Refugee Business Start-ups in the North East of England: An Impossible Dream?

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Abstract:

Objectives and prior work

For many asylum seekers just getting to the UK is an achievement, let alone obtaining refugee status. When ‘equality’ is achieved with other immigrant workers then the settlement process begins. For some this includes starting a business but there are a number of well documented barriers to business start-up for refugees as well as black minority ethic entrepreneurs, which have been highlighted in the North East region (BRKN, 2007). Given this Northumbria University has sought to engage with these communities. This paper represents on-going research which began with a Northumbria University funded project that supported two main workshops aimed at refugees who wished to start a business.

Approach

The University sought to engage with this particular part of the community through a project which aimed to contribute to the widening of business start-up for refugees at a time of increasing economic uncertainty. One practical means that had become available was the opportunity to establish a community based social enterprise. Given this an introductory workshop for refugees was organised on social enterprises. The workshop attracted over twenty-five community leader participants from ten different nations including the Cameroon, Eritrea, Ethiopia, Iran, Pakistan, Somalia, the Sudan, Uganda, and Zimbabwe. Participants requested a second workshop which then took place on ‘planning a business venture.

Results

Questionnaire data was obtained from these workshops on business and social enterprise start-up, previous business experience and the usefulness of the workshops. Following these some of the workshop participants attended Northumbria University’s Student Law Office for advice on setting up their own businesses. Informal contact is also continuing with leading figures in these communities and through engagement with local voluntary sector groups.

Implications

This paper will discuss some of the barriers that refugees face when starting a business and how their migration status impacts on this. It will also consider the recent cuts to the voluntary sector and the extent to which the University is able to support these communities with business start-up.

Value

This research aims to identify some of the barriers which stand in the way of refugees trying to start up businesses, and to suggest measures which might ameliorate the situation, and enable more refugees to become successful business persons, contributing to the UK economy.
The north east of England has one of the lowest numbers of ethnic minority communities in the UK. It is also still recovering from the loss of its heavy industry and is not particularly noted for its entrepreneurism. Thus refugees in the north east not only face a number of business start-up barriers common to all UK refugees but also the issue of location and integration. This paper discusses some early research on refugee entrepreneurialism in the north east region.

Although not wanting to overstate the issues that confront refugees compared to other communities it is important to consider one last area. It should be remembered that refugees have come to the UK after fleeing from their place of abode because of a well-founded fear of persecution for reasons of race, religion, nationality, membership of a particular social group or political opinion:

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\text{Art 1A of the Geneva Convention – a well-founded fear of persecution for reasons of race, religion, nationality, membership of a particular social group or political opinion. (Article 1A UN Convention 1951)}
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Those arriving and claiming asylum are asylum seekers. If accepted by the Home Office as having a well-founded fear of persecution for a Convention reason, they are then granted refugee status. This means that the state has investigated and considered their case and accepts that they are a genuine refugee.

If accepted as a refugee, the person may then may work and/or claim benefits. It appears from speaking to community workers that it is only once this ‘equality’ is achieved with other immigrant workers that the settlement process really begins. However, finding employment is not at all easy for refugees. Dhudwar (2004) points out that they are six times more likely to be unemployed than the rest of the UK population.

If this is added to the well-documented literature on ethnic minorities starting up businesses due to discrimination it is not surprising that refugees are willing to start their own businesses. However, there are a number of well documented barriers to business start-up for refugees as well as black minority ethnic entrepreneurs, which have been highlighted in the North East region (BRKN, 2007). These include:

- A lack of awareness of the existence of business support, accompanied by a belief (where there is awareness) that the advice is enwrapped in bureaucracy
- A lack of trust in the service
- A belief that quality advice will not be obtainable from the service
- A view that advisors do not understand the culture of the person seeking the advice
- Language
- Racism
- Unfamiliarity with business culture in the UK
- The enterprise support service is fractured and confusing
- That access to finance is problematic

From our initial findings many of these issues have been raised in this research.

Thus overall there is a potential that this group can become marginalised, so at an early stage in particular they need to rely on the support of not only their own and host communities but also NGOs. However, as identified by Finney and Peach (2004) host UK communities maybe hostile to new refugees due to moral panics compounded by the news media. Whilst as noted in a place such as the north east wider long-term ethnic communities are also sparse. Finally this has been made worse by the recent cuts to the voluntary sector and the paper considers how this has impacted on groups supporting refugees in the region.

The data for the paper comes from three main areas. Firstly following contact with a local Eritrean refugee gatekeeper two workshops on business start-up support were supported by Northumbria University and took place in a community location. The first was evaluated by participants and a second was called for, brief data was taken from each. Secondly following the workshops a number of participants came to the University Student Law Office (SLO) and business start-up assistance was given as well as issues discussed. Lastly, a
member of the team carried out a number of interviews with those working at NGOs which supported asylum and refugee communities. The research is on-going to obtain more primary data, in particular the Eritrean refugee gatekeeper, who lost his voluntary job following recent expenditure cuts, is involved in a new ‘refugee’ based business which was established due to these cuts and access is being sort to investigate this as a case study.

Research background

The issue of racism and discrimination throughout UK society is well documented and discussed in the literature, with recent discussion following the UK riots in places such as Bradford turning to issues of integration and community cohesion. Thus the focus is ever more on the available and accessible support structures for an ethnic group. This debate and discussion will not be repeated here although it is interesting to cite the recent study of MacKenzie et al. (2013) in a northern town. They note moves away from ‘ad hoc and informal support services for refugees’ (ibid: 631) to more centralised and formal support they highlight that this raises issues with regard to interorganisational politics. This is of course compounded by the reliance on politically influenced central funding. Overall it makes it even harder for refugees to integrate into new communities as racism may be an early and latent phenomenon that has to be dealt with both in the community and at work, if employment is secured.

There is of course a long established literature (eg Ram 1992) which asserts that discrimination can often encourage refugee and ethnic minorities into entrepreneurship and business start-up. Nwankwo (2005) identification of the rise in Black African entrepreneurship since the mid-1980s would seem to support this notion. However, what he identifies from his work is that this can often develop into an inward facing business strategy and development. Thus integration with mainstream support services is poor and indeed he argues that his respondents were often ‘…reluctant to seek and accept support from external sources’ (ibid: 131). This of course means that any long-term ‘marketing’ and business strategy is never developed. Interestingly in a study by Blankson and Omar (2002) which investigated the marketing practices of African and Caribbean small business in London, they point to much the same practice. They point to ‘common sense’ marketing strategies, which would seem to indicate a lack of awareness of government support. Overall though a growing number have pointed to a lack of engagement with professional business support (Barclays, 2005; Comrie and Adeluwoye-Adams, 2008; BRKN (2007).

However, in a later piece of work Nwankwo et al. (2010) identifies that a more nuanced or deeper understanding of this issue is needed. In his study of black business in London he notes that both providers and users highlighted a more positive attitude towards business advice. He argues that the issue is that due to the lack of engagement of black business support providers in decision making processes that there is perhaps an over emphasise on ‘cultural appropriateness’ (ibid: 570). Therefore overall he argues:

…that mainstream provision of business support is simply not hitting the target in stimulating black entrepreneurship. For this reason, there is a legitimate need for a fundamental review to recognise the relative nascence and strategic development needs of black entrepreneurialism (ibid: 576)

So Africans and refugees may have tendencies towards an inward looking business strategy but this is not because of a lack of understanding that a business needs support. It is that business support is not targeting what it offers in an appropriate manner. Support of course has a number of particular components which include business advice, support, legal advice and financial advice and funding. Overall then there is a need to not only find out what refugees require but also to find the best routes and manner to support these needs. The following investigates this with regard to those refugees based in the north east of England.

Northumbria University Community Engagement

The project’s initial aim was to contribute to a widening of business start-up for refugees at a time of increasing economic uncertainty. One practical means that had recently become available was the opportunity to establish a community based social enterprise. Discussions took place with a local Eritrean refugee leader and it was agreed that an initial workshop would take place in a community church location where regional refugees often met. Following this a second workshop was provided and overall these workshops covered a wide range of business topics as set out below:

• How to generate a business idea and look for opportunity
• Legal requirements and registration
• Business plan- why? What is it? Is it compulsory?
- Social enterprise objectives
- Sources of support services available including legal advice
- Challenges and opportunities in the Big Society in relation to social enterprises
- How will the governments agenda affect refugee community organisations heavily dependent on grants

**First workshop - Starting a social enterprise**

There were 25 mainly African participants (from Cameroon, Ethiopia, Eritrea, Guinea, Iran, Somalia, the Sudan, Pakistan, Uganda, and Zimbabwe). An evaluation questionnaire was undertaken and this found that as many as fourteen had owned businesses in their home country but only one so far in the UK. The other 11 who had not owned businesses had all had some kind of business experiences in their country of origins. Either having helped in a family business or been a manager.

A range of speakers, including two national figures facilitated open discussions and helped to provide opportunities for one to one consultations. The overriding conclusion taken from the workshop was that participants were on the whole highly motivated by the event with feedback very encouraging. The overwhelming outcome was a request for a second workshop on how to prepare a detailed business plan. Some of the participants also expressed an interest in seeking legal advice from the SLO at Northumbria University which is discussed later.

**Second workshop - Planning your business (ad) venture**

The second workshop attracted 21 participants (12 male and 9 female) from 14 organisations and nine nationalities (Cameroon, Congo, Ethiopia, Eritrea, Iran, Pakistan, Somalia, Sudan, and Zimbabwe). The workshop was facilitated by representatives from PNE Consultancy Group and Entrust Newcastle which are business support organisations specialising in supporting individuals, businesses and other organisations to start and grow a business. The session included presentations, group discussions, questions and answers on business planning/funding and concluded with a networking session.

It became apparent that some of the participants were on the verge of setting up their own business and that some required more support in terms of training and follow up advice some of which was supported at the SLO.

Overall the following topics were covered:

- What is business planning?
- What is the first step in business planning?
- Contents of a business plan
- Template for business plan
- Does business planning end?
- Why do we do it?
- Funding and supporting opportunity

**The Student Law Office**

Following these workshops, several of the participants, who between them were involved in either existing enterprises or considering setting one up, sought advice from the small business firm at the SLO. The SLO is a live client legal clinic operated by final year law students under the supervision of solicitors within the law school and actively seeks to engage with all sectors the community. The SLO provides free high quality legal advice on a diverse range of issues and has long established links with practitioners and community organisations.
The advice provided ranged from a full legal audit which encompasses several key legal issues associated with a business start-up to focused advice on the legal structures most appropriate to their proposed enterprises.

The group consisted of seven workshop participants who were engaging in potentially five enterprises. Two of these enterprises were trading in the field of adult education for individuals from the BME community and interpretation services for migrant workers. The other potential enterprises were a restaurant and retail outlet, an art education group and a support organisation for a specific ethnic group.

An unexpected outcome at the outset of our involvement with this group concerned ID requirements. For the purposes of anti-money laundering regulations all new clients have to produce two items of ID, one must be photographic and the other showing the clients current address.

A few of the clients were unable to do this as their immigration status was still not decided and their passports were at the HO. All they could produce was an asylum application card issued by the HO. In such a case the solicitor has to make a judgment about what alternative information should be sought in light of the nature of the matter and this could potentially be a barrier to access to legal advice.

The findings from this part of the study have been grouped into three main categories of potentially serious barriers to successful business start up for this group of entrepreneurs:

- Failure to access the business support network
- Access to funding
- Lack of availability of free or subsidised commercial legal advice

**Failure to access the business support network**

During this process it became apparent that poor communication skills were possibly one of the most significant barriers to business start-up.

Effective communication skills are essential to access the business support network. There is a need for a proficiency in the English language so as to be able to access the language of business and the law and importantly contacts in the sector in which the business will operate.

One of the trading businesses was involved in a dispute with a funding body and bank concerning withdrawal of funding. It became apparent in this case that the situation had arisen over the clients misunderstanding of the meaning and significance of the terms and conditions of the approval grant with very serious consequences.

Accessing the support, guidance and possibly funding which is available to the entrepreneur through the business support network is in our view essential but the availability and appropriateness of this support depends on what funding is available to those organisations.

The North East has a local enterprise partnership which allocates funds to various organisations in the business support network such as Entrust, PNE Consultancy and The Business and IP centre.

All of these organisations provide support on various aspects of business start-up to any budding entrepreneur. The issues are on the whole the same for entrepreneurs from the BME community but we found that these challenges were magnified for the refugees due to the often very challenging personal situations they have found themselves in. Blankson and Omar (2002) found that University educated owner managers were more aware of government grants for businesses and more likely to engage with the larger population as well as their own ethnic minority group so the educational level of the refugee is likely to be critical in the success of their business.

Entrust have an office in the west end of Newcastle where the vast majority of the immigrant population now live, that is very encouraging. However it is arguable that such advisory organisations should have some understanding of the refugees’ broad experiences to effectively provide support.

The ultimate goal after seeking advice should be a business plan because without one it will be extremely difficult to influence potential business partners or obtain loans or grants. Poor language skills have been identified earlier in this paper as a recognised barrier to self-development for the BME communities. It
therefore follows that if this group is failing to effectively access the support network due to poor communication skills they will be seriously disadvantaged.

We will be investigating the traditional and non-traditional business support networks relied upon by the refugees and their effectiveness in achieving the outcome of a workable business plan.

Access to funding

On the issue of funding traditionally it has been observed that this comes from a mix of friends/family, loans, grants, business angels or even credit cards. But how do Refugees obtain funding?

- They usually arrive with no capital.
- They usually won’t have a network of family or friends to borrow money from
- Unlikely to have proof of employment in their home country so no employers references or trade reference if they were previously in business
- Probably won’t be able to demonstrate a banking history or may not have a current account

The lack of a credit history will work against the refugee when applying to traditional lenders for an affordable loan or when applying for a grant as they will have a low credit score

They will lack established methods of ID. They may have their passport but may not be on an electoral role or be in employment or be able to produce other official documentation.

When an asylum seekers application is successful that person will be granted refugee status for 5 years after which there is a review. One outcome from the review could be that the refugee is returned to their home country.

This begs the question; to what extent does that possibility adversely affect lending criteria?

Once refugee status is granted the refugee will receive an integration loan from the border agency from between £100 to 1,000 for work clothing and equipment.

This is potentially helpful to a refugee wanting to set up a business but what is the criteria for qualifying for such a loan? Also its usefulness will depend on the capital outlay for the particular venture as the sums involved are very limited.

They usually won’t have a network of family or friends to borrow money from and according to Blankson and Omar (2002) 85% of owner managers of African and Caribbean businesses rely on family and friends for financial support. Their study also revealed that 60% of owner managers had encountered difficulties in trying to obtain bank loans and had resorted to loans from family and friends.

The issues identified above and of providing funding specifically targeted at refugees is an area we are keen to explore further.

Lack of availability of free or subsidised commercial legal advice

There is a lack of availability of free or subsidised commercial legal advice.

A recent study by the law society demonstrated that trustees of charities are put off from seeking legal advice due to the cost even though they are involved in the running of a complex organisation which imposes onerous duties on the trustee.

The same is true of any budding entrepreneur seeking to start a new enterprise especially if incorporating but is even more challenging to a person whose mother tongue is not English.

One of the authors has found after many years of working in the field of graduate enterprise and advising fledgling businesses, that understanding and applying the legal framework to a chosen enterprise can present barriers for the budding entrepreneur.
In the SLO we cover issues that are key to start ups but our resources are very limited. In the wider community there is very limited free legal advice available. This is usually provided by larger firms who are seeking to meet their pro bono targets or who may have received funding from an enterprise agency. Such advice rarely includes taking any steps beyond giving initial verbal advice.

This lack of legal advice on often complex areas of law is a real disadvantage to any business start-up but is magnified many times for refugee entrepreneurs mainly due to factors other than additional legal hurdles to business start-up. These factors were identified in the BRKN report highlighted earlier in this paper.

We will be conducting an audit of what free or subsidised legal advice and assistance is available to this particular group.

Refugee support NGOs in the north east

Refugee Community Organisations are of great help in particular in signposting refugees towards help that is available e.g. English lessons and legal advice. However, these activities are likely to be dependent on grants or donations for funding. At a time of recession, funding is becoming much more difficult to obtain or retain, despite the government’s “Big Society.” Two such groups, one of which has since folded were spoken to at an early stage of the new funding limitations.

West End Refugee Service

This NGO provides clothing, books, counselling and advice to asylum-seekers and refugees. It does not provide legal advice, but passes the client on to a suitable advice provider. In interview the key community worker with the West End Refugee Service (Newcastle upon Tyne) identified that the following were considered by community workers as likely barriers to the set-up of businesses by refugees:

Lack of English

Although refugees are provided with English courses, these are only available once the asylum-seeker has been accepted as a refugee. Therefore, there is little opportunity for the asylum-seeker to learn English in readiness for a new life in the United Kingdom, if accepted as a refugee. There are some volunteers who provide English lessons to asylum-seekers, but this is only on a voluntary basis and will vary from area to area. The Volunteer Bureau in Newcastle upon Tyne lists the teaching of English to asylum-seekers and refugees as a subject for which it requires volunteers. Lack of any facility with the English language is very likely to make it difficult for refugees to talk to bank staff to open a bank account, access any business start-up loans, draw up a business plan and find out about any information relating to their business (e.g. laws governing it) on the internet etc.

Feeling beholden

Community workers observations indicate that some refugees, especially women, are embarrassed at having to accept “charity” in another country, and feel so grateful to have been accepted as refugees in this country, that they do not feel that they can ask for anything else in order to help them settle in to the UK and find work or set up a business. Whether this is because they are aware of tabloid articles about the cost of asylum-seekers, is not known.

Mental Health Issues

Some refugees have evidence of having been tortured by the authorities in the countries from which they have escaped. Even if they have not actually been tortured, members of their family may have been killed by the regime, or they may have been separated from some or all of their family in fleeing to the UK. They may be suffering from post-traumatic stress disorder, or other emotional problems. This may mean they are not really able to concentrate on issues needed for business start-up.1

Cultural differences

For refugees who come from undeveloped and/or rural backgrounds, there can be such a culture difference, coming to a developed, first-world country, that some issues which might occur to British natives, such as

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1 Connor mentions this also. 14.8% of refugees had experienced extended periods of sadness or depression in the USA compared to 11% of other immigrants.
contracts, bank loans, government grants, employment law, health and safety, tax, accounts etc. do not come to mind. Some think that they can simply go outside and start providing a service to others.

**Eastern Area Asylum Support Group**

In an interview the main community support worker for the Eastern Area Asylum Support Group in Newcastle upon Tyne, the following were considered by community workers as likely barriers to the set-up of businesses by refugees:

**Loss of Homeland and Family**

As well as the issue of having lost family members, community workers at this group considered that asylum-seekers and refugees experienced homesickness not just for family, but also for their homeland. This could contribute to depression or emotional problems, which again could affect concentration or motivation.

**De-personalisation**

Asylum-seekers and refugees are dealt with by the Home Office and Border Agency and to a certain extent by their own lawyers, by Home Office reference numbers, passport or ID numbers and immigration tribunal case numbers. Some community workers consider that this de-personalises them and makes them feel like a number, rather than an individual person.

**Vulnerable Adults**

Because of mental problems, lack of language and little understanding of a developed society, or a combination of these, some refugees could really be considered to be vulnerable adults, who need assistance with what we might consider to be everyday matters, such as banking etc.

**Small Community**

Refugees from some nations are numerous in the UK, or some areas of it. Others find that they are few in number in their new home. Community workers considered that many refugees who start-up businesses start ones that their previous countrymen can enjoy, such as restaurants serving the food of that country, hairdressers and food shops. They think that if a refugee is from a part of the world relatively unrepresented in Newcastle upon Tyne, then there will not be such a good sized market for their business, which is reliant on nationals of that country for start-up customers.

Unfortunately, after these interviews took place, funding for the EASSG became too little for it to continue to run at its premises in Walker, Newcastle, and those premises closed down in December 2012.  

We intend to conduct some research into the effects of the cuts on the voluntary sector supporting refugees.

**Discussion and conclusions**

There is a business support network which can offer support in terms of information concerning business planning, marketing and funding but to access this fully the refugee will need to develop effective communication skills and receive advice from a business advisor (who arguably should have some understanding of the refugee experience) to assist develop a business plan strong enough to attract funding.

The legal issues to be addressed on start-up are on the whole the same for this particular group of entrepreneurs as any other. Investigations to date indicate that the availability of free legal advice is very limited to budding entrepreneurs generally, which is a concern in view of the legal complexities of setting up a business. We argue that this is particularly disadvantageous for this group. Whilst the assistance provided by the SLO is potentially beneficial to this group a number of potential concerns concerning the effectiveness of the support providers is evident from the background literature e.g. Nwankwo et al (2010) and has to be considered.

Thought-provoking points for us, aiming to assist the university’s students to engage with the refugee community in a useful way, were:

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2 This group has since folded, due to lack of funding.
3 It was reported in their last newsletter that Newcastle Street Pastors had offered EASSG volunteers use of part of their premises two mornings a week, so that destitute asylum-seekers could still be helped.
Key obstacles to business support effectiveness were thought to include “lack of cultural awareness and understanding by business support organisations” “…they talk above them, they talk at them, they don’t understand them…” Many of our student population in the Law School anecdotally come from the four NE counties of England, Northern Ireland and Malaysia. There is a very small percentage of black students or lecturers, so our cultural awareness is likely to be low, unless assisted. We would also need interpreters. Would the clients be able to bring their own?

If entrepreneurs from different population sub-groups require different kinds of support, “the distinctive needs of black businesses” “…the consensus of views was that the structure of business support framework is over-generic and over centralised…” “…they’ve got only mental business plans…we use Africa proverbs phrases etc to communicate technical information.” is this work too ethnically complicated for a student law office to undertake at all?

If we encouraged any of our (few) black students to get involved with the work, would they feel we were pigeonholing them or sidelining them?

However, on a more positive note, other key obstacles were thought to be “the weak resource base of businesses to pay for business support services.” and “…they [business advisers] cannot take more time than was allocated in the contract.” As the advice service of the SLO is free, at least lack of money, or needing more time than the average client, would not be a disadvantage in obtaining legal advice from us.

Also, advice from the young students in the SLO would hopefully come across as helpful, rather than teaching or coaching foisted on them by an authority figure.

There would remain the problem that “black people find it difficult to access finance…” and “…lack of community capital…” Bearing in mind that Nwankwo’s work was not concentrating on refugees, we would anticipate even greater funding problems for refugees. When questioning the respondents in our research, we would want to find out more about the problems, with a view to being creative about sources of funding. We need to do more background reading on more creative types of funding.

“There is nothing in place to drive forward an agenda to address the problem.” There is money. Surely the prospect of a community of taxpaying ex-refugees is more attractive to the government and the taxpayer than large-scale refugee unemployment? How can this be publicised?

Provision of assistance to start-up businesses would be likely to be more effective if we first consulted refugee entrepreneurs and business providers and discovered what they felt they needed by way of assistance and how it should be provided: “…none of the black providers had been involved in any consultation forum prior to framing any policy initiative…”

On a lighter note, we noted the derision attracted by tea and biscuits and were pleased that we had had contributions of African food and all eaten together at our workshops. Although they had not started at 9pm!

From our initial research there does not appear to be a lot of targeted support for this particular group and currently we are unsure of the effectiveness of what is on offer.

We will comprehensively analyse the workshop primary data and conduct a literature review. The areas for further research are:

- The effects of the cuts on the voluntary sector supporting refugees.
- The traditional and non-traditional business support networks relied upon by the refugees and their effectiveness in achieving the outcome of a workable business plan.
- Funding specifically targeted at refugees is an area we are keen to explore further.
• An audit of what free or subsidised legal advice and assistance is available to this particular group.

We will develop a questionnaire and conduct interviews with some of the workshop participants and other refugee business owners and aim to include some case studies of businesses which may indicate the main reasons for success or failure.

References


