



# Microbusinesses and Inclusive Growth

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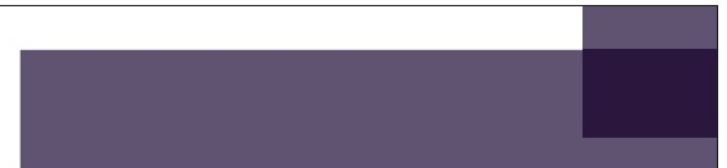
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*Inclusive Growth in Cities: Global Lessons for Local Action*

University of Manchester, 19<sup>th</sup> November 2019





# Overview

- Microbusinesses – some key statistics
- Inclusive Growth – economic inclusion/ social inclusion
- Ethnic minority businesses in deprived areas
- Case study: the Bangladeshi Catering Sector in the West Midlands
- From social inclusion to economic inclusion → Inclusive Growth?
- Productivity from Below

# Microbusinesses in the UK (1)

Micro-business Britain Survey (Roper et al., 2018)

- 2017 - 1.11 million microbusinesses (with 1-9 employees) in the UK
- Employing 4.09 million people (17.6% of the workforce)
  - median employment 4.00; mean 3.34
- £552 billion in sales (14.7% of that by all UK firms)
  - median turnover £225,000; mean £664,000
- 53.8% home-based; 70.1% family-owned
- At the heart of many local economies
- ***Heterogeneity***: from 'gazelles' to those concerned primarily with *survival*



# Microbusinesses in the UK (2)

Micro-business Britain Survey (Roper et al., 2018)

- Literature suggests that ***ambition of owner-managers*** is strongly linked to growth and performance of the firm
- 73.7% want to keep their business similar to how it operates now; 22.1% of respondents aim to build a national or international business
- 32.4% introduced a new or significantly improved product or service over the previous 3 years
- Higher levels of employment, being family-owned and having the founder involved are all associated with significantly lower levels of sales per employee



# Inclusive Growth (Rafferty and Jelley, 2018)

## economic inclusion/ social inclusion

*“If we want to have societies that are more equal and have less poverty, we need to focus on the economy and the connections between economic and social policies”*

- Inclusive growth is about **economic inclusion** – concerned with how wealth is created and distributed in society, through profits and pay, redistribution via taxation, welfare and other public spending
- Debates on **social inclusion** predominantly focus on the margins of the economy – such as increasing labour force participation or reducing poverty



# Ethnic minority microbusinesses in deprived areas

- Arrest economic decline
- Locally embedded – provide community links
- Provide important social services (Jones et al., 2019)
- Facilitate employment entry – especially for those screened out by other methods
- Informal ways of working
- Who is employed?
- (How/ What) are workers paid?
- Limited opportunities for progression
- High scores on intrinsic 'good jobs' indicators

# Bangladeshi catering sector (1)

## Background

- Initially characterised by first generation Bangladeshi ownership – family members and individuals from the same community
- Subject to growing pressures

## Generational change

- Subsequent generations are pursuing careers outside the sector
- *“We could be the last generation because none of our kids want to go into the restaurant trade.”*

# Bangladeshi catering sector (2)

## Staff shortages

- Sourcing from non-Bangladeshi groups
- ‘Curry House’ image – does not do justice to the complexity of the cuisine
- Low pay – *“The pay is minimal and there’s no future for them”*

## Competition

- Supermarkets – people eating prepared foods at home more often
- Within the sector – competitors lowered prices to attract customers and fulfil expectations of low-priced food
- Outside the sector – vacant units leased out as catering businesses by local councils

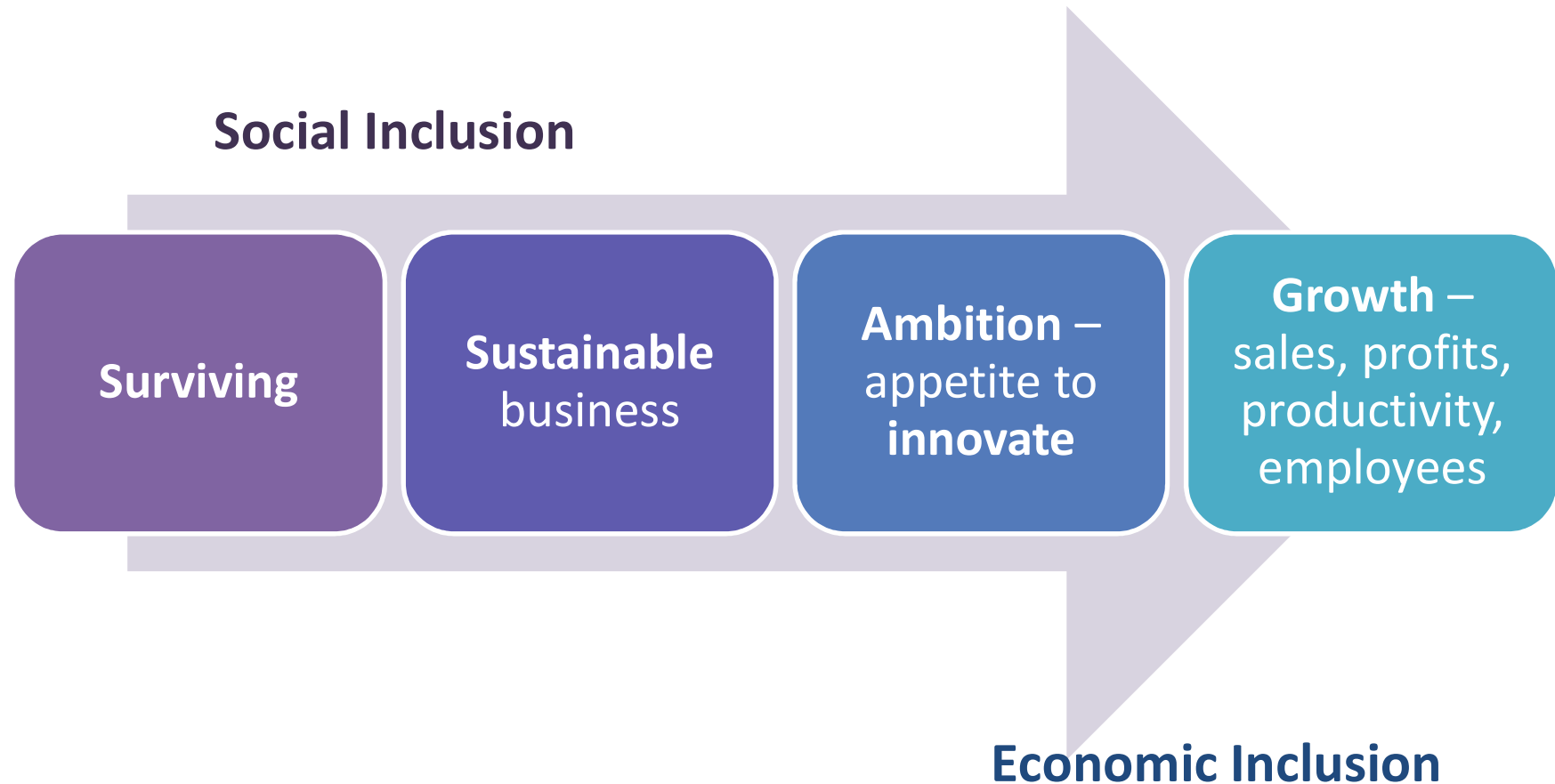


## Bangladeshi catering sector (3)

- **Lack of formality** in work organisation – albeit learning informally from each other rather than formal training
- **Neglect** technology and social media
- Case of a **new model**: *“As soon as the customer comes in, from the start to finish there’s a time limit. Everybody knows it from the kitchen staff to those front of house. Even if I serve a small portion of curry, that small portion I’ve got calculated starting with the amount of water that goes into it. One thing we’re lacking in the Bangladeshi catering sector we don’t do that calculation. There are loads of spices we use which aren’t necessary. I found that I’m cutting back on things we don’t need. Every day we have a timesheet of what’s being cooked, the ingredients and the time it takes. I don’t care how experienced a chef you are, that’s how I want it to ensure the best in quality.”*



# Pathway to Inclusive Growth



# Productivity from Below

- While some microbusinesses may have an intuitive interest in productivity but their understanding often partial - tend to prioritise other aspects of performance or mere survival
- May lack resources or management capability to see how they could improve productivity
- Productivity improvements achieved through skills, use of tools/equipment, work organisation
- Labour productivity: output per employee
- Need to be sensitive to the context of the firm
- Complex structure of agencies and organisations providing business and enterprise support, characterised by instability and fragmentation

# Next steps

- To provide a detailed understanding of management and engagement practices and their relationship to productivity in micro-businesses, by focusing on how nature of management, working practices, and employee experiences relate to the performance of the firm

