

# **RACIAL BARRIERS TO AFRICAN CANADIAN BUSINESS DEVELOPMENT**

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## **Introduction**

The African Canadian community has long seen engagement in business as both a possible means of escape from the discrimination they face in the world of paid work and, like other communities, as a means of creating and sustaining personal, family and community wealth. Despite well-known systemic barriers, government corrective action has been scant, and in most parts of Canada, including the Greater Toronto Area, practically non-existent. Given the significant role business development plays in the economic and social success of most other ethnic groups in Canada, the continuing plight of the African Canadian community in this area, too, calls out for help.

## **Background**

Some of the key barriers that African Canadian entrepreneurs face are access to capital, business information, and discriminatory treatment by suppliers and customers. In a recent survey on "Black Entrepreneurship in Toronto" it was revealed that (51.7%) of the entrepreneurs had experienced barriers to obtaining financing when starting out; and nearly one-fifth of them (17.2%) had faced difficulty obtaining business information or customers outside the African Canadian community and had faced discrimination by both suppliers and financial institutions.<sup>1</sup>

These racial barriers and experiences have contributed to the fact that the African Canadian community remains "among the least

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<sup>1</sup> Ibid.

entrepreneurial groups in Canada”<sup>2</sup> Approximately 5% for the African Canadian community, versus 9% for the main stream. According to a recent study entitled “Cultural Resources, Ethnic Strategies, and Immigrant Entrepreneurship”, the self-employment rate among African Canadian men, at 8% was more than twice as high as that among women (at 3%).

Pronounced poverty and the very low development of entrepreneurship in the African Canadian community have worked against the creation of community institutions that have supported business development in other ethnic communities in Canada - such as community-owned banks, credit unions, community loan funds, “love money” (loans, grants from family and friends), etc.

As a result, the African Canadian community as a whole has not had the same opportunity to benefit from business creation as most other communities - whether in the form of wealth accumulation, corporate support of community services or other community businesses, or employment.

A note of interest: The recently written “Black Entrepreneurship in Toronto” survey found that 65% of the surveyed entrepreneurs hire employees with the same ethnic background to run their businesses<sup>9</sup>. Therefore, increasing the success and support of African Canadian businesses translates into greater employment opportunities for the overly unemployed African Canadian community and less dependence on unemployment and other government related services.

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<sup>2</sup> Ibid., p. 8.

## **Recommendations**

We recommend that:

1. The various levels of government setup a government backed venture capital and loan funding entity, that is focused on funding African Canadian businesses and that is managed by individuals who employ the appropriate skill set to help the businesses succeed. Similar to the SBIC's (Small Business Investment Corporation) that exist in the U.S. The fund should allow qualifying companies to access several million dollars, and not be capped at \$5,000, as is the case with the BBI program in Nova Scotia.
2. The various levels of government facilitate and/or provide support for the provision of consulting, education and training for the African Canadian business community. Similar to the way in which W. Edward Deming was asked to assist the Japanese Government and Industry in the challenges following World War II, when the Japanese economy was in shambles and in need of complete restructuring. Dr. Deming focused on the importance of quality in business, and as a result, helped Japan construct the global economic juggernaut that has been emulated and copied around the world.
3. The federal and Nova Scotia governments continue the funding of the *Black Business Initiative* in Nova Scotia, and that the federal government show leadership in working with other provincial and municipal governments across Canada to support similar initiatives across the country.

4. With respect to government business contracts, the federal, provincial, municipal governments and the African Canadian Community should examine the development of set-aside programs for African Canadians, similar to the federal set-aside program for Aboriginal Canadians. These programs should be established only if and when it is determined that they are in the best interests of the community.
5. In the absence of set-aside programs for African Canadians with respect to government business contracts, the various levels of government and their agencies work with the African Canadian community to develop and implement equitable access measures and related points to be applied to African Canadian bids during the contract bidding process.
6. The various levels of government and their relevant agencies take steps to promote customer patronage of all businesses, without regard to race or ethnicity.
7. The government create incentives e.g. tax credits, contract bonus points, etc., and better educate and encourage large corporations to do business with African Canadian firms. This could also be incorporated into the government set-aside programs.
8. Steps should be taken to educate and encourage African Canadian youth, many of whom are unemployed, under-educated, and falling by the wayside, about the benefits/potential of self-employment, through the schools and through youth oriented self-employment initiatives.