Birmingham Economic Review 2017

Chapter 8: Enterprise
Introduction

The Birmingham Economic Review 2017 is produced by the University of Birmingham’s City-REDI and the Greater Birmingham Chambers of Commerce, with contributions from the West Midlands Growth Company. It is an in-depth exploration of the economy of England’s second city and is a high quality resource for organisations seeking to understand the city to inform research, policy or investment decisions.

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All Chapters of the Birmingham Economic Review 2017 can be found online on the Greater Birmingham Chambers of Commerce website: www.greaterbirminghamchambers.com or via the contact details at the end of this document.
Enterprise

Self-employment

Entrepreneurial activity is often measured using self-employment figures. Birmingham has a lower level of self-employment than the UK average. 7.4% of Birmingham’s working age population (16-64) are self-employed, compared to 10.6% nationally. The city is mid-ranking amongst the English core cities.

Looking at self-employment by gender shows that Birmingham is weaker on female self-employment: only 3.7% of Birmingham’s working age female population are self-employed, compared to 7.0% nationally.

Business Births

Barclays’ *UK Prosperity Map 2017* named Birmingham the city with the highest business birth-to-death ratio of any in the UK with 1.81 businesses being created for every closure, beating London (1.78) - and it also saw a 4.2% increase in GDP per capita, behind only Newcastle.

Official ONS data is available to look at business start-ups in Birmingham. The ONS Business Demography dataset for 2015 (latest available) provides data on enterprise births in the UK which allows for comparisons between Birmingham and other areas.

Table 18: Count of Births per 1000 Inhabitants

<table>
<thead>
<tr>
<th>Area/Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>4.13</td>
<td>4.23</td>
<td>5.40</td>
<td>5.43</td>
<td>5.88</td>
</tr>
<tr>
<td>Manchester</td>
<td>4.75</td>
<td>4.98</td>
<td>6.58</td>
<td>6.78</td>
<td>7.90</td>
</tr>
<tr>
<td>Liverpool</td>
<td>3.15</td>
<td>3.23</td>
<td>4.78</td>
<td>4.57</td>
<td>5.09</td>
</tr>
<tr>
<td>Newcastle</td>
<td>3.21</td>
<td>3.36</td>
<td>4.17</td>
<td>4.18</td>
<td>4.30</td>
</tr>
<tr>
<td>West Midlands</td>
<td>3.49</td>
<td>3.48</td>
<td>4.54</td>
<td>4.51</td>
<td>5.10</td>
</tr>
<tr>
<td>WMCA</td>
<td>3.25</td>
<td>3.35</td>
<td>4.42</td>
<td>4.48</td>
<td>5.46</td>
</tr>
<tr>
<td>Birmingham</td>
<td>3.42</td>
<td>3.62</td>
<td>4.84</td>
<td>4.81</td>
<td>6.58</td>
</tr>
</tbody>
</table>

*Source: ONS, Business Demography Data*

The table above shows the enterprise births per 1,000 of the population (which represents an enterprise birth rate to enable comparison between different areas). We can see from Table 18 that performance has significantly improved; Birmingham is now only second to Manchester among the core cities and has a start-up rate above the national average, after a number of years of underperformance. This figure is almost double the respective rate for 2011.

In 2016, StartUp Britain identified that 17,473 new businesses were registered in Birmingham, meaning that the city has the largest number of start-ups outside London. Manchester had the next highest with 9,416 new companies.
Business Deaths

The ONS Business Demography dataset for 2015 also provides data on enterprise deaths in the UK. Table 19 below shows that there were 3.63 business deaths per 1,000 population in Birmingham in 2015. This was similar to previous years and lower than the national average.

Table 19: Business Deaths

<table>
<thead>
<tr>
<th>Area/Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>3.63</td>
<td>3.96</td>
<td>3.70</td>
<td>3.82</td>
<td>3.87</td>
</tr>
<tr>
<td>Manchester</td>
<td>3.82</td>
<td>4.45</td>
<td>4.44</td>
<td>5.03</td>
<td>5.04</td>
</tr>
<tr>
<td>Liverpool</td>
<td>3.05</td>
<td>3.14</td>
<td>2.79</td>
<td>3.49</td>
<td>3.26</td>
</tr>
<tr>
<td>Newcastle</td>
<td>2.71</td>
<td>3.05</td>
<td>2.81</td>
<td>3.47</td>
<td>3.18</td>
</tr>
<tr>
<td>West Midlands</td>
<td>3.34</td>
<td>3.52</td>
<td>3.25</td>
<td>3.38</td>
<td>3.30</td>
</tr>
<tr>
<td>WMCA</td>
<td>3.06</td>
<td>3.27</td>
<td>3.09</td>
<td>3.23</td>
<td>3.24</td>
</tr>
<tr>
<td>Birmingham</td>
<td>3.35</td>
<td>3.63</td>
<td>3.35</td>
<td>3.64</td>
<td>3.63</td>
</tr>
</tbody>
</table>

*Source: ONS Business Demography*

Another indication of the strength of an area's enterprises are business survival rates. Table 20 below shows the proportion of businesses started in 2010 that have survived 5 years. 36.5% of new businesses started in Birmingham in 2010 were still trading in 2015, compared to 41.4% nationally. The city is lower ranking amongst the core cities. Having both a lower than average business death rate and a lower than average business survival rate can be explained by a large number of business deaths occurring in the first 5 years - this provides the low survival rate although would contribute to a high death rate within 5 years. However, the low death rate shows that if a business survives beyond its first 5 years it is less likely to fail beyond 5 years, thus giving a lower death rate overall.

Table 20: Business 5 Year Survival Rates

<table>
<thead>
<tr>
<th>5-year survival rates - 2010 births</th>
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</thead>
<tbody>
<tr>
<td>United Kingdom</td>
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<tr>
<td>Manchester</td>
</tr>
<tr>
<td>Liverpool</td>
</tr>
<tr>
<td>Newcastle</td>
</tr>
<tr>
<td>West Midlands</td>
</tr>
<tr>
<td>WMCA</td>
</tr>
<tr>
<td>Birmingham</td>
</tr>
</tbody>
</table>

*Source: ONS Business Demography*
Professor Kiran Trehan, University of Birmingham

Enterprise is the key to economic growth: a loud refrain heard from all quarters, promoting the survival and growth of enterprise in the region continues to be a key tool to delivering the policy objectives of promoting economic growth and rebalancing the economy. It is also fundamental to achieving wider social objectives of tackling deprivation, revitalising communities, building and promoting cohesion.

It is clear that self-employment plays a vital economic role in the regional economies, the evidence highlights that the Birmingham is an entrepreneurial city and overall there is a great aspiration to set up a business in Birmingham (10.3%) compared to UK as a whole (7.8%). Furthermore, the intention in Birmingham to start a business is higher among all ethnic minorities (19.5%) compared to White British (4.8%). While the TEA rate is higher for ethnic minorities (9%) compared to White British (4.8%), the established business owner rate is lower for ethnic minorities (2.3%) compared to White British (3.8%). However, it should be noted that there is an extensive gap between aspirations and their conversion into reality. The lack of this translation of aspirations into reality is an area that we need to develop further because this could help to address the Skills, productivity, and leadership gaps within the region. Business support could play a significant part in this process since the regional economy relies on SME’s. If aspirations and potential is to be materialised we need to advance three key areas;

- Leadership and Management - Managerial and leadership competences are still an obstacle to enterprise growth and development
• Developing Eco-systems which foster scale up and Enterprise development
• Embedding Diversity in Enterprise and Economic Development and business support Strategies

In summary, developing a strong entrepreneurial culture and providing relevant support will continue to ensure the regions SME’s reach their potential to carve out new markets, innovate and boost their own and their local economy’s productivity and growth prospects.

Dr Catherine Harris, City-REDI, University of Birmingham

The West Midlands has a long history of minority ethnic entrepreneurship, involving many different minority communities. The region has undergone major economic restructuring over the three decades, with the relative share of employment and wealth generation transferring from the manufacturing sector to service sectors, with increasing significance of self-employment in these sectors. This has happened alongside profound changes in population. The diversity and make-up of ethnic groups and has led to some significant entrepreneurial opportunities for the West Midlands region and Birmingham.

While Pakistani, African-Caribbean and Indian owned businesses have long been a common sight on our high streets and in our town centres and have been for some time, more recent generations of businesses tend to be Somali, Polish, Lithuanian and Romanian. In particular, EU enlargement in 2004 led to a proliferation in businesses run by East European migrants.

Many ethnic minority businesses in Birmingham now actually go beyond the stereotypical retail and catering sectors. Such businesses include recruitment agencies, graphic designers, marketing agencies and large food factories. Not only have these provided jobs for migrants, they have also, in some cases, provided jobs to British workers who were previously unemployed. In some areas of the city previously run-down streets have been transformed when migrant businesses move in, paying rates to the local council.

Whilst ethnic minority businesses in the city appear to be flourishing it is vital that the right help is available to not only help them to start and grow, but also to diversify into more high value activities, such as those above.

Here in the West Midlands, for example, the work of the Ethnic Minority Business Forum has been key in raising the awareness of the importance of minority ethnic companies in terms of the support offered by organisations such as Business Link and a range of important initiatives, notably in terms of export and overseas trade.

There is also the Asian Business Chamber of Commerce (ABCC) which was formed in 1987 and today acts as a gateway for any organisations looking to target the West Midlands Asian business community. The ABCC specialises in the business needs of Asian businesses in Greater Birmingham and is the most
influential group of its kind in the West Midlands. Excellent relationships have been built with both the public and private sectors to benefit members and the city as whole, to increase business opportunity and enterprise in general.

In the East European community, the Midlands Polish Business Club was formed in 2012 and is a network of Polish professionals, entrepreneurs and business owners whose aim is to promote Polish products and services in the UK. The organisation already has over 100 members who meet to share experiences and contacts to develop the Polish business community.

Despite these positive initiatives and a significant ethnic minority business community in Birmingham, a challenge remains as to how major organisations, aside from publicly funded organisations, view ethnic minority entrepreneurs - in particular, the finance industry. A further challenge facing East European owned businesses is the impact that Brexit may have on their businesses, not only through a possible loss of client base and finance but also their sense of cohesiveness in their communities within Birmingham.

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