



Department
for Work &
Pensions

New Enterprise Allowance – analysis of benefit status of participants

July 2013

Introduction

This publication contains statistics describing the benefit circumstances of the first cohort of people who started on the weekly New Enterprise Allowance (NEA), between April and December 2011. This first nine month cohort was chosen so that benefit status could be monitored for up to a year after individuals started to draw the allowance. Tracking monthly cohorts was considered but small cohort sizes and a staggered national rollout of the programme made this impractical.

This analysis uses DWP administrative data to indicate whether individuals are on benefit at any given time after starting the allowance. This is an important measure in itself but can also be used as a rough (high-end) indicator of sustained self employment i.e. no return to benefit after the allowance start *may* suggest that the business is still functioning. However, there are other reasons why an individual may remain off benefit, for example they may become employed, or their family circumstances may change.

Owing to the lack of comparison group available to construct a plausible counterfactual, this analysis cannot be used to provide a definitive assessment of the scheme's effectiveness. However the figures do provide a quantitative description of the benefit status of people who start the allowance and should be viewed in conjunction with recent qualitative DWP research of the NEA scheme – available here:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207518/rrep836.pdf

Background

The New Enterprise Allowance (NEA), officially launched on 1st April 2011, aims to help unemployed people who want to start their own business. It was rolled out across Great Britain in phases between April and November 2011¹. Up to 18th February 2013² NEA was available only to Jobseeker's Allowance (JSA) claimants aged 18 and over.

¹ Prior to the official roll-out there was a NEA trailblazer in the Merseyside district which started in January 2011 – see Annex A for detailed roll-out schedule.

² Since 18 February 2013, lone parents on Income Support, from their first day of benefit claim and Employment and Support Allowance claimants in the Work Related Activity Group aged 18 and over who were receiving support from Jobcentre Plus, could also access NEA.

Participants have access to a volunteer business mentor who provides guidance and support as they develop their business plan and through the early months of trading. Once a participant has had their business plan approved by their mentor, ended their benefit claim and started trading, they are able to access financial support.

The financial support consists 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
- the facility to access a loan of up to £1,000 to help with start-up costs, subject to status.

The total package of support could be worth up to £2,274 to each participant who starts their own business.

This publication focuses only on the individuals that start drawing the weekly allowance and tracks their benefit status for a year from starting.

Up to 2 July 2012, access to the mentoring element was available to individuals who had been claiming JSA for 26 weeks. Since then there have been two changes to when claimants can access the scheme:

- Between 2 July 2012 and 22 October 2012, access to the mentoring element of the scheme was brought forward to individuals who had been claiming for 13 weeks and over, until they are required to join the Work Programme. Access to the NEA financial support remained at 26 weeks.
- From 22 October 2012, the support offered through the NEA was made available from day one of JSA claim.

For further information about the NEA programme please see the link below:

<http://www.dwp.gov.uk/adviser/updates/new-enterprise-allowance/>

Official statistics showing the number of NEA mentor starts allowance starts including monthly and demographic breakdowns are available here:

<https://www.gov.uk/government/publications/pre-work-programme-support>

Methodology

This publication contains statistics describing the benefit circumstances of the first cohort of people (3,200 individuals³) who claimed the weekly New Enterprise Allowance (NEA) between April and December 2011; their individual benefit status was tracked for 52 weeks following their allowance start.

A weekly allowance start is recorded when the claimant begins claiming the weekly allowance. The weekly allowance is payable when the participant closes their claim to Jobseeker's Allowance (JSA) and commences trading. The claim start date is inputted by the adviser into the Jobcentre Plus' Labour Market System (LMS).

The cohort of weekly allowance starts was taken from the LMS Opportunities database, and each claimant's benefit history and ongoing benefit status over time was constructed using the National Benefit Database⁴. The two data sources were combined together in order to identify:

- The proportion of participants not claiming benefit (i.e. JSA) continuously for the 13/26/52 weeks following the start of their allowance claim; and
- The proportion of participants in receipt of an out-of-work benefit (Jobseeker's Allowance, Employment and Support Allowance/ Incapacity Benefit, Income Support or Training Allowance) in each of the weeks following the start of a weekly allowance claim.

The proportion of the cohort on/off benefit is subtly different to the proportion who remain off benefit continuously as it is a weekly snapshot and includes people who return to benefit and leave again, resulting in lower proportions than the continuous measure.

According to the data, 2,960 of the NEA cohort (86%) ended their JSA claim a week prior to the allowance start⁵. However, 250 individuals (8% of the

³ This figure is slightly different to the number of starts recorded in the official statistics (3,320), because a small proportion of individuals were recorded as having multiple starts.

⁴ National Benefit Database – individual claim level information from DWP administrative benefit data

⁵ 7% of the cohort had an allowance start date on the same day as their JSA claim end. These do not strictly meet the criteria of signing off JSA before starting the allowance but have been retained within the cohort as it is highly likely that they ceased claiming JSA prior

cohort) appeared not to satisfy the criteria of signing off JSA before starting on the allowance or taking up the allowance within 5 weeks of leaving JSA. Of these:

- 10 had no JSA records at all;
- 100 had a JSA record that ended within the first 2 weeks of drawing the allowance; and
- 140 did not have a JSA spell in close proximity to their allowance start date (5 weeks prior and 2 weeks after allowance start)

We assume these cases arose as a consequence of either incorrect data input or imperfect matching between data sources. Therefore, for this analysis we have decided to exclude these individuals (including them would have reduced the proportion not claiming benefit continuously due to the breaks in claim shortly after the allowance, but would have made little difference to the proportion in receipt of benefit from 13 weeks).

To provide some context to the analysis the benefit status for the cohort of all individuals who exited JSA in the same period as the NEA cohort across Great Britain, who had previously spent six months or more on JSA (573,000 individuals), was also identified using the National Benefits Database.

Results

Table 1 illustrates the proportion of the cohort that remain off benefit continuously for 13/26/52 weeks after allowance start and Figure 1 shows the proportion of the cohort on/off benefit in any of the 52 weeks tracked. The results show that of the 2,960 starts to the weekly allowance between April and December 2011:

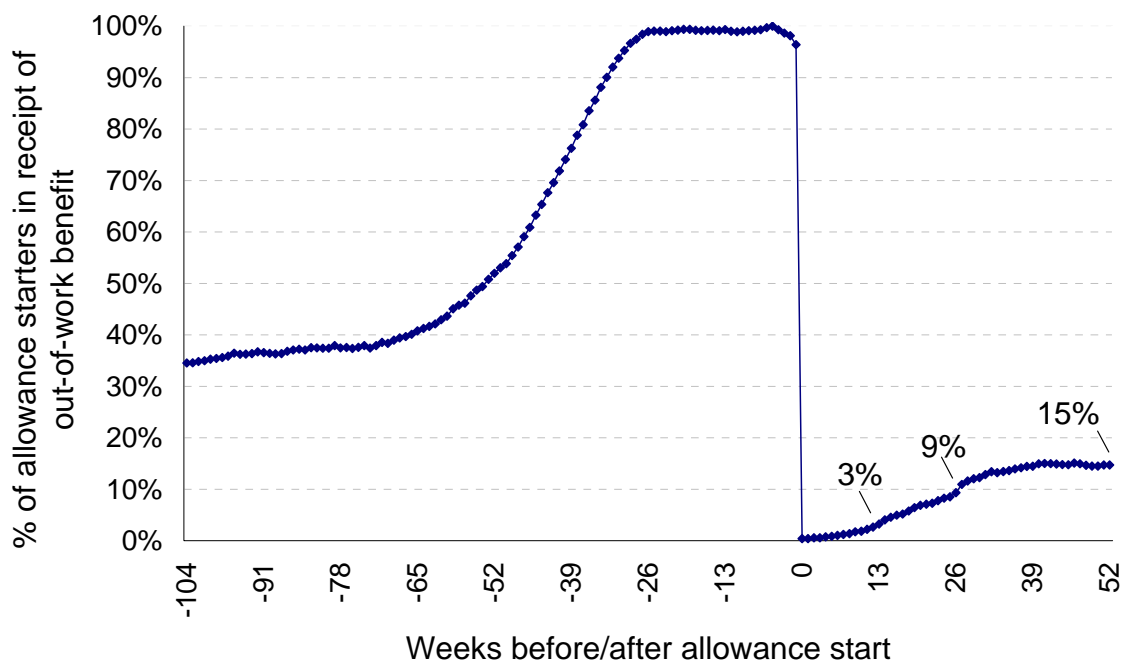
- 78% of individuals were continuously off benefit for 52 weeks after their allowance start; the proportions at 13 and 26 weeks were 97% and 90% respectively. As discussed in the introduction, this is a high-end *proxy* for sustained self-employment; there may be other reasons for remaining off benefit.
- 85% of individuals were not in receipt of out-of-work benefits 52 weeks after starting the allowance; the proportions at 13 and 26 weeks were 97% and 91%.

to NEA allowance. Their end date was changed to be the day prior to the allowance start date.

Table 1 – Proportion of groups who remained off benefit continuously for x weeks after allowance start

	13 weeks	26 weeks	52 weeks
% of allowance starts	97	90	78

Figure 1 – Proportion of cohort who were on an out-of-work benefit x weeks before/after weekly NEA allowance start



Other findings from Figure 1:

- Although the weekly allowance stopped at 26 weeks, there was only minimal increase (about 2 percentage points) in the proportion on benefit following that point, suggesting that a very high proportion of the cohort may have remained in business after finishing receiving the allowance.
- From 15 months to almost 6 months prior to claiming the allowance, the proportion of the cohort on benefit rises to almost 100% where it remains until the allowance start. This is a reflection of the eligibility rules where individuals, from that period, were only allowed to start with a NEA mentor if they had been on benefit for six months or more.
- The benefit history of the cohort before starting on the allowance shows that half as many individuals were on benefit 12 months after the scheme (15%), relative to 24-15 months prior to starting, when the proportion on benefit averaged about 37%.

To provide some context, the analysis of the benefit status for the cohort of all individuals who exited JSA in the same period as the NEA cohort across Great Britain, who had previously spent six months or more on JSA (573,000 individuals), showed that:

- 35% of individuals were continuously off benefit for 52 weeks after their JSA claim ended; and
- 57% of individuals were not in receipt of out-of-work benefits 52 weeks after their JSA claim ended.

These figures show that NEA allowance starters were much more likely to be off benefit than the group of the JSA claimants who had spent six months or more on JSA. However this is not an assessment of the scheme's effectiveness because the group of all JSA claimants **cannot** be regarded as a plausible counterfactual for what would have happened to NEA allowance starters without the programme. The main reason is that the degree of self selection is likely to be very high for the cohort of individuals who volunteer for NEA. However, the figures do provide a very rough comparison of the benefit status between the group of people who started the allowance and the overall JSA population who had left JSA in the same period and had experienced similar claim durations as the NEA cohort.

Annex A – New Enterprise Allowance National Rollout timetable

28 April 2011

Birmingham and Solihull
Black Country
Durham and Tees Valley
Mercia (previously Coventry, Warwickshire, Hereford and Worcestershire)
Merseyside
Northumberland, Tyne and Wear
South Yorkshire

Note: The NEA trailblazer went live in Merseyside on 31 January 2011⁶.

31 May 2011

Cumbria and Lancashire
Devon and Cornwall
Lincolnshire, Nottinghamshire and Rutland

30 June 2011

North and Mid Wales
South East Wales
South West Wales
East and South East Scotland
Glasgow, Lanarkshire and East Dunbartonshire (previously Central Scotland)
North of Scotland
West of Scotland

From August 2011

Bedfordshire and Hertfordshire
Derbyshire
East Anglia
East London
Essex
Gloucestershire and West of England
Greater Manchester Central and Cheshire
Greater Manchester East and West
Hampshire and Isle of Wight
Kent
Leicestershire and Northamptonshire
North East Yorkshire and the Humber
North London
South London
Staffordshire and Shropshire

⁶ **Merseyside**

Merseyside district was selected as the Trailblazer site for the NEA and went live on 31 January 2011. From November 2011, two thirds of provision in Merseyside was awarded to a new provider, with the remaining third handled by the original, trailblazer provider.

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Surrey and Sussex
Thames Valley
Wessex
West London
West Yorkshire

From November 2011

Merseyside