



New Enterprise Allowance: Qualitative evaluation

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Research aims and context

The New Enterprise Allowance (NEA) programme was developed to support unemployed people to establish sustainable businesses. The programme was evaluated to help understand the extent to which it is meeting its aims and to inform the design of future self-employment support.

Research methodology

The research design was based on eight case study visits to a selection of Jobcentre Plus districts, allied to a set of telephone interviews with 198 NEA participants. Case study visits involved in-depth face-to-face interviews with staff from the Lead Accountable Bodies (LABs) delivering the programme on behalf of the Department for Work and Pensions (DWP), Jobcentre Plus staff involved in overseeing the programme, and mentors engaged by the LABs to support NEA participants. A total of seven interviews were undertaken in each district. Two focus groups, with Jobcentre Plus advisers responsible for referring participants to LABs, were also held in each district. Case study visits and participant interviews were undertaken in November and December 2012.

Key findings

Programme design

Procurement and contracting was reported as functioning smoothly. Few issues were reported in terms of identifying and selecting LABs to deliver the programme. LABs typically sought to become involved due to complementarities between the NEA and other provision they offered, along with a desire to expand the geographical scope, scale or nature of their activity.

The payment model used was welcomed by LAB and Jobcentre Plus staff in most instances, though some felt it was complex or difficult to understand. The model's effects on incentivising LABs to convert participant starts into outcomes were also seen as hard to assess. In cases where LABs were struggling to meet their profiled number of participant starts, retaining the grant received for delivery was cited as a concern. This aspect was seen as problematic given the limited control LABs had over numbers being referred from Jobcentre Plus.

Changes in eligibility since the NEA's national roll out were almost universally seen as positive. Enabling Jobseeker's Allowance (JSA) claimants to access support from day one was seen

as boosting referrals and avoiding claimants being unable to access support or remaining on benefits whilst waiting to engage with the programme. LAB and Jobcentre Plus staff often felt that eligibility should be extended to other benefit types. Subsequent to the completion of fieldwork, eligibility was extended to lone parents claiming Income Support (IS) and the Employment and Support Allowance (ESA) claimants in the Work Related Activity Group.

The eight-week support phase prior to submitting business plans for approval was widely seen as appropriate and effective in ensuring that participants focused on starting trading. The ability to extend this from eight weeks to twelve in certain circumstances was also welcomed. Some Jobcentre Plus and LAB staff felt that this flexibility could be extended to enable this phase to be paused and resumed later where required, though others felt that this would mitigate against the 'motivating' effects of the current arrangements. The ability to continue claiming JSA during the support phase was also important for many of those engaged.

The NEA weekly allowance, payable for up to 26 weeks following business plan approval and the termination of JSA claims, was often seen as a vital part of the NEA design and as being set at a suitable amount. Payments were seen as effective in supporting the transition from claiming JSA to self-employment, though there was some evidence that halving the allowance at 13 weeks was a challenge for some participants. A more gradual tapering of payments was suggested.

The other financial component of the NEA, an optional loan for participants, was less universally well received. While it was clearly important for some, take up was low due in part to those on the programme being reluctant to get into debt or having alternative sources of finance. The view that interest rates were too high was also common. While there was general support for capping the maximum loan at £1,000, some of those implementing the programme felt that there could be more flexibility in the amount available and in the interest rates charged.

Delivery approaches and relationships

Delivery approaches varied notably between LABs, primarily over the extent to which LABs used volunteer mentors to deliver NEA support, as per the programme intent, or used paid business advisers. Equally, some LABs operated a 'combined' model, using professional business advisers to offer more technical advice while volunteers had a more pastoral or motivational role. LABs using paid advisers felt that quality, accountability and consistency concerns prevented a reliance on volunteers. Those using volunteer mentors stressed their experience and independence, while those using a 'combined' model argued that this provided a balance and complementarity of skills that would otherwise be unavailable.

Volunteer mentors were often recruited through existing networks or 'mentor banks'. Volunteering websites, advertising, and networking at business events were also used. The main reason volunteers engaged was a desire to 'give something back' through sharing their experience. Guidance and training offered to mentors or business advisers was largely 'light touch', on the assumption that they possessed existing experience or expertise. In general, this was viewed as sufficient by the mentors and business advisers concerned. Ongoing oversight of mentors by LABs was similarly 'light touch' in most cases.

Relationships between LABs and Jobcentre Plus were reported to be functioning very well in the majority of cases, both at strategic and operational levels. Issues arising were generally minor and easily addressed.

Implementation within Jobcentre Plus

In some instances, Jobcentre Plus advisers felt they would have benefited from more guidance, information or training on the programme. Where additional guidance had been provided, in the form of 'walk-throughs' or briefings, this was generally seen as helpful in developing a greater understanding of the NEA. While most

advisers had a solid understanding of the NEA and its operation, in some instances, a level of confusion or uncertainty around some aspects of the programme was evident. Advisers also often reported that their understanding of the programme, at the time it was launched, was relatively limited. Participant interviews confirmed the impression of variable understanding of the NEA amongst advisers. Issues raised included, for example, a lack of clear advice on the impact of NEA on tax credits and Housing Benefit.

Key delivery elements

Processes for referring participants onto the programme were generally reported to be well defined, understood and to be functioning well. Levels of referrals were at or in excess of those originally profiled in several cases. However, in a minority of areas they were significantly below profile, with this being attributed to a lack of visibility for the programme and, in one or two cases, the presence of competing provision. Decisions on referrals rested principally on the judgement of Jobcentre Plus advisers as to how motivated a claimant was about self-employment and whether they met the NEA eligibility criteria.

Once participants were referred, all LABs operated some form of initial assessment of their business ideas. Typically this took the form of a short telephone call prior to an initial face-to-face meeting. Rejection of participants at this stage was uncommon, but where it did occur often related to a lack of viability of their business idea. Only in a small minority of cases were participants rejected on the grounds of lacking sufficient motivation for, or interest in, self-employment.

LABs used several criteria in matching participants to mentors. Matching according to types of businesses was the most prevalent. Other common criteria involved the specific type of support that a participant needed, location, age, and personality. Most LABs reported that 'mismatches' between mentors and participants were rare, but did occur, most often due to personality clashes. The general

impression of the support offered by mentors was one of flexibility and tailoring to the needs of participants. It was also clear that this was well received and valued in the majority of cases. Less positive experiences for participants generally related to a perceived lack of suitability of the mentor allocated to them.

At the end of the mentoring phase, business plan approval was typically undertaken by LAB staff working individually, rather than using assessment panels or other forms of cross checking. Non-approval of plans was rare, in part due to the opportunity commonly provided for participants to re-submit them. Following approval of plans, ongoing support offered by LABs and mentors was often limited and ad-hoc despite post start-up support being part of the programme design. As a result, mentors and participants commonly cited the perceived lack of support as a gap in provision.

Outcomes and effects of the programme

The NEA has supported a range of businesses, though 'sole trader' enterprises were most common. Programme participants generally sought to sustain themselves and their family rather than seeking to expand or grow their business. In line with this, most enterprises were reported to be relatively small scale, though there were some significant exceptions. Where participants had ceased trading, this was generally due to insufficient income and/or cash-flow and capital constraints.

While a slight majority of participants felt that they would have established their business anyway in the absence of the NEA, most acknowledged that the support had made this process easier and/or had helped to accelerate it. For those with less experience or understanding, the support offered by the NEA was often seen as significant, particularly in the sense of enhancing their understanding of marketing, networking and the legal or financial requirements of trading.

For participants not engaging further after initial referral to an LAB, the most common reason was the lack of viability of their business idea. In fewer cases, initial contact with the LAB led participants to conclude that self-employment was not a suitable option for them or their circumstances. Where participants did receive NEA support, but did not subsequently commence trading, this was due to several reasons, including being offered and accepting other employment whilst on the programme.

Overall perspectives on the NEA

Overall views of the programme were positive, particularly amongst LAB staff, Jobcentre Plus representatives and mentors. The NEA was seen as an important source of support for those considering self-employment as a route into work, along with being effective in helping to develop new businesses. The combination of mentoring support with financial assistance was seen as a key strength. Participant views were more varied than other respondent groups, but were often favourable. Where they were less so, this generally related to specific issues around the provision of limited information or the quality of mentoring support received.

Issues for consideration

Several issues for consideration arose from the evaluation as follows:

- 1 A renewed communications campaign based on raising the awareness of the NEA and understanding of the programme amongst Jobcentre Plus advisers is likely to be helpful in terms of future operation.
- 2 If the provision of self-employment support is to be delivered locally on a similar basis in the future, it may be beneficial to incorporate greater local input into design elements – for example, around the development of profiles.
- 3 More gradual tapering of any financial assistance offered to those moving from benefits into self-employment under future provision would seem appropriate so as to avoid negative effects caused by more sudden drops.
- 4 More flexibility in the period available for developing business plans in future programmes might be considered, in particular around the potential to ‘pause the clock’ for time-limited support periods in particular circumstances.
- 5 The potential benefits of the NEA for the unemployed or economically inactive beyond Jobseeker’s Allowance claimants suggests that eligibility criteria in future provision could usefully be made as broad as possible.
- 6 Any future programme of this type should provide adequate support to participants once they commence trading, given the evidence that this was an insufficient feature of the NEA, despite being part of the programme’s design.

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