



IFF Research

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WELFARE TO SELF-EMPLOYMENT

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1 Executive summary

- 1.1 The Department for Business, Innovation and Skills identified a need to review and enhance the evidence base on welfare to self-employment programmes in advance of the development and launch of the New Enterprise Allowance scheme. IFF were commissioned to conduct research to understand how self-employment programmes can most effectively and efficiently enable unemployed people to enter sustainable self-employment, thereby reducing unemployment, promoting business creation and maximising economic impact.
- 1.2 The research comprised of a literature review followed by qualitative research with self-employment programme participants, advisers, delivery staff and key stakeholders¹. Fieldwork took place in spring 2011 and the programmes that were the main focus of the research were the Self-Employment strand of the DWP's Six Month Offer, delivered by Business Link and the New Deal Self-Employment programme contracted by Jobcentre Plus and delivered by InBiz. Note that delivery staff from both schemes were interviewed, but participant feedback comes only from the New Deal Self-Employment programme.
- 1.3 The qualitative research which formed the second stage of this project adds to the evidence base in relation to the role of different types of non-financial support, the timing of support and cultural awareness. It also explored themes of open access vs. 'sifted' access to welfare to self-employment schemes; the type of financial support offered; and the role of follow up support.
- 1.4 The remainder of this summary presents the key conclusions of the research, drawing on both the literature review and the qualitative research.

Access to self-employment programmes

- 1.5 **There is an argument for a reduction in the qualifying period for intensive self-employment support and for clearly sign-posting self-employment support available outside of Jobcentre Plus.** *Advisers mentioned that often the barriers to entering self-employment increase with length of unemployment, providing an argument for reducing the qualifying period for intensive support and clearly sign-posting self-employment support that is available outside of Jobcentre Plus very early on in their claim.*
- 1.6 Most of the participants interviewed had been able to access self-employment support after 18 months of continuous claiming. Both providers and individuals felt there was a strong case for earlier access and that a timeframe of nearer six months would increase likelihood of entering self employment successfully. Providers felt that there were a number of factors that made it harder for individuals to enter self-employment as the length of unemployment increases including; the dwindling of any capital and skills, contacts becoming out of date and a loss of confidence. This is backed up by other studies referenced in the literature review. Some participants who had wanted to enter self-employment from the start of their claim felt that they had simply been 'waiting' through this period to access the support they required.

¹ IFF conducted 23 interviews with participants who had completed the InBiz programme, 10 interviews with participants who had started the InBiz programme but abandoned it before completion and 4 focus groups each of which were attended by 8-10 InBiz participants.

1.7 It was also felt by participants and providers that there was a strong case for raising awareness of the availability of support from the start of a claim, so that those with the strongest motivation have the chance to seek out the support independently.

1.8 ***The case for screening eligible individuals for suitability to enter a self-employment programme is quite weak. Some of what might be considered more 'obvious' screening criteria such as levels of motivation and existence of a worked-up business idea have been found by providers to be relatively poor indicators of success. Findings in the literature review suggest schemes that sift participants produce similar outcomes to open access schemes.***

1.9 While there are some claims by providers – in qualitative studies accessed as part of the literature review – that a 'sifted' approach (e.g. selecting more motivated participants, or participants with an existing business idea) would be more appropriate, the only statistical evidence looking at the impact of a sifted approach (the Australian NEIS model) suggests that the outcomes of sifting are similar to those found in open access schemes (e.g. New Deal Self-Employment Route in Northern Ireland), where around two thirds of participants were self-employed three months after cessation of support. In addition, the literature review notes that self-selection often results in well-educated, shorter-term unemployed males participating in self-employment schemes and entering self-employment, resulting in high numbers of successful start-ups but also high deadweight. Sifting targets more disadvantaged people so results in lower deadweight but often lower business survival rates also. The literature review does not, therefore, provide strong evidence for 'sifting', particularly when taking into account the time and costs of such sifting.

1.10 Within the qualitative research, providers were generally opposed to any form of sifting to access self-employment programmes. They stated that it was very difficult to establish likelihood of success and that some of the criteria that have been used elsewhere (levels of motivation or existence of a worked-up business idea) were often poor predictors of success. It was generally considered preferable to screen out those who lack motivation or whose business ideas prove unworkable on an ongoing basis throughout the programme. Adopting this approach gives the support provider an opportunity to identify and nurture the self-employment potential among individuals who have not considered self-employment before.

1.11 ***In some cases, participants reported a degree of implicit screening of jobseekers in some Jobcentres which could be limiting the potential of self-employment programmes. There is an argument for making information about self-employment support systematically available to all JSA claimants. Providers also argued strongly that there are many sub-groups of JSA claimants for whom self-employment is an intimidating concept and who are unlikely to proactively seek advice on self-employment.***

1.12 Both providers and participants in the primary research felt that Jobcentre Plus advisers can currently be selective about who they mentioned self-employment support to, thus in effect leading to an inadvertent and inconsistent form of 'sifting', and that there is currently only limited effort to promote awareness of self-employment support in Jobcentres.

1.13 Generally providers and other stakeholders felt more should be done to encourage individuals to consider self-employment and to overcome some of the cultural barriers that exist. Stakeholders were keen to point out that some groups lack role models in terms of people from their own background who have successfully started their own business; and that terms such as 'starting a business' and 'entrepreneurship' are difficult to relate to or even intimidating. In such cases advisers would need to approach self-employment differently, using the participant's interests and skill set as a starting point. Some felt that there was a case for outreach work with specific communities who may not consider

self-employment – for example, those about to be discharged from prison, those on incapacity benefit and lone parents.

Advice and information services

- 1.14 ***One-to-one support with a consistent adviser is key to the success of self-employment support. Matching participants with advisers who have particular knowledge about and experience of the sector that individuals are looking to enter into, will contribute to more positive outcomes.***
- 1.15 The consensus from advisers and evidence from the literature review² identified that regular one-to-one sessions with a business adviser are a key component of support to enter self-employment, and need to be with a single point of contact to build a relationship based on trust. They should also be focussed on short-term action planning and need to focus on business planning as an activity and skill, rather than simply developing a formal business plan document as an end in itself. These can provide a regular boost to participants' morale, whilst also solving practical problems in relation to the participants' new business and building the participants' own skills both before and during a period of test trading.
- 1.16 Support delivered by individuals already running their own businesses can also add huge value to the programme. However, in view of the competing time demands of current business owners, and the importance of the one-to-one relationship with the business adviser, it is important that volunteers from within the business community ensure they have – and deliver on – a regular time commitment to participants, if this key relationship is to be successful.
- 1.17 Finally, whilst a written business plan is useful for recording action to be taken, and can act as a test of participant motivation (i.e. whether participants choose to work on this in their own time), participants and providers are keen to stress that the business plan document is not an end in itself. Hence these sessions should not rely too heavily on creating a business plan document but more on delivering the skill of business planning.
- 1.18 ***Ideally programmes would also involve an element of information given in group sessions. Ideally group sessions would take a menu format so that individuals can select sessions of most relevance to them and would be spread throughout the programme rather than all focussed at the beginning. Ideally groups should be tailored to individual sectors or at least to those either looking to go freelance in an area they have experience in or to set up a new enterprise from scratch.***
- 1.19 Whilst one-to-one sessions should be the core element of support, participant and support provider feedback suggests there is also a role for information-giving sessions in groups and that ideally these would:
- Consist of an initial set of sessions to give participants key information – e.g. on bookkeeping, cash flow prediction, and marketing – before they begin their journey towards self-employment; followed by a further set of sessions near the end of test trading, to reinforce these messages once participants can relate them to their actual experience of trading;
 - Bring together individuals in sector-specific groups, or at least separate those who are starting a business 'from scratch' from those who are in essence 'going freelance' in their existing profession, so as to make the content of the sessions as relevant to participants as possible;

² Sear, L. and Grever, N. *Routes from Unemployment to Self-Employment*, Durham Business School Summary Report (2004).

- Utilise participants' own business ideas and problems to anchor the session content in real issues that participants are experiencing;
- Allow participants – on a discretionary basis – to opt out of sessions that are irrelevant to their business idea or that deliver content with which the participant is already very familiar;
- Allow participants scope to network, both to alleviate feelings of isolation when entering self-employment; and to share ideas and resources.

Financial support

- 1.20 ***The evidence from this study suggests that the long-term unemployed tend to be highly risk averse and require the safety net of a regular income to be encouraged to 'make the leap' to attempt self-employment. For some businesses a small lump sum in addition to regular payments could provide an important boost³. A combination of a regular income and discretionary access to a lump sum fund would offer the flexibility to suit a wide range of participants.***
- 1.21 Conclusions from the literature review on the most effective means of financial support are limited due to a limited amount of research in this area. There is some evidence to suggest that financial assistance alone, or financial assistance used in conjunction with business advice is more effective than business advice/support being offered in isolation⁴. The differences in levels and lengths of financial support make comparisons between different schemes difficult; although the literature review suggests that lump sums improve access to higher-margin 'protected' sectors which in turn improves participant income and survival rates.
- 1.22 Within the primary research, both providers and participants generally agreed that a period of supported trading is a key feature of welfare to self-employment programmes. Participants in the New Deal Self-Employment scheme tended to prefer financial support through regular payments compared to a lump sum as this was felt to be easier to control, by making it easier for participants to budget. However for some participants a small initial lump sum would have provided an important boost to buy equipment or gain necessary qualifications, in the absence of which the business was unable to get off the ground.
- 1.23 ***The length of time of pre-test trading support should be flexible to support the needs of different customers. In particular, customers setting up an entirely new business (as opposed to reigniting a previous business or going freelance) may benefit from an additional 'set-up' phase prior to test trading. Conversely, the period of test trading would ideally end if it becomes clear that a business is not viable.***
- 1.24 For test trading⁵ to be effective, it is important that participants are ready for it. Within the qualitative research, both providers and participants felt that a 6 month period of test trading was about the right length of time. Six months was seen to allow scope to identify and adjust any aspects of the business

³ However, this research is not able to make any direct comparisons between groups of job seekers given a regular income only, and groups of job seekers given only a lump sum.

⁴ In this IFF Research literature of participants in the Self-Employment Strand of the Six Month Offer, those receiving support only were more likely to have claimed before; were more likely to be from a Minority Ethnic background and were less likely to have been self-employed before, than those receiving some forms of financial support. These findings need to be treated with a degree of caution, due to differences in profile between those receiving business advice/support only and those receiving some form of financial support.

⁵ Test trading is a period in which participants start trading whilst still receiving Job Seeker's Allowance.

model found not to work. A shorter three month test trading period was seen as acceptable by some providers.

- 1.25 However, there was evidence to suggest that a longer phase of 'pre-test trading' (i.e. at least six months and, ideally, tailored to the set-up needs of the individual business) would be beneficial for those starting a business completely from scratch (rather than formalising a trade or a line of work that has been undertaken previously), to allow set-up processes to be completed before test trading begins.
- 1.26 Regardless of the length of the test trading period, supported test trading would ideally end if it becomes clear that the business is not viable. Ideally test trading would also end if the business is deemed to be earning enough to support itself without benefit payments; however, in practice this is likely to be problematic, as it could lead to participants under-developing their business or under-reporting its trading activity to the business adviser, thus compromising the key relationship between the participant and their business adviser.

Follow up support

- 1.27 ***There is a strong argument for the inclusion of formal follow up support after a period of test trading within self-employment support programmes. There was evidence in the primary research that formal and consistent follow up support would have helped participants to sustain and grow their business. The literature review also advocated the inclusion of follow up support.***
- 1.28 As many participants who were earning a living from self-employment at the time of the research were in a relatively precarious financial situation, some advisers suggested that follow up support could help to strengthen their position in some cases, with assistance with tax returns or advice about taking on staff being particularly in demand.
- 1.29 To maximise effectiveness, follow up support would be provided formally (rather than being up to individual advisers to offer), with advisers behaving proactively to overcome any discomfort or embarrassment among participants. This follow up support would also be provided by the same advisers that supported the participants through the programme. Group sessions were also seen to be useful at this point to share ideas and experiences with others who are in the early stages of being self-employed.
- 1.30 Some advisers felt it is the support that follows test trading that is crucial for sustaining new businesses, and that group talks and advice sessions (as well as individual support as and when necessary) should be available at flexible times, and well-publicised, for at least the twelve months following test trading. The Prince's Trust, cited in the literature review, supports the use of follow up support, with Meager attributing the Trust's high business survival rates at least in part to the on-going mentoring throughout the scheme.

The structure of self-employment support

- 1.31 ***There is a strong argument for flexibility in structure and delivery in any self-employment support programme.***
- 1.32 The research indicated 3 key groups of participants each with their own needs:
1. Those who have previously been self-employed who are looking to reactivate a business that they have operated before;

2. Those who were looking to become freelance or work on a contract basis in an area in which they have previously worked for an employer;
3. Those who were looking to establish a new business from scratch.

The findings from the research indicate a strong argument for longer periods of pre-test trading support (i.e. at least six months but, ideally, tailored to the set-up challenges faced by the individual business) for those in the third group in particular. The content of group information sessions should also differ between the different key participant groups to reflect what would be most relevant to each group.

Implications for the New Enterprise Allowance

1.33 ***The research therefore supports several elements of the current direction of government policy as enacted through the New Enterprise Allowance (NEA), whilst pointing to potential refinements to some aspects of this scheme. These potential areas of refinement relate to the role of Job Centre Plus (JCP) staff in identifying eligible and interested claimants; the viability of the proposed 5-day target for assessment of a claimant's self-employment prospects and business proposition; and the optimum use of the eight-week period that claimants are given to prepare a business plan.***

1.34 The research supports the NEA scheme in that:

- It will be accessible after 26 weeks, which tallies with the research evidence of giving earlier access to support than in the previous New Deal scheme;
- It pairs participants with a mentor in a one-to-one relationship which has scope to deliver the one-to-one support with a consistent adviser that the research has found to be a key element of support⁶;
- It provides both the desired regular income through test trading⁷ to act as the necessary 'safety net' to encourage participants to 'make the leap' into self-employment and potential access to lump sums as loans, offering flexibility in financial support;
- It requires that the one-to-one mentor supports the claimant for eight weeks whilst they begin trading, and for a minimum of six months afterwards thus providing the desired period of test trading support cited by many providers and participants and creating provision for the desired formal follow-up support, identified as being important to self-employment sustainability.

1.35 The research points to the following suggestions or potential refinements to the NEA scheme:

- *The NEA scheme will be accessible after 26 weeks:* this research suggests that there is an opportunity to sign-post claimants to alternative sources of self-employment support from day 1, which they could access independently of the DWP. This would mean that those who have a strong desire to enter self-employment can access support on their own initiative and (potentially) exit JSA sooner. This sign-posting must be consistent across all JCP advisers (as the feedback from participants suggests this is not currently the case);

⁶The level of support intensity will vary depending on the needs of the participant. A4e's bids to deliver the NEA programmes have built in professional business advisers to work alongside the participants and their mentors from within the business community, in order to help ensure continuity of contact between the programme and the participant.

⁷ The test trading period in the NEA differs to the test trading period in earlier schemes in that the participant signs off benefits and instead receives an allowance.

- *JCP advisers will identify interested and eligible claimants and direct them to NEA support:* this research suggests that the best course of action is to encourage JCP advisers to raise claimant awareness of the self-employment support available and, where the claimant is eligible, facilitate a meeting with the support provider rather than to attempt to undertake any screening themselves.
- *The support providers will undertake an initial assessment of the claimant's self-employment prospects and business proposition within five working days of the referral date:* the research suggests that an early assessment of claimant potential based on a business proposition is a poor predictor of success in entering self-employment, and that longer term work is needed to draw out the self-employment potential from a claimant's interests, skills and experience. This also has implications for the role of the volunteer mentor from within the business community: as the business idea may emerge or change during one-to-one discussions with the adviser/mentor, this may affect the ability of the 'mentoring partnership' to match the claimant with a mentor with sector-relevant experience of a more specific kind;
- *On beginning the scheme, the claimant will have eight weeks to prepare a business plan for approval:* this period offers the scope to enable the participant to ready themselves for beginning to trade. However, the feedback from participants suggests that it is important that this business plan preparation involves interactive work between the mentor and the participant, including working on the skills to make themselves 'business ready' as opposed to the participant simply working on a formal business plan document⁸.

⁸ New Enterprise Allowance: background information (V3, April 2011). Downloaded from <http://www.dwp.gov.uk/docs/new-enterprise-allowance-background.pdf>



2 Introduction

Background

- 2.1 Despite several different self-employment schemes being operated in the UK and abroad since the 1980s there remains no clear consensus on what works best in terms of moving those on unemployment benefits into sustained self-employment.
- 2.2 Welfare to self-employment schemes offer the potential for generating significant economic and social benefits. As well as reducing unemployment they offer the possibility of increased business creation, increased participation in enterprise among disadvantaged groups and additional economic activity.
- 2.3 The Coalition government supports the role of welfare to self-employment schemes and the planned New Enterprise Allowance (NEA) is being rolled out at the time of writing. The NEA is intended to supplement the wider Work Programme, national roll out of which is scheduled for August 2011.
- 2.4 The NEA will be available to Jobseekers Allowance (JSA) customers who have been claiming JSA for 26 weeks or more. Participants will get access to a volunteer business mentor who will provide guidance and support as they develop their business plan, through the early months of trading and follow up support. Once a customer can demonstrate they have a viable business proposition with the potential for growth in the future, they will be able to access financial support. This will consist of:
 - a weekly allowance worth £1,274 over 26 weeks, paid at £65 a week for the first 13 weeks and £33 a week for a further 13 weeks, and
 - if they need start-up capital, they may also be able to access a loan up to £1,000 to help with their start-up costs.
- 2.5 The NEA will build on the existing DWP offer. The Six Month Offer – which included a self-employment offer – was rolled out across England in April 2009. This support was originally announced at the Jobs Summit in January 2009 in response to the recession, with the intention being that all jobseekers reaching six months' of continuous claiming would be eligible for extra advisory support plus a range of options designed at improving employability: self-employment support, work-focussed training, volunteering opportunities and a recruitment subsidy. The self-employment offer was opened up to some individuals after 13 weeks of claiming from February 2010. Alongside the Six Month Offer, self-employment support was also available to Jobseeker's Allowance customers through the previous Government's New Deal programmes. All of these programmes are now discontinued.

Research objectives

- 2.6 To help inform the development of the NEA and future schemes a need to review and enhance the evidence base on welfare to self-employment programmes was identified. The Department for Business, Innovation and Skills commissioned IFF Research to conduct research to understand how self-employment schemes can most effectively and efficiently enable unemployed people to enter sustainable self-employment, thereby reducing unemployment, promoting business creation and maximising economic impact.

2.7 More specifically, the research will:

- Explore the barriers faced by unemployed people wishing to become self-employed and find out what intervention is necessary to overcome these barriers;
- Understand how self-employment support was delivered under the Six Month Offer and New Deal programmes, and examine how process improvements may increase the effectiveness of future offers;
- Identify what works (for whom, and when) in delivery of self-employment support; which types of support and combinations of support most efficiently move people towards self-employment;
- Investigate the role of self-employment support in promoting sustainable employment outcomes that lead to business growth.

2.8 Within these broad objectives, the following themes were agreed as the specific focus of investigation:

- Open access vs. 'sifted' access to welfare to self-employment schemes;
- The types of support offered, including the impact of this on business survival;
- The types of financial support offered;
- Timing of support, e.g. before or after start-up;
- Broader cultural awareness of self-employment.

Overview of research method

2.9 The study comprised:

- A literature review
- Qualitative research among participants in welfare to self-employment programmes⁹, as well as frontline and managerial staff delivering these programmes.

2.10 Fieldwork took place in spring 2011 and therefore the programmes that were the main focus of the research were the Self-Employment strand of DWP's Six Month Offer (delivered by Business Link) and the New Deal Self-Employment programme contracted by Jobcentre Plus and delivered by InBiz. Please note that support participant feedback only comes from the New Deal programme.

2.11 Full methodological details can be found in Chapter 4.

Structure of the report

2.12 The following Chapter 3 summarises the findings from the literature review of research evidence relating to welfare to self-employment support schemes from the UK and internationally.

⁹ IFF conducted 23 interviews with participants who had completed the programme, 10 interviews with participants who had started but not completed the programme (i.e. who had abandoned the programme before completing), and 4 focus groups, each of which were attended by 8-10 participants.

- 2.13 Chapter 4 then provides context and background to the primary research; first outlining the research methodology used in detail before describing the nature and structure of the two welfare to self-employment programmes that were the focus of the research.
- 2.14 Chapters 5 to 8 present the findings from the primary research, and are structured thematically to cover: accessing self-employment support (Chapter 5); advice and information services (Chapter 6); test trading and financial support (Chapter 7); and follow up support (Chapter 8).
- 2.15 Conclusions from both strands of the research are found in Chapter 9 along with recommendations for the design and delivery of future welfare to self-employment programmes, including an overview of the New Enterprise Allowance scheme.



3 Literature review

Overview

The majority of studies looking at schemes aiming to introduce unemployed people into self-employment tend to focus on the overall success rates of the schemes, and on the impact of participant characteristics on these success rates. However, assessing overall scheme effectiveness is not simple and can take into account multiple factors such as extra jobs created, jobs displaced, the overall 'health' and longevity of businesses created, and deadweight – the extent to which those assisted into self-employment would have succeeded in moving into self-employment anyway. Deadweight can be complicated in itself however, since a high deadweight scheme could still be positive overall and a low deadweight scheme negative overall¹⁰.

There appears to be less evaluation of the impact of individual elements of support offered on the overall success of self-employment schemes.

There has been little cost-benefit analysis conducted to assess a scheme's monetary efficiency from the point of view of the provider. This sort of analysis would be useful when making comparisons not only between schemes as a whole but between individual scheme elements, for example the cost/benefit of filtering potential participants.

While there are some claims by providers in qualitative studies that a 'sifted' approach (e.g. selecting more motivated participants, or participants with an existing business idea) would be more appropriate, the only statistical evidence of the impact of a sifted approach (the Australian NEIS model) suggests that the outcomes of sifting are similar to outcomes in open access schemes (e.g. New Deal Self-Employment Route in Northern Ireland), where around two-thirds of participants were self-employed three months after cessation of support. Some suggest that specifically targeting disadvantaged participants would reduce deadweight and, with the right support need not result in a lower business success rate.

There is some evidence to suggest that financial assistance (alone, or used in conjunction with business advice/support) is more effective than business advice/support being offered in isolation. However, those receiving only support were more likely to have claimed JSA before, were more likely to be from a Minority Ethnic background and were less likely to have been self-employed before, meaning it is difficult to draw firm conclusions from this. There is also likely to have been some subjective element to deciding who was given access to each type of support.

There is no clear consensus whether a regular income or lump sum payment is more effective, although the evidence suggests that lump-sum grants (where the grants involved are equivalent to all of, or a substantial proportion of, the participants' annual benefit entitlement¹¹) improve access to higher-margin 'protected' sectors (i.e. those with higher set-up costs), which in turn improves participant income and survival rates. There is evidence to suggest that, within schemes where an annual allowance is reduced each year, the points at which the allowance is reduced are associated with an increase in those exiting self-employment.

¹⁰ This is because a high deadweight scheme may nevertheless still help a relatively large *number* of people into self-employment who would **not** otherwise have achieved this (even though a relatively large *proportion* of those helped would have achieved this anyway). On the other hand, an ineffective scheme that failed to help many people into self-employment, in terms of overall *numbers helped*, could still show a low level of deadweight, if, of the few that did enter self-employment, a relatively large *proportion* would not have done so otherwise.

¹¹ For example, the Spanish Government's benefit capitalisation scheme (cited by Cueto – see 3.13) gave participants the option of receiving a year's worth of benefits as a lump sum, whilst in a Washington State scheme used in an experimental comparison (by Wandner and Messenger – see 3.10), participants were able to obtain all of their remaining Unemployment Insurance (UI) annual benefits entitlement.



There is little information about the impact of different types of non-financial support, i.e. different types of advice and guidance; however there is evidence to suggest that support and guidance in general is associated with business survival, and a lack of support is normally associated with the less successful schemes. Some studies rate general advice about self-employment as very valuable, however more seem to suggest that advice tailored to a participant's particular needs and ideas, and one-to-one support, is key to business set-up and success.

There appears to be little analysis in the studies reviewed either of the timing of support or of the impact of broader cultural awareness of self-employment opportunities.

3.1 The focus of the literature review was to explore:

- Open access vs. 'sifted' access to schemes;
- The types of support offered, including the impact of this on business survival;
- The types of financial assistance offered;
- Timing of support, e.g. before or after start-up;
- Broader cultural awareness of self-employment.

The remainder of this chapter details the evidence available in each of these areas.

Main findings

Open access or a 'sifted' approach?

3.2 Meager¹² notes that there is little evidence of whether wide or restricted access is more likely to lead to success in entering self-employment, because schemes typically:

- Restrict access, either to the longer-term unemployed (Portugal, Denmark) or to exclude the short-term unemployed (UK, Germany, Eire); or
- Target specific demographic groups, e.g. those aged 25+, women, people from black / minority ethnic (BME) backgrounds; or
- Are open access, but naturally attract an unrepresentative sub-set of the unemployed (who are more likely to be male, educated to a higher level and shorter-term unemployed)¹³.

3.3 Where schemes are open access, but attract 'advantaged' participants (male, more educated, shorter-term unemployed), there is likely to be above-average deadweight (i.e. the extent to which state intervention had little or no influence on a positive outcome that would have happened anyway). By contrast, where schemes target a 'disadvantaged' demographic group, deadweight will be lower, but

¹² Director, Institute for Employment Studies, and author of *'From Unemployment to Self-employment: Labour Market Policies for Business Start-up'* in Schmid, G., O'Reilly, J. and Schömann, K. (eds) *International Handbook of Labour Market Policy and Evaluation* (UK, Edward Elgar, 1996)

¹³ The PSI study on the Six Month Offer appears to support this, in that participation in the Self-Employment Support strand 'seemed to be influenced by the level of affluence in an area, with running a business more suited to customers living in prosperous areas'. Sandra Vegeris, Kim Vowden, Christine Bertram, Rosemary Davidson, Fatima Husain, Karen Mackinnon and Deborah Smeaton, PSI, *'Support for Newly Unemployed and Six Month Offer evaluations: A report on Qualitative research findings'* (Department for Work and Pensions, UK, 2010)

so will average business survival rates. This makes comparisons between wide and restricted access schemes difficult, due to the various demographic and employment-related characteristics that come into play¹⁴.

- 3.4 An evaluation of the New Deal Self-Employment Route in Northern Ireland found that, using an open access approach, 62% of a sample of participants reported being self-employed 13 weeks after the cessation of support¹⁵.
- 3.5 By contrast, the Australian New Enterprise Incentive Scheme (NEIS), created in 1985 and active in its current form since 1998, adopts a 'sifted' approach to selecting participants. Managing agents (who deliver the scheme on behalf of the State and Commonwealth employment agencies) are free to target potential participants on the basis of their likely success. The agent then works with the potential participant to develop a business plan *prior to their being accepted into the scheme*. Since the 'Job Network' welfare reforms in 1998, the incentive to target those most likely to succeed has been greater, as agents are paid for each client assisted based on the client being off income support three months after cessation of assistance. Analysis of outcomes from post programme monitoring surveys and the benefit status of participants reveals that:
 - 81% were employed (and 66% self-employed) three months after cessation of assistance;
 - 71% were off-benefits three months after cessation of assistance;
 - 72% were off-benefits six months after cessation of assistance¹⁶.
- 3.6 The 62% that were self-employed after 13 weeks via the more 'open access' route in Northern Ireland is similar to the 66% that were self-employed after a similar period (i.e. three months) using a more 'sifted' approach in Australia. Supporting this, the evaluation of the New Enterprise Incentive Scheme notes that several government evaluations of NEIS have indicated that it achieves broadly similar outcomes to its counterparts elsewhere in the world¹⁷.
- 3.7 It is acknowledged that these are relatively short time periods in terms of business survival. There is limited genuinely 'long term' research on the ultimate effect of self-employment support i.e. whether it genuinely increases the chance of lifetime self-employment and deriving a sustainable income in the longer term.
- 3.8 However, there was some qualitative feedback from providers of the New Deal Self-Employment Route in Northern Ireland that 'a minority of the participants they worked with had either chosen NDSE as a soft option or were pushed onto it by the New Deal Personal Advisor (NDPA)' and were, as a result less motivated and/or less confident of success. The report on this programme suggested that confidence at the outset appeared to have an impact on the eventual outcome ('62.7% of those that thought the programme would be of some help to them in employment at the time of interview,

¹⁴Meager, N., 'From Unemployment to Self-employment: Labour Market Policies for Business Start-up' in Schmid, G., O'Reilly, J. and Schömann, K. (eds) *International Handbook of Labour Market Policy and Evaluation* (UK, Edward Elgar, 1996)

¹⁵ Peer Consulting, for the Department of Employment and Learning, *Evaluation of the New Deal Self-Employment Route*(Belfast, Department of Employment and Learning, 2005)

¹⁶Dockery, Alfred Michael, *The New Enterprise Incentive Scheme: An Evaluation and a Test of the Job Network* (in the Australian Journal of Labour Economics, Vol. 5, No. 3, September 2002, pp 351 – 371)

¹⁷Dockery, Alfred Michael, *The New Enterprise Incentive Scheme: An Evaluation and a Test of the Job Network*

compared to 41.2% of participants that had a negative outlook to the programme') and concluded that more sifting of participants to select the more motivated or confident would be beneficial¹⁸.

- 3.9 The IFF Research report into the Self-Employment Support strand of the Six Month Offer found that 24% of participants entering the Self-Employment Support strand did not have any business idea or plan for being self-employed¹⁹. The PSI study on the Six Month Offer cited qualitative evidence (Vegeris et al., 2010) that providers felt that many of the potential participants referred to them 'did not seem serious about self-employment and that there was not enough time available within the programme to get results from people at such an early stage of the journey to becoming self-employed'. This suggests that part of the issue here may be due to a lack of understanding on the part of Jobcentre Plus advisers, of what is involved in becoming self-employed²⁰.
- 3.10 Another consideration is the *cost* of any filtering processes conducted prior to accepting participants onto self-employment programmes. The resulting deadweight must also be considered, particularly if the filtering is extensive and based on characteristics more complex than demographics or length of time unemployed, such as a business's likelihood to succeed, which requires more time and scrutiny by a certain level of expertise and will therefore contribute to the administration costs of the programme:
- In Germany, a 'bridging allowance' to aid business start-ups is awarded to those who have been receiving unemployment benefits for a month, however this is only granted if an authority judges the business's prospects to be good enough to secure "at least a subsistence income"²¹
- 3.11 In America, unemployed people trying to gain access to Self-Employment Assistance (SEA) programmes are assessed to determine how likely it is that they will be re-employed after 26 weeks (either self-employed or employed in some other way). The report assessing these programmes cites that as a result, a state's SAE programme may not serve more than 5% of its unemployed.²² It is acknowledged that schemes with a high deadweight may still be net positive (and low deadweight may not be) hence cost-benefit analyses of support programmes, and calculations of the relative costs of the different programmes and elements, would be of considerable use, however this kind of analysis is rare:
- The report assessing American SEA programmes acknowledges that true cost-benefit analysis of the support is not possible due to insufficient self-employment earnings data. In terms of absolute

¹⁸ It is worth treating the analysis in the Peer Consulting report with a degree of caution, as it is based on a total sample of 200 interviews, on which no statistical tests of significance have been undertaken. The report declares that its findings are, therefore, indicative rather than statistically robust.

¹⁹ Lorna Adams, Katie Oldfield, Laura Godwin and Charlie Taylor, IFF Research, 'Evaluation of the Six Month Offer: A report on quantitative research findings' (Department for Work and Pensions, UK, 2010)

²⁰ A self-employment support contractor claims that 'advisers really don't know what is available and what it means to be self-employed', in Sandra Vegeris, Kim Vowden, Christine Bertram, Rosemary Davidson, Fatima Husain, Karen Mackinnon and Deborah Smeaton, PSI, 'Support for Newly Unemployed and Six Month Offer evaluations: A report on Qualitative research findings' (Department for Work and Pensions, UK, 2010)

²¹ Hinz, Thomas & Jungbauer-Gans, Monika (1999). *Starting a business after unemployment – characteristics and chances of success (empirical evidence from a regional German labour market)*. Entrepreneurship and Regional Development, 11, 317-333

²² United States Department of Labour: *Comprehensive Assessment of Self-Employment Assistance (SEA) Programs (Final Report)*: http://www.doleta.gov/reports/searcheta/occ/papers/sea_sum.pdf

costs the report estimates that programme administration costs range from \$300 to \$600 (currently £180 – £370) per participant, and delivery of support from \$200 to \$2000 (£120 - £1,200) per participant, depending on individual state provision.

- Another example of costs comes from Manchester City Council's report for the Economy, Employment and Skills Overview and Scrutiny Committee in March 2010²³. The report cites a self employment programme in Manchester costing £1,378,000 over around two years, resulting in 689 start-ups (£2000 per start up). A new contract for the three years upcoming is set to cost £1,346,700 with the aim of creating 572 new start ups (£2354 per start-up).

The impact of financial assistance

- 3.12 There is some evidence to suggest that financial assistance alone, or financial assistance used in conjunction with business advice/support is more effective than business advice/support being offered in isolation. IFF Research's evaluation of the Six Month Offer Self-Employment Support strand found that those who received a regular Self-Employment Credit (SEC) payment either on its own or with business advice/support were 'vastly more likely to have entered self-employment than those who received support only'. The survey found that 71% of those who received SEC payments only and 79% of those who received a combination of SEC payments and business advice/support had entered self-employment at the time of interview, compared with only 14% of those who received (non-financial) advice/support only²⁴. However, this is not conclusive, as there were some differences in profile between those receiving support only and those receiving some form of finance. Those receiving only support were more likely to have claimed Jobseeker's Allowance before and were more likely to be from a minority ethnic background²⁵, whilst those receiving SEC only were more likely to have been self-employed before²⁶. There may also have been a degree of subjectivity in determining which claimants were given access to each type of support.
- 3.13 Considering the *type* of financial support that is offered, Meager notes that a flaw in weighing up the impact of regular allowance payments versus grants is that the varying numbers of scheme participants from one country to another means that the level of regular allowance payments, and the period over which these are paid, also vary considerably (from 50% of maximum employment benefit entitlement for up to 3.5 years in Denmark, to £40 a week payable for up to a year in the UK for much of the 1980s). This tends to make comparisons between self-employment schemes used in different countries difficult.

²³NWDA Intensive Start Up Support (ISUS) Contract delivery In Manchester (2010), prepared for the Economy, Employment and Skills Overview Committee: http://www.manchester.gov.uk/egov_downloads/6_NWDA_Start_Up.pdf

²⁴ See Lorna Adams, Katie Oldfield, Laura Godwin and Charlie Taylor, IFF Research, 'Evaluation of the Six Month Offer: A report on quantitative research findings' (Department for Work and Pensions, UK, 2010). Note that, although from February 2010 the Six Month Offer was open to those claiming JSA for 3 months, the sample of JSA claimants interviewed by IFF had all accessed the Six Month Offer after 6 months of claiming,

²⁵ Those receiving Support only were more likely to have claimed JSA previously (65%, compared with 56% of those receiving Self Employment Credit and 55% of those receiving both SEC and support). They were also more likely to be from an ethnic minority background (23%, compared with 12% of those receiving Self Employment Credit and 10% of those receiving both SEC and support).

²⁶ Those receiving SEC only were more likely than customers receiving support to have been self employed before (39% compared with 22 per cent receiving support only).

- 3.14 However, Meager cites one instance of an experimental approach used by Wandner and Messenger in the USA in 1991, which compared two pilot schemes that loosely mirrored the two most established in Europe at the time. One used an allowance approach (modelled on the UK programme) and the other a lump-sum grant approach (modelled on the French scheme)²⁷. This experiment found that a lump sum approach improved new business survival probabilities (by an average of 3.9 months, compared with only 1.6 months for those in receipt of an allowance²⁸). Meager's overall assessment is that lump sum grants increase the ability of participants to set up in 'higher margin, more protected markets' (e.g. production) where earnings and survival rates are higher and rates of displacement of other employees into unemployment are lower²⁹. Supportive of this, Kellard, Legge and Ashworth reported in 2002 that users of the UK's Prince's Trust Programme who received a marketing grant had the highest business survival rates³⁰; whilst IFF Research's evaluation of the Six Month Offer Self-Employment Support strand found that participants were more likely to rate the lump-sum payment as 'very useful' (78% did so) than the regular Self-Employment Credit (SEC) payments (65% did so)³¹.
- 3.15 Other authors have suggested that schemes based entirely on regular monthly or weekly payments may make certain businesses vulnerable. Baumgartner & Caliendo evaluated in 2007 two different approaches to support in Germany between 1986 and 2004, one of which provided normal benefit payments for 6 months plus a lump sum, and one that provided monthly payments for three years, decreasing annually, with no lump sum. Both were beneficial in that participants were more likely to be employed than non-participants at the end of the course, and on average had a greater income than non-participants (hence were earning more than when on unemployment benefits). Unfortunately the schemes cannot be directly compared because those in the shorter term scheme were observed for a number of months after their programme ended, whereas those in long-term scheme were still

²⁷ In this instance, the lump sum grant (offered by a Washington State scheme) allowed participants to obtain all of their remaining Unemployment Insurance (UI) annual benefits entitlement, after achieving five program milestones. The average lump-sum payment was \$4,225 (UI benefit is, on average, 36 per cent of a participant's weekly wage prior to becoming unemployed, payable for up to 26 weeks).

²⁸ For both the schemes involved in this experiment, a control group (of those not receiving support) was compared with a test group (who were participating in a scheme to help them into self-employment). See Wandner, S. and Messenger, J., 'From Unemployed to Self-employed: Self-employment as a Re-employment Option in the United States', unpublished manuscript, US Department of Labor, Employment and Training Administration (1991)

²⁹ Meager, N., 'From Unemployment to Self-employment: Labour Market Policies for Business Start-up' in Schmid, G., O'Reilly, J. and Schömann, K. (eds) *International Handbook of Labour Market Policy and Evaluation* (UK, Edward Elgar, 1996)

³⁰ Kellard, K., Legge, K. and Ashworth, K. *Self-Employment as a Route Off Benefit* (DWP report No. 177, 2002).

³¹ Lorna Adams, Katie Oldfield, Laura Godwin and Charlie Taylor, IFF Research, 'Evaluation of the Six Month Offer: A report on quantitative research findings' (Department for Work and Pensions, UK, 2010). The IFF finding, however, is related to participant perceptions rather than outcomes.

There is also some qualitative feedback from both Jobcentre Plus advisers and customers that the SEC payment was perceived to be insufficient ('if you've got rent and housing and stuff like that to pay for, the £50 a week isn't really going to cover it basically' – Adviser, District code 3, quoted by Sandra Vegeris, Kim Vowden, Christine Bertram, Rosemary Davidson, Fatima Husain, Karen Mackinnon and Deborah Smeaton, PSI, *Support for Newly Unemployed and Six Month Offer evaluations: A report on Qualitative research findings* – Department for Work and Pensions, UK, 2010). Early qualitative feedback from advisers also compared the Self-Employment Credit unfavourably with the previous New Deal Self-Employed option, which offered a higher level of financial support for a longer period and did not require customers to sign off Jobseeker's Allowance – from Genevieve Knight, *Jobseekers Regime and Flexible New Deal, the Six Month Offer and Support for the Newly Unemployed evaluations: An early process study* (Department for Work and Pensions, UK, 2010).

completing the programme at the end of the observation period. However, the authors noted that in the scheme involving monthly payments that decreased annually, there were higher incidences of participants 'dropping out' at these points of decreased payments.

- 3.16 An additional important note is that a cost-benefit analysis of the two schemes showed the scheme that provided 6 months of unemployment benefit and a lump sum was, as well as being beneficial for participants monetarily efficient for the support provider, the Federal Employment Agency, at least when considering the scheme's direct costs.³²
- 3.17 The same authors cite Meager et al's analysis in 2001³³ of previous allowance-based start-up schemes in the UK as well as an evaluation of the Irish Area Allowance Enterprise Scheme by the Work Research Centre³⁴, which both found that significant exits from self-employment occurred around the points of reduction in payments. This suggests that a business supported in its preliminary stages entirely by a monthly income may be particularly vulnerable when this support is reduced³⁵.
- 3.18 A 'middle-way' of sorts is cited by Cueto³⁶, describing the re-launch of the Spanish Government's benefit capitalisation scheme. Initially the scheme consisted simply of the option to receive a year's worth of benefits payments as a lump sum, in order to provide capital to start a business. The scheme was considered poorly executed for a number of reasons and for a while became unavailable to the majority of Spain's unemployed. On the scheme's re-launch, participants were granted the initial lump sum *as well as* a regular, reduced benefit (up to 20% of the maximum) in order to pay Social Security and initial business costs. This suggests that while a lump sum can be invaluable in starting a business, an additional allowance could make the early trading period easier.
- 3.19 Another study goes against the grain of the above evidence. The evaluation of the New Deal Self-Employment Route in Northern Ireland reported that a training allowance (of around £15 a week) had a greater impact than a grant of £750, given in instalments:
- Regarding the training allowance (£15 per week), 74% of respondents stated that they would 'not have been able to start their business without it', and the estimate of 'deadweight' (i.e. the extent to which state intervention had little or no influence on a positive outcome that would have happened anyway) is 16%;
 - Regarding the grant (£750 in instalments), 62% stated that they would have been 'very' or 'fairly' unlikely to have started their business without it, and the estimate of 'deadweight' is higher, at 46%.

³² Direct costs on average were €11,900 for men and €9,100 for women.

³³ Meager, N., Bates, P. and Cowling, M. (2001), *Long term Evaluation of Self-Employment Assistance Provided by The Prince's Trust*, in Kellard, K., Legge, K. and Ashworth, K. *Self Employment as a Route Off Benefit* (DWP report No. 177, 2002).

³⁴ WRC, *Self-Employed and the Long-Term Unemployed*, in Kellard, K., Legge, K. and Ashworth, K. *Self Employment as a Route Off Benefit* (DWP report No. 177, 2002)

³⁵ Baumgartner, Jans, J. & Caliendo, Marco, *Turning Unemployment into Self-Employment: Effectiveness and Efficiency of Two Start-Up Programmes*. Institute for the Study of Labor (2007).

³⁶ Cueto, B. *The Spanish capitalization of unemployment benefits programme. Has it any effect on self-employment flows?* Department of Applied Economics, University of Oviedo (in press).

3.20 However, aspects of this study's methodology (with respect to deadweight estimates) are unclear, which brings into question these findings for Northern Ireland³⁷.

The impact of other support

3.21 The evaluation of the New Deal Self-Employment Route in Northern Ireland reported that the majority of participants rated both advice given about self-employment generally and advice given on individuals' specific business ideas as helpful:

- Seven in ten participants stated that they 'could not have managed without' the advice given about self-employment generally or rated it as 'very helpful';
- Under six in ten stated that they 'could not have managed without' the advice given about their specific business idea or rated it as 'very helpful'³⁸.

3.22 Evaluation by Meager (2001)³⁹ of the support offered by The Prince's Trust suggested that the ongoing 'mentoring' service of the scheme at least partly contributed to the scheme's high business survival rates: 60% still trading after 3 years. Of those participating in the Prince's Trust scheme whose businesses did not survive, over half sought advice when they felt their self-employment status was at risk, and three-quarters of these advice seekers found the advice useful. While it is not known to what extent the advice helped to minimise their losses, those interviewed for the research stressed how important this advice was. Qualitative research showed that the advisers were often able to give advice about potential future options, and that – at least partly as a result of this ongoing support – the skills, experience and confidence gained were valued by the participants even where business had failed.

3.23 There is also evidence that the particularly strong advice component of the French support for new businesses (i.e. reviews of business plans, increased training opportunities) can reduce failure rates by 50%⁴⁰.

³⁷ The Peer Consulting analysis of deadweight used a 'subjective weighting' when calculating partial deadweight, i.e. the percentage of those saying that the support received increased the chances of successful business start-up, who should be added to the overall deadweight estimate. This subjective weighting is not explained and so it is difficult to make any assessment of its reliability.

³⁸ Peer Consulting, for the Department of Employment and Learning, *Evaluation of the New Deal Self-Employment Route* (Belfast, Department of Employment and Learning, 2005). Note that precise percentage comparisons are not made between the two.

³⁹ Social Exclusion Unit, *Enterprise and Social Exclusion: National strategy for Neighbourhood Renewal*, in Kellard, K., Legge, K. and Ashworth, K. *Self Employment as a Route Off Benefit* (DWP report No. 177, 2002).

⁴⁰ Human Resources and Skills Development Canada, *Evaluation of the Self-Employment Assistance Program(1995)*

- 3.24 In addition a retrospective evaluation by the OECD in 1995⁴¹ of the Spanish Government's capitalisation of benefits programme between 1986 and 1992 concluded the scheme was poorly designed and managed, due in substantial part to a lack of knowledgeable support, advice and experience from those implementing the scheme. As a result there was little faith that businesses started under these conditions would survive⁴², and was a factor in the Spanish Government's aforementioned decision to restrict the scheme's eligibility criteria.
- 3.25 Similarly, a report from Durham University Business School in 2004⁴³ evaluated the types of support most effective in aiding the transition from unemployment to self-employment. The two overriding 'drivers of success' appeared to be the provision of:
- 'Tailored' advice, in terms of a support agency's ability to act as a broker / signpost participants to specific and relevant sources of information and support – a skill found to be lacking among Job Centre Plus staff who were felt to be not particularly effective at putting unemployed people in touch with the specific organisations that could have helped them;
 - One-to-one learning sessions with individuals who have already made the transition from unemployment to self-employment so that experiences and know-how can be shared first hand. The authors note that this places emphasis on the use of 'local' and 'immediate' role models in training courses and the importance of allowing 'time out' for participants on such training courses to discuss specific issues with each other and with agency staff.
- 3.26 This study also cited positive feedback on New Deal Test Trading and Working Tax Credits from participants who had experienced these schemes.
- 3.27 Studies of the Six Month Offer by IFF Research and PSI suggest some areas for potential improvement, in terms of how this non-financial support is accessed:
- Signposting potential participants to the next steps of self-employment support – the IFF survey of over 6,000 Job Seeker's Allowance customers found that, although over half of those who recalled being told about the Self-Employment Support strand and did not access it were simply not interested in it, one in twelve (8%) said that they did not take it further because they did not know how to access it or what to do next. The PSI report on this noted that, at least initially, potential participants had been handed contact details and left to contact self-employment support providers themselves – resulting in a low numbers of starts – but that this had gradually shifted to a 'warm handover' telephone call made by the Jobcentre Plus adviser with the potential participant present⁴⁴;

⁴¹OECD, 1995, *Self-employment programmes for the unemployed: papers and proceedings from a joint US Department of Labor*, in Cueto, B. *The Spanish capitalization of unemployment benefits programme. Has it any effect on self-employment flows?* Department of Applied Economics, University of Oviedo (in press).

⁴²Toharia, L. *The Labour Market in Spain (2008)*, in Cueto, B. *The Spanish capitalization of unemployment benefits programme. Has it any effect on self-employment flows?* Department of Applied Economics, University of Oviedo (draft in press).

⁴³Sear, L. and Grewer, N. *Routes from Unemployment to Self-Employment*, Durham Business School Summary Report (2004).

⁴⁴Sandra Vegeris, Kim Vowden, Christine Bertram, Rosemary Davidson, Fatima Husain, Karen Mackinnon and Deborah Smeaton, PSI, *'Support for Newly Unemployed and Six Month Offer evaluations: A report on Qualitative research findings'* (Department for Work and Pensions, UK, 2010)

- Speed of handover from Jobcentre Plus to the support provider (e.g. Business Link) – amongst the 1,001 participants surveyed by IFF who entered the Self-Employment strand, there was a considerable delay of, on average, 5.4 weeks between referral and contact with the support provider⁴⁵. The PSI report on this suggested that this delay was driven by the funding structure for delivering the support⁴⁶;
 - Encouraging participants to take up and attend more intensive business advice/support – the PSI qualitative study noted that self-employment support providers reported they felt underutilised, with take up of more intensive support lower than expected and high fail-to-attend rates (e.g. it was estimated that typically only 60% of those registering for information workshops actually attended)⁴⁷;
- 3.28 An evaluation of the existing provision in the UK by Barbour also highlighted the importance of raising awareness of the support available, particularly among the Job Centre Plus staff who were not sufficiently knowledgeable on the different options (or self-employment in general) to be able to confidently refer unemployed people to self-employment support⁴⁸.

Other commentator analysis

- 3.29 Meager comments on some of the difficulties that have been encountered historically by those attempting to analyse the factors that contribute most to unemployed people entering self-employment. In his view, a key barrier is that the self-employed are an extremely varied group. For example, some of those who are supposedly self-employed are in effect 'hidden' wage employees (i.e. working almost exclusively for a single organisation, albeit without a formal contract). This, in his view, makes it difficult to robustly model self-employment levels. Meager also notes that there are considerable variations between schemes in terms of the type, magnitude and duration of financial support; the types of other advice/support; and the characteristics of scheme participants, leading to a lack of readily comparable data. This has made it very difficult to make comparisons to 'test in any rigorous statistical sense the relative contribution of the different influences to self-employment growth'⁴⁹.

⁴⁵Lorna Adams, Katie Oldfield, Laura Godwin and Charlie Taylor, IFF Research, 'Evaluation of the Six Month Offer: A report on quantitative research findings'(Department for Work and Pensions, UK, 2010)

⁴⁶Sandra Vegeris, Kim Vowden, Christine Bertram, Rosemary Davidson, Fatima Husain, Karen Mackinnon and Deborah Smeaton, PSI, 'Support for Newly Unemployed and Six Month Offer evaluations: A report on Qualitative research findings' (Department for Work and Pensions, UK, 2010)

⁴⁷Sandra Vegeris, Kim Vowden, Christine Bertram, Rosemary Davidson, Fatima Husain, Karen Mackinnon and Deborah Smeaton, PSI, 'Support for Newly Unemployed and Six Month Offer evaluations: A report on Qualitative research findings' (Department for Work and Pensions, UK, 2010)

⁴⁸ Barbour, A. *Government Support Programmes for the Self-Employed in the UK: Analysis of the existing provision*, Community Links Trust, Social Enterprise Zone (2003).

⁴⁹Meager, N., 'From Unemployment to Self-employment: Labour Market Policies for Business Start-up' in Schmid, G., O'Reilly, J. and Schömann, K. (eds) *International Handbook of Labour Market Policy and Evaluation* (UK, Edward Elgar, 1996)

- 3.30 In addition, Meager gives an overview of attempts to measure the effectiveness of schemes aiming to introduce the unemployed into self-employment. He notes the following success measures that have been used to evaluate the various schemes, together with difficulties inherent in trying to measure some of these:
- Although unemployment to self-employment schemes typically aim to reduce unemployment rates by moving unemployed people off the unemployment register and into self-employment, the accuracy of this is typically compromised by deadweight (i.e. effects achieved by intervention vs. those that would have occurred anyway);
 - These schemes also seek to reduce unemployment through the participant's new business creating further jobs. However, the accuracy of job creation measures is also compromised by both deadweight and displacement (i.e. the extent to which the new jobs being created results in others becoming unemployed);
 - The extent to which these schemes foster a broader 'enterprise culture' has been considered relevant in the UK, but this is subjective and therefore difficult to assess;
 - In a minority of schemes, notably in Germany, an explicit objective has been to use self-employment to steer the unemployed away from low-wage employment. Where this is an objective, any evaluation must include measures of the impact of the scheme on income levels (and, arguably, on future earning prospects, including retirement earning capability and pension entitlements);
 - In some countries, a stated objective is also to improve the general employability of those entering self-employment, so that – even if the new business does not survive, the individual's employment prospects are improved. To evaluate this requires longer-term tracking of individuals' employment histories⁵⁰.
- 3.31 Despite these difficulties, Meager provides an overall summary of the characteristics and performance of schemes in four countries (Germany, Denmark, France and the UK). In his summary Meager cites:
- Scheme characteristics:
 - eligibility criteria required to access the scheme in terms of both the individual and their potential business
 - the type and level of payment granted (lump sum or allowance, low / medium / high)
 - the duration of support (low / medium / high)
 - the level of support and training provided (low / medium / high)
 - Scheme performance:
 - deadweight rates
 - business survival rates
 - displacement
 - extra jobs created

⁵⁰Meager, N., 'From Unemployment to Self-employment: Labour Market Policies for Business Start-up' in Schmid, G., O'Reilly, J. and Schömann, K. (eds) *International Handbook of Labour Market Policy and Evaluation* (UK, Edward Elgar, 1996)

- 3.32 The success of a scheme is therefore not measured solely by business survival rate. The country providing arguably the most effective scheme overall could be said to be France: business survival rate is 'average' (rather than 'good' in Denmark, 'poor' in the UK and 'unclear' in Germany); however the scheme produces a 'high' level of extra jobs with displacement likely to be 'low'. Interestingly this is the only scheme of the four that provides a lump sum in payment (all others provide allowances), and specifically vets each business plan. Level of payment provided is 'medium'.
- 3.33 In terms of survival rates, Denmark's scheme (which provides 'high' payment level for a 'high' period of time) is rated the best, however extra jobs created are 'low' and (more of an issue if a central aim of these schemes is tackling unemployment) displacement is likely to be 'high'. Meager suggests a contributing factor of the high displacement in Denmark could be the 'high' level of subsidy provided, as well as the over-representation of the service sectors.
- 3.34 There is also some evidence that the following factors, external to the type of support being offered, influence the chances of entering and remaining in self-employment:
- **Gender** – with males being more likely to access self-employment support (IFF Research) and to enter employment⁵¹ (Dockery);
 - **Age** – with over 25-49 year olds being more likely to access self-employment support (IFF Research), and those aged 18-24 being under-represented (IFF, Peer Consulting). Those aged 18-24 and those aged 55+ are less likely to find employment (Dockery);
 - **Education** – with those with lower educational attainment being less likely to enter employment (Dockery) and remain in self-employment (Peer Consulting);
 - **Health** – with those describing themselves as in fair or poor health being less likely to remain self-employed (Peer Consulting);
 - **Access to a motor vehicle** (Peer Consulting);
 - **Home ownership**, as a source of capital, having potential to increase the chance of entering and remaining in self-employment (Meager, Peer Consulting);
 - **Co-habitation**– those living with a partner are more likely to enter test trading in the UK as part of the New Deal according to Kellard et al (2002), however they acknowledge the link between this factor and age. That said, the authors also report that much of the success of self-employment can rely on unpaid or informal help from family and friends;
- Previous amount of time spent on Jobseekers' Allowance (JSA), or equivalent** – Kellard et al reported that those with no previous experience of JSA were the most likely to enter sustained employment (including self-employment) after a period of test trading. Among those with previous experience of JSA, likelihood of entering sustained employment following a period of test trading decreased with amount of time spent claiming JSA. Dockery's findings for NEIS in Australia also found that incidence of sustained employment deteriorated after participants had been unemployed for 18 months or more (with this negative effect being more pronounced in those unemployed for 2 years or more).
- 3.35 Overall, we note that there appears to be little analysis in these studies either of the timing of support or of the impact of broader cultural awareness of self-employment opportunities.

⁵¹ Dockery analyses the success of support in terms of the proportion in employment overall, rather than in self-employment specifically.

Conclusions from the literature review

- 3.36 This review sought to explore the effectiveness of different self-employment support schemes, particularly considering the impact of the filtering processes and the types of funding and business support received.
- 3.37 The effectiveness of a self-employment support scheme can be difficult to measure due to the different interlocking factors that determine what denotes a 'successful' scheme (business start-ups, business continuation, income earned, low deadweight, low displacement, high number of jobs generated). In addition, cost-benefit analyses to determine the efficiency of schemes from a provider's point of view are relatively rare, and few studies are sufficiently long term to establish the more far reaching consequences of this kind of support, e.g. the ongoing health of the businesses that are created and therefore the likelihood of these businesses to provide a lifetime of income for their owners.
- 3.38 In addition, a myriad of factors can contribute to the success of a scheme, some of which are discussed here: the process of filtering participants, type and extent of funding, type and extent of advice and support provided. There was little evidence available on the timing of such support, and the extent to which the broader cultural awareness (or lack of it) of self-employment has an impact.
- 3.39 The evidence from the literature reviewed here suggests a filtering process is no guarantee of a successful scheme, since open-access schemes appear to get similar results in terms of the proportion of businesses still trading three months after the end of the support programme. This issue will be further explored in the primary research later in this report. Related to this, the primary research will also look at the role of those who are responsible for signposting potential participants towards self-employment support (currently the advisers at Job Centre Plus), and the extent of their awareness and understanding of the different options available.
- 3.40 In terms of funding there is not a clear consensus on the type of financial support that is most effective, although the evidence suggests that lump-sum grants (where the grants involved are equivalent to all of, or a substantial proportion of, the participants' annual benefit entitlement⁵²) improve access to higher-margin 'protected' sectors (i.e. those with higher set-up costs), which in turn improves participant income and survival rates. There is also evidence to suggest that, within schemes where an annual allowance is reduced each year, the points at which the allowance is reduced are associated with an increase in those exiting self-employment.
- 3.41 Another main theme is the provision of support and advice. Although there is some evidence that tailored advice, and learning sessions offered on a one-to-one basis, were linked to successful business start-ups, for the most part these studies don't compare the specific content or scheduling of advice sessions within different programmes. There is therefore limited evidence of what is most effective, or at what stage it should be provided. Views of providers and participants on this issue will be explored in the primary research.

⁵² For example, the Spanish Government's benefit capitalisation scheme (cited by Cueto – see 3.13) gave participants the option of receiving a year's worth of benefits as a lump sum, whilst in a Washington State scheme used in an experimental comparison (by Wandner and Messenger – see 3.10), participants were able to obtain all of their remaining Unemployment Insurance (UI) annual benefits entitlement.

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4 Primary research: scope and approach

- 4.1 The primary research was conducted between March and June 2011, and consisted of in depth interviews with self-employment support providers, support participants and stakeholders, in four regions: the North East, North West, South of England and London. All interviews were conducted by members of the project team and experienced senior interviewers.

Self-employment support providers and stakeholders

- 4.2 Self-employment support providers were those involved in either delivering DWP's Six Month Offer via Business Link, or the New Deal Self-Employment programme, contracted by Jobcentre Plus and delivered by InBiz. The table below summarises differences in eligibility and scheme features between the two programmes.

Table 4.1: Summary of Six Month Offer and New Deal self-employment programmes

	Programme	
	<i>Six Month Offer (Business link)</i>	<i>InBiz's delivery of the New Deal Self Employment Scheme</i>
Eligibility criteria	After claiming JSA for 6 months (or 3 months, from February 2010), customers received mandatory extra advisory support from a Jobcentre Plus personal adviser. This acted as a gateway to a choice of one of four strands (one of which was support to enter self-employment)	After 18 months claiming JSA (or 6 months if aged 16-24), customers are enrolled either on the mandatory New Deal or Pathways To Work programme, in which participants can choose a self-employment option
Referral process	If customer expresses interest in the Self-Employment strand of Six Month Offer, the JCP advisor will then refer to Business Link (England), Business Gateway/Training for Work (in Scotland) and Flexible Support for Business (in Wales)	After customer expresses interest in self-employment option, JCP adviser will refer them to InBiz.
Programme features	<ul style="list-style-type: none"> Customers follow different routes depending on initial assessment Initial assessment carried out over the phone by Business Link adviser Those with detailed plans referred to Business Link website, workshops and helpline Those requiring more support referred to Enterprise Coaching and/or Start Up Support with mentor 	<ul style="list-style-type: none"> All participants follow same route through InBiz course: <ul style="list-style-type: none"> One-to-one face-to-face interview to meet adviser and assess business idea (stage 1) Intensive sessions – both one-to-one and in classroom – on aspects of self-employment e.g. book keeping, marketing, research (stage 2) Test trading period during which participant can trade while still receiving JSA (stage 3) Consistent adviser throughout
Financial support	Self-Employment Credit replaces JSA - £50 per week for the first 16 weeks of trading	JSA + £15 a week for three months of test trading
Length of programme	16 weeks, with an extra 4-6 weeks Enterprise Coaching if necessary	13 weeks (reduced from 26 weeks in October 2010)

Programme dates	2009 - 2011	2000 - 2010
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- 4.3 Providers were either advisers themselves, or area managers. Stakeholders included those from Local Enterprise Partnerships (LEPs) and A4e (Action for Employment), a private organisation specialising in helping people to access training and employment support.
- 4.4 In each of the four regions (North East England, North West England, Southern England and London), IFF conducted:
- A half day visit at a Business Link office
 - A half day visit at an InBiz office
 - An in depth interview over the telephone with a LEP contact

In addition, one in depth interview was conducted with a contact at A4e in the North East.

- 4.5 Providers and stakeholders were approached following contact from BIS, with some 'snowballing' occurring on occasion to reach the most appropriate person to interview.
- 4.6 Telephone interviews lasted between 30 and 60 minutes, and face-to-face interviews generally between 45 and 90 minutes.
- 4.7 The table below summarises the number of providers and stakeholders interviewed:

Table 4.2: Spread of interviews across providers / stakeholders and region

Provider / stakeholder	Region				TOTAL
	North East	North West	South	London	
InBiz <i>Face-to-face</i>	2	2	2	3	9
Business Link <i>Face-to-face</i>	2	2	2	2	8
LEPs <i>Telephone</i>	1	1	1	1	4
A4e <i>Face to face</i>	1	-	-	-	1
Total	6	5	5	6	22

Support participants

- 4.8 Support participants had all been involved in the New Deal Self Employment programme delivered by InBiz, therefore participant feedback comes only from participants in the New Deal Self-Employment InBiz programme. Overall, IFF conducted the following interviews/focus groups with support participants:
- 23 interviews with those who had completed the support programme

- 10 interviews with those who had started the support programme but had abandoned it before completion
 - 4 focus groups (one per region), each attended by 8-10 participants.
- 4.9 Contacts were approached in the first instance by InBiz with a letter explaining the research and asking those willing to 'opt in' either by telephone, email or letter. Those who had completed the New Deal InBiz course (who had therefore completed a period of test trading while receiving benefits) and those who did not complete the New Deal InBiz course, were sent different letters:
- Completers were sent a letter asking them to opt in to a face-to-face interview lasting 45-60 minutes for an incentive payment of £50
 - Non-completers were sent a letter asking them to opt in to a telephone interview lasting 25-30 minutes for an incentive payment of £25
 - Further non-completers were approached with a second letter following an initially low non-completer response, with many of these initial 'non-completers' actually having gone on to complete the support. The second letter was sent to an additional group of non-completers and again asked participants to opt in to a telephone interview lasting about 30 minutes, with an increased incentive payment of £40.
- 4.10 The focus groups were recruited from completers who had opted in, by asking them if they would be willing to attend a focus group instead of an interview for the same incentive payment.
- 4.11 The interviews were transcribed verbatim and read by the project team to identify initial themes, which were discussed at length within the team, across several meetings and at different stages of the analysis. Each interview was then entered into an analysis framework to allow further comparisons and connections to be made, themes to be checked and further detail to be explored.

Overview of the self-employment support discussed

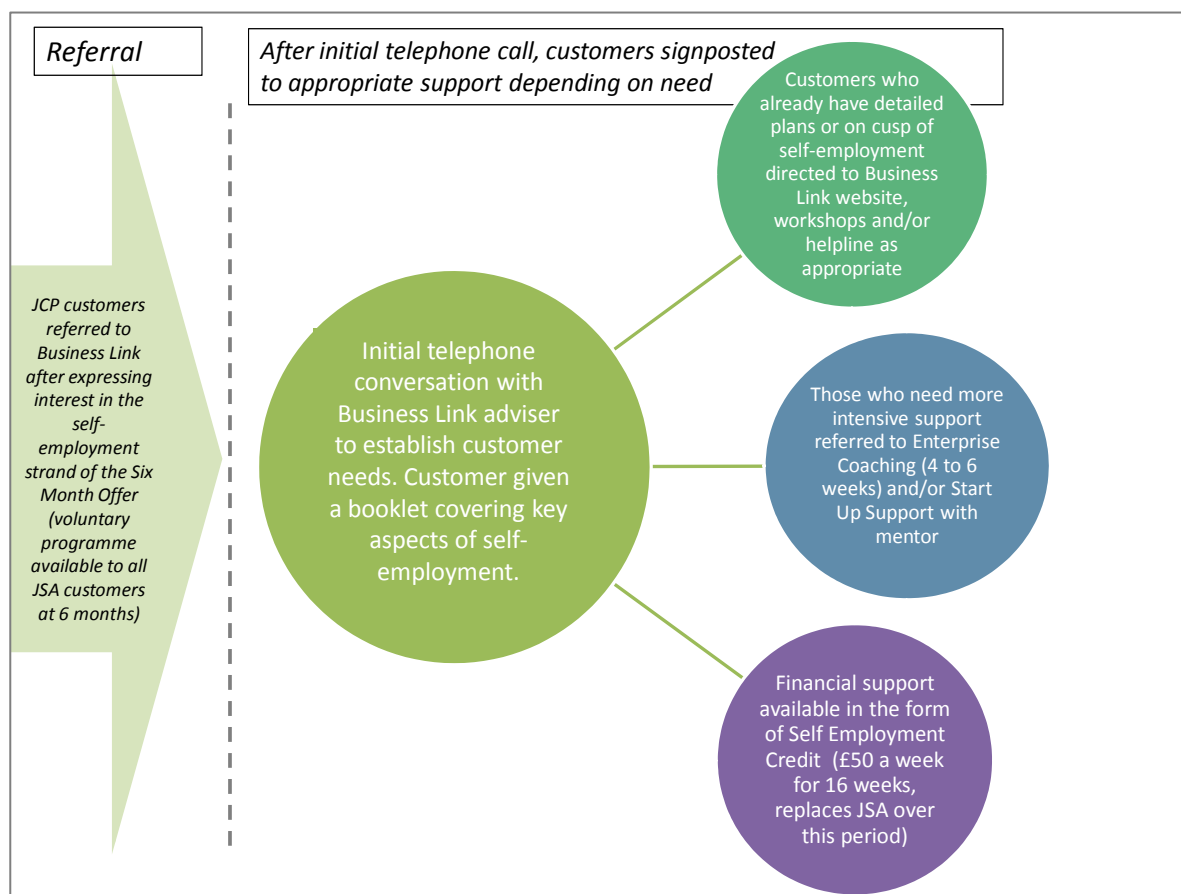
- 4.12 Scheme participants and scheme delivery staff were asked to discuss their experiences of receiving or delivering self employment support.
- 4.13 At the time the fieldwork took place, two specific welfare to self-employment programmes were operational and formed the basis of discussions:
- The **InBiz New Deal Self-Employment Programme** delivered to Jobseekers' Allowance or Incapacity Benefit / Employment and Support Allowance customers as part of the New Deal or Pathways to Work Jobcentre Plus contracted provision.
 - The **Six Month Offer for the Unemployed: Self-Employment Option** delivered by Business Link in England following referral by Jobcentre Plus.
- 4.14 As noted, whilst only scheme participants from the InBiz New Deal Self-Employment Programme were interviewed, *delivery staff* from *both* schemes were included in the research.
- 4.15 Other self-employment programmes aimed at those out of work existed at the time of fieldwork (for example those run by other New Deal providers such as A4e in some regions in England) but due to difficulties identifying willing participants the research was limited to the programmes mentioned above. Furthermore, it was only possible to access a sample of programme participants in the case of the InBiz programme so, as noted, support participant feedback comes only from those who experienced the New Deal InBiz programme; perspectives on the Six Month Offer programme come only from Business Link staff⁵³.
- 4.16 The remainder of this chapter describes the structure and content of the InBiz and the Six Month Offer programmes in more detail. The research evidence presented in Chapters 4 to 7 of this report draw largely on the experiences of the participants in the New deal InBiz programme and delivery staff from the two programmes and should be interpreted in this context.
- 4.17 While the main focus of the research was the InBiz and Business Link programmes, several of the InBiz and Business Link staff and other stakeholders interviewed for this research had worked in the field of welfare to self-employment support for a long time and spontaneously drew on a wider range of programmes and initiatives when discussing what made schemes successful – bringing in experiences and views from previous incarnations of test trading and New Deal Self Employment support as well as previous support schemes such as the Self-Employment Provision delivered as part of the Work-Based Learning for Adults programme.

⁵³ However reference is made throughout the report to a recent survey of Six Month Offer participants conducted by IFF Research on behalf of the DWP.

Overview of the Business Link Six Month Offer Programme

4.18 Figure 4.1 below illustrates the Business Link model for delivery of the Six Month Offer Self-Employment Support.

Figure 4.1: Business Link Six Month Offer Programme



4.19 Referral to the self-employment strand of the Six Month Offer programme was open to all JSA customers who had claimed consecutively for six months (other strands on offer were work-focussed training, a volunteering placement and a recruitment subsidy paid to employers). The Six Month Offer was a programme of voluntary participation introduced in response to the recession in April 2009.

4.20 At the point of referral advisers would issue a 'No Nonsense' Guide to self-employment and arrange an initial telephone conversation with a Business Link adviser. This call was an opportunity for the individual to find out more about the support on offer to the participants and to decide whether it was a route they wanted to explore further. At this stage Business Link would also identify what stage that customer was at in moving towards self-employment and would refer them as appropriate to either:

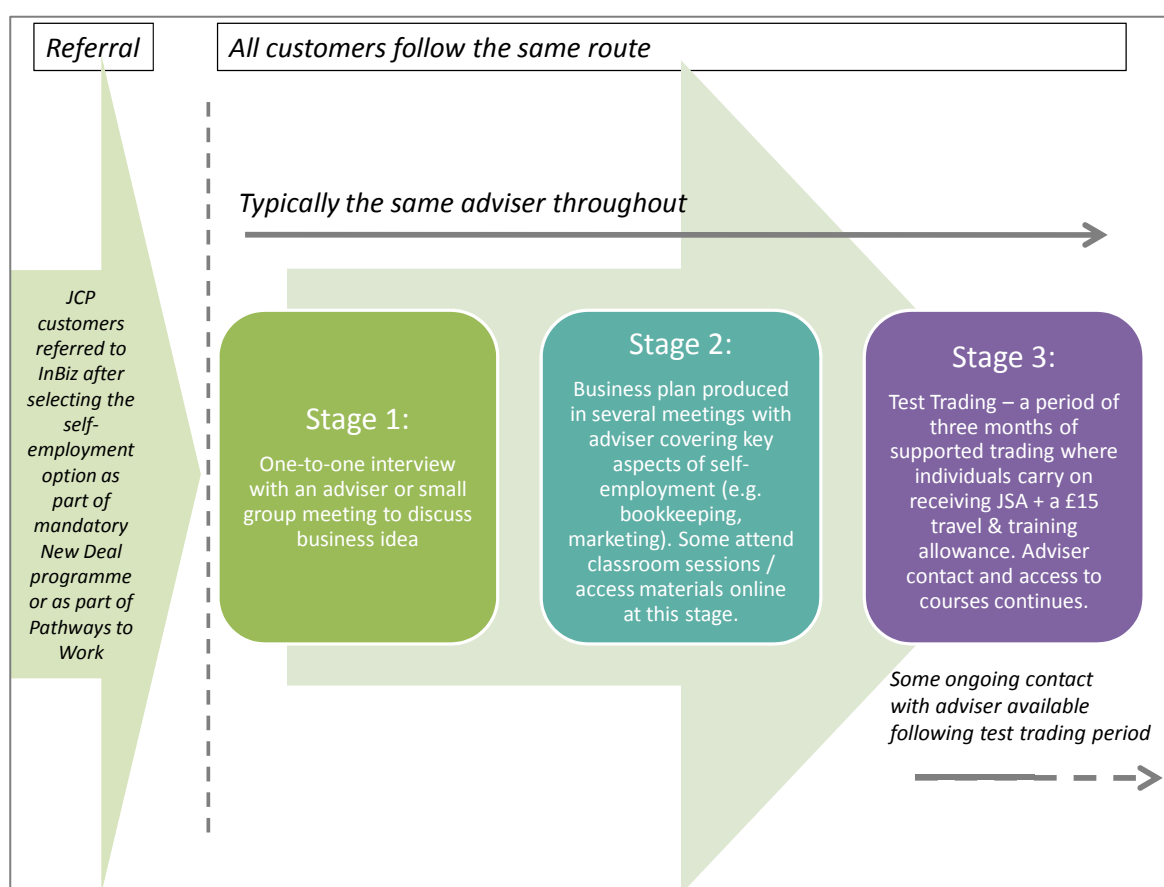
- light-touch support through their website, helpline or start-up workshops (for those who already had detailed plans or were some way towards self-employment already); or
- more intensive support in the form of one-to-one coaching or mentoring (for those who needed time and effort to help them overcome social, confidence and informational barriers to self-employment).

4.21 As part of this programme customers could also move onto a Self-Employment Credit *instead* of JSA for up to 16 weeks. Self-Employment Credit amounted to £50 a week (slightly under the basic JSA rate⁵⁴). During this period it was also possible to access one-off lump sum financial support through JCP (via the Adviser Discretionary Fund) to help with purchases of necessary equipment, clothes or travel costs.

Overview of InBiz programme structure

4.22 Figure 4.2 below illustrates the customer journey through the stages of the InBiz New Deal programme.

Figure 4.2: InBiz New Deal Programme



4.23 As shown in Figure 4.2, all participants of the InBiz programme followed a broadly similar route irrespective of their starting point. Whilst the content of any information, advice or guidance delivered could be tailored to an individual the structure as shown above was delivered consistently. The support was divided into three stages which participants progressed through in turn:

⁵⁴ £60.50 at the time of the research

- Stage 1: This was typically a one-to-one meeting lasting around an hour with an InBiz adviser to discuss an individual's business idea and current situation.
 - Stage 2: This usually took place over 3 or 4 meetings with an adviser over the course of around a month (though could vary depending on customer need). During Stage 2 the InBiz adviser worked with an individual to develop a business plan and provided support in key areas such as bookkeeping or marketing, drawing on other resources as needed. In some cases participants could attend group sessions rather than one-to-one sessions with an adviser.
 - Stage 3: Those who progressed to this stage undertook a period of test trading where they carried on receiving JSA but were not required to look for work or fulfil other conditions of JSA, but could concentrate on developing their business. On top of JSA, participants also received a £15 a week travel and training allowance throughout this period. They continued to see their InBiz adviser (typically fortnightly) and could also be referred to courses or workshops (for example HMRC-run sessions on tax) as appropriate. Previously, the InBiz programme had allowed a longer period of test trading (up to six months) and there had been scope to link up with the Jobcentre Plus Adviser Discretionary Fund to provide small one-off lump payments but these elements were no longer available at the time of the research.
- 4.24 The mix of Jobcentre Plus customers referred to the InBiz programme was reasonably varied. Customers referred under New Deal 25+ had typically been claiming for at least eighteen months before being mandated to take part in one New Deal 'option' (of which self-employment support could be selected in discussion with a New Deal personal adviser). Younger claimants accessed the New Deal programme earlier at six months into their claim. People claiming incapacity benefits could also be referred to InBiz's programme under the Pathways to Work programme. Fast-tracking to the InBiz programme was also available in some cases (e.g. for ex-offenders, service people leaving the armed forces, women returning to work after a period of caring for others).

Differences between the InBiz and Six Month Offer Programmes

- 4.25 While there were many similarities in the type of support delivered by both the InBiz New Deal Self-Employment programme and the Six Month Offer Self-Employment Programme there were a few notable differences, namely:
- **The amount and structure of the financial support available:** the test trading stage available under the InBiz programme provided a small regular amount on top of basic JSA payments but no lump sum payments vs. the lower than JSA Self-Employment Credit payment in combination with possible small lump-sum Adviser Discretionary Payments available under the Six Month Offer.
 - **The consistency of the customer journey through the programmes:** the nature and level of provision received under The Six Month Offer delivered by Business Link varied significantly depending on customer type with some receiving very light-touch support and others receiving intensive coaching. The route through the InBiz programme was considerably more standardised amongst all participants.
 - **The timing of the intervention:** Most Six Month Offer customers had been claiming for around six months (although there was some fast-tracking to this support and some longer term claimants accessing it) while many of those referred to the InBiz programme were longer term claimants of 18 months or more.
- 4.26 The remainder of this report presents the experiences of those participating in the InBiz scheme and the providers of both the InBiz and Six Month Offer schemes and explores in more detail the themes

mentioned above to discuss what is most effective at moving the unemployed into long term sustainable self-employment.



5 Access to self-employment support

Chapter summary

Both providers and individuals participating in self-employment support delivered as part of the New Deal InBiz programme felt that there was only limited effort to promote awareness of self-employment support in Jobcentres. They also felt that Jobcentre Plus advisers could be selective about who they mentioned self-employment support to.

Generally providers felt more should be done to encourage individuals to consider self-employment and to overcome cultural barriers that exist. Stakeholders were keen to point out that some groups lack role models in terms of people from their own background who have successfully started their own business; and that terms such as 'starting a business' and 'entrepreneurship' are difficult to relate to or even intimidating. Some felt that there was a case for outreach work with specific communities who may not consider self-employment – for example, those about to be discharged from prison, those on incapacity benefit and lone parents.

Providers were generally opposed to any form of sifting to access self-employment programmes. They stated that it was very difficult to establish likelihood of success and that some of the criteria that have been used elsewhere (levels of motivation or existence of a worked-up business idea) were often poor predictors of success. It was generally considered preferable to screen out those who lack motivation or whose business ideas prove unworkable on an ongoing basis throughout the programme. Adopting this approach gives the support provider an opportunity to identify and nurture the self-employment potential among individuals who have not considered self-employment before.

Most of the participants interviewed had been able to access self-employment support after 18 months of continuous claiming. Both providers and participants felt there was a strong case for earlier access. Providers felt that there were a number of factors that made it harder for individuals to enter self-employment as the length of unemployment increases including the dwindling of any capital, skills and contacts becoming out of date and a loss of confidence. This is backed up by other studies referenced in the literature review⁵⁵. Some participants who had wanted to enter self-employment from the start of their claim felt that they had simply been 'waiting' through this period to access the support they required.

Both providers and participants felt there was a strong case for raising awareness of the availability of support from the start of a claim, so that those with the strongest motivation have the chance to seek out the support independently.

⁵⁵ Kellard et al (2002) found that the likelihood of entering sustained employment following a period of test-trading decreased with amount of time spent claiming JSA. Dockery's findings for NEIS in Australia also found that incidence of sustained employment deteriorated after participants had been unemployed for 18 months or more (with this negative effect being more pronounced in those unemployed for 2 years +). For further information on the research process and the literature review please see pages 13-14 (overview of the research process) and pages 15-27 (the literature review findings).

Introduction

- 5.1 This chapter explores issues around access to self-employment support covering;
- The extent to which self-employment support is advertised or promoted to JSA customers;
 - The 'qualification criteria' for self-employment support;
 - The extent to which interested customers are 'sifted'.

Raising awareness of self-employment support offers

- 5.2 Both participants and providers felt that there were insufficient efforts made to promote the self-employment offers available through Jobcentre Plus. Both parties suspected that Jobcentre Plus advisers only suggested self-employment support to those that they considered to be sufficiently motivated or to have sufficiently well-developed business ideas and they questioned the ability of advisers to make these judgements. Other providers simply felt that workload pressures and the wide range of provision available with complex accessibility requirements made it difficult for Jobcentre Plus advisers to stay 'on top' of the options available and – that even if they were aware of the full range of options – the time available for customer meetings made discussing all options available with all customers impossible.
- 5.3 To a certain extent providers who are rewarded on a 'per attendee' basis will always be keen to increase numbers of participants and Jobcentre Plus advisers may have specific instructions to limit take-up of particular types of support for budgetary reasons. However, the experience of participants did vary greatly in terms of securing access to self-employment support and it was difficult to see any systematic pattern in who had and who had not been proactively offered the support from among those that were interviewed.
- 5.4 Some customers felt they were quite heavily encouraged to attend the InBiz self-employment scheme while others felt that they were discouraged or initially told that no support was available. Several of the participants interviewed for this research had only been able to access self-employment programmes because they had become aware of them (through word-of-mouth or their own research) and had specifically requested access. In some cases these were individuals with a previous history of self-employment who had hit a 'rough patch' and needed some support to get them trading again, for whom a discussion about a return to self-employment might seem a logical first step to any discussions with a Jobcentre Plus adviser. Some customers were only presented with the option of self-employment support when they stated that they were not interested in other programmes offered (including instances where people were told that if they did not attend the self-employment programme then they would need to undertake courses that they had already participated in previously). However, the pathway to *entering* support did not appear to influence whether or not support-completers were earning money through self-employment at the point at which we interviewed them.
- 5.5 Providers generally agreed that in the current context – whereby a referral from JCP is required for JSA customers to access self-employment support - the solution to ensuring that JSA customers are made aware of the self-employment support offers available is close working relationships between providers of self-employment support and JSA advisers. There was no clear consensus on how this is best achieved:
- Some support providers felt that having a weekly presence in Jobcentre Plus offices at a consistent time was the most effective route. They felt that with this approach Jobcentre Plus advisers would be

prepared to suggest to customers that they spoke directly to the support provider, allowing the provider to clearly lay out what support is and is not available.

- Other support providers felt that it was sufficient for them to regularly meet frontline Jobcentre Plus staff in order to build relationships and to 'pitch' their services, with a need for regular pitches because of high turnover among Jobcentre Plus staff. However, they argued that the relatively low numbers of job seekers for whom self-employment support would be relevant, who would be present on the Jobcentre Plus premises on any given day meant that establishing a regular presence in Jobcentre Plus offices would not be an efficient use of resource;
- In addition, some stakeholders argued that it is actively beneficial for the first contact with self-employment support providers to be *removed from* the Jobcentre Plus site on the basis that it is easier to build participant trust in the support provider if they can be positioned as an independent community-based resource rather than as an extension of a state institution;

"Providers...they will have their own...brand which make it look far more interesting; far less like it's a government project or government programme... But with the JCP badge on, that is an instant turn-off to a lot of people." (Stakeholder)

- 5.6 Beyond building a better awareness of the self-employment offers that are available so that Jobcentre Plus advisers present them as an option to all those who might benefit, providers tended to agree that the success of existing programmes is constrained by cultural barriers that tend to prevent some groups of unemployed people *from less affluent backgrounds* even considering self-employment. They reported that this is often the case if individuals do not know of anyone from their own background who has started a successful business, meaning they lack role models necessary to persuade them that self-employment is a real possibility for them.
- 5.7 Providers also felt that these groups were put off by the language used to describe self-employment and self-employment support programmes. They stated that in their experience terms such as 'enterprise', 'entrepreneurship', 'starting a business' and even 'self-employment' can be intimidating and difficult to relate to.
- 5.8 To address these barriers, stakeholders suggested that more proactive approaches to encourage consideration of self-employment might be required, beyond simply presenting JSA customers with an 'option'. They suggested that the concept of self-employment should be introduced as follows:
- Successful entrants to self-employment *from the same community or background* should be used to communicate the potential to do this, e.g. via written case studies or talks;
 - The concept of self-employment should be communicated by, firstly, discussing individuals' skills, experience or enthusiasms, and then introducing the possibility that they might be able to *earn a living* from these.

"Having heard about the skills, the experience, what they [unemployed individuals] like doing, what they're enthusiastic about and the rest of it, [say] 'have you ever thought of doing this, working for yourself and earning a living this way?' Now that's entirely different to starting a business. If you're talking to the long-term unemployed...people who are disadvantaged long-term economically, and inactive, it is a real...turn-off to talk about entrepreneurs and being in business...so the language is important." (Support provider)

- 5.9 The second of these points is supported by the participants interviewed. Many of them described how the notion of self-employment was successfully introduced to them by using skills, experience or

interests as a starting point. This resonated with them, when 'enterprise' or 'starting a business' would not have done so.

- 5.10 Beyond this, stakeholders made a case for outreach work to specifically target certain groups and tackle cultural barriers to considering self-employment; for example, those on incapacity benefit, those in prison and approaching release, and lone parents. This might involve activities to engage individuals in prisons, GP surgeries and in Sure Start groups.

"They have got people working in prisons...so that they don't just fall back into their old ways ...you might warm somebody up while they are in prison to thinking of self-employment... There is lots of work being done in doctor's surgeries for people who are long term sick...[having] a presence in there to prove that there is other options than staying on benefits. So I think it's thinking about different client groups and trying to offer again bespoke solutions." (Support provider)

- 5.11 Stakeholders emphasize that any outreach work of this nature would need to communicate the messages discussed above, i.e. that it is possible to make a living from one's skills, experience and interests, and that other people from the same background have successfully made a living in this way but also focus on the flexibility of self-employment, which can allow individuals to make a living whilst also accommodating restrictions imposed by illness, disability or childcare commitments.

Qualification criteria for self-employment offers

- 5.12 All of the participants that we spoke to took part in the self-employment programme run by InBiz under the New Deal, with the majority (who were aged 25 or over) accessing support via the New Deal 25+, with a few younger participants accessing it as part of the New Deal for Young People (NDYP). Under ND25+, customers were usually only able to access this programme after 18 months of continuous JSA claiming, although there were some circumstances under which customers could be fast-tracked, while under NDYP, customers could access support of this nature after 6 months continuous claiming.
- 5.13 The providers at both Business Link and InBiz had experience of running previous programmes which could be accessed after different lengths of time that they were able to draw on in discussing optimum 'entry criteria' for self-employment programmes.
- 5.14 Generally providers and participants were in favour of self-employment support being made available sooner than 18 months, and suggested that support could be offered after about 6 months of claiming JSA. Participants talked in terms of 18 months of wasted JSA payments while they waited to access self-employment support. Older customers who felt they were very unlikely to find work with an employer and felt that their time had been unproductively spent making job applications over this period made this point particularly strongly.
- 5.15 It was also felt that effective 'sign-posting' to alternative sources of self-employment support should be available immediately. Some JSA customers described their frustration whilst waiting for the support to become available when they had known 'since day one' that they wanted to become self-employed. Generally, these were individuals with a previous history of self-employment or who were looking to work on a freelance basis in an industry that they already had experience of.
- 5.16 Stakeholders generally argued for earlier access as well. Providers argued that as length of unemployment increases, the chances of making a success of self-employment decrease on the basis that, the longer that an individual is out of work, the more likely they are to experience;
- A loss of confidence;
 - The dwindling of any capital reserves (e.g. savings or redundancy payments);

- Loss of resources valuable to self-employment such as broadband connection or a mobile phone as financial pressures force cut-backs;
- Skills, knowledge and/or contacts becoming out of date;
- Reliance on them playing a greater role in day-to-day family life (for example childcare).

These views are supported by evidence from the literature review of the likelihood of entering sustained self-employment decreasing with amount of time spent unemployed⁵⁶.

- 5.17 Stakeholders appreciated that there is a greater risk of deadweight the earlier customers are given access to self-employment support. However, they felt that those with the ability to set-up in self-employment on an unsupported basis were likely to do so very quickly after starting a claim so that the risk of deadweight falls off quickly with length of unemployment. On the whole stakeholders felt that a period of 18 months before access to self-employment support was far too long and that reducing this to more like 6 months (in line with the period of unemployment required to access the self-employment strand of the 6 Month Offer) would increase the likelihood of successful self-employment without adding substantially to deadweight.
- 5.18 Irrespective of the qualification period for access to intensive support, both stakeholders and JSA customers advocated raising awareness of the range of self-employment support services available from the start of a claim on the basis that;
- Those who are most strongly motivated to enter self-employment may then seek out self-help support independently, thus preventing a frustrating wait from the individual's point of view and potentially enabling them to exit state benefits at an earlier date;
 - Those for whom the concept of self-employment support is more alien will have time to digest and reflect on the idea prior to them (potentially) being referred to the support at a later date.
- 5.19 Some stakeholders suggested that new JSA claimants should be handed some concise written information to take away with them at this early stage. For this to succeed in 'sowing the seeds' early with those for whom self-employment is an unfamiliar concept, clearly the language used in this written information will need to approach self-employment from the angle of the participants' skills or interests, to make it easier to relate to⁵⁷.

"Those leaflets would include some points about being self-employed, pluses and the minuses...the sooner somebody's directed towards self-employment; they can understand self-employment and make the decision whether it's for them or not, in a more informed manner...That would attract the ones that are more motivated, [i.e. to seek self employment support out independently] and...it would save adviser time." (Support provider)

⁵⁶Kellard et al (2002) found that the likelihood of entering sustained employment following a period of test-trading decreased with amount of time spent claiming JSA. Dockery's findings for NEIS in Australia also found that incidence of sustained employment deteriorated after participants had been unemployed for 18 months or more (with this negative effect being more pronounced in those unemployed for 2 years +).

⁵⁷ For example, avoiding terms such as 'enterprise' or 'starting a business', and communicating that it is possible to make a living from one's skills, experience and interests, and that other people from the same background have successfully made a living in this way.

“Give them exactly what it entails and then...some people will say, ‘oh god no that’s not for me’, and others will say, ‘yes I’m really interested’, and then you can advise what happens next face-to-face. [Should this be given to everyone?] I think it should be, why wait until 3 months?” (Support provider)

The extent to which participants in support should be ‘sifted’

- 5.20 The evidence from the primary research conducted for this study indicated that the only ‘sifting’ of claimants to decide who was suitable for self-employment support was administered by Jobcentre Plus staff in the form of deciding who they chose to discuss self-employment options with. We did not interview JCP staff as part of this study but, as mentioned earlier, both stakeholders and participants felt that any sifting of this nature took place on a very subjective basis.
- 5.21 Once referred to providers, neither InBiz nor Business Link imposed any screening criteria to determine who should or should not be allowed access to the support. Some providers mentioned that they took the opportunity in the initial conversation or phone call with individuals to clearly explain what self-employment support they could and could not offer (in particular emphasising that they were not able to provide lump sum grants) and that this in itself often served to ‘screen out’ people who were not seriously interested in self-employment.
- 5.22 Providers were on the whole opposed to more stringent screening because they felt that there was often not an easy way to identify those likely to succeed. While they felt that it was sometimes possible to identify people who had a very good chance of success – for instance, professionals who have been made redundant and who could continue in their profession on a freelance basis – often they felt it was more difficult. As discussed earlier, providers stressed that some of those from backgrounds where self-employment is relatively uncommon are generally less likely to have fully-fledged business ideas and hence are predisposed to ‘fail’ early screening that is based on motivation or possessing a business plan although providers find that many can go on to enter sustained self-employment. This is supported by the experiences of participants interviewed, some of whom described having had neither the motivation nor the business ideas to enter self-employment, but with self-employment support, had entered self-employment nonetheless.
- “If you’re taking somebody that’s unemployed and self-employment where they live is less than 5%, where the national average is about 13%, moving to 20%; why would they have a business idea, let alone a business plan? They’re not going to.” (Support provider)*
- “I hadn’t had one [a business idea]; and then it developed with my mentor, she wasn’t expecting for me to come up with something straight away.” (InBiz participant, self-employed)*
- 5.23 The case against screening on the basis of a business idea is also backed-up by quantitative data indicating that having a business idea at the outset is a poor predictor of successful entry to self-employment. IFF’s longitudinal survey to measure the long-term outcomes of participants in the Six Month Offer who had been offered support to enter self-employment found that, between 15 and 24 months after initial referral, those who had entered the support *without* a firm business idea were just as likely to be in self-employment as their main activity as those who had started with a firm business idea.
- 5.24 Furthermore, those who initially are the more obvious candidates for self-employment support (e.g. professionals who could ‘go freelance’) are the candidates who arguably would be most likely to be able to enter self-employment without support. Thus, sifting of unemployed people could result in self-employment support being offered primarily to those for whom the support is ‘deadweight’, i.e. resource invested in an achieving an outcome that is likely to have happened anyway.

- 5.25 On the other hand, some participants who entered the programme knowing that they wanted to become self-employed by, in effect, going freelance in their existing profession, reported that the programme facilitated them entering self-employment simply by allowing them to focus on self-employment rather than hunting for more general (and less relevant) jobs.

“The benefit with InBiz was that you didn’t have to waste your time looking for jobs I didn’t want, [it bought time] and that extra £15...to help me set it up, make contacts, start building my business.”
(InBiz participant, self-employed)

- 5.26 Instead of early sifting therefore, stakeholders argued that the most effective approach is to provide open access to support at the outset, so that the hidden self-employment potential of some unemployed people can be identified and nurtured.
- 5.27 However, if an open access approach is taken then it appears that there is a corresponding need to sift *whilst the support is in progress*. Stakeholders involved in delivering support programmes described how, over the course of the support, it can become apparent that some individuals either lack commitment or are unable to turn any of their ideas into a workable business. Participants also cited examples of cases where group sessions had been disrupted by other participants who were not interested in becoming self-employed which had resulted in resource being diverted away from those participants who were more committed.
- 5.28 Hence it would seem important that providers are vigilant in excluding those who lose interest or have unworkable ideas as and when this becomes apparent *throughout the course of the provision*. It seems possible that the existing funding models act against this so that there was a tendency for the majority of those starting self-employment support to continue at least to the test trading stage.

6 Advice and information services

Chapter summary

The consensus of stakeholders and participants was that the ideal self-employment package should be delivered in such a way as to allow a degree of tailoring to the needs of individual participants.

Within this, regular one-to-one sessions with a business adviser are the key component of support to enter self-employment. These need to be with a single point of contact to build a relationship based on trust. They should also be focussed on short-term action planning, with the adviser being respectful whilst pushing the participant to progress. At their most effective, these can provide a regular boost to participants' morale, whilst also solving practical problems in relation to the participants' new business and building the participants' own skills both before and during a period of test trading.

Whilst these one-to-one sessions should be the core element of support, there is also a role for information-giving sessions in groups. These should employ a modular approach and, as far as possible be tailored to the needs of specific groups of participants. Ideally, these would:

- Consist of an initial set of sessions to give participants key information – e.g. on bookkeeping, cash flow prediction, and marketing – before they begin their journey towards self-employment; followed by a further set of sessions near the end of test trading, to reinforce these messages once participants can relate them to their actual experience of trading;
- Allow participants – on a discretionary basis – to opt out of sessions that are irrelevant to their business idea or that deliver content with which the participant is already very familiar;
- Bring together individuals in sector-specific groups, or at least separate those who are starting a business 'from scratch' from those who are in essence 'going freelance' in their existing profession, so as to make the content of the sessions as relevant to participants as possible;
- Utilise participants' own business ideas and problems to anchor the session content in real issues that participants are experiencing;
- Allow participants scope to network, both to alleviate feelings of isolation when entering self-employment; and to share ideas and resources.

Support delivered by individuals already running their own businesses can also add huge value to the programme. However, to enable existing business owners to be used effectively as mentors, it is important that they have sector-relevant experience and can make and deliver on, a regular time commitment to participants.

Finally, whilst a written business plan is useful for recording action to be taken and can act as a test of participant motivation (i.e. whether participants choose to work on this in their own time), participants and providers are keen to stress that the business plan document is not an end in itself. Hence sessions should not rely too heavily on creating a business plan document but more on delivering the skill of business planning.

6.1 This chapter explores provider and customer views on the different types of advice and guidance services delivered under the Inbiz and Business Link self-employment programmes *prior to any period of test trading* and their relative importance. The chapter looks at the potential role of:

- One-to-one sessions;
- Group sessions;
- Online learning materials;
- The business plan;
- The role of business owners, acting as advisers in delivery.

The role of one-to-one sessions

6.2 The consensus of both stakeholders and support participants was that the single most-important component of a programme to support people into self-employment is one-to-one advice sessions. The majority of customers who had participated in the InBiz programme delivered through the New Deal had experienced a period of one-to-one advice sessions. Individuals had experienced these sessions over different periods of time and some had experienced 'regular contact' sessions delivered through a combination of one-to-one and group sessions but all agreed that the one-to-one element was the most important component in supporting them into self-employment.

6.3 All agreed that sessions should take place on a regular basis, e.g. weekly or fortnightly (this was generally the model for the InBiz programme). They agreed that it was extremely important that individuals saw the same adviser on each occasion to allow the participant to build a relationship. Support providers and participants cited the following as advantages of this:

- Both providers and participants talked about building trust between participant and adviser, to remove barriers to communication, allowing frank discussion of problems and queries, with less fear of appearing foolish. This is particularly important in the context of individuals who have been unemployed for long periods and have taken a considerable knock to their confidence as a result;
- This also enables participants to be frank about their experiences in the preceding week, which both providers and participants described as being like 'therapy' or 'a safety valve, to let off steam'. Participants described attempting to enter self-employment as a very isolating experience, as they worked on setting up their business without any day-to-day contact with others. For participants, this 'emotional release' was therefore of considerable importance, as it enabled them to feel supported and reduced the feeling of isolation, thus giving them a regular morale boost;

"It was like therapy because I had a very good mentor...this was someone who believes in you, sincerely... [you feel] you can do it, you are respected again." (InBiz participant, self-employed)

Figure 6.3: Case study: self-employment in holistic therapy

The respondent had previously managed a bar but had been unemployed and on incapacity benefit for 10 years prior to taking up the support to enter self-employment. The respondent had taken an interest in holistic therapy and had treated a few friends. Although she proactively asked Jobcentre Plus for help with entering self-employment, she had not previously thought seriously about how this holistic therapy could become a means of making a living.

The initial meeting with InBiz was at their offices. Whilst the first meeting with a business adviser was relaxed and welcoming, she feels she would have found it less intimidating if the first meeting could have been at Jobcentre Plus.

Once the programme was underway, she felt the one-to-one sessions with the business adviser were crucial: "The fact that it was one-to-one meant that I was able to talk...there were no confidentiality issues...I might not have been able to talk so freely in a group. They covered pretty much everything...The support and advice was enough to make me feel I could give it a good go". The respondent established her own holistic therapy business during the course. She made £1,000 profit last year. With a combination of the self-employment and income from a part-time job, she reports she is now better off.

- 6.4 Some participants had also experienced support from Business Link, and reported finding the InBiz support to have been more helpful as a result of its being more tailored and personal:

"I've been to a couple of Business Link seminars...I mean they were very interesting and insightful. But the InBiz was just great because it was...intimate and I could bring it to my own business." (InBiz participant)

[Self-employment support should offer] "Exactly what InBiz do: intensive one-to-one support about cash flows and business planning. Other organisations, like Business Link, have seminars, but [it's] not the same as someone taking you through each step" (InBiz participant, self-employed)

"I suppose there is Business Link. But... the help is not there and it's all phone help. I think InBiz was the best thing out there for what I needed." (InBiz participant, self-employed)

- 6.5 Stakeholders felt that the content of these one-to-one sessions was most effective when the focus was on coaching and action planning, to build the skill set of the individual participant, and to plan practical short-term steps to address the individual's own business issues. Similarly participants felt these sessions were at their most helpful when their adviser spent the session focusing on action-planning and pushed them to make progress from week-to-week.

"I wished they'd been more, 'right we've set out the action plan, what have you done?' and 'in 2 weeks you should've done this and you should've done that'. I knew I could go in and not have done it, they didn't tell us off. I wish I'd had more of that." (InBiz participant, self-employed)

- 6.6 Good coaching skills were therefore seen to be key for advisers, and the quality of the adviser in this respect could have a considerable impact on the progress of the individual through the programme. Some of those who only had a handful of meetings with their adviser before dropping out of the programme highlighted a lack of trust or connection between them and the adviser. For others the one-to-one sessions were useful but too infrequent, for example where they had only happened around once a month.

Figure 6.4: Case study: did not complete the programme and not self-employed

This participant who lives in a rural area had been unemployed for around a year when she was referred to InBiz. She is a qualified chef and wanted to set up her own catering business. Her initial meeting was uninspiring and she would have liked more information at that point about what the whole programme would entail.

There were difficulties arranging meetings because the participant worked part-time and the adviser had to travel to where the meetings were held and was only there on certain days. They only managed to meet three times in three months and the meetings were not felt to be very productive from the participant's perspective:

"To be frank I just felt like she was ticking things off...I didn't feel very supported. I would have liked a bit more of an investigation from her: asking me what my problems are, or to ask me, why do you need this support?"

She felt there was too much emphasis on her working on her business plan in between the meetings and didn't feel she had the skills or confidence to cope with this so early on in the programme.

She describes herself as 'disappointed' at this stage and decided to find work instead because she needed the money. She assumed the adviser had 'given up on her' as she hadn't heard from her for a while: "In the end I assumed they had forgotten about me because the meeting was cancelled and there wasn't any more offered". She was actually sent a letter with another appointment but by then had started paid employment as a cleaner.

She is still working towards self-employment but slowly 'at her own pace' and she has contacted a Rural Enterprise Agency for assistance.

For this participant several coaching sessions over a shorter period of time to help boost confidence and build trust may have been valuable before starting to work on a business plan template. A better relationship with her adviser may have helped to retain her in the programme for longer.

- 6.7 Both parties talked of frustrations that the usefulness of sessions could often be constrained by what they described as a preoccupation with bureaucracy/paperwork. Sometimes providers and customers felt that the sessions could become overly structured to the point where they were almost an exercise in 'ticking-off' particular tasks. In these cases the agreement of action points could become as a mere formality. Some participants also felt that the effectiveness of sessions was sometimes limited because their adviser too easily allowed unachieved objectives to roll over from week to week without challenging the participant about their lack of progress. Given that participants had all experienced a broadly similar programme, this differential experience seems likely to stem from the approach of the individual advisers and the ways in which they met their paperwork requirements. Providers however

were unanimous in the view that the level of paperwork required impeded the usefulness of sessions. Therefore there is a need to minimise the paperwork involved in such sessions, and to encourage advisers to adopt a respectful but challenging stance in working with participants.

- 6.8 Providers and participants agreed that, whilst this one-to-one support should begin in the period prior to any test-trading to prepare the participant for trading, for it to be effective it should also continue throughout the test-trading period. By doing so, these sessions can be used to address real business issues as they arise in practice, thus enabling the participant to learn from real situations whilst continuing to receive support, increasing the chances of business survival.

Group sessions

- 6.9 Participants and stakeholders agreed that group sessions also play an important role in information-giving, on issues such as bookkeeping, developing a business plan, cash flow forecasting, how to undertake market research, marketing the business and becoming VAT-registered. In addition to one-to-one sessions, most participants had experienced some form of group information sessions as part of the support received from InBiz. However, the number and nature of these sessions varied considerably.
- 6.10 Generally participants were not given a choice about the number and subject-matter of sessions that they attended. Some felt that there were sessions that others had received that would have been beneficial to them; while others (generally those with prior experience of self-employment) felt that they were 'forced' to attend sessions that were not relevant to them (one example cited was a qualified accountant being forced to attend a session on bookkeeping, resulting in them undermining the tutor and disrupting the session for others).

"There didn't seem to be any acceptance that you already knew this stuff because you'd already been a freelancer for years and years – they still had to tick these boxes...I was almost forced to open a business account with NatWest, but I already had a business account." (InBiz participant, self-employed)

"There's a form that you have to complete, that has to go to social services, so you have to do a marketing plan, you have to do a sales forecast, you have to do those things to progress on the programme...it wasn't taking into consideration that you already had these things." (InBiz participant, self-employed)

"The [tutor] ended up giving a session on business finance with two accountants sat there...They were picking holes in him every time he opened his mouth, because they got bored...Other people there really needed to know the basics of finance...No-one benefits, so the best thing can be if these things are done modularly." (Support provider)

- 6.11 Participants felt that a menu approach to the delivery of group sessions where they could choose to attend the sessions of most relevance to them would have been preferable. This approach obviously presents more of a challenge to providers in planning resources and could potentially prove more costly.
- 6.12 Some participants also talked about attending sessions where the general subject-matter was of relevance but the content was not related to the type of self-employment that they were interested in, for example a session on marketing covered market research and setting up website, i.e. content that was not felt to be relevant for an individual looking to work as a self-employed electrician on large-scale building sites. While it is obviously impossible to develop group sessions where all the content is relevant for all attendees, there did seem to be a broad split in information needs between;

1. Those who have previously been self-employed who are looking to reactivate a business that they have operated before;
2. Those who were looking to become freelance or work on a contract basis in an area in which they have previously worked for an employer – whilst they know their trade/profession, they are likely to require additional support with being self-employed;
3. Those who are looking to ‘set up a business’ in a more classic sense – they are looking to establish a new business from scratch, have little experience of self-employment and could need more intensive help.

6.13 Delivering different sessions aimed at each of these three groups could help to increase relevance and perhaps efficiency of the delivery of group sessions. Beyond this some participants felt that sessions could be made even more relevant if attendees were grouped by the type of sector that they are looking to enter.

“When you’ve got a group of us, if there [was] a common purpose – dance, entertainment, fashion – bunch them together. That way, everyone would get more out of it...construction, media, don’t put everyone in together.” (InBiz participant, self-employed)

6.14 In addition, participants commented that the group sessions were most valuable when they involved some interactive elements. They found that the most useful sessions used participants’ real business ideas or problems as a focus, to anchor the session in issues that participants could relate to, and again this is of maximum value if the group of attendees are looking to work in similar sectors / types of business.

6.15 Participants and providers also discussed the optimal timing of group sessions. Some participants and providers had experience of all of the group sessions being compressed into one or two half-day sessions at the start of the programme of support. This had resulted in these sessions feeling ‘rushed’ and ‘tokenistic’.

“I thought it was rushed...I had a half-day session and it was just get this thing [the business plan] finished as quickly as you can.” (InBiz participant, self-employed)

6.16 Both providers and participants agreed that having more of these sessions, spaced out at intervals during the course of the programme, would allow participants to properly digest the information given. In addition, some participants wanted:

- An initial set of information-giving sessions at the start of the programme, to tell them what they need to know to begin trading; and then
- A second set of information-giving sessions towards the end of test trading, to reinforce the key messages at a point at which participants would be able to put the information in context (i.e. after having begun trading for real).

“Or even half a week, three days, and then, towards the end, when you’ve got your head around stuff, you could have another half a week training which goes into more training about bookkeeping and tax stuff.” (InBiz participant, self-employed)

6.17 A further benefit of having a second set of sessions from the participants' point of view was that it would allow them to network with their peers once they have begun trading. For participants, this has the following advantages:

- Relieving the feeling of isolation experienced when entering self-employment (as noted above);
- Allowing them to share ideas with their peers and use each other as sounding boards. This could include signposting each other to funding or to further sources of support that they have found useful (or, conversely, warning against using support that they had found to be ineffective);
- Giving them an opportunity to buy services from each other, potentially at below the market rate (e.g. if one of the participants is setting up a web design business, the other participants could commission them to design websites for their own businesses).

"It can actually be quite lonely running your own business, so even if it's just a networking event or get together, like business clubs...[and] you might meet people [with whom] you could exchange services...I've used an accountant who I found on InBiz, because he's good and he's very, very reasonable." (InBiz participant, self-employed)

"But you are by yourself. Let's say we all went into InBiz at the same time, we'd all be going through the same problems at the same time... you've got an accountant, business adviser, financial adviser, photographer, you know what I mean...We can help each other." (InBiz participant, self-employed)

6.18 The provision of group sessions alongside one-to-one support also offers alternative sources of inspiration and motivation if the participant and adviser do not 'gel'. Among those participants who had dropped out of the programme before the test trading stage, several had only received one-to-one support and felt that they would have benefitted from group sessions as well. In these cases the group sessions appealed to participants from the perspective of providing new ideas and confidence. This also underlines the importance of the quality and suitability of advisers; in cases where the participant reported problems with their adviser or difficulties communicating with them, attendance at meetings had petered out and participants had lost momentum.

"I think I would have liked to see somebody else as well as him [the adviser], maybe they could have had a session where you can go along and see other people like yourself and you can bounce ideas off each other" (InBiz participant, claiming JSA)

Figure 6.5: Case study: self-employment as a soft furnishings/millinery designer:

The respondent had previously worked in sales and had owned commercial property. She had been unemployed for 20 years prior to accessing the InBiz support to enter self-employment. Because of her not having been employed for 20 years and her having a health condition she believed no-one would employ her, even part-time. She made soft furnishings and millinery as a hobby and knew people liked what she did, but she had no idea if she could turn it into a business.

The Jobcentre Plus adviser suggested the InBiz support whilst she was signing on for Incapacity Benefits. When being told about this support, she would have liked some literature giving an overview of the support, including timescales, typical benefits and features.

She found the initial one-to-one session with a business adviser at InBiz very helpful: "She [the adviser] was very upbeat and knowledgeable about the subject and had a run a small business herself...it was so simple and straightforward...suddenly there was a goal, a route and some support." This initial meeting also made the respondent realise that she needed to add a third product line to her idea for a business.

However, the respondent thought the information-giving group sessions could have been improved, as she found them insufficiently tailored: "The scheme didn't make allowances for different learning speeds...everybody has to go through the same thing... when I tried to go a bit off-piste I was firmly sat on...It was very step-by-step, very generic."

The respondent ultimately established a design business around one year ago. She reports being better off by around £7,000 per year, and she plans to take on staff at around the end of year 2.

The role of the business plan

6.19 Tied in to comments made about individual one-to-one sessions being overly bureaucratic, some participants felt that the sessions focused too heavily on the development of a business plan with too much of the time in one-to-one sessions devoted to adding to or discussing information written in the business plan document and too little spent discussing particular concerns or problems encountered.

6.20 Providers delivering the programme also discussed this issue and felt frustrated that the focus on the business plan as a core output limited the scope for tailoring sessions towards individual needs. They felt that this was dictated by the record-keeping requirements of the InBiz contract for delivering self-employment support. Other stakeholders also commented on the danger of the business plan becoming an academic document and an end in itself. They were keen to stress that sessions should be about delivering business planning skills, through a process of mentoring, and setting and achieving short-term actions rather than the development of a business plan itself.

*"It's your...ability to plan that's important, and essential, it's not **having** a plan...you want somebody, even though they've left school and never been successful in school, to be able to stand up and talk about their business plan...What you're not looking for is this academic document." (Support provider)*

"It's not actually a business plan, that's just the skeleton to tick off their boxes; it's not something you would present to a bank...It's part of the process, it's not for your purpose." (InBiz participant, self-employed)

6.21 However, some support providers did agree that the business plan document is useful in that it:



- Provides a means of recording the *activity* of business planning; and
- Acts as a useful signal of commitment since, if a participant works on their business plan in their own time, then it gives a strong indication that they are motivated to enter self-employment.

“Developing [an idea] into a business plan...if that person comes back very quickly, and has done a lot of good work, that’s a really good sign, isn’t it? If they haven’t bothered or they want more time, that’s a sign that they haven’t the motivation or there isn’t keenness.” (Support provider)

The role of online learning materials

- 6.22 Generally speaking customers and providers did not feel that there was much of a role for the use of online learning materials in the delivery of self-employment support to the long-term unemployed. While self-help tools are a core part of support for starting a business more generally, providers generally felt that the skills and resources of their client group (with customers often not having a computer at home – or, if they do, not one with a broadband connection) meant that more personalised delivery was key. Some argued that those who are best able to self-learn from online materials would be able to find the information they needed from another online source anyway, without the need for a self-employment support provider to make it available to them, which could increase deadweight.

“I think it’s automatic to assume now that people are more confident with IT and email and they’re able to read the information and assimilate it for themselves and do something with it, that’s very wrong...Some of the [online] tools are fantastic; it’s just – have people got the confidence to use them?” (Support provider)

Involvement of self-employed mentors

- 6.23 Some stakeholders suggested that support to enter self-employment can best be delivered by individuals who are running their own businesses on the basis that they will have first-hand experience of the problems that individuals will face in entering self-employment and that participants will be better able to relate to them⁵⁸.

“Businesses know what opportunities are out there...you can generate a better understanding of whether your business idea might work. And identify, you know, niche gaps...[and] what’s a good commercial property price to pay? Who are the good landlords? Who are the good agents?...Is the local chamber any good? It’s that kind of knowledge that a Business Link doesn’t know.” (Stakeholder)

- 6.24 Some of the participants interviewed had had their one-to-one support sessions delivered by individuals who were currently running their own businesses. In some cases this had worked really well with advisers able to provide valuable insight and offer practical tips on setting up their business. This was generally the case where the adviser was running a business in the same sector or at least a related sector to the one that the participant was looking to enter.

“She [support worker] was very upbeat and knowledgeable about the subject and had a run a small business herself...it was so simple and straightforward ... there was a goal, a route and some support.” (InBiz participant, self-employed)

⁵⁸ It is worth noting that many of the professional business advisers that used to deliver the InBiz programmes had previously been self-employed or run their own business as this was an element of InBiz recruitment policy when employing business advisers.

- 6.25 However, there were also examples of cases where having a business owner as the core one-to-one adviser had not worked well. Sometimes this was because the adviser was operating in a totally unrelated sector and both parties had found it difficult to carry across learning from the adviser's own experiences to the challenges faced by the participants. However, more commonly issues arose in relation to the adviser's availability because of conflicting demands on their time so that appointments were missed or advisers were difficult to contact as they were dealing with issues concerning their own businesses. This was probably exacerbated by the fact that participants were undergoing self-employment support through a recessionary period where mentors were more likely to experience difficulties in running, or ensuring the survival of, their own businesses.
- 6.26 *"[The business adviser] was saying I'm doing this part time because I like doing it, but my import business is failing... I invited him to a show I was doing, because I'm an artist really...and he said I can't come, I'm out of the country, I'm trying to save my business – and that's the adviser!" (InBiz participant, self-employed artist and painter-decorator).*
- 6.27 It seems that there is a real case for involving individuals with experience of setting up their own businesses in the delivery of self-employment support but, in doing so, it is important that individuals running their own businesses are able to make, and deliver on regular time commitments to programme participants, and it is also desirable that they have experience relevant to the participant's own sector.

7 Financial support

Chapter summary

Providers and participants generally agreed that a period of supported trading is a key feature of welfare to self-employment programmes.

Most felt that a 6 month period of test trading was about the right length as this allowed scope to identify and adjust any aspects of the business model found not to work. That said, some providers who had worked with a 3 month test trading period felt that reducing length from 6 to 3 months had no detrimental impact on the likelihood of success.

There is potentially an argument for longer periods of test trading or perhaps for a longer phase of 'pre-test trading' for those starting a business completely from scratch, rather than formalising a trade or a line of work that has been undertaken previously, to allow set-up processes to be completed before test trading begins.

Regardless of the length of the test trading period, supported test trading would ideally end if it becomes clear that the business is not viable. Arguably, test trading should also end if the business is deemed to be earning enough to support itself without benefit payments; however, this may be difficult to achieve in programme design, without encouraging 'perverse' behaviours, i.e. leading to participants under-developing their business or under-reporting their income, thus compromising the relationship between the participant and their business adviser.

Participants generally preferred financial support through regular payments rather than a lump sum as this was felt to be easier to control, though for some businesses a small initial lump sum would provide an important boost, for example to buy equipment, wholesale stock or to gain necessary qualifications. In some cases the absence of a lump sum injection led to businesses not getting off the ground at all or an inability to access additional revenue streams.

7.1 This chapter looks at issues relating to the financial support given. The InBiz self-employment programme included a period of formal test trading throughout which participants receive a weekly sum equivalent to JSA payments and hence much of the primary information collected focuses on how to make a supported trading period as useful as possible. Within this chapter, we look at:

- The overall importance of a test trading period in moving individuals into self-employment;
- The optimum duration of the test trading period;
- Feedback and partnership working between JCP and the support provider, throughout the test trading period.
- The trade-off between regular income payments and lump sum payments;

The importance of a supported trading period

7.2 Providers and participants felt that a supported period of test-trading was a fundamental component of a self-employment support scheme. The majority of participants described the test trading period as of paramount importance, without which they would not have been able to enter self-employment at all.

The safety net of the regular income during test trading made participants feel secure enough to give their business idea a go.

[What impact did the benefit payments have?] "...a hell of a lot...I could go out and look for work and be confident that I'd have a home to come back to and food on my table" (InBiz participant, self-employed)

"I couldn't have attempted it without that because I haven't got any money saved up. So it would have been impossible without that." (InBiz participant)

- 7.3 Even those who were re-entering areas of self-employment that they had previously worked in before felt these payments were vital in helping them to get started again. The payments received were no greater than those that individuals would have received if they had continued with their JSA claim (and hence in some cases it could be argued that JSA on its own should have provided these individuals with a sufficient safety net to re-establish their business) but individuals found the combination of payments, removal of their job search obligations and support from an adviser made getting their business back up and running possible.

Length of test trading

- 7.4 Some of the earlier participants in the InBiz programme had experienced a test trading period lasting 26 weeks while later participants had only been entitled to 13 weeks test trading. The research included those who had taken part in both the longer and the shorter test trading periods and most providers had experience of delivering the programme with the two different lengths of test trading. This gave the opportunity to compare views and experiences relating to 3 month and 6 month supported test trading periods.
- 7.5 Generally speaking, the majority of the providers felt that a longer period of test trading was preferable as it gave more scope for uncovering and correcting flaws or problems with the customer's business model that could still be addressed during the supported trading period. With a 26 week trading period, providers had generally conducted a mid-point review at the 13-week point and had sometimes suggested changes to the customer's approach that were then adopted for the remaining 13 weeks of test trading. Obviously, with a 13 week test trading period, the mid-point review of a customer's progress occurred after six weeks. Many advisers felt this was too short a period of time in which to get a new business off the ground and to start to see results. Hence with the shorter test trading period there was limited scope to modify the approach during test trading. Many providers felt a later mid-point review can give a better indication of the longer term health of the business, the participant's ability and any changes that should be made, in the knowledge that a further 13 weeks are available to monitor progress.
- 7.6 This was felt to be particularly true when a business was starting 'from scratch', as opposed to when a previous line of work is being formalised as self-employment. Advisers cited some cases where it had taken nearly 6 weeks to market a new business, start to build up a customer base and acquire necessary equipment, where the participant then had little time to experience actually running the business in a developed state before the mid-point review and actually in some cases before the end of a 13 week test trading period.
- "...whereas now you are doing mid-point review at six and a half weeks. A lot of people haven't even generated income after two months, you need three, four, five months into the business before you start to realise any sort of profit, so it is a big ask, 13 weeks test trading" (Support provider)*
- 7.7 There were also some examples of customers who felt that they had reached the end of their test trading period without actually having done much real trading because they were still in the set-up

phases of their business. Arguably these individuals would have benefitted either from a longer test trading period or – perhaps more appropriately – a longer period *before* test trading to prepare their business for supported trading.

7.8 That said, customers completing a 13-week test trading period rarely commented that this aspect of the support was too short, and those customers who ultimately decided not to continue in self-employment rarely cited an insufficient test trading period as the reason why.

7.9 In addition some providers felt the 26 week test trading period was too long, and that when the decision was taken to reduce the overall length of this period from 26 to 13 weeks, the reduction did not result in participants being less likely to start or sustain a new business:

“When ... it was cut from 26 to 13, it must have been a little over a year ago, and again we haven't seen any change.” (Support provider)

7.10 In contrast, these advisers suggested that a shorter test trading period increased motivation and cited that most participants were able to accomplish in 13 weeks what was previously achieved in 26. Some of these advisers stated that when a longer test trading period was in place, many participants had developed their business sufficiently to leave supported test trading (i.e. stop receiving benefits) a little earlier than the designated 26 week point.

“I actually felt that firstly 26 weeks is too long, 13 weeks is just about right from that first meeting with the adviser to actually signing off... I think 26 weeks puts that client too much in the comfort zone and in some cases [undermining] the determination and enthusiasm to come off benefit.” (Support provider)

7.11 Part of the reason for this variation in views does seem related to a distinction between the nature of support required by different individuals. Those who are becoming freelance or working on a self-employed basis in an area where they have already worked and those who are setting up entirely new entities require different types of support, which has also been evident in other aspects of the type of support provided. The InBiz programme is quite structured with reasonably fixed length periods of pre-test trading support and then test trading itself. Some of the participants who were setting up businesses in areas new to them felt that test trading came round too quickly and that they were dealing with too much during that period (exploring potential marketing approaches, organising production/stock, setting up websites etc.) while some who had less onerous ‘set-up’ requirements described ‘itching to get going’ during the pre test trading period.

7.12 This suggests that a tailored test trading timescale may be beneficial to participants and/or a tailored duration of *pre* test-trading support to ensure that the business is truly ready to practise trading when the test trading period commences. In addition to some individuals simply needing more time to set-up their business before test-trading, there were also examples of customers who had not been able to benefit fully from test-trading simply because they needed some form of ‘license’ to trade that they were not able to acquire in advance of the test-trading period starting. In some cases this took the form of training, qualifications, police checks or property improvements that were a prerequisite to working in their chosen area. What these customers really need is some form of ‘delay’ on entering test trading until these can be put in place but this would obviously have associated costs in terms of benefit payments. It is important that such licences or other prerequisites are highlighted early in the support process so that any necessary applications can be placed as early as possible to prevent any hold ups later on. This would need to be offered on a discretionary basis i.e. where there is a genuine need to delay test trading in order to put licenses etc in place.

- 7.13 The findings from the research suggest that nearly all those who started test trading reached the end of this period regardless of whether or not they then decided to enter self-employment (and indeed whether or not the business was successfully trading before the end of the period). While it may be important to provide extra test trading time in certain circumstances, it would arguably also seem important to cease test trading early if it becomes clear that a business idea is unworkable, or if the new business is consistently making sufficient money to support the participant in the absence of benefits payments. However, this may be difficult to achieve in programme design, without encouraging 'perverse' behaviours – for example, participants under-developing their business or under-reporting their income. This would in turn compromise the relationship between the participant and their business adviser by undermining trust.

Ongoing support during test trading

- 7.14 Providers and participants generally felt that it was very important for one-to-one contact with their lead adviser to be maintained throughout the test trading period to provide them with a source of information when they ran into difficulties and simply as a sounding-board for any frustrations encountered.

“Anything [you] wanted to know you could go back and ask. It’s a bit like having a business mate. The after care is brilliant if you need it, it gives peace of mind and security.” (InBiz participant, self-employed)

Joint-signatory bank accounts

- 7.15 One of the features of the test-trading period in the InBiz programme is that there is a requirement for participants to set up an account with a nominated high-street bank that the InBiz adviser is a joint-signatory for. The intention is that all earnings through the test-trading period are placed into the bank account but the only withdrawals made are for business expenses and that all living expenses continue to be met through the regular JSA payments received from the State during test trading. Any withdrawals have to be made by cheque which is counter-signed by the InBiz adviser.
- 7.16 For the most part, participants felt negatively about this aspect of the programme. Generally participants felt that it was 'patronising' that they were not able to have full command of money that they had earned. A number also raised practical issues;

- Some stated that it made them less confident when entering into transactions with other business people;
- Some who had been self-employed before already had existing business bank accounts and found it inconvenient to have to set up another account;
- Most commonly individuals cited issues relating to getting hold of their adviser to sign a cheque sufficiently quickly to the extent that it 'got in the way' of them running their business. There were examples of the extra time required to get a cheque co-signed by an adviser leading to delays in completing work for clients and of supplies or business (or perceived respect) being lost.

“The problem with me was if I got a job as an electrician I need the materials, so ... if I wanted money out of my account, if I was 20 miles away I still had to come back to my adviser and get him to sign a cheque, it was a nightmare.” (InBiz participant)

“It is patronising to me, asking daddy for pocket money” (InBiz participant)

- 7.17 However, there were some participants who were comfortable with this element of the programme and felt comforted that someone was helping to manage their funds:

"It's only while you are test trading. Once you've signed off, remember you may not get any money for a certain period, and the money that you earned is meant to carry you through, it's a sensible idea."
(InBiz participant).

Regular payments compared to lump sum payments

- 7.18 There are several ways in which participants on self-employment schemes can be funded through the programme they undertake. Generally participants are given either regular payments as here, where JSA payments continue throughout the test trading period, or a lump sum payment, sometimes across several instalments.

- 7.19 Within both the programmes run by InBiz and Business Link, there was no provision for making lump sum awards to those looking to start their own business, although many of the advisers stated that in the past they had been able to link individuals up to awards for new enterprises available from other sources alongside the period of regular payments made during the test trading period.

- 7.20 When asked whether they would have preferred to receive a smaller, regular amount or a larger lump sum payment, most participants opted for the former, feeling it was easier to budget this way and that a single large amount would be difficult to keep track of:

"I would probably have abused it, and thought 'I've got this money' and just go once a week for a chat."
(InBiz participant)

- 7.21 That said, some more confident or experienced participants showed less of a preference and stated that either a regular income or a lump sum would be equally acceptable. Indeed, one participant required a lump sum and so saved the regular payments until the required amount was achieved:

"JSA made a lot of difference [and] helped me to start business ... would have preferred two larger sums as all I did was save it to use as larger sum anyway." (InBiz participant, self-employed)

- 7.22 Providers generally felt that if a choice needed to be made between lump sum and regular payments then a programme involving regular payments was more suited to support provided to the long-term unemployed. In line with views expressed by participants they felt that many of their customers would not have the confidence to enter self-employment without the reassurance provided by a smaller regular income.

- 7.23 However, despite the overall preference for regular payments over a lump sum offer, the research covered experiences of participants who had been unable to start up in business at all or who had been unable to enter potentially higher value areas because of a lack of capital. In support of this are the findings reported in the literature review which suggest that access to a lump sum payment (sometimes in conjunction with smaller, regular payments), can improve business survival rates (Meager, 1996⁵⁹ and Kellard et al, 2002⁶⁰). Generally speaking the levels of capital investment that

⁵⁹Meager, N., 'From Unemployment to Self-employment: Labour Market Policies for Business Start-up' in Schmid, G., O'Reilly, J. and Schömann, K. (eds) *International Handbook of Labour Market Policy and Evaluation* (UK, Edward Elgar, 1996)

⁶⁰Kellard, K., Legge, K. and Ashworth, K. *Self Employment as a Route Off Benefit* (DWP report No. 177, 2002).

would have been required by individuals interviewed for the primary research were in the region of a few hundred pounds, with investment required for:

- Capital to purchase initial stock at wholesale prices
- Marketing materials
- Insurance for the provision of IT advice
- Child care qualification

Figure 7.6: Case study: self-employment – childcare

The respondent had previously worked as the director of a charity and had been unemployed for 5 years prior to accessing the InBiz support to enter self-employment. She had attended interviews but felt employers discriminated due to her age – she had been told she was overqualified to do the admin work she was applying for.

She had wanted to be a childminder for some time but hadn't been able to due to finances and the previous state of her council association house (a new kitchen was fitted around the time she started the InBiz course).

She proactively asked Job Centre Plus adviser about self-employment support to avoid being sent on an unsuitable beginner's computer course, which was the next stage after a certain amount of time spent unemployed.

She felt she had the skills but '*just needed a bit of support and guidance*'. She felt positively about the support programme, particularly the help in opening a bank account and the one-to-one encouragement.

She has not been able to start test trading due to the need to apply for a CRB check, which she can't afford. In addition it is a legal requirement for a childminder to attend first aid and paediatric courses, both of which cost £150 – "*how am I supposed to do that on £62 a week benefits?*"

"I mean I have to get a doctor's letter saying I've never been abused or I've never been a drug user and things like that, because I'm going to be working with children. But I have to pay for that and it's in the region of about £100 and nobody can tell me if they've got a budget to pay for that. I just feel that I've come up against a blank wall".

- 7.24 In the past, advisers stated that they had been able to offer this sort of lump sum financial support (or at least the lower costs mentioned) through linking with the Adviser Discretionary Fund (ADF) administered by JCP advisers, but this was no longer on offer when the interviews were conducted.

Eligibility for test trading

- 7.25 Advisers and participants in the InBiz self-employment programme highlighted that certain groups of claimants were not eligible for test trading; lone parents in particular were unable to take part in the test trading stage due to rules around working tax credits. This meant that many participants with developed ideas and business plans by the end of Stage 2 who, in the view of advisers, would have been good candidates for test trading, were instead 'on their own' in the first few months of trading.

The lack of structured adviser support during this phase was seen to be the main issue here, rather than the financial implications of not being eligible for test trading.

- 7.26 Some also understood that income support claimants were not eligible for the test trading stage of the InBiz programme (again, as with lone parents the belief was that income support claimants could participate in the early stages of the programme but then would need to complete the support prior to the test trading stage). One participant affected by this explained that they had been told that they could move to Jobseeker's Allowance in order to qualify for test trading but this is not something that they had wanted to do and opted to leave the support programme instead.
- 7.27 As well as the eligibility rules around test trading which meant that some participants had to drop out sooner than they would have liked, some of those who chose not to progress to this stage had not fully understood how test trading worked. In particular, one participant said they had dropped out of the programme just before the test trading stage because they had incorrectly believed that any earnings during the test trading stage would be forfeited. For others there was a general lack of clarity and understanding over what test trading might entail and there was a desire to have heard more about this stage from day one of the programme. More information about what is involved in test trading should therefore be provided to programme participants at the outset, and reiterated as they approach the test trading stage.

Figure 7.6: Case study: self-employment – craft and haberdashery shop (lone parent)

This participant was a lone parent who had had been unemployed for two years at the time she was referred to self-employment support. She wanted to open a shop selling vintage crafts and haberdashery, drawing on her previous experience of and training in textile design.

She asked her Jobcentre Plus adviser whether there was any support she could be referred to as she wanted to start a business and was referred to the InBiz programme. She was really excited about the support on offer and was keen to get the business up and running as soon as possible. She felt that her business idea was well developed but that she would benefit from some information and guidance on the administration side of running a business and learning how to manage her accounts and tax.

She gained a lot from the early stages of the programme though was not told at that point that she would not be able to progress to test trading (stage 3) without losing her working tax credits. She attended small group sessions three times over the course of around six weeks and learnt a lot about developing her business plan.

She rated her adviser very highly: *"He was brilliant, he was a fountain of knowledge. I just felt very excited and quite secure and privileged actually that I had this opportunity to go through this [her business plan] with somebody that seemed very knowledgeable"*.

She was "gutted" to find out that she wasn't eligible for test trading. She felt that as well as missing out on a bit of extra financial support she lost out on *"the mentoring from him because it was about having someone there who is professional...I really wanted the support"*.

Even without a test trading period she went on to open up a shop a couple of weeks after leaving the InBiz programme and has been trading for around six months. The shop is busy but she has not taken on any staff yet. At this stage she is worse off financially than she was on benefits but she is hopeful about the future. She feels she gained a lot from the support she did receive but describes herself as *"muddling my way through"* and believes that if she had been able to participate in test trading she would have a bit more of a rounder picture of where she was at, and would be *"a little clearer and a bit more organised"*.



8 Follow up support

Chapter summary

Some participants in the InBiz programme described receiving follow up support after the programme finished, and tended to feel positively about this extra contact. Many of those who did not receive further support after the test trading period finished felt it would have been helpful. Customers mentioned support such as assistance with tax returns, or advice about taking on staff, could be useful going forward.

There is a general consensus that the most effective follow-up support would:

- Be provided formally rather than being up to individual advisers to offer;
- Involve the same adviser that supported the participant through the programme;
- Involve the adviser being proactive to a certain extent to help to overcome any potential embarrassment on the part of participants;
- Include group sessions with others who are in the early stages of being self-employed to allow sharing of ideas and experiences.

Some advisers felt it is the support that *follows* test trading that is crucial for sustaining new businesses; that group talks and advice sessions (as well as individual support as and when necessary) should be available at flexible times, and well-publicised, for at least the twelve months following test trading; and that this post test trading support should be offered pro-actively by the provider.

There was some evidence from participants to suggest that their self-employment status was quite fragile and that some additional support to keep their business trading might help to prevent a return to JSA.

8.1 This chapter explores the follow up support from which customers may benefit after completion of the support programme, and covers:

- What follow up support and advice could be provided;
- How this support could be delivered;
- The importance of facilitating peer contact and support.

8.2 Within the InBiz programme, the extent of follow up support provided following test trading generally seemed to be based on the proclivity of the individual participant and adviser to keep in touch, but with little arranged formally:

"I didn't hear anything from anyone after the support finished." (InBiz participant, self-employed)

"No, wasn't any formal debrief or evaluation. This may have been useful." (InBiz participant, self-employed)

"Yes, this was helpful; I needed help in accessing funds to support myself. The InBiz adviser told me about Working Tax Credits." (InBiz participant, self-employed)

- 8.3 However, when speaking to support providers, most asserted that if a participant completes the course then advice is available to that participant indefinitely. Some advisers mentioned proactively getting in touch with participants on a monthly or six-monthly basis after completion of course to check on their progress and offer any advice that is necessary, while others were less proactive but provided their contact details should participants wish to get in touch:

“I’ve got one lady. She finished with me two years ago and, guaranteed, the Friday before the last weekend in January, she will phone me and she still won’t have done her [tax] return. And this year, she phoned me and I said to her, ‘Didn’t we have the same conversation last year around the same time?’” (Support provider)

- 8.4 That said, it appears that many participants were not aware of any available after-support, or for some reason have not made contact, despite many saying this would be helpful. In fact, some participants cited specific advice from their adviser that would be helpful as they continue to run their business, particularly around issues such as;

- checking tax returns as their first tax year comes to a close;
- taking on extra staff – insurance / legal issues etc.

- 8.5 Ideally any support available after the end of test trading would be articulated through a relatively formal arrangement as a ‘safety net’ of sorts for the participant both practically and emotionally. There may need to be an element of proactive contact from the adviser to ensure that participants actually make use of any support made available.

- 8.6 Ideally one-to-one support would be available from the lead adviser delivering the core support programme since this would help to encourage participants to make contact and alleviate any feelings of ‘imposing’ on the adviser by seeking help. In addition, contact with the same adviser throughout ensures an ongoing rapport, and an awareness of what the participant has been through and what their uncertainties and weaknesses have been in the past. This can help the participant to divulge concerns and ask questions without feeling ‘foolish’. This obviously presents a challenge in accommodating changes in staff. Ideally a new adviser should be fully briefed and make proactive contact with the participant, to prevent any unnecessary upheaval or break in support.

- 8.7 Echoing views of participants on the need for post-programme support, some providers felt that support following test trading can be just as important as the support that precedes it, particularly if the aim is to sustain new businesses rather than just create them. However, they also comment that funding is not currently available for much post-programme support.

“If I have a problem with my laptop, I’ve got an IT department to go to ... if I’ve got an HR issue, I’ve got an HR department to go to. If you’re working for yourself, you are the IT department and the HR department all rolled into one ... It’s completely different.” (Support provider)

- 8.8 As well as these specific issues for which one-to-one advice might be helpful, some providers and participants suggested that follow-up group sessions would be useful following the test trading period. As mentioned in Chapter 6, some participants felt that a group information session might have been beneficial in the period immediately following test trading when they would have had some first-hand experience of the issues covered in these sessions. In addition, some felt that group sessions would be beneficial at a longer remove from the test trading period, covering issues that became of more relevance once they had started ‘full’ self-employment.

8.9 Examples of topics mentioned as being of interest at this point included:

- Bookkeeping
- Tax
- Networking
- Confidence building
- Time management
- Taking on staff.

8.10 In some cases, participants were equally as interested in having the opportunity to meet up with other people at similar stages of starting their own business as in attending information provision sessions. They felt that this type of contact could be just as important as that with support advisers, to keep them motivated, to lessen feelings of isolation and to allow the opportunity to share experiences and tips. Some even talked of the potential value of 'reunion' events at 6-month and 12-month milestones, as these could emphasise the achievement of those taking part and allow further sharing of experience.

8.11 While it is possible to view this additional follow up support as a 'nice-to-have' rather than an essential part of support, given that the participants stating a desire for this type of contact were managing to earn a living through self-employment without it, it is worth noting both that there was evidence of some individuals having access to information that would have benefited the businesses of others that we spoke to (for example around entitlement to Tax Credits or how to access local trade fairs) and also that the self-employment status of some former participants did appear quite fragile (perhaps making an argument for continued support to ensure that they are able to sustain self-employment).

8.12 On the latter point, while many participants stated that they were much happier than when they were claiming JSA and had greater independence, confidence and self-respect, it was reasonably common for participants to be only very slightly financially better off or no better off at all (some reported being slightly worse off).

"I don't have any money – this year I traded a profit of £7. I have invested £600 into the company so my equipment is much better – [Overall] I am probably about £10 a week worse off, mentally I am better off through" (InBiz participant)

9 Conclusions

- 9.1 From the primary evidence collected for this report on views and experiences of self-employment support programmes delivered by InBiz under the New Deal banner and that delivered as part of the 6 Month Offer by Business Link, alongside findings from the literature review it is possible to draw the following conclusions.
- 9.2 **There is an argument for a reduction in the qualifying period for intensive self-employment support and for clearly sign-posting self-employment support available outside of Jobcentre Plus.** Participants often felt that 18 months claiming JSA before qualifying for self-employment support was too long and they had been ‘wasting time’ clocking up time on JSA waiting to access support that they ‘knew’ they needed from the outset. Advisers mentioned the fact that often the barriers to entering self-employment increase with length of unemployment as any capital reserves dwindle, qualifications and networks become out-of-date and financial pressures force individuals to give up communication tools such as mobile phones and broadband connections.
- 9.3 **The case for screening eligible individuals for suitability to enter a self-employment programme is quite weak.** Providers stated that it is often difficult to ascertain likelihood of success until some way down the line. Some of what might be considered more ‘obvious’ screening criteria such as levels of motivation and existence of a worked-up business idea have been found by providers to be relatively poor indicators of success. Indeed several participants now supporting themselves financially through self-employment stated that they did not have a business idea when they started self-employment support.
- 9.4 **In some cases, participants reported a degree of implicit screening of jobseekers in some Jobcentres which could be limiting the potential of self-employment programmes.** Some participants felt that a degree of screening took place in terms of advisers deciding who to suggest self-employment support to. In some cases this was simply a matter of advisers being unaware of the full range of support available but in other cases it seems possible that advisers made judgements about who might be able to make a success of self-employment. In both the literature review and primary research providers suggested that this is quite difficult to do upfront. Providers also argued strongly that there are many sub-groups of JSA claimants for whom self-employment will be a concept that is quite intimidating and ‘alien’ and that these groups are unlikely to proactively ask for or volunteer for self-employment support. Hence we recommend that information about self-employment support is systematically made available to *all* JSA claimants, and that information is accessible, in order to reach those potentially unfamiliar with the concept of self-employment. This means avoiding jargon and focusing more on building a business based on an individual’s skills / interests than the language of ‘entrepreneurship’.
- 9.5 **One-to-one support with a consistent adviser is key to the success of self-employment support.** Participants stressed the importance of this element of the programme in helping to build confidence and motivation (indeed, some participants rated the support received from InBiz more highly than that received through Business Link, because of this more personal, tailored advice-giving). If it is possible to match respondents with advisers who have particular knowledge about and experience of the sector that individuals are looking to enter than this can contribute to more positive outcomes. Among the participants interviewed for the research there were some very positive experiences of one-to-one support delivered by a volunteer mentor who had set up their own business but there were also more negative experiences (in cases where pressures on the mentor’s own businesses had limited the availability of the mentor to participants). In using volunteers from the business community, it will therefore be important to ensure that a regular time commitment is delivered on, if the support to participants is to be effective. Sessions need to focus on business

planning as an activity and skill, rather than simply developing a formal business plan document as an end in itself.

- 9.6 **Ideally programmes would also involve an element of information given in group sessions.** Participants generally seemed to value these sessions both for their content and for the opportunity that they presented to discuss ideas and experiences with others looking to set up in self-employment. They also found that they had a positive impact on motivation, particularly in cases where the relationship between the participant and the adviser delivering the one-to-one support was not as strong. Ideally group sessions would take a menu format so that individuals can select those of most relevance to them and would be spread throughout the programme rather than all focussed at the beginning. Ideally groups would be tailored to individual sectors or at least to those either looking to go freelance in an area they have experience in or to set up a new enterprise from scratch.
- 9.7 **Regular financial payments can help participants to ‘make the leap’ into self-employment.** Participants in the InBiz programme preferred financial support delivered as a regular income through a test trading period to lump sum payments: this evidence suggests that the long-term unemployed tend to be highly risk averse and require the safety net of a regular income to be encouraged to ‘make the leap’ to attempt self-employment. However, the literature review indicated that lump sums improve access to higher-margin ‘protected’ sectors, whilst – for some participants in the InBiz programme – a small lump sum in addition could have given an essential boost to buy equipment or necessary qualifications.
- 9.8 **The length of time of pre-test trading support should be flexible to support the needs of different customers.** This may mean that the length of time of pre-test trading support may need to be different for individual customers. In some cases, the participants interviewed had spent much of their test trading period setting-up their business rather than actually trading. These were generally instances where individuals were looking to set up an entirely new business, as opposed to reigniting a previous business or going freelance. It is possible that participants in these circumstances could be offered an additional ‘set-up’ phase prior to test trading.
- 9.9 **There is a strong argument for the inclusion of formal follow-up support after a period of test trading within self-employment support programmes.** Many respondents cited a feeling of isolation as they looked to sustain and grow their businesses that some form of follow-up support could help to mitigate. Several also felt unsure of where to obtain information on issues that became more important as their business grew and many would welcome the opportunity to network with others with similar experiences to provide motivation and share tips. There was evidence to suggest that some of those that were still managing to earn a living from self-employment were in a relatively precarious financial situation and it is possible that some follow-up support might help to strengthen their position. The Prince’s Trust, cited in the literature review, supports the use of follow up support, with Meager attributing the Trust’s high business survival rates at least in part to the on-going mentoring throughout the scheme.

9.10 The diagram below summarises the key findings in relation to the ideal structure of a self-employment package for the long-term unemployed.

Figure 9.1: Key components of self-employment programmes



Within any programme, there is a strong argument for flexibility in structure and delivery. This research indicated 3 key groups of individuals taking part in self-employment programmes for the unemployed with each group having differing needs from the support.

- Those who have previously been self-employed who are looking to reactivate a business that they have operated before;
- Those who are looking to become freelance or work on a contract basis in an area in which they have previously worked for an employer
- Those who are looking to establish a new business from scratch.

9.11 The InBiz programme that participants had experienced was a structured programme delivering a broadly similar support package to quite a wide variety of customers. The findings from the research indicate a strong argument for flexibility in programme structure, such as longer periods of pre-test trading support for those in the third group in particular and the content of group information sessions should also differ between the different key participant groups to reflect what would be most relevant to each group.

Implications for the New Enterprise Allowance

9.12 **The research therefore supports several elements of the current direction of government policy as enacted through the New Enterprise Allowance (NEA), whilst pointing to refinements to this scheme.** The research supports the NEA scheme in that:

- It will be accessible after 26 weeks, which tallies with the research evidence of giving earlier access to support than in the previous New Deal scheme;
- It pairs participants with a mentor in a one-to-one relationship, which has scope to deliver the one-to-one support with a consistent adviser that the research has found to be a key element of support⁶¹;
- It provides both the desired regular income through test trading⁶², to act as the necessary 'safety net' to encourage participants to 'make the leap' into self-employment and potential access to lump sums as loans, thus offering flexibility in financial support;
- It requires that the one-to-one mentor support the claimant for eight weeks whilst they begin trading, and for a minimum of six months afterwards, thus providing the desired period of test trading support cited by many providers and participants, and creating provision for the desired formal follow-up support identified as being important to self-employment sustainability.

9.13 The research points to the following suggestions or potential refinements to the NEA scheme:

- *The NEA scheme will be accessible after 26 weeks:* this research also suggests that there is an opportunity to sign-post claimants to alternative sources of self-employment support from day 1, which they could access independently of the DWP. This would mean that those who have a strong desire to enter self employment can access support on their own initiative and (potentially) exit JSA sooner. This sign-posting must be consistent across all JCP advisers (as the feedback from participants suggests this is not currently the case).
- *JCP advisers are to identify interested and eligible claimants to direct to the NEA support:* this research suggests that the best course of action is to encourage JCP advisers to raise claimant awareness of the support available and, where the claimant is eligible, to facilitate a meeting with the support provider, rather than to attempt to undertake any screening;
- *The support providers will undertake an initial assessment of the claimant's self-employment prospects and business proposition within five working days of the referral date:* the research suggests that an early assessment of claimant potential based on a business proposition is a poor predictor of success in entering self-employment, and that longer term work is needed to draw out the self-employment potential from a claimant's interests, skills and experience. This also has implications for the role of the volunteer mentor from within the business community: as the business idea may emerge or change during one-to-one discussions with the advisor/mentor, this may affect

⁶¹ We understand that the support provided by the NEA programmes is likely to be 'light touch' support. A4e's bids to deliver the NEA programmes have built in professional business advisers to work alongside the participants and their mentors from within the business community, in order to help ensure continuity of contact between the programme and the participant.

⁶² The test trading period in the NEA differs to the test trading period in earlier schemes in that the participant signs off benefits and instead receives an allowance worth £1,274 over 26 weeks, paid at £65 a week for the first 13 weeks and £33 a week for a further 13 weeks.

the ability of the 'mentoring partnership' to match the claimant with a mentor with sector-relevant experience of a more specific kind;

- *On beginning the scheme, the claimant will have eight weeks to prepare a business plan for approval:* this period offers the scope to enable the participant to ready themselves for beginning to trade. However, feedback from the participants in the primary research suggests that it is important that this business plan preparation involves interactive work between the mentor and the participant to make themselves 'business ready' as opposed to the participant simply working on a formal business plan document⁶³.
- It should be noted that the introduction of Universal Credit may affect self-employment incentives, so this influence, if any, should be closely monitored.

⁶³ New Enterprise Allowance: background information (V3, April 2011). Downloaded from <http://www.dwp.gov.uk/docs/new-enterprise-allowance-background.pdf>



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