

SELF- EMPLOYMENT AND ETHNICITY: AN ESCAPE FROM POVERTY?

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The last decade has seen a dramatic rise in self-employment. Some ethnic groups have been part of this rise, whereas others have actually seen a fall. What should we conclude from the fact that some groups are more likely to be self-employed? Is self-employment a route to social mobility? Or is it a reflection of being locked out of the rest of the labour market?

Background

This Viewpoint looks at how self-employment compares, and has changed, across ethnic groups in the UK. Self-employment in the UK has been on the rise for the past decade. But there is little understanding of what this means for poverty and living standards, and whether it reflects a growing entrepreneurial spirit or poor employment opportunities.

Self-employment has often been seen as a route to social mobility for ethnic minority groups, which are disproportionately more likely to be affected by poverty. What then should we make of the fact that in several ethnic minority groups self-employment is on the decline, whereas in some it remains high? Policy-makers often promote self-employment as a way of expanding employment opportunities. What does the experience of ethnic minorities tell us about whether this is the right focus for policy?

This paper draws on existing literature, but in particular the extensive quantitative work commissioned and published by the JRF as part of its research programme on poverty and ethnicity.

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Key points

- Self-employment is on the rise in the UK, increasing from 12 per cent of the workforce in 2000 to 15 per cent in 2014, but the pattern differs across ethnic groups.
- Indian and Chinese groups have seen falling self-employment rates, probably because of the greater access these groups have to higher educational qualifications and opportunities for employment. These groups are now more likely to have higher education and more likely to have access to professional jobs.
- Self-employment rates have risen among Pakistani men. This group has the highest self-employment rate in the UK, and much Pakistani self-employment appears to be low-paid in areas with few opportunities for progression. This is probably linked to the fact that they have poor labour market opportunities.
- There is a danger that looking at worklessness rates alone can be misleading. The high level of self-employment in the Pakistani group is concerning as it appears to at least partly reflect poor opportunities to work as employees.

Key implications for policy-makers include:

- Policy-makers should focus on why some ethnic groups appear to disproportionately turn to self-employment.
- The fact that much self-employment is low paid suggests that encouraging more self-employment is unlikely to be the most effective way to reduce poverty and increase employment. The underlying barriers to work need to be tackled.
- The focus should be on expanding individuals' abilities to access employment, including skills and training and help with language skills.
- For those in low-paid self-employment, a tailored approach is needed. For some, support with business growth may be the best option. Others may be best supported by providing advice and help to access alternative opportunities in employment. Take-up of state benefits could be used as a touch-point for providing support.

Introduction

Poverty rates are higher among all ethnic minority groups compared with white British people in the UK; Pakistani and Bangladeshi groups are the most severely affected. Over 40 per cent of individuals in the latter two groups are in low-income households, compared with around 15 per cent of the white majority population (Barnard, 2014).¹ Levels of employment differ markedly among ethnic groups, as do types of employment. In this paper, we look at one aspect of this: self-employment.

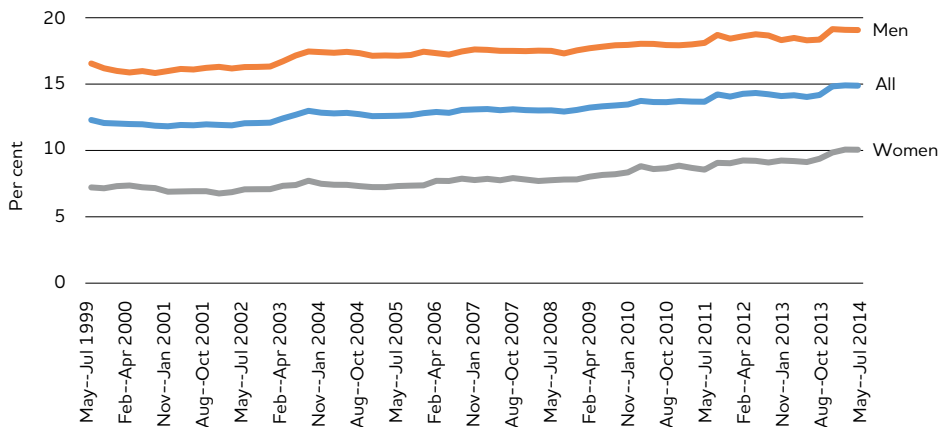
Why self-employment?

For the UK as a whole, the proportion of those in work has not changed substantially over the past decade. But the proportion of those in work who are self-employed has steadily risen from around 12 per cent in 2000 to 15 per cent in 2014 (see Figure 1). For men, the proportion is even higher – 19 per cent. The rise in total employment since 2008 has predominantly been due to growth in self-employment (ONS, 2014). Self-employment spans a range of sectors, but is disproportionately high in agriculture, construction and professional and scientific activities, as shown in Figure 2.

A key question for policy is whether the rise in self-employment reflects success in providing greater choices for employment through entrepreneurship, or whether it in fact reflects a lack of other employment opportunities.

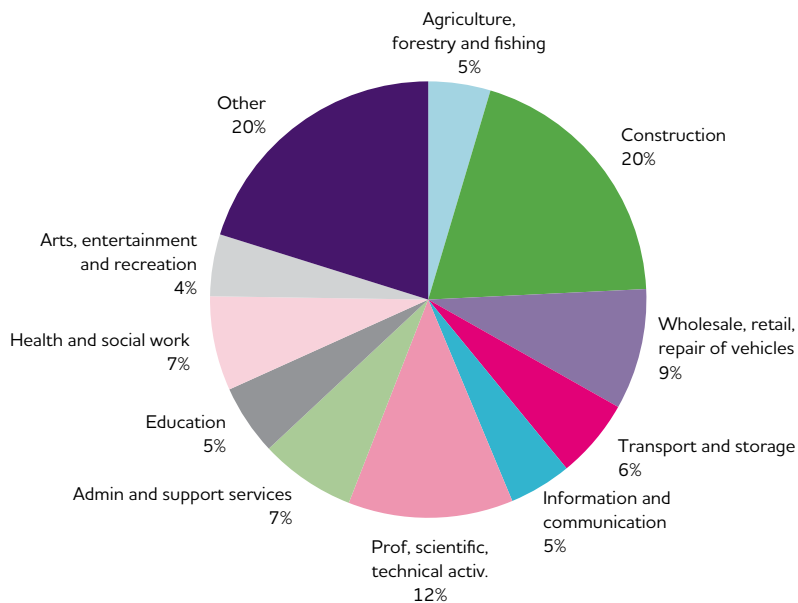
This paper looks specifically at those who are self-employed as their main activity. Relatively little evidence is available on the use of self-employment to supplement earnings from work as employees. What evidence there is suggests that this has become more common in recent years (D'Arcy and Gardiner, 2014), although it is not clear whether this change applies to all ethnic groups.

Figure 1: Self-employment as a proportion of total employment



Source: ONS (2014) labour market statistics

Figure 2: Self-employment by sector



Source: ONS (2014) labour market statistics

Ethnicity has always been a big part of the self-employment story, with some groups much more likely to go into self-employment than others. In the 1991 Census, all major ethnic minority groups had higher levels of self-employment than the white majority, with the exception only of Black Caribbeans and Black Africans (Clark and Drinkwater, 2010). At the time, the greater self-employment rates among ethnic minority groups was often seen as a success story; a route for those from ethnic minorities to escape poverty, improve their incomes, and contribute to making the UK a dynamic, innovative economy (Jones and Ram, 2013).

And yet even as self-employment among the white majority has risen, self-employment in several other ethnic groups has actually fallen. By 2001, we began to see the beginnings of convergence in self-employment rates, between the majority white group and ethnic minority groups. However, Indian, Pakistani and Chinese men in particular still had far higher levels of self-employment.

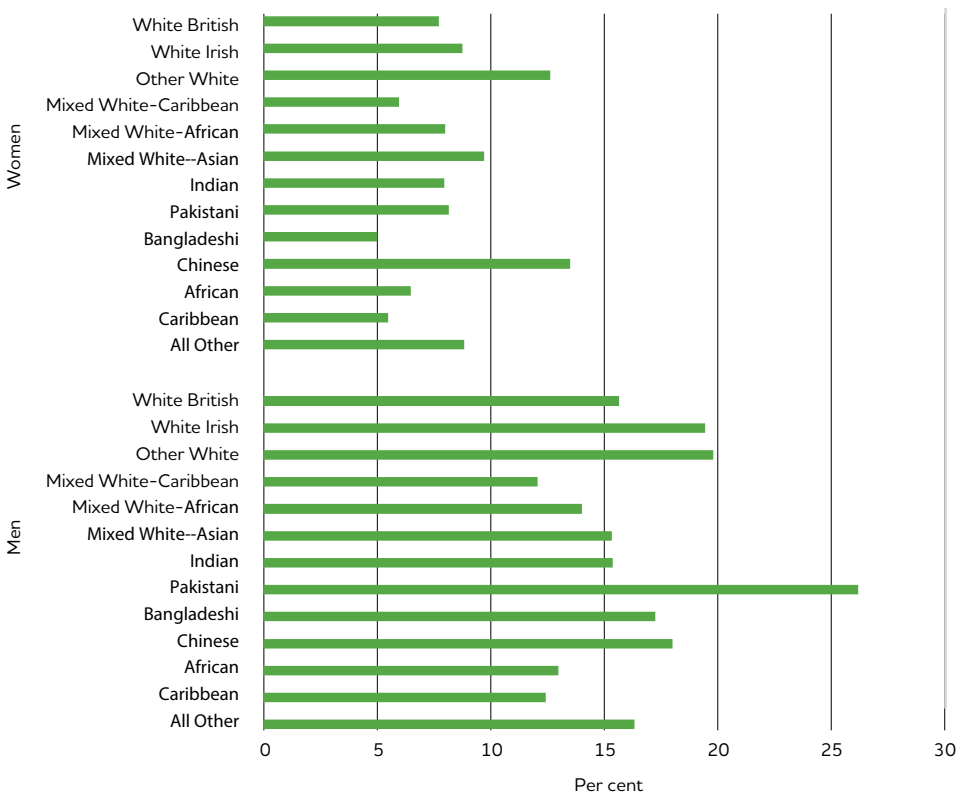
Analysis of 2011 Census data (Catney and Sabater, 2015) shows that only a few ethnic minority groups have above average self-employment. As shown in Figure 3, African and Caribbean groups have lower than average rates. The group with the highest self-employment rate is Pakistani men, where self-employment accounts for around 26 per cent of those active in the labour market (and aged 16–49), compared with 16 per cent among white British men. Among women, self-employment is almost uniformly low, with the main exception of Chinese women, and even there it is on the decline compared with 2001 (see Figure 4).

These patterns broadly fit with interest in becoming self-employed among different groups as shown in Figure 5. The main exceptions are Black Caribbean and Black African groups, where interest in becoming self-employed is not reflected in higher actual self-employment rates, potentially reflecting barriers to self-employment in these groups.

Good or bad?

What do these differing patterns of self-employment mean for employment opportunities and poverty faced by different ethnic groups? Self-employment is often taken to be synonymous with new, innovative, productive businesses and upwardly mobile entrepreneurs. In the past, high levels of self-employment among some ethnic minority groups – such as the Indian, Pakistani and

**Figure 3: Male and female self-employment in 2011
(by proportion of ethnic group active in labour market aged 16-49)**

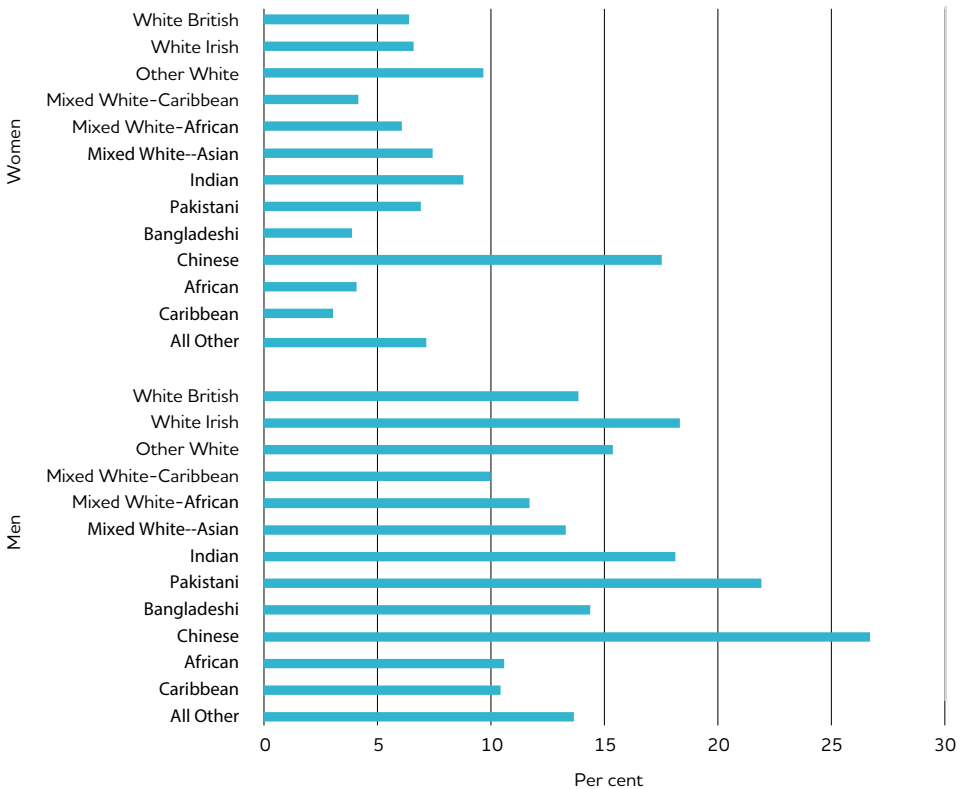


Source: Catney and Sabater (2015)

Bangladeshi groups – were often seen in this light. In fact, the Scarman Report – commissioned in response to the 1981 Brixton riots – recommended encouraging more self-employment among Black Caribbean and Black African groups as a way of reducing unemployment (Jones and Ram, 2013).

If this vision of self-employment was the right one, then it should be concerning that self-employment among Indian and Chinese groups is now declining, and a cause of celebration that it is on the rise in Pakistani groups. Meanwhile, in groups such as Black Caribbeans and Black Africans, more self-employment should be

**Figure 4: Male and female self-employment in 2001
(by proportion of ethnic group active in labour market aged 16-49)**

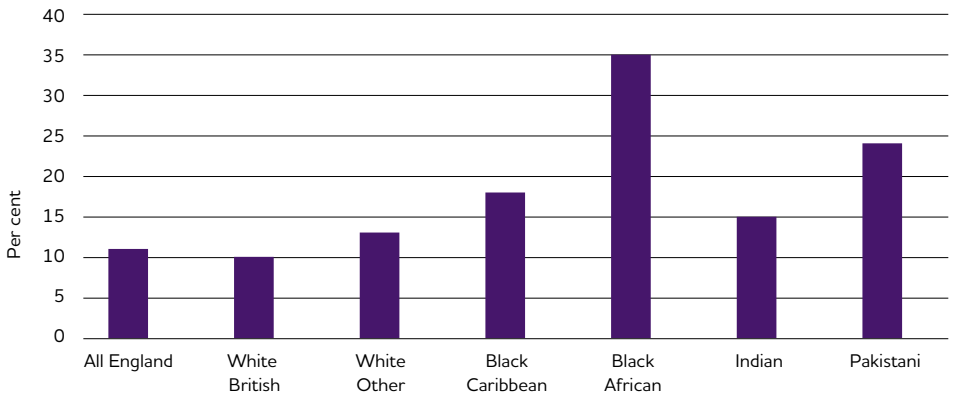


Source: Catney and Sabater (2015)

encouraged, and barriers to greater self-employment should be tackled. But is this the right interpretation of the facts?

A first hurdle in trying to examine self-employment is the fact that the term encompasses a multitude of different types of work. It can include running a limited company or professional practice, sub-contracting, doing freelance work or simply 'working for yourself'. Over 70 per cent of self-employed see themselves as falling into the latter category, and around 83 per cent of self-employed people do not employ anyone else (D'Arcy and Gardiner, 2014). So while the self-employed do include some new entrepreneurial start-ups that have

Figure 5: Proportion who have recently thought about starting a business or becoming self employed



Source: IFF Research Ltd (2007) BERR Household Survey of Entrepreneurship 2007

the potential to grow into large businesses, the vast majority do not fall into this category.

But even if the vast majority of self-employed are not creating growing, vibrant businesses, it may still be the case that self-employment provides a good alternative to a job as an employee, with better prospects and higher levels of income.

The motivations for going into self-employment are strongly linked to outcomes. Those who start a business because they have spotted an opportunity tend to have more profitable ventures compared with those who start businesses because of limited employment options (Broughton and Ussher, 2014). Individuals go into self-employment for a wide variety of reasons, and these may serve to explain differences in self-employment rates between groups. More specifically, analysing rates of self-employment through ‘pull’ and ‘push’ factors can help illuminate reasons why some groups have higher levels of self-employment than others, and the extent to which policy-makers should be concerned.

‘Pull factors’ relate to the potential for some ethnic minority groups to derive greater benefits from self-employment, compared with other groups. This could be, for example, if groups have a preference for more flexible working or autonomy, which self-employment may provide, or because they are better

able to exploit self-employment opportunities. If 'pull factors' dominate, then a key question for policy-makers would be whether it would be advantageous to encourage more individuals from groups such as Black Africans and Black Caribbeans, currently under-represented, into self-employment, and they should consider why and how some ethnic groups appear to be able to better exploit opportunities.

'Push factors' relate to potential difficulty for some groups in accessing well-paid jobs as employees. This could be due to many things including lack of the right qualifications or skills, being located in areas of poor employment opportunities, and employer discrimination, to name a few. If 'push factors' dominate, then policy-makers should be concerned about high levels of self-employment in the Pakistani group.

The next two sections explore these two factors in more detail, seeking to analyse whether they can explain the changing nature of self-employment in ethnic minority groups, in particular the disproportionately high levels of self-employment among certain groups now and in the past. These sections argue that high levels of self-employment among ethnic minority groups such as Indian and Chinese groups in the past, and in Pakistani groups today, are likely to be largely the result of 'push factors'.

Pull factors: entrepreneurial opportunities?

Specific ethnic minority groups may have positive reasons for entering self-employment. As shown in Box 1, a substantial proportion of some ethnic minority groups are made up of non-UK-born individuals, and evidence shows that migrants tend to have much higher rates of self-employment. Within ethnic minority groups, self-employment is much less common among those who are born in the UK (Clark and Drinkwater, 2010).

It is sometimes argued that the propensity of migrants to become self-employed could be due to cultural attitudes that migrants bring with them from their country of origin. There is some evidence that culture may play a role: for example, some studies show that migrants from countries of high self-employment are more likely to enter self-employment in the host country (Marcen, 2014).

It is also sometimes argued that migrants are more likely to be entrepreneurial; they may be willing to take on more risk, and so are happy to set up their own businesses. The fact of moving to a new country itself entails undertaking a certain level of risk in pursuit of longer term rewards; this outlook might be particularly conducive to going into self-employment. But in fact, surveys of attitudes to risk are mixed on whether it is higher levels of entrepreneurialism and a willingness to take risks that pushes more migrants into self-employment (Clark and Drinkwater, 2010). More broadly, as set out in Box 1, differences between migrants and non-migrants are not sufficient to explain the markedly different self-employment patterns between ethnic groups; so other 'pull' and 'push' factors that are not specific to migrants must be considered.

Another reason for high levels of self-employment among specific ethnic minority groups could be that they are in a good position to start specialist businesses catering to members of the same or similar groups. But there is little evidence of high numbers of individuals in these groups setting up businesses to provide specialist products of this kind (Clark and Drinkwater, 2000). Another argument for higher levels of self-employment could be a cultural preference for flexibility, for example to fit around caring responsibilities. It is true that Bangladeshi and Pakistani mothers of young children are less likely to work compared with other ethnicities (Dex and Ward, 2007), but the fact that there is little variation in self-employment rates among women suggests that this is not a major factor.

Finally, it may be the case that social networks within ethnic groups make it easier to enter self-employment. For example, in groups where networks are strong it may be easier to find potential employees and support, such as informal loans. If groups already have a strong history of self-employment, those who have been there before may be able to offer advice and support.

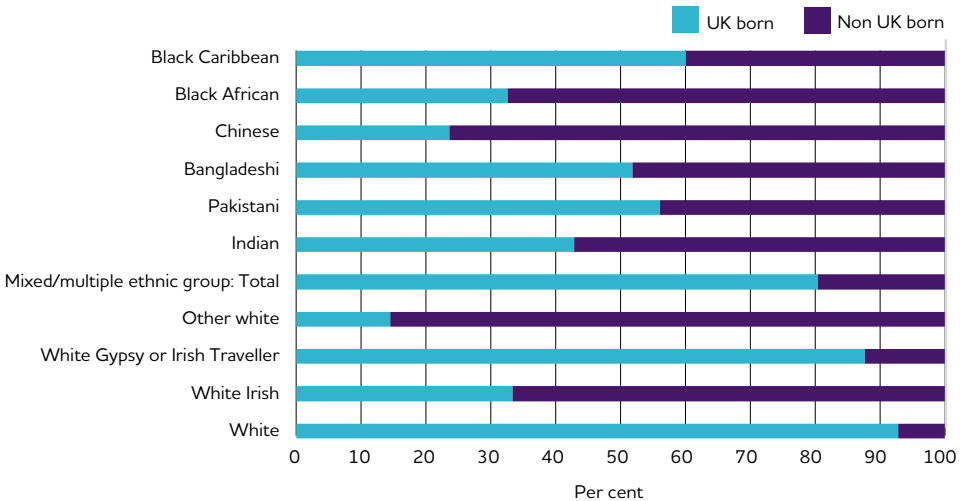
It has been hypothesised that this effectively works as a trade-off between integration and being socially segregated, and that this may explain why the Pakistani group is, and has historically been, more likely to be in self-employment compared with African Caribbeans, despite facing similar difficulties in the employment market (Maxwell, 2014; Jones and Ram, 2013). But, again, the evidence is mixed. The proportion of the Pakistani group with ethnically mixed friendship networks is lower compared with the Black Caribbean and Black African groups. However, those in the Pakistani group with ethnically diverse friendship networks still make up a majority of the group at 73 per cent (Finney et al., 2015).

Box 1: Self-employment and migration

Migrants tend to have much higher rates of self-employment than the rest of the population. Within ethnic minority groups, self-employment is much less common among those who are born in the UK (Clark and Drinkwater, 2010). The changing nature of self-employment within ethnic minority groups is therefore likely to be strongly related to the proportion of the group made up of migrants. Depending on the factors that influence self-employment, there may also be differences between the most recent migrants and those that arrived longer ago.

Figure 6 shows that in some ethnic groups, a large proportion are non-UK-born. These include Chinese, Black African, Other White, and White Irish. However, the proportion of migrants alone is not enough to explain differing self-employment rates. For example, the Bangladeshi, Black Caribbean and Pakistani groups have markedly different self-employment rates, despite having similar proportions of non-UK born individuals.

Figure 6: Ethnic groups split by UK-born and non-UK-born



Source: ONS, Census 2011

Push factors: locked out of the labour market?

There appears to be a strong link between poor labour market opportunities and self-employment. Among Pakistani men, where self-employment is highest, employment outcomes are poor. The group is least likely to be working for an employer (Catney and Sabater, 2015). Among the Pakistani group, those working for an employer are paid on average almost £2 an hour less than the white majority group, and on average £1 an hour less when comparing the Pakistani group with workers in the same occupation (Brynin and Longhi, 2015). While the Bangladeshi group also sees wage gaps of this magnitude, other groups such as Black African, Black Caribbean, Indian and Chinese do not. As well as being paid less, Pakistani employees are also less likely to see progression in wages over time. If paid more than the living wage, they are more likely to see their incomes fall two years later, and if they are paid less than the living wage, they are more likely to still be in low pay two years on (Brynin and Longhi, 2015).

For Pakistani first generation men, the wage gap is partly due to greater part-time working, low levels of qualifications, and being disproportionately likely to enter low-skilled occupations (Longhi et al., 2012). But this is not enough to explain the full gap: a likely further explanation is the barriers faced by migrants in general: for example, lack of English language skills, poor recognition of overseas qualifications among employers, and lack of social networks and labour market knowledge that helps to find better paid work (Li and Heath, 2014; Fisher and Nandi, 2015).

In addition, lack of language skills and knowledge about the benefits system may mean lower benefit take-up rates, especially among new migrants (Finn and Goodship, 2014). This may mean that those who do find it difficult to obtain jobs as employees in these groups may be more likely to go into self-employment rather than becoming unemployed. In some sectors, such as construction, migrants with few other options may be disproportionately pushed into 'false self-employment' by employers, effectively as a way of avoiding employment regulation (Harvey and Behling, 2008; Boheim and Muehlberger, 2006).

Differences in employment opportunities faced by men and women also suggest that self-employment is strongly linked to poor labour market opportunities. Women in work from ethnic minority backgrounds tend to do just as well, if not better than women from the white majority group (Brynin and Longhi, 2015). This contrasts sharply with the experience of men from ethnic minority groups, and

Box 2: Indian men: not as entrepreneurial as they used to be?

In 1991, almost 24 per cent of Indian men in work in the UK were self-employed – more than 40 per cent higher than the self-employment rate among white men (Clark and Drinkwater, 2010). By 2011, the gap had disappeared – now around 19 per cent of Indian men are self-employed, the same level as for white British men (Catney and Sabater, 2015) (figures are for men aged 16 and above). What caused this change?

In all ethnic minority groups, self-employment is lower among those who are UK-born, so this partly reflects the fact that a growing proportion of the Indian ethnic minority group in the UK is now UK-born (Dustmann et al., 2011). It is also unlikely to be a coincidence that at the same time, the Indian group has seen a substantial improvement in employment opportunities and outcomes. Among Indian men, levels of employment, unemployment and inactivity are now at average levels for the UK male population or better. Among women, employment rates are lower, but there has been a substantial narrowing of the gap (DWP, 2014a). Indian UK-born workers now earn either the same or more than their white British counterparts, and they are more likely to be managers, senior officials or professionals (Longhi et al., 2012). With access to good opportunities to work as employees, self-employment looks less attractive than it used to.

This is partly a story of better educational outcomes: Indians are more likely than average to have degree level qualifications, and younger generations that are UK born have typically been through more years of schooling (Longhi et al., 2012; Dustmann et al., 2011). But it also relates to the fact that the UK-born are better able to use their educational qualifications to access better employment. First generation Indian migrants to the UK also have relatively high levels of qualification, but earn less than would be expected given their levels of education (Longhi et al., 2012; Dustmann et al., 2011).

So it would appear that first generation migrants from India turned to self-employment as a response to fewer attractive opportunities in the rest of the labour market, and finding it harder to make the most of their skills and qualifications. As new generations in particular have had better access to employment opportunities, they have chosen to move away from self-employment.

Those from the Indian ethnic group that are in self-employment now tend to be in relatively well-paid areas, for example 40 per cent of them are professionals, compared with 4 per cent of Pakistanis (Maxwell, 2014). This would suggest that many who previously would have gone into self-employment out of necessity have now found attractive opportunities to work as employees. Those that are left in self-employment are more likely to be there out of choice.

is probably one explanation of the fact that ethnic minority women in general do not disproportionately enter self-employment.

The experience of other ethnic minority groups suggest that as they become more established and gain greater access to higher qualifications, they increasingly turn away from self-employment (Clark and Drinkwater, 2010). This pattern is most apparent among the Chinese and Indian groups: both cases have been marked by substantial increase in access to the professions in the last two decades (Owen et al., 2015). And indeed it may be that first generation immigrants see labour market disadvantage as a sacrifice that allows their children access to opportunities unavailable in their country of origin. The experience of the Indian group in particular is explored in more detail in Box 2.

However, it is concerning that the Pakistani group does not, so far, appear to have followed the same pattern, despite a higher proportion now being UK-born than in the Indian group. It appears that UK-born Pakistani individuals still face substantial difficulties in the labour market. On average, wages for second generation Pakistani male employees are around £1.40 less an hour compared with white British males. This is smaller than for first-generation Pakistani migrants, although the reasons for the gap are less easy to explain. In contrast, second-generation Indian male employees have similar or higher hourly wages compared with the white British group. (Longhi et al., 2012).²

A way out of poverty anyway?

The 'push factors' pose a much more convincing explanation for self-employment rates and their pattern over the past two decades among Indian, Chinese and Pakistani groups. We should be worried about continuing high self-employment among the Pakistani group, as it is highly likely to be a reflection of poor access to jobs as employees, as it was for some ethnic minority groups before them.

But given that difficulties in the labour market do exist, can self-employment act as a safety valve, providing a means of earning that is better than the alternative of no work, or poorly paid work? Other groups such as the Bangladeshi group experience similar levels of poor employment and low-paid work, but do not appear to be using the self-employment safety valve. While not affected to the same extent, Black Africans and Black Caribbeans are also more likely to be in poverty than average, but again do not appear to use self-employment as

an alternative. Instead, these two groups appear to have unmet aspirations for entrepreneurship, although it is unclear what the reasons are for this.

The evidence on whether self-employment can act as a safety-valve to help escape poverty is mixed. Being in self-employment can be low paid and precarious. Households where self-employment is the only form of work are more likely to be in poverty (Ray et al., 2014). The typical self-employed person earns 40 per cent less than the typical employee, and during the downturn, when self-employment rates rose, income from self-employment fell much more sharply than wages among employees (D'Arcy and Gardiner, 2014; Fisher and Nandi, 2015; ONS, 2014). Further, those in self-employment are less likely to be saving for the future, with much lower rates of pension saving (D'Arcy and Gardiner, 2014).

There are many reasons why the Pakistani group may be more likely to turn to self-employment as a response to labour market disadvantage. These include knowing others within the group that have entered self-employment, and also location. Different ethnic minority groups are concentrated in different areas. For example, the area with the highest proportion of Pakistani individuals is Bradford, whereas the area with the highest proportion of Bangladeshi individuals is Tower Hamlets in London (Catney and Sabater, 2015). To a great extent, employment will reflect the job opportunities available in the local area. This could also partly explain why some ethnic groups have been relatively successful in progressing to higher value occupations. For example, a relatively high proportion of the Indian group is located in London (Catney and Sabater, 2015), where there is greater access to higher paying jobs.

As set out earlier, self-employment spans a range of sectors, some of which are likely to be relatively well paid. Among the Pakistani group, for many individuals, self-employment may help to bring some income in. But in general, it does not appear to be a route to career progression and higher wages. Around 53 per cent of those in the self-employed Pakistani group are in the transport sector, and most of this is taxi-driving (Clark, 2014). And 'pull' factors such as social networks may work against income mobility. If individuals from specific groups go into similar types of self-employment – as some research suggests is the case among Asian groups – then the result is often high levels of competition and low profits (Jones and Ram, 2013).

In addition, it is concerning that the Pakistani group has not fully followed the trajectory of other ethnic minority groups, with second and third generations gaining greater access to attractive employment opportunities. There is a risk that disadvantage is perpetuated; studies of Pakistani groups have found that access to wider social networks among the self-employed are limited, affecting access to job and training opportunities, and their children's understanding of the career paths available to them (Barnard, 2014). This suggests that high self-employment rates in the Pakistani group should be a cause for concern.

What does this mean for policy-makers?

It is certainly the case that for some people, going into self-employment will be a route to improving their incomes and the lives of themselves and their families. And for some groups, such as Black Africans and Black Caribbeans, unmet aspirations may be a sign that they face barriers that restrict their access to these type of opportunities. Some evidence suggests that lack of access to finance may be one of these barriers (Black Training and Enterprise Group, 2011). If this is indeed the case, then tackling those barriers is important. This is an area which has already seen a range of government policies, including the New Enterprise Allowance, start-up loans programme, tax reliefs for investment in new businesses, and match-funding programmes.

But self-employment takes many forms, and people go into self-employment for many different reasons. Understanding this is key to the question of whether promoting self-employment is a potential tool to tackle poor employment outcomes and poverty.

The experience of ethnic minority groups today and over the last two decades suggests that self-employment is often a response to lack of labour market opportunities. This is important because it means that policy-makers need to recognise that poor access to jobs may not show up simply in the worklessness figures, but will show up in higher self-employment rates for some groups.

It is tempting to think self-employment can work as a safety valve that offers some protection against poor labour market opportunities. There are many existing policies promoting self-employment, from campaigns, to start-up loans, to the New Enterprise Allowance (NEA). In many cases, these are targeted at those who are having difficulty finding work; for example, the NEA is available to those who are on Jobseeker's Allowance, Income Support or Employment

and Support Allowance. The available data suggests that such policies have been successful in reaching ethnic minority groups, with 34 per cent of start-up loans (HM Government, 2013), and 19 per cent of New Enterprise Allowance starts (DWP, 2014b) going to ethnic minority groups.

But there is little guarantee that promoting more self-employment will act as a panacea for poor access to work. Much self-employment is low paid. And often, particularly where the underlying factors contributing to poor work opportunities are low skill levels or poor local economic conditions, promoting self-employment does not tend to work as a way of creating jobs. These same factors – low skill levels and poor local economic conditions – also reduce the likelihood of success in self-employment (Mueller et al., 2008). Analysis of the NEA shows that while 78 per cent of participants stayed off Jobseeker's Allowance for at least a year, most aspired to earn a living wage, rather than to see business expansion and growth (McKnight, 2015).

Self-employment is no easy answer to unemployment and poverty. Instead, policy-makers need to focus on why some groups are shut out of the labour market in the first place – whether it is related to education, networks, local economic performance or discrimination. The policy solutions to this wider problem is outside the scope of this paper. However, a wide range of evidence shows the importance of skills and training in helping individuals to access better work. But more specifically than this, those in persistent poverty are much more likely to have difficulty speaking or reading English. Pakistani, Bangladeshi and Other White groups have the highest proportion of individuals not speaking English as a first language (Fisher and Nandi, 2015). This is an obvious area for targeting additional support for skills that would help widen job opportunities for individuals.

For some self-employed, there may be opportunities to increase incomes by helping individuals to expand their businesses. Government schemes in this area include making it easier to access advice on growth, such as through the growth vouchers scheme, and the Business Growth Service.

But many low-paid self-employed people are likely to be in sectors with limited opportunities for growth. This appears to be a particular issue for the Pakistani group, as discussed in this paper. For such individuals, the best route to progression may well be to find better-paying jobs as employees. But there is a gap in government policy in this area. While there is support with job search and

training for those out of work (for example through the Work Programme), there is little support for those stuck in low-paid self-employment to find better-paying jobs. Government should explore ways in which such support could be provided. Local Enterprise Partnerships should play a role in using their local labour market knowledge to identify where new jobs are being created and help local individuals access these opportunities.

Table 1 sets out potential policy responses in more detail, designed to address the problems identified in this paper.

Table 1: Potential policy responses

Group	Policy response
Unemployed Those facing difficulty finding work	Advice and support needs to take into account the likelihood of wage progression in helping people to find work. While self-employment is a potential option, the research suggests that for many it may not be a route to escaping poverty.
‘Unmet aspirations’ Those that wish go into selfemployment or start their own business, but face barriers to doing so	Progress has already been made in this area, with high take-up rates of support programmes such as the New Enterprise Allowance and start-up loans among ethnic minority groups. However, the longer term effect of such programmes needs to be fully evaluated to understand the extent to which they lead to sustainable work.
Self-employed stuck in low pay Those in low income selfemployment	<p>For some, low income self-employment may be a choice, for example among financially secure older people. For others, support is needed to help progress into higher pay.</p> <ul style="list-style-type: none">• Support needs to be wider than simply advice on business growth. It should also cover advice on alternative employment opportunities, as well as training and support to access higher paying jobs.• Government could consider commissioning such support with payments to the provider dependent on outcomes. Incentivising the support provider to focus on how best to help individuals into higher pay should mean that individuals receive support that best increases the likelihood of moving into higher pay – whether that is through business growth or finding alternative job opportunities.• Finding a new job as an employee could pose 14 particular challenges for those in self-employment, for example, due to the lack of employer references. The support provider could play a role in helping individuals to gather evidence of their skills and experience, and potentially provide accreditation of an individual’s self-employment history.• The take-up of state benefits (such as tax credits) could be used as a touch-point for providing support.• The way in which state benefits are provided to the low paid self-employed could be reconsidered. For example, lump sum provision of tax credits could make it easier for individuals to invest in training.

Notes

- 1 The low income threshold is defined as 60 per cent of median household income, before housing costs.
- 2 More specifically, this study splits groups up by ethnicity and religion, looking at four groups: Indian Hindu, Indian Muslim, Pakistani Muslim and white British Christian, where the latter is the majority group.

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