and skills system to ensure that ethnic minorities and other disadvantaged residents have considerably greater employment opportunities than exist today.*

While we believe that it should be up to each of the five cities to determine the most suitable structure to support this employer leadership group, we see the following two approaches as offering the most practical ways forward:

- *strengthening the LSC* as an employer-led board (at CEO level) which has the advantage of avoiding the formation of another local organisation and would not require legislation; or
- *establishing a new Workforce Investment Board* which might incorporate existing employer groups (such as the *Fair Cities* Board, Employer Coalitions, etc.) and might be the only way to attract the top executives that will be needed.

We recognise that there are some significant challenges in implementing this recommendation. It will only be possible to attract top chief executives if they have a real job to do and sufficient authority to do it. This, in turn, will require the Government agreeing to devolve greater flexibility in employment and adult skills policy and delivery to local LSCs and Jobcentre Plus Districts. It will also require careful examination of institutional relationships, reflecting steps to integrate workforce development, training and jobs that are presently occurring at the regional level.

**A demand-led system depends crucially on having the calibre of employer leadership that is needed to exercise real influence within the local business community, with political leaders and with the major public sector partners.**

## There should be a transparent system of ‘bridges and ladders’ combining work and training to achieve individuals’ career objectives.

We believe that there is an immense prize in achieving an integrated system – for disadvantaged people, for employers and for the effectiveness and efficiency of local employment and skills providers. We also believe that by using the Jobcentre Plus and local LSC delivery plans as a foundation, we should be able to make good progress on this within the next year. However, we recognise that there is still considerable groundwork to be done. Therefore, we recommend that:

***The National Employment Panel should re-convene its Welfare to Workforce Development Working Group to make proposals to the Government for securing employer leadership of a local integrated system by Budget 2006.***<sup>34</sup>

### Elements of an Integrated System

The fundamental objective of the integrated system should be to support ethnic minorities and disadvantaged people to move as quickly as possible into sustained employment. With the advice and support of Personal Advisers and an effective client tracking system, individuals should be able to navigate the labour and skills market easily. Through a *transparent system of ‘bridges and ladders’* they should be able to enter at different points, and progress efficiently, combining work and training to achieve their career objectives.

Building on existing Jobcentre Plus, LSC and local partner activities, it is expected that the system should include as part of its core offerings:

- *An assessment, guidance and information system:* that raises the aspirations, knowledge and career expectations of ethnic minorities and other disadvantaged people;
- *A common client entitlement:* for all prospective new entrants to a level 2 qualification and to having any basic literacy/numeracy needs addressed prior to or on entering a job;
- *Priority access to level 3 training (pre or post employment):* to be offered to all residents of the targeted wards through local provision and the National Employer Training Programme (NETP);
- *A shared employer offer:* the client entitlement to form an integral part of a wider package of business and skills support for SMEs;
- *Sector workforce profiles:* workforce projections for each industry and occupation to be mapped against the city’s demographic profile in terms of ethnicity, age and gender, to drive supply provision and promote the business case for diversity;

<sup>34</sup> In 2003, Ministers asked the NEP to examine measures to increase collaboration between the welfare to work system for benefit claimants and the workforce development system for employed people. The Panel’s Skills Advisory Board, supported by a cross-departmental team, made recommendations that were announced in the March 2004 budget.

■ *Public sector leadership*: as part of the Race Equality Scheme, all local public sector employers to lead actively in achieving targets for recruitment and retention of targeted ward residents as well as providing annual reports of ethnicity at each level of their workforce; and

■ *Strong links with local regeneration*: to ensure ethnic minorities and ward residents have the skills required to secure construction and permanent jobs from commercial and economic development investments.

### **Performance and Funding**

The integrated skills and employment system should be planned and managed as a *high-performance system*. It should be based on a *culture of high expectations – both for individuals and for the institutions that serve them*.

In practical terms we think that this means that each city should have:

■ *common performance measures* that should include, at a minimum: job entry rates, retention in employment, achievement of qualifications, wage at job entry, unit costs and value-for-money and level of matched funding;

■ *provider contracts which have high standards, are output-based* and have strong incentives for excellence and sanctions for non-performance;

■ *common streamlined procurement systems* underpinned by effective management information systems (which track ethnicity) and professional contract management systems to drive up performance;

■ *sustained investment in staff training and in developing the capacity and competence of contractors within local supply chains*; and

■ *transparent accountability* recorded through public ‘report cards’ to employers, area residents and the media, including the relative performance of all contractors.

While we do not believe that our proposal will require significant additional financial investment, it is unrealistic to expect that the design and implementation of radical change will come without cost.

The most important objective will be to use existing funding far more flexibly – to *allow each city to ‘de-categorise’ current funding streams to achieve what effectively would be a block grant*. Programme entry criteria and annual outcomes, set out in a unified five-year plan, would be approved jointly by the relevant government departments. A strategy to achieve equal access and outcomes for each ethnic minority and faith group would be central to the plan.

**The integrated skills and employment system should be a high-performance system based on a culture of high expectations – both for individuals and for the institutions that serve them.**

We recognise that the implications of this proposal are far-reaching and would require major changes in policy and in the way that funds flow to Jobcentre Plus and the LSC. However, we believe that the concept merits serious consideration and should be tested within the five designated cities.

Additional funds will be needed for:

- start-up design and development;
- the requisite IT (specifically tracking ethnicity) to support improved performance management;
- new programme support for inactive clients, special projects for large regeneration developments, and technical assistance to employers in recruitment and retention systems;
- training for all staff and capacity building for community and faith-based organisations; and
- substantial *financial incentives* (along with sanctions for substandard performance) for cities which exceed the key performance targets for closing the employment gap between ethnic minority and White residents.

### **Conclusion**

We are confident that an integrated skills and employment system will increase the number and quality of job opportunities available to ethnic minorities and, more broadly, to all disadvantaged residents of the five designated cities. Equally importantly, we believe that creating a strong connection between employer demand and the local supply system will improve significantly the performance, responsiveness, and efficiency of that system.



# CHAPTER 6

## BLACK AND MINORITY ETHNIC ENTERPRISE AND SELF-EMPLOYMENT<sup>35</sup>

### Introduction

In this chapter, we look at the issue of ethnic minority business growth and self-employment. We have divided the chapter into two sections. In the first section, we focus on the characteristics of the sector today, its potential for expansion, and the specific measures we believe are needed to stimulate its development as an important contributor to local economic growth. In the second section, we examine the issues that are specific to self-employment.

The differences between enterprise, business growth and self-employment are not always clear. For the purpose of this report, we use the term ‘enterprise’ to describe the activity of starting up and growing a new business. We use the term ‘self-employment’ as a way of distinguishing the specific group of people who leave the benefit system to establish their own firm.

In conducting our review and formulating the recommendations for this chapter, we have drawn heavily on the expertise and assistance of the Ethnic Minority Business Forum and the panel’s SME board. In addition, we have reviewed existing research, commissioned analysis on key issues and interviewed academics and government experts. Most importantly, we have visited RDAs, Business Links, the Prince’s Trust, business support agencies and community groups, and we have spoken to more than 50 ethnic minority businesses.

### The Challenge for BME Businesses

One of the most challenging aspects of our research on Black and Minority Ethnic (BME) businesses has been the lack of existing data needed to define the size and attributes of the sector.

Neither Companies House nor Inland Revenue require firms to flag their returns as to whether they are BME owned or managed. We have, therefore, been unable to construct a census-type profile of BME business today. The Government funds two regular and relevant scans of UK enterprise: the Small Business Service’s (SBS) Small Business Survey and the Global Entrepreneurship Monitor (GEM) survey. However, the sample size of both of these surveys is too small for us to reliably disaggregate the data to specific ethnic minority groups.<sup>36</sup>

<sup>35</sup> In this chapter we use the term Black and Minority Ethnic (BME) businesses which, in the context of this field, is more commonly used to describe ethnic minority enterprise.

<sup>36</sup> The Annual Small Business Survey 2003 included a booster sample of BME owned businesses. This is the first survey of its type to allow for a detailed analysis of different BME businesses. Some of the provisional (and as yet unpublished) findings are included in this chapter.

If the Government is to have a sound evidence base on which to formulate policy and improve delivery to BME firms it needs more detailed information. Therefore, we recommend that:

***The Government should ensure that the sample sizes of ethnic minorities in the enterprise surveys that it funds are large enough to allow the data to be disaggregated down to the major ethnic groups.***

However, we do know some key facts that point to a picture of a thriving, increasingly important sector:

- There are an estimated 100,000 businesses in the UK that are ethnic minority owned or managed, of which about 66,000 are based in London;<sup>37, 38</sup>
- Roughly 10 per cent of all UK businesses are BME, mirroring the total proportion of ethnic minority adults, although this may well mask under-representation of African Caribbeans in terms of business ownership;<sup>39</sup>
- BME businesses are smaller than average with 90 per cent classifying themselves as micro-enterprises (one to nine employees), against 82 per cent of White businesses; and
- The sector distribution of BME businesses is significantly different from that of non-BME firms. Of all BME businesses surveyed, 90 per cent are in the services sector – primarily retailing, catering, and transport – compared to 70 per cent for non-BME firms.

There are two other important findings that help to define the nature of BME business today. First, there is a *generational difference in the motivation behind business start-ups*. Many first-generation enterprises were established out of necessity – out of the lack of alternative employment. Today, the situation appears to be quite different. The findings from our discussions with BME businesses has been confirmed by the research we commissioned for this project: *of all BME businesses that demonstrated entrepreneurial activity, 85 per cent did so in order to take advantage of a market opportunity and only 15 per cent did so through necessity.*<sup>40, 41</sup>

The second striking finding is the difference between BME and non-BME businesses is their use of start-up support and advice. According to the SBS' booster survey on BME businesses, *almost 50 per cent of all BME businesses did not seek any advice at all when they started up.*

37 There are 1.2 million businesses with employees (SBS website) and an estimated 9.8 per cent of all businesses with staff are BME owned (SBS Annual Small Business Survey, 2003/04).

38 *Redefining London's BME Businesses*, London Development Agency, 2005.

39 *Annual Small Business Survey: Minority Ethnic Business Booster Sample*, SBS, 2005.

40 The GEM survey compares levels of 'total entrepreneurial activity'. Levels of total entrepreneurial activity compare the proportions of people who on their own or with others are setting up a stand-alone business or are setting up a business as part of their work.

41 *Ethnic Minority Global Entrepreneurship Monitor 2004*, London Business School – an independent research paper commissioned by the NEP.

## **There is a generational difference in the motivation behind business start-ups.**

The most generally held view is that BME businesses are more likely to rely on family and friends for advice. However, the SBS' booster survey on BME businesses indicates that they are less likely than non-BME businesses to seek any form of support or advice. This difference is particularly marked in the non-use of accountants and lawyers.

According to the SBS, the quality and accessibility of business support received during the start-up stage is a critical determinant of a firm's future success.<sup>42</sup> Therefore, the fact that almost half of all BME businesses do not use this assistance is potentially of concern. The evidence we have suggests either that the current business support infrastructure is not meeting the needs of BME start-ups, or that BME businesses are simply unaware of its availability.

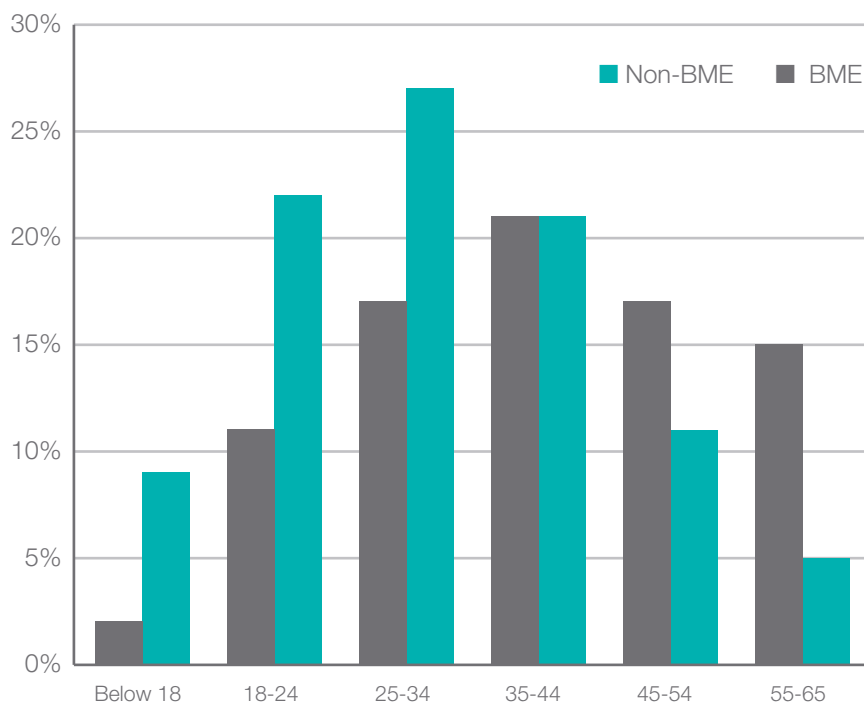
### **The Next Generation: the New Entrepreneurs**

So far, we have described the BME business landscape as it is today. Emerging evidence suggests that we may be about to witness an important change in that picture. Recent data that we commissioned from the GEM survey reveals that the Total Entrepreneurial Activity (TEA) of ethnic minorities is higher (at 7.4 per cent) than in the White population (at 4.7 per cent). This difference is marked dramatically in the 18 to 34 year age bracket, where almost twice as many ethnic minorities demonstrate entrepreneurial activity as Whites.

## **The quality and accessibility of business support received during the start-up stage is a critical determinant of a firm's future success.**

<sup>42</sup> A Government Action Plan for Small Businesses: The Evidence Base, SBS, 2004.

**Figure 8: Total Entrepreneurial Activity by Age  
(Levels of TEA)**



Source: GEM 2004

In chapter two, we described the much younger age structure that all ethnic minority groups have when compared with Whites. The rapid growth of young ethnic minorities in major urban areas, coupled with their propensity to start new firms, could signal an exciting new generation of entrepreneurial talent.

During our consultations we spoke with many young adults. Typically, these men and women are English-born, from second or third generation families. *Their business interests extend well beyond the traditional services provided by their parents to their local communities.* Many are interested in developing mainstream businesses in information and business services, IT and the creative industries. Interestingly, many expressed a preference for conventional sources of advice and funding, such as accountancy firms and banks.

A significant proportion of this younger generation are as *committed to remaining in their communities as their parents.* This augers well for them providing a fresh impetus in the regeneration of their cities.

**The rapid growth of young ethnic minorities in major urban areas, coupled with their propensity to start new firms, could signal an exciting new generation of entrepreneurial talent.**

### Transitional Support

We have tried to estimate the size of this group of young ethnic minority entrepreneurs. We know that there are 612,000 ethnic minority young people aged between 18 and 24.<sup>43</sup> According to the GEM data, 8.3 per cent of ethnic minorities surveyed in this age band stated that they expected to start up a business within the next three years.

In crude terms, this means that approximately 51,000 new BME businesses might be established over the next few years. *This would represent a striking increase in the total number of BME businesses.*

The majority of this generation have or will attend local FE colleges. Many will choose to work for several years before starting their own businesses. We know that of established BME businesses:

- 65 per cent were started by individuals who left full or part-time employment;
- 21 per cent expanded from self-employment;
- 8 per cent were started directly following completion of education or training; and
- 5 per cent were started following a period of unemployment.<sup>44</sup>

We believe that this important group of potential entrepreneurs merits special attention. However, there is a real *issue of how to provide the right business support at the right time*. This is a key question since only 12 per cent of BME firms use publicly funded enterprise support. Moreover, a recent report raised concerns about the difficulties that can occur when younger entrepreneurs wish to set up small business in the newer sectors.<sup>45</sup>

While many local firms will wish to use Business Link, we believe that a fresh approach may be needed to facilitate the development of young people (and some adults), particularly those who are attending – or recently attended – their local FE college. Therefore, we suggest that specialist support for potential and new entrepreneurs be established to provide both theoretical approaches and practical skills such as market research and sales, business planning and project management, budgeting and cash flow, production, quality control and distribution, IT and networking skills.

To achieve this objective, we recommend that:

***New Centres of Vocational Excellence (CoVEs) for Entrepreneurship should be established in the designated cities.***

<sup>43</sup> Labour Force Survey, 2004.

<sup>44</sup> Annual Small Business Survey: Minority Ethnic Business Booster Sample, SBS, 2005.

<sup>45</sup> *Engaging Black and Minority Ethnic Entrepreneurs in Business Support*, SBS, 2003.

Development of this initiative should be done in close collaboration with the RDAs, particularly with the new East Midlands initiative that is being designed to provide focused coaching for new start-ups and business development.<sup>46</sup> Consideration might also be given to including access for 14 year olds as a means of enriching the school curriculum.

We have also considered how best to provide customised support to BME firms (and other SMEs) in a way which meets documented demand, is cost efficient and does not duplicate the existing business support infrastructure. In particular, we have considered ways to assist younger ethnic minority entrepreneurs to accelerate business development as part of boosting local employment and regeneration.

Our concept is based on feedback from the many ethnic minority owner/managers with whom we met during the consultation and from the Panel's own SME Board. A good deal of frustration in those discussions centred on the *perceived imbalance between the sizeable amount of advice that is available and the lack of practical hands-on help with actual business operations.*

Many BME start-up businesses are in concentrated geographical areas and many are in similar sectors. Therefore, it should be possible to *provide a tailored package of professional business services to these firms in the five designated cities.* This shared back-office service could include payroll management, monthly account reconciliation, cash-flow forecasts and basic management information, as well as advice on employment law, health and safety, and access to finance. In return, the businesses would pay a competitive fee.

Clearly, there should be a collaborative relationship between these service facilities and the CoVE entrepreneurship centres. Therefore, we recommend that:

***Consideration should be given to the implementation of practical business support through shared back-office incubation facilities, within the CoVEs or under separate private sponsorship.***

### **BME Business Growth**

We were asked to consider measures for increasing BME business growth. To build a better picture of the current situation, we have drawn directly upon the SBS' booster survey of BME businesses.

The SBS research indicates that there is little difference between past and anticipated job growth for existing BME and non-BME businesses. *Just over 60 per cent of all businesses responded positively to the question 'Do you intend to grow the business over the next 2 or 3 years?'* Black businesses were significantly more likely to expect to grow than other BME businesses.

<sup>46</sup> An initiative developed by Connect Midlands and backed by the East Midlands Development Agency and the European Regional Development Fund is providing start-up companies with seed-funding and ongoing support.

BME businesses employ similar growth strategies to White businesses with one exception. *Almost 30 per cent plan to grow by expanding or purchasing new premises, against 16 per cent for White businesses.* This may be a reflection of the sectoral differences between BME and non-BME businesses. The greater propensity for BME businesses to provide services (e.g. retailing and restaurants) may explain the greater need for new or larger premises in order to expand.

*The relative ranking of barriers to business growth is similar for BME and White businesses.* These barriers include competition, the economy, taxation, regulation, staff recruitment and cash flow problems. Importantly, however, the survey reveals that *obtaining finance and the availability or cost of premises are more frequently problems for BME firms.* Given that double the proportion of BME businesses depend on premises to grow; this is clearly a major barrier for some firms.

### **The Business Support Infrastructure**

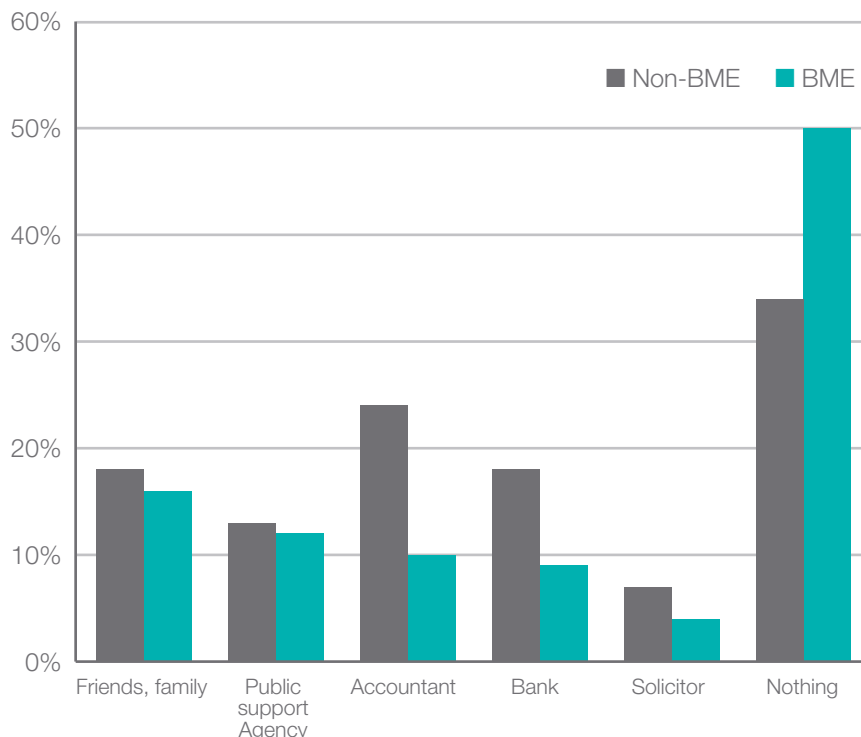
The Government currently spends £2.5 billion per year on support to small firms. Of this sum, £1.8 billion is spent on business support services. These services aim to help people start their own or grow existing businesses. Business Link is the main government brand providing a national small business support gateway. Through direct service provision and services contracted to other agencies, Business Link spends approximately £140 million per year.

The SBS research indicates that only 12 per cent of all ethnic minority businesses approached public agencies for start-up advice. According to a British Bankers Association (BBA) report, only 7 per cent of BME firms surveyed in 2000 reported using public or quasi-public agencies for start-up advice; this compared with 11 per cent of White-owned firms.<sup>47</sup> Given the scale and coverage of the UK's business support infrastructure, this low usage is perplexing.

**Obtaining finance and the availability or cost of premises are more frequently problems for BME firms.**

<sup>47</sup> *Accessing Finance and Business Support by Ethnic Minority Businesses in the UK*, British Bankers Association, 2002.

**Figure 9: Sources of Advice about Starting-up a Business  
(Proportion of survey respondents)**



Source: SBS Booster Survey 2005

### Visibility

Perhaps the most obvious explanation is *lack of awareness* of existing provision. Business Link is the Government’s prime brand for business assistance and the main gateway to both public and private sector business support services. Research commissioned by the SBS found that there is a marked difference in Business Link brand awareness between all firms at 68 per cent and BME businesses at 46 per cent.<sup>48</sup> Targeted outreach activity for ethnic minority groups occurs in some locations, and some areas have created alternative brands for BME business services, but in our view, more needs to be done to raise awareness.

### Complexity

A second explanation could relate to the *infrastructure – that it is too large and complex*. In London alone there are 345 public or quasi-public agencies providing small business services, including a Business Link for Greater London.<sup>49</sup> In the North East, there are 457 small business support services offered by 115 different organisations.<sup>50</sup>

**The fragmentation of services make it confusing for BME firms to get the help they want.**

48 *Business Links and Companies House Awareness and Understanding*, 2004.

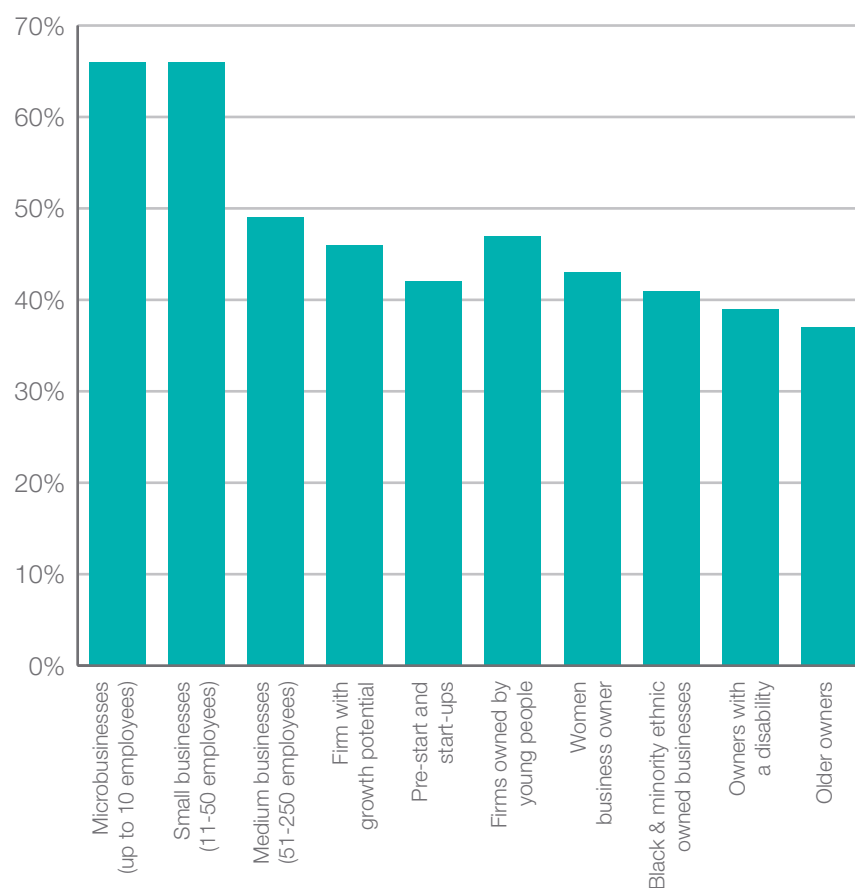
49 London Development Agency.

50 North East Regional Development Agency.

**There is a marked difference in Business Link brand awareness between all firms at 68 per cent and BME businesses at 46 per cent.**

Figure 10 shows the proportion of business support agencies in the North East that target assistance at specific types of businesses or business owners. The myriad of services and the focus by most agencies on micro-firms is noteworthy. There are 46 agencies in the North East providing assistance to BME firms – a region with a relatively low ethnic minority population.

**Figure 10: Targeting of Business Support Services in the North East (Percentage of business support agencies)**



Source: North East RDA

The labyrinth of enterprise support agencies appears to have developed more as a response to the diversity of funding sources rather than being configured to ensure ease of access and effectiveness for its customers. It is further exacerbated by a target and resource allocation system which stimulates competition rather than collaboration and results in the aggressive recruitment of the same customers. Equally importantly, the *fragmentation of services and diffusion of resources undermine the quality and reliability of the network and make it confusing for BME firms to get the help they want.*

## Responsiveness

A third explanation for the low use of Business Link and other enterprise support agencies services is that they don't provide what BME firms need at the time and in the way that they need it. In the interviews we conducted for this project, the most common complaints about business support organisations were:

- staff frequently lack real commercial experience;
- the services and processes are bureaucratic;
- there is little sense of urgency or proactive assistance;
- most assistance is limited to advice and sign-posting when hands-on help is needed to sort out issues and help with such things as completing grant applications; and
- there is little help or expertise on premises – a high priority for ethnic minority entrepreneurs.

## Taking Stock of the Infrastructure

Several reviews before this project have assessed the business support infrastructure and evaluated the extent to which it meets the needs of BME businesses.<sup>51</sup> In 2002, the Ethnic Minority Business Forum (EMBF) summed up their views by stating:

**“ The Government should note that the prevailing business support service format as adopted by most of its network does not meet the needs of its client businesses. It is inaccessible and inflexible and fails to recognise that there is not a single best-fit solution in engaging Small and Medium Enterprises in general, and ethnic minority business in particular. ”**<sup>52</sup>

We endorse many of the recommendations put forward by previous reviews which suggest that Business Link should:<sup>53</sup>

- develop a strategy to enable its operators to gather *data on local BME businesses and their needs*;
- deliver focused and *tailored information on its services to ethnic minority entrepreneurs* and, with its operators, forge closer working relations with those institutions that are used most by ethnic minority entrepreneurs; and
- set *year-on-year improvement targets* for each Business Link operator to increase the proportion of BME businesses served until it reflects the business composition of the locality.

51 In the last three years, the PM's Strategy Unit, the Social Exclusion Unit, SBS and EMBF have all undertaken reviews of the business support infrastructure with respect to BME businesses.

52 *Ethnic Minority Business Forum Annual Report, 2002*

53 Recommendation 15, *Ethnic Minorities and the Labour Market*, Strategy Unit Report, 2003 and Chapter 10, *Jobs and Enterprise in Deprived Areas*, Social Exclusion Unit, ODP, 2004.

In response to these recommendations, SBS has introduced a system to monitor ethnic minority usage through quarterly customer surveys. It has also secured agreement that all local Business Link operators will have a target to ensure that their customer base reflects the proportion of BME businesses in the area within three years.

In 2004, it was announced that Regional Development Agencies (RDAs) would manage local Business Link operators from April 2005. It will be up to the RDA to determine the shape and scope of the business networks in their area. However, in light of the relatively low use of publicly-funded business support services by BME firms, we believe it is essential that RDAs conduct a special assessment of existing BME services. Specifically, we recommend that:

***Regional Development Agencies should assess the needs of ethnic minority businesses as part of their Regional Economic Strategies.***

Given the exceptional number of business support agencies that exist today, their apparent lack of specialisation and effective collaboration, and their low use by BME firms, we also suggest that:

***Regional Development Agencies should undertake a comprehensive stocktake of all business support services that are available in their region, including Business Link, to determine comparative performance and value for money.***

Such a review would provide a basis on which to assess whether greater rationalisation and more tailored provision would make services more accessible to BME businesses.

Parenthetically, we recommend that the lessons learned through the Phoenix Development Fund are carefully analysed and integrated into RDAs' regional planning frameworks.<sup>54</sup> We believe that the Phoenix Fund experience provides a rich base of knowledge and that more Spending Review 04 Phoenix funding should be invested in peer learning and 'technology transfer' between the RDAs, drawing on this information.

### **Access to Finance**

Throughout the ethnic minority business community *there is a clear perception that access to finance for BME firms is a serious problem*. Our research indicates that while finance is a real issue, it is a complicated one. Broadly, ethnicity appears to be one of a range of factors that include geography, sector, size and age. The exception to this is *Black Caribbean firms, where several studies indicate that they have much less success in accessing bank loans than other groups*.<sup>55</sup>

<sup>54</sup> The DTI's Phoenix Development Fund was established in 2000 to provide support for under-represented groups in business, particularly women and ethnic minorities. The Phoenix Fund has received £152 million in funding and will continue its work through to 2008.

<sup>55</sup> *Access to Finance and Business Support by EM Firms*, British Bankers Association, 2002.

## A much higher proportion of BME businesses seek finance to buy or improve buildings or premises (30 per cent) than in the non-BME population (18 per cent).

The SBS' booster survey on BME businesses illustrates why it is difficult to draw any firm conclusions on this issue. The survey shows that, on average, just under a quarter (23 per cent) of BME businesses attempted to obtain finance at least once during the previous 12 months; this was almost exactly the same as for non-BME firms (24 per cent). However, almost 20 per cent of BME businesses reported difficulties in obtaining finance from the first source; this compares with just over 10 per cent for non-BME applicants. So, BME businesses require additional finance at the same rates as non-BME businesses; the difference is that the BME firms are less likely to secure the required funds.

However, what appears to be a pattern of discrimination in lending may be explained, in part, by sector and geography. *A much higher proportion of BME businesses seek finance to buy or improve buildings or premises (30 per cent) than in the non-BME population (18 per cent).* This may be explained by the fact that a higher proportion of BME businesses are service-based and therefore require extensions to premises in order to grow. In addition, a much higher proportion of ethnic minorities (and therefore BME firms) are based in the most deprived wards.

The problems that many BME enterprises face in obtaining finance may be linked to the fact that *banks are less willing to lend money to extend or refurbish premises in poor neighbourhoods.* Another anomaly highlighted by the SBS' booster survey is that, while 18 per cent of all BME businesses seeking finance were doing so to buy premises or land, only 7 per cent had applied for a mortgage: the majority applied for personal loans. Therefore, another explanation may be that *some BME businesses may be seeking assistance through inappropriate financial instruments.*

On the basis of our interviews and the limited evidence outlined above, we believe that BME businesses are less successful at obtaining finance. We also perceive that some banks do not have a good understanding of BME businesses and customers.<sup>56</sup> This can result in either overt or indirect discrimination.

In addition, the *practice of 'redlining'* – withholding finance or insurance from neighbourhoods considered to be high economic risk – frequently results in indirect discrimination. We therefore believe that access to finance should be tackled at the local level. Specifically, we recommend that:

***The Small Business Service should work with banks and financial intermediaries to review the availability and accessibility of finance in the designated cities.***

<sup>56</sup> This applies particularly to the Muslim community. An overarching principle of Islamic finance is that all forms of interest are forbidden; the Islamic financial model works on the basis of risk sharing. A number of sharia-compliant financial services vehicles have been offered by Middle Eastern banks in the UK for a number of years. However, only in the last couple of years have any of the major UK banks begun to offer similar products.

### Self-Employment

Technically, self-employment refers to the move from unemployment to contracted labour for multiple employers. In the context of the welfare-to-work system, it is usually interpreted simply as helping a jobless person to start their own business.

Policy-makers have long debated the merits of actively encouraging self-employment as an alternative to traditional employment, particularly for the unemployed. Proponents argue that self-employment provides individuals with a greater degree of independence, self-esteem and flexibility; it is an option attractive to many, particularly to women with children or carer responsibilities. Sceptics argue that self-employment is riskier since the individual incurs all of the administrative overheads and is often solely responsible for securing and delivering new business.

There are currently 3.2 million self-employed adults in the UK, representing 12 per cent of the total employed population. At the time of the 1991 census, 15 per cent of ethnic minorities were self-employed compared with 12 per cent of Whites. Over the last 10 years, the overall picture has remained unchanged for Whites, while the ethnic minority rate has dropped to 11 per cent. These total figures disguise significant variations between genders and different ethnic groups, as well as some interesting trends over time.

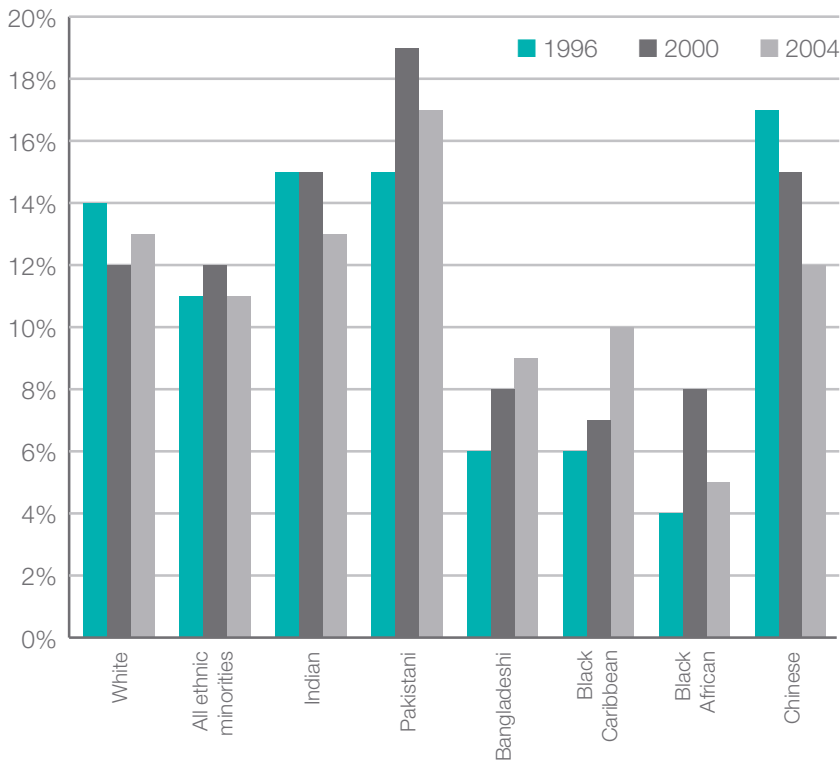
Figure 11 shows the proportion of self-employed men over the period 1996 to 2004.<sup>57</sup> Some of the variation in self-employment rates is explained by the concentration of certain ethnic groups in specific sectors. For example, a large proportion of Pakistani men work as taxi drivers and since taxi drivers tend to be self-employed this explains the difference in self-employment rates.

Figure 12 shows the proportion of self-employed women from 1996 to 2004. The pattern for women is similar to that for men except that there has been a decline in self-employment rates for ethnic minority women. This surprised us as many women with whom we spoke expressed an interest in the more flexible arrangements that this form of work allows.

**Self-employment provides individuals with a greater degree of independence, self-esteem and flexibility.**

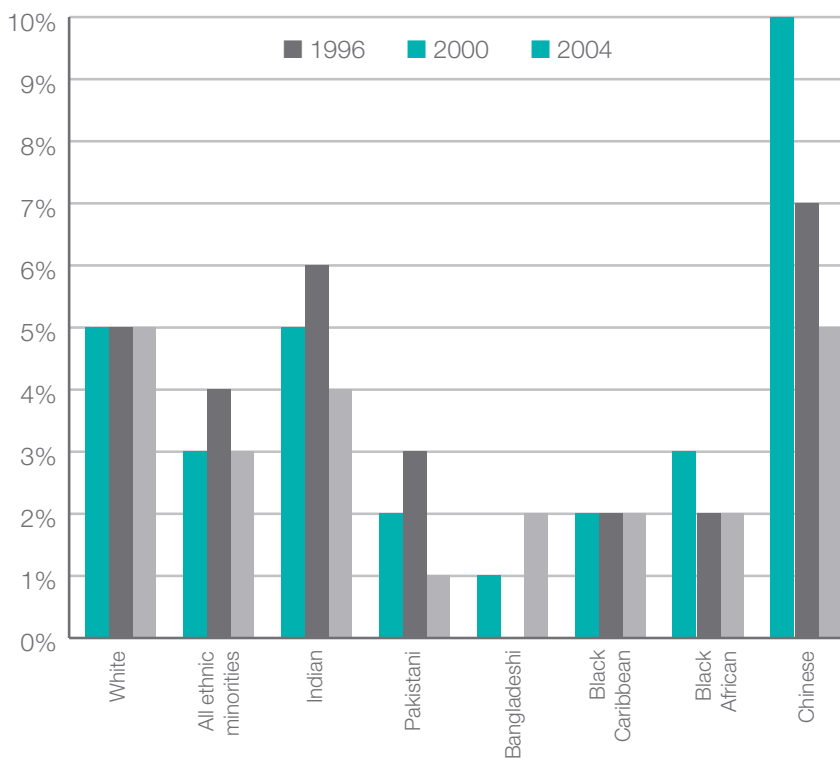
<sup>57</sup> Due to small sample sizes and changing definitions the following two charts should be viewed with caution.

**Figure 11: Self-Employment Rates for Men, 1996-2004**  
(Proportion of working age population)



Source: Labour Force Survey, 2004

**Figure 12: Self-Employment Rates for Women, 1996-2004**  
(Proportion of working age population)



Source: Labour Force Survey, 2004

### Self-Employment Provision

During the course of this project, we undertook a brief survey of the support provided to the aspiring self-employed to determine if there were any barriers that might have a disproportionate impact on ethnic minorities. We looked at services offered by the two principal providers: Business Link and Jobcentre Plus.

### Confusion in Terminology

Jobcentre Plus and Business Link define the terms ‘self-employment’ and ‘start-up’ inconsistently – and often interchangeably. This causes confusion because the needs of the two types of customers may be quite different.

The term ‘start-up’ refers to the process of establishing a new business that may have multiple employees and is funded on the basis of a business plan. These businesses often require premises and staff and therefore employment contracts, a payroll system, and health and safety certification. Individuals who become self-employed simply require an accountant, a bank account and registration as being self-employed with Inland Revenue.

Therefore, the practical steps required to finance and establish a start-up business as opposed to the less formal self-employment status are very different. The results of this confusion are twofold: many Jobcentre Plus Advisers fail to differentiate the intent of the individual and neither Jobcentre Plus nor Business Link contractors effectively hand-off potential entrepreneurs from one office to another.

### Jobcentre Plus Self-Employment Services

Overall, we found Jobcentre Plus’ self-employment option to be well designed and delivered. However, our review revealed two potential stumbling blocks for would-be entrepreneurs.

*Our first concern is that in order for benefit claimants to be referred to Jobcentre Plus’ self-employment provision they must first have a firm idea for their business. For example, the Prince’s Trust, Jobcentre Plus’ main provider of self-employment support, has received £35 million in funding from the DWP since 1999 to provide training and support to claimants, aged between 18 and 30, who have a clear view about the business that they wish to start.*

**Pre self-employment support would enable individuals to determine what services are in demand in their local market and to develop a corresponding business concept.**

However, there are many others with an ambition to be self-employed but who lack a well-defined concept or a business plan. We believe that, for these claimants, there is a need for a *pre self-employment component*. Pre self-employment support would enable individuals to determine what services are in demand in their local market and to develop a corresponding business concept. At this point, they could be referred on to the Jobcentre Plus self-employment provision where, based on current performance, they are highly likely to complete the provision, including a period of test trading.

Secondly, we are concerned that Jobcentre Plus' target structure is likely to dissuade Personal Advisers from referring claimants to self-employment provision. We also believe that this may have a disproportionate impact on ethnic minorities. Jobcentre Plus' front-line staff are highly target driven; staff receive job entry points immediately for clients that obtain employment. However, in the case of self-employment, Advisers may have to wait for up to nine months to be credited with any job entry points for successful self-employment results. This effect may be more pronounced for ethnic minorities since additional points are awarded for claimants who live in deprived wards.

We have not had time to assess fully the evidence of this, but we speculate that the target system may be encouraging staff to press clients towards regular employment rather than suggesting the self-employment option. We have not made recommendations to address this as we believe that the changes to the target structure in April 2006 are likely to eliminate this problem. Job outcomes will be measured in a different way, removing the incentive to promote short-term employment above a long-term 'career' decision.

### **Self-employment in Deprived Areas**

In its 2004 publication, *Jobs and Enterprise in Deprived Areas*, the Social Exclusion Unit recommended that the SBS should work with RDAs during 2004 to develop a national core Business Link offer of advice and support for those considering self-employment.<sup>58</sup> We endorse this recommendation and would like to take it one step further.

We believe that the addition of pre self-employment support could increase the number of ethnic minorities who choose to become self-employed. We believe that this option could be particularly helpful to ethnic minority women. We would like to see it become an integral part of the core business offer. Therefore, we recommend that:

***Business Link and Jobcentre Plus should jointly run pilots in the designated cities to offer pre self-employment support to unemployed and inactive groups. These should focus particularly on ethnic minority women.***

58. *Jobs and Enterprise in Deprived Areas*, Social Exclusion Unit, 2004. The unit is part of the Office of the Deputy Prime Minister.

### Conclusions

The 100,000 BME firms represent 10% of all UK businesses today – roughly the same proportion as ethnic minorities in the working age population. Many of the challenges they face are the same as those experienced by all SMEs. However, there are opportunities to capitalise on the growing numbers of young ethnic minority entrepreneurs and to address some barriers that seem to be particularly important to BME businesses. We have recommended that:

- *New Centres of Vocational Excellence for Entrepreneurship* are established which are linked to practical back-office support for start-up firms.
- RDAs assess whether *greater rationalisation and targeting* will increase the quality, efficiency and accessibility of the existing business support network for BME firms.
- The SBS analyse the *availability and accessibility of finance for BME firms* in the five cities.
- Business Link and Jobcentre Plus jointly pilot *pre self-employment support for disadvantaged people*.



# CHAPTER 7

## DRIVING CHANGE IN THE PRIVATE AND PUBLIC SECTORS

### Introduction

Much of this report has focused on the supply-side of the labour market: on the knowledge, skills and support that ethnic minorities need to secure decent employment and business growth opportunities. In this chapter, we turn to the central role that employers – public and private – play in this process.

Equal access to jobs, fairness at work and equal opportunities for career advancement are crucial to closing the long-standing gap in employment rates between ethnic minorities and Whites. Put another way, until we eliminate discrimination and the ‘ethnic penalty’ within the public and private sectors, we will jeopardise our drive for a high-skill, high-productivity workforce and we will move inexorably towards a more divided society.

*We are recommending a strategy which is based on five principal elements for accelerating the change that is needed.* The first is to engage business leaders directly in opening job opportunities for ethnic minorities within the local labour market. That is a key rationale underlying our recommendations for the integrated employment and skills system that we recommend in chapter five. The remaining four elements of the proposed strategy are described in this chapter. These are:

- focusing on the demand-side of the market to assist local employers to improve recruitment, retention and career development opportunities for ethnic minorities;
- ensuring that the public sector serves as an effective model of best practice in achieving race equality in every aspect of its business;
- using public procurement as a powerful lever in influencing private sector behaviour; and
- harnessing top private sector leadership to shift the culture and drive change within UK plc.

We begin this chapter with the challenge we face in tackling employer discrimination.

**Until we eliminate discrimination and the ‘ethnic penalty’ within the public and private sectors, we will jeopardise our drive for a high-skill, high-productivity workforce.**

## The Challenge: Increasing Equal Opportunity and Fairness at Work

### Discrimination and The Ethnic Penalty

During the past decade, a number of statistical studies have attempted to quantify the impact of discrimination and the 'ethnic penalty' on the employment rates of different groups. *By ethnic penalty we mean that even when other factors such as the effects of different levels of human capital, family structure, health and geography are taken into account, ethnic minorities still suffer a major disadvantage in the labour market.* A recent review of independent research studies conducted by DWP analysed the common findings, which include:<sup>59</sup>

- the ethnic penalty is found in every study for every group and represents a substantial share of the 15 per cent employment gap;
- Pakistanis, Bangladeshis and Black Africans are up to three times more likely to be jobless than Whites; and
- there are surprisingly few employment rate differentials between foreign and British-born ethnic minorities – despite the acculturation and English fluency of the younger generation.

The most reliable method for testing for employer discrimination is to use CVs/letters: these are sent to employers in response to an advertised job vacancy from two 'fictitious' jobseekers matched in terms of job histories but of different ethnic identity. Research by CRE and others using this system in the UK indicates that typically 25 per cent to 50 per cent of job applicants appear to be rejected on the basis of their ethnicity.

Research conducted in 2002 indicated that, of the employers studied, only 50 per cent of the workplaces which had introduced equal opportunities policies had specific practices to make them effective.<sup>60</sup> A major problem was that only 42 per cent recorded the ethnic composition of their workforce; this means that 58 per cent had no way of knowing if their policies were successful. *The existence of an equal opportunity policy and its effective implementation are two quite separate things.*

In 2004, the Institute of Public Policy Research (IPPR) business-led Task Force on Race Equality and Diversity in the Private Sector surveyed 251 SMEs and found that 60 per cent of respondents did not have formal race equality policies, with 70 per cent of these agreeing that a 'race equality policy is not needed as it is not an issue for our business'.<sup>61</sup>

**The existence of an equal opportunity policy and its effective implementation are two quite separate things.**

<sup>59</sup> *Ethnic Penalties in Employment: A Literature Review*, Ethnic Minority Employment Unit, DWP, 2003.

<sup>60</sup> *Equal Opportunities Policy and Practice in the UK: Evaluating the 'empty shell' hypothesis*, Occasional paper 72, De Montfort University, 2002.

<sup>61</sup> *Race Equality and Diversity in the Private Sector*, Institute for Public Policy Research, 2004.

## Throughout our consultations, there was an undercurrent of frustration and impatience that so little progress has been made in the past two decades.

The same IPPR report made the point bluntly: “direct and indirect racial discrimination and lack of opportunity can cost individuals an interview, a job, an equal chance of promotion”. The report also concluded that an attitudinal step change towards race equality was needed by both public and private sector employers if any real progress was to be made on the issue. *Significantly, it also concluded that if the private sector fails to demonstrate such a step change after three years, the Government should consider using legislative measures to ensure that businesses take stronger action.*

### Local Consultation Themes

Almost one year on from the publication of the IPPR report, we believe that the culture is beginning to change among employers, but not quickly enough. Throughout our consultations, there was an *undercurrent of frustration and impatience* that so little progress has been made in the past two decades. And, certainly among the younger generation, our discussions revealed a profound cynicism about whether there exists today sufficient political will or business leadership to make serious headway.

The specific points that emerged consistently during our consultations were:

- few effective mechanisms exist at the local level to tackle discrimination and assist employers in developing fair recruitment, retention and advancement practices;
- the Government’s implementation of its ‘public duty’ to promote race equality in the public sector has not been effective and in future must be driven through robust targets, an effective measurement and monitoring system, and public reporting of results;
- the current lack of effective measurement of private sector fair employment practice makes monitoring progress virtually impossible;
- the failure to use public procurement to systematically promote race equality misses the opportunity to exercise major influence on private sector practice; and
- measurable progress in race equality can be made only if there is a serious and visible commitment by top political and business leaders.

We agree with the themes that emerged in our consultations. The question, then, is what practical steps can be taken immediately and what alternatives exist in the longer term if proposed measures prove unsuccessful in closing the employment gap.

### Accelerating Change in the Workplace

#### Extending the Race Relations (Amendment) Act 2000

From 2001, with the passage of the Race Relations (Amendment) Act 2000 (RR(A)A 2000), *every major public authority has a statutory duty to eliminate unlawful race discrimination and to promote equality of opportunity and good relations between persons of different racial groups.* One obvious approach would be to immediately extend the RR(A)A 2000 or similar legislation to the private sector.

We have looked closely at different approaches that have been adopted in other countries, such as affirmative action and the use of employment quotas. Some of these approaches have been successful within the UK context, notably within Northern Ireland. However, we believe, at this juncture, that it would make more sense to start by making the existing legislative framework work more effectively in the public sector while, at the same time, creating incentives for the private sector to change voluntarily. *However, we agree with the IPPR Task Force that if sufficient progress is not made within the next few years, the Government should seriously consider extending legislation to the private sector.*

In the following sections, we describe four ways which we believe will increase ethnic minority employment opportunities within the private sector.

### **Improving Local Employer HR Practice**

Our discussions with employers (as well as with Jobcentre Plus and local LSC staff) revealed that while many were keen to diversify their workforce, they frequently lacked the knowledge to develop and implement an effective action plan for their business. This was particularly true of small firms, most of which lack HR departments. Moreover, few employers seemed to be aware of the help that does exist. This assistance includes:

- the Advisory, Conciliation and Arbitration Service (ACAS) works with selected large employers and is now developing a website to provide information on diversity issues to all employers;
- The CRE provides general guidance to employers on best practice in promoting race equality in the workplace;
- Investors in People (IiP) is developing a diversity component that will specifically address race equality;
- Jobcentre Plus has appointed a small group of Specialist Employment Advisers to assist employers in their recruitment of ethnic minorities in seven cities;<sup>62</sup> and
- Race for Opportunity (RfO) provides expert advice to its member organisations on key employment issues relating to race equality, including recruitment, selection, progression and retention.

Although we were unable to look in depth at this issue, our perception is that, even taken together, this assistance is having little real impact. In those urban areas with high concentrations of ethnic minority groups, we believe that it is exceedingly important to be able to provide on-site, practical advice to firms in high-demand sectors and occupations.

**In areas with high concentrations of ethnic minority groups, it is exceedingly important to be able to provide on-site, practical advice to firms in high-demand sectors and occupations.**

62 Birmingham, London, Leeds/Bradford, Manchester, Leicester, Wolverhampton and Nottingham.

**If sufficient progress is not made within the next few years, the Government should seriously consider extending legislation to the private sector.**

In our view, the most effective approach would be to establish a highly skilled cadre of individuals with HR expertise in the five designated cities. The objective would be to work with targeted firms (or groups of firms with similar occupations) to improve recruitment and retention policies; help implement flexible workplace practices; and ensure that management and frontline staff have the cultural competence to develop a diverse workforce.

The design and delivery arrangements for this service would differ in each city. The key factor is that such an initiative engages experienced staff who are credible with employers and who can influence the required changes in their HR systems. It may be possible to create the service through effective collaboration of Jobcentre Plus, the local LSC and Business Link organisation. Alternatively, it might be useful to take a fresh approach and develop a business-to-business project. Therefore, we recommend that:

***Jobcentre Plus, the LSC and Business Link should design and pilot an employer diversity advisory service as part of the integrated employment and skills system in the designated five cities.***

**Making the Public Sector an Effective Role Model**

Throughout our consultations, employers made it clear that it will be difficult for the Government to promote major changes in private sector employment practice until it put its own house in order. Indeed, it is not uncommon for employers to justify inaction on race equality by suggesting that the Government is not doing much better. This makes it particularly important that the public sector make rapid and visible progress in increasing ethnic minority employment at all levels of the workforce.

While there are notable examples of good practice within central government, the NHS and local authorities, there is a *widespread perception that the public sector is not fulfilling its legislative duty to promote race equality*. The aim of the legislation, backed by a Code of Practice, is to make race equality central to all key public authority functions, including planning, policy-making, service delivery, regulation, inspection, enforcement, employment and procurement.

**Throughout our consultations, employers made it clear that it will be difficult for the Government to promote major changes in private sector employment practice until it put its own house in order.**

## There is a widespread perception that the public sector is not fulfilling its legislative duty to promote race equality.

Many people – both inside and outside government – commented that *the implementation of the RR(A)A 2000 has become mired in process* rather than focused on outcomes; has few and largely unambitious targets; and generally lacks consequences for slow or no action. To take positive and prompt action, we recommend that:

*The public sector should become a role model of best practice in promoting race equality and diversity, and should fulfil its public duty through improved targets, measurement and evaluation, with departments reviewing their use of Race Equality Impact Assessments.*

Further, if the Government is to serve as a model of good practice, it will need to move more swiftly to implement its legislative responsibilities on race equality. To accelerate this process, we recommend that (in addition to public procurement measures outlined below):

- *the Government should establish transparent targets, measurement tools and public reporting systems at both a national and local level; and*
- *in developing policy, the Government should require all departments to review their use and implementation of Race Equality Impact Assessments and publish them as a matter of course.*

### **Public Procurement: A Driver for Private Sector Change**

Each year, the public sector spends over £100 billion in procuring public goods, works and services. This gives the Government an immense lever over its suppliers and contractors and an opportunity to promote race equality within the private sector and thereby increase opportunities for ethnic minority employment as well as encourage BME business growth.

The concept of using the Government's purchasing power to promote effective practice among employers and increase supplier diversity is not new. It has been suggested repeatedly by community leaders, academics and organisations including, the Rowntree Foundation, the Better Regulation Task Force and the CRE.

**Each year, the public sector spends over £100 billion in procuring public goods, works and services. This gives the Government an immense opportunity to promote race equality within the private sector.**

Interestingly, throughout our consultations, *most employers agreed that public procurement was a highly effective tool for encouraging race equality*. Indeed, in our consultations with the Confederation of British Industry (CBI), they indicated this could be an effective way to achieve change, as long as value for money remains the basis for awarding contracts. Given that it is public money, employers see it as the Government's prerogative to set the ground rules for tenders, as long as those rules are clear and apply to all bidders. As one employer said, 'If it pays to play, we will do it; if it doesn't, we won't.'

As previously noted, the RR(A)A 2000 places a legal duty on public authorities to eliminate unlawful race discrimination and to promote equality of opportunity. This is not a discretionary activity, and, importantly, it includes public procurement.<sup>63</sup>

However, since passage of the legislation, there has been little systematic use of public purchasing power to promote good practice in race equality or supplier diversity for ethnic minorities. Indeed, the CRE's audit of public authorities' compliance with the legal duty to promote race equality concluded that little is being done in relation to public procurement.<sup>64</sup> This lack of progress has been attributed to several reasons:

- confusion over conflict with European Union law;
- the fear that adding equality to the tender process will set a precedent for other social and environmental conditions being introduced into the bidding process; and
- a lack of political will and effective leadership at both the national level and within local authorities.

A recent study into procurement practices within Jobcentre Plus concluded that procurement staffs' concerns about efficiency and what is legally possible, mean that they tend to focus more on compliance with the obligation "not to discriminate" (as set out under the Race Relations Act 1976 (RRA 1976), than on "the duty to promote race equality" as set out under the RR(A)A 2000.<sup>65</sup>

There are two fundamental criteria within the public bidding process. First, it must be open and transparent. Second, it must assure value for money for the 'user' (the public authority).<sup>66</sup> Guidance from the CRE and the Office of Government Commerce (OGC) has made clear that the value for money criteria may encompass social objectives – although the relative weighting of these objectives will vary depending on the purpose and nature of the tender. Unfortunately, however, it appears that *all too often, procurement officers interpret value for money on a purely cost basis rather than ensuring that it also incorporates broader social and economic benefits*.

63 Since April 2001, when the RR(A)A 2000 came into force, every major public authority has a statutory duty under s.71(1) of the RRA 1976, in carrying out its various functions (including procurement), to have due regard to the need to eliminate unlawful discrimination and to promote equality of opportunity and good relations between persons of different racial groups. In general terms the RRA 1976 duty means that public authorities must ensure that they are not spending public funds to support discriminatory practices but instead to promote race equality.

64 *Towards Racial Equality: An Evaluation of the public duty to promote Race Equality and good relations in England and Wales*, CRE, 2002.

65 *Value for Money and Race Equality in Jobcentre Plus Procurement* (interim-report), Iris Consulting, April 2004 as commissioned by the NEP Minority Ethnic Group.

66 Local Authorities must achieve 'best value' in public procurement rather than *value for money*.

## The public sector has a legal obligation under the RR(A)A 2000 to promote race equality.

The key point to note is that the public sector has a legal obligation under the RR(A)A 2000 to promote race equality. It is for this reason that we believe that in any procurement project, the definition of 'value for money' must encompass the promotion of race equality. We are not technical experts on public procurement.<sup>67</sup> However, it is our understanding that this can be implemented within the current legal framework. What is required is Cabinet level direction and the mechanics to communicate, share best practice and monitor action across the public sector.

While more effective use of the public procurement lever has the potential to generate new employment opportunities through the promotion of best practice across the private sector, it can also support small businesses, including BME businesses. During our discussions with these businesses and with economic development experts, several issues were highlighted:

- poor exchange of good practice in supplier diversity;
- inadequate technical assistance and guidance to potential BME bidders on complex tender processes; and
- lack of information on public sector tenders to BME suppliers and communities.

The OGC is undertaking a major programme to make it easier for SMEs (including BME businesses) to work with government by helping to reduce some of the barriers to entry and participation in the procurement process. OGC recognises that the creation of a competitive market with a diverse range of suppliers will increase the choice available to wider public sector procurers and ultimately deliver better value for money. The project will include developments that we very much welcome:

- establishing a web portal, owned by the SBS, for all lower-value competitive tender opportunities in the public sector;<sup>68, 69</sup>
- rolling-out of a standardised, simplified pre-qualification questionnaire for lower-value contracts;
- providing advice and training for SMEs on how to do business with the public sector (SBS-led);
- working with procurement officers across the public sector to raise awareness promote supplier diversity; and
- working with key large suppliers to government to increase transparency in supply chains.

<sup>67</sup> *The optimum combination of whole-life cost and quality (or fitness for purpose) to meet the user's requirements*, Government Accounting Chapter 22, HMT, 2000.

<sup>68</sup> The SBS website is to be launched in September, 2005.

<sup>69</sup> By lower-value contracts, it means those below the Official Journal of the European Union (OJEU) level.

**Our overall recommendation in relation to public procurement is that:**

*The Government should promote the incorporation of race equality into public procurement within the current legal and policy framework.*

Specifically, the Government should ensure all public procurement complies with current legislation, namely the employment provisions of the RRA 1976 and the duty to promote race equality as laid out in the RR(A)A 2000.

To achieve this, we recommend that:

■ *The Government should ensure that all public bodies review the effectiveness of their compliance monitoring in relation to the standard condition of contract that all suppliers (and their contractors) should comply with the employment provisions of the RRA 1976 and, from 2006, report annually on suppliers' compliance with these conditions.*

■ *The Government should ensure that all public bodies actively implement the obligations stemming from the legal duty to promote race equality under the RR(A)A 2000 and take race equality issues into account in public procurement, to the maximum extent possible consistent with other legal obligations.*

This means the duty to promote race equality should be considered at all stages of the procurement process including: formulation of the business case; design of tender/contract specifications; selection of bidders, evaluation of value for money; and inclusion in contract terms and conditions. Key to achieving this objective will be the dissemination of good practice as well as the promotion of existing and forthcoming guidance on public procurement and race equality.<sup>70</sup> We are particularly keen that this guidance includes practical, positive examples of how to take race equality into account in value for money evaluations within the current framework.

Finally, we recommend that:

■ *The National Audit Office, when auditing value for money, should include an audit of a department's compliance with its duty to promote race equality under the RR(A)A 2000 in the procurement of services from external suppliers.*

■ *The Audit Commission should undertake a similar exercise when auditing best value for local authorities.*

We suggest that a *high level Working Group of internal and external experts (including OGC) is established to oversee the implementation of these recommendations.*

### **Private Sector Leadership**

At the outset of this chapter, we described the impact of the 'ethnic penalty' and employer discrimination on the labour market prospects of ethnic minorities. We also suggested that adopting a voluntary approach to actively promoting equal opportunity within the private sector seemed, at least in the immediate term, to make more sense than a legislated one.

<sup>70</sup> This would include the Commission for Racial Equality guidelines for public authorities, and the forthcoming Office of Government Commerce Sustainable Procurement Group guidance on promoting social issues in procurement.

However, in our view, two critical elements are missing. The first is serious business leadership. The second is a set of clear targets and milestones against which to measure progress in race equality. Without these two elements, coupled with reform of the public procurement system, we have little confidence that a voluntary approach will succeed.

We propose that, by autumn 2005, the Government should convene a group of top business leaders to undertake this project. Specifically, we recommend that:

***A Commission of business leaders should be charged with advising on increasing employment of ethnic minorities and faith groups in the private sector by 2010, including indicators by which the private sector can measure progress.***

In addition, the Panel strongly endorses the IPPR Task Force recommendation that:

***Chief executives should use their corporate procurement powers to provide incentives to their supply chains in adopting effective race equality practices within their businesses.***

## **Conclusions**

In our view, while progress is being made, employer discrimination still exists as a barrier to ethnic minority employment. We believe that this requires swift and effective action in both the private and public sectors. We recommend a five-part strategy that includes:

- *employer leadership in opening more and better job opportunities* for ethnic minorities in the local labour market as described in chapter five;
- *practical help for employers* within the five designated cities to ensure fair recruitment and retention practices, with a focus on high-demand sectors and occupations;
- *making the public sector a role model* in promoting race equality and in meeting its legislative public duty through the application of Race Equality Impact Assessments;
- *using public procurement* to promote race equality; and
- *establishing a Commission of business leaders* to advise and assess progress in achieving race equality in the private sector.

If these measures do not produce marked results within the next few years, we believe that the Government should seriously consider the need for legislation.

# CHAPTER 8

## THE LEADERSHIP AND POLICY FRAMEWORK

### Introduction

We said at the outset of this report that realising the Prime Minister's ambition – of closing the large and long-standing gap between the employment rates of White people and those of ethnic minority communities – is achievable. Not only do we believe this is possible, we see it as pivotal to securing the Government's aspiration of reaching an 80 per cent employment rate within the next five years.

We have also made clear that increasing ethnic minority employment and enterprise is not simply about fairness, equality and social justice. Crucially, it is also about the future productivity and growth of our major urban centres which drive regional and national economic development. So, in our view, *it is in the national interest to close the employment gap with determined purpose and at an accelerated pace.*

As we have shown in this report, much can be achieved at regional and local levels by public sector partners, employers and educational institutions, the voluntary and faith sectors and local residents working together. But it is essential that this work is conducted within an *overarching framework that has three essential elements:*

- strong, visible leadership from the top;
- clear targets to drive change and track progress; and
- effective communication and consultation, at national, regional and local levels, to inform policy and delivery.

### Leadership

In chapter seven of this report, we recommended that a Commission of top business executives be formed to advise the Government on action that should be taken by the private sector to increase ethnic minority employment. We believe that it is equally important that the Government is seen to be a leading advocate of race equality.

We welcome the establishment of the Ministerial Ethnic Minority Employment Task Force, chaired by the Minister of State for Work. This is an extremely important forum for analysing critical issues, proposing new initiatives, and monitoring the implementation of specific departmental activities. However, we believe that unless this issue is seen to be high on the Government's agenda – unless *all Departments of State and public authorities are held clearly accountable for implementing vigorously the RR(A)A 2000*, it is unlikely that that we will accomplish the sea change that is required. For this reason, we recommend that:

***The Government should ensure, at Cabinet Committee level, that ethnic and faith minorities participate and share equally in the country's continued success.***

## Unless all Departments of State are held clearly accountable for implementing the RR(A)A 2000, it is unlikely that that we will accomplish the sea change that is required.

### Targets

A key responsibility of the proposed Commission of business leaders is for it to advise the Government on establishing measurable objectives for increasing the employment of ethnic minorities and faith groups in the private sector. We believe it is equally important that the Government should take a similar approach.

We understand fully that the decision to set a national target for ethnic minority employment is a political issue. However, we think that the consequences of failing to set *an unambiguous aim, with measurable near-term milestones*, undermines the seriousness with which the public, private and voluntary sectors are likely to take the Government's commitment to equal opportunity for all citizens. Critically, it *impedes significantly the Government's ability to make a reasoned decision about whether it will be necessary to extend race equality legislation to the private sector within a given timeframe*.

Currently, the Government has set two Public Service Agreement (PSA) targets that encompass ethnic minority employment and business growth.

For DWP, PSA target 4 states:

- “ As part of the wider objective of full employment in every region, over the three years to Spring 2008, and taking into account the economic cycle:
  - Demonstrate progress on increasing the employment rate;
  - Increase the employment rates of disadvantaged groups (lone parents, ethnic minorities, people aged 50 and over, those with the lowest qualifications and those living in the Local Authority wards with the poorest initial labour market position); and
  - Significantly reduce the difference between the employment rates of the disadvantaged groups and the overall rate. ”

For DTI, PSA target 10, held jointly by DTI and DWP, states:

- “ By 2008, promote ethnic diversity, cooperative employment relations and greater choice and commitment in the workplace, while maintaining a flexible labour market. ”

*Neither PSA target will serve as a powerful driver of public or private sector behaviour, because they lack specific goals.* The DWP/DTI joint PSA, in particular, is complex and has a number of deficiencies:

- the target is not structured in a way that can be easily disaggregated and used by regions and major cities as a goal around which action can be galvanised to close the employment gap; and
- because the target lacks clear interim milestones, it becomes virtually impossible to hold individuals or organisations accountable for inferior delivery or to reward them for exceptional progress in any timely way.

Again, we recognise that establishing a national goal is a ministerial decision that carries political risks as well as benefits. However, as business leaders, it is our experience that, in most endeavours, you get what you measure.

## **Community Consultation**

### **National Dialogue**

A persistent theme throughout our meetings with ethnic minority and faith groups was the lack of consultation that exists either at the national or local levels. We recognise that, within the policy arena, departments are reluctant to discuss major new strategies, programme options or the trade-offs implicit in budget decisions, for fear of under-cutting ministerial prerogatives or raising unrealistic expectations.

*However, the perception by faith and cultural groups that no serious dialogue exists between DWP and DfES and responsible community leaders is widespread and serious.* In most cases, these groups were not providers – which have other avenues for input – but people who know their communities' needs and are frustrated by (or ignorant about) policies that are designed from the centre.

We think that the perspective of policy-makers within the employment and skills systems would be greatly enriched by regular communication with community leaders about the design of effective programmes and by feedback on the real impact and performance of their policies as they are translated on the ground.

**The perspective of policy-makers within the employment and skills systems would be greatly enriched by regular communication with community leaders.**

For this reason, we recommend that:

***By the end of 2005, DWP and DfES should review ways of engaging community and faith leaders in the development of policies and in providing feedback on local employment and skills operations. This review should also include practical steps for improving regional and local consultation by Jobcentre Plus and the local LSCs.***

In making this recommendation, we realise that many faith and community organisations rely heavily on volunteers, local residents and the contributions of their members. As the Government uses the advice and expertise of these groups, it should recognise the significant strain that the associated time commitment places on these organisations' exceedingly limited resources.

### **Local Consultation**

A number of local voluntary sector and grassroots organisations complained about the lack of consultation and communication that existed between the main funding organisations and the community. We did identify some notable examples in which local LSCs, Jobcentre Plus Districts and FE colleges have developed excellent communication networks with local groups. But even in these cases, there is a general perception that most consultation occurs 'after the cake is baked' – after the policy has been agreed and the product or service has been designed.

We were also struck by the fact that much of the consultation that did exist was based on communicating with 'ethnic minorities' as if they were a homogeneous group. We believe that every *Jobcentre Plus District and local LSC should have a well-understood and regularly used, two-way system for communicating with its different ethnic and faith groups* in order to better fashion programmes and receive regular customer feedback on their effectiveness. Importantly, this should include a public 'action record' that reports the results of these consultations. To formalise this process, we recommend that:

***Jobcentre Plus' Race Equality Strategy and the LSC's Framework for Equality and Diversity should require such plans for each of their local operations.***

### **Conclusion**

While most action to increase ethnic minority employment, self-employment and business growth will occur at regional and local levels, to achieve real impact, it must be backed by Cabinet-level commitment; measured through an effective system of targets and milestones; and informed by ongoing community consultation and customer feedback.

**It is in the national interest to close the employment gap with determined purpose and at an accelerated pace.**

# CHAPTER 9

## SUMMARY OF RECOMMENDATIONS

In this chapter, we summarise all of the recommendations contained in *Enterprising People, Enterprising Places*. **Those in bold are the ten recommendations that the Chancellor approved in his March 2005 Budget.** The subsidiary recommendations provide more detailed proposals to help take the work forward.

### CHAPTER 3 CONNECTING ETHNIC MINORITIES TO WORK: ASSESSING THE EFFECTIVENESS OF CURRENT PROGRAMMES

We recommend that:

- **The Department for Work and Pensions and the Department for Education and Skills should ensure mainstream and discretionary resources are sufficiently targeted on the five designated cities.**
- DWP should undertake an urgent review of BoND's overall implementation and targeting strategy. In addition, in the context of the immediate prototype roll-outs, it should give priority to the five designated cities, focusing particularly on the most deprived wards and on those with large numbers of low-income ethnic minority residents.
- Birmingham and at least two London districts should be included in the next tranche of Pathways to Work roll-out, beginning in October 2005; in these districts, Pathways should incorporate specific elements of ethnic minority outreach.
- The LSC should be given lead contractual responsibility for all basic skills, ESOL and vocational training provision nationally.
- The content, quality and accessibility of basic skills and ESOL provision should be increased in the five designated cities, using the redesigned qualifications.
- Basic skills and ESOL courses should be held in places that offer a safe environment for Pakistani and Bangladeshi women such as faith-based organisations, SureStart centres, schools and community facilities.
- The LSC should commission a full Race Impact Assessment of all work-based training, including Apprenticeships, by the end of 2005.
- The LSC should strengthen significantly the outreach, provision and outcomes of work-based training and Apprenticeships, for ethnic minority participants in higher-skilled careers.

- The Sector Skills Council Agreements should address measures for recruiting ethnic minorities to meet projected skills shortages and plans for tackling patterns of discrimination in employment, retention and advancement that may exist within their sector.
- A Workforce Investment Board or strengthened LSC, should work with the local LSC, Jobcentre Plus and educational institutions to develop an internship programme in high-demand occupations with good career potential, primarily targeting ethnic minority students.
- The LSC should work with its key partners to undertake a fundamental review of its approach to the collection and analysis of data, impact measures and research on ethnic minority issues and reporting arrangements.
- DfES and the LSC should undertake a review to ensure that the allocation of core funding reflects the priority for preparing residents of the most deprived areas to succeed in the local labour market.
- The LSC should develop a detailed action plan by December 2005, to accelerate the implementation of the Race Equality Standard in Further Education to meet the requirements under the RR(A)A 2000.
- The National Employer Training Programme should be funded to meet demand in the five designated cities to increase basic, language and higher skills (level 3) of ethnic minority employees.

## CHAPTER 4 REACHING OUT TO ETHNIC MINORITY GROUPS

We recommend that:

- **Outreach support for employability skills development and job access should be focused on people who are not in work, not on benefit and who may have been traditionally excluded from the labour market.**
- A well-planned and extensive outreach programme targeted specifically at inactive ethnic minority adults and young people, and using trusted intermediaries, should be developed as a central part of the broader ethnic minority strategy within the five designated cities.
- Basic skills and ESOL courses should be expanded and held in places that offer a safe environment for women; with content that is relevant to their lifestyles and ambitions for family and work; and to a standard that contributes to increased participation and success rates.

## CHAPTER 5 INTRODUCING AN INTEGRATED SKILLS AND EMPLOYMENT SYSTEM

We recommend that:

- **An integrated, employer-led employment and skills framework should be established in each of the designated cities to increase the number and quality of jobs for ethnic minorities and disadvantaged residents.**
- The National Employment Panel should re-convene its Welfare to Workforce Development Working Group to make proposals to the Government for securing employer leadership of a local integrated system by Budget 2006.

## CHAPTER 6 BLACK AND MINORITY ETHNIC ENTERPRISE AND SELF-EMPLOYMENT

We recommend that:

- The Government should ensure that sample sizes of ethnic minorities in the enterprise surveys that it funds are large enough to allow the data to be disaggregated down to the major ethnic groups.
- **New Centres of Vocational Excellence (CoVEs) for entrepreneurship should be established in the designated cities.**
- Consideration should be given to the implementation of practical business support through shared back-office incubation facilities, within the CoVEs or under separate private sponsorship.
- **Regional Development Agencies should assess the needs of ethnic minority businesses as part of their Regional Economic Strategies.**
- Regional Development Agencies should undertake a comprehensive stock-take of all business support services that are available in their region, including Business Link, to determine comparative performance and value for money.
- **The Small Business Service should work with banks and financial intermediaries to review the availability and accessibility of finance for ethnic minority firms in the designated cities.**
- Business Link and Jobcentre Plus should jointly run pilots in the designated cities to offer pre self-employment support to unemployed and inactive groups. These should focus particularly on ethnic minority women.

## CHAPTER 7 DRIVING CHANGE IN THE PRIVATE AND PUBLIC SECTOR

We recommend that:

- Jobcentre Plus, the LSC and Business Link should design and pilot an employer diversity advisory service as part of the integrated employment and skills system in the designated five cities.

- **The public sector should become a role model of best practice in promoting race equality and diversity, and should fulfil its public duty through improved targets, measurement and evaluation, with departments reviewing their use of the Race Equality Impact Assessments.**

- The Government should establish transparent targets, measurement tools and public reporting systems at both a national and local level.

- In developing policy, the Government should require all departments to review their use and implementation of Race Equality Impact Assessments and publish them as a matter of course.

- **The Government should promote the incorporation of race equality into public procurement within the current legal and policy framework.**

- The Government should ensure that all public bodies review the effectiveness of their compliance monitoring in relation to the standard condition of contract that all suppliers (and their contractors) should comply with the employment provisions of the RRA 1976 and, from 2006, report annually on suppliers' compliance with these conditions.

- The Government should ensure that all public bodies actively implement the obligations stemming from the legal duty to promote race equality RR(A)A 2000 and take race equality issues into account in public procurement, to the maximum extent possible consistent with other legal obligations.

- The National Audit Office, when auditing value for money, should include an audit of a department's compliance with its duty to promote race equality under the RR(A)A 2000 in the procurement of services from external suppliers.

- The Audit Commission should undertake a similar exercise when auditing best value for local authorities.

- **A Commission of business leaders should be charged with advising on increasing employment of ethnic minorities and faith groups in the private sector by 2010, including indicators by which the private sector can measure progress.**

- Chief executives should use their corporate procurement powers to provide incentives to their supply chains in adopting effective race equality practices within their businesses.

## CHAPTER 8 THE LEADERSHIP AND POLICY FRAMEWORK

We recommend that:

- **The Government should ensure, at Cabinet Committee level, that ethnic and faith minorities participate and share equally in the country's continued success.**
- By the end of 2005, DWP and DfES should review ways of engaging community and faith leaders in the development of policies and in providing feedback on local employment and skills operations. This review should also include practical steps for improving regional and local consultation by Jobcentre Plus and the local LSCs.
- Jobcentre Plus' Race Equality Strategy and the LSC's Framework for Equality and Diversity should require such plans for each of their local operations.

# ANNEX A

## RECOMMENDATIONS ACCEPTED IN THE 2005 BUDGET

### **Recommendation 1**

The Department for Work and Pensions and the Department for Education and Skills should ensure mainstream and discretionary resources are sufficiently targeted on the designated cities.

### **Recommendation 2**

Outreach support for employability skills development and job access should be focused on people who are not in work, not on benefit and may have been traditionally excluded from the labour market.

### **Recommendation 3**

An integrated, employer-led employment and skills framework should be established in each of the designated cities to increase the number and quality of jobs for ethnic minorities and disadvantaged residents.

### **Recommendation 4**

Regional Development Agencies should assess the needs of ethnic minority businesses as part of their Regional Economic Strategies.

### **Recommendation 5**

New Centres of Vocational Excellence (CoVEs) for Entrepreneurship should be established in the designated cities.

### **Recommendation 6**

The Small Business Service should work with banks and financial intermediaries to review the availability and accessibility of finance for ethnic minority firms in the designated cities.

### **Recommendation 7**

The public sector should become a role model of best practice in promoting race equality and diversity, and should fulfil its public duty through improved targets, measurement and evaluation, with departments reviewing their use of Race Equality Impact Assessments.

**Recommendation 8**

The Government should promote the incorporation of race equality into public procurement within the current legal and policy framework.

**Recommendation 9**

A Commission of business leaders should be charged with advising on increasing employment of ethnic minorities and faith groups in the private sector by 2010, including indicators by which the private sector can measure progress.

**Recommendation 10**

The Government should ensure, at Cabinet Committee level, that ethnic and faith minorities participate and share equally in the country's continued economic success.

# ANNEX B

## STEERING GROUP, EXECUTIVE GROUP AND PROJECT TEAM MEMBERS

### Steering Group membership

Name	Organisation
Jeremy Anderson (Chair)	Head of Financial Services, KPMG LLP
Lord Victor Adebowale CBE	Chief Executive, Turning Point
Sonita Alleyne OBE	Chief Executive, Somethin' Else
Chris Banks CBE	Chief Executive, Bigthoughts Ltd
Karan F Bilimoria CBE, DL	Chief Executive, Cobra Beer Ltd
Keith Clarke	Chief Executive, WS Atkins plc
Dr Binna Kandola	Senior Partner, Pearn Kandola
Mei Sim Lei OBE	Partner, Pridie:Brewster, Acting Chair of Ethnic Minority Business Forum
Frances O'Grady	Deputy General Secretary, Trades Union Congress (TUC)
Gordon Pell	Chairman, Retail Banking and Wealth Management, Royal Bank of Scotland
Adeeba Malik MBE	Deputy Chief Executive, QED-UK, member of the Ethnic Minority Business Forum
Cay Stratton CBE	Director, NEP
Jeremy Walker	Chief Executive, North Yorkshire County Council

**Executive Group and Project Team members**

<b>Name</b>	<b>Organisation</b>
Charles Allen	Performance Team, NEP
Jeremy Anderson (Chair)	Head of Financial Services, KPMG LLP
Frank Carson	Labour Market Policy Team, HMT
Siobhan Clifford	Performance Team, NEP
Alison Cottrell	Head of Labour Market Policy Team, HMT
Monica Ennis	Productivity Team, HMT
Caroline Haynes	Director of Performance, NEP
Chris Martin	Head of Productivity Team, HMT
Andrea Minton-Beddoes	Special Adviser, NEP
Kirsty Morton	Performance Team, NEP
Janice Munday	Director, Employment Relations Directorate, DTI
Jonathan Portes	Deputy Director, Work Welfare and Poverty Directorate, DWP
Shrupti Shah	Director, Fair Cities Programme, NEP
Afsana Shukur	Director, Ethnic Minority Employment Division, DWP
Cay Stratton CBE	Director, NEP
Rebecca Sudworth	Productivity Team, HMT
Veena Vasista	Director, Minority Ethnic Group, NEP

We would also like to thank the NEP SME Board who devoted two meetings to discussing and agreeing recommendations for the Enterprise section of the report.

<b>Karan F Bilimoria CBE, DL (Chair)</b>	Chief Executive, Cobra Beer Ltd
<b>Sonita Alleyne OBE</b>	Chief Executive, Somethin' Else
<b>Jonathan Austin</b>	Managing Director, Best Companies Ltd
<b>Anuj Chande</b>	Partner, Grant Thornton Chartered Accountants
<b>Maurice Ostro</b>	Managing Director, Air Fayre Ltd

## NEP Minority Ethnic Group (MEG) membership

Name	Organisation
Vijay Amin	Director, Asian Business Initiative (ABi)
Tunde Banjoko	Chief Executive , Local Employment Access Projects (LEAP)
Jeremy Crook	Director, Black Training and Enterprise Group (BTEG)
Nidhi Dalmia MBE	Managing Director, Dalmia Media
Ebrahim I Dockrat	External Resources Manager, Learning and Skills Council West Yorkshire
Kamel Hothi	Manager, Personal Service Delivery, Lloyds TSB
Zulfi Hussain	Director, Global Synergy Solutions
Dr Binna Kandola (Chair)	Senior Partner, Pearn Kandola
Satya Kartara	Director of Diversity & Inclusion, Royal Mail
Joy Nichols	Chief Executive, Nichols Employment Agency
Chris Shokoya-Eleshin	Chief Executive, Shokoya-Eleshin Construction Co
Pavita Walker	Director of Organisation and Leadership Development, Barclays
Joan Wellington	Vice President Compliance, Deutsche Asset Management

**Ethnic Minority Business Forum membership at January 2005**

<b>Name</b>	<b>Organisation</b>
<b>Numan Azmi</b>	Director, Azmi Associates Limited
<b>Gweneth Balson</b>	Managing Director, Digitalife Ltd
<b>Susannah Tina Fahm</b>	Director, Tina Fahm Training Ltd
<b>Leslie Fairclough</b>	Managing Director, Premier Care
<b>Yvonne Field</b>	Managing Director, Yvonne Field Associates Ltd
<b>Peaches Golding</b>	Owner/Manager, Peaches Golding Marketing and Communication
<b>Dr Syed Haider Imam</b>	Managing Director, Durham Organics Ltd
<b>Mohammed Isap</b>	Director, MPG
<b>Adeeba Malik MBE</b>	Deputy Chief Executive, QED-Ltd
<b>Mei Sim Lei (Acting Chair) OBE</b>	Partner, Pridie:Brewster
<b>Professor Monder Ram OBE</b>	Director, Centre for Research in Ethnic Minority Enterprise
<b>Tony Sealey</b>	Chair, Black Business in Birmingham
<b>Askar Sheibani</b>	Chief Executive Officer, Comtek Group
<b>Rashid Teladia</b>	Managing Director, ART's Property Service

# ANNEX C

## GROWTH PROSPECTS AND ETHNICITY IN THE REGIONS

By Andy Phillips, West Midlands Regional Observatory, 2005

### The role of city regions as key drivers of economic growth

The major cities and their surrounding conurbations still represent the critical mass of the UK economy.<sup>71</sup> While London generates more than 20 per cent of English gross value added (GVA), other major cities account for a significant proportion of GVA in their regions:<sup>72</sup>

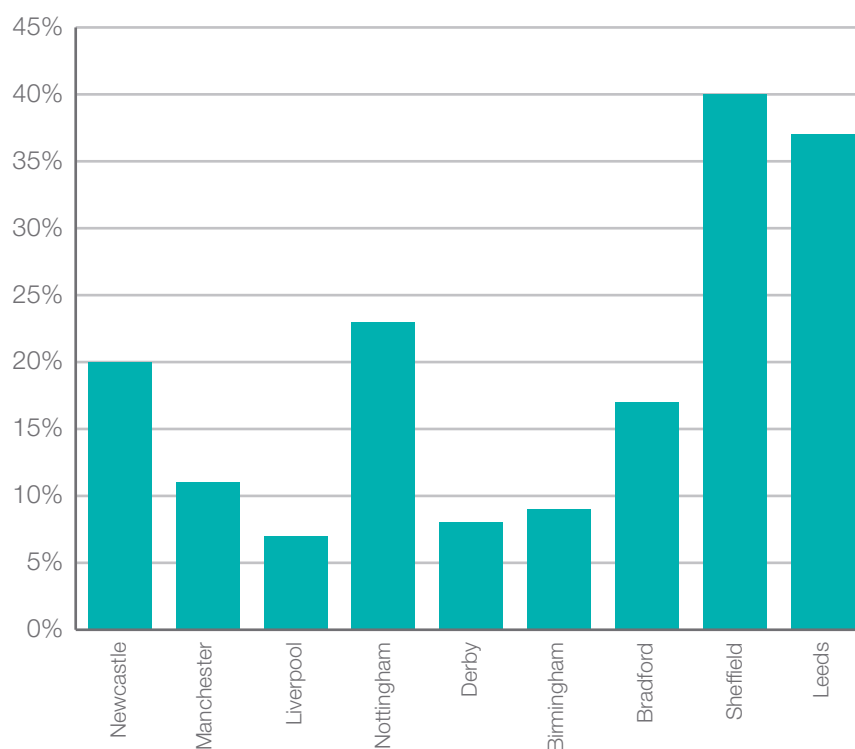
- Manchester and Liverpool between them generate nearly 60 per cent of North West GVA;<sup>73</sup>
- Birmingham generates nearly 25 per cent of West Midlands GVA, and the surrounding conurbation (comprising Solihull, Coventry, Dudley, Sandwell, Walsall, and Wolverhampton) generates a further 30 per cent;
- Bradford, Leeds and Sheffield between them generate 36 per cent of Yorkshire and Humberside GVA;
- Newcastle generates nearly 40 per cent of North East GVA;
- Nottingham and Derby between them generate nearly 20 per cent of East Midlands GVA.

71 Data from a range of sources have been analysed at a city region level. The definition of a city region varies in each case, and analysis is at NUTS3, LLSC and unitary authority level as appropriate.

72 GVA is the difference between output and intermediate consumption for any given sector/industry. It is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in the production (ONS).

73 Analysis of GVA data in this report is at NUTS3 level.

### Major Cities Regional Share of GVA

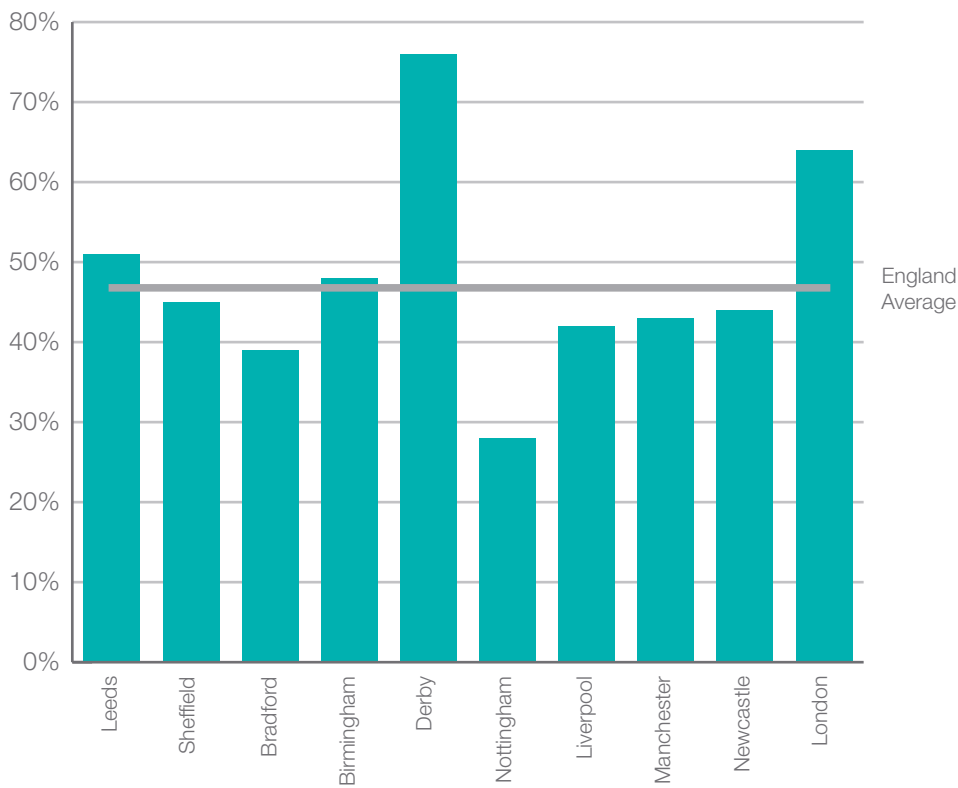


Source: ONS

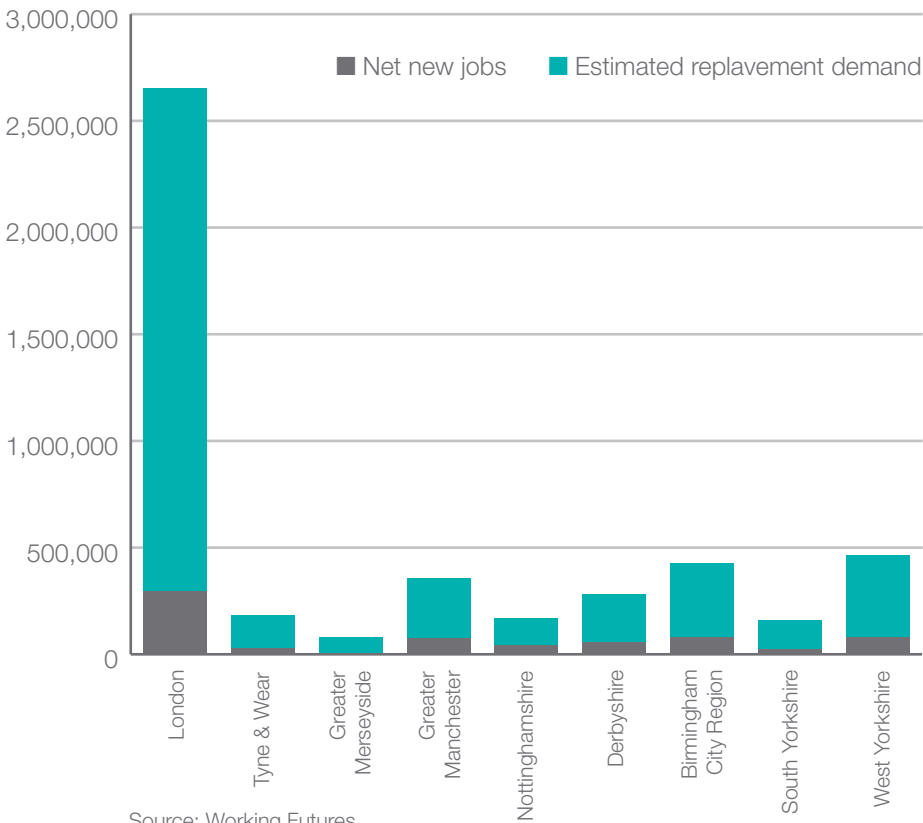
After a generation of economic restructuring and urban renaissance the economies of most of these cities have expanded significantly in recent years. Since 1995 GVA growth in London, Leeds, Birmingham and Derby has outstripped national trends and GVA growth in Liverpool, Manchester, Bradford and Sheffield has been close to the national average.

There is potential for further substantial growth in employment in these cities and their surrounding conurbations over the next decade. While some growth will stem from net new job creation, the majority of growth in job vacancies will be underpinned by replacement demand. While overall nearly more than 2.5 million employment opportunities are forecast to become available in Greater London by 2012, projections indicate figures of more than 400,000 in West Yorkshire, more than 350,000 in the Birmingham city region and nearly 300,000 in Greater Manchester.

### GVA Growth in Major Cities 1995-2002



### Employment forecasts for Major Cities and surrounding conurbations 2002-2012



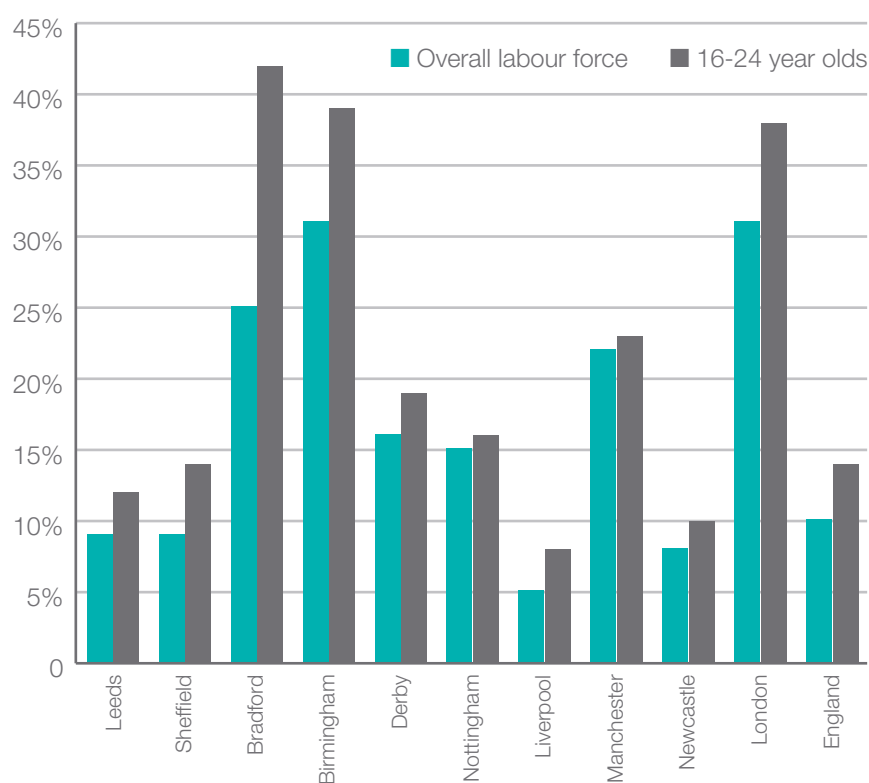
Source: Working Futures

### Diversity issues in the city regions

Ethnic minority communities account for a substantial share of the available labour force within many of these growing cities:

- In London and Birmingham the proportion of the labour force from these communities is three times the national average;
- In Bradford and Manchester the figure is more than twice the national average;
- In Derby and Nottingham the figure is above the national average.

### Breakdown of the Labour Force in Major Cities by Ethnicity in 2004

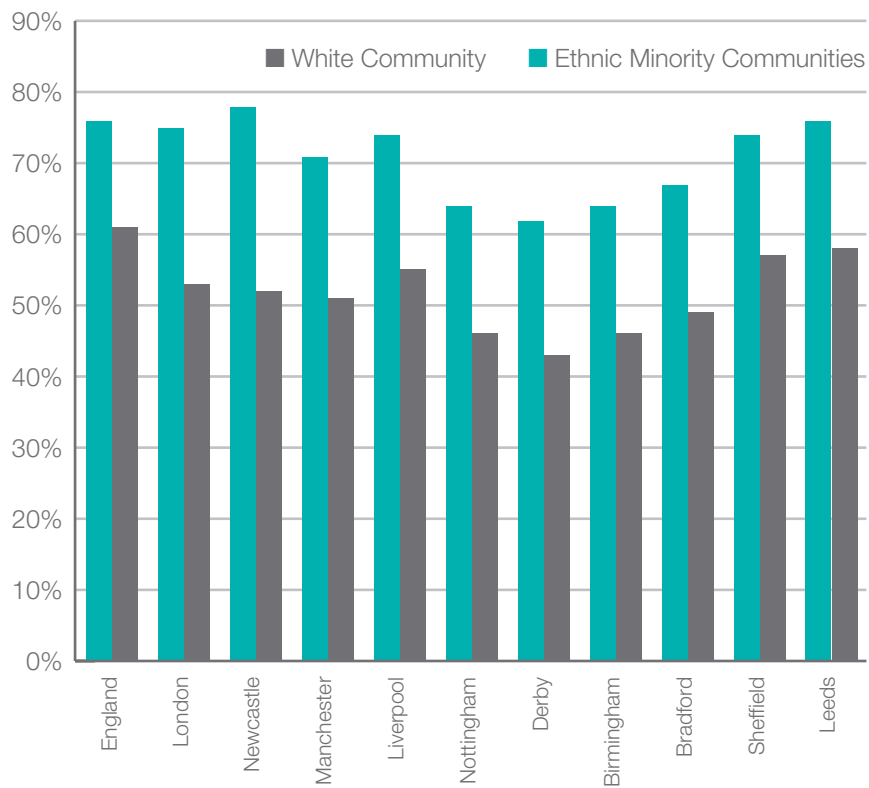


Source: Labour Force Survey

In most major cities ethnic minority populations have a young age profile. As a result ethnic minority communities will account for an even greater share of the labour force in the future. In Bradford, Birmingham and London around 40 per cent of 16-24 year olds are from ethnic minority communities. The figure is around 20 per cent in Manchester and Derby and around 15 per cent in Nottingham and Sheffield.

People from ethnic minority communities represent a sizeable pool of available labour that could be key to capitalising on the potential for growth in the major cities, their surrounding conurbations and indeed surrounding areas where employment growth is outstripping increases in the working population. At the moment they are much less likely to be in employment than people from the White community. The proportion of people from ethnic minority communities in employment is 50 per cent or less in Manchester, Newcastle, Liverpool, Nottingham, Sheffield, Bradford and Birmingham.

## Employment Rate by Ethnicity in 2004



Source: Labour Force Survey

## Case studies

### The Birmingham city region

Against a background of the creation of up to 350,000 job vacancies over the next decade in Birmingham and the surrounding conurbation, stemming from both net employment growth and replacement demand:

- the White working age population is set to shrink by around 100,000; and
- there are expected to be more than 100,000 additional people of working age from ethnic minority communities, of whom 60 per cent are likely to be of Pakistani/Bangladeshi heritage, 25 per cent are likely to be of Afro-Caribbean heritage and 10 per cent are likely to be of Indian heritage.<sup>74</sup>

### London

Although GVA growth of nearly 65 per cent was achieved in London between 1995 and 2002 and nearly 2.5 million job opportunities could potentially be created over the next decade:

- the size of the White working age population is set to continue to reduce; and
- one in three London residents is now from an ethnic minority community; nearly a quarter of a million residents were born in Africa, and the size of the Black African community is expected to double its 1991 level by 2011; more than 30,000 newcomers from abroad are expected to settle in London each year over the next decade.<sup>75</sup>

It will be vital for employers to widen their recruitment to include ethnic minority communities and to embrace ethnic diversity as a key business issue if they are to meet their labour and skills needs and our major cities are to realise their growth potential.

<sup>74</sup> Source: LSC analysis (unpublished).

<sup>75</sup> Source: Greater London Authority.

# ANNEX D

## INDIVIDUALS CONSULTED DURING THE PROJECT

Hussein Ahmed	Managing Director	New Bolton Somali Association
Saeed Ahmed	Managing Director	SA Sewing Machines
Shahid Ahmed	Managing Director	Sunshine Snacks
Mohammed Ajeeb CBE	Chair	Bradford Primary Care Trust
Shulpi Akbar	Employment Theme Manager	Aston Pride New Deal for Communities
Pam Alexander	Chief Executive	South East England Development Agency
Asghar Ali	Director	Smart Moves Group
Mohammed Ali	Chief Executive	QED-UK
Zulfi Ali	Chief Executive Officer	Celltek Communications UK Ltd
Vijay Amin	Managing Director	ABi Associates Ltd
Tariq Mahmood Arien	Chairman	Ethnic Minority Business Support
Mohammed Asim	Director	Kashmir Crown Bakeries
Shahida Aslam	Managing Director	Divine Style
Mohammed Ayazz	Senior Policy Officer	Bradford Council
Abdul Aziz	Managing Director	Abdul's
Numan Azmi	Director	Azmi Associates Ltd
Sikander Badat	Head of EM Business Policy	Chamberlink Bolton
Turgay Bagdagi	Managing Director	Divan Meat Products (UK) Ltd
Manzoor Bahadur	Managing Director	Universal and Clothing World Stores
Ratan Balji	Managing Director	Deane Video Centre
Pauline Barnett	Deputy Chief Executive	East London Small Business Service
Vernon Barrett	Director	Business Link for London Knowledge Centre
David Barton	Head of Supply Chain Solutions	Royal Bank of Scotland
Mumtaz Bashir	Director	Manchester Employer Coalition
Jonathan Baldry	Director	TALENT Agency
Shajna Begum	Chief Executive	Linguistic Solutions Ltd
Dr Neil Bentley	Head of Skills and Employment Group	CBI
Zameer Bi	Managing Director	External Roop
Rt Hon Paul Boateng	Chief Secretary to the Treasury	HM Treasury
Stephen Brooks	Chief Executive	Windrush Employment Training Consortium
Una Brown	Managing Director	Monochrome Express

Paul Butler	Managing Director	Path National
Niam Butt	Managing Director	Prime Packaging
Tim Byles	Chief Executive	Norfolk County Council
Jenny Catlin	Policy Adviser to the LSC Chairman	Learning and Skills Council
Shafatt Chaudhry	Managing Director	Noir Solutions
Robbie Chipalivali	Managing Director	Kingdom Minerals
Seraphine Chipalivali	Managing Director	Trade Link International
Anwar Choudhry	Managing Director	ABA
Prithvi Chopra	Chair	Asian Business Forum (Birmingham)
Jaine Clarke	Director of Skills Strategy and Planning	Learning and Skills Council
Barbara Cohen	Independent Consultant	
Dr Clare Collins	Consultant	Elborough Consulting Ltd
Marilyn Comrie	Managing Director	LeaderGen Ltd
Marilyn Conroy	Co-ordinator	EMBF North West
David Cragg	Regional Director	LSC West Midlands
Jeremy Crook	Director	Black Training and Enterprise Group
Omar Dar	Manager	Community Training Portal
Imran Din	Managing Director	Cha Chas
Philomena Ditchfield	Managing Director	Out of Africa
Anne Marie Dixon-Barrow	Director	Project Full Employ
David Dodson	Business Development Manager	Jobcentre Plus (Bedfordshire)
Derick Douglas	Regional Director (West Midlands)	The Scarman Trust
Lucy Dowsett	Head of Business Development	London Development Agency
Kevin Edwards	Head of Business Support	East Midlands Development Agency
Keith Faulkner	Managing Director	Working Links
Sally Fryer	Head of Government Market	Office of Government Commerce
Julie Fu	Managing Director	Web Directory
Ismali Fulat	Managing Director	Rochdale Kashmir Youth Project
Saroj Ghandi	District Programme Quality Manager	Jobcentre Plus (North London)
Professor Ram Gidoomal	Chairman	Employability Forum
Sandy Granville	Managing Director	House of Kamaria
Tessa Griffiths	Chair	Future Health and Social Care
Paul Hanna	Senior Operations Manager	Birmingham Chamber of Commerce
Tim Haq	Director	Minority Enterprise East Midlands
Barbara Harbinson	Chief Executive	Halifax Opportunities Trust
Dr Rebecca Harding	Associate Director	Deloitte & Touche LLP
Kate Harre	Head of Enterprise Policy	Small Business Service

Ian Harrison	Head of Economic Development	East Midlands Development Agency
Rennal Hepburn	Chief Executive	Netstationers
Sir Bob Hepple QC	Emeritus Professor of Law	Cambridge University
Musa Hersi	Director	Refugee Enterprise and Employment Training
Kate Hogman	Site Delivery Manager	Jobcentre Plus (Bedfordshire)
Denise Horsfall	District Manager	Jobcentre Plus (Doncaster)
Graham Hoyle	Chief Executive	Association of Learning Providers
Chris Humphries	Director General	City and Guilds
Rukhsana Hussain	Proprietor	Saz Cosmetics
Shahid Hussain	EM Project Support Officer	Chamberlink Bolton
Zahid Hussain	Director	Social Enterprise Development Initiative
Abdi Hussan	Chair	Ocean Somali Community Association
Amjad Hussein	Community Representative	Aston Pride New Deal for Communities board
Lassell Hylton	Director	London Small Business Growth Initiative
Olabisi Idowu	Director	Jobwise Training
Mohammed Imran	Development Officer	New Arrivals Programme
Faizal Ingar	Employment Outreach Officer	Ethnic Minority Business Service, Bolton Council
Judith Ingham	Head of Policy and Performance	Luton Borough Council
Ayub Ismail	Business Consultant	Business Link
Tim Johnston	Consultant	Amion
Sallieu Kabba	Chair	Ethnic Minority Business Consortium
Shantose Kaur	Director	Enigma Consulting
Rt Hon Jane Kennedy MP	Minister of State for Work	DWP
Sandra Kerr	Campaign Director	Race for Opportunity
Altaf Khan	Manager	Ethnic Minority Training Project
Jabbar Khan	Director	Lasan Restaurant
Ian Kinder	Assistant Director, Workforce Development	Small Business Service
Sarah Kissack	Analyst	Ethnic Minority Employment Division, DWP
Sandra Lambert	District Manager	Jobcentre Plus (North London)
Michael Laroia	Director	Birmingham Venture Capital Ltd
Hannah Lau	Managing Director	A3 Shop
Bill Law	Co-ordinator	Minority Enterprise East Midlands
Tariq Mahmood	Managing Director	Arien Distributors
Sutish Mahrra	Partnerships Manager	Jobcentre Plus (Bedfordshire)
Fazila Malek	Managing Director	K & F Manufacturing
Sakira Malik	Managing Director	Yasin Foods
Zia Malik	Project Manager	Harrow in Business

Bryan Marshall	Business Service Director	Chamberlink Bolton
Stephen Marston	Director of Adult Learning	Department for Education and Skills
Angela Mason	Director	Women and Equality Unit, DTI
Bernadette McAllister	Outreach Officer	Jobcentre Plus (Bedfordshire)
Professor Christopher McCrudden	Professor of Law	Oxford University
Geraldine McDowell	Managing Director	Patagonia Café
Herman McIntosh	Director	KAJAN
Jane McLuckie-Townsend	Team Leader Work and Equal Opportunity Team	Ethnic Minority and Employment Division, DWP
Andrew McNeill	Marketing Manager	Jobcentre Plus (North London)
Fiona Mactaggart MP	Parliamentary Under Secretary for Race Equality, Community Policy and Civil Renewal	Home Office
Ben Merrick	Social Exclusion Unit	ODPM
Ashraf Miah	Consultant	Bangladeshi Issues
Ishtiaq Hussain Mir	Managing Director	Right Track Foods Ltd
Mohammed Mogradia	Managing Director	Miras Group
Leslie Morphy	Director of Programmes and Policy	The Prince's Trust
Charles Morton	Partnership Manager	Inbiz
Gurjit Nandhra	Consultant	Mywork Solutions
Angela Newton	Senior Diversity Manager	Jobcentre Plus
Ernest Nmerukini	Owner Manager	D2-Cahuna
Stephen O'Brien	Chief Executive	London First
Joe Okoli	Managing Director	North London Itec
Irfan Oomar	EM Project Support Officer	Chamberlink Bolton
Eric Osei	Senior Enterprise Development Manager	London Development Agency
Marion Osman	Managing Director	Afrocentric
John Oughton	Chief Executive	Office of Government Commerce
Yousuf Pandor	Managing Director	Deluxe Foods
Shahida Parkar	Ethnic Business Adviser	Jobcentre Plus (Bedfordshire)
Ayyub Patel	Director	Ethnic Minority Business Service, Bolton Council
Alan Pluck	Chief Executive	Harrow in Business
Dave Purdy	Social Exclusion Research Team	Small Business Service
Wasim Rafique	Managing Director	Rafique Textiles
Nisar Raja	Chair	Pakistani Community Centre
Professor Monder Ram OBE	Director	Centre for Research of Ethnic Minority Enterprise
Patricia Ramgolam-Singh	Managing Director	Concept Hair
Richard Rochester	Project Manager	Turning Point
Judith Rutherford	Chief Executive	Business Link for London

Iqbal Sacranie	Secretary General	Muslim Council of Great Britain
Tariq Sadiq	Project Manager	Asian Trade Links
Hamid Salim	Business Manager (Manchester)	Habib Bank
Mohammed Shahid	Managing Director	Sidhu Financial Services
Dr Sarindar Singh Sahota	Chairman	Institute of Asian Business
Tony Sealy	Chair	Black Business in Birmingham
Sehreen Seleem	Project Manager	Working Links
Cat Settle	Director	Wai Yin Chinese Women Society
Mick Sheldon	Director	Social Enterprise Development Initiative
Madan Showan	Chairman	Empire Electricals
Ruth Silver CBE	Principal	Lewisham College
Dave Simmons	Director	Centre for Economic and Social Inclusion
Diana Skeete	Board member	Black Training and Enterprise Group
Richard Treanor Smith	Director	Crime and Disorder Partnership
Ruth Spellman	Chief Executive	Investors in People
Ken Spencer	Managing Director	North West Development Agency
Brenda Stern	Director of Private Sector	Commission for Racial Equality
Peter Stowe	Consultant	Amion
Asma Tariq	Manager	Women's Own Project
Carolyn Taylor	District Manager	Jobcentre Plus (Bedfordshire)
John Taylor	Chief Executive	Advisory, Conciliation and Arbitration Service
Rashid Teladia	Member	Ethnic Minority Business Forum
Titus Boye Thompson	Chief Executive	Ethnic Business Development Consortium
Yvonne Thompson	Director	European Federation of Black Women Business Owners
Claire Tyler	Director of Social Exclusion Unit	ODPM
Tracy Vegro	Director of Productivity and Diversity	Department of Trade and Industry
Tom Walker	Deputy Head of Enterprise Policy	Small Business Service
Ray Walker	Director	Access and Participation
David Way	Director of Skills	LSC
Andy Westwood	Director	Centre for Economic and Social Inclusion
Louise Willington	Senior Policy Adviser	Enterprise Team, HM Treasury
Jackie Wright	New Deal for Lone Parents Adviser	Jobcentre Plus (Bedfordshire)

We would also like to thank: the Rocket Science team for facilitating the consultation events in London and Bradford and Ishfaq Is-Haq (Atos Consulting) and Kemi Saka (Enterprise Team, HMT), who helped to facilitate the small business consultation in Bolton.

## ANNEX E

**BIBLIOGRAPHY**

- Adult Learning Inspectorate (2004) *Annual Report of the Chief Executive 2003/04*
- Better Regulation Task Force (1999) *Review of Anti-discrimination Legislation*
- Bank of England (1999) *Finance of Ethnic Minority Firms*
- Bank of England (2005) *Finance of Ethnic Minority Firms*
- Bright, Martin (2003) *One in 100 Black adults now in jail* ([www.blink.org.uk](http://www.blink.org.uk))
- British Bankers Association (2000) *Finance of Ethnic Minority Firms*
- British Bankers Association (2002) *Access to Finance and Business Support by Ethnic Minority Businesses in the UK*  
*Monder Ram, David Smallbone and David Deakins*
- Cabinet Office (2002) *Ethnic Minorities and the Labour Market Interim Analytical Report*
- Cabinet Office (2003) *Ethnic Minorities and the Labour Market*
- Cabinet Office (jointly with the Office of the Deputy Prime Minister) (2005) *Improving the Prospects of People Living in Areas of Multiple Deprivations in England*
- Central Procurement Directorate (2002) *A Review of Public Procurement*
- Centre for Enterprise, Manchester Metropolitan University (2002) *Exploring the Motivations of Female Entrepreneurs from Ethnic Minority Backgrounds: Barriers and Opportunities*
- Commission for Racial Equality (2002) *Towards Racial Equality: An evaluation of the public duty to promote race equality and good relations in England and Wales*
- Commission for Racial Equality (2003) *Race Equality and Public Procurement*
- Commission for Racial Equality (2003) *Race Equality and Public Procurement in Local Government*
- Commission of the European Communities (2001) *On the community law applicable to Public Procurement and the possibilities for integrating social considerations into public procurement*
- De Montfort University, occasional paper 72 (2002) *Equal Opportunities Policy and Practice in the UK: Evaluating the 'empty shell' hypothesis*

Department for Education and Skills (2000) *Race Research for the Future: Ethnicity in Education, Training and the Labour Market*

Department for Education and Skills (2003) *Aiming High: Raising the Achievement of Minority Ethnic Pupils*

Department for Education and Skills (2003) *Minority Ethnic Attainment and Participation in Education and Training: The Evidence*  
Gargi Bhattachatyya, Liz Ison, Maud Blair

Department for Education and Skills (2003) *National Skills Strategy*

Department for Education and Skills (2004) *Youth Cohort Study*

Department for Education and Skills (2005) *Equality Stock-take: The Apprenticeship Programme*

Department for Education and Skills (2005) *Ethnicity and Education: The Evidence on Minority Pupils*

Department for Education and Skills (2005) *Skills White Paper*

Department of Trade and Industry (2004) *Fairness for All: A New Commission for Equality and Human Rights*

Department of Trade and Industry (2004) *Fairness for All: A New Commission for Equality and Human Rights – The Government Response to Consultation*

Department for Work and Pensions Ethnic Minority Employment Division (2003) *Ethnic Penalties in Employment: A Literature Review*

Department for Work and Pensions Ethnic Minority Employment Division (2004) *Using Public Sector Procurement to Promote Race Equality*

Department for Work and Pensions (2004) *Building on New Deal: Local solutions meeting individual needs*

Department for Work and Pensions (2005) *5 Year Strategy: Opportunity, Security throughout Life*

Equality and Diversity Forum (2004) *Taking Equal Opportunities Seriously*  
Colm O'Conneide

Ethnic Minority Business Forum (2003) *Annual Report 2002*

Ethnic Minority Employment Task Force (2004) *Year One Progress Report*

Greater London Authority (2003) *Asian Creative Industries in London*

HM Treasury (2000) *Government Accounting*

HM Treasury (2004) *Pre Budget Report 'Opportunity for all: The strength to take the long term decisions for Britain'*

HM Treasury (2005) *Delivery Report Against DWP's SR2002 PSA Targets*

Home Office (2002) *Race Equality in Public Services*

Home Office (2004) *Think Smart, Think Voluntary Sector*

Home Office Active Community Unit (jointly with the Office of Government Commerce) (2004) *Good Practice Guidance on the Procurement of Services from the Voluntary and Community Sector*

Home Office (2005) *Improving Opportunity, Strengthening Society*

Home Office (2005) *Strength in Diversity, Towards a Community Cohesion and Race Equality Strategy*

Investors in People (2004) *An Overview of the Profile Framework*

IPPR (2003) *Current Policy Framework and Levers for Race Equality and Diversity*  
*Dr Clare Collins*

IPPR Task Force on Race Equality and Diversity in the Private Sector (2004) *Race Equality: the benefits for responsible business*

Jobcentre Plus (2005) *Working Neighbourhoods Pilot (WMP): Update on progress to 31 December 04*

Jobcentre Plus Analytical Division paper (2004) *Job entry performance of Ethnic Minorities on New Deal programmes*

Jobcentre Plus Analytical Division paper (2004) *How does performance of New Deal vary between ethnic groups?*

Jobcentre Plus Analytical Division paper (2004) *How well is New Deal performing in the 272 LAWs with high ethnic minority populations?*

Jobcentre Plus Analytical Division and Policy Research Institute (2004) *Review of Additional Points 2003-2004*

Joseph Rowntree Foundation (2002) *Achieving Community Benefits Through Contracts*  
*Richard MacFarlane and Mark Cook*

Journal of International Economic Law (1999) pp3-48 *A Framework for Discussion of the Legality of 'Selective Purchasing' Laws under the WTO Government Procurement Agreement*

King's Fund (2002) *Claiming the Health Dividend: Unlocking the Benefits of Health Spending*

Learning and Skills Council (2004) *Equality and Diversity Strategy 2004/07*

Learning and Skills Council (2004) *Progress with Equality and Diversity Impact Measures (EDIMs)*

Learning and Skills Council (2005) *A Case Study on Birmingham*  
*David Cragg*

Learning and Skills Council (2005) *Equality and Diversity Report 2004*

Learning and Skills Council (2005) *Ethnic Minority Participation in NES Provision*

Learning and Skills Council (2005) *Planning for Change: How Learning and Skills Councils can tackle gender segregation in vocational education and training*

Learning and Skills Council (2005) *Review of Race Equity Scheme*

London Business School (2004) *Global Entrepreneurship Monitor 2004*

London Business School (2005) *Ethnic Minority GEM data 2004; Independent research paper commissioned by NEP*  
*Dr Rebecca Harding*

London Development Agency (2005) *Redefining London's BME Businesses*

McCrudden, Prof. Christopher (1998) *Public Procurement: Global Revolution, Chapter 12, Social Policy Issues in Public Procurement: A Legal Overview*

McCrudden, Prof. Christopher (1999) *Journal of International Economic Law pp3-48*  
*A Framework for Discussion of the Legality of 'Selective Purchasing' Laws under the WTO Government Procurement Agreement*

National Employment Panel (2003) *Keeping it Real: Understanding Intersectional Discrimination and Minority Ethnic Disadvantage in the Labour Market*

National Employment Panel (2004) *Fair Cities: Employer-led Efforts that Produce Results for Ethnic Minorities*

National Employment Panel (2004) *Welfare to Workforce Development*

National Employment Panel (2005) *West Yorkshire Employer Coalition Diversity Report*

Office of the Deputy Prime Minister (2004) *Jobs and Enterprise in Deprived Areas*

Office of Government Commerce (jointly with Sustainable Procurement Group)  
(draft not yet published) *Joint Note on Social Issues in Purchasing*

Open Society Institute (2004) *Aspirations and Reality: British Muslims and the Labour Market*

Open Society Institute (2005) *Muslims in the UK: Policies for Engaged Citizens*

- Orton, Michael and Ratcliffe, Peter (2002) *Working for an Inclusive Britain: An evaluation of the West Midlands Forum Pilot Project*
- Prime Minister's Strategy Unit (2003) *Ethnic Minorities and the Labour Market*
- Policy Studies Institute (2004) *Ethnic Minority Outreach: An Evaluation*
- Policy Studies Institute (2005) *Ethnic minority perceptions and experiences of Jobcentre Plus*
- Small Business Service (2001) *Ethnic Minority Enterprise: Policy in Practice*  
*Monder Ram and David Smallbone*
- Small Business Service (2003) *Engaging Black and Minority Ethnic Entrepreneurs in Business Support*
- Small Business Service (2004) *A Government Action Plan for Small Businesses: The Evidence Base*
- Small Business Service (2004) *Annual Small Business Survey (ASBS) 2003/04*
- Small Business Service (2004) *Business Link and Companies House Survey of Awareness and Understanding*
- Small Business Service (2004) *Leading Lights – Experience from Phoenix Fund*
- Small Business Service (2005) *Annual Small Business Survey (ASBS) Minority Ethnic Business Booster Sample (draft – not yet published)*
- Social Exclusion Unit (2004) *Jobs and Enterprise in Deprived Areas*
- Street UK (2004) *Self-employed People in the Informal Economy: Cheats or Contributors?*
- Stonewall (2004) *Understanding Prejudice: Attitudes Towards Ethnic Minorities*  
*Gill Valentine and Ian McDonald*
- University of Cambridge Centre for Public Law and Judge Institute of Management Studies (2000) *Equality: A New Framework*  
*Bob Hepple QC, Mary Coussey and Tufyal Choudry*
- West Midlands Regional Observatory (2005)  
*Growth Prospects and Ethnicity in the Regions*  
*Andy Phillips*
- Work, Employment and Society Journal, volume 11(1997) *Ethnic differences in women's employment*
- The Work Foundation (2005) *Changing Demographics*  
*Laura Williams and Alexandra Jones*
- The Work Foundation (2005) *Who is being served? McDonalds and the UK Enterprise Agenda*  
*Andy Westwood and Liz Reynolds*

# ANNEX F

## GLOSSARY

ACAS	Advisory, Conciliation and Arbitration Service
ALI	Adult Learning Inspectorate
BBA	British Bankers Association
BLO	Business Link Operators
BME	Black and Minority Ethnic
BoND	Building on New Deal
CoVEs	Centres of Vocational Excellence
CRE	Commission for Racial Equality
DfES	Department for Education and Skills
DTI	Department of Trade and Industry
DWP	Department for Work and Pensions
EMBF	Ethnic Minority Business Forum
EMO	Ethnic Minority Outreach
ESOL	English for Speakers of Other Languages
ETP	Employer Training Pilots
FE	Further education
GEM	Global Entrepreneurship Monitor
GVA	Gross value added
HE	Higher education
HMT	Her Majesty's Treasury
IIP	Investors in People
IPPR	Institute of Public Policy Research
LSC	Learning and Skills Council
MIS	Management Information System
NEP	National Employment Panel
NETP	National Employer Training Programme
NRU	Neighbourhood Renewal Unit
ODPM	Office of the Deputy Prime Minister
OGC	Office of Government Commerce
PM SU	Prime Minister's Strategy Unit
PSA	Public Service Agreement
RDA	Regional Development Agency
RES	Regional Economic Strategy
RR(A)A 2000	Race Relations (Amendment) Act 2000
RRA 1976	Race Relations Act 1976
RSP	Regional Skills Partnership
SBS	Small Business Service
SME	Small and medium enterprises
TEA	Total entrepreneurial activity
WIB	Workforce Investment Board

# National Employment Panel Members

**Lord Sandy Leitch**

Chair  
National Employment Panel

**Lord Victor Adebowale CBE**

Chief Executive  
Turning Point

**Sonita Alleyne OBE**

Chief Executive  
Somethin' Else

**Jeremy Anderson**

Head of Financial Services  
KPMG LLP

**Jonathan Austin**

Managing Director  
Best Companies Ltd

**Chris Banks CBE**

Chief Executive  
Bighoughts

**Mike Beasley CBE**

Chairman  
CBI West Midlands

**Karan Bilimoria CBE, DL**

Chief Executive  
Cobra Beer Ltd

**John Clare CBE**

Group Chief Executive  
Dixons Group plc

**Keith Clarke**

Chief Executive  
WS Atkins plc

**Philip Friend**

Partner and Director  
Churchill & Friend

**Sir Roy Gardner**

Chief Executive  
Centrica

**Kate Green OBE**

Chief Executive  
Child Poverty Action Group

**Dr Binna Kandola**

Senior Partner  
Pearn Kandola

**Ruth Marks**

Chair  
Welsh Employment Advisory Panel

**William McGinnis CBE**

Chairman  
McAvoy Group Ltd

**John Milligan**

Chair  
Scottish Welfare to Work  
Advisory Task Force

**Frances O'Grady**

Deputy General Secretary  
Trades Union Congress (TUC)

**Gordon Pell**

Chairman of Retail Banking  
and Wealth Management  
Royal Bank of Scotland

**Cay Stratton CBE**

Director  
National Employment Panel

**Mark Thompson**

Director General  
BBC

**Jeremy Walker**

Chief Executive  
North Yorkshire County  
Council



Level 5A Caxton House  
6-12 Tothill Street  
London SW1H 9NA

Tel: 020 7340 4232  
Fax: 020 7340 4202

[www.nationalemploymentpanel.org.uk](http://www.nationalemploymentpanel.org.uk)