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Consultancy Training Research

MECHANISMS FOR ECONOMIC INVOLVEMENT
OF THE COMMUNITY IN
SMALL BUSINESSES AND CO-OPERATIVES

- A Contribution by Equinox Associates
to the Broadwater Farm Inquiry

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0. EXECUTIVE SUMMARY

1. This report relates to a discussion of enterprise development initiatives in inner city areas and is presented as a contribution to the Broadwater Farm Inquiry.
2. Small businesses will need to be established in inner city areas not only to fill the void left by big businesses, but also to provide employment and much needed goods and services to the local community.
3. A proper establishment of enterprise development will need certain elements to be available these are identified as: a) willing entrepreneurs; b) market demand and profit motive; c) management and technical expertise; and d) capital and credit.
4. Successful enterprise development means that the businesses to be assisted should be appraised not only on their employment generation potential, but also on their economic viability.
5. Existing economic development initiatives in the Borough of Haringey need to be strengthened so as to provide effective and efficient service to the businesses that they support. If the businesses are to be successful then it is essential that they are not under-capitalised.

6. Central Government should involve itself in enterprise development and there is a need to co-ordinate Central Government's initiatives under one unit so that its efforts are effective.
7. A total resources approach needs to be developed which will involve a partnership between the community, the Local Authority, Central Government and the private sector in ensuring the successful establishment and operation of these businesses.
8. A socialised business venture should be established on the Estate which would be controlled by the community and which would act as an umbrella body for enterprise development on the Estate. It would need to resource assistance from both the private sector and the Local Authority in order to be successfully established.
9. It is proposed that this holding organisation will access funds from various institutions including trusts and charities; these funds will be used in the granting of loans to the businesses that it will support.
10. The holding company will manage the funds and enterprise workspaces to be created on the Farm and will seek direct assistance from private companies to provide them with management and technical expertise.
11. A specially designed training programme which will incorporate technical and business skills should be presented to the MSC, the ESF and the Council for funding.

12. The formation of a business association should be encouraged within the community which will perform advocacy functions to the Local Authority, big private companies and National Government in, amongst other things, matters relating to procurement.

1. INTRODUCTION

1.1 BACKGROUND

Following the disturbances on the Broadwater Farm Estate on 6/7th of October 1985, an Independent Inquiry was set up by the Haringey Borough Council to make recommendations on various issues including the social and economic conditions within the London Borough of Haringey.

After discussions with the members of the Inquiry, this report was commissioned from Equinox Associates to focus on economic development mechanisms as they relate to the development of small businesses and co-operatives.

While there are no direct links between economic development and rioting in areas with a relatively higher proportion of ethnic minorities in the population, it is true that these areas tend to be characterised by high unemployment, and therefore it is suggested that if tensions between the policing authorities representing law and order and the residents are to be eased and diffused, then some serious attention must be paid to how these communities can be made to realise their aspirations of economic development with a view of their contributing positively to the economic regeneration of the areas that they live in.

The disturbances can be viewed in the light of the general dissatisfaction of the community with the status quo, a protest

against the authorities who have to date denied them economic opportunity. A very useful approach adopted in America in solving the problems of inner city riots during the mid 1960s was to concentrate on mechanisms which would assist in the development of small businesses in areas of economic and social deprivation.

It is felt that since economic development is central to the lives of most people, and since it can be established that there is scope for improvement in economic activity on the Broadwater Farm Estate and in the London Borough of Haringey in general, the issues relating to the development of small businesses should form an integral part of the recommendations of the Inquiry.

1.2 SMALL BUSINESS DEVELOPMENT IN PERSPECTIVE

As more and more people in Britain become unemployed, perhaps either as a direct result of central and local government policies in not providing the enabling environment for business or as a result of the general uncompetitiveness of British industry in traditional manufacturing sectors, there is a need to deploy the existing labour force into directly productive activity. This is important if the economy is to achieve desirable rates of growth to keep Britain as an advanced industrialised country.

It must be noted that the problems in inner city areas have been partly created by big businesses moving out of these areas for one reason or another. In most cases shedding excess labour as they strive for higher productivity of capital in the form of labour-saving and automated processes. It is true that bigger businesses can now

earn higher profits with less labour than was the case 10 years ago, and therefore unless they expand to meet an increase in demand for their products and services or set up new production facilities for new products, it is unlikely that they can be encouraged to employ more labour, at least not in the inner city areas. Operating from inner city locations is no longer an attractive proposition for most large firms, even for service businesses, because inner city cities are areas of depressed demand, it may prove difficult to encourage them to locate in these areas, especially when they are being offered attractive incentives in other parts of the country like in enterprise zones and special development areas.

Unless small businesses can be established to fill the void left in these inner city areas they will remain economically depressed and continue to be a drain on the social and economic resources of the country without making any positive economic contribution to the national or local economy.

It must be remembered that assistance to small businesses is an investment which will have long-term benefits accruing to the communities; it will yield a return in the form of creation of wealth through the goods and services which these small businesses will produce, it will help to create jobs for residents in these areas thus increasing their disposable income, and creating new markets in these areas of depressed demand; the profits are likely to be ploughed back into the communities and a multiplier effect will lead to increased wealth in these areas.

The wealth generated from these businesses will help to reduce the burden of government spending in these areas on social services. The increased wealth and the increases in employment might lead to a reduction in the crime rate and the avoidance of social tensions which invariably will result in fewer race related disturbances in these inner city areas.

Successful entrepreneurs quite apart from providing jobs will serve as symbols or role-models for others in the community to emulate and the economic power created will result in the integration of these communities. Furthermore, it must be noted that most of the established big businesses operating in Britain started out as small businesses, this suggests that small businesses form the basis and starting point for the launching of larger businesses especially when forward and backward linkages can be developed for their products and services.

In the discussion of issues relating to the development of small businesses, it must be recognised that job creation is not the only issue to be considered. While employment generation is important, employment substitution as an objective on its own is likely to result in the creation of many under-capitalised businesses operating marginally with little potential for survival and growth. Besides, when there is no pool of qualified labour in a particular industry within an area, these areas will remain unattractive to potential and existing entrepreneurs if nothing is done to raise the level of skills.

However, employment substitution does also pose another problem - this is evident in the devastation caused in the life of communities which are involved in the traditional sectors when big businesses close down and whole communities which have relied on them are left without jobs and without skills suitable to other businesses. Therefore the issue of enterprise development is best considered in its entirety:-

- a) the presence of willing entrepreneurs;
- b) the presence of market demand and the profit motive;
- c) the availability of capital and credit;
- d) the availability of management and technical assistance; and
- e) the presence of an enabling environment for the flourishing and growth of these businesses.

It is only with the presence of all these factors that small businesses can truly transform economically depressed communities into communities with increased economic activity, whereby the small businesses created will survive and grow.

While this does not negate the development of socially desirable ventures with local government assistance, it must be remembered that these ventures with the absence of the profit motive will continue to depend on local government funds for their survival. What is critical however is the development of mechanisms which will ensure that any small businesses set up will fulfil economic and social needs within the community and that the wealth generated from these businesses will

assist in the alleviation of adverse social and economic conditions of the communities.

1.3 OBJECTIVES

The main objective of this report is to:

provide a valid and significant input to the work of the Broadwater Farm Inquiry on the economic conditions in the area and to suggest proposals for tackling any existing problems with special reference to small businesses and co-operatives.

In order to achieve this objective, the report seeks to:

- a) evaluate present initiatives aimed at assisting in the economic development of the Broadwater Farm area;
- b) investigate and discuss what mechanisms are feasible for the increase in economic activity in the area; and
- c) design an outline plan of action for the successful implementation of the recommendations of this report and to designate areas which may need further and fuller investigation.

Discussions were held over the period 12 May to 4 June 1986 with several people whose views and present work were seen to be directly related to enterprise development in the area; these included:

- a) aspiring and existing small business entrepreneurs;

- b) economic development agencies in the Borough of Haringey; and
- c) national enterprise development agency.

The views of those interviewed have, where relevant, been incorporated into this report. Several sources of information mostly written literature on the work of the various agencies provided a useful background in the preparation of this report. The time limitation made it impossible to hold discussions with all the groups mentioned in the original proposal, however, this has not in any way affected the validity and thrust of the report.

It was also not possible to make use of the results of the Human Resources Survey, the pilot study of which is due for publication shortly.

2. EXISTING ECONOMIC DEVELOPMENT INITIATIVES

The lack of any co-ordinated national government policy on small business development and the absence of any unit within Central Government dedicated to the promotion of small businesses in Britain has led some local councils, notably those that are controlled by the Labour Party, to set up economic development and employment generation units which are charged with, amongst other things, the promotion of small businesses within their Boroughs.

Within the Borough of Haringey there are five Agencies involved with economic development, these are:

- a) The London Borough of Haringey Economic Development Unit (EDU);
- b) The Haringey Co-operative Development Agency (HCDA);
- c) The Haringey Enterprise Board (HEB);
- d) The Broadwater Farm Youth Association Co-operative Limited (BFYACL);
- e) The North London Business Development Agency (NLBDA).

2.1 THE ECONOMIC DEVELOPMENT UNIT

The EDU was set up in 1982 and given the responsibility of implementing the Council's policy in the promotion of small business with a view of creating employment within the Borough.

The main thrust of its efforts has been in acting as a signposting service to make aspiring entrepreneurs aware of the type and range of

assistance available within the Borough. They give out grant application forms to these entrepreneurs and assess the businesses and co-operatives for their employment generation prospects and their economic viability. In some cases the aspiring entrepreneurs are provided with some counselling and advice, though in the main this is directed at making their proposals for assistance acceptable for Council support.

Financial support is provided using Section 137 of the Local Government Act 1972 which allows Local Authorities to involve themselves in economic development activities by imposing a 2p in the Pound rate. The financial assistance mechanisms are in several forms:

- a) rent grants;
- b) refurbishment and renovation grants;
- c) start up marketing grants;
- d) development grants for co-operatives.

It was possible in the past for the Council to assist with some grants towards the purchase of capital equipment and by providing some revenue grants to assist businesses with working capital during the initial year of establishment, howeverb this mechanism has been hampered by rate-capping imposed by central government on the Borough Council.

Furthermore, the Council provides assistance in the form of soft loans to aspiring entrepreneurs and operates a loan guarantee scheme which makes it possible for applicants to have access to funds from some local banks.

The EDU is also involved in the development of strategy aimed at encouraging enterprise development. It intends to participate in the formation of an Afro-Caribbean Bank which will be more sympathetic to the needs of the ethnic minority community. The Unit conducted a survey of ethnic minority businesses and established what their needs are. It is also committed to the establishment of a Business Training Centre which will be geared to the training needs of the ethnic minority communities.

The businesses operating from the Broadwater Farm Estate have all benefitted from assistance from the EDU.

2.2 THE HARINGEY CO-OPERATIVE DEVELOPMENT AGENCY (HCDA)

The HCDA was recently set up to cater for the needs of co-operatives within the Borough, and it is controlled by the worker co-operatives in the Borough. It operates at present with two Development Workers who provide basic business training in the business skills required to operate a co-operative successfully, start-up advice on how to form and run a co-operative business and advice on obtaining funds either from the Council, the Banks or from the London Co-operative Enterprise Board (LCEB).

The Development Workers are involved in providing the necessary hand-holding support for the co-operatives. They tend to do a lot of

remedial work arising out of the improper establishment of most of the co-operatives in the area, in that most of them are under-capitalised and have workers who do not have excellent management skills.

The most useful service provided by the HCDA is the advocacy work they do on behalf of the co-operatives in their dealings with the Council, the Banks and the LCEB in changing the prejudiced attitudes of people towards worker co-operatives.

2.3 THE HARINGEY ENTERPRISE BOARD (HEB)

The HEB, recently set up with an initial investment fund of £400,000 from the Haringey Council and the Greater London Enterprise Board, is interested in backing ventures which ensure cost effective job creation or retention. It is however interested in jobs which will provide a return on investment and ensure that the jobs are of an acceptable quality.

The HEB intends to assist businesses in three ways by providing:

- a) equity participation whereby they become a minority shareholder and/or take preference shares in the business;
- b) grants for the development of the proposals where they are necessary;
- c) loans for the finance of fixed assets which are expected to be secured except when they are considered as a form of finance for working capital requirements.

Apart from its role as a provider of funds, the HEB also intends to assist enterprise development by providing consultancy services in the area of productivity, export and import-substitution consultancy.

2.4 THE NORTH LONDON BUSINESS DEVELOPMENT AGENCY (NLBDA)

The NLBDA is one of the three Home Office initiatives, (two in London North and South and one in Handsworth, Birmingham) directed at assisting in ethnic minority business development in Haringey and Hackney. It is sponsored by the Home Office, the Borough Council of Haringey, Hackney and three publicly-quoted companies.

It is expected to operate as an enterprise agency whereby the private companies will second their employees to the agency to provide consultancy and advice in the functional areas of management. It will also assist existing and aspiring entrepreneurs in the preparation of proposals and approaches to funding bodies, and also provide an ongoing monitoring service to these businesses. It expects to be involved in providing business training programmes.

The NLBDA also intends to set up small managed workshop space for the nursing of small businesses.

As a total business development agency it expects to be involved in the development, appraisal, funding, and monitoring of the small businesses that it will assist.

2.5 THE BROADWATER FARM YOUTH ASSOCIATION CO-OPERATIVE LIMITED (BWFYACL)

The BWFYACL has also been recently established with assistance from the Greater London Council and the Haringey Council as the umbrella organisation for enterprises on the Estate which will adopt the co-operative structure. This initiative was proposed before the disturbances and the Development Worker was appointed immediately after and helped to co-ordinate the Skills Survey which is being conducted on the Estate with funds from the Department of Environment.

The organisation is geared towards the provision of advice and counselling to aspiring entrepreneurs on the estate and assisting them with the procurement of funds for their businesses. At present the Development Worker spends his time reviewing requests from aspiring entrepreneurs and developing a framework for the operation of the holding co-operative.

A feature of the organisation is the intention to co-ordinate proposed action research on the Estate which will result in the development of many community businesses using resources available on the Estate, businesses which will be controlled by the holding organisation.

It is also intended that a proposed enterprise workshop scheme will be managed by BWFYACL, they will assist the entrepreneur in preparing their proposals, assist them in the search for funds, provide them with workspace, assist them with advice on the day-to-day running of their business, and monitor their performance. In return for these services the entrepreneurs will be required to plough back a

percentage of their profits into a common fund which will be used to assist other aspiring entrepreneurs or used for a social purpose for the benefit of residents on the Estate.

The details of the most appropriate structure of the organisation is still being developed so that it will be acceptable to all those who agree to come under its wings.

The BWFYACL will work hand-in-hand with all the other agencies on all the projects on the Estate and expects that the EDU in particular will give it the maximum support in its objective of assisting prospective and existing entrepreneurs.

Apart from the EDU which has been in existence since 1982, all the other agencies mentioned have been set up within the last two years, one agency started operating less than two months ago, therefore it is not possible at this stage to attempt to evaluate their effectiveness.

The EDU is the only organisation which seems to have achieved something to date in terms of assistance provided to businesses operating on the Estate, of which there at present three co-operatives - a community laundry, a grocery shop and a hairdressing salon. All three businesses seem to be doing fairly well given the constraints of limited demand for their services on the Estate even though they have a captive market.

The laundry intends to expand into the dry-cleaning and shoe repairs and key cutting business and the business is likely to survive although the scope for further growth on the Estate is limited.

The grocery shop has a captive market because of the convenience it provides for residents on the Estate although it is unlikely that it will attract other people from outside the Estate to become regular customers.

The hairdressing salon also seems to have a respectable number of people from the Estate using the service and it has the potential of becoming a useful training point for residents who may wish to set up their own hairdressing salons, if it is properly managed.

Apart from these three established business projects which have all adopted the co-operative structure of business and operate from premises in the Tangmere block, there is another co-operative, a painting and decorating business whose members live on the Estate. This venture is still struggling to be properly established and does not seem to have secured any substantial contracts which they were promised by the Council on their establishment.

The Broadwater Farm Youth Association also runs three community projects which are capable of being transformed into viable businesses. These are:

- a) the photographic project established as a training project can be

developed to provide a comprehensive photographic service with training facilities for youths on the Estate;

- b) the sewing and dressmaking project, also a training project which can be converted into a homeworkers co-operative for machinists who operate from the Estate;
- c) the canteen which provides inexpensive meals for residents, especially useful to the old people which can be transformed into a fully-fledged catering service providing food and snacks at functions within the Borough.

While the last three projects can be made to operate under the umbrella of the BWFYACL it is not certain whether the four established businesses will accept to be involved having been established before the formation of the BWFYACL.

It is intended by the Council that any new businesses assisted will have to operate within the BWFYACL since this organisation is seen as a focal point for the Council's strategy on the Estate.

2.6 PROPOSED BUSINESS INITIATIVES

There are several other business initiatives under consideration on the Estate, these will centre on the creation of the proposed enterprise workshops. It is expected that the pilot of the Human Resources Survey will indicate the preferences of the residents as to what types of businesses are set up. However, in discussions with the

BWIFYACL and other residents interviewed as part of our research various initiatives have been proposed.

- a) RADIO STATION/MUSIC STUDIO: This will fulfil the aspirations of the youth on the Estate, most of whom are interested in the music business and are capable musicians. It is expected that a recording studio will help to encourage the formation of many groups who will have access to the recording facilities in the preparation of demonstration tapes which can be used to interest recording companies to promote the groups. Furthermore, a well run studio is likely to attract other artistes outside the Estate and Borough to come in and use the facilities using musicians on the Estate as session artistes. This could be a very useful way of changing the unfavourable image that outsiders have about the Farm.

The Radio Station is a type of project which will be well accepted by the residents on the Farm. It is an area again where blacks are under-represented although they form quite a sizeable audience target population. A radio station on the Estate could be used to train some of the residents in technical, programming, production, hosting and presentation skills. It is a type of business which can be located anywhere insofar as the target audience group can be reached.

The critical issue to be considered will be the cost of sound-proofing of the studio and whether radio frequency interference is likely to have an effect on transmission and reception. It is

also important to recognise that at its inception both businesses might need to recruit experienced personnel from outside the Estate if these skills are not already resident on the Estate.

- b) RADIO-CONTROLLED MINI-CAB SERVICE: This has been suggested as a possible business venture which will make use of skills already resident on the Estate. This is because quite a large number of young people on the Estate own cars which could be used for the provision of this service. Since it will be radio-controlled, there will be no need for the customers to travel to the Estate and thus it need not be known that it operates out of the Estate if the unfavourable image that the Estate has acquired will detract from its appeal to potential customers.
- c) MOTOR REPAIR AND SERVICING GARAGE: Another venture discussed is the establishment of a motor repair and servicing garage to provide a comprehensive range of services in crash repair and body work, mechanical and electrical repair, spraying, lubrication and MOT, vulcanising service for tyres, wheel adjustments and balancing. This service could make use of skills already resident on the Estate. Potential customers could be drawn from organisations which own large fleets of cars, for instance, the Police, the Borough Council, various government departments, British Telecom, the Post Office etc., to undertake their repair work. It could also be expanded to include a used car supermarket where cars could be bought from fleet owners and reconditioned and sold at reasonable prices. This service would

require a large initial investment but has the potential for creating many jobs in automobile repairs and servicing.

- d) CONSTRUCTION COMPANY: This could be set up in partnership with a major private construction company to undertake projects within the Borough financed under the Urban Programme. This will ensure that most of the money used for development of the Estate and the area will benefit the residents in the form of payment for work done. A valid criticism of environmental work undertaken in inner city areas is that it mostly benefits the construction companies who usually sub-contract their work to self-employed artisans and companies outside these areas.

A construction company providing a comprehensive range of services in building, maintenance, electrical, plumbing, painting and decorating, joinery will be able to forge links with major contractors so as to receive work from them. The company could then also become a prime contractor for work from the Council. The involvement of major companies will not only ensure that the employees are properly trained and competent to carry out the work but will act to engender confidence in these companies that a community-controlled organisation from the Estate is capable of successfully completing construction work and therefore provide them with more work.

- e) LIGHT ASSEMBLY/REPAIR FACILITIES IN HIGH TECHNOLOGY: Discussions are still taking place as to what businesses will be housed in the proposed enterprise workshops. Our research reveals that

some form of light assembly and repair facilities in high technology will be appropriate and could be undertaken in participation with a major private computer production company, for instance, IBM, ICL, Amstrad, or any one of the myriad of personal computer manufacturers could be persuaded through incentives to establish an assembly or repair facility. An extension of their operation could train young people on the Estate for careers in computer repair which is now becoming a growth area.

- f) SUPERMARKET/MINI-MARKET: There are also suggestions that the decks on the Estate could be turned into a large supermarket or mini-market, much like the arcades that we see around several markets.

A large scale shopping centre is unlikely to be profitable if it will only seek to satisfy existing demand on the Estate, and in order to be attractive to shoppers it should cater for almost all of their shopping requirements. This means that any proposed mini-mart will have to provide a very wide range of products and services. The proposal is to operate on the basis of shared overheads - a section of the premises will be rented out on a monthly licence to aspiring entrepreneurs and these businesses will be given as much assistance as possible by the Managers.

While there is adequate garage space for car owners and therefore it will be convenient for them to use the Estate, it must also be

realised that unless there is concerted action to counteract the adverse publicity that the Estate has acquired as a result of the disturbances, it is unlikely that many shoppers will be attracted to the Estate. Moreover, there is no direct public transport system operating through the Estate. Access is always crucial to shoppers and therefore it may be important to ask the London Regional Transport Bus Service to operate through the Estate and thus bring in the potential shoppers who do not have cars.

2.7 COUNCIL POLICY ON ENTERPRISE DEVELOPMENT

Available statistics on the amount of financial assistance to businesses in the Borough of Haringey reveal that a total of £502,158 was provided in 1985/86. Of this amount £333,058 was provided to African-Caribbean controlled businesses. Co-operatives received £90,599 and other businesses £242,459.

It has been suggested that a total of £330,000 has been spent on co-operatives over a period of time and that this has helped to create 100 jobs. Therefore the Council applies a 'value of money indicator' of £3000 per job to decide how much financial assistance should be given to a particular business depending on the number of jobs to be created or saved. The focus on job creation seems to be central to the Council's philosophy on enterprise development, while this is laudable it increases the danger of the creation of many under-capitalised businesses which are at risk from the harsh realities of the business world, where competition and profit-motive are key words.

To date Haringey Council is one of the more progressive boroughs which encourage enterprise development and recognises entrepreneurship as an alternative to a career for most people who are unemployed. This is evident from the number of bodies which have been established to assist in the creation of more businesses, however it would seem that its focus on employment generation means that it sees enterprise development in the light of creating more jobs at Council or quasi-Council level to assist in its policy. Although the amount of money spent on salaries for Development Workers and Officers is not known, it would seem that quite a large proportion of its financial assistance package is used up to pay salaries of these enterprise development officers.

There is nothing wrong with the employment of these officers if their effectiveness in assisting the businesses by the provision of sound management advice can be established, however, most of the businesses established seem to need remedial work and are constantly applying for more funds from the Council in order for them to survive. This raises some issues, namely that:

- a) the appraisal and monitoring work done by these economic development agencies is not effective;
- b) the entrepreneurs do not get the necessary amount of funding to enable them to be properly established;
- c) the other ingredients necessary for the proper establishment and operation of small businesses are deficient.

Before discussing mechanisms which are feasible for increased and proper enterprise development, it is important to ascertain the views of the people who these policies are directed at to find out whether they are more interested in finding jobs than in running their own businesses and what their general aspirations in the field of economic development are.

The results of the Skills Survey when it is published will show that there is a relatively high level of unemployment on the Estate; amongst the young people between the ages of 16-24, it could be as much as 60%. There is a relatively high number of people of African-Caribbean origin within this group which perhaps reflects the ethnic background of residents on the Estate. For most of the unemployed, they have not had any opportunity of working and therefore have not acquired any readily deployable skills. This is indeed very sad because it is likely that they will remain unemployed for the rest of their lives if the rate of employment continues to rise.

If there was no discrimination against black people in employment then perhaps they would stand a fair chance when and if the promised time of good economic conditions materialises. However, for most of these people, the only real hope of working lies with their being employed by small black businesses or by going into business themselves. It is for these people and others who are perhaps more fortunate than them

that mechanisms to be discussed in the next section, if adopted, will be of assistance in transforming their lives and that of their community.

3. MECHANISMS FOR ENTERPRISE DEVELOPMENT

The mechanisms to be discussed in this section will focus on how the necessary ingredients for the development of small business ventures can be established in such a way that it is to the benefit of the community.

A TOTAL RESOURCES approach it must be pointed out will be more effective than each community striving to achieve economic development on an unco-ordinated basis to satisfy the ideologies and wishes of the controlling local authority. A co-ordinated approach is one that will create the necessary environment for the development and flourishing of small businesses wherever they are set up. This approach will need to involve all the major institutions in the country:

- the Government at the national level
- the Local Authorities
- big private businesses and their organisations
- members of the community and the businesspeople who operate within the community.

The ingredients stated in an earlier section are:

- willing entrepreneurs
- market demand and the profit-motive
- capital and credit
- management and technical assistance.

3.1 WILLING ENTREPRENEURS

In the absence of racial discrimination within a country or community, the people within the community have an option as to whether they would become employees or set up in business on their own. It is in this country becoming increasingly clear that most people do not have this option any longer, too many people who want to work cannot find jobs, neither can they find the necessary capital nor do they possess the necessary skills required for setting up and running successful business enterprises.

The usual description of a willing entrepreneur as someone who possesses a skill which can be translated into self-employment and eventually into the setting up of a small business or someone who sees an opportunity which can be exploited for profit and is in a position to marshall resources to exploit the idea and therefore to set up a properly managed project is increasingly being limited to people with privileged backgrounds.

The denial of economic opportunity arising out of racial disadvantage in education and employment and institutionalised racial discrimination has meant that most blacks are under represented in business activity. The very fact that a majority of black people live in inner city areas is proof of this, that they have not been able to achieve social or economic mobility or rather 'financial' mobility. They are still not fully integrated within this community and perhaps it will take a long time to achieve this, but this does not negate the issue that they should be granted this opportunity.

Non-discriminatory practices in employment is perhaps the most important starting point in this country. A positive approach to the recruitment of more black people into jobs for which they are qualified will enable them to attain financial independence from the state social services. Fair practices will enable them to be promoted into senior positions in their jobs and in time we will see black people in the Boardrooms of major companies and in the decision-taking committees and offices at both local and national government levels. The entrepreneurs amongst them will have acquired the necessary management skills and sufficient capital to set up in business on their own, others may opt to work for other black entrepreneurs to strengthen their management teams.

Without managerial experience in different job types at different levels within different industries and businesses, most black people who may have a viable idea may not be able to exploit these opportunities successfully. Funding agencies outside local government usually do not have the confidence to assist black people mainly because they do not think that a credible track record in management has been achieved by those who opt to be entrepreneurs.

With insufficient funds at their disposal for investment most black aspiring entrepreneurs end up starting very small, under-capitalised operations which cannot achieve high growth rates and therefore remain small. Without the necessary management and supervisory skills, these businesses are informally operated and because of the negative attitude of financial institutions they are unable to exploit any

opportunities which come their way and are unable them to expand their businesses for lack of adequate funds.

Increasingly, many more black people within inner city communities are taking the decision to go into business, the number of small ethnic minority businesses which have set up over the past five years within Haringey alone (over 460 were identified in a survey last year) attests to the fact that there is no shortage of the entrepreneurial spirit amongst black people living in inner city communities.

That is happening despite institutionalised racial discrimination suffered at the hands of institutions like the Small Firms Service. The various Council services which have been set up to assist them in developing their business ideas suggests that many more will aspire to set up successful business operations given sympathetic support from facilitating and funding agencies.

All too often in this country there is talk about the lack of background in business amongst people of African-Caribbean origins, this is the worst kind of stereo-typing arising out of racial discrimination. Just because in the colonial days in African and Caribbean countries the ruling white-Anglo population turned them into hewers of wood and fetchers of water while using the imported Asian and Levantine populations as a buffer between the natives and the Anglos does not mean that there are no capable entrepreneurs existent within the African-Caribbean population in Britain. Indeed, after independence the section of the communities in Africa and the Caribbean

who have kept the economies of these countries from receivership have been the entrepreneurs. In like manner it must be stated that the cotton-picking days are over and the members of the ethnic minority communities are denied economic opportunity at the peril of true integration and stability within our inner city areas.

(Let us not forget that) The entrepreneur, who it is recognised has determination, drive, decision-making and risk-taking abilities, is energetic and possesses the genius of breaking the circular flow of income to create more wealth by introducing new products or exploiting new markets and sourcing new materials and processes or utilising new organisational strategies should be assisted if more wealth is to be created within the inner cities.

Most business organisations are set up to satisfy demand for a product or service, however the motives of the proposers can be varied as several alternative economic initiatives show. At one end we have charities and voluntary organisations and at the other end are what are classified private and public businesses, while one operates with the objectives of providing the maximum quality and quantity of goods and services to the public to meet a social need, the other operates with the objective of making a maximum return on capital at a minimum risk to the capital.

In between these extremes are businesses which also satisfy a market need but who have multiple objectives - satisfy consumers, creating jobs, extending local control over the local economy, mobilise local savings, produce for need, democratise business, generate capital under local

control for local benefit, regenerate areas suffering from economic and social deprivation and create a multiplier effect in the community through the circulation of increased wealth.

Most people are familiar with the first two extremes stated because there are several examples of them, however very little is known about the way in which community business ventures, worker co-operatives and socialised business ventures operate.

- Community Business Ventures operate either to the benefit of members or the general public by providing goods and services which are greatly needed within a particular locality. There is no intention to make profits and the creation of employment is secondary. These are usually controlled by trustees comprising the members if it is a member-benefit venture or by representatives from the community if it is seen as a public-benefit venture. Funds for establishment are either raised amongst the members or sought from outside in the form of grants and donations. In some cases these rely only on grant money for the continued operation.
- A Workers Co-operative is controlled by its workers on a democratic decision-making basis and operate solely for the benefit of its members to raise their level of wages and adopt unalienating and satisfactory conditions of employment. Initial funding is normally sought from outside the co-operative since control is not on the basis of capital invested. These types of

worker co-operatives are usually favoured by left-wing Labour Local Authorities as the most acceptable form of businesses which should be provided with support.

- Socialised Business Ventures normally operate as two tier organisations with the holding company controlling the capital which is used for the setting up of the different businesses. The holding company is in turn controlled by both members of the community and the managers and workers of the various enterprises which operate under its umbrella. Its objectives are multi-purpose and it seeks to create a maximum number of jobs with acceptable wages and conditions.

Those who operate the various enterprises could be co-operatives and although they effectively control the business, they do not own it. It is normal practice to agree a reasonable wage with the operator which is guaranteed by the fund in return for which he is required to contribute part of his/her profits to be reinvested in the fund and used for the setting up of several such businesses. In some cases, the initial seed money provided is treated as a loan which is paid over with interest.

There are several options available for the most appropriate structure which will be of the utmost benefit to the community. In some cases to ensure continuity, when the workers and managers leave the community the business stays behind with new workers, in other cases the workers are allowed to take over the enterprises by forming worker co-operatives.

The decision as to what type of businesses will be set up on the Estate and how they will be controlled need further investigation for the same reason that several co-operative businesses are struggling to survive. It is always important to fully research a market before a business is established. It is only after the demand has been estimated or projected that it will be possible to determine the size of the business and what resources will be deployed for what purpose.

Furthermore, it is only after a thorough feasibility study that the projected level of funding for capital expenditure and working capital requirements can be determined. What should also be recognised is that the fact that a market exists for a particular product or service within an area does not necessarily make it economical or profitable to set up a business enterprise to satisfy that little demand. Moreover, there could be a need for a product or service within an area which could best be satisfied at a cheaper price by an outside business.

The crucial questions which need to be asked within the setting of the Broadwater Farm Estate are:

- a) What would happen to the excess capacity generated by the businesses created on the Estate?
- b) Is there effective demand on the Estate for the goods and services to be produced?

- c) Will people from outside the Estate be attracted to come unto it to pay for the goods and services and if not what mechanisms can be utilised to attract them?
- d) Are the businesses being proposed to be set up on the basis of economic viability or are they job creation exercises?

3.2 MARKET DEMAND AND PROFIT MOTIVE

This last question of viability leads on to the need for the presence of the profit-motive in establishing small businesses. It can be demonstrated that most small businesses whether set up as conventional businesses or worker co-operatives are of service to the community. They provide jobs and they also provide much needed goods and services. The absence of the profit-motive in some businesses however will tend to act as a constraint to their survival and growth and therefore the full benefits in terms of wealth generation are not realised by the community if the income motive as favoured by left-wing Labour Authorities in their preference to the encouragement establishment of worker co-operatives, is primary to the profit motive.

It should be recognised that it is the leakages (in the form of profits) from the circular flow of income within the economy which reates the wealth which is then reinvested for the creation of more wealth. While the creation of jobs are important, if money is to be spent by Local Authorities for economic development, it is also

important that this money should be made to yield a reasonable return. The lack of adequate return demands from employment generation projects mean that there is undue dependence by these projects on the Local Authorities for money if the jobs created are to be retained.

Worker co-operatives in Britain have suffered and continue to suffer from a lot of prejudice from funding agencies, suppliers and customers mainly because they are a relatively new form of business not fully understood by many people. Their operations tend to be marginal because they cannot attract equity participation and can only be expanded with internally generated funds. Because the capital for establishment is usually raised in the form of debt, their survival is conditioned on their ability to generate a return much higher than the interest rate so as to be able to reinvest the excess surpluses (after interest has been paid on the debts) in the business for expansion.

Another problem is the background and management capabilities of the members, there are instances when people who have had no work experience and lack management expertise have been encouraged to form co-operatives because they represent jobs to be created. This situation creates problems for the funding agencies since it puts a strain on the Development Workers who in some cases are responsible for monitoring performance.

Most co-operatives are therefore left in a defensive position when negotiating with outside bodies and the principles for the Council's preference for co-operatives need to be properly articulated so that

would-be entrepreneurs would be told of both the benefits and drawbacks for deciding on co-operatives as the most appropriate form of business structure to adopt.

Why blacks are encouraged to form co-operatives is a question which needs to be answered by the left-wing politicians most of whom have never run any businesses in their lives and therefore cannot even begin to appreciate problems involved in running a business. Is it because it is the newest form of business which should be tried on blacks first to see whether it would work on people who have been stereo-typed as not having a track record in business? Or is it because there is a private agenda that if they fail in business then the stereo-type will be confirmed? Certainly, if the Local Authority is committed to the development of small businesses as a mechanism for economic development then they should not show a preference for any one form of business enterprise.

The issue of market demand should be properly addressed by the authorities who recommend the formation of small businesses. This is because while it is the initial financial assistance which helps to establish the businesses most of them can only survive on adequate and effective demand for the goods and services that they produce.

Since most Council's are now advocating contract compliance from its sub-contractors, it must be pointed out that contract compliance expects these businesses to adopt equal opportunity employment practices, by employing more ethnic minorities in order to receive

Council contracts, not much has been said about equal opportunities in procurement.

A more meaningful policy will be for Councils to assist these businesses by giving them direct contracts or by operating some form of set asides or procurement compliance which will obligate these contractors to sub-contract part of their procurement to small businesses and ethnic minority businesses. This will ensure that businesses which are set up with financial assistance from the Council can survive and achieve growth.

In like manner central government can use its massive purchasing power to assist in the development of small and ethnic minority businesses by providing them with procurement opportunities.

In discussing the issue of market demand it must be noted that the principle of establishing business to service the ethnic market is essential in the development of small businesses, in that new markets are being created for new products. Whereas in the past the members of these African-Caribbean communities used mainstream products and services suitable for the mainstream Anglo population, this is no longer true where personal services are concerned.

Perhaps the reasons why business development existed amongst the African-Americans in pre-civil rights America was because of the development of their own personal services. For instance, the mainstream Anglo-white business would not insure black Americans or bury

them or lend to them or cut their hair, allow them in their restaurants and in their hotels so they had their own insurance companies, undertakers, savings and loan banks, barbers and hairdressers, restaurants and bed and breakfasts to provide them with the service required. The Jews, Asians, Italians and Chinese within this country have also developed strong personal services sectors as an entre into mainstream business.

The danger inherent in many small businesses in the personal services field servicing an ethnic captive market is that if too many of these are set up they start competing with each other for the same limited market. However, since it is likely that the more forward-looking ones will attempt to make a breakthrough into the mainstream market by either forward or backward linkages, this approach gives black entrepreneurs an opportunity to test their entrepreneurial abilities on a captive market.

Several linkages are possible - the retailers of West Indian food-stuffs can grow to become the importer, the black hairdresser can start manufacturing the products used, the black publisher can start exporting books or magazines to other countries, the black grocery shop owner can expand into cash and carry operations.

However, it must be recognised that the ethnic markets alone, while captive markets are not viable markets for the growth of many black-controlled businesses. The bulk of the purchasing power is in the hands of the mainstream Anglo-white population and if blacks are to be successful in operating their businesses they should be looking at how

to sell to these markets.

3.3 CAPITAL AND CREDIT

Another ingredient for the operation of successful small businesses perhaps the most talked about is the issue of capital for setting up in business and credit facilities to finance working capital. The traditional view is that most feasible business ventures will have no problems in attracting the necessary capital to make them operational, this however, means that capital will only go into areas where wealth can be created even if this wealth is not equitably distributed to the benefit of the nation or the community as a whole. Thus increasingly large sums of money are made on the money markets in the City, but as it so happens there are still deprived areas within Britain. The question to be asked is, why all this created wealth is not being used for the common good of the nation as a whole? Why is there so much unemployment within the inner city areas? Why have big private enterprises withdrawn their investments from these inner city areas and left them so deprived. The simple answer is that the capital is in the hands of a few people who are privileged and since they are capitalists they are essentially interested in the creation of more capital. They are in a position to attract more capital to their investments and the situation is likely to continue if there are no mechanisms or incentives to ensure that there is some capital available in the hands of aspiring entrepreneurs to invest in inner city areas.

Most small businesses are set up with private funds accumulated over a period of time for the purchase of the necessary equipment and fixtures and fittings to make them operational. Where the accumulated initial capital has not been adequate for successful establishment most aspiring entrepreneurs have borrowed from their friends and relatives.

The retail banks operate on deposits from a large number of small depositors who have their salaries paid into the banks or the small businesspeople who keep excess funds in the banks, this money is held in trust for the depositors on a short-term basis and is therefore not available for investment in small businesses at the start-up stage.

The building societies are by law not allowed to make loans except for the purchase of property and therefore also cannot lend to small businesses at the start-up stage.

However, the retail banks do lend to some start-up operations - if the necessary collateral can be provided, they do not as a rule lend on cashflow projections which many of them regard as an imprudent way of investing their depositors' funds. This situation tends to discriminate against aspiring entrepreneurs who have viable business ideas but have not managed to accumulate enough capital to invest in their businesses and where these small business people are of African-Caribbean origin, the situation is even more discriminatory because they in general, have not held good jobs and therefore not been in a position to accumulate the necessary capital. Moreover, until very

recently it was even difficult for them to acquire property which could be used as collateral for any loans.

The Government has sought to intervene by the establishment of the Small Loans Guarantee Scheme whereby the local banks are encouraged to lend to aspiring entrepreneurs who do not have the necessary capital but have viable ideas. The Government guarantees a portion of the loan in return for a fee and therefore make propositions which are considered risky for the banks less so.

The Government also operates a Business Expansion Scheme which makes it possible for individual investors to contribute to a fund which is used to invest in small businesses. Individuals and companies can contribute up to £40,000 for which they are given tax relief.

Local Councils have sought to provide financial assistance to small businesses in the form of property-related grants. It is suggested that in some cases since these businesses are persuaded to establish in Council-owned premises, the refurbishment grants are one way in which Local Authorities improve the quality of commercial properties so that they can charge higher rates. Furthermore, the rent grants are used to pay for rental of Council premises and therefore cannot be considered as true investments for the benefit of the businesses.

The more innovative measures are the interest-free loans which are provided and are topped up with Council guarantees to banks for loans to prospective businesspeople.

Even so, most small businesses complain that start-up funding is too expensive since in the initial years of business they are unable to generate a rate of return higher than the interest rates charged. The other issue is that businesses funded entirely by debt, especially when they are under-capitalised have a slimmer chance for survival and growth. Even when a repayment holiday is provided, in the second year when the repayments start it puts a strain on the liquidity of the business.

It is therefore important to establish other sources of venture capital funds which could be used for the setting up of small businesses, especially in inner city areas. Some attempts have been made to solve this problem by the setting up of the Greater London Enterprise Board (GLEB), the London Co-operative Enterprise Board (LCEB) and other enterprise boards notably in Haringey and Hackney.

The performance of the GLEB has been abysmal and clearly demonstrates the shortcomings of Local Authority initiatives when incompetent staff with no experience at running enterprises are put in charge of the ratepayers money. What happened at GLEB was a result of unrealistic and idealistic appraisal of what is needed to transform the economy of London against the grain of simple investment principles. It also shows that such funds should be managed by well-qualified personnel and not by unqualified socialists who think that it is trendy to impose their socialist views on industry. GLEB for political reasons managed to raise the expectations of aspiring ethnic minority entrepreneurs without being able to satisfy them. Even their so-

called "best investments" have gone wrong and it is only after the organisation has been reorganised and good appraisal policies instituted that the organisation can make a useful contribution to enterprise development.

It is hoped that the Haringey Enterprise Board will learn from the mistakes at GLEB and adopt sounder economic viability criteria when investing in small businesses.

The need for credit to finance working capital in small businesses has generally been well catered for by the existing banks, although there are still complaints of racial discrimination in how existing black entrepreneurs view the banks. It is to be expected that with the setting up of an African-Caribbean Bank in Britain, this issue will finally be resolved.

What is probably required is the setting up of many Venture Capital Funds which could be used to grant below market rate finance to small businesses. There is a gap in the market for start-up funds at the lower end of the market: to provide funds for small businesses who need between £10,000 and £75,000 for starting up in business. The funding agencies would need to adopt objective economic criteria which are at the same time sensitive to the needs of small businesspeople and they should be able to ensure that their investments are adequately protected. Furthermore, it would also be important for these Funds to be allowed to take equity positions in these businesses as well as providing them with intensive-care treatment in the provision of sound management advice to safeguard their investments.

It has been suggested that funding institutions usually discriminate against worker co-operatives where the equity participation is limited to the workers. This situation can be changed if worker co-operatives adopt Memorandum and Articles of Association which permit equity participation if they are to gain access to external funds.

The operation of the proposed Funds should not be limited to the granting of loans and equity participation but should extend to the provision of loan guarantees to deserving businesses.

3.4 MANAGEMENT AND TECHNICAL EXPERTISE

The fourth ingredient necessary for the successful establishment of small businesses is the presence of adequate management and technical expertise to these businesses. This is essential if we are to recognise that entrepreneurs need not be capitalists, neither are they necessarily good managers: they are people with ideas which are capable of being translated into a successful business venture. The need for management and technical assistance is even more crucial when we consider that the majority of small businesses in the inner city areas are set up by people with no prior management or supervisory experience. In some cases they are not fully skilled entrepreneurs even in their particular line of business.

There are several options available for the provision of management and technical expertise. The Government favours the use of 'retired'

and part-time workers in the Small Firms Service to provide management advice to entrepreneurs and to assist them in the development of proposals. This is essentially a free or at-cost service where the consultants used are paid expenses for the work that they do.

Most Local Authorities prefer to have an in-house service provided by Officers in their Economic Development Units. It is unlikely that the service provided is in-depth, and it is usually limited to apprising clients of what assistance is available from the Council. The provision of a comprehensive service to all who call for Council assistance will require a lot of resources which may be too costly to provide on a full-time basis. Even when such a service is provided in-house, the effectiveness is very suspect. What mostly happens is that because of the lack of time to offer a full consultancy service, the original viable intentions of the entrepreneur is doctored to make it acceptable for financial assistance from the Council. Also a majority of the Development Officers employed have no prior experience in business and in some cases even lack the basic qualification necessary for giving sound advice. They would seem to have a conflict of interest in being both Development Workers and appraisers of the proposal for funding: should they be loyal to their bosses, the Council or is their allegiance and sympathy with the small business person.

Private companies interested in assisting small businesspeople have adopted the path of enterprise agencies whereby a group of these companies come together to sponsor an agency which in some cases has support from the Local Authority. Members of staff of the sponsoring

organisations are seconded to these agencies to provide management advice and counselling to small businesspeople. Most of the banks subscribe to this scheme and it is believed advise small businesspeople from inner city areas and yet some of these businesspeople who belong to the minority communities are still not satisfied with the services provided by the banks. There is also the accusation that some of the secondees are either nearing retirement age and are near redundant to their organisation or it is used as a way of pushing some line members sideways while their subordinates are promoted. Again, some of these secondees, it is suggested are so used to working in big organisations that they take a long time to adjust to the problems facing small businesspeople.

Not enough use has been made of private professional business consultants who can provide specialist advice on a selective basis to the businesses which are more likely to succeed. This is because it is seen as being much easier for the authorities who are interested in helping if they exercise control over the provision of management advice and development work.

The same structures apply to the co-operative movement where Co-operative Development Agencies provide advice to the businesses in-house by appointing Co-operative Development Workers.

The Manpower Services Commission (MSC) which is an employment promotion organisation is involved in the provision of training to aspiring and existing entrepreneurs through their Adult Training

Strategy. Several types of courses are run by managing agents for the MSC - these include: business workshops, mini-business courses, self-employment courses, small business courses and new enterprise programmes. Gradually the MSC is changing its emphasis from TOPS courses where people have to be unemployed to be eligible to where these rules do not apply.

The MSC also provides skill training through its Youth Training Scheme (YTS) and 19+ courses and the managing agents for these programmes are required to provide work experience placements for the participants. The Community Programme on the other hand, is supposed to provide employment for projects which are public benefit, but the employment is temporary.

An interesting and recent development is the MSC's decision to allow for the training needs of small businesses met from funds provided by the MSC to have independent private consultants meet this need.

To be effective in the provision of management advice big private firms need not limit themselves only to providing secondees to enterprise agencies. It is essential that they get directly involved in projects with the businesses and communities that they set out to assist or second staff directly to these companies.

There is scope for improvement in the provision of management expertise to small businesses if the authorities are prepared to pay for the cost of providing these services by private consultants. This is the method favoured in America, where the Small Business

Administration and the Minority Business Development Agency award their contracts for consultancy to private organisations.

It has been suggested by some people that in certain instances the small business entrepreneur or one of his workers could be seconded to a big organisation in the same line of business to give the entrepreneur or worker a firsthand view of how some other companies in their field operates.

After this discussion of various mechanisms from the point of view of the small business entrepreneur it is essential to devote the end of this section on what can be done by the various agencies identified in the total resources approach.

3.5 GOVERNMENT AND ITS AGENCIES

1. At present the Government's involvement in small enterprise development is unco-ordinated and nebulous - the Home Office is involved in enterprise promotion by sponsoring three enterprise agencies, two in London and one in Birmingham. Twelve inner city action areas have been designated by the Department of Environment for special enterprise development initiatives, the MSC Adult Training Strategy is under the Department of Employment, the Department of Trade and Industry is responsible for the Government Loan Guarantee Scheme, the Business Expansion Scheme and the Small Firms Service, while the Minister responsible for small firms operates from the Department of Employment, and funds used by Local Authorities for enterprise development are sought from the Department of the Environment. This is all very confusing and it will be more meaningful if all these initiatives become the responsibility of one department which can then set up as a Small Business Unit to develop and co-ordinate policy on small business development in Britain.

2. It is increasingly becoming necessary to legislate on equal opportunities in employment and procurement assistance to small businesses.
3. The Government should continue to examine ways in which small business can have more direct access to finance for start-up and working capital purposes. A special fund could be created to cater for the needs of small businesses since the use of existing institutions like the banks have to date not been very effective.
4. The Government should investigate ways of providing incentives to private firms to encourage them in assisting in the development of inner city areas. This can take the form of tax incentives for projects which are initiated in these areas which do not yield an adequate return on their investments.
5. The Government should make available more money to Local Authorities which will be earmarked for enterprise development. While it is true that there are enterprise zones, perhaps an area by area analysis will reveal that within more prosperous regions like Greater London there are black spots which can benefit from special action.
6. Incentives for people setting up in business should be increased, the Enterprise Allowance Scheme should be reviewed. It has been suggested that the £40 provided is too small and also that most businesses are not started on £1000 which is even difficult for unemployed people to generate. A review of the Scheme will reveal elements which need

strengthening, for example, the Government could provide some direct form of seed money to enable businesses which use the Enterprise Allowance Scheme to be properly established.

3.6 LOCAL GOVERNMENT

Because of differences in ideology different Local Authorities institute different schemes to assist in enterprise development, in some Boroughs these schemes are altogether absent. This may be due to the fact that Central Government itself has no co-ordinated policy on small business development, and therefore Local Authorities have to take on the responsibilities of promoting enterprise generation with minimal support from Central Government which has shirked its responsibility.

Local Government should:

1. continue to provide assistance to small business people by taking advantage of various sections under the Inner Urban Areas Act as well as the Local Government Act. Other measures and sources of funding these projects from Central Government should be investigated; the financial assistance provided should not always be pegged to the number of jobs to be created, neither should it at all times be property-related assistance;
2. set up a fund for small businesses in the area at preferential and advantageous rates. This fund could be used also to guarantee loans from local banks and it may be possible to get Central Government to

contribute directly to this fund;

3. provide incentives to big private companies to participate in enterprise development in their Boroughs. This could take the form of not obstructing them in their applications for planning permission to undertake such developments. Another mechanism is to provide them with some sort of rate rebates on public benefit projects publicly funded by private enterprise;
4. be more willing to co-operate with private companies who wish to relocate or develop public-benefit initiatives. It is possible to apply for Urban Development Grants to undertake some of these projects;
5. set aside a fund to be used in paying for research, consultancy and development work with small businesses instead of attempting to do all this work in-house;
6. design business and technical skills training programmes which will suit the needs of their various communities and approach the MSC to fund these programmes. It is also possible for them to apply for European Social Funds for these training projects in which case they will have to match the funds provided by ESF;
7. investigate the possibility of developing disused Council property into properly managed business workshop units and rent these at below market rates for start-up entrepreneurs. These managed workshops

could become centres for enterprise development if the shared services provided include shared business services, management and technical advice and small business training;

8. use its purchasing power to assist small businesses by adopting purchasing policies which ensure that small businesses benefit from Council contracts. This means that small businesses should be allowed to tender for Council contracts despite the fact that they will not always be able to tender competitively; furthermore the Council should also seek out small businesses and buy from them.

3.7 PRIVATE COMPANIES AND ORGANISATIONS

As private companies pull out of inner city areas, they usually leave behind them devastating effects in terms of unemployment and derilection to the environment. While it is accepted that the businesses they are involved in may no longer be profitable, there is no reason why they cannot contribute to the rehabilitation of these communities. There are several ways in which this can be achieved, they can:

1. undertake direct projects on their own initiative within the communities - a case in point is the assistance provided by the British Steel Corporation when it closed down its factories in certain areas in Britain, by providing former employees with the alternative of going into business. This would involve the provision of training, counselling and advice, seed money and managed workshops

for these people and assisting them in the implementation of their proposals;

2. sub-let unused premises at favourable rental to aspiring entrepreneurs within inner city areas;
3. seconding of staff directly to entrepreneurs who may need their assistance, this could be achieved by giving them time off work;
4. contribution to a fund which will be set aside for enterprise development in inner city areas;
5. adoption of several inner city entrepreneurs in their related field of operation and giving them preferential treatment in the award of their procurement contracts;
6. increase the hiring, training and promotion of employees residing in inner city areas. This is essential if economic activity is to be maintained in these areas;
7. sponsoring of trade fairs and exhibitions for inner city firms where big businesses' top executives will attend to find ways of contributing to their efforts;
8. entering into partnership with local government to implement more public-benefit ventures which will become self-financing.

4. MECHANISMS FOR BROADWATER FARM

The outline of a plan of action for the successful implementation of the various mechanisms discussed is presented in this section. This plan takes into account the need for the community to be involved in the economic regeneration of the Estate if this can be achieved successfully.

The proposed holding organisation which is expected to be the focal point for enterprise development initiatives would need to be properly established. While it expects to receive assistance from the Local Authority, it is important that private company support and assistance from various charities and trust funds be sought.

In determining the best-fit structure of the organisation, and who controls it, it is crucial to involve all residents of the community in this socialised business venture in order for it to get the support of all who live on the Estate. At present the proposers of the Broadwater Farm Youth Association Co-operative Limited are the representatives of various groups operating on the Estate i.e. the Youth Association, the Tenants Association, the Neighbourhood Office, the Mothers Group. It is suggested that as many residents as possible should be encouraged to join in as members of the co-operative.

The most important aspect of the activities of the co-operative lies in its ability to determine policies which will lead to the procurement of financial assistance to fund the proposed projects on

the Estate. It is therefore important that the co-operative should address itself to the creation of an independent fund for enterprise development purposes. While it is evident that the Council is interested in projects on the Estate, the co-operative should not be seen as being dependent solely on Council funding.

It is suggested that the proposals for enterprise development should be sold to private companies, trusts and foundations and national government to interest them in the participation of a proposed revolving fund. It will be the trustees of this fund and the entrepreneurs who will be assisted by the fund who will in effect control the organisation.

It is proposed that any enterprise workshops set up should be controlled and managed by this holding body. In all the development initiatives proposed by the Council the Development Worker should be seen as the coordinator and the channel for communication between the Co-operative and the Council.

The businesses to be set up in these units will be appraised by the Co-operative which will be a source of funding after the Council has provided seed money in the form of grants to these businesses.

The Co-operative has two options available in the operation of the workshops, it can:

1. provide all the funding and purchase of equipment and establishment costs and enter into an agreement with the entrepreneur whereby a portion of their profits is paid back to the co-

operative for further reinvestment. In this case the business will be owned by the co-operative and the entrepreneur will never own the business, it will belong to the co-operative and therefore another person can be chosen to run the unit or floor space if the arrangement does not work to the mutual benefit of the parties;

2. provide all the funding and regard the contribution to the fund by the entrepreneur as payment for a loan. While in the first instance the employee will be guaranteed a certain minimum wage, in this instance the assistance to the entrepreneur is to be strictly considered as a loan, albeit at preferential rates which should be paid back over a period at the end of which title to the business will be transferred to the entrepreneur. However, in this case he will still continue to sublet workspace from the Co-operative Limited.

However it must be recognised that some aspiring entrepreneurs might opt not to belong to the Co-operative Limited, but might still be interested in setting up viable ventures on the Estate. In this case the Co-operative Limited should consider providing them with straight loans or take equity positions in their venture.

The managed workshops and premises provided to aspiring entrepreneurs should be regarded as nursery units from which the businesses will be expected to graduate into the mainstream market and thus it is essential that preferential rents should be charged for their use. It

is also suggested that any workers appointed to assist in the management of the workshops should be in a position to provide management advice to the businesses supported by the Co-operative Limited. They will be required to appraise proposals sent to them for funding, and to monitor performance of the businesses during their tenure on the premises so as to ensure that the investment in these businesses can be recouped.

It is suggested that shared administrative and business services should be provided for the businesses operating on the Estate. These will include: photocopying, word-processing, the use of computers, reception facilities, book-keeping and accounting facilities. The businesses will be expected to make a contribution at cost to the provision of these services.

It is suggested that the mechanics of operation of the proposed fund will need further investigation.

The types of businesses to be set up also need further investigation as to their feasibility. It is however suggested that these businesses should be capable of providing employment to residents on the Estate. It is argued that these businesses should not be directed at provision of low-skilled employment as this will provide residents with low wages, and it is therefore essential that a training dimension should be used as a criteria for determining the types of businesses to be set up.

In this regard it will be important to approach established big private firms to assist in the provision of technical expertise. Organisations like Business in the Community could be invited to resource this, provide assistance and encourage the private sector to participate directly in some of these business ventures in partnership with the community.

There are indications that the time is right to approach the Manpower Services Commission with a specially designed skills training programme which can be operated on an experimental basis. The type of programme suggested will be one which will be in technical and vocational skills with the possibility of self employment at the end of the programme. The graduates of this programme could be provided with sheltered workspaces to develop and implement their business ideas.

The economic viability of the proposed businesses cannot be over-emphasised and therefore in appraising what projects should be supported by the Co-operative Limited due consideration should be given to the ability of the businesses to generate a high rate of return in order to ensure that the loans provided for their establishment can be paid back. It is also important that the businesses should not be under-capitalised since that will threaten their survival.

It is not clear as yet how the Council intends to fund the development on the Estate and to what extent it will be directly involved in the

establishment of the businesses. However, it is at this stage that the other enterprise development agencies - the HCDA, the HEB and the NLBDA should be invited for discussions on their level of participation in the proposed schemes. This is important since the success of the ventures will reflect favourably on their effectiveness as enterprise development units and it is essential that their views on the subject should be taken into consideration.

It is also proposed that the consultation process should not be left alone to socially-minded people within the community, a useful input could come from an association of businesspeople within the community. It is therefore important that the formation of such an association should be encouraged by the Council, if one does not already exist.

5. CONCLUSION

This paper has attempted to discuss some mechanisms which could be utilised to promote enterprise development within inner city communities and which are of some relevance to the Broadwater Farm Estate. The mechanisms proposed involve an integrated approach using total resources available from National and Local Government, the private sector and the community itself.

It recognises that if gains are to be made in the economic rejuvenation of inner city communities, then enterprise development should be considered as one of the areas in which the aspirations of the people within the community can be realised. The need to transform the economic and social conditions within these communities is paramount and should involve the community in consultation with the agencies who are interested in assisting. Initiatives which arise out of social concern and enlightened self-interest may solve part of the problem but what is needed is sustained investment in well-articulated projects which members of the community can build on. Projects of a voluntary nature will only serve to increase dependence on the agencies which have turned their backs on the communities after taking out what they needed and therefore will not have any long lasting effects.

Enterprise development initiatives on the other hand will provide employment for residents in the community, provide much-needed goods and services to satisfy their needs, and generate wealth which will remain in these communities. It is believed that the proposed mechanisms will go a

long way in easing social tensions arising out of dissatisfaction with the existing state of affairs and will furthermore provide the residents with a useful channel for directing their energies in activities which will make a positive contribution to the economy.