



Research into diverse businesses to understand their experiences of local regulation, its enforcement and how this affects their ability to contribute to economic growth

Final Report

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Contents

Summary	i
Executive summary	ii
1 Introduction and background	1
1.1 Aim of the study	1
1.2 The elements of research	1
1.3 Background and context for this research	2
1.4 Structure of this report	5
2 Method of approach	7
2.1 Scope of the research	7
2.2 Thematic framework	7
2.3 Research approach	8
2.4 Analytical approach	12
2.5 Challenges and issues encountered	12
3 Diverse business performance, barriers and trends	14
3.1 Diverse businesses' contribution to UK economy and growth	14
3.2 Immigration trends in the UK	15
3.3 Diverse business performance and environment	19
4 Attitudes and awareness towards local regulation	24
4.1 Attitudes towards regulation	24
4.2 Awareness of local regulations	29
5 Experiences of local regulatory enforcement and inspections	34
5.1 Diverse business contact with local authorities	34
6 Local regulatory impacts on diverse businesses	41
6.1 Impact of local regulation on diverse businesses	41
7 Food and drink importation case studies	50
7.1 Case study 1 – Turkish-owned food and drink importer, Enfield	50
7.2 Case study 2 – Asian-owned drinks importer, Walsall	51
8 Summary of key findings and conclusions	53
8.1 The experiences of diverse businesses with local regulation	53
8.2 Gaps in evidence	55
8.3 Research and hypotheses for further exploration	56
Annex 1 Overview of reviewed literature	59
Annex 2 Topic guide for business interviews	63
Annex 3 Topic guide for case study interviews	71
Annex 4 Topic guide for stakeholder interviews	81

Summary

- Diverse SMEs and micro businesses make a significant contribution to the UK economy. In 2010, 6.3 per cent of SMEs – around 280,000 businesses – were minority ethnic group led, contributing about £25 billion to GVA (five per cent of the UK SME GVA total). In the same year, 15.5 per cent of SMEs (690,000 SMEs) were majority women-led, contributing about £50 billion to GVA (or 12 per cent of the UK SME gross value added total).
- The majority of diverse businesses (BME¹ led and women-led businesses) interviewed for this study stated that the market in which they operate has become increasingly challenging in recent years, mainly as a result of the economic recession, but also partly due to local and other regulation which can lead to undue burdens.
- Future migration from an increasingly diverse set of countries means that it will become even more important to acknowledge the specific needs of diverse business and incorporate these needs into the local regulatory framework to aid business growth and development.
- Good regulatory delivery can both support and drive growth if planned and executed effectively. Effective local delivery of regulation includes tailoring the approach to the needs of businesses to support and encourage growth. As part of this tailored approach, recognition of diversity can shape the needs, attitudes and perspectives of a business with respect to local regulation.
- Within this context, this report draws out key findings in relation to diverse businesses and their attitudes and awareness towards local regulation, experiences of local regulatory enforcement and inspections and the impacts and burdens they bear.
- This report finds that BME-led SMEs are more likely than the general population of SMEs to seek information on their regulatory requirements from private companies and trade associations rather than government authorities, possibly signalling a lack of trust in government authorities amongst BME-led businesses.
- The concentration of BME-led businesses in certain sectors makes them more susceptible to local regulatory burdens than the wider business population.
- Across a range of sectors there may also be implied or passive differences in treatment as a result of inspectors not accounting for the cultural diversity of the individual business owner, which some diverse businesses raised as an area for improvement with respect to inspectors and inspections.
- Food and drink businesses cited significant regulatory burdens as a result of the manner in which port-related regulations are enforced, particularly in relation to specialised or controlled goods.
- This report finds areas of commonality in terms of the experiences and perspectives of diverse businesses and the wider population of SMEs when it comes to local regulation but also highlights experiences and perspectives that are distinct, driven by the diverse nature of businesses, be that related to ethnicity or gender. This includes language barriers and a lack of familiarity with regulatory requirements of newly arrived migrants. Experiences and perspectives of ethnic minority businesses differ as a result of the different contexts in which they are embedded, related to sector, locality, labour markets and institutional support. The burden of local regulation on BME-led businesses can also differ according to how established the business is and these factors may better explain how diverse businesses experience local regulation rather than their ethnicity per se.
- Diverse businesses are generally less likely to express positive views about regulatory inspections. BME-led businesses expressed mixed views as to the usefulness of inspections while women-led businesses are generally satisfied with the system of inspections but suggest that more flexibility could be built into the system.
- In summary, this research is an important component in a broader programme of potential further research into diverse businesses and local regulation and, more specifically, how the local delivery and enforcement of regulation can be better tailored to the needs of diverse businesses to maximise their contribution to UK growth. Statistically representative surveys, alongside further qualitative research, could usefully be undertaken with a wider range of diverse businesses to generate additional evidence to inform and shape future regulatory policy.

¹ For the purpose of this report Black and Minority Ethnic (BME) Businesses is used broadly to encompass emerging communities and includes: White Irish, white other mixed (white & black Caribbean, white & black African, White & Asian, any other mixed background), Asian or Asian British (Indian, Pakistani, Bangladeshi, any other Asian background) black or black British (Caribbean, African or any other black background), Chinese, and any other ethnic group including Turkish, Polish, Somali and European.

Executive summary

This report presents the findings of a research study into the experiences of diverse businesses² with 'local regulation'³ and its enforcement, including a more in-depth examination into the experiences of two diverse businesses that import food and drink. This executive summary summarises the main research findings and results.

The importance of diverse SMEs to the UK economy

Small businesses are the backbone of the UK economy and are vital to the country's economic performance and future growth and employment prospects. The UK has around 4.5 million businesses with less than 50 employees (accounting for around 99 per cent of all businesses)⁴ which employ 10.8 million people across the country. This represents 46 per cent of all private sector jobs.⁵

In particular, black and minority ethnic (BME) and women-led small and medium enterprises (SMEs) make a significant contribution to the UK economy in terms of the total number of enterprises and their contribution to Gross Value Added (GVA⁶). In 2010, 6.3 per cent of SMEs – around 280,000 SMEs – were minority ethnic group led, contributing about £25 billion to GVA (five per cent of the UK SME GVA total). In the same year, 15.5 per cent of SMEs (690,000 SMEs) were majority women-led, contributing about £50 billion to GVA (or 12 per cent of the UK SME gross value added total).

Given the significant number of diverse businesses in the UK and their contribution to employment and growth, and in order to fully support the Government's agenda for better and smarter regulation, it is important to understand how diverse SMEs interface with regulations and regulators.

The role of regulation in delivering diverse SME growth

The majority of diverse businesses interviewed for this study stated that the market in which they operate has become increasingly challenging in recent years, mainly as a result of the economic recession, but partly due to local and other regulation. Business rates, obtaining finance, tax regulations, employment regulations and competition were all seen as significant barriers to growth. A small number of women-led businesses and around half of BME businesses interviewed for this study cited local regulation as a main obstacle to growth. In particular, health and safety regulations, environmental regulations and planning permission/parking regulations were identified as barriers to business growth. Case studies with food and drink importers also suggested that the importation of food and drink products, with relatively extensive supply chains, can expose businesses to a range of local regulations which can impact on growth prospects and ambitions.

Good regulatory delivery can both support and drive growth, but only if planned and executed effectively. Effective local delivery of regulation includes tailoring the approach to the needs of businesses to support and encourage growth.

A recent BRDO publication⁷ proposes that regulatory delivery can impact on growth in three interlinked areas – reducing business costs, improving business confidence and control and realising wider economic benefits. BRDO emphasise that good regulatory delivery should acknowledge that the needs of businesses are multifaceted. Specifically, an important component is the diversity of the business and developing an

² 'Diverse businesses' are defined herein as those owned and operated by women and those from a black or minority ethnic background. Further details are provided in Section 2 of this report.

³ For the purposes of this study, local regulation comprise of regulations where local authorities and national agencies with local field staff have responsibility for ensuring business compliance, including health and safety; food safety and standards; environment (including waste management and environmental permits); product safety; metrology; fair trading; licensing; age restricted sales and fire safety.

⁴ This figure also includes companies classed as having 'no employees', in other words sole proprietorships and partnerships comprising only the self-employed owner-manager(s), and companies comprising only an employee director

⁵ BIS (2011) Business population estimates for the UK and regions 2011, http://www.bis.gov.uk/assets/biscore/statistics/docs/b/bpe_2011_stats_release.pdf

⁶ GVA measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom.

⁷ BRDO, 2012, Regulation and Growth

understanding of how this is likely to affect the needs and requirements of BME-led and women-led businesses. Developing an understanding of the specific businesses being regulated on a case-by-case basis is likely to impact positively on businesses and create an enabling environment for growth and development.

Understanding the needs and experiences of diverse SMEs with respect to local regulation

This study provides evidence as to why tailoring local regulatory approaches to the individual needs of businesses is important and highlights the role of diversity in better understanding and responding to those needs. In particular, diversity can shape the needs, attitudes and perspectives of a business with respect to local regulation. Therefore, this report aims to draw out key findings in relation to diverse businesses and their attitudes and awareness towards local regulation, experiences of local regulatory enforcement and inspections and the impacts and burdens they bear. The report also draws out the unique characteristics of diverse businesses and identifies specific areas for further research.

Attitudes and awareness towards local regulation

The literature review and interviews with businesses undertaken for this study suggest that diverse businesses are more likely than other SME businesses to view regulation as a barrier to business growth. However, both women-led and BME-led businesses are more likely to cite national regulations (tax and employment) as a greater barrier to growth compared to local regulation.

In terms of the awareness of local regulations among diverse businesses, the businesses interviewed for this study were less aware of environmental regulations than other local regulations such as fire safety, health and safety and trading standards. Stakeholders that were consulted also suggested that diverse businesses have lower levels of awareness of local regulations overall as compared to the wider population of small businesses. Reasons for this include a lack of easily accessible information for diverse businesses, a concentration of diverse businesses in specific sectors which are subject to a large and often complex mix of local regulations and a lack of familiarity with domestic legislation for more recent migrants. Food and drink businesses consulted as part of a workshop highlighted that inspections were a good way to obtain direct information and advice outside of their existing networks. Should be full stop here I think,

When businesses were asked where they would go to access help or advice on local regulations, most women-led businesses interviewed would turn to the local council for advice or help or they would undertake their own research. In contrast, BME-led businesses are more likely to use private companies and trade associations as sources of advice. This finding is supported by wider literature and may reflect, *prima facie*, a lack of trust in government authorities amongst BME-led businesses. Further, earlier GHK research⁸ suggested that micro businesses in general are more likely to turn to local authorities or government sources of information for advice and guidance highlighting the potential difference between BME-led businesses and SMEs and micro businesses more widely.

Women-led businesses interviewed for this study expressed a preference for receiving information on local regulations from government sources via e-mail or post, whilst BME-led businesses suggested a preference for either post or visits. This is a similar finding to previous work undertaken by GHK which suggested that very few micro businesses use online resources and prefer to receive information on local regulations rather than actively seek it themselves. This is a key point, particularly as many resources providing information on regulation, such as businesslink.gov, are now primarily online.

Diverse business experiences of local regulatory enforcement and inspections

The frequency and nature of local regulatory inspections appears to be similar for diverse businesses compared to other SMEs. The diverse businesses interviewed for this study reported receiving more frequent contact with health and safety and fire safety regulators as compared to other regulators such as trading standards and environmental regulators. Diverse businesses generally felt that the frequency of inspections was about right. These findings are consistent with earlier research undertaken by GHK into micro businesses and regulation.

However, attitudes towards inspections appear to differ, with fewer diverse businesses (compared to other SMEs) likely to express positive views. On the whole, women-led businesses are generally satisfied with the system of inspections but suggest that more flexibility could be usefully built into the system. BME-led

⁸ GHK Consulting has previously conducted two studies on behalf of Defra which researched micro businesses and environmental regulations. The first project consisted of a large scale survey of micro businesses and more in-depth interviews, whilst the second project involved ten in-depth case studies.

businesses expressed mixed views as to the usefulness of inspections. In contrast, earlier research by GHK with micro businesses suggested that these businesses were more likely to express positive sentiments regarding local regulation inspections.

In part, the mixed attitudes of BME-led SMEs towards local regulatory inspections may reflect frustration when encountering language barriers. Diverse businesses were asked for their views as to how the local regulatory inspections and enforcement system could be improved. Most suggestions were common with those expressed by other SMEs in earlier research, although one suggestion specific to the ethnicity of BME businesses is to receive more written (rather than verbal) advice and in languages other than English. Further, several businesses for whom the owner/manager's first language was English, also stressed the need for clear and concise documentation which avoids technocratic jargon, emphasising that the challenges associated with language is twofold.

The mixed attitudes may also reflect the perception that diverse businesses are treated differently to other businesses as a result of their ethnicity/gender, but this sentiment was rare amongst businesses. Only a minority of diverse businesses felt that they had been treated differently as a result of their gender and/or ethnicity. Although one of the case study businesses also felt that diverse businesses were treated with greater suspicion. There may also be implied or passive differences in treatment as a result of inspectors not accounting for the cultural diversity of the individual business owner, which some diverse businesses raised as an area for improvement with respect to inspectors and inspections.

Impacts of local regulation on diverse businesses

The concentration of BME-led businesses in certain sectors makes them more susceptible to local regulatory burdens than the wider business population⁹. Evidence suggests that BME-led businesses are more likely than the wider population of businesses to be in the wholesale and retail trade sector, and they are also more likely to work in the hotel/ restaurant sector, transport, storage and communication and in health or social work, many of which are subject to a large number of local regulations. Research also highlights that the burden of local regulation on BME-led businesses can differ according to how established the business is. While literature and interview findings suggest that BME-led businesses have the capability to deal with regulation, there is a contrast between the established minority ethnic business population and new migrant businesses.

Interviews revealed mixed opinions as to whether local regulatory burdens are increasing or decreasing for diverse businesses. BME-led businesses felt that the cost and burden of dealing with the enforcement of local regulation was increasing whilst women-led businesses had more mixed opinions and some suggested that the burden was decreasing. The food and drink businesses that attended the workshop and one of the case study businesses cited high costs and negative impacts on supply chains as a result of the manner in which port-related regulations are enforced. These businesses spend a significant amount of time and money dealing with port regulations and the impact on diverse businesses, many of which have a high propensity to import specialised or controlled goods, can be detrimental to business operations. In terms of the benefits of local regulation, there is a belief among the businesses interviewed for this study that regulation can be beneficial to control business activity by ensuring that all businesses abide by a set of rules and thus improve competitiveness by 'levelling the playing field', however too much regulation can also lead to disincentives, can constrain business growth and can mean that regulations are no longer useful.

The extent to which diverse business experiences of local regulation are unique

This study finds that there are areas of commonality in terms of the experiences and perspectives of diverse businesses vis-a-vis the wider population of SMEs when it comes to local regulation. In particular, these common perspectives include the view that regulation can act as a barrier to growth, that the frequency with which inspections take place is about right and that businesses prefer to receive information on their regulatory requirements rather than seek it themselves.

Conversely, the findings also highlight experiences and perspectives that are distinct, driven by the diverse nature of businesses, be that related to ethnicity or gender. Some issues driven by ethnicity include language barriers and a lack of familiarity with regulatory requirements of newly arrived migrants. However, research also suggests that the experiences and perspectives of ethnic minority businesses differ as a

⁹ That is, a higher proportion of BME-led businesses (compared to non-BME-led businesses) will be found in sectors to which a large number of local regulations apply.

result of the different contexts in which they are embedded. These different contexts relate to sector, locality, labour markets and institutional support and may better explain how diverse businesses experience local regulation rather than their ethnicity per se. By way of example diverse businesses can be hard to reach as they are often highly dispersed and encompass a range of different ethnic minorities. Clear lines of communication to these communities are therefore often limited. In addition diverse businesses are often concentrated within specific sectors which are generally subject to high numbers of local regulations as compared to other sectors.

Further, increasing levels of migration to the UK from more diverse cultural backgrounds will continue to shape the SME landscape and the experiences and perspectives of these businesses with respect to local regulation. It will also influence the extent to which local regulation impacts the performance and growth ambitions of diverse businesses. Many first-generation immigrants will start new businesses and will experience challenges in familiarising themselves with local regulatory requirements that apply to their business. Evidence suggests that self-employed immigrants have a much higher propensity to enter the distribution, hotels, and restaurant sector (this is especially true amongst Chinese and 'ethnic minority' immigrants) which can be subject to a large and often complex mix of local regulations. Evidence also suggests that language barriers and a lack of established local business contacts and networks can hinder the ability of such businesses to understand their regulatory requirements. In addition migration patterns are constantly evolving and based on historic data it is likely that migration rates will increase with additional numbers of migrants starting their own business. Therefore it will become even more important to acknowledge the specific needs of diverse business and incorporate these needs into the local regulatory framework to aid business growth and development. Further it is also possible that, of the increasing numbers of new migrants that will start businesses, some of these businesses may not make themselves known to local regulatory authorities and may become disengaged with local regulation as a result. This may impact both on the success of the business and on consumer protection.

Further areas for investigation

This research study also highlights a number of areas for further research. First, there is a dearth of existing literature and research focused specifically on the experiences of diverse businesses with local regulatory enforcement. And, second, while this report starts to fill some of the gaps in the existing evidence base, the findings are qualitative in nature and not statistically representative of all diverse SMEs. This gives rise to a number of key themes where further work and business engagement would help to establish a more representative and robust evidence base on which to test policy-related implications, including:

- developing a clearer understanding of the communications channels most likely to be used by diverse businesses in order to develop effective strategies for targeting them with information on local regulation;
- considering opportunities to develop a more 'hands-on' role for diverse businesses in the policy-making process;
- considering how to acknowledge and incorporate the cultural differences and distinct needs of diverse business into the local regulatory inspections system on a consistent and systematic basis;
- exploring further the opportunities for providing regulatory information in a more concise and simplified form;
- exploring further the impacts of port regulations on food and drink importers and their supply chains; and
- exploring further the perceptions of local regulatory burden among diverse businesses and the extent to which this reflects actual administrative burdens incurred.

In summary, this research should be viewed as an important stage in a broader programme of potential further research into diverse businesses and local regulation and, more specifically, how the local delivery and enforcement of regulation can be better tailored to the needs of diverse businesses to maximise their contribution to UK growth. Statistically representative surveys, alongside further qualitative research, could usefully be undertaken with a range of diverse businesses to generate additional evidence to inform and shape future regulatory policy.

1 Introduction and background

This section provides a brief description of the aims and objectives of this research project and the policy context. It provides background and context for the findings that follow.

1.1 Aim of the study

The purpose of this project is to undertake research into the experiences of diverse businesses¹⁰ with local regulation¹¹ and its enforcement, including a detailed examination of diverse businesses that import food and drink.

The specific objectives of this project are:

- to provide a robust evidence base to help determine the **impact of local regulation on diverse businesses** that is enforced by local and regionally based inspectors (regulators) and whether and how this is different to that experienced by the general population of micro and small businesses;
- to collect primary data on the **experiences of diverse businesses in complying with regulation** enforced by local and regionally based inspectors (regulators); and
- to develop at least two **case studies on the experiences of diverse businesses that import food and drink products** including their supply chains, how this impacts on business growth and which regulations appear to create the greatest burdens.

This will help to answer the broad research questions of what the relative impact is of the way regulation is enforced on diverse businesses and how and whether this is different to those experienced by micro and small businesses.

1.2 The elements of research

The research project consists of three main parts:

- **a Rapid Evidence Assessment (REA) review** – a summary of the existing evidence base in relation to diverse businesses and their contribution to the UK economy, and an exploration of how far the impact of local regulation on them has been researched to date;
- **face-to-face and telephone interviews with diverse businesses** – the second research element involved primary evidence gathering with diverse businesses to better understand the issues they face and their perceptions and experiences of the regulatory system and, importantly, how these issues and experiences are different to other small and micro businesses¹²; and
- **case studies** – two case studies of diverse businesses that import food and drink products into the UK.

Further, following discussions between BRDO¹³ and the National Asian Business Association (NABA) towards the end of the study period, it was agreed that a workshop would be held with food and drink businesses to gain further insights into the views and experiences of businesses operating in the food and drink sector.

¹⁰ 'Diverse businesses' are defined herein as those owned and operated by women and those from a black or minority ethnic background. Further details are provided in Section 2 of this report.

¹¹ For the purposes of this study, local regulation includes all forms of business regulation that are enforced at a local level, which is essentially all regulation excluding taxation (as stated in the terms of reference).

¹² A mixed method (face-to-face and telephone interviews) was adopted as this offered the most pragmatic approach in the context of the study timescales, the time constraints on small and medium enterprises (SMEs) and the overall qualitative approach taken for the study.

¹³ BRDO has been formed from the Local Better Regulation Office (LBRO) and, as of April 2012, has become a new streamlined body within the Department for Business, Innovation and Skills (BIS). This report refers to BRDO throughout, although any publications or studies carried out when the organisation was formally known as LBRO are referenced as such.

1.3 Background and context for this research

The context for this research is the Business Diversity Summit hosted by the Better Regulation Delivery Office (BRDO) in October 2011 which recommended that research was needed to evidence the issues experienced by diverse businesses in relation to local regulation and whether and how these affect the growth of these businesses. The Business Minister Mark Prisk MP attended the summit and stated that he was interested in hearing about the recommendations and the outcomes from the summit. Consequently, this research is designed to assess the relative impact of the way local regulation is enforced on diverse businesses and how and whether this is different to those experienced by micro and small businesses.

1.3.1 Local regulation of SMEs in the UK

Local regulation comprises regulations where local authorities and national agencies with local field staff have responsibility for ensuring business compliance, including:

- health and safety;
- food safety and standards;
- environment (including waste management and environmental permits);
- product safety;
- metrology;
- fair trading;
- licensing;
- age restricted sales; and
- fire safety.

The Terms of Reference for this study highlights in particular the regulation of the food and drink sector.

Regulatory design versus regulatory delivery

This study makes a distinction between regulatory design and regulatory delivery and focuses on the delivery aspect at a local level. Regulatory design relates to the system of regulation and the regulations themselves, including the compliance requirements on businesses. Regulatory delivery relates to the implementation and enforcement of those regulations, including via interactions between regulators and businesses and the provision of guidance documents.

Whilst regulatory design is undertaken by policy makers, delivery and enforcement is largely undertaken locally by local authority regulatory services such as trading standards officers, environmental health officers, licensing and fire safety officers and national agencies that have regionally based field staff such as the Environment Agency and Health and Safety Executive (HSE). Consequently, there is a distinction between upstream design and downstream delivery and implementation at a local level.

In particular, BRDO is concerned with changing and improving the way that regulation is delivered and enforced and this project focuses on this aspect rather than modifying the regulations or policy itself. This report therefore focuses on the experiences of diverse businesses with regards to the enforcement of local regulation.

1.3.2 Regulation and its enforcement as a barrier to growth

The volume and complexity of regulations can pose a significant cost to enterprises,¹⁴ especially those that fall into the category of micro or small businesses. Businesses can struggle to keep on top of their regulatory requirements, both in terms of compliance as well as the information requirements (such as paperwork and inspections) to demonstrate compliance. Time spent

¹⁴ Ipsos MORI, 2009, *The Anderson review of Government guidance on regulation. Business perspectives of Government guidance: research study* [pdf], available at www.bis.gov.uk/files/file49883.pdf.

dealing with regulation is time that might otherwise be spent growing a business and so it is vital that such regulations do not impose unnecessary and avoidable burdens on businesses in the pursuit of their objectives.

In a survey¹⁵ aimed at boosting women entrepreneurship, it emerged that 6 per cent of women-led enterprises consider regulation to be the 'main obstacle' to the success of the business (compared to 7 per cent of all SMEs). Regulation is, however, mentioned as an 'additional barrier' by a further 52 per cent of women-led enterprises (compared to 47 per cent of SMEs). The most common barriers were identified as health and safety regulations (31 per cent), employment (19 per cent), tax-related (16 per cent) and sector specific regulations (15 per cent). LBRO¹⁶ identified some of the key challenges for businesses related to local regulation, including:

- understanding what regulatory requirements apply (understanding which requirements apply in their individual context);
- understanding how to comply (guidance and advice explaining what they have to do to comply is burdensome and it is not straightforward to understand what needs to be done to comply with regulations);
- inconsistency in approach; and
- a lack of coordination between local councils or between local and national bodies.

Collectively, these challenges may constitute a barrier to growth if they create burdens for businesses in terms of time spent researching and understanding regulations and the duplication of effort. For example, in the course of GHK's earlier work for Defra on micro businesses and environmental regulation, businesses reported that they were frequently required to provide the same information to multiple Government departments and were visited by numerous local authority inspectors who were often assessing the same risks.¹⁷

1.3.3 Reducing regulatory burden for small businesses

In November 2010, the Government launched a growth review in which it identified 'better regulation' as a key area of reform for long-term growth given that the burdens of regulation continue to be one of the top concerns of business.¹⁸ The Government underlined its commitment to better regulation and business growth through a speech by Business Secretary Vince Cable to the City of London in March 2011.¹⁹ This was followed by announcements on further measures intended to reduce regulatory burden for Britain's smallest businesses.²⁰ The current Government has affirmed its commitment to reducing regulatory burden, stating that it will 'cut red tape' and 'end the culture of tick-box regulation'.²¹ In its 'Programme for Government', the Government set out specific regulatory commitments that included:

- cutting red tape by introducing a 'one-in, one-out' rule whereby no new regulation is brought in without other regulation being cut by a greater amount;
- ending the culture of 'tick-box' regulation and instead target inspections on high-risk organisations through co-regulation and improving professional standards; and
- imposing 'sunset clauses' on regulations and regulators to ensure that the need for each regulation is regularly reviewed.

¹⁵ BIS (2011) BIS Small Business Survey 2010. Women-led businesses boost. URL: <http://www.bis.gov.uk/assets/biscore/enterprise/docs/b/11-1078-bis-small-business-survey-2010-women-led-businesses-boost>

¹⁶ LBRO (2010) From the Business End of the Telescope. URL: <http://www.lbro.org.uk/docs/from-the-business-end-of-the-telescope.pdf>

¹⁷ GHK Consulting Ltd (2011) Micro Businesses and Environmental Regulation, Defra

¹⁸ HM Treasury and BIS (2010), *The path to strong, sustainable and balanced growth*.

¹⁹ BIS (2011), *Cable outlines agenda for growth*.

²⁰ BIS (2011), *Vince Cable bins business red tape*.

²¹ HM Government (2010), *The Coalition: Our programme for government*

In addition, the Government has pledged that regulation should be the last resort, not the first, and even where the case for regulation has been made, a compelling case must be made for including SMEs within scope. Further, Budget 2011 contained better regulation measures set in the context of the Government's strategy for growth. The Government also launched the Red Tape Challenge to identify 'which regulations are working and which are not; what should be scrapped, what should be saved and what should be simplified'.²² Most recently, the Government consulted on a package of proposals relating to Transforming Regulatory Enforcement (see below box).

Transforming Regulatory Enforcement

The Transforming Regulatory Enforcement consultation is of specific relevance to local regulation. Businesses provided comments about regulatory enforcement and results show that, in some cases, it is not the regulation itself which causes problems, but the way it is enforced. The Government's plans to transform regulatory enforcement now include:

- making greater use of 'earned recognition', so that compliant businesses are subject to fewer inspections and unnecessary regulatory action;
- doing away with the assumption that compliance is something for the State to enforce alone, moving to a presumption that regulators should work with business through 'co-regulation' wherever possible;
- working with businesses, through local enterprise partnerships and local authorities, to promote better local regulation;
- a presumption that regulators should help businesses comply with the law; and
- establishing the principle that no business should face a sanction for simply having asked a regulatory authority for advice.

Source: <http://www.redtapechallenge.cabinetoffice.gov.uk/home/index/>

In addition, changing local regulatory enforcement in order to promote prosperity and growth has been placed high on the agenda of several Local Enterprise Partnerships (LEPs). As announced in the Government's Local Growth White Paper, LEPs are a key mechanism for encouraging UK economic growth and job creation at a local level. They therefore have a leading role to play in changing how businesses are regulated locally. Their business-led nature means that they are well placed to identify, understand and address local barriers to enterprise and put initiatives in place that actively improve the local trading environment. They provide strategic economic leadership, business support, locally focused information and advice.

Business surveys have consistently identified regulation as a real or perceived barrier to economic growth particularly affecting small businesses. LEPs allow local partners to use regulation as a tool to improve the local business environment. Good regulation supports economic growth and business prosperity.

Two pathfinder projects in Greater Birmingham and Solihull and Leicester and Leicestershire LEPs have been working to improve the delivery of regulation. Bringing together a full range of national and local partners, these projects aim to improve coordination, transparency, accessibility to advice and accountability to business. By creating a new relationship and promoting better understanding of local needs, regulators can save businesses time and money and give them confidence to invest and grow.

The pathfinder work encompasses a range of projects including a 'Better Business for All' Charter, a single point of contact website and phone line, a regulatory phone app, a business lifecycle map, business mentoring schemes and regulator training events. Formal evaluation is taking place to measure the impact regulation has on growth. Results to date demonstrate this approach makes a real difference to how easy it feels to do business in these LEP areas, particularly for SME businesses.

²² Red Tape Challenge - <http://www.redtapechallenge.cabinetoffice.gov.uk/about/>

1.3.4 Improving business experiences of local regulation and enforcement

Recent work by BIS suggests that many micro businesses struggle with principles-based approaches to local regulation and would prefer prescriptive forms of regulation.²³ In part, this is because principles-based regulation can lead to over-compliance by micro businesses rather than non-compliance as uncertainty over what is required results in excessive effort and resources being dedicated 'just in case'. Uncertainty related to local regulations and compliance requirements can therefore increase the regulatory burden, often unnecessarily so.²⁴ The importance of clear guidance is noted as being increasingly relevant under principles-based local regulation, especially for micro businesses.

The following areas of improvement and recommendations for local regulation and enforcement have been identified by micro businesses^{25,26}:

- proportionate and consistent enforcement targeted at non-compliant businesses;
- strengthened relationships with local regulators based on trust;
- accessible, practical, legally defensible and needs focused advice and guidance; and
- transparency and communication.

In addition, a recent BRDO publication proposes that regulatory delivery can impact on growth in three interlinked areas which consist of the reduction of business costs, the improvement of confidence and control and the realisation of wider economic benefits. BRDO emphasise that good regulation delivery can provide essential protections from risks posed by day-to-day business operations. It protects citizens from unsafe food and products, from public and occupational health risks, and from fraud and financial detriment. It also protects businesses, ensuring fair competition and a level playing field.²⁷

1.4 Structure of this report

The report is structured as follows:

- **Section 2** sets out the method of approach to the study;
- **Section 3** describes the performance, barriers and ambitions of diverse SMEs;
- **Section 4** presents the key findings on the awareness and attitudes of diverse SMEs towards local regulations;
- **Section 5** sets out the findings on the experiences of diverse SMEs with respect to local regulatory enforcement and inspections;
- **Section 6** presents findings on the local regulatory impacts on diverse businesses;
- **Section 7** presents present the two case studies of the food and drink importers;
- **Section 8** presents a summary of key findings and conclusions;
- **Annex 1** presents the literature that has been reviewed for the REA by category
- **Annex 2** sets out the topic guide for interviews with businesses;
- **Annex 3** includes the topic guide for case study businesses; and

²³ Department for Business, Innovation and Skills, 2010, *Lightening the load: the regulatory impact of the UK's smallest businesses* [pdf], available at www.bis.gov.uk/assets/biscore/better-regulation/docs/l/10-1251-lightening-the-load-regulatory-impact-smallest-businesses.pdf.

²⁴ Department of Trade and Industry, 2004, *A government action plan for small business. Making the UK the best place in the world to start and grow a business: The evidence base* [pdf], available at <http://www.berr.gov.uk/files/file39768.pdf>.

²⁵ LBRO (2010) From the Business End of the Telescope. URL: <http://www.lbro.org.uk/docs/from-the-business-end-of-the-telescope.pdf>

²⁶ LBRO Business Diversity webpage – <http://www.lbro.org.uk/partners-business-diversity.html>

²⁷ BRDO, 2012, Regulation and Growth

- **Annex 4** presents the topic guide for stakeholder interviews.

2 Method of approach

This section describes the research and analytical approach taken for this study, including challenges and issues encountered.

2.1 Scope of the research

For the purposes of this project, the definition of 'diverse business' is broad and encompasses:

- BME-led businesses – businesses owned by those from a black or minority ethnic background (i.e. White Irish, white other mixed (white & black Caribbean, white & black African, White & Asian, any other mixed background), Asian or Asian British (Indian, Pakistani, Bangladeshi, any other Asian background) black or black British (Caribbean, African or any other black background), Chinese, and any other ethnic group including Turkish, Polish, Somalian; and
- women-led business.

Furthermore the project focuses on micro and small businesses only:

- micro business – fewer than 10 employees; and
- small business – 10-49 employees.

For the fieldwork elements of the study, the scope of the research was England and Wales and the fieldwork focused on five business sectors which were thought to represent an appropriate mix of businesses and ensure a good coverage of ethnic backgrounds among those who run the businesses. This was further corroborated with the literature that provides a sector breakdown for minority owned businesses (see section 3.2). Further, this selection aimed to ensure that businesses that were consulted had experienced a breadth of local regulatory enforcement processes and practices (e.g. inspections).

- restaurants and pubs;
- food and drink retail stores;
- construction and home improvement;
- textiles and clothing; and
- other services (e.g. hairdressing, dry cleaning and knowledge intensive services such as professional services and consultancy).

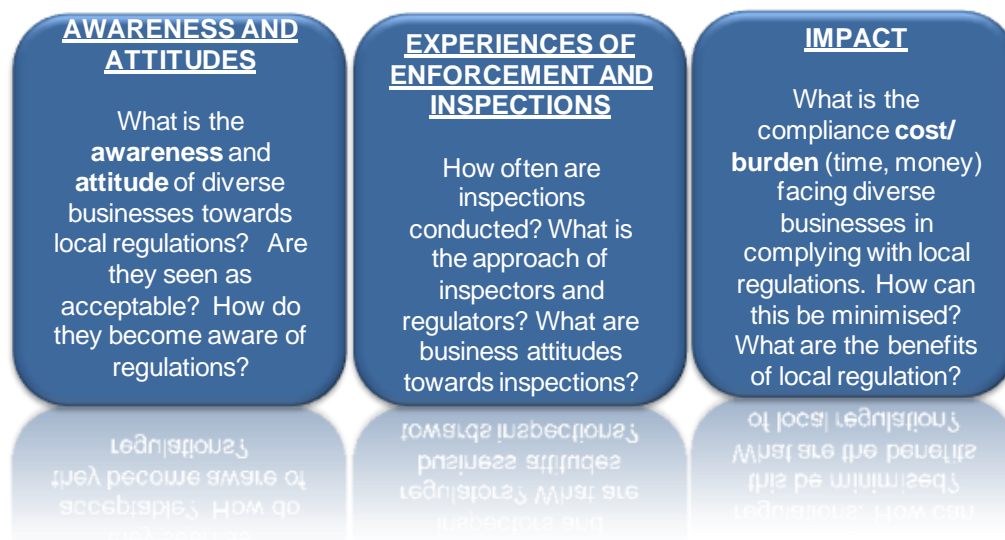
Finally, in terms of the scope of regulation, the focus is on 'local regulation' which refers to regulation that is enforced through local or regionally based inspectors. Local regulation refers to the interactions between regulators and diverse businesses and this may include one or a combination of the following:

- advice and support for businesses in complying with regulation;
- inspections/visits to business premises to ascertain regulatory compliance;
- audits;
- sampling; and
- enforcement actions including issuing warning letters, notices and prosecutions.

2.2 Thematic framework

The main research was organised under three themes designed to generate a comprehensive and systematic account of the experiences of diverse businesses with local regulation (Figure 2.1).

Figure 2.1 The research was organised around three broad themes



Critically, this high-level thematic framework is used to draw out evidence as to whether and how the perspectives and experiences of diverse businesses with respect to local regulation differs from the perspectives and experiences of other micro and small businesses.

2.3 Research approach

A mix of primary and secondary research was undertaken. The work consisted of three principle elements.

2.3.1 Rapid Evidence Assessment (REA) review

Existing research and literature was reviewed for evidence (sources listed in **Error! Reference source not found.**).

A Rapid Evidence Assessment (REA) review methodology was employed given the need to ensure a comprehensive and systematic approach within the overall timescales for the study (box).

Rapid Evidence Assessments Toolkit – Government Social Research Service

Rapid Evidence Assessments (REAs) provide a balanced assessment of what is already known about a policy or practice issue by using systematic review methods to search and critically appraise existing research. They aim to be rigorous and explicit in method and thus systematic but make concessions to the breadth or depth of the process by limiting particular aspects of the systematic review process. REAs are particularly appropriate in the following circumstances which are relevant to this project:

- when there is uncertainty about the effectiveness of a policy or service and there has been some previous research;
- when a policy decision is required within months and policy makers/researchers want to make decisions based on the best available evidence within that time;
- at policy development stage, when evidence of the likely effects of an intervention is required;
- when it is known that there is a wide range of research on a subject but questions still remain unanswered;
- when a map of evidence in a topic area is required to determine whether there is any existing evidence and to direct future research needs; and
- as a starting point. Ideally, one is undertaken to answer a particularly pressing policy concern, and once the immediate question is answered it can form the basis of a more

detailed full systematic review. In such cases, an REA could be better described as an 'interim evidence assessment'.

In these situations, an REA can provide a quick synthesis of the available evidence by shortening the traditional systematic review process.

Source: <http://www.civilservice.gov.uk/networks/gsr/resources-and-guidance/rapid-evidence-assessment/what-is>

The REA initially reviewed data and literature regarding the impact of the enforcement of local regulation on diverse businesses. Information in this particular area is, however, limited and the review aims to highlight the attitudes of business to regulation more generally with a focus on diverse business wherever possible before drilling down to examine the impact of the enforcement of local regulation on diverse businesses.

The review of literature focuses on a number of key issues, namely:

- diverse business' **attitudes towards regulation**;
- the **impacts of regulation** on diverse businesses; and
- diverse businesses and the **enforcement of local regulation**.

The review draws on a number of key sources to provide context to the study, including:

- publications by UK Government and its departments;
- academic research;
- European studies; and
- not-for-profit organisation research.

Annex 1 provides an overview of the literature reviewed and its coverage. Literature was selected that was of relevance to the topic in question and that had been published within the last 20 years, focusing on UK and international examples. Literature was first categorised based on publication type, geographical focus, population group and the specific regulatory policy in discussion. In addition the data extraction form assessed the study design, provided a brief overview of evidence, and an assessment of gaps and of the reliability of evidence. This process helped us to focus the REA on the specific areas of relevance, namely the enforcement of local regulation on diverse businesses.

As part of the REA, a number of key search terms were utilised to locate relevant information. Initially the search was performed at a broad level using terminology such as 'regulation' and 'regulatory enforcement' before honing in on 'local regulation' and 'local authority enforcement'. Key characteristics within documents were highlighted through use of terms such as 'female', 'women led', 'BME led' and 'ethnic minority' 'business', 'entrepreneurs' and 'SMEs'. Further search terms included 'barriers to growth', 'limitations to growth' 'business support', 'England' and 'Wales'. A number of key journals were searched, including the International Journal of Entrepreneurial Behaviour & Research, Journal of Entrepreneurship, Journal of Small Business and Enterprise Development, as well as searches undertaken through Google Scholar.

Key research centres were also drawn upon including the Centre for Asian Entrepreneurial Research, the Centre for Research in Ethnic Minority Entrepreneurship and the Migration Observatory at the University of Oxford.

Annex 1 displays the relevant literature reviewed and drawn on in the findings and text, but does not include the many additional sources initially reviewed but not of direct relevance to the subject. The review highlights that while business attitudes towards regulation has been evidenced, it is largely focused on national regulation. Where local regulation is covered by literature it is usually part of a wider study on regulation rather than being the core focus of research. However, saying that there are some studies that focus on the enforcement of local regulation such as the National Audit Office (NAO) and the LBRO work undertaken in 2010 as well as LBRO work looking at 'National Threats through Local Service Delivery'. This work looked at the paradox of much 'local' regulation in that it tackles issues that go well beyond the

communities of the local authority charged with the responsibility to address them. For example for ports of entry for consumer goods the potential 'problem' is not only national or regional in its effects, but is also most efficiently dealt with in only one or a few local authority areas. The study found that there were a number of areas where 'risk' and 'response' were not aligned between local service and national threat, including imported goods.²⁸

In addition, LBRO work which assessed the impacts and outcomes of Local Authority Regulatory Services (LARS), aimed to establish what is currently known about the impacts and outcomes of LARS, develop an understanding of the intervention logic and build a toolkit that could be used by LARS officials to assess the outcomes and wider impacts of their activities.²⁹ Enforcement of local regulation was also covered as a part of a 2005 Kingston University study.

Overall it should be noted that the majority of literature, in all likelihood, will have covered diverse business within their research, although in most cases the findings were not distinguished by ethnicity or gender. Therefore, although it may be the case that differences in findings do exist between diverse business and small businesses more widely, researchers have not reported on these differences in most cases. See **Error! Reference source not found.** for a list of literature used for this review, categorised by topic and subject.

2.3.2 Business interviews

Semi-structured interviews involved primary evidence gathering with diverse businesses to better understand the issues they face and their perceptions and experiences of the regulatory system and, importantly, how these issues and experiences are different to other small and micro businesses.

Interviews were conducted with a total of 40 diverse businesses by phone and/or face-to-face depending on the preference and locality of businesses³⁰. Businesses were interviewed from across England and Wales (including Swansea, Aberystwyth, Manchester, Leicester, Leicestershire Solihull, Plymouth and also from a range of boroughs across London).

Details of individual businesses were sourced from publicly available sources (e.g. Yellow Pages / www.yell.co.uk) and areas were targeted where we could expect to see a cluster of diverse businesses. Face to face interviews were carried out in and around London, Birmingham and Plymouth, drawing on the contractor's offices and resources in these parts of the country, but ensuring that a spread of different areas and boroughs were targeted within these cities, particularly in London.

The ethnic and sectoral profile of businesses interviewed is summarised in Table 2.1 and Table 2.2.

Table 2.1 Profile of businesses interviewed – Women-led businesses

Business Sector	Asian / Asian British	Central Asia and Middle East	Black / Black British (Caribbean, African)	Chinese / South East Asian	Eastern European e.g. Polish	Turkish	White Irish / White other	White British	Total
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²⁸ LBRO, 2009, Addressing National Threats Through National Service Delivery, Local Better Regulation Office

²⁹ LBRO, 2009, Impacts and Outcomes of Local Authority Regulatory Services, Local Better Regulation Office

³⁰ A mixed method (face-to-face and telephone interviews) was adopted as this offered the most pragmatic approach in the context of the study timescales, the time constraints on small and medium enterprises (SMEs) and the overall qualitative approach taken for the study.

Business Sector	Asian / Asian British	Central Asia and Middle East	Black / Black British (Caribbean, African)	Chinese / South East Asian	Eastern European e.g. Polish	Turkish	White Irish / White other	White British	Total
Restaurants and pubs				2	1	1		2	6
Food and drink retail stores					1		1		2
Textiles and clothing									
Construction and home improvement									
Services	1		2	1			1	5	10
Total	1		2	3	2	1	2	7	18

Table 2.2 Profile of businesses interviewed – BME-led businesses

Business Sector	Asian / Asian British	Central Asia and Middle East	Black / Black British (Caribbean, African)	Chinese / South East Asian	Eastern European e.g. Polish	Turkish	White Irish / White other	White British	Total
Restaurants and pubs	2	2				1	3		8
Food and drink retail stores	2	1				1			4
Textiles and clothing	2								2
Construction and home improvement	1								1
Services	3		1	2		1			7
Total	10	3	1	2		3	3		22

2.3.3 Case studies

Two case studies of diverse businesses that import food and drink products into the UK were undertaken. This involved face-to-face, in-depth interviews with two separate businesses. The two case study businesses were selected following recommendations from particular stakeholders that were contacted as part of this study. The two case study businesses were:

- **an Asian owned business in Walsall** – this business is an importer of drink products with three employees. The company is based in Walsall, West Midlands; and

- **a Turkish owned business in Enfield** – this business is an importer of both food and drink products, with around fifty employees. The business is based in Enfield, Greater London.

These case studies allow for comparisons between a micro business and a small business and also allow for comparisons between two different geographically based areas. Comparison between two businesses run by men of different ethnic minority backgrounds is also possible.

2.3.4 Stakeholder consultations

Stakeholder interviews were undertaken with the Social Enterprise Coalition and the Diverse Entrepreneur Network. In addition, a workshop with food and drink businesses was organised jointly with the National Asian Business Association (NABA) where representatives from NABA also participated and shared their perspectives. The research team also engaged with a number of organisations including Enfield Council, ACAS West Midlands, Minority Supplier Development UK and Black Country Asian Business Association who were able to provide potential business contacts for interviews and case studies. Several stakeholders were approached but did not wish to be interviewed. These businesses comprised the Institute of Asian Businesses, the African Caribbean Business Network, the Ethnic Minority Business Group, the Refugee Council and the Food and Drink Federation.

After submission of a draft final report to BRDO, discussions between BRDO, the National Asian Business Association (NABA) and GHK led to a decision that a workshop with Asian-led businesses in the food and drink sector would be held. The workshop took place in mid-May at NABA's premises in Leicester and attendees included four food and drink importers and manufacturers and representatives from NABA, the Indo British Trade Council, Loughborough University and the Leicestershire Asian Business Association (LABA). Prior to the meeting, a topic guide was circulated to a wider group of Asian-led food manufacturing businesses and responses were fed into the workshop through the workshop chair and NABA. Although some of the businesses in attendance were not micro or small businesses and were considered 'medium' in size, the discussions were useful to highlight some of the issues faced by food and drink businesses, particularly in regards to importing certain produce from Asia and South America.

2.4 Analytical approach

Interviews and case studies combined with secondary research facilitates the analysis of research findings and conclusions through cross-examination and verification. Information from these sources is 'triangulated' here to cross-examine results and overcome biases that can sometimes arise from single method/observer/theory studies. The study used two approaches:

- **data triangulation** – data were gathered at different times, by different methods and from different individuals; and
- **researcher triangulation** – four researchers were used to minimise the risk of bias in the manner in which certain questions were phrased, but regular team briefings and de-briefing sessions were held to share learning and ensure a joined-up approach.

The findings in the sections that follow are presented thematically based on triangulating the evidence and analysis arising from the primary and secondary research.

2.5 Challenges and issues encountered

A number of challenges were encountered during the fieldwork stage of the project which required mitigating steps to ensure delivery of the research.

Concerning business interviews, it was difficult to ensure that the number of interviews by sector and ethnicity as originally envisaged was achieved. For this reason, the need for flexibility in terms of reaching quotas was explicitly stressed from the outset. Overall, businesses were reluctant to engage on this topic but the most responsive businesses were those who are Asian-owned. To overcome the general lack of responsiveness, it was decided during the course of the project to offer high-street vouchers as a research incentive. This helped to ensure engagement across ethnic minority groups.

Further, it was difficult to engage businesses in interviews via phone vis-à-vis face-to-face. This meant that it was more difficult to secure interviews in a variety of locations across the country. This was also in part due to the project timetable which restricted time for travel. However, face-to-face interviews were carried out in different areas of three different regions and a concerted effort was made to secure phone interviews with businesses in other parts of England and Wales.

Regarding the case studies, it took some time to recruit businesses that imported food and drink products that had fewer than 50 employees. It was found that the most effective route in identifying businesses that fit the case study criteria was to engage with potential businesses via stakeholders. Further, little information was provided by case study businesses on the links between local regulation and their supply chains. However the workshop held with food and drink businesses was useful in revealing further information in relation to regulatory issues and how they affect business supply chains.

3 Diverse business performance, barriers and trends

This section highlights the importance of diverse SMEs to the UK economy. Findings are drawn from secondary sources as well as business interview questions that looked to assess business performance and growth ambitions.

3.1 Diverse businesses' contribution to UK economy and growth

Small businesses are the backbone of the British economy and are vital to the country's economic performance and future growth and employment prospects. The UK has around 4.5 million businesses with less than 50 employees (accounting for around 99 per cent of all businesses)³¹ which employ 10.8 million people across the country. This represents 46 per cent of all private sector jobs.³²

In particular, BME and women-led SMEs make a significant contribution to the UK economy in terms of the total number of enterprises and their contribution to Gross Value Added (GVA). In 2010:

- 6.3 per cent of SMEs (sole proprietorship not included) were minority ethnic group led which equates to around 280,000 SMEs contributing about £25 billion to GVA (five per cent of the UK SME GVA total); and
- 15.5 per cent of SMEs were women-led, equating to around 690,000 SMEs contributing about £50 billion to GVA (or 12 per cent of the UK SME GVA total)³³. The greater majority (86 per cent) of women-led SME employers were micro businesses, 13 per cent were small businesses and 29 per cent sole proprietorships³⁴.

The profile and performance of diverse businesses is varied but the overall contribution is significant. The literature suggests that women-led businesses had some unique characteristics, specifically:³⁵

- women-led SME employers are more likely than SME employers in general to be involved in 'other services' (public administration, education, health and social work, other community, social and personal activities) (29 per cent compared to an average of 12 per cent);
- women-led businesses are also more likely to be in the hotel and restaurant business (9 per cent compared to an average of 5 per cent);
- 18 per cent of women-led SME employers had an annual turnover of less than the VAT threshold of £67,000, compared to 12 per cent of all SMEs;
- the mean average turnover of women-led SMEs is less than half the average of SMEs in general (£500,000 compared with £1,168,000); and
- women-led SME employers are less likely to be family businesses than SME employers overall (55 per cent compared to 63 per cent).

Overall, given the significant number of diverse businesses in the UK and their contribution to employment and growth, and in order to fully support the Government's agenda for better and smarter regulation, it is important to understand how diverse SMEs interface with regulations and

³¹ This figure also includes companies classed as having 'no employees', in other words sole proprietorships and partnerships comprising only the self-employed owner-manager(s), and companies comprising only an employee director

³² BIS (2011) Business population estimates for the UK and regions 2011, http://www.bis.gov.uk/assets/biscore/statistics/docs/b/bpe_2011_stats_release.pdf

³³ BIS (2010) Estimates for Women led, Minority Ethnic Group (MEG) led and Social Enterprises in the UK. URL: <http://www.bis.gov.uk/assets/biscore/enterprise/docs/e/11-1077-estimates-women-ethnic-minority-led-social-enterprises-in-uk>

³⁴ BIS (2011) BIS Small Business Survey 2010, Women led businesses boost. URL: <http://www.bis.gov.uk/assets/biscore/enterprise/docs/b/11-1078-bis-small-business-survey-2010-women-led-businesses-boost>

³⁵ Ibid.

regulators. How do these businesses become aware of their regulatory requirements? What information do they seek (or are provided with) to help them to comply with such requirements? Is the interaction between regulators and these businesses appropriate and do such interactions respond flexibly to the different needs of different businesses? Following through on the better regulation agenda therefore means understanding how the Government's policy objectives can best be achieved while minimising the burden on business, especially for the very smallest businesses that are the most time and resource constrained.

Research shows that BME-led businesses are developing in the UK as an economic force. A study that assessed the characteristics and motivations of BME graduate entrepreneurs found that the two most compelling motivations for start up were 'being your own boss', especially for Indians and Bangladeshis; and making more money (31 per cent), in particular for African Caribbeans.³⁶ Ram and Jones cite a 2005 Barclays Bank study stating that BME-led business start-up rates are twice those of the wider small firm population.³⁷ In the case of more recent immigrants, self-employment is often seen more favourably than being employed by others because they are creating their own jobs – and therefore able to bypass some of the issues or barriers that could be faced looking for external employment as they are able to 'shape their own destiny'.³⁸ Estimates suggest that the population of ethnic minority groups in the UK is expected to double between 2008 and 2033. Given that self-employment is more popular among ethnic minorities and migrants than the average population (although with variation between ethnic groups) – this could lead to an even larger BME-led business population.³⁹

In addition a study on minority-owned enterprises in London, focusing on ethnic diasporas, concludes that under certain conditions diaspora-based networks enable higher levels of business competitiveness, particularly for those supplying ethnic goods and services. Although they also suggest that diaspora-based networks do not negate the importance of class resources such as property, education and skills in processes of business formation and development among minority groups.⁴⁰

3.2 Immigration trends in the UK

Changes in immigration flows shape the diverse business landscape in the UK. Many new migrants will start their own business, which will impact the composition of ethnically diverse businesses in particular, including their experiences and needs with respect to local regulation.

Over the last 20 years, there has been a general trend of rising immigration, especially amongst those coming to the UK to seek work.⁴¹ Figure 3.2 shows the total number of foreign-born people of working age in the UK, both male and female, between 1993 and 2010. The total number increased each year from 1993, peaking in 2009, and decreased slightly in 2010, with a fairly even split between males and females.

³⁶ Javed G. Hussain, Jonathan M. Scott, Paul D. Hannon, (2008) "The new generation: characteristics and motivations of BME graduate entrepreneurs", Education + Training, Vol. 50 Iss: 7, pp.582 – 596

³⁷ Ram, M. & Jones, T. (2008) 'Ethnic Minority Businesses in the UK' in Observatório da Imigração, ACIDI I.P (2008) 'Special Issue on Immigrant Entrepreneurship' Migracoes #3

³⁸ Eurofound (2011) 'Promoting ethnic entrepreneurship in European Cities' Cities for Local Integration Policy (CLIP) Network

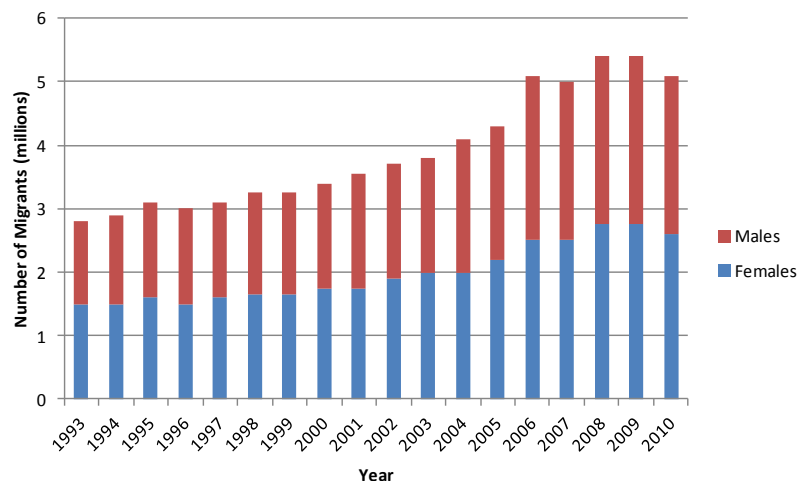
³⁹ Jaegers, T. (2008) 'Supporting entrepreneurial diversity in Europe – Ethnic minority entrepreneurship/migrant entrepreneurship' DG Enterprise and Industry, European Commission in Observatório da Imigração, ACIDI I.P (2008) 'Special Issue on Immigrant Entrepreneurship' Migracoes #3

⁴⁰ Kitching, J., Smallbone, D., Athayde R., 2009, Ethnic Diasporas and Business Competitiveness: Minority-Owned Enterprises in London, Journal of Ethnic and Migration Studies, 35 (4)

⁴¹ Rienzo, C., 2011, Briefing: Migrants in the UK Labour Market: An Overview, Migration Observatory, University of Oxford, Available:

http://migrobs.vm.bytemark.co.uk/sites/files/migrobs/Migrants%20in%20the%20UK%20Labour%20Market%20v2_0.pdf

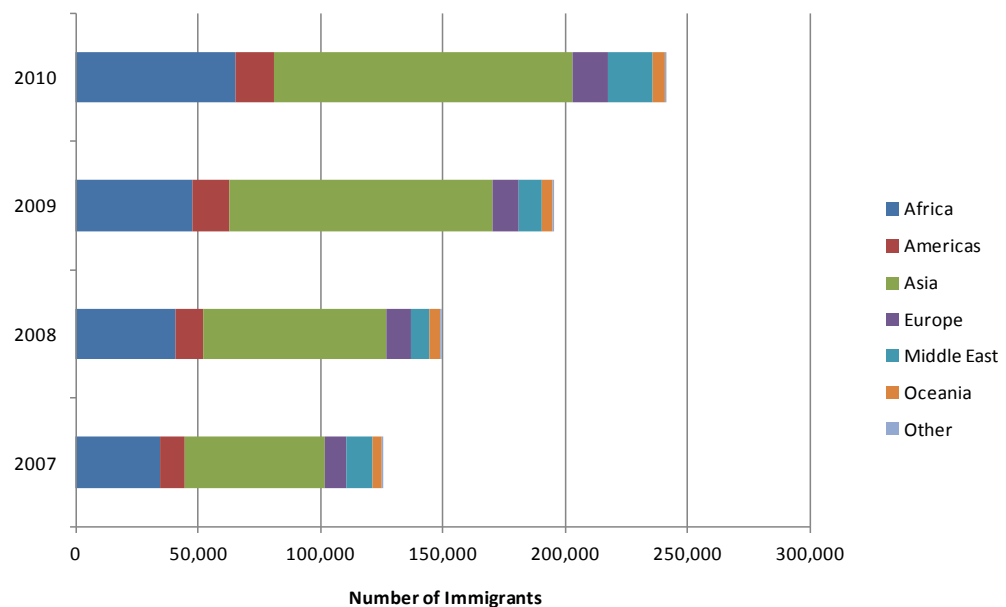
Figure 3.2 Total number of foreign-born working-age people in the UK, 1993-2010



Source: Rienzo, 2011 (Migration Observatory, University of Oxford) Numbers have been estimated from the original graph

Although immigration has been increasing, the proportion of immigrants from different regions of the world has remained largely similar over the last ten years. Figure 3.3 shows the region of origin of immigrants to the UK, from 2000 to 2010. As can be seen in the graph, the regions of origin that are most prevalent each year are Asia and Africa. Annual immigration flows from the Middle East were relatively consistent in the period 2000-2009, but increased considerably in the year 2010 as did immigration flows from Asia and Africa. Immigration flows from Europe, the Americas, and Oceania stayed relatively consistent over the period 2000-2010.

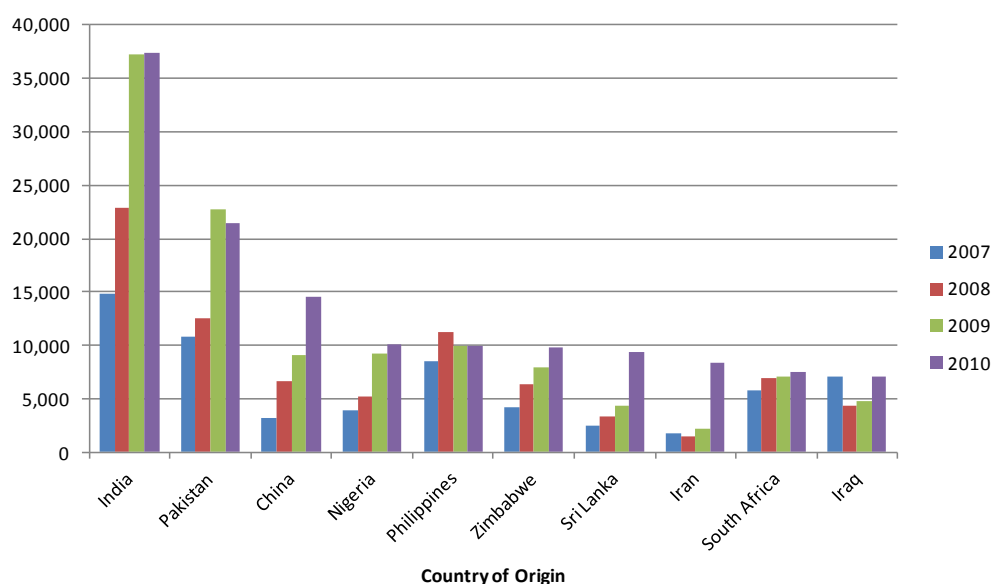
Figure 3.3 UK immigrants, by region of national origin, 2007-2010



Source: Home Office, London, 2010. Home Office. "Control of Immigration: Statistics United Kingdom 2009." Statistical Bulletin, Home Office, London, 2010

Despite this broad regional stability, immigrants come to Britain from a mix of different countries. Figure 3.4 shows the top ten countries of origin of immigrants granted settlement in the UK from 2007 to 2010. Of all those granted settlement, the highest numbers were from India and Pakistan.

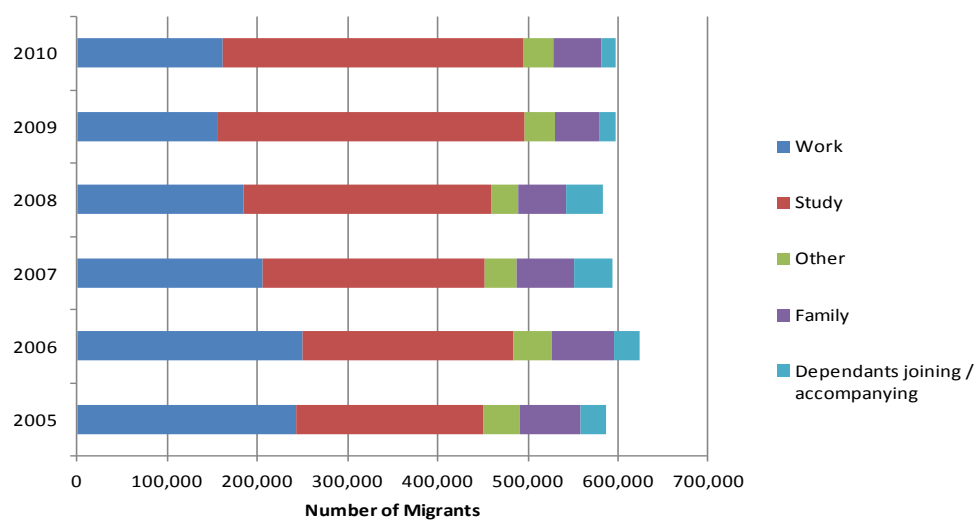
Figure 3.4 Top 10 nationalities of UK immigrants, 2007-2010



Source: *Blinder, 2012 (Migration Observatory, University of Oxford)*

Immigrants come to the UK for a variety of reasons. Figure 3.5 shows the total number of UK Entry Clearance visas issued over the period 2005 to 2010, disaggregated by the reason for entry. Studying and work consistently make up the largest proportion of UK Entry Clearance visas issued over this period, although these figures decrease between 2005 and 2010.

Figure 3.5 UK Entry Clearance visas issued, including dependents, by reason (excluding visitor and transit visas), 2005-2010



Source: *ONS, 2011*

3.2.2 Self-employment trends and statistics among immigrants

Immigrants have a higher propensity for self-employment than native workers and in 2007 (the latest year for which data are available), the percentage of native workers in self-employment in the UK was 11.9 per cent compared to 13.4 per cent of foreign born workers⁴². Furthermore,

⁴² OECD, 2010, *Entrepreneurship and Migrants*, Report by the OECD Working Party on SMEs and Entrepreneurship, OECD. The OECD noted that the figures measure self-employment, are by no means an exhaustive measure of entrepreneurship. It also important to note that workers classified as self-employed often only hire occasional, part-time, or seasonal workers.

amongst all foreign born workers in the UK in 2004, 15 per cent were self-employed, whereas amongst the entire working population (native- and foreign-born) just 12.8 per cent were self-employed.⁴³ Some existing literature suggests that ethnic minority entrepreneurship in Britain is no longer mainly associated with established ethnic minority groups (for example, South Asian and Afro-Caribbean), but rather immigrant entrepreneurs are evident from the world over.⁴⁴

The OECD (2010) notes that the common reasons why a migrant might become an entrepreneur are: cultural and personal predispositions, a regulatory environment supportive of entrepreneurship, if they have a commercially viable business idea, access to capital and (a paucity) of alternative employment options. These factors can have particular implications for migrants and help to explain why they often become entrepreneurs. For example in 2005, minority owned-enterprises made up 20 per cent of London's businesses, employed 56,000 people and generated £90 billion in revenue, which accounted for 11 per cent of all business revenue in London (OECD, 2010).

In addition, the differences in these levels of self-employment have increased over time. Table 3.3 shows the changing levels of self-employment of immigrants from various countries of origin and UK-born workers between 1979 and 2000 disaggregated by gender. All the figures are population weighted, and exclude those in full-time education. Figures are a percentage of all employees in each origin category.

Table 3.3 Changing levels of self-employment by ethnicity, per cent

	Men		Women	
	1979	2000	1979	2000
UK born white	9%	14%	3%	6%
UK-born non-white	5%	12%	1%	4%
Immigrants	11%	15%	4%	6%
West Indian	3%	13%	1%	3%
African	3%	13%	N/A	6%
Indian	12%	24%	6%	12%
Pakistani	10%	34%	4%	10%
Bangladeshi	13%	16%	N/A	1%
Chinese	26%	25%	14%	15%
Other non-white	11%	18%	5%	11%
Irish	10%	18%	2%	7%
EU	16%	12%	5%	13%
Non-EU	10%	25%	3%	9%
Other white	16%	16%	4%	13%

Source: Dustmann et al, 2003

Self-employed workers from different ethnic backgrounds have differing propensities to enter different sectors of the economy. Figure 3.3 shows the different sectors of the economy chosen by self-employed UK-born and immigrant men, over the period 1992-2000 in percentage terms.

⁴³ Ambrosni, M., and Barone, C., 2007, *Labour market integration of migrants*, European Working Conditions Observatory, Available: http://www.eurofound.europa.eu/ewco/studies/tn0701038s/tn0701038s_3.htm

⁴⁴ Sepulveda, L., Syrett, S., Lyon, F., 2008, New ethnic minority business communities in Britain: challenges of diversity and informality for the UK business and policy frameworks. Working Paper. Middlesex University, London

“All immigrants” gives a total of the self-employed immigrant population, whilst the other columns give the sector choice of immigrants of that nationality.

As can be seen below, white UK-born men have a much higher propensity to enter the manufacturing, construction, and agriculture sectors than their foreign-born counterparts. Self-employed immigrants, on the other hand, have a much higher propensity to enter the distribution, hotels, and restaurant sector (this is especially true amongst Chinese and ‘ethnic minority’ immigrants) which supports later findings gathered through the interviews with businesses.

Table 3.4 Self-employment sector choice, UK-born white and immigrant men, per cent

Sector	White UK-born	All Immigrants	Minority immigrants	Pakistani	Chinese	Indian	Irish
Agriculture and fishing	8.53%	1.05%	0.03%	-	-	-	1.75%
Energy and water	0.28%	0.27%	0.15%	-	-	0.26%	0.33%
Manufacturing	9.05%	6.37%	4.76%	5.06%	4.72%	6.48%	4.67%
Construction	32.83%	17.75%	7.77%	4%	6.85%	9.39%	60.39%
Distribution, hotels, and restaurants	17.32%	35.59%	49.72%	43.24%	57.87%	49.34%	9.63%
Transport and communications	6.83%	9.4%	14.15%	37.11%	4.25%	7.14%	4.86%
Banking, finance, insurance, etc	13.93%	13.9%	10.47%	3.8%	12.43%	9.69%	6.8%
Public admin, education, and health	4.96%	8.29%	9.17%	4.06%	10.39%	14.85%	5.62%
Other services	6.22%	6.81%	3.65%	2.73%	3.62%	2.86%	5.76%

Source: Dustmann et al, 2003

In summary increasing levels of migration from more diverse cultural backgrounds to the UK will impact upon diverse businesses and local regulation. For example, greater numbers of migrants from diverse cultural backgrounds has the potential to raise some issues in terms of language and interactions with regulators. Information may be required in more languages and cultural differences may need to be taken into consideration in the regulatory process. It is also possible that increasing numbers of new migrants will start businesses and some of these businesses may not make themselves known to local regulatory authorities and may become disengaged with local regulation as a result. This may impact both on the success of the business and on consumer protection.

3.3 Diverse business performance and environment

Literature has shown that many migrants (across Europe, not just Britain) start businesses in tourism, restaurants, construction and the wholesale sector, many of which have been adversely affected by the recession. Furthermore, a sharp contraction in credit and reduction in consumption demand makes it considerably harder for migrants (and other small business owners) to start or stay in business.⁴⁵ This may affect BME led business attitudes towards growth and survival. This section looks at the interview and case study results relating to diverse business performance and growth.

⁴⁵ Ibid

The majority of women-led businesses that were interviewed had less than ten employees, falling into the micro-business category. Of those who revealed their turnover, figures ranged from £50,000 to £250,000. Estimated profitability ranged from 3 per cent to 40 per cent, but most women-led businesses were unwilling to disclose profitability figures. The women-led business that were interviewed comprised of restaurants, food and drink retail stores, and a variety of other service sectors including consultancy and training companies, residential care providers, hairdressers and healthcare providers. These businesses had been operating for different lengths of time, from a few months to 25 years. In general, women-led businesses operated within local and regional networks in terms of supply and distribution networks, although several operated in a national network and one business that provided training and development services had clients based internationally.

Similarly, the majority of BME-led businesses that were interviewed also had fewer than 10 employees, falling into the micro-business category. This was probably in part due to the fact that management was more readily available to be interviewed in smaller businesses, although several businesses that were interviewed had between 10 and 40 employees. Of those who disclosed turnover, figures ranged from £50,000 to £4 million. However, the business with 40 employees had a turnover of £10 million. Estimated profitability ranged from 2 per cent to 60 per cent, although the majority of BME-led businesses stated that this had reduced in recent years and several businesses stated that they were currently making a loss. The BME-led businesses interviewed for this study comprised of food retailers, restaurants, hairdressers, healthcare services, textiles and clothing (including home furnishing), providers of IT services, commercial office supplies and money transfer operators. BME-led businesses that were interviewed had been operating for different lengths of time from a few months to 37 years. Around half of BME-led businesses operated within local networks in terms of supply and distribution networks; however, several businesses, generally in the food and drink sector, worked on a national level, buying from UK wholesalers and distributing across the UK. Finally, the largest company that was interviewed imported products from EU Member States and third countries and distributed these products across the UK as well as being involved in intra-EU trade at a small scale.

3.3.1 The business operating environment is increasingly challenging for diverse businesses and regulation is one of the key challenges

Regarding growth ambitions, around half of the women-led businesses were looking to ensure the survival of the business, which is perhaps representative of the wider economic climate and difficult trading conditions. However, the remaining half of businesses were either looking to grow the business substantially or a little. This is despite the fact that almost all women-led business stated that the market in which they operate has become more challenging in recent years, mainly perceived to be a result of the recession and a subsequent loss of customers, but also as a result of regulation and increasing fees and rates. For instance, one business located in an indoor market stated that a late night levy from the management of the market led to increased pressure on the business. Another business providing legal advice stated that new regulations for the provision of legal services can be restrictive for growth but that it was also useful to have these regulations in place to improve overall services and outcomes and to ensure that a certain standard was maintained across the industry.

When women-led businesses were questioned on what barriers to growth their company faced in recent years, the most common barriers included business rates, VAT, competition and an increased number of regulations that apply as employee numbers increase.

'There is quite a lot of competition in this area for hairdressing. Although we have regular customers they now come to see us less often. I may have faced more problems if I had employed over 5 people as I think there are more regulations in place. Therefore I have retained the same number of employees with little ambition to grow and more focus on survival.'

Woman led business from the services (hairdresser) sector, Solihull, Birmingham

A small number of women-led businesses mentioned local regulation as a main barrier to growth, in particular citing health and safety regulations and environmental regulations as barriers. However other regulatory issues were also identified and one women-led business in Chinese medicine and acupuncture stated that the biggest issue has been the re-classification of Chinese

herbs and herbal remedies, constituting an issue with food labelling regulations that would typically fall under the remit of trading standards and the Food Standards Agency. In the past Chinese herbs have generally been classed as food products but are now increasingly being classed as medicines, which means the products are subject to an increased number of regulations and require additional tests leading to higher costs. This kind of problem when dealing with products that are foreign to the UK is one distinctive feature of diverse small businesses.

When BME-led businesses were questioned on growth ambitions, responses were more evenly spread between ensuring the survival of the business, looking to grow the business a little and looking to grow the business substantially. One diverse business in Manchester expressed these ambitions for substantial growth, which was mirrored in several other responses.

'By 2012 the management wants to open a hot food counter in the store, restart the delivery service, improve customer services and pull in customers from closing down businesses nearby.'

BME-led business from the food retail sector, Manchester

The majority of BME-led businesses also stated that the market in which they operate has become increasingly challenging in recent years. Many businesses cited a poor economic climate, higher competition, higher costs and lower margins as key contributors. When questioned on the specific barriers to growth that their company had faced in recent years, common answers from BME businesses included business rates, obtaining finance and tax regulations. In contrast to women-led businesses around half of BME respondents saw local regulations as a main barrier to growth which may provide an indication of the differential impact of how local regulations affect BME-led businesses as compared to SMEs and micro businesses more generally. Some examples of barriers cited by BME led businesses included obtaining planning permission to support growth, parking restrictions and dealing with environmental regulations such as waste disposal and health and safety regulations. One BME-led business described how local regulations often try to crush 'local entrepreneurial spirit.' Businesses suggested that collectively, these barriers to growth acted to increase costs, reduce profits and curtail the growth in employment.

Stakeholders that work with diverse businesses on a day-to-day basis suggested that key barriers to growth for diverse businesses were employment issues, the ability to grow, having the knowledge to expand the business and the capability to deal with new regulations as well as the cost of additional regulations. Businesses in attendance at the workshop submitted that their ability to grow had been constrained during the latter stages of 2011 and into 2012. In order to overcome this, businesses were looking to increase their exports to Europe and further afield, including the USA and Australia. However, their ability to add value to imported goods and export them to Europe was made more difficult by regulations enforced at UK ports.

3.3.2 Import regulations are viewed as a barrier to growth for BME-led food and drink importers

The first case study undertaken was a Turkish owned food and drink importer. Imports came from Turkey (50 per cent of all imports), EU Member States (40 per cent) and other countries including Croatia and Sri Lanka (10 per cent). The business employs around 50 people at present but this number tends to fluctuate throughout the year depending on peak periods of trade. The turnover of the company is £12 billion with an approximate profitability of 10-20 per cent and the business has been in operation for 21 years. The business imports 300-350 containers of 26 tonnes annually, equivalent to 9000 tonnes of imported goods with a value of £2 million. The business then distributes products across the UK. The firm is a direct importer for food and drink products but also acts as a trader for dried fruits, (i.e. it buys them from other importers in the UK and sell domestically in the UK). Initially the firm was a supplier for ethnic minority markets only. Today, however, the business works with high street market chains such as ASDA, Morrisons and Budgens which comprises approximately 40 per cent of its business and has therefore expanded its supply chains. In terms of growth ambitions, the business wishes to grow a little in the coming years but the main priority is maintaining its current market share via maintaining contracts and networks. The main barriers to growth cited by the business are taxation and VAT increases alongside competition. The business perceived local regulations to be less of a barrier to growth compared to other factors. However this is not necessarily typical of all diverse food and drink

businesses and in this case the business stated that they had a 'good working relationship' with its local authority. The business also described how they often sought advice from the local council to help them with any difficulties faced with regards to local regulation.

Discussions with Asian-led food importers highlighted that they had faced numerous difficulties importing goods from Asia and South America, particularly in relation to port regulations which led to delays in goods being received and additional costs associated with holding the goods at the port of entry due to the inspection of 'controlled' products. A key impact of this was on their supply chains, with supermarkets often imposing penalties for each delayed delivery which had a further negative impact on their reputation, regardless of whether the port inspection identified an issue with their goods. While businesses accepted that the regulations were necessary, they submitted that the manner in which the regulations were enforcement by local authorities had a negative impact on their business, as will be discussed further in Section 6 of this report.

The second case study business was conducted with an Asian-owned wine importer based in Walsall. The business operates with a number of other businesses in the same 'group', including a cash and carry business and a retail arm. The case study focused on the business's activity as an importer and exporter of wine. The approximate annual turnover of the import business is £1 million with an estimated profitability of 12 per cent. The business employs two director level employees (although employs 25 employees across the group) and imports wine of a value of around £700,000. The business imports wine from California in bulk and then exports 80 per cent across the European Union, with the remainder distributed in the UK. Once imported, this wine is bottled in Dudley (by a separate company which is paid for its services) before distribution. They also import wine from the European Union which is distributed across the UK. Supply chains for this business are therefore extensive in geographical reach. The company is VAT registered and is also registered with the Food Standards Agency.

Regarding growth ambitions, the business wishes to grow by 50 per cent over the next year, although they acknowledge that this will be challenging within the context of an unstable economy. This business also cited competition as a barrier to growth, however they mentioned regulations specific to the import of wine as an additional barrier. For example, the business mentioned the 'grey market' that exists in the UK with poor quality or fake goods. The grey market has led to increased and 'heavy handed' regulation from Revenue and Customs. As part of a continuous assessment process, the company has had to employ due diligence / duty and excise experts to undertake an assessment of each new supplier. This costs £600 per supplier and leads to an annual cost to the business of approximately £3,000. Changes to labelling laws have also led to barriers to growth, for example the business stated that it was told to change their labels by the Food Standards Agency with no notice which led to wastage and additional costs.

Summary of key findings

- **Diverse businesses make a significant contribution to the UK economy.** In 2010, 6.3 per cent of SMEs (around 280,000 SMEs) were minority ethnic group led, contributing about £25 billion to GVA (five per cent of the UK SME GVA total). In the same year, 15.5 per cent of SMEs (690,000 SMES) were majority women-led, contributing about £50 billion to GVA (or 12 per cent of the UK SME GVA total).
- **But trading conditions for diverse businesses have become more challenging in recent years.** The majority of diverse businesses during interviews, case studies and at the workshop stated that the market in which they operate has become increasingly challenging in recent years, mainly as a result of the economic recession, but also due to local and national level regulations. Business rates, obtaining finance, tax regulations, employment regulations and competition were seen as more significant barriers to growth overall as compared to local regulation.
- **Increasing levels of migration from more diverse cultural backgrounds may impact upon diverse businesses and local regulation,** particularly in terms of language requirements and interactions with regulators.
- **Around half of BME businesses and a small number of women led businesses interviewed for this study cited local regulation as a main obstacle to growth.** In particular,

health and safety regulations, environmental regulations and planning permission/parking regulations were identified as specific barriers to business growth by a number of businesses.

- Food and drink businesses at the workshop stated that they had **ambitions to grow their business and export their products to Europe and further afield, however regulations enforced at UK ports has made this difficult**. In particular port regulations lead to delays in goods being received resulting in costs payable to shipping companies and, sometimes, penalties payable to supermarkets for each delayed delivery.
- **One of the case study businesses shows that the importation of food and drink products, with relatively extensive supply chains, can expose the business to a range of local regulations which can impact on growth prospects and ambitions**. However the other case study business illustrates that these problems are not experienced across all diverse food and drink importers and may depend on the specific nature of the imports as well as the working relationships with local authorities and other context specific factors.

4 Attitudes and awareness towards local regulation

This section explores the attitudes of SMEs towards regulation more generally as identified in the literature and highlights the particular attitudes of diverse businesses towards regulation and enforcement specifically where evidence exists. This section also presents findings in relation to the awareness of diverse businesses of local regulation compiled from the literature, interviews and the case study.

4.1 Attitudes towards regulation

4.1.1 Small businesses have varied perceptions of regulation that will depend on the type and number of regulations faced, the ease with which they can comply and the sanctions faced for non-compliance

The Department for Business Innovation and Skills (BIS) reported in 2009 that although the British public and businesses often contest the finer details of regulation and whether they go too far, or not far enough, there is, on the whole, widespread approval for both the existence of regulations and what they are striving to achieve.⁴⁶ The extent to which businesses approve of regulation can vary according to the types and number of regulations faced by a business, the ease with which regulations can be understood, and adhered to, and the sanctions faced if a business does not comply.

A 2005 literature review by Kingston University⁴⁷ found that the impact of regulation on small business performance and growth is often defined by one or more of a list of factors, namely:

- business owners' perception of regulation as 'burdensome';
- the administrative cost and compliance costs incurred;
- the constraints that regulation places on decision making; and
- the impact on business competitiveness.

Existing literature primarily focuses on the perception of regulation among businesses and the cost of compliance and administration. However, there is less focus on the constraints that regulation may impinge upon decision making and the ultimate impact upon a business' competitiveness.

4.1.2 A Danish study found that businesses see official requirements as acceptable up to a point but once they become incomprehensible they can become a burden – understanding the need for regulation is therefore of paramount importance

A study in Denmark found a number of aspects that irritate small business with regard to dealing with regulation.⁴⁸ The study employed the Burden Hunter technique and found there were nine different experiences of regulatory burden that caused irritation among business, these included:

- inflexibility;
- lack of mutual obligation;
- unfairness;
- uncertainty and unpredictability;
- pointlessness;
- lack of respect from public authorities for the fact that 'this is my enterprise and these are my enterprise's day to day activities';

⁴⁶ BIS (2009) 'The Benefits of Regulation: A public and business perceptions study'

⁴⁷ Kingston University (2005) 'Regulation and Small Firm Performance and Growth: A Review of the Literature'

⁴⁸ MINDLAB (2007) 'Officials go burden-hunting' The Ministry of Economic and Business Affairs, the Ministry of Employment and the Ministry of Taxation

- lack of confidence in ‘my good intentions and acknowledgement of my knowledge and experience in operating a company today’;
- complexity; and
- powerlessness and lack of clarity regarding the role of the authorities.

Interviews and observation with businesses emphasised their frustration at repeating a process unnecessarily. For example, businesses found it frustrating to supply the same information to different agencies and authorities, with duplication of information considered to be a ‘time-consuming bureaucratic spiral’. The study also noted that official requirements from public authorities are seen acceptable up to a certain point; however once demands become incomprehensible or unreasonable, businesses perceive them to be burdensome.

4.1.3 Larger and younger businesses are more likely to understand the purpose of local regulation, although businesses have reported that local councils do not understand them enough to be able to regulate them

Much of the discourse on attitudes towards regulation focuses on regulation at all levels without disaggregation by the level of enforcement. There is much less research that has focused on the impact of local regulation on business, and even less on diverse businesses specifically.

The 2010 Business Perceptions survey undertaken jointly by NAO and LBRO found that the majority of all businesses do not employ staff specifically to deal with regulation, however one in four did employ at least one member of staff to deal with an area of locally enforced regulation.⁴⁹ The study interviewed 1,000 businesses, including 821 SMEs, on local regulation issues and found that businesses were more likely to employ a member of staff for food safety than other regulations (41 per cent had one member of staff) with 6 per cent employing 5 or more staff members. Other key messages from the survey include:

- 17 per cent of businesses felt that ensuring compliance was the most challenging aspect of regulation;
- two thirds of businesses felt that keeping up to date with new regulation and changes to existing regulation was burdensome. Providing the same information more than once was also deemed to be a burden by 65 per cent of businesses;
- half of businesses do not agree that local councils understand businesses well enough to be able to regulate them, with 47 per cent stating that dealing with local councils was a burden;
- companies were more likely to understand the purposes of regulation if they were larger or younger businesses; and
- businesses are more likely to state that the purpose of regulation is clear, that it is straightforward to understand how to comply and it is easy to comply in relation to food safety, compared to licensing regulation.

The survey did not disaggregate between views of diverse businesses and small businesses more generally.

4.1.4 Women-led SMEs largely perceive themselves to have the capability to take decisions in relation to regulation, although women-led businesses see regulation as more of a barrier compared to the wider SME population

The 2010 Small Business Survey⁵⁰ found that women-led businesses felt their management team had ‘strong’ capability to take decisions in relation to regulation in line with the wider SME

⁴⁹ NAO & LBRO (2010) ‘Business Perceptions Survey 2010’ Report by FDS International

⁵⁰ In 2010 as part of the Small Business Survey, a women-led business boost of 1,012 women-led SME employers was commissioned by BIS to provide detail on the characteristics of SMEs and gauge their intentions, needs, concerns and identify obstacles which may impede their growth or potential. In total 14 per cent of SME employers surveyed as part of the 2010 Small Business Survey were women-led and, of these businesses, 86 per cent were micro businesses with a further 13 per cent defined as small businesses. A women-led business is defined as those businesses being led by

population. The level of women-led businesses stating their management team was 'poor' at making regulation and tax decisions was 2 percentage points higher than the SME population (11 per cent compared to 9 per cent).

Regulations were perceived to be more of a barrier to success among women-led business than the SME population as a whole, with 52 per cent of women-led business identifying it as a factor, compared to 47 per cent of all SMEs. However, when considering the largest obstacle to success, women-led businesses were slightly less likely to cite regulation (6 per cent compared to 7 per cent of all SMEs). National regulations such as taxation, VAT, PAYE and NI were the main obstacles to success after the economy, with 13 per cent of women-led businesses citing taxation as a barrier compared to just 8 per cent of the wider SME population.

When the types of regulation are considered, the main obstacle cited among those women-led businesses surveyed was health and safety regulations (31 per cent of women-led businesses), as illustrated in Table 1.1. Environmental regulations and planning or development regulations were also cited as barriers to success, however they were less of a barrier to this group than the wider SME population (6 per cent and 4 per cent respectively, compared to 7 per cent for all SMEs for both regulations). National regulations, including employment law, were seen as more of an obstacle to success among women-led businesses than the wider SME population (19 per cent compared to 14 per cent) while tax-related regulations were deemed less so (16 per cent compared to 20 per cent).

Table 1.1 Regulations considered to be an obstacle to business success among women-led SMEs and all SMEs

Regulation	Women-led Boost (%)	All SMEs (%)
Health and Safety	31	35
Employment	19	14
No specific/ All regulations	17	11
Tax-related	16	20
Sector Specific	15	16
Environmental	6	7
Planning, development etc	4	7
	<i>N= 471</i>	<i>N=1,917</i>

Source: Small Business Survey 2010 Women-led business boost

The survey also found that 3 per cent of women-led businesses felt that less red tape or regulations would encourage more women to set up a business; however, the most significant factors considered were not related to regulation, with more financial assistance (14 per cent), help with childcare (13 per cent) and increased confidence (10 per cent) viewed as better ways to improve female start up rates.

4.1.5 BME-led SMEs have a lower usage of business support, although this varies amongst different diverse communities

Much of the evidence relating to the attitudes of BME-led businesses to regulation is focused on the broader issue of their access to business support. For example, a study by Law (2007) highlighted the low level of usage of support services among BME businesses with just 8 per cent accessing business support.⁵¹ The reasons for low usage are complex but largely considered to be poor awareness of services, a lack of understanding of BME needs and BME-led businesses

a woman or a management team with more than half of its members being women. *BIS (2011) 'BIS Small Business Survey 2010 Women-led businesses boost' IFF Research*

⁵¹ Law, I (2007) ' Paper 3 Ethnic Minority Business: Policy and Practice Review' Ethnic Minority Business Workshop, Centre for Racism and Ethnicity Studies, University of Leeds URN 07/1050

viewing such services with a lack of credibility, often due to services being too mainstream and having a poor understanding of the diversity of business. The Department for Communities and Local Government (DCLG) emphasised this point in 2005,⁵² stating that while '*generic programmes of support are important, (they are) not always sufficient*'. Similarly, Ram and Jones (2007) highlight that there is an increasing level of unwillingness among younger business owners to be 'ethnically pigeonholed' by the support system when a wealth of other factors including gender, age, generation, occupation, etc. create multiple identities.⁵³

Further, Dhaliwal from the Centre for Asian Entrepreneurial Research has undertaken a number of studies on entrepreneurship among BME communities, with a particular focus on Asian communities. In 2008, a study of business support and minority ethnic businesses found that there were different attitudes towards, and take up of, business support among diverse communities.⁵⁴ For instance, African- Caribbean business owners were more positive towards business support initiatives, Asian businesses relied more on informal networks of support and Korean companies had little engagement with formal support mechanisms on offer.

Dhaliwal and Gray (2008) also found that reliance on informal networks of support and reliance on family employees due to difficulties around national employment legislation impeded growth and expansion in Asian communities.⁵⁵ However, such businesses also tended to be concentrated in lower entry thresholds and activities with lower value added which further limit expansion opportunities. The study further notes that a change is taking place over generations, with subsequent generations of business owners more willing to engage with providers of support as concerns of mistrust of local authorities and 'closed door' practices lessening over time.

4.1.6 BME-led SMEs perceive that they have strong capabilities to deal with regulation, and tax regulation is more likely to be viewed as an obstacle to success than local regulations

A Minority Ethnic Group (MEG) boost to supplement the Small Business Survey 2010⁵⁶ provides some evidence of the perceptions of BME-led enterprises regarding regulation in the context of business operations more broadly. The study surveyed 1,000 BME-led businesses and found that 63 per cent of businesses felt that their management team is 'strong' on taking decisions on regulation issues, which is in line with the wider SME population. Only 10 per cent defined themselves as 'poor'.

When considering which regulations were seen as an obstacle to success, BME-groups were most likely to name tax-related regulation (28 per cent compared to 20 per cent of all SMEs). Conversely, they were much less likely to see local regulations as an obstacle to business success. For example, 19 per cent of BME-led businesses cited health and safety as a factor impeding success, compared to 35 per cent of all SMEs surveyed. Planning and development and environmental regulations were also viewed as less problematic to business success by BME-led business than the SME population more broadly.

Table 1.2 Regulations considered to be an obstacle to business success among BME-led SMEs and all SMEs

Regulation	Minority Ethnic Group led Boost (%)	All SMEs (%)
Tax-related	28	20
Health & Safety	19	35
Sector Specific	19	16

⁵² DCLG (2005) 'Improving Opportunity Strengthening Society'

⁵³ Ram, M & Jones, T. (2007) 'Ethnic Minority Business in the UK: A Review of Research and Policy Developments' Ethnic Minority Business Workshop, Centre for Racism and Ethnicity Studies, University of Leeds URN 07/1051

⁵⁴ Dhaliwal, S (2008) 'Business Support and Minority Ethnic Businesses: Asian, Korean and African-Caribbean Businesses in England' Taylor & Francis *Journal of Immigrant and Refugee Studies*, 6 (2), pp. 230-246. Available http://epubs.surrey.ac.uk/178666/2/FMEB_UK.pdf

⁵⁵ Dhaliwal, S and Gray, D (2008) The Asian Business Sector and the Dynamics of Change: A Story of growth, diversity and success in the UK Equal Opportunities International, 27 (3). 221 - 236.

⁵⁶ BIS (2011) 'BIS Small Business Survey 2010 Minority Ethnic Group-led businesses boost' IFF Research

Regulation	Minority Ethnic Group led Boost (%)	All SMEs (%)
Employment	14	14
Planning, development etc	3	7
Environmental	4	7
No specific/ All regulations	11	11
	N= 451	N=1,917

Source: Small Business Survey 2010 Minority ethnic group-led business boost

When asked to consider how BMEs could be encouraged to start up a business, 'financial support or funding' was the most common answer (26 per cent) with 'better education and training', 'more information on how to start a business' and 'more government help generally' also identified by one in ten businesses. 'Less red tape and regulation' was not identified as an important factor, with just 2 per cent of BME-led businesses viewing this as a way to encourage business start ups.

4.1.7 Little research has taken place since the recent changes to Government policy were introduced to reduce regulatory burden which may have had a positive impact on business attitude to regulation

Much of the evidence that currently exists in relation to the views of diverse small businesses towards regulation was gathered prior to the implementation of changes by the Government that seek to reduce regulatory burden. In 1998, the UK was ranked 4th in the World Economic Forum's Global Competitiveness Index. However, by 2010 it had fallen to 12th, with planning and regulation, alongside tax rates and access to finance, cited as hampering the UK's ability to gain new business and create jobs.⁵⁷

In the UK, there are 4.8 million SMEs which account for half of all private sector output and 60 per cent of all private sector jobs. However, since 1998, it is estimated that regulatory burden has cost businesses in the UK £90 billion per year.⁵⁸ In acknowledgement of the regulatory burden that has developed in the UK, BIS published the 'Plan for Growth' in 2011 which set out the Government's plans to support sustainable and long term economic growth.⁵⁹

While the Plan makes no distinction between diverse business and SMEs more broadly, it emphasises the impact that regulation can have on small business and emphasises the Government's commitment to monitor performance against its plans for growth, identify benchmarks for review and to overcome the regulatory burden faced by business. The most notable of these benchmarks which are of importance to this study include:

- to make the UK one of the best places in Europe to start, finance and grow a business, including through lower domestic regulatory burden, and an increase in the share of planning applications approved and dealt with on time; and
- to create a more educated workforce that is the most flexible in Europe through attainment of the lowest burdens from employment in the EU.

As part of the Growth Review and Budget 2011 announcements, a number of steps to reduce regulatory burden were identified, including support to small firms that exempts micro and start up business from new domestic regulation for a three year period; removal of plans for regulations that would annually cost UK business in excess of £350 million; a public review of regulations leading to the removal of nominated regulations where there is just cause; and implementation of Lord Young's Review on Health & Safety.

The timing of this study means it is not yet possible to cite evidence as to the impact these changes may have had on the experiences and attitudes of diverse businesses with respect to

⁵⁷ BIS (2011) 'Plan for Growth'

⁵⁸ The Burdens Barometer 2010, British Chambers of Commerce, May 2010 quoted in BIS (2011) 'Plan for Growth'.

⁵⁹ BIS (2011) 'Plan for Growth'

local and other regulations. However, such impacts may be implicit with the attitudes expressed by businesses interviewed for this study.

4.2 Awareness of local regulations

4.2.1 A lack of awareness of local regulations can act as a barrier for diverse small businesses

A lack of easily accessible and understandable information on compliance with local and other regulation has been identified as a problem in the literature leading to reduced levels of awareness among SMEs, including diverse businesses. Studies have found that a lack of knowledge can act as a barrier – for instance, many small businesses display a lack of food safety knowledge and skills which acts as a barrier to compliance.⁶⁰ Research into barriers in the use of business support for BIS found that there is latent demand among one-quarter (28 per cent) of those who have not used business support to gain assistance in relation to regulation and compliance.⁶¹ Among those who had received support, 13 per cent had most frequently gained support for regulation and compliance and many had done so more than once. Almost one-third of SMEs stated that regulation had been a 'significant concern' for them over the last three years with a further one quarter citing it as a 'fairly significant concern'. Furthermore, of those who had received more than one type of business information support, 26 per cent stated that information on regulation and compliance had been the most important requirement to the needs of their business, with most accessing information through the Businesslink.gov website. The extent to which this regulation and compliance was at the local and national levels is not distinguished, instead focusing on regulation and compliance in its broadest sense.

In addition BME-led businesses tend to look to different sources for information and advice. A study assessing the influence of gender, ethnicity, and education in the use of advice and finance by UK SMEs finds both men and BME participants were more likely to use family and friends for advice, whilst women were twice as likely as men to use Business Link. The study suggests that BME business owners were discouraged from using less 'trusted' sources, such as Business Link, possibly viewing them as insufficiently tailored or that they would provide inappropriate advice. Therefore, the findings provide support for the author's conceptual model of discouraged advisees and have implications for the provision of advice for business owners from BME communities.⁶² Further, a study that assessed the characteristics and motivations of BME graduate entrepreneurs found that two thirds of interviewees obtained advice from family and friends, while just over a third had completed any kind of training or course.⁶³

4.2.2 Most diverse businesses are more aware of health and safety and fire safety regulations with more moderate awareness around environmental regulations, generally due to a lack of association of these practices with the term 'local regulation'

This subsection will explore the business awareness and attitudes towards local regulation that were revealed during interviews and case studies.

During interviews, women-led businesses were asked which local regulations they were aware of. In general, women-led businesses were aware of health and safety regulations, fire safety and trading standards in the relevant sectors (e.g. labelling and packaging of food and drink products). Women-led businesses also displayed a good awareness of environmental regulations, particularly waste regulations.

Similarly, the majority of BME-led businesses were aware of health and safety regulations and fire safety regulations. Around a quarter of businesses questioned were aware of environmental regulations and a number of businesses in the food and drink sector were aware of trading

⁶⁰ Fairman and Yapp (2004) 'Compliance with food safety legislation in small and micro-businesses; enforcement as an external motivator' The Chartered Institute of Environmental Health (CIEH) Funded by the Food Standards Agency

⁶¹ BIS (2011) 'Research to understand the barriers to take up and use of business support' Research by BMG Research & Middlesex University

⁶² Scott, J. M. and Irwin, D., 2009, 'Discouraged advisees? The influence of gender, ethnicity, and education in the use of advice and finance by UK SMEs', *Environment and Planning C: Government and Policy*, 27 (2), pp.230-245

⁶³ Javed G. Hussain, Jonathan M. Scott, Paul D. Hannon, (2008) "The new generation: characteristics and motivations of BME graduate entrepreneurs", *Education + Training*, Vol. 50 Iss: 7, pp.582 – 596

standards regulations. Despite not recognising environmental regulations, the interviews revealed that many businesses were disposing of their waste correctly but did not associate this practice with being a local regulatory requirement. One food restaurant and one barber stated that they were not aware of any relevant local regulations. On further questioning this business undertook safe disposal of waste and was following health and safety procedures but did not recognise that these measures were part of the local regulatory framework. These results can be compared to a project undertaken by GHK for Defra in 2010 which focused on environmental regulations in micro businesses and suggest that diverse businesses are similar to the wider population insofar as the awareness of regulations is somewhat mixed. In particular, both studies demonstrate a slightly lower awareness of environmental regulations as compared to awareness levels of other local regulations such as health and safety and fire safety.

In order to gain an overview of awareness levels, women-led businesses were asked how knowledgeable they felt about the requirements that these locally enforced regulations place on their business and what they needed to do to comply. Responses were fairly evenly split between women that felt somewhat knowledgeable and those that felt very knowledgeable. For example, one hairdresser stated that the college that she is affiliated with works with the business to ensure that they are compliant with health and safety regulations and this support helps the business to stay updated with any new regulations. In addition, another woman-led business stated that it is very knowledgeable about requirements, having only recently gone through the process of setting up the business and ensuring compliance with all local regulations. Most BME-led businesses felt somewhat knowledgeable, with a small number stating that they felt very knowledgeable and only one BME-led business stating that it was not at all knowledgeable.

Stakeholders that were consulted suggested that diverse businesses generally have lower levels of awareness of local regulations compared to the wider population of small businesses. It was suggested that this is due to a lack of easily accessible information available to this community. One stakeholder suggested that awareness levels amongst diverse businesses are mixed, where those who had previously worked in a specific sector before setting up their own business, such as health and social care, are often more aware of regulatory requirements. However, overall, many businesses that stakeholders work with on a day to day basis demonstrate low levels of awareness. Further, it was suggested that this may not be specific to gender or ethnicity but is instead a function of the sectors that diverse businesses are concentrated in, for example food and drink and lifestyle businesses, where there is a high number of regulations to consider. Stakeholders also suggested that some refugee groups may have no background in English law and may be less aware of the procedures that need to be followed.

The box below demonstrates good practice examples of the ways in which local authorities can ensure that diverse businesses are aware of the relevant regulations and understand what they need to do to comply.

Good practice example – Westminster City Council

The **Chinatown Hygiene Partnership** initiative, which started in 2005, follows a strategic approach to significantly improve compliance in persistent high-risk premises through consultation, training, consistency and engagement. The Chinatown initiative aims are to improve hygiene standards within high-risk food businesses (Category A & B) in Chinatown. The initiative has gained support of the London Chinatown Chinese Association, and involves a partnership between the Asian and Oriental School of Catering and WCC using European Social Fund and Learning & Skills Council sponsorship funding.

The initiative involves free comprehensive training and advice, carried out in Cantonese or Mandarin at the businesses themselves. The School and the Food Team works closely with the businesses over a period of time to ensure that the training is put into practice, so that hygiene levels improve within the businesses.

Outcomes are measured by category movement, and progress is clear: The number of complaints against the 33 businesses has fallen from 27 between April and September in 2005 to seven during the same period in 2007. The number of businesses classed as category A – which means “challenging” premises, inspected every six months – has fallen from four in 2005 to one this year.

The number in category B – which are “poor” and inspected every 12 months – has dropped from 19 in 2005 to eight in 2007.

Good practice example - Ealing Council

The **Somali Project** was funded by an FSA grant and ran from July to September 2004. The project included:

- proactive visits from officers from the London Borough of Ealing,
- the organisation and running of trade seminars,
- food handling training sessions for food premises staff.

The Somali community is a relatively new immigrant group in Ealing and has settled in the more deprived parts of the borough. More than 35 cafes/restaurants offering Somali dishes have been opened. There are also over 5 butchers/grocery stores as well as over 15 Internet cafes where food is served.

Officers from Ealing Council’s Environmental Health and Trading Standards division, with the help and support of the Somali community, worked with businesses to raise the standards of food hygiene through a programme of training, practical advice and a seminar. At the same time businesses were informed of the consequences of poor food hygiene.

Source: FSA Report (2008) Working effectively with minority ethnic food businesses

4.2.3 Women-led businesses are more likely to approach the local authority for advice on local regulations whereas BME businesses are more likely to use private companies and trade associations as sources of advice

‘I would prefer to receive information online. Clear websites that are easy to use are the best way to find information. Ideally they should provide basic information upfront, and then link to more detailed information. It is really useful when they provide worked examples, such as showing how forms should be filled out’

Woman-led business from the food retail sector, London, Borough of Richmond

Women-led businesses were asked who they would turn to if they were in need of advice regarding local regulations. Whilst the majority stated that they would turn to the local authority, several also stated that they would undertake their own research online. A small number of women-led businesses mentioned other sources of advice including Business Link and the local ‘Business Improvement District’ network.

In contrast, around half of the BME-led businesses stated that they first became aware of these regulations through their own research or through talking to suppliers and friends. The other half were made aware via a mixture of channels including their local authority, Business Link and trade press. The majority of BME-led businesses stated that they would prefer to receive information on new or updated regulations via post or via face-to-face visits. In contrast to women-led businesses, few BME-led businesses indicated a preference to receive the information via e-mail. This is a similar finding to the GHK study for Defra conducted on micro businesses more widely, which suggested that very few micro businesses use online resources and prefer information by post. When asked who they would turn to if they were in need of advice regarding local regulations, few BME businesses stated that they would seek help from the local authority and several BME-led businesses suggested that the council had not been able to provide useful information in the past. Instead, most BME-led businesses suggested that they would seek information from business associations or private companies, whilst some businesses also suggested that suppliers and friends were often able to provide advice when they required help.

‘Council Hygiene rules as well as health and safety regulations are outsourced to a private consultancy firm who takes care of all the procedures. The business pays the consultancy firm a monthly fee. For the waste management there is no council involvement which is an advantage. A

management agency that collects the rent of the building also manages the waste.'

BME-led business from the food retail sector, London, Borough of Islington

This finding is in contrast to GHK's earlier study for Defra which suggested that most businesses would turn to local authorities or Government sources of information for advice and guidance. Again, this difference in findings could further reflect a general mistrust of local authorities by BME-led business compared to other businesses.

4.2.4 Whilst the local authority plays a major role in providing advice and information for one case study business, the other case study business prefers to seek alternative help and advice

The Technical Manager of the Turkish-owned case study business based in Enfield demonstrated a high awareness of local regulation and understands what is required in order to ensure the business is compliant. This is in part due to the fact that the Technical Manager has responsibility for all regulatory issues including fire safety, health and safety, environmental regulations and trading standards regulations (including food labelling regulations). However, this particular business is part of the Primary Authority scheme (see below box) with Enfield Council which will impact the level of awareness and type of relationship it has with regulators.

The Primary Authority scheme

Primary Authority is a statutory scheme that enables local authorities to make an offer of support to their business community, aligning their regulatory role with corporate commitments to promote local economic growth. A local authority that takes on the role of 'primary authority' for a business is taking responsibility for leading and shaping the regulation of that business across its operations, acting as the business's first point of contact on regulatory issues and connecting the business and the local regulatory community. The primary authority provides benefits to both the business that it supports, and to the many local regulators that regulate the business at a local level. Through its work to improve the business's management of compliance, it can ensure better protection for consumers, workers and the environment.

The Technical Manager of the case study business spends time undertaking research and working with their local authority in order to ensure a high awareness of local regulatory issues. The business first found out about regulatory issues from the local authority (Enfield Council) and also from its clients who are generally supermarkets that can impose their own standards. For example, supermarkets can require the firm to change the size of the packages for marketing purposes. When the business requires help and advice on regulatory issues, it approaches Enfield Council. This occurred recently when the business was required to create a label for a new product entering the market. The business worked with the council to exchange views and obtain information/advice on the label for the new product in relation to regulatory issues. Overall, the Technical Manager feels very knowledgeable about regulatory issues and prepares in-house leaflets and training materials for health and safety purposes such as information for staff on how to handle large boxes.

The Asian owned case study business in Walsall was somewhat aware of local regulations and felt that there were few regulations that applied to them. The business had been made aware of health and safety regulations via their insurance company and the Food Standards Agency had made them aware of relevant regulations including labelling. The business was knowledgeable on port regulations associated with the import of wine, for example the requirement for duty paid certificates to be held for imported produce. The business had had no contact with the local authority enforcement agencies or the local authority themselves over the past two years and had not used them as a point of advice or information. The main regulation in relation to the import of wine is duty payment that is required on alcohol. This can have a big impact on the business if they are perceived not to be compliant, for example it can lead to the seizure of stock. This has occurred in the past as the regulation states that duty should be paid at point of entry – however HMRC expects the business to have certificates of duty paid on file, even where another company in the supply chain has paid this duty (e.g. if purchased from the UK market rather than overseas).

Notably the business would not turn to the local authority if they required help or advice; instead they would approach either their named contact at the FSA, their due diligence experts, the business accountant, the insurance company or the Black Country Asian Business Association (BCABA) and Today's Group (Cash & Carry Trade body). Overall the business feels 'knowledgeable' about regulations but feels that more information provision from government agencies such as HMRC and local authorities would be beneficial as long as this was tailored to specific sectors.

Summary of key findings

- **Diverse businesses are more likely than other businesses to view regulation as a barrier to business growth.** On the basis of the interviews conducted with diverse businesses, women-led SMEs see regulation as more of a barrier compared to the wider SME population. However, both women-led and BME-led businesses are more likely to cite national regulations (tax and employment) rather than local regulations as a barrier to business growth.
- **Awareness of local regulations among diverse businesses is strongest in the areas of health and safety and fire safety.** Among the diverse businesses interviewed for this study, fewer were aware of environmental regulations compared to other local regulations. The case study businesses demonstrated high levels of awareness of port regulations, food safety regulations and health and safety regulations.
- **Stakeholders that were consulted suggested that diverse businesses had a lower level of awareness as compared to the wider population of small businesses.** Reasons for this include a lack of easily accessible information for this community, a concentration of diverse businesses in specific sectors which are subject to high levels of regulation and a lack of familiarity with domestic legislation for some more recent migrants.
- **Whereas women-led businesses are most likely to turn to the council for support with local regulations, BME-led businesses would not.** Most women-led businesses interviewed would turn to the local council for advice or help or they would undertake their own research. In contrast, BME-led businesses are more likely to use private companies and trade associations as sources of advice as demonstrated by the interviews and one of the case studies. This also conflicts with earlier GHK research which suggested that micro businesses more broadly are likely to turn to local authorities or government sources of information for advice and guidance and thus points to a difference between BME-led businesses and micro businesses more generally. This suggests that the source chosen for information and support with respect to local regulations may be influenced by the diversity of the business.
- **Like other small businesses, a common finding amongst diverse businesses is their preference to receive information on local regulations via post.** Women-led businesses interviewed for this study expressed a preference for receiving information on local regulations via e-mail or post, while BME-led businesses suggested a preference for either post or visits. This is a similar finding to previous work undertaken by GHK which suggested that very few micro businesses use online resources and prefer to receive information on local regulations rather than actively seek it themselves.

5 Experiences of local regulatory enforcement and inspections

This section explores the experiences of diverse businesses with respect to local regulatory enforcement and inspections using findings from the literature, interviews and the case study.

5.1 Diverse business contact with local authorities

A publication by the Federation of Small Businesses (FSB) noted that it was important that regulatory reform also focuses on the review and improvement of regulation at the local level.⁶⁴ The primary contact that many small firms have with their local authority will be through regulators. The inspector is therefore the 'human face' of regulation for many small businesses and can have an impact on the relationship that businesses have with the local authority itself. A 2005 study by Kingston University found that local regulation enforcement in particular was a barrier to growth for 14 per cent of all SME businesses, although the impact on diverse businesses was not considered.⁶⁵

5.1.1 Diverse businesses receive more frequent contact with local regulators regarding health and safety regulations and fire safety regulations as compared to other regulations and generally diverse businesses feel that the frequency of inspections is about right

There is little evidence in existing literature on the experiences of diverse businesses with local enforcement of regulation. However, as part of the LBRO and NAO study, businesses were asked whether they had contact with their local council or fire service in the last two years regarding five key areas of locally-enforced law. In the 2010 survey, half of businesses had not had any contact – however, for those that had, the majority had contact in relation to health and safety (32 per cent) and fire safety (30 per cent). Hoteliers were most likely to have had contact with local regulators, with 60 per cent of visits concerning food safety, fire safety and health and safety. It is unclear whether this increased level of contact was initiated by the company or the local regulators due to the size of companies

Interviews conducted for this project sought information from diverse businesses on their experiences of local regulatory inspections. Whilst several women-led businesses stated that they had not been inspected at all, over half of women-led businesses had been inspected for health and safety and fire safety. Generally, businesses in the restaurant sector had also been inspected for environmental regulations and food hygiene. A business in social care had also been inspected for legionnaires disease. Two women-led businesses from the retail and restaurant sector had been inspected by trading standards. The majority of women-led businesses understood the purpose of inspections and were able to articulate this well.

'The fire safety inspection checked extinguishers, escape routes, signs for customers, etc. The health and safety and environmental health inspectors came together and undertook a very thorough inspection checking all procedures, processes and equipment throughout the premises'

Woman led business from the restaurant sector. Plymouth

The majority of BME-led businesses had been inspected for environmental regulations (including waste regulations), environmental health regulations, health and safety regulations and fire safety regulations. Around a quarter of BME-led business had been inspected for trading standards and some BME-led business had not been inspected at all. Similarly, almost all BME-led businesses were able to recall the specific purpose of the visits which suggests that inspectors were clear in terms of communicating why they were there and what they were inspecting.

One woman-led business stated that the inspectors always make the same checks and ask the same questions every time they visit and another woman-led business suggested that the system should be more joined up as resources are wasted for both the business as well as for the regulatory authorities. The majority of BME businesses felt there was no great overlap between inspections. However, one business mentioned that health and safety and fire safety inspections

⁶⁴ FSB (2010) 'Changing the Perception of Regulation'

⁶⁵ Kingston University (2005) 'Regulation and Small Firm Performance and Growth: A Review of the Literature'

both look to check that similar regulations are enforced and another business suggested that environmental and health and safety regulators both check kitchens, food and cookers.

Most women-led and BME-led businesses reported that fire safety and health and safety inspections take place once per year, whilst environmental health and environmental regulatory inspections are less frequent, taking place around every 18 months to 2 years. In addition, businesses in the food and drink and retail sector mentioned that trading standards visit randomly as mystery shoppers, but that the business generally wouldn't know that the inspection had taken place unless there was a problem. Whilst most diverse businesses were happy with this level of contact, some respondents suggested that inspections should take place every 18 months or less frequently as inspections were time consuming. In contrast, a recently established business suggested that more face-to-face contact would be preferable. In general, it seems that the current level of contact is about right for more established businesses.

These findings are not dissimilar to the results from the earlier GHK study which suggested that few micro businesses had been inspected on a regular basis but most felt that the frequency of inspections was 'about right'. Therefore, in terms of their experiences of and attitudes towards the frequency of local regulatory inspections, it appears from the interviews conducted for this study that diverse businesses do not display any particularly unique characteristics vis-à-vis SMEs more widely. Diverse businesses are generally satisfied with the system of inspections but suggest that more flexibility could be usefully built into the system

The LBRO and NAO study also gained broad business views on their satisfaction with contact with local regulators. It found that businesses were most positive about the contact they had received in relation to food safety and fire safety (90 per cent agreed or were satisfied). In contrast, only 69 per cent of businesses felt that contact in relation to consumer protection or health and safety was helpful. The information provided to businesses, however, was largely understood and local authorities were highly rated for their officers' knowledge on the business they were speaking with, particularly in relation to food safety, fire safety and licensing.

Interviews for this study with women-led businesses asked whether they find local regulatory inspections helpful or unhelpful for knowing how to comply with different regulations. Most women-led businesses find the inspection helpful and reported that inspectors are polite and friendly. For example, one Thai woman stated that the health and safety inspector provided good advice on what the business should be doing and also ordered information in Thai for her. However, some women-led businesses reported that inspectors could be slightly intimidating, especially for younger staff, and there were also several women-led businesses that suggested more flexibility should be built into the inspections process.

'The inspections were quite helpful for providing information on standards and approaches, but can also be unhelpful - picking up on petty things - and can be a hindrance when they turn up during busy periods.'

Woman-led business in the food and drink sector, Plymouth

Other women-led businesses suggested that the usefulness was dependent on the individual inspector and those with a more 'common sense' approach, who suggested potential improvements, were more helpful. Finally, some women-led businesses commented that inspections were more helpful when they first started the business but have become less helpful over time.

BME-led businesses had mixed views as to whether inspections were helpful. Whilst some suggested that inspections were helpful and constructive others stated that inspections were unhelpful and always resulted in the business having to spend additional money. One BME-led business felt as though inspectors were 'always looking for ways to close the restaurant down'. When asked about the attitudes of inspectors, views also varied. Some businesses suggested that inspectors were helpful and friendly and they found inspectors to be supportive, however around half of the BME-led businesses had negative perceptions of inspectors.

'Inspectors are quite rude and seem to be looking for problems. They often don't know what they're talking about. For example, trading standards inspectors don't know about the metal

content of jewellery, so how can they regulate us?'

BME-led business in the clothing and textiles sector. London, Borough of Westminster

An earlier study by GHK for Defra suggested that although there was some variation in views towards the usefulness of inspections, the majority of interviewees were positive. This may be indicative of a more negative perception of enforcement amongst BME-led businesses.

Suggestions for the improvement of local inspections included the need to be more flexible and show an understanding of business constraints, to be more practical and professional, to conduct inspections outside of peak periods, to have instructions translated into native languages and to better train council staff and to reward businesses that are compliant, for example through a reduction on rates or similar reward system. These suggestions are common among many SMEs regardless of their diversity, with the exception of the point about the provision of local regulatory guidance in languages other than English. This point also arose during GHK's earlier research for Defra. Specifically, some local authority environmental teams had begun to translate regulatory guidance regarding environmental permitting into languages other than English given the prevalence of first-generation migrants starting small businesses within that local authority area.

In relation to enforcement action, no women-led businesses that were interviewed had ever reported receiving a prohibition letter from a local inspector although one woman described how she was given six weeks to make required changes after an inspection. She was in close contact with the local authority officers during this time to ensure she was making the correct changes (e.g. checking that the equipment she intended to purchase would be compliant). However, implementing all the changes in this six week period was a challenge and created financial pressures for the business, only for the inspectors not to return for six months. A small number of BME businesses had received either a written warning or a verbal warning but these businesses all reported that notices were fair and they were given enough time to rectify the issues identified.

The box below provides a good practice example of how to improve the diverse business experiences of local regulatory enforcement and inspections.

Good practice example – The Health and Safety Executive

The Health and Safety executive has committed to **working with diverse businesses to ensure equality for all**. HSE has recognised that to be successful they need to be an organisation which *'understands the diverse society in which it operates, which is clear about the impact of its policies and operations on that diverse society, and which conducts its business with sensitivity and respect for people's different needs, vulnerabilities and perspectives on life'*. HSE state that they will achieve this goal by:

- designing interventions through an equality impact assessment tool;
- improving communications when reaching out to the diverse range of people and organisations by providing a communication tool that helps HSE staff to understand the importance of the diverse audiences they are working with and the potential barriers to communication. Also by responding positively to requests for alternative formats;
- building and making better use of research to provide information about diversity issues; and
- improving the diversity of advisory bodies and stakeholder networking.

Source: <http://www.hse.gov.uk/diversity/hse.htm>

A case example that can be cited is recent HSE engagement with communities in Leicester which aimed to promote good practice in the construction industry within the Asian community. A free Safety Awareness Day was organised which was funded by the community partners. A total of 30 local delegates attended this briefing, featuring presentations by HSE and the event partners. HSE report that the event was a useful forum to communicate their brief as well as providing an opportunity to listen to concerns whilst also providing a networking opportunity.⁶⁶

⁶⁶ Personal communication between the HSE and BRDO

In addition a further example of good practice in delivery and enforcement of environmental health, trading standards and waste management service regulations is presented below:

Good practice example – Environmental Health in Bury Park, Luton

Bury Park is a retail area home to a large minority ethnic population, reflected in the area's diverse businesses, restaurants and takeaways. The Environmental Health team in Luton Council adopted an approach to enforcement that aimed to raise standards using limited resources, focusing on a community of largely small traders. It was realised that joint working across the Council was key and the project became an opportunity to pilot BRDO's Primary Authority scheme for small businesses.

The project provided an opportunity to explore different ways of working with small food businesses and with other regulators such as trading standards, licensing street services and regeneration to make a sustained difference.

The project involved gaining written agreements where the businesses voluntarily agreed to work with a Council lead officer, meet all legal standards, involve all their staff, attend training and actively participate in improvements. In return, the Council committed to help businesses meet requirements, providing advice and expertise where possible as well as providing information to a plain English standard. In addition, the Council would avoid taking formal action. Further, a single point of contact covered licensing, waste, trading standards and food safety which gave businesses an entry point into the council to resolve problems.

Progress was assessed by seeing how many issues had turned from red through to amber to green over six months. The Council noted improvements across the board and the Food Standards Agency was made aware of the project, warning that there would be a drop in local authority enforcement monitoring systems (LAEMS).

Source: Environmental Health News, Volume 27, Issue 2, March 2012

5.1.2 A minority of diverse businesses felt that they had been treated differently as a result of their gender and ethnicity and several businesses cited language barriers as an issue related to their ethnicity

The businesses interviewed for this study were asked specifically whether they felt they had been treated differently by local regulatory inspectors as a result of their ethnicity or gender. Whilst none of the women-led businesses felt they were treated differently, some business mentioned that they were aware of friends who believed they were treated differently as a result of their ethnicity more than their gender. However, one respondent did feel that being a woman from an ethnic minority background created certain barriers in dealing with local regulations or inspections. For example she suggested that being a new business from a Thai background and not being fully aware of her entitlements, meant that the council had taken advantage of this and had not informed her of the small business relief on business rates.

Several women-led businesses of an ethnic minority background also suggested that they face language barriers in dealing with regulations and inspections. For example, one business stated that they had difficulties in understanding verbal instructions because the inspectors sometimes use terms and words that were unfamiliar. Several women-led businesses of an ethnic minority background suggested that it would help to have information provided in a written form to aid understanding, although they stressed that the paperwork and written instructions needed to be clear and concise and not overly complicated, a common theme among the research on SMEs and regulation.

Regarding BME-led businesses, most businesses did not feel that they were treated differently due to their ethnicity, and one business commented that it is not so much of an issue as inspectors are often from a BME background. However, one business owner indicated that he sometimes felt he was being treated differently either due to his ethnicity or business size. He suggested that when he was unable to get the help or advice required he felt it could have been due to his ethnicity or small business size which did not make him a priority for local authorities.

Around a quarter of BME-led businesses reported a language barrier. One respondent stated that he sometimes does not understand what the inspectors say so he has to call a member of staff to interpret. Another stated that he has previously had issues understanding verbal instructions and advice received during inspections and that receiving a translation of the inspection

recommendations in his native language would be helpful. It is important to note that the language issue is twofold and language barriers can also be evident across all groups of SMEs and diverse businesses (even those whose first language is English). This is due to the technocratic and often overly complex language used in documents and some inspection processes. This finding was also noted in a previous project conducted for Defra where many businesses described a lack of clear and concise guidance as a significant barrier to complying with environmental regulations.

The box below provides a good practice example of ensuring flexibility in provision of information in different languages.

Good practice example – The Office of Fair Trading

The Office of Fair Trading (OFT) has introduced a **Welsh Language Scheme**. In accordance with the Welsh Language Act 1993, the OFT has established a Welsh Language Scheme to publish information in Welsh wherever appropriate in the circumstances and reasonably practicable.

The scheme sets out the OFT's commitments to treating Welsh and English on an equal basis where they offer services to the public in Wales. For example, using Welsh in publicity and advertising campaigns, and corresponding in Welsh, if required.

Source: <http://www.oft.gov.uk/about-the-oft/accessing-information/welshlanguagescheme/>

Stakeholders that were interviewed felt that the enforcement and inspection process used by regulatory authorities do not take sufficient account of the diversity of needs among business owners. For example, one stakeholder suggested that inspection systems are not built upon diverse needs and the Government does not have the right information about different communities. They stressed the importance of integrating more training within Government so that officials have a better understanding of diverse business needs. Another stakeholder suggested that many of the diverse businesses that they work with on a day-to-day basis perceive that they are treated differently and businesses tend to report that there is a rigid approach to enforcement and inspections which lacks flexibility. Stakeholders suggested that perhaps inspectors should take some time to get to know the concerns of local businesses and the problems and circumstances they face (lack of time, money, etc.) in order to work out how they can help them, overall taking a softer approach towards inspections and enforcement.

5.1.3 Whilst one case study business found the inspection system supportive and helpful, the other had limited experience of local authority inspections and found that port regulations negatively affected the business

The Turkish owned business in Enfield described how it had good relations with the local council and its regulators. It described the way that inspectors engage with the business as positive, friendly and helpful. It is inspected approximately every year for each local regulation including health and safety, fire safety, trading standards and environmental regulation. The firm also carries out internal risk assessments on health and safety regulations every 6 months.

The business has a good understanding of the purpose of inspections. For example, trading standards focus on traceability as a main issue. They collect products randomly and analyse whether the product aligns with the labelling standards. This can also take place in the retail stores that the business supplies to and if inspectors find a lack of compliance on a randomly selected product they would raise it with the firm. As a second example, inspectors check dried apricots to assess the level of sulphite and look at the ingredients analysis documents requested for imported goods. This example is related to imports from non-EU countries only.

The business does not feel as though it duplicates the information it provides to different inspectors and feels that the frequency of inspections is about right. The business stated that it finds inspections very helpful and they are a way for staff to learn and improve processes.

'Since the creation of the business the same inspectors have always visited the firm which has helped communication and we have worked together to build a good relationship.'

Case study in the food and drink import sector (Turkish owned), London, Enfield

The Turkish owned case study business in Enfield does not feel like inspectors are trying to catch it out and when it had received warnings on health and safety – for example, a lack of signs or a lack of light in darker sides of the storage area – the business was treated fairly and given enough time to rectify the problem. These warnings did not usually require a second visit by the inspectors but the firm instead was able to send a letter proving that it corrected the errors which was more time effective. When questioned on how the system of inspections could be improved the firm suggested that written information regarding updates to the regulatory framework would be very helpful.

In contrast the Asian owned drink importer based in Walsall has limited contact with local authority enforcement agencies since they had not been inspected by the local council in their two years of operation. However the business stated that they have a good relationship with the FSA and had a named contact whom they could contact which they felt was particularly useful. Regarding port regulations, the business felt that HMRC did not communicate well and they have a poor relationship with them as a result. The business suggested that HMRC are very heavy handed and suspicious and the process of engagement assumes that a business is guilty from the outset. The firm stated that it feels as though this suspicion is more targeted at Asian businesses than other businesses perhaps due to an assumption by HMRC that more Asian businesses operate in the grey market. For example, the business stated that some stock was seized due to queries over payment of duty and a duplicate unique identifier that was used. This led to delays and costs for the business as well as stock issues. The customers whom they supply to were negatively affected due to late arrival of products. The business felt that the problem could have been very quickly resolved if direct channels of communication were improved.

The business suggested that HMRC inspectors were too frequent. HMRC visited the business for a day two to three times last year whilst their perception is that other businesses (non BME-led) may receive just one visit. This was cited as a time consuming exercise and not helpful to the operations of the firm.

5.1.4 Food importers expressed some confusion as to where the responsibility for enforcement of regulation fell but suggested that inspections are useful

Food and drink businesses attending the workshop expressed confidence in their understanding of local regulation that applies to their business activities, although they felt that further communication from regulators would benefit the industry. A single source to provide a centralised and consistent point of information was suggested as one way to achieve this as, while information can be accessed on regulation, the interpretation of regulation that considered a specific business's context and what they needed to do to comply with those regulations was lacking. The study team inferred from the views expressed at the workshop that this single source could be something akin to the Primary Authority scheme, providing tailored support and a single entry point to a wider suite of regulatory authorities.

The majority of the workshop businesses had been inspected in recent years, although this varied across businesses and regulators. One food manufacturer had a fire safety and food safety inspection every 18 months and was given prior notice that it was to take place but no health and safety inspections had taken place, while two other businesses described their inspections as 'frequent'. One of these businesses felt that the frequency of inspections was largely driven by the number of businesses operating within a locality. As they were based somewhere with a lower incidence of businesses they felt they were burdened more by inspection than would be the case if they were located in an area where inspections would be spread across a larger number of businesses. Regardless of their frequency, businesses felt that inspections were useful to 'highlight certain things you may not notice when you are working somewhere on a daily basis' and 'to support business activity'. In fact, inspections were viewed as an opportunity for businesses to ask questions directly of regulators, without which they may struggle to get direct information or advice outside of their existing networks (such as a trade association or supply chain business).

Summary of key findings

- **Prima facie, the frequency and nature of local regulatory inspections appears to be similar for diverse businesses and other SMEs.** Diverse businesses receive more frequent contact with local regulators regarding health and safety regulations and fire safety regulations as compared to other regulations and generally diverse businesses felt that the frequency of inspections was about right. These findings are consistent with earlier research undertaken by GHK into micro businesses and regulation.
- **However, attitudes towards inspections appear to differ, with fewer diverse businesses (compared to other SMEs) likely to express positive views.** On the whole, women-led businesses are generally satisfied with the system of inspections but suggest that more flexibility could be usefully built into the system. BME-led businesses expressed mixed views as to the usefulness of inspections. In contrast, earlier research by GHK with micro businesses suggested that these businesses were more likely to express positive sentiments regarding local regulation inspections. The food and drink businesses that attended the workshop felt that inspections were a way to obtain direct information and advice outside of their existing networks. However, one of the case study businesses had not received any visits from local regulators whatsoever.
- **In part, the mixed attitudes of BME-led SMEs towards local regulatory inspections may reflect frustration when encountering language barriers.** Diverse businesses were asked for their views as to how the local regulatory inspections and enforcement system could be improved. Most suggestions were common with those expressed by other SMEs in earlier research, although one suggestion specific to the ethnicity of BME businesses is to receive more written (rather than verbal) advice and in languages other than English.
- **It may also reflect the perception that they are treated differently to other businesses as a result of their ethnicity/gender, but this was rare among diverse businesses.** Only a minority of diverse businesses felt that they had been treated differently as a result of their gender and/or ethnicity, although one of the case study businesses felt that port regulators treated ethnically diverse businesses with more suspicion.
- **There may also be implied differences in treatment** as a result of inspectors not accounting for the cultural diversity of the individual business owner, which some diverse businesses raised as an area for improvement with respect to inspectors and inspections.

6 Local regulatory impacts on diverse businesses

This section assesses the specific impacts of local regulations on diverse businesses using findings from the literature, interviews and the case study.

6.1 Impact of local regulation on diverse businesses

In 2009, the Forum of Private Business (FPB) surveyed 6,000 of its members to quantitatively assess the cost of compliance with regulations for micro and small businesses in the UK in terms of both internal staff time and external time bought in to support the company. The survey covered businesses in the manufacturing, construction, transport, restaurants and distribution and services. While it did not provide data or analysis on the impact of regulation on BME or women-led businesses specifically, it concluded that only 5 per cent of businesses felt that the existing regulatory framework was beneficial to their business through improving processes and just 9 per cent felt that it was robust, fair and proportionate.⁶⁷ The survey further estimated that a 'typical' small business spends 34 hours each month addressing regulatory considerations or 'red tape'. The diverse businesses that were interviewed as part of this study spent less time addressing regulations, but this could be largely due to the fact that interviews focused only on local regulations.

In 2009, NAO research found that the second greatest challenge to business was 'complying with regulation' with 62 per cent stating it was an obstacle to success primarily because its operations were 'overregulated' or that complying with regulation was time-consuming.⁶⁸ However, there is acceptance that regulation to protect people and the environment is balanced correctly, by 42 per cent of businesses.

Some studies suggest that the business support environment and regulatory framework have a very important - and currently negative - impact upon the number of people from ethnic minority communities starting co-operatives and other social enterprises.⁶⁹ Wider evidence exists to suggest that business owners have varying capacity to 'discover, interpret and adapt to regulation' and moreover that where owners have more resources they are often better placed to deal with regulation in a positive way.⁷⁰ While finance, equipment, management capability, workforce knowledge and skills, amongst others factors, can enable businesses to better deal with regulatory compliance, small businesses are often faced with disproportionate costs due to lower resilience to external shocks through lack of resources and higher costs of compliance (e.g. through fixed compliance costs). In addition Kloosterman et. al. describe BME-led business development and growth as being subject to both social capital networks and the surrounding commercial environment – a type of 'mixed embeddedness' that refers to businesses being influenced and constrained by more factors than ethnicity alone.⁷¹

6.1.1 Diverse businesses are more likely to be concentrated in specific sectors which are subject to high numbers of local regulations as compared to other sectors

A study by Ram & Jones in 2007 highlighted that the comparatively deregulated landscape of Britain compared to its Western European counterparts had developed a culture of BME-led firms starting up in Britain relatively easily compared to other parts of Europe where more exclusionary policies were in operation. This policy led to a large number of BME firms being set up. However the quality of such firms is viewed as less favourable than its Western counterparts.⁷² For instance, BME-led businesses are often focused within a narrow range of competitive sectors, many characterised by a relatively low level of financial reward – for example, catering, clothing

⁶⁷ FPB (2009) The cost of compliance on micro, small and medium sized business employers, Forum of Private Business survey, June 2009

⁶⁸ NAO (2009) 'Complying with Regulation: Business Perceptions Survey 2009'

⁶⁹ Co-Operatives Limited, 2008, Engaging Ethnic Minority Communities: Lessons for the Co-operative Sector

⁷⁰ BERR (2008) *The Impact of Regulation on Small Business Performance* Report for the Enterprise Directorate of BERR by Small Business Research Centre, Kingston University, London

⁷¹ Cited in Ram, M. & Jones, T. (2008) 'Ethnic Minority Businesses in the UK' in Observatório da Imigração, ACIDI I.P (2008) 'Special Issue on Immigrant Entrepreneurship' Migracoes #3

⁷² Ram, M & Jones, T. (2007) 'Ethnic Minority Business in the UK: A Review of Research and Policy Developments' Ethnic Minority Business Workshop, Centre for Racism and Ethnicity Studies, University of Leeds URN 07/1051

and low-order retail in the case of South Asian communities, take-away food for Chinese and corner-shop retailing and hairdressing among Afro-Caribbean. This was exemplified by the SBS 2010 survey, that found that 35 per cent of BME-led businesses were in the wholesale and retail trade sector compared to just 23 per cent of all SMEs, they were also more likely to work in the hotel/ restaurant sector, transport, storage and communication and in health or social work.⁷³ Growth of these businesses, which initially developed due to relatively liberal regulatory policy, was later constrained as businesses found themselves located in fiercely competitive markets and with continual regulatory change, for which many diverse businesses are unable to fully cope due to the extensive local number of local regulations that exist in these sectors as compared to other sectors. This point was also stressed during interviews with stakeholders as part of this study who work with diverse businesses on a day to day basis. Coupled with a lower propensity for BME-led businesses to seek formal business support, and an increased reliance on informal sources of support, there has been some misunderstandings of the business regulation landscape and some disproportionate effects⁷⁴.

Research has found that most migrant and BME-led businesses are often small, manager-owned, service sector businesses⁷⁵ operating in urban environments. The propensity of BME-led businesses to emerge in urban environments, many of which are also relatively deprived districts, can help to provide vitality and diversity leading to the revitalisation of areas through business development and alongside it, the development of social networks as BME-led businesses often 'gravitate' to certain areas and start up business in similar economic sectors. However, given relatively low start-up costs, the resulting saturation of the market leads to profit margins being squeezed and informal practices being fostered in order to survive.⁷⁶ A Eurofound study of European cities further emphasised this point, stating that BME entrepreneurs often encounter more barriers to business success than non BME entrepreneurs due to the sectors to which they gravitate, where low barriers to market entry exist and low levels of financial requirements are necessary. Furthermore, businesses in the lower end of the market are deemed to be more prone to cutting corners. This is even worse in the case of informal work where there is seldom regulatory compliance, particularly in the case of new migrants.⁷⁷

The Ram & Jones study notes that lifting restrictions on shop opening hours, for example, led to supermarkets dominating the economy and led to detrimental impacts on small-Asian owned groceries that were often unable to maintain the national minimum wage for staff, particularly when larger superstores and their economies of scale and purchasing power provide a highly competitive grocery market. The concentration of BME-led businesses in certain sectors makes them more susceptible to regulation than the wider business population. Language difficulties can also play a role in misunderstanding the regulations in force. Many BME-led businesses rely on informal networks of support which can reinforce poor knowledge and familiarity of regulatory requirements. In some cities, such as Copenhagen, the authorities actively seek to overcome such language barriers through the circulation of information to businesses in their language of origin.⁷⁸

6.1.2 While research suggests that BME-led businesses have the capability to deal with regulation, there is contrast between the established minority business population and new migrant business

As reported above, the business interviews suggest that BME-led businesses on the whole feel that they have the aptitude to deal with regulation. However, more recent research has sought to differentiate the established minority business from new migrant businesses which have created

⁷³ BIS (2011) 'BIS Small Business Survey 2010 Minority Ethnic Group-led businesses boost' IFF Research

⁷⁴ Ram, M. & Jones, T. (2008) 'Ethnic Minority Businesses in the UK' in Observatório da Imigração, ACIDI I.P (2008) 'Special Issue on Immigrant Entrepreneurship' Migracoes #3

⁷⁵ Eurofound (2011) 'Promoting ethnic entrepreneurship in European Cities' Cities for Local Integration Policy (CLIP) Network

⁷⁶ Eurofound (2011) 'Promoting ethnic entrepreneurship in European Cities' Cities for Local Integration Policy (CLIP) Network

⁷⁷ Community Links & The Refugee Council (2011) 'Understanding the informal economic activity of refugees in London'

⁷⁸ Eurofound (2011) 'Promoting ethnic entrepreneurship in European Cities' Cities for Local Integration Policy (CLIP) Network

a dichotomy and diversity of businesses that would be classified as 'BME-led' and diversity in their experiences and trajectories of business.

A study by the Centre for Research in Ethnic Minority Entrepreneurship (CREME) in 2010 found that the complexity of this 'super-diversity' had led to policy makers struggling to overcome barriers, leading to migrant entrepreneurs being unable to find the information they require.⁷⁹ CREME conducted 165 semi-structured interviews with business owners from 22 new migrant communities and five focus groups with new migrants which were utilised to explore experiences of business support in England. The research found that many migrants, including those from Africa, the Middle East and Eastern Europe, wanted to be self-sufficient, seeking business rather than grant assistance, but have little knowledge of what information is available to them or how to access it. Furthermore, given their unfamiliarity with the English regulatory system they seek support to learn about planning permission and regulations such as Health and Safety in order to run their business legally, but there is little awareness of how to get assistance or where to find guidance on regulations. A paper by Ram and Jones (2008) found that there has been some attempt to provide more focused support to BME-led businesses and in a less homogenised manner. For instance, while some authorities have focused on BME-led business support broadly, others have provided targeted support through employment of ethnic minority advisors, sector-based initiatives, provision of finance targeted at different ethnic groups and collation of data to better understand the 'make up' of BME-led businesses in a geographical area.⁸⁰

Given the diversity of businesses which are grouped into the terminology of BME-led business, the impact of regulation varies. Different groups have varying understanding of how regulation impacts on their business, how they should comply and whether they choose to comply. A study on new migrant entrepreneurs in London found that there were a number of characteristics emerging among new or emerging minority businesses. Their relationships with the tax and regulatory system varied, but the study highlights the complexity of BME-led businesses, including:

- existing businesses with no premises, working on a cash in hand basis in sectors such as clothes making, catering, often do not view their 'venture' as a business and are therefore unaware of regulations that affect them;
- informal practices based on high street premises that are 'registered' businesses who may be compliant with the national minimum wage but they are often characterised by an absence of employment contracts for employees who are just 'helping out' and therefore are paid cash in hand; and
- multi-business models where one lease holder pays the rent and is responsible for payment of tax, however they may have other businesses working from the same premises, or the micro- shopping centre model which subdivides premises into smaller units with an informal system of subcontractors.

The variance in attitude towards regulation between established minority businesses and new minority businesses can sometimes be further exacerbated by negative experiences with 'reception organisations' such as migration officials or job centres that can lead to negative perceptions of future support from national or local agencies. Similarly, such public provision of support is seen to be in contrast to the desire for migrants to be self-sufficient. They may be further dissuaded from approaching support or regulators by cultural differentials, time constraints and lack of awareness.⁸¹ While the study found evidence of businesses ignoring regulation, largely this was a factor of cultural differences and a lack of awareness of regulations rather than a rational profit-maximisation activity, and once businesses broke even they often registered their business activity and began to focus on regulatory compliance.

⁷⁹ Ram, M., Jones, T., Edwards, P., Kiselinchev, A & Muchenje, L. (2010) 'Engaging with Super-Diversity: New Migrant Businesses and the Research-Policy Nexus'

⁸⁰ Ram, M. & Jones, T. (2008) 'Ethnic Minority Businesses in the UK' in Observatório da Imigração, ACIDI I.P (2008) 'Special Issue on Immigrant Entrepreneurship' Migracoes #3

⁸¹ Supulveda, L., Syrett, S. & Fergus, L. (2008) 'New Ethnic Minority Business Communities in Britain: Challenges of Diversity and Informality for the UK business and Policy Frameworks' November 2008, Middlesex University

In addition to the traditional BME-led business sectors and informal activity, there is an increasing prevalence of aspiring BME entrepreneurs that has been noted in research.⁸² These new entrepreneurs have different social networks and often hold better educational qualifications and, as a result, they are pulled into services markets such as ICT, finance, insurance, real estate and media which are better aligned with the requirements of the post-industrial economy and have an improved ability and awareness of the regulations that cover their activity.

Given the multi-faceted nature of BME-led businesses, the impact of regulation will vary significantly. Different opportunities are offered depending on the market of engagement which may lead to businesses having different requirements of support, different levels of success and different understandings of the regulatory landscape.

6.1.3 There is a belief that regulation can be beneficial to control business activity and improve competitiveness, but too much regulation can also lead to disincentives and can constrain business growth

Regulations often exist to protect both employers and employees, ensure safety in the work place and also enable potential costs to be reduced leading to improved competitiveness. These benefits were also identified by diverse businesses interviewed as part of this study, in relation to local regulations specifically. However, while appreciating the need for regulation in different sectors, it requires businesses to divert resources away from their business activity which can have a significant impact in a smaller business.⁸³ Regulation can generate 'enabling, motivating and constraining influences' as found by a study for BERR in 2008 which considered 124 businesses in detail and interviewed a further 1,205 businesses across England by telephone.⁸⁴ The study found that half of the sample considered that regulation provided some benefit to their business. More specifically, this included enabling them to adapt more quickly to regulation than other competitors (37 per cent); taking action to ensure their business remains competitive (33 per cent) and increasing customer confidence in the business and its products / services (29 per cent). However, two thirds of businesses also stated that regulation led to costs to their business.

Similarly, the Kingston University study previously referenced also found that the key problems in relation to regulation is often the need to divert resources from more productive activity towards keeping abreast of regulations, understanding how to comply and actively doing so. For some, regulation can disincentivise businesses to undertake certain activity, such as entering new markets, undertaking innovative activity or growing their business, in part therefore constraining growth and leading to 'sub-optimal economic activity'.⁸⁵ However, regulation also enables behavioural expectations to be established, providing a more stable playing field for business through trading conditions which 'facilitate market exchange and long-term investment'⁸⁶ which can help to sustain the economy and therefore some level of regulation is necessary. That said, while one regulation may not prove a problem for smaller businesses, in highly regulated markets, the accumulation of regulation becomes increasingly problematic⁸⁷ and so the balance between regulation and regulatory burden must be carefully struck.

6.1.4 Women-led businesses are a significant contributor to the economy, but there is a lack of research on the impact of regulation on women-led business

The Department of Trade and Industry (now BIS) estimated in 2005 that the annual contribution of women-led business to Gross Value Added was £70 billion. Modest estimates for 2011 suggest that they contributed around £75 billion to the UK economy.⁸⁸ The 2010 Small Business

⁸² Eurofound (2011) 'Promoting ethnic entrepreneurship in European Cities' Cities for Local Integration Policy (CLIP) Network

⁸³ Kingston University (2005) 'Regulation and Small Firm Performance and Growth: A Review of Literature'

⁸⁴ BERR (2008) 'The Impact of Regulation on Small Business Performance Report' for the Enterprise Directorate of BERR by Small Business Research Centre, Kingston University, London

⁸⁵ Kingston University (2005) 'Regulation and Small Firm Performance and Growth: A Review of Literature'

⁸⁶ BERR (2008) 'The Impact of Regulation on Small Business Performance Report' for the Enterprise Directorate of BERR by Small Business Research Centre, Kingston University, London

⁸⁷ Kingston University (2005) 'Regulation and Small Firm Performance and Growth: A Review of Literature'

⁸⁸ Women's Enterprise Policy Group (2011) 'A Multi Billion £ Opportunity: The Untapped Growth Potential of UK Women Entrepreneurs' September 2011

Survey highlighted that women-led SMEs are largely consistent with SMEs in general in terms of their perceptions of regulation as a barrier to start up and growth and largely felt that their management team had strong capability to make decisions about regulation.⁸⁹ Similarly, evidence from the 2003 Small Business Survey found that women-led businesses are less likely to consider regulations as an obstacle than businesses where there are either some women business directors or an all male team.⁹⁰

A briefing paper by the Women's Enterprise Policy Group highlights that two-thirds of women-led SME employers seek to grow their business over the next two to three years.⁹¹ It also found that women-led businesses were more likely to engage with professional advice to help achieve this growth, with 15 per cent using a mentor and 42 per cent engaged in networking activities to meet other entrepreneurs.

6.1.5 Interviews with diverse businesses suggest that they can see the benefits of regulation up to a point but also suggest that the cost of dealing with local regulations is significant for some businesses

Almost all BME-led businesses that were interviewed as part of this study felt that local regulations that apply to their business are important and necessary. Businesses reported that health and safety regulations and environmental regulations ensure good working conditions and are important for the health of the public at large. One business suggested that trading standards are important in terms of price control and more generally BME-led businesses felt that regulations help to ensure that all businesses operate safely and act in a more professional manner. However, some BME-led businesses suggested that they do not think planning permission and parking regulations are important.

Diverse businesses were asked whether they are able to see any business benefits to regulation. Around half of the BME-led businesses could not identify any business benefits, although the remaining businesses cited a range of different benefits. For example, those in the food and drink sector suggested that a clean environment could help to attract customers and increase sales. Other businesses suggested that complying with regulation could lead to an improved local image and higher staff morale. Around half of the women-led businesses were not able to see any business benefits as a result of regulation, the same proportion as BME-led businesses. Those that could see benefits cited a competitive advantage, an improved local image as clients feel reassured and the creation of a level playing field between competing companies in terms of minimum safety requirements, or tax compliance. These findings are similar to the findings from the earlier GHK study for Defra which also found mixed views from a wider population of micro businesses on whether compliance with environmental regulations delivered any business benefits

When BME-led businesses were asked about business costs resulting from local regulations, most businesses suggested that local regulations resulted in some costs, although several businesses emphasised that these costs were not significant. Some examples of costs included installation of necessary equipment, training staff in regulatory requirements, dealing with inspectors, maintaining appliances for hygiene regulation, updating certificates, purchasing waste bags and completing waste related paperwork. When questioned about what costs are incurred as a result of local regulation a common response from women-led businesses was that the costs are a result of the financial costs and time spent in ensuring compliance. Whilst this was minimal for some businesses, other businesses stated that these costs were significant and one business described how they recently paid £2,000 to implement the recommendations of a fire safety inspection.

BME-led businesses were asked to estimate the approximate annual cost to their business (as a proportion of turnover) that they face in complying with local regulations and dealing with regulatory inspections and enforcement. Around half of the BME-led businesses were able to estimate cost as a percentage of turnover and almost all of these businesses suggested that the

⁸⁹ BIS (2011) 'BIS Small Business Survey 2010 Women-led businesses boost' IFF Research

⁹⁰ Kingston University (2005) 'Regulation and Small Firm Performance and Growth: A Review of Literature'

⁹¹ Women's Enterprise Policy Group (2011) 'A Multi Billion £ Opportunity: The Untapped Growth Potential of UK Women Entrepreneurs' September 2011

cost was between 1 and 10 per cent. One business suggested that regulatory costs comprised 50 per cent of their turnover, although on further questioning it became evidence that this cost included reduced custom during the recession. When asked how much time the business spends on dealing with regulation each month, responses varied, ranging from 1 hour per month to 1 hour per day. The key activities that take up this time are paperwork and inspections

The majority of women-led businesses stated that the cost faced in complying with local regulations and dealing with regulatory inspections and enforcement as a percentage of total turnover is generally below 3 per cent. However, one business stated that costs are equivalent to 30 per cent of turnover. Generally, women-led businesses spent between 3 and 5 hours per month dealing with regulation, although in one case one hour per day was spent on local regulatory requirements. Further, even though in the most part local regulation comprises a small percentage of total turnover, some respondents emphasised that this can still be a significant cost for a small business.

6.1.6 BME-led businesses believe that the cost and burden of dealing with the enforcement of regulation is increasing whilst women-led businesses have more mixed opinions

BME-led businesses were asked whether the cost or burden of local regulation is changing. Most businesses suggested that the burden is getting worse with an increased number of regulations to deal with. Whilst some businesses suggested that the burden isn't changing, there were no BME-led businesses that suggested the burden is reducing.

'The burden is getting worse - councils are only interested in getting revenue from businesses, they are not interested in their survival.'

Interview respondent in the food and drink sector, London, Borough of Tower Hamlets

Stakeholders also corroborated this view and suggested that there was a perception amongst BME businesses that local regulatory burdens had increased. They suggest that businesses are not always able to cope with this and are not able to anticipate future changes and revisions to regulations. Therefore they can be caught out when an instruction comes in and this can be difficult for small businesses to deal with. One of the stakeholders suggested that this was not specific to diverse businesses in particular. Another stakeholder suggested that the burden of local regulation had increased by nature of the fact that regulations have increased for all businesses, however BME-led businesses are often concentrated in particular sectors which may be subject to a greater number of local regulations. Women-led businesses were split more evenly as to whether the burden was increasing, staying the same or decreasing.

'The regulations appear to have become more relaxed over time. They used to be much more arduous, with businesses required to check and record lots of information, which created significant time and cost burdens. For example, the previous requirement to check the temperature of all food before serving (using temperature probes) appears to have been relaxed - this used to be time consuming and was unrealistic for a busy restaurant.'

Interview respondent in the restaurant sector, Plymouth

Women-led businesses that had recently been set up suggested that the burden had been high at the outset but they expected this to decline over time.

It is important to note that in a number of cases, what BME-led businesses perceive as time spent on regulation is actually time spent on core business activities that are regulated, rather than dealing with the administrative side of complying with regulatory requirements (e.g. filling in paperwork, submitting forms, reading guidance, etc.) which is typically understood as 'regulatory burden'. It may be that even in the absence of regulation, businesses would still be likely to, or in some cases, need to, undertake the same activities that they currently associate with regulation (e.g. removing waste, providing a safe environment for employees, etc.). Therefore it is to some degree questionable whether this is time that could, in fact, be counted as contributing to regulatory burden.

Several BME-led businesses that imported foreign products from abroad suggested that they were more likely to be subject to additional regulations. The majority of these businesses reported long waiting periods for some products, such as nuts imported from Turkey, which involves additional costs to business both to store the products at the port but also the opportunity cost of delayed deliveries. One BME-led business reported that their suppliers import products from abroad which they buy to sell in their store. However, since last April, EU regulations on herbal medicines have been tightened. This has affected the business financially as customers prefer tablets that are now restricted by new regulations and thus turnover has decreased by around 10-20 per cent. Another business that imports rice stated that the correct duties were not identified at the time of import and the bill was sent 3 years after the initial shipment which led to significant costs for the business.

The majority of diverse businesses interviewed as part of this project suggested that they have the capacity and capability to deal with these regulations. However, several diverse businesses emphasised that this was because they had outsourced many of the regulatory requirements. A small number of BME-led businesses also suggested that they were finding it difficult to comply due to pressures to maintain business as a result of the financial crisis and as such were finding it hard to divert time away from the day-to-day operations of the business.

6.1.7 Whilst one case study business articulated the benefits of local regulation, the supply chain of the other business and the workshop attendees had been negatively impacted due to problems with port regulations at point of entry

The Turkish owned case study business in Enfield cited competitive advantages, higher staff morale and improved local image as key benefits resulting from local regulation. It estimated that costs associated with local regulation as a percentage of total turnover was less than 1 per cent. The Technical Manager for the business spent 64-80 hours per month on local regulation, which is fairly significant, although the company is larger than others that were interviewed with around 50 employees. In addition, a large part of the Technical Manager's role is to deal with local regulation which means the business has the capacity and capability to ensure compliance. The business suggested that the key activities contributing to this time included paperwork, inspections and conducting their own research.

The business felt that the cost and burden associated with local regulations is getting worse as local regulation is becoming more demanding and stricter. This imposes further costs, although at the same time the case study business was able to see the benefit of the proposed changes.

'Regulations and measures within the regulatory framework are all helpful for all parties including the business as well as the customers.'

Case study business in food and drink import (Turkish ethnic minority), London, Enfield

The case study business stated that health and safety regulations created the largest burden, comprising 50 per cent of the total regulatory costs. Further, local regulations must also be communicated to all staff which requires additional time and cost. The business communicates local regulations in the form of in-house training on food hygiene and health and safety, providing training before a staff member begins employment and regular training session to update knowledge.

6.1.8 Food and drink importers emphasised that the enforcement of port regulations led to negative impacts in terms of costs to the business and delays in the supply chain

The Asian-led food businesses that attended the workshop emphasised the impact of port regulations on their businesses and suggested that the enforcement of regulation had a detrimental impact on their ability to meet contractual obligations further along the supply chain. Furthermore, they felt that port regulations, enforced locally by the Port Health Authorities (PHAs) within local authorities at point of entry to the UK, often led to delays to goods being received and additional costs payable due to the need to inspect some 'controlled' items. This was primarily an issue in the case of 'hot products' such as paprika and chilli, for which many UK ports hold, inspect and test 50 per cent of all containers imported.

One business suggested that the testing process can take up to 15 days per container held, for which importers have to pay shipping companies for additional storage costs (up to £3,000 per container). While businesses acknowledged the importance of the regulations being in place, they felt that the enforcement of the regulations was too focused on quotas and did not take a sufficiently risk-based approach. For instance, regardless of the due diligence processes of importing companies and their prior track record of containers being tested and cleared for entry, one business indicated that 50 per cent of all its imports of controlled products are stopped, held and tested every year. Although this example involved a medium sized business rather than a small business with fewer than 50 employees, similar experiences are likely to be noted for small businesses and costs could potentially be more pronounced as a share of total business costs or turnover if a small business specialises in controlled goods or high risk goods. Understanding how much of a problem these port regulations specifically are for small businesses is a potential area for further investigation.

Businesses emphasised that while these PHAs were enforcing a European regulation, they were not aware of other EU countries taking such an inflexible approach to enforcement. In particular, they highlighted the importation of foodstuffs via ports at Rotterdam and Antwerp where the businesses suggested that the costs of holding produce at the port for testing are much lower than in the UK (through the use of bonded warehouses). As such, they felt they were at a competitive disadvantage by importing produce into certain UK ports.

The majority of businesses who attended the workshop had created a specific role to deal with regulation, such as a Technical Manager. For one company, two employees spent an average of four hours per day dealing with regulatory matters of which it was estimated that around 10 per cent was on form filling and paperwork associated with regulation. However, they also suggested that they would still choose to undertake their internal inspection activity regardless of whether the regulations were in place. Health and safety and food safety were identified as having the most significant temporal cost among these businesses, while dealing with port regulations had the most significant direct financial cost. An Asian-owned wine importer felt that regulations are important to ensure that businesses in this sector operate in a safe manner, although sometimes they feel that regulations are 'over the top' and there is often confusion about how to comply with port regulation in particular. The business felt that, overall, they have the capacity and capability to deal with regulations but do not perceive regulations to have any direct benefits to their operations. The main costs identified by the firm were recently introduced labelling requirements which required new information to be included on labels (and loss of old labels in stock) in addition to the time spent with HMRC regulators and dealing with paperwork. The business estimates that regulation and dealing with regulatory inspections/enforcement costs the business 1-5 per cent of their turnover annually, with three days per month spent on paperwork and additional time for inspections by HMRC and preparation for these inspections. These three days include half a day spent on health and safety compliance for insurance company purposes, half a day spent on FSA regulations and two days spent dealing with HMRC requirements and regulations.

The business feels that the cost is getting worse over time due to the emergence of the 'grey market' which leads to additional requirements to fulfil. Furthermore this can lead to a loss of business. For example, the port authorities wrongfully seized the stock of one of their suppliers due to the incorrect assumptions that duty had not been paid. In this situation neither the supplier nor the business themselves were given an opportunity to discuss the problem. As a result this supplier has stopped supplying the UK as it is easier to export their produce to other EU countries. These problems ultimately lead to the loss of good suppliers and loss of stock for the business they sell export/sell to. The business suggested that the introduction of a government controlled facility through which alcohol is purchased (such as the system in Canada where the entire liquor industry is government controlled) would lead to better control of the stock that is allowed into the country.

The box below provides a good practice example of effective enforcement and different steps that can be taken in order to help businesses use regulation to their advantage, thereby limiting negative impacts and any costs and burdens associated with regulations. This case study is of particular relevance to this study given that a high proportion of off-licences are run by individuals from a diverse background.

Good practice example – Coventry City Council

The aim of the project was to raise awareness of violence at work in off licences with local employers, employees and enforcement officers within the Coventry City Council Commercial Team under the regulatory area of licensing and health and safety. The Council also aimed to advise employers and employees about what types of violent incidents at work were reportable under Reporting of Injuries, Diseases and Dangerous Regulations 1995 (RIDDOR), in order to improve the reporting of violent workplace incidents.

Staff from Licensing and Health & Safety teams led the project. Officers visited a percentage of the off licences that had completed an initial questionnaire on their experiences and advice was given and relevant leaflets left at the premises. Widespread publicity occurred in the local media, which supported the visits by officers and a range of advisory materials was also produced for the campaign. After the activities were completed, 90 per cent of businesses had put measures in place to prevent violent incidents towards staff.

The project found that visits to premises and taking the time to discuss issues, rather than merely posting information, was a successful strategy for making improvements and raising awareness of topical issues with local businesses.

Source: Coventry city Council, November 2005, Environmental Health case study

Summary of key points

- **The concentration of BME-led businesses in certain sectors makes them more susceptible to local regulatory burdens than the wider business population.** BME-led businesses are more likely than the wider population of businesses to be in the wholesale and retail trade sector, they are also more likely to work in the hotel/ restaurant sector, transport, storage and communication and in health or social work, many of which are subject to a large number of local regulations.
- **The burden of local regulation on BME-led businesses can differ according to how established the business is.** While literature and interview findings suggest that BME-led businesses have the capability to deal with regulation, there is a contrast between the established minority ethnic business population and new migrant businesses.
- **Interviews revealed mixed opinions as to whether regulatory burdens were increased or decreasing.** BME-led businesses felt that the cost and burden of dealing with the enforcement of regulation was increasing whilst women-led businesses had more mixed opinions and some suggested that the burden was decreasing. However in a number of cases, what business perceives as time spent on regulation is actually time spent on core business activities and further work may be required to disentangle the actual, direct impact of regulation.
- **The impact of port regulation and the enforcement of these regulations can have a detrimental impact on ability to meet contractual obligations further along the supply chain.** This point was emphasised by one of the case study businesses and the food and drink businesses that attended the workshop who stated that the testing process can take considerable time and costs are incurred per container held. While businesses acknowledged the importance of the regulations they suggested that a 'risk-based approach' would aid them in their operations.
- **Finally, in terms of the benefits of local regulation, there is a belief that regulation can be beneficial to control business activity and improve competitiveness, but too much regulation can also lead to disincentives and can constrain business growth.** Interviews with diverse businesses suggested that they could see the benefits of regulation up to a point but also suggested that the cost of dealing with local regulations was significant for some businesses.

7 Food and drink importation case studies

This section draws together the findings from the case studies undertaken with two food and drink importers – an Asian micro business in Walsall importing drink products and a Turkish SME in Enfield importing food and drink products.

7.1 Case study 1 – Turkish-owned food and drink importer, Enfield

7.1.1 General information

The business employs around 50 people at present but this number tends to fluctuate throughout the year depending on peak periods of trade. The turnover of the company is £12 million with an approximate profitability of 10-20 per cent and the business has been in operation for 21 years.

It is worth noting that this particular case study is unique in that it is part of the Primary Authority scheme with Enfield Council. This is likely to affect the style of regulation that it has adopted as well as the level of awareness and type of relationship it has with regulators. As such the responses below are unlikely to be considered 'typical'.

7.1.2 Business model, supply chain and networks

The business imports food and drink from Turkey (50 per cent of all imports), EU Member States (40 per cent) and other countries including Croatia and Sri Lanka (10 per cent).

The business imports 300-350 containers of 26 tonnes annually, equivalent to 9000 tonnes of imported goods with a value of £2 million. The business then distributes products across the UK. The firm is a direct importer for food and drink products but also acts as a trader for dried fruits, (i.e. it buys these products from other importers in the UK and sells them domestically in the UK).

Initially the firm was a supplier for ethnic minority markets only. Today, however, the business works with high street market chains such as ASDA, Morrisons and Budgens which comprises approximately 40 per cent of its business.

7.1.3 Barriers to Growth

Barriers to growth include taxation and VAT increases alongside competition. The business perceived local regulations to be less of a barrier to growth compared to other factors.

7.1.4 Awareness of regulations and sources of information

The business demonstrated a high awareness of local regulation and understands what is required in order to ensure it is compliant. The firm employs a Technical Manager who has responsibility for all regulatory issues including fire safety, health and safety, environmental regulations and trading standards regulations (including food labelling regulations).

7.1.5 Relationships with regulatory authorities

The business has good relations with the local council and its regulators. Inspectors engage with the business in a positive, friendly and helpful manner. The business is inspected approximately every year for each local regulation including health and safety, fire safety, trading standards and environmental regulation. The firm also carries out internal risk assessments on health and safety regulations every 6 months.

Food Safety inspectors check non-EU products, for example dried apricots to assess the level of sulphite and often request ingredients analysis documents for imported goods. This can be time consuming but is a useful exercise. The business feels that the frequency of inspections is about right. The business stated that it finds inspections very helpful and they are a way for staff to learn and improve processes.

The firm suggested that the system of inspections could be improved through provision of written information regarding updates to the regulatory framework

7.1.6 Impact on businesses

The case study business cited competitive advantages, higher staff morale and improved local image as key benefits resulting from local regulation. It estimated that costs associated with local regulation as a percentage of total turnover was less than 1 per cent. The Technical Manager for the business spent 64-80 hours per month on local regulation.

The case study business stated that health and safety regulations created the largest burden, comprising 50 per cent of the total regulatory costs. The business felt that the cost and burden associated with local regulations is getting worse as local regulation is becoming more demanding and increasingly strict which imposes further costs.

7.2 Case study 2 – Asian-owned drinks importer, Walsall

7.2.1 General information

The business has been operating for 2 years, employs 2 directors and the approximate annual turnover of the business is £1 million. Approximate profitability is 12 per cent.

7.2.2 Business model, supply chain and networks

The business imports wine from California and from the EU. Californian wine is then exported largely to the EU (80 per cent) with 20 per cent distributed across the UK. The wine from Europe is distributed across the UK only and all wine that is imported is bottled in Dudley before distribution. The business is required to be VAT registered and Registered with the Foods Standards Agency.

7.2.3 Barriers to Growth

The main barriers to growth include competition from other importers. The grey market (poor quality / fake goods) has led to increased regulation from HMRC and a continuous assessment process. As part of continuous assessment processes, the company has had to employ Due Diligence Exchange (duty and excise experts) to undertake an assessment of each new supplier. This costs £600 per supplier and leads to an annual cost to the business of £3,000. The business feels that the port authorities are more suspicious of Asian-led businesses.

A change in labelling laws without information on why this was occurring was also identified as a barrier to growth. The business stated that there was no communication between the EU FSA equivalent and the UK FSA. This meant that the business had to change labels with no warning leading to increased costs and wastage.

7.2.4 Awareness of regulations and sources of information

The business has good awareness of local regulations including Health & Safety (including use of forklift trucks) and food standards agency (including Wine Standards) to ensure compliance with drink labelling and alcohol content. The business is also aware of regulation on importing goods including the requirement for duty paid certificates for produce imported.

The business accesses a range of sources of information including Business Link / Revenue and Customs online services, a named contact in the FSA, the Black Country Asian Business Association (BCABA), Today's group (Cash & Carry Trade body) and their accountant.

7.2.5 Relationships with regulatory authorities

The business regularly engages with the FSA who deal with Trading Standards issues such as labelling. The business also frequently engages with HMRC at port entry. The business believes HMRC are poor at communication and they have a poor relationship with them as a result. They feel that HMRC are very heavy handed and suspicious and the process of engagement assumes that a business is guilty from the outset. The business owner feels that this suspicion is targeted at Asian businesses over other businesses perhaps due to an assumption that more Asian businesses operate in the 'grey market'.

The business stated that some of their stock was seized due to queries over payment of duty and a duplicate unique identifier that was used. This led to delays and costs for the business as well

as stock issues. The business believes HMRC have targets to satisfy in terms of amount of goods seized which does not allow businesses to operate efficiently.

The business has limited contact with other local regulatory authorities – they have not been inspected by anyone in the last 2 years and their insurance company checks for Health and Safety compliance rather than the local council. More visits and support would be useful, perhaps on an annual basis by one local authority regulator who checks for all issues (health and safety, environment, fire safety etc).

7.2.6 Impact

The business spends 3 days on all regulation (includes Tax and VAT), however they found it difficult to estimate the time on local regulations alone due to the lack of frequent inspections.

8 Summary of key findings and conclusions

This section draws together the key findings and conclusions from the research. It highlights gaps in the evidence and draws out broad insights and implications for policy makers. However, caution is urged in interpreting these findings as they are based predominantly on qualitative research only, highlighting indicative conclusions and areas for further research.

8.1 The experiences of diverse businesses with local regulation

8.1.1 Diverse business growth and the role of local regulation

Diverse businesses make a significant contribution to the UK economy. In 2010, 6.3 per cent of SMEs (around 280,000 SMEs) were minority ethnic group led, contributing about £25 billion gross value added (GVA). In the same year, 15.5 per cent of SMEs (690,000 SMEs) were majority women-led, contributing about £50 billion gross value added.

However, the literature reviewed for this study suggests that the general trading conditions for diverse businesses have become more challenging in recent years as businesses feel the effects of the economic downturn. In addition, the majority of diverse businesses interviewed for this study stated that the market in which they operate has become increasingly challenging, mainly as a result of the economic recession, but partly due to local and other regulation. In particular, business rates, obtaining finance, tax regulations, employment regulations and competition were seen as significant barriers to growth. Concerning local regulations, a small number of women-led businesses and around half of BME businesses interviewed for this study cited local regulation as a main obstacle to growth. In particular, health and safety regulations, environmental regulations and planning permission/parking regulations were identified as barriers to business growth.

Interviews and case studies revealed that the importation of 'exotic' foodstuffs and other products in particular can impact the growth prospects of some diverse businesses. For example, food and drink businesses that attended the workshop stated that they had ambitions to grow their business and export their products to Europe and further afield, although regulations enforced at UK ports has made this difficult. In particular port regulations lead to delays in goods being received resulting in direct financial costs to the business and, sometimes, penalties payable to supermarkets for each delayed delivery.

8.1.2 Attitudes and awareness of local regulation

The interviews conducted with diverse businesses suggest that women-led SMEs see regulation as more of a barrier to business growth compared to the wider SME population. However, both women-led and BME-led businesses are more likely to cite national regulations (tax and employment) rather than local regulations as a barrier to business growth. This is also common to SMEs more generally.

Awareness of local regulations among diverse businesses is strongest in the areas of health and safety and fire safety for both BME-led and women-led businesses. There seemed to be slightly lower levels of awareness of environmental regulations compared to other local regulations; however, this was in part due to the fact that several diverse businesses did not associate environmental practices (e.g. safe disposal of waste) with the local regulatory framework. In addition, stakeholders that were consulted suggested that BME-led businesses had a lower level of awareness as compared to the wider population of small businesses. Reasons for this include a lack of easily accessible information for this community, a concentration of diverse businesses in specific sectors which are subject to high levels of regulation and a lack of familiarity with domestic legislation for some more recent migrants.

Interviews revealed that most women-led businesses would turn to the local council for advice or help or they would undertake their own research to ensure they were aware of their local regulatory requirements. In addition, the food and drink businesses that attended the workshop felt that inspections were a way to obtain direct information and advice outside of their existing networks, although one of the case study businesses had not received any visits from local regulators and so had not sought any information from local regulators. In contrast, BME-led businesses are more likely to use private companies and trade associations as sources of advice.

This contrasts with earlier GHK research which suggested that micro businesses more broadly are likely to turn to local authorities or government sources of information for advice and guidance. This finding suggests that BME businesses appear, *prima facie*, less trusting of local government which may reflect poor experiences with authorities (perhaps with UKBA as well as other government bodies on a local or national scale). Further, this corroborates the findings from the REA which suggest that BME-led businesses have a greater desire, compared to the general population of SME businesses, to be self sufficient and to 'make it on their own' without help from government.

Women-led businesses interviewed for this study expressed a preference for receiving information on local regulations via e-mail or post, while BME-led businesses suggested a preference for either post or visits. This is a similar finding to previous work undertaken by GHK which suggested that very few micro businesses in general use online resources and prefer to receive, rather than actively seek, information on local regulations to help increase their overall awareness levels.

8.1.3 Diverse business experience of enforcement and inspections

The research for this study finds that, overall, the frequency and nature of local regulatory inspections appears to be similar for diverse businesses and other SMEs. Diverse businesses that were interviewed received more frequent contact with local regulators regarding health and safety regulations and fire safety regulations as compared to other regulations and, generally, diverse businesses felt that the frequency of inspections was about right. These findings are consistent with earlier research undertaken by GHK into micro businesses and regulation.

However, attitudes towards inspections appear to differ, with fewer diverse businesses (compared to other SMEs) likely to express positive views. On the whole, women-led businesses are generally satisfied with the system of inspections but suggest that more flexibility could be usefully built into the system. However, BME-led businesses were more likely to express negative views as to the usefulness of inspections. In contrast, earlier research by GHK with micro businesses suggested that these businesses were more likely to express positive sentiments regarding local regulation inspections, which again may suggest that BME-led businesses have less positive attitudes and less trust of government, including local enforcement bodies. In part, the mixed attitudes of BME-led SMEs towards local regulatory inspections may reflect frustration when encountering language barriers. For example, several BME-led businesses stated during interviews that they had difficulties in understanding and communicating with local inspectors. In addition, diverse businesses were asked for their views as to how the local regulatory inspections and enforcement system could be improved and most suggestions were common with those expressed by other SMEs in earlier research, such as providing sector specific information, directly providing businesses with any updates to regulations and ensuring that information is simplified. However one suggestion specific to the ethnicity of BME businesses involved receiving more written (rather than verbal) advice and in languages other than English.

This finding may also reflect the perception that diverse businesses are treated differently to other businesses as a result of their ethnicity/gender, but this was rarely the case among diverse businesses. Only a minority of diverse businesses felt that they had been treated differently as a result of their gender and/or ethnicity, although one of the case study businesses felt that diverse businesses were treated with greater suspicion by port authorities. Stakeholders and some interviews with businesses suggest that there may be an implied difference in treatment as a result of inspectors not accounting for the cultural diversity of the individual business owner, which some diverse businesses raised as an area for improvement with respect to inspectors and inspections. Stakeholders also suggested that further training of local inspectors to highlight cultural differences and diverse needs could help to overcome this issue.

Furthermore, the literature suggests that the needs of new migrant businesses are different from established migrant businesses which is an important point for highlighting that 'BME businesses' should not be viewed as a single, homogenous group with the same needs. In addition, migration patterns are constantly evolving and, based on historic data, it is likely that migration rates will increase with additional numbers of migrants starting their own business. Therefore it will become even more important to acknowledge the specific needs of diverse business and incorporate these needs into the local regulatory framework to aid business growth and development.

8.1.4 Impact of local regulation on diverse businesses

Literature as well as interviews conducted with businesses suggests that diverse businesses may be more represented in some sectors than non-diverse businesses, which will impact their experiences of local regulations and the associated burden. For example, BME-led businesses are more likely than the wider population of businesses to be in the wholesale and retail trade sector, the hotel/ restaurant sector, transport, storage and communication and health or social work sector, many of which are subject to a large number of local regulations, meaning that they are disproportionately affected. The concentration of BME-led businesses in certain sectors therefore makes them more susceptible to local regulatory burdens than the wider business population.

Further, the burden of local regulation on BME-led businesses can differ according to how established the business is, with several recently established businesses reporting more time spent dealing with local regulations compared to more established diverse businesses. In addition, although interview findings suggest that BME-led businesses have the capability to deal with regulation, the literature suggests that there is a contrast between the established minority ethnic business population and new migrant businesses.

Interviews also revealed mixed opinions as to whether regulatory burdens were increasing or decreasing. Whilst BME-led businesses felt that the cost and burden of dealing with the enforcement of regulation was increasing most women-led businesses had more mixed opinions and some suggested that the burden was decreasing as some time-consuming regulations were no longer deemed necessary.

The food and drink importers that attended the workshop and one of the case studies cited high costs and negative impacts on supply chains as a result of port regulations. These businesses spend a significant amount of time and money in dealing with port regulations and the impact on diverse businesses, many of which import specialised or controlled goods, can be detrimental to business operations.

8.2 Gaps in evidence

The qualitative research conducted for this study adds to the evidence base surrounding the experiences of diverse businesses with local regulation. Construction of a more complete and conclusive picture of local regulation on diverse businesses, its enforcement and how this affects the ability of diverse businesses to grow is constrained by several factors. For instance:

- where local regulation is covered by literature it is usually part of a wider study on regulation rather than being the core focus of research. There is also an absence of literature that focuses on the enforcement of local regulation, with the exception of surveys undertaken for the NAO and the LBRO in 2010 and as a small part of a 2005 Kingston University study;
- the majority of literature analysed, in all likelihood, will have covered diverse business within their research, although in most cases the findings were not distinguished by ethnicity or gender. Therefore, although it may be the case that differences in findings do exist between diverse business and small businesses more widely, researchers have not reported on these differences in most cases given this has not been the focus of the research;
- there are no data regarding the extent to which diverse businesses meet their local regulatory requirements and how this affects their ability to grow; and
- data are not collected on the frequency with which diverse businesses are inspected. In part, this is likely to reflect the fact that the diversity of a business is not in itself a predictor of risk (which drives inspection frequency). It may also reflect the multiplicity of regulators, regulations and inspectors and the different risk profiles of different businesses in different sectors. The lack of such data imposes limits on the extent to which links between inspections and enforcement and some of the research findings can be analysed.

Finally, there is limited information on what *drives* diverse business attitudes and behaviours with regards to local regulation. Further work to understand the motivational balance of diverse firms in different sectors could be of value in designing effective messages and strategies. This would compliment recent work by the OFT who started a programme of work in 2009 to improve their

understanding of the factors which drive businesses compliance and noncompliance with both competition, and consumer protection law. Whilst the work focused on businesses of all sizes and was not specific to diverse businesses the work highlights that for consumer protection regulations some businesses rely heavily on their relationships with the local authority Trading Standards Services (TSS) and/or trade associations, while others rely increasingly on the internet for the information they need.⁹²

In addition a recent report by the FSA⁹³ presented results from in-depth business interviews which explored what drives compliance in this sector. Findings suggest that businesses often distinguish between regulatory compliance (complying with food safety law) and effective compliance (producing safe food) and that profit margins are an important consideration when understanding whether a business will comply. For example, compliance may compete with other business needs for priority. Achieving compliance was also considered to require meeting some necessary conditions; businesses must be motivated to comply, understand how to comply and be able to comply. Business sector and subsectors were considered to potentially play a role in achieving compliance and staff profile was also viewed as a potentially important factor. Respondents acknowledged that businesses with high numbers of low-entry staff, high staff turnover, or high numbers of staff for whom English is not their first language may face additional communication and training challenges.

Some of these gaps and issues raised in recent studies present a prima facie case for further research. For instance, a quantitative and statistically robust survey of diverse businesses regarding their experiences of local regulation and the issues discussed herein would add further to the evidence base and help to overcome some of the gaps in existing data and literature. It would also build on the qualitative research undertaken for this study.

8.3 Research and hypotheses for further exploration

The research presented herein highlights a number of issues and insights with respect to diverse businesses, the enforcement of local regulation and how this affects their ability to grow. This research will go part of the way in informing policies that seek to minimise the negative impact on diverse businesses but at the same time ensure that they operate within a regulatory framework that supports and enhances their ability to grow.

Research finds that there are areas of commonality in terms of experiences and perspectives of diverse businesses vis-a-vis the wider population of SMEs. In particular these common perspectives include the view that regulation can act as a barriers to growth, the view that the frequency of inspections is about right and the preferred method by which businesses would like to receive regulatory information.

Conversely findings have also suggested that there may be experiences or perspectives that are distinct, driven by the diverse nature of businesses, be that related to ethnicity or gender. Some issues driven by ethnicity include language barriers and a lack of familiarity with regulatory requirements of newly arrived migrants. However research also suggests that ethnic minority businesses are different due to different contexts that they are embedded in. These different contexts relate to sector, locality, labour markets and institutional support and may better explain how diverse businesses experience local regulation rather than their ethnicity per se. By way of example, factors that can make diverse businesses distinct are presented below (box).

Differences between diverse businesses and other SMEs

- **Diverse businesses can be hard to reach** – diverse businesses are highly dispersed and encompass a range of different ethnic minorities. Clear lines of communication to these communities are therefore often limited.
- **Diverse businesses have specific and diverse needs** – some diverse businesses do not feel comfortable communicating with inspectors and enforcement agencies due to language barriers.

⁹² OFT (2011) The OFT's approach to promoting business compliance with consumer protection law http://www.offt.gov.uk/shared_offt/policy/OFT1292.pdf

⁹³ Food Standards Agency (2012) Qualitative Research Exploring Regulation Cultures and Behaviours

The needs of these businesses in relation to local regulation can differ according to how well established the migrant owner of the business is.

- **Diverse businesses are often concentrated within specific sectors** – these sectors are generally subject to high numbers of local regulations as compared to other sectors.
- **Diverse businesses that import food and drink products can experience specific frustrations with local regulations** – some diverse business suggest that the fact that they import products means they are subject to further regulation which increases costs and can negatively affect their ability to grow.

This research has highlighted a number of gaps and areas for further research. First, there is a dearth of existing literature and research focused specifically on the experiences of diverse businesses with local regulatory enforcement. And, second, while this report starts to fill some of the gaps in the existing evidence base, the findings are qualitative in nature and not statistically representative of all diverse SMEs.

This gives rise to a number of key themes where further work and business engagement might be of benefit in establishing a more representative and robust evidence base on which to test policy-related implications:

1. Dissemination of information on local regulation through the use of different communications channels most likely to be used by diverse businesses

Unlike other smaller businesses, very few diverse businesses are members of trade associations and few spend time actively seeking information on regulations, including through the internet. Consequently, clear and effective lines of communication into the range of BME-led and women-led businesses can be limited and highly fragmented. Further work could be undertaken to consider the case for targeting the specific communications channels used by diverse businesses, such as organisations and trade groups representing diverse groups, with information on local regulations to increase overall levels of awareness (and compliance) of local regulations amongst diverse businesses.

2. Consideration of the scope to develop a more ‘hands-on’ role for diverse businesses in the policy-making process

Stakeholders suggested that diverse businesses should have more of a role earlier in the policy process, for example when government is considering new regulations. To enable greater consultation, the local chamber of commerce could play an important role, although more effort would have to be made to ensure that different diverse business communities were represented in this and similar organisations. If there was more involvement of diverse businesses in the policy-making process they would have a voice to deliver the views of diverse businesses and feed back to the community. In this case, it is possible that many of the misconceptions around the enforcement of local regulation would disappear and levels of trust in government amongst diverse businesses would increase. Consequently, further research and engagement with businesses could be undertaken to explore this issue further, particularly in relation to the appetite for businesses to be involved and the most suitable format for their involvement.

3. Acknowledgement and incorporation into the local regulatory inspections system in a more consistent and systematic manner the cultural differences and distinct needs of diverse businesses

There is a perception amongst BME-led businesses that inspections are not always useful. It is important that local inspectors work with diverse businesses to understand their needs and requirements which may be specific to how that business operates (for example, whether a business imports products from abroad). If inspectors could work with businesses to identify any problems or barriers in complying with local regulations and developing appropriate solutions, this may enhance the ability of diverse businesses to grow. This is already being done in a number of areas, but there may be a case for further work to explore the sharing of best practice and other options for improving consistency across regulatory inspectors.

4. Further exploration of the possibility of provision of regulatory information in languages other than English and in a more concise and simplified form

Several diverse businesses requested the provision of local regulatory guidance in languages other than English and others who had received information in their native language suggested that it was very useful in aiding understanding of the regulatory process. This point also arose during GHK's earlier research for Defra. Some local authority teams have begun to translate regulatory guidance into languages other than English given the prevalence of first-generation migrants starting small businesses. It may be useful to explore the possibility of undertaking (or at least encouraging) this on a wider and more consistent basis. In addition several diverse businesses, including those whose first language is English, also emphasised the need for clear and concise language, as opposed to technocratic jargon. This is an important point because if documentation is complex to begin with, it will still be complex in the individual's native language as highlighted by the Luton Council example where they promoted the use of providing information to a plain English standard.

5. Exploration of the full impact of port regulations on food and drink importers and their supply chains

One of the case study businesses and food and drink businesses who attended the workshop revealed how port regulations have affected their business operations and their supply chains and suggested that improvements could be made in order to aid the operations of small businesses. The case study business felt that it was subject to greater scrutiny due to their ethnicity and the food and drink businesses that attended the workshop emphasised that port regulations can lead to costs and delays when stock is held which can significantly affect the business operations. Consequently, further work could be undertaken to explore the extent to which port regulations act as a common barrier to growth among diverse food and drink importers.

In addition, a series of in-depth case studies could be conducted to further understand the specific impact of port regulations on businesses that import food and/or drink products. Further, food and drink importers suggested in the workshop that many local authorities adopted an inflexible approach to enforcing port regulations and case studies could be used to compare UK ports to their European counterparts. This would provide a greater insight into common issues experienced and would allow a more in-depth understanding of how port regulations have the potential to impact upon supply chains, affecting business operations. It would be useful to conduct case studies with both BME-led businesses and non BME-led businesses so that differences in experiences could be observed. Further, Budget 2012 has announced a review of compliance and enforcement arrangements for small businesses in food manufacturing called 'Focus on Enforcement Review'. This may be an interesting sector to explore in more detail and may therefore provide useful insights into food manufacturing operations and supply chains and how local regulation affects this sector.

6. Exploration of the perceptions of burden and the extent to which this reflects reality

It may be that even in the absence of regulation, businesses would still be likely to, or in some cases, need to, undertake the same activities that they currently associate with regulation (e.g. removing waste, providing a safe environment for employees, etc.). Therefore it is to some degree questionable whether this is time that could, in fact, be counted as contributing to regulatory burden. Further work in this area may have a broader application than solely diverse businesses, but could seek to disentangle the regulatory burden from core business activity.

In summary, this research should be seen as a first stage in a broader programme of potential further research into diverse businesses and local regulation, more specifically, how the enforcement of local regulation affects the ability of diverse businesses to contribute to economic growth. Statistically representative surveys in particular could be usefully be undertaken with a range of diverse businesses to generate more robust evidence to inform policy.

Annex 1 Overview of reviewed literature

Author/Date /Title	Diverse businesses	National regulation	Local regulation	Attitudes towards regulation	Capability of dealing with regulation	Enforcement of local regulation	Migration trends
Blinder, S., 2012, Briefing: Settlement in the UK, Migration Observatory, University of Oxford							✓
BIS (2011) 'BIS Small Business Survey 2010 Minority-Ethnic Group led boost'	✓	✓	✓	✓	✓		
BIS (2011) 'BIS Small Business Survey 2010 Women-led businesses boost'	✓	✓	✓	✓	✓		
BIS (2011) 'Research to understand the barriers to take up and use of business support'		✓					
Kitching, J., Smallbone, D., Athayde R., 2009, Ethnic Diasporas and Business Competitiveness: Minority-Owned Enterprises in London	✓						
BIS (2011) 'Plan for Growth'		✓					
Community Links & The Refugee Council (2011) 'Understanding the informal economic activity of refugees in London'	✓						
Javed G. Hussain, Jonathan M. Scott, Paul D. Hannon, (2008) "The new generation: characteristics and motivations of BME graduate entrepreneurs",	✓						
Dustmann, C., Fabbri, F., Preston, I., Wadsworth, J., 2003, Labour market performance of immigrants in the UK labour market, Home Office Online Report	✓	✓					
Eurofound (2011) 'Promoting ethnic entrepreneurship in European Cities' Cities for Local Integration Policy (CLIP) Network	✓	✓			✓	✓	
Rienzo, C. (2011) Briefing: Migrants in the UK Labour Market: An Overview' Migration Observatory, University of Oxford	✓						✓
<i>Migration Statistics Quarterly Report</i> , 2011, Office of National Statistics							✓
Women's Enterprise Policy Group (2011) 'A multi Billion £ Opportunity: the untapped growth potential of UK women entrepreneurs'	✓						
OECD, 2010, Entrepreneurship and Migrants, Report by the OECD Working Party on SMEs and Entrepreneurship, OECD	✓	✓					
FSB (2010) ' Changing the Perception of Regulation			✓	✓		✓	

Author/Date /Title	Diverse businesses	National regulation	Local regulation	Attitudes towards regulation	Capability of dealing with regulation	Enforcement of local regulation	Migration trends
LBRO (2010) 'Impacts and Outcomes of Local Authority Regulatory Services'			✓			✓	
Ram, M., and Jones, T., 2007, Ethnic Minority Business in the UK: A Review of Research and Policy Developments, Centre for Research in Ethnic Minority Entrepreneurship, De Montfort University	✓	✓					
NAO & LBRO (2010) 'Business Perceptions Survey 2010'		✓	✓	✓	✓	✓	
OECD (2010) Entrepreneurship and Migrants, Report by the OECD Working Party on SMEs and Entrepreneurship, OECD	✓						
Ram, M., Jones, T., Edwards, P., Kiselincev, A & Muchenje, L. (2010) 'Engaging with Super-Diversity: New Migrant Businesses and the Research-Policy Nexus'	✓						
LBRO, 2009, Addressing National Threats Through National Service Delivery, Local Better Regulation Office	✓	✓	✓				
SBRT (2010) 'Major Survey reveals main barriers to small business growth'		✓		✓			
BIS (2009) 'The Benefits of Regulation: A public and business perceptions study'		✓		✓			
Sepulveda, L., Syrett, S., Lyon, F., 2008, <i>New ethnic minority business communities in Britain: challenges of diversity and informality for the UK business and policy frameworks</i> . Working Paper. Middlesex University, London	✓	✓		✓	✓		
FPB (2009) 'The cost of compliance on micro small and medium sized business employers'		✓		✓	✓		
LBRO (2009) 'Addressing National Threats Through Local Service Delivery'			✓				
Scott, J. M. and Irwin, D., 2009, 'Discouraged advisees? The influence of gender, ethnicity, and education in the use of advice and finance by UK SMEs'	✓						
NAO (2009) 'Complying with Regulation: Business Perceptions Survey 2009'		✓		✓	✓		
BERR (2008) 'The Impact of Regulation on Small Business Performance'		✓		✓	✓		

Author/Date /Title	Diverse businesses	National regulation	Local regulation	Attitudes towards regulation	Capability of dealing with regulation	Enforcement of local regulation	Migration trends
Dhaliwal, S (2008) 'Business Support and Minority Ethnic Businesses: Asian, Korean and African-Caribbean Businesses in England'	✓						
LBRO, 2009, Impacts and Outcomes of Local Authority Regulatory Services, Local Better Regulation Office	✓		✓	✓	✓		
Dhaliwal, S and Gray, D (2008) The Asian Business Sector and the Dynamics of Change: A Story of growth, diversity and success in the UK Equal Opportunities International	✓	✓			✓		
Ram, M. & Jones, T. (2008) 'Ethnic Minority Businesses in the UK' in Observatório da Imigração, ACIDI I.P (2008) 'Special Issue on Immigrant Entrepreneurship' Migracoes #3	✓	✓					
Co-Operatives Limited, 2008, Engaging Ethnic Minority Communities: Lessons for the Co-operative Sector	✓						
Jaegers, T. (2008) 'Supporting entrepreneurial diversity in Europe – Ethnic minority entrepreneurship/migrant entrepreneurship' DG Enterprise and Industry, European Commission in Observatório da Imigração, ACIDI I.P (2008) 'Special Issue on Immigrant Entrepreneurship' Migracoes #3	✓	✓					
Supulveda, L., Syrett, S. & Fergus, L. (2008) 'New Ethnic Minority Business Communities in Britain: Challenges of Diversity and Informality for the UK Business and policy frameworks'	✓	✓		✓	✓		
Ambrosni, M., and Barone, C. (2007) 'Labour market integration of migrants' European Working Conditions Observatory	✓						✓
Law, I (2007) 'Ethnic Minority Business: Policy and Practice Review'	✓	✓					
MINDLAB (2007) 'Officials go burden-hunting' The Ministry of Economic and Business Affairs, the Ministry of Employment and the Ministry of Taxation		✓	✓	✓			
Ram, M & Jones, T (2007) 'Ethnic Minority Business in the UK: Review of Research and Policy Developments'	✓	✓					
Kingston University (2005) 'Regulation and Small Firm Performance and Growth : A review of the literature'	✓	✓	✓	✓		✓	
DCLG (2005) 'Improving Opportunity	✓	✓					

Author/Date /Title	Diverse businesses	National regulation	Local regulation	Attitudes towards regulation	Capability of dealing with regulation	Enforcement of local regulation	Migration trends
Strengthening Society'							
Fairman & Yapp (2004) 'Compliance with food safety legislation in small and micro-businesses; enforcement as an external motivator'			✓		✓	✓	
Total: 43	28	25	11	14	12	6	4

Annex 2 Topic guide for business interviews

This annex presents a proposed final topic guide for interviews with micro and small businesses in support of Part B of the research.

The emphasis in terms of regulation is inspection based or locally enforced regulation. This includes health and safety, environmental health including waste, fire safety and other related regulations (including those enforced by local trading standards officers). Tax and employment regulations for which compliance is monitored/enforced centrally are excluded here.

General information

1. We are particularly interested in speaking to women-led businesses or businesses run by someone of a diverse background How would you describe your ethnicity?

- Asian / Asian British
- Black / Black British (Caribbean, African)
- Chinese / South East Asian
- Eastern European e.g. Polish
- Turkish
- White Irish / White other
- Other

2. The main sector and activity of the business?

3. Number of employees and approximate annual turnover?

4. Length of time the business has been operating?

5. What is your position in the business (e.g. owner-manager)?

6. Are you the person within the business who deals with regulation on a day to day basis?

7. Can you please describe the supply chain in which you currently operate, including any overseas (e.g. suppliers, customers, etc.)?

8. Can you please describe the main business networks (domestic and international) that you operate within?

9. Do you have to be registered or accredited to run your business? (E.g. are certain certificates required or do certain standards have to be met?)

Business performance and environment

10. Approximate profitability (in absolute figures or as a percentage of annual turnover) and how this has changed in recent years?

11. Has the market in which you operate become a more or less challenging environment in recent years and why?

Business growth and ambitions

12. Which of the following statements best describes your growth ambitions for the business in the next 2 to 3 years?

- I am focused on ensuring the survival of the business
- I do not wish the business to grow beyond its current size
- I want to grow the business a little
- I want to grow the business substantially
- I don't know

13. What, if any, barriers to growth has your company faced in recent years?

- National regulation - Centrally monitored regulation (e.g. employment and taxation, VAT, PAYE, business rates)
- Local regulation
 - o Environmental regulation (inc waste regulations)
 - o Health and safety regulations
 - o Fire safety regulation
 - o Other
- Competition
- Obtaining finance
- Other – please specify

14. What was the actual impact of the identified barrier on the operations of the firm?

Awareness of regulations and sources of information

15. What regulations that are locally enforced are you aware of that apply to your business?

16. How did you first become aware of these regulations and what you need to do to comply with them?
Prompt:

- Local authority
- Trade association
- Trade press
- Business accountant
- External adviser
- Suppliers
- Customers
- Own research
- Colleagues
- Friends
- Defra
- Environment Agency
- Businesslink
- NetRegs
- Other – please specify

17. How would you prefer to receive information from Government on regulations related to your business?

- Post
- Email
- Internet
- Seminars or conferences
- Telephone
- Face-to-face
- Other – please specify

18. Who do you turn to for information and advice on regulations and how useful do you find this advice?

19. How knowledgeable do you feel about the requirements that these locally enforced regulations place on your business and what you need to do to comply?

- Very knowledgeable
- Somewhat knowledgeable
- Not at all knowledgeable

Experiences of regulatory enforcement and inspections

20. For which of the following regulations are you inspected by any local or regional government officials or other organisations to check that you are complying with your regulations?

- Health and safety
- Environment
- Fire safety
- Other

21. Can you recall the main purpose of these inspections (i.e. what they were checking for)?

22. Can you provide any examples of times when you felt like you were providing the same information to different inspectors?

23. How frequently would you estimate you are inspected in relation to the regulations that apply to your business, Include the following areas:

- Health and safety
- Environmental health (including waste issues)
- Fire Safety
- other

a.

24. Do you believe that the frequency with which you are inspected is about right, not enough or too much?

25. Do you find these inspections helpful or unhelpful for knowing how to comply with different regulations?

26. Do you think that the system of inspections could be improved and, if so, how?

27. Have you ever received a warning or infringement notice from an inspector? If so do you know why it was issued and do you feel it was fair /unfair?

Regulatory impacts on the business

28. Do you believe that the local regulations that apply to your business are important and necessary?

29. Do you believe that your business has the capability and capacity (including the resources and resolve) to comply with the regulations that apply to you?

30. To what extent do you believe that these local regulations that apply to your business create any business benefits? Why do you say that? Prompts:

- Competitive advantage

- Cost savings
- Higher staff morale
- Improved local image
- Increased sales
- Other – please specify

31. To what extent do you believe that these local regulations that apply to your business create any business costs? Why do you say that?

32. What would you estimate to be the approximate annual cost to your business (as a % of your turnover) that you face in complying with regulations and dealing with regulatory inspections/enforcement?

33. What are the key regulatory contributors to the costs you face (e.g. fees for permits, etc.)?

34. How much time would you estimate that your business spends on average each month on processes involved in complying with regulations (including form filling, inspections, etc.)?

35. What are the key activities (paperwork, inspections, etc.) that take up this time?

36. Is the cost or burden to your business of each of these items changing? And why do you say that?

- Getting worse

- Getter better
- Not changing

37. Do you ever feel that that you are treated differently by inspectors /authorities in relation to these regulations because of your ethnicity or gender? Why do you say that?

38. Do you feel that your ethnic background or gender creates barriers for you as a business in dealing with local regulations or inspections?

39. Have you ever experienced any language difficulties associated with local regulations? For example in relation to the following:

- verbal instructions during an inspection
- guidance and advice
- warning or infringement notices

40. Do you ever experience particular problems importing certain products into the UK (e.g. where products remain quarantined at UK ports for longer than you anticipated)?

Concluding remarks

41. Finally, what is the single most important suggestion that you would make in terms of the regulations that apply to your business and, in particular, the way in which these regulations are enforced (including inspections)?

Annex 3 Topic guide for case study interviews

This annex presents a draft topic guide for case study interviews with two businesses from the food and drink sector in support of Part C of the research.

The emphasis in terms of regulation is inspection based or locally enforced regulation. This includes health and safety, environmental health including waste, fire safety and other related regulations (including those enforced by local trading standards officers). Tax and employment regulations for which compliance is monitored/enforced centrally are excluded here.

General information

1. The main food and drink related activities of the business?

2. Number of employees and approximate annual turnover?

3. Approximate profitability (in absolute figures or as a percentage of annual turnover)?

4. Approximate value of food and drink products imported and exported?

5. Length of time the business has been operating?

6. The position of the respondent in the business (e.g. owner-manager)?

7. The gender and ethnicity of the respondent in the business (e.g. owner-manager)?

8. Average number of hours worked by the respondent in an average week?

9. The position of the person within the business who deals with regulation on a day to day basis?

Business model, supply chain and networks

10. Can you please describe how your business is organised (e.g. the main business model – business structure, imports/exports, etc.) within the context of how your business has evolved since it was created?

11. Can you please describe the supply chain in which you currently operate, including overseas supply chains (e.g. suppliers, customers, etc.)?

12. Do you have to be registered or accredited to run your business? (E.g. are certain certificates required or do certain standards have to be met?)

Business growth and ambitions

13. Which of the following statements best describes your growth ambitions for the business in the next 2 to 3 years?

- I am focused on ensuring the survival of the business
- I do not wish the business to grow beyond its current size

- I want to grow the business a little
- I want to grow the business substantially
- I don't know

14. Has your business encountered any barriers to growth in recent years?

- National regulation - Centrally monitored regulation (e.g. employment and taxation, VAT, PAYE, business rates)
- Local regulation
 - o Environmental regulation (inc waste regulations)
 - o Health and safety regulations
 - o Fire safety regulation
 - o Other
- Competition
- Obtaining finance
- Other – please specify

Awareness of regulations and sources of information

15. What regulations that are locally enforced are you aware of that apply to your business?

16. Which regulations apply to you specifically because you are in the food and drink industry?

17. How did you first become aware of these regulations and what you need to do to comply with them?

- Local authority
- Trade association
- Trade press
- Business accountant
- External adviser
- Suppliers

- Customers
- Own research
- Colleagues
- Friends
- Defra
- Environment Agency
- Businesslink
- NetRegs
- Other – please specify

18. Who do you turn to for information and advice on regulations and how useful do you find this advice?

19. How knowledgeable do you feel about the requirements that these locally enforced regulations place on your business and what you need to do to comply?

- Very knowledgeable
- Somewhat knowledgeable
- Not at all knowledgeable

Business support and advice

20. What type of business support and advice have you accessed over the past 2 years?

- Friend/family
- Accountant
- Bank
- Solicitor
- Sector or trade association (or other membership organisation)
- Enterprise agency
- Chamber of commerce
- Consultant
- Trainer
- Buyer or supplier

- Network group
- Voluntary sector
- Other
- Business Link website
- Business Link advisor
- UKTI
- Higher education
- Local authority
- Government organisation or website
- HMRC
- Other

21. How useful did you find this support/advice in understanding what regulations apply to your business and what you need to do to comply with these regulations?

22. How beneficial do you think it would be if all regulations and requirements were brought together in a single place (e.g. through Business Link, or via trade associations)?

Relationships with regulatory authorities

23. What type of public authorities does your business have regular contact with in relation to regulation (e.g. local council, trading standards and other regulatory bodies)?

24. How would you describe the nature of this relationship?

25. How would you describe the way in which public regulatory authorities engage with you? Is their approach a positive one (e.g. friendly, flexible, frequency of contact, named contact)?

26. How could their engagement with you be improved?

27. How frequently would you estimate you are inspected in relation to the regulations that apply to your business, Include the following areas:

- Health and safety
- Environmental health (including waste issues)
- Fire Safety
- other

28. Can you recall the main purpose of these inspections (i.e. what they were checking for)?

29. Can you provide any examples of times when you felt like you were providing the same information to different inspectors?

30. How frequently would you estimate you are inspected in relation to the local regulations that apply to your business? Include the following areas:

- Health and safety
- Environmental health (including waste issues)
- Fire Safety
- Other

31. Do you believe that the frequency with which you are inspected is about right, not enough or too much?

32. Do you find these inspections helpful or unhelpful for knowing how to comply with different regulations?

33. Do you think that the system of inspections could be improved and, if so, how?

34. Have you ever received a warning or infringement notice from an inspector? If so, do you know why it was issued and do you feel it was fair/unfair?

Regulatory impacts on businesses

35. Do you believe that the local regulations that apply to your business are important and necessary?

36. Do you believe that your business has the capability and capacity (including the resources and resolve) to comply with these locally enforced regulations that apply to you?

37. To what extent do you believe that the local regulations that apply to your business create any of the following benefits for your business?

- Competitive advantage
- Cost savings
- Higher staff morale
- Improved local image
- Increased sales

- Other – please specify

38. To what extent do you believe that the local regulations that apply to your business create any business costs?

39. What would you estimate to be the approximate annual cost to your business (as a % of your turnover) that you face in complying with regulations and dealing with regulatory inspections/enforcement?

40. How significant is each of the following items in contributing to the costs of complying with local regulations and dealing with the enforcement of regulation?

- Obtaining information about which regulations apply to your business
- Obtaining guidance and advice on what you have to do to comply with a given regulation
- Completing paperwork, including filling out forms and keeping records
- Having to provide the same information more than once
- Fees for permits, licences and inspections
- Being ready for and complying with inspections
- Keeping up to date with changes in existing regulations or the introduction of new regulations
- Updating policies or procedures when new

41. How much time would you estimate that your business spends on average each month on processes involved in complying with locally enforced regulations (including form filling, inspections, etc.)?

42. What are the key activities (paperwork, inspections, etc.) that take up this time?

43. Is the cost or burden to your business of each of these items changing? Why do you say that

- Getting worse
- Getting better
- Not changing

44. Which regulations would you say create the largest burden for your business and why?

45. How are regulatory requirements communicated to staff?

46. In practice, are regulatory requirements observed or ignored?

47. Are there any activities or burdens associated with regulations that could be avoided or minimised?

48. Are there any alternatives you can think of to Government regulation for achieving the same outcomes?

49. Can you point to any good examples of how the Government has reduced the burden of regulation on your business in recent years?

50. Do you ever feel that that you are treated differently by inspectors /authorities in relation to these regulations because of your ethnicity or gender? Why do you say that?

51. Do you feel that your ethnic background creates barriers for you as a business in dealing with local regulations or inspections?

52. Have you ever experienced any language difficulties associated with local regulations? For example in relation to the following:

- verbal instructions during an inspection
- guidance and advice
- warning or infringement notices

53. Do you ever experience particular problems importing certain food and drink products into the UK (e.g. where products remain quarantined at UK ports for longer than you anticipated)?

Concluding remarks

54. Finally, what is the single most important suggestion that you would make in terms of the regulations that apply to your business and, in particular, the way in which these regulations are enforced?

Annex 4 Topic guide for stakeholder interviews

This annex presents a draft topic guide for interviews with key stakeholders in support of our research (particularly Part B).

The emphasis in terms of regulation is inspection based or locally enforced regulation. This includes health and safety, environmental health including waste, fire safety and other related regulations (including those enforced by local trading standards officers). Tax and employment regulations for which compliance is monitored/enforced centrally are excluded here.

General information

1. Details of organisation and their interest, role and/or remit in this area?

2. The position of the respondent in the organisation?

3. Brief description of the interactions that the individual has with small businesses on matters related to regulation?

Perceptions of diverse businesses

4. What makes ethnic minority and women-owned businesses distinctive? Why? What do you base these judgements on?

5. What are the key issues facing diverse businesses today?

Business awareness of regulations

42. Generally speaking, do you feel that most micro and other small businesses are aware of the regulations that apply to their business and what makes you say that?

43. Do you have any evidence or examples to suggest that awareness of business differs according to the gender or ethnicity of the business owner/operator?

Business support, advice and information

44. How do you think most diverse small businesses access information about their regulatory requirements?

45. To what extent do diverse businesses need tailored support??

46. Are you aware of any examples where a regulatory authority has provided support, advice or information that is tailored to the diverse needs of the business?

Regulatory enforcement and inspections

47. Do you believe that the way regulations are enforced (including the inspection of small businesses) is proportionate to the risks of non-compliance?

48. Do you think that the enforcement and inspections processes used by regulatory authorities (especially at a local level) take sufficient account of the diversity of needs among business owners (especially in relation to ethnicity and gender)?

49. Do you think that these inspections strike an appropriate balance between taking a punitive and constructive approach to non-compliance?

50. Do you have any evidence or examples to suggest that local regulatory inspectors treat businesses differently as a result of their ethnicity or gender? Why do you say that?

51. Do you think that the system of inspections could be improved and, if so, how?

Regulatory burdens

6. Do you feel that the burden placed on small businesses by regulation (in terms of paperwork, inspections, etc.) has increased, decreased or not changed in recent years?

7. Do you feel that diverse small businesses face a disproportionate regulatory burden relative to other small businesses and why?

Concluding remarks

52. What are the potential policy options to support diverse businesses in their interactions with regulators?

53. Do you have any suggestions for businesses that we could engage with as part of this study? Do you have any recommendations on how to reach and support those businesses who are not members of trade associations or other support networks?