



Department
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Pensions

New Enterprise Allowance: Qualitative evaluation

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Summary

This report presents the findings from a qualitative evaluation of the New Enterprise Allowance (NEA), undertaken by Ecorys between October 2012 and February 2013. Rolled out nationally in stages from April 2011, the NEA was developed to support unemployed people to establish sustainable businesses through offering a combination of financial and mentoring support. The evaluation focused on exploring the extent to which the NEA was meeting this objective along with offering insights into which elements of the programme are perceived as being particularly effective, or otherwise.

Overall, the evaluation found that the programme was offering effective support for those interested in self-employment as a route to (re-) entering the labour market and playing a useful role in supporting the development of new enterprises. However, these enterprises were typically of a smaller scale and with less growth potential than initially anticipated in terms of the NEA policy intent. Despite this, for those assisted by the programme, the opportunity to support themselves and their families through starting a business was clearly welcomed in many cases. In particular, the combination of mentoring support with financial assistance appeared central to the programme's strength and effectiveness.

Although the implementation of the NEA has been broadly effective, the evaluation indicated a number of areas where improvements could be made. In particular, raising awareness of the programme amongst frontline Jobcentre Plus staff along with improving their knowledge and understanding would be beneficial. Equally, the nature and consistency of the support offered once participants have commenced trading could be improved, and the weekly financial allowance offered to programme participants could be more gradually tapered in the early stages of trading.

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Executive summary

Research aims and context

The New Enterprise Allowance (NEA) programme was developed to support unemployed people claiming Jobseeker's Allowance (JSA) to establish sustainable businesses. From February 2013, lone parents on Income Support (IS) and Employment and Support Allowance (ESA) claimants in the Work Related Activity Group (WRAG) can also access the programme. The Department for Work and Pensions (DWP) commissioned Ecorys to evaluate the NEA to help understand the extent to which it is meeting its aims and to inform the design of future self-employment support.

Research methodology

This project was qualitative in nature, and aimed to understand the experiences and views of those involved in the programme. 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.

The case study visits involved in-depth face-to-face interviews with staff from the Lead Accountable Bodies (LABs) delivering the programme on behalf of 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.

Purposive sampling was used to select a shortlist of districts for the case study visits to offer a spread across England, whilst also covering Scotland and Wales. A sampling strategy was designed for the participant telephone interviews to enable the evaluation to capture the views of those who had reached different stages in the NEA process. Case study visits and participant interviews were undertaken in November and December 2012.

Key findings

The sections below summarise the main findings relating to the different aspects of the NEA considered by the evaluation. Chapter numbers in the main report are provided for reference.

Programme design (chapter 2)

Procurement and contracting elements of the NEA were reported as functioning smoothly. Using a centrally designed delivery specification, but conducting the procurement exercise locally was broadly welcomed by Jobcentre Plus staff involved. However, a minority felt that greater local input into profiles for the numbers of participants the NEA was intended to engage would have been beneficial. 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.

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The payment model established for the programme 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. Such concerns related to the link established by the payment model between the achievement of allocated start profiles and the retention of grant funding paid to LABs. This aspect of design was seen as problematic given the limited control LABs had over numbers being referred from Jobcentre Plus. Some LAB staff also felt that payment model Key Performance Indicators (KPIs) were based on overly optimistic assumptions of the number of starts that would result in business plan approvals and trading commencing.

Changes in programme design to broaden eligibility criteria since its national roll out were almost universally seen as positive. Enabling JSA claimants to access the NEA from day one was seen as helping to boost referrals and avoid scenarios where claimants were unable to access support, or had to wait 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 from February 2013 to lone parents claiming IS and 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 establishing their businesses. The ability to extend this period from eight weeks to 12 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 reduce 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. Suggestions for a more gradual tapering of the payments were offered as a result.

The other financial component of NEA, an optional loan for participants, was less universally well received. While it was clearly important for some participants, take up was reported as 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. Such views included, for example, offering a larger loan with a higher rate of interest. Others, however, felt that raising the available amount would be problematic given the potential repayment difficulties that could occur.

Delivery approaches and relationships (chapter 3)

Delivery models and approaches varied notably between LABs. Differences primarily concerned the extent to which LABs used volunteer mentors to deliver NEA support, as per the original programme intent, or used paid business advisers. The latter approach was relatively common amongst those LABs engaged in the research. 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.

LAB representatives commonly held strong views as to the relative advantages of their chosen model. LABs using paid advisers felt that quality, accountability and consistency concerns prevented a reliance on volunteers. Those using volunteer mentors stressed the experience and independence they could offer. LABs using a 'combined' model argued that this provided a balance and complementarity of skills and roles that would otherwise be unavailable.

Volunteer mentors were often recruited through existing networks or 'mentor banks' held by LABs. National volunteering websites, advertising, and networking at business events were also used. The main reason volunteers engaged with the programme was a desire to 'give something back' through sharing their experience. Paid business advisers were mainly recruited internally and had taken their roles to expand their experience or to continue in their chosen profession. Guidance and training offered by LABs 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, with LABs tending to presume that any issues with mentoring support would be raised with them by participants.

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 (chapter 4)

Information and guidance for Jobcentre Plus advisers concerning the NEA was primarily accessed through the staff intranet. In some instances, advisers felt they would have benefited from additional guidance, information or training around the programme and its administration. 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. Such additional guidance was sometimes delivered by LAB staff along with those from Jobcentre Plus in the form of talks or briefings for advisers at weekly communications meetings.

Whilst 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 (chapter 5)

In general, the degree to which marketing or promotional activity was undertaken as part of implementing the NEA was relatively limited. This related both to promotion of the scheme to participants and to frontline staff in Jobcentre Plus. Exceptions to this general pattern tended to be in those districts where low numbers of referrals had been received by LABs. In these cases, LAB and Jobcentre Plus staff, overseeing the programme at the district level, worked together to raise the profile of the NEA through leaflets, newsletters and talks about the programme in weekly Jobcentre communications meetings.

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 being arranged. Rejection of participants at this stage was uncommon, but where it did occur commonly 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 a number of criteria in matching participants to mentors. Matching according to types of businesses was the most prevalent consideration. Other common considerations were 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 by participants 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, any ongoing support offered by LABs and mentors was often limited and ad-hoc. There was also a lack of clarity amongst mentors as to whether they could, or should, offer support. Participants were similarly unclear in some cases as to whether support was available. As a result, mentors and participants commonly cited this lack of support as a gap in provision.

Outcomes and effects of the programme (chapter 6)

The NEA has supported a range of businesses across different sectors, though 'sole trader' enterprises set up to provide services such as gardening, hairdressing, or building 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

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and some businesses were noted as having grown significantly. More often, however, those trading had found conditions challenging and were focused on keeping their businesses going rather than expansion. 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 NEA support, most acknowledged that the support had made this process easier and/or had helped to accelerate it. Some NEA participants confirmed that the programme was important in helping with their confidence to start trading, particularly in terms of verifying the viability of their ideas. However, the background or existing knowledge of others meant that such effects were viewed as being less significant. 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. This was often for financial reasons such as insufficient capital and/or that the likely income from the business would not be sufficient. 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. These included being offered and accepting paid employment whilst on the programme, deciding that the business idea was not viable during the business planning process, delays in commencing trading due to factors such as premises not being available, and business plans not being approved.

Overall perspectives on the NEA (chapter 7)

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 encouraging the development of new businesses. The combination of mentoring support with financial assistance was seen as a key strength of the approach. Implementation, ongoing management and administration of the programme were also seen as functioning well in most cases. 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.

Common suggestions for improvement on the part of LAB and Jobcentre Plus staff included improving understanding of the programme amongst advisers in Jobcentres, extending eligibility beyond JSA claimants, enabling more local input into target profiling, clarifying the effect of participation on other benefits, modernising referral processes, and more gradual tapering of reductions in the weekly allowance. Participants also offered some distinctive suggestions for improvement related to their own experiences. The most common involved providing more extensive and consistent support once trading had commenced, along with increasing the financial assistance provided. This generally concerned either extending the weekly allowance or, in the case of some who required greater start-up capital, increasing the size of available loans.

Issues for consideration

The issues for consideration arising from the evaluation can be summarised 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 its 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 of a similar nature might usefully be considered, in particular around the potential to ‘pause the clock’ for time-limited support periods to deal with 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 attention to the support provided 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.

1 Introduction

This report presents the findings of Ecorys' evaluation of the New Enterprise Allowance (NEA) programme. The report is based on research undertaken between October 2012 and January 2013. This introductory chapter first outlines the evaluation context, including an overview of the NEA, before detailing the study aims and objectives. The chapter then describes the methodology adopted for the evaluation, prior to outlining the structure of the remainder of the report.

1.1 Context for the study

The Department for Work and Pensions (DWP) commissioned Ecorys to evaluate the NEA to help understand the degree to which the programme was meeting its objectives. To add context to the evaluation findings, a brief overview of the NEA is provided below along with a short outline of previous relevant research in the area of self-employment support.

1.1.1 Overview of the New Enterprise Allowance

The NEA was established to support Jobseeker's Allowance (JSA) claimants with an interest in starting a business as a route into employment. Following a pilot scheme in Merseyside, running from January 2011, the programme was rolled out nationally in stages from April 2011. By the end of August 2011, the NEA was available across Great Britain. The programme is administered by Lead Accountable Bodies (LABs), working in partnership with local Jobcentre Plus districts on behalf of DWP. With the exception of the Merseyside pilot area, wherein two LABs operate, the programme is administered in each of the other 36 Jobcentre Plus districts by a single LAB.

In July 2012, eligibility for the NEA changed from being restricted to those claiming JSA for six months to being open to those claiming for three months. Shortly before fieldwork for the evaluation commenced, eligibility was further widened in October 2012 to cover all JSA claimants ('day 1 eligibility').¹ The programme itself consists of two main elements. The first involves access to business mentoring delivered through the LAB to help participants develop a business plan, start a business and support them through the first six months of trading. The second main element of the NEA involves financial support including an optional unsecured loan of up to £1,000, along with a weekly allowance payable over 26 weeks. All participants are eligible to claim the weekly allowance upon having a business plan approved by the LAB and terminating their claim for JSA. The value of the allowance is set at £65 for 13 weeks and is then reduced to £33 for a further 13 weeks.

The LABs administering the mentoring aspects of the programme were selected through competitive tendering and are a mixture of local authorities, private sector companies and voluntary sector organisations. LABs are responsible for providing an initial assessment or 'sift' of applicants' business ideas, sourcing business mentors (intended to be volunteers active in the local business community), matching mentors with participants and assessing

¹ After the evaluation had been undertaken, eligibility was widened from 18 February 2013 to enable lone parents claiming Income Support (IS) and Employment and Support Allowance (ESA) claimants in the Work Related Activity Group (WRAG) to access the programme.

completed business plans. Approval of business plans is required for participants to claim the NEA weekly allowance outlined above. The loan element of the programme is not administered by LABs, but by separate loan companies contracted with DWP. Payments of the weekly allowance are administered by Jobcentre Plus. Those claiming the allowance are required to submit evidence to their local Jobcentre to confirm that they remain meaningfully self-employed over the period of their claim.

1.1.2 Previous research on self-employment support programmes

While the focus of the evaluation was specifically on assessing the operation of the NEA, it is worth noting that evaluations of previous related programmes are available, including that of a predecessor programme to the NEA, the Enterprise Allowance Scheme (EAS). This evaluation from the 1980s demonstrated that such programmes can be effective in supporting the development of sustainable businesses and their expansion. More recent evaluation evidence tends to agree that such schemes can be effective in supporting unemployed individuals into self-employment, but that this is sometimes more true for specific groups rather than the wider unemployed population. In several cases, research suggests a particular effectiveness for better educated male workers between 30 and 40-years-old.²

The available literature also highlights that previous experience of self-employment is a good indicator of likely success for those benefiting from programmes such as the NEA.³ Other research focuses on identifying the important components of self-employment support programmes in terms of promoting successful outcomes. Research on support for young entrepreneurs, for example, highlights the significance of regular client follow-up; mentoring; flexibility in terms for supporting loans; celebrating entrepreneurial achievement; strategic partnerships with the business community and other agencies; and a strong, targeted training programme.⁴ One-to-one assistance, clear signposting to additional support and a short targeted period of intensive assistance are similarly highlighted as key factors by a recent review of evidence on welfare to self-employment programmes.⁵ Finally, the evidence suggests that the main barriers to business start-up are restricted access to finance, cash-flow difficulties, problems in securing adequate business, and difficulties in complying with the technical requirements for business around, for example, book-keeping and taxation.⁶

² See, for example, Betcherman, G. *et al.* (2004). *Impacts of Active Labor Market Programs: New Evidence from Evaluations with Particular Attention to Developing and Transition Countries*, The World Bank Social Protection Discussion Paper 0402.

³ Adams *et al.*, (2011). *Six Month Offer Evaluation: Findings from the longitudinal claimant survey*, DWP Research Report No.769.

⁴ OECD, (2012). *Policy Brief on Youth Entrepreneurship*.

⁵ Adams, L. and Oldfield, K., (2012). *Welfare to Self-Employment*, Department for Business, Innovation & Skills.

⁶ Bevan, J. *et al.*, (1990). *Barriers to business start-up: a study of the flow into and out of self-employment*, Department of Employment Research Paper No.71.

1.2 Evaluation aims and objectives

The overall aim of the evaluation was to explore whether the NEA was meeting its objectives in terms of providing assistance for unemployed people to establish sustainable businesses. Within this the evaluation sought to offer insight into which elements of the programme are perceived as particularly effective (or otherwise). Given this focus, and the intention to gather quantitative information around programme performance separately, the study was intended to offer qualitative insights into the NEA and its operation. The results of the evaluation were anticipated to inform the design of any future self-employment support programmes.

1.2.1 Key research questions

To provide further focus for the evaluation, a series of key research questions were developed to guide the study. The questions were formulated in respect of the main 'respondent' groups engaged through the work, namely NEA participants, Jobcentre Plus staff, LAB staff and mentors providing guidance to participants. The key research questions covered the design of the programme, the processes involved in NEA delivery and the effects of engagement with the programme. The full list of key research questions is included at Appendix A of the report.

1.3 Methodology

1.3.1 Overview

This project was qualitative in nature, and aimed to understand the experiences and views of those involved in the programme. The requirement to consult with LAB staff, Jobcentre Plus staff, mentors delivering support and participants led to a design involving case study visits to a selection of Jobcentre Plus districts allied to a set of telephone interviews with participants. This was seen as the most practical way to gain the required coverage of respondent groups, whilst ensuring that the available resources could be used to interview a larger number of NEA participants. The use of case studies based on Jobcentre Plus districts also enabled the cross referencing of views between respondent groups involved in NEA implementation in particular areas.

1.3.2 Case study selection and implementation

To facilitate a spread of geographical areas it was decided to undertake eight case study visits to different Jobcentre Plus districts. This enabled the evaluation to cover just over a fifth of the districts delivering the programme (eight out of a possible 37). Given that part of the study involved examining the slightly different profiling and payment model used for the national roll out of the NEA compared to the Merseyside pilot, this district was automatically identified as one of the areas. For the remaining seven, purposive sampling was used to select a shortlist of districts able to offer a spread across England, whilst also covering Scotland and Wales. Further criteria influencing the preferred selection were:

- Aiming for a balance of predominately urban, rural or 'mixed' areas.
- Aiming for a balance of the different types of LABs involved in delivery.
- The degree to which districts were the subject of other research in the planned fieldwork period so as to minimise the 'research burden' on particular districts.

- The level of take-up of NEA in different districts (i.e. low/medium/high).

The final approved selection included three districts in Northern England, two in Southern England, and one in Central England, along with one district in Scotland and one in Wales.

For each case study area, in-depth consultations were arranged with a selection of LAB managers and delivery staff, mentors, Jobcentre Plus advisers and Third Party Provision Managers (TPPMs). Informed consent was gained from each interviewee at the stage of arranging consultations and again before undertaking them. Those interviewed were informed that all discussions would be treated confidentially. The planned interview and focus group schedule for each area was as follows:

- Interviews with LAB managers and delivery staff (three interviews per case study area – typically one manager and two delivery staff)
- Interviews with mentors providing advice and support to NEA participants (three interviews per case study area)
- Focus groups with Jobcentre Plus advisers (two groups per case study area, each in one of two selected Jobcentre Plus offices and involving three or four advisers)
- Interviews with Jobcentre Plus TPPMs or equivalent responsible for overseeing implementation (one interview per case study area).

Given the variation in delivery models across the districts visited there were some small variations to this planned division of interviews in some cases.⁷ For example, where paid advisers employed by LABs were used in place of, or alongside, volunteer mentors, this was reflected in the interviewee selection with more slots being allocated to the ‘LAB staff’ category. The planned overall numbers of seven in-depth interviews and two focus groups across each area were not affected.

Interviews with LAB staff, mentors and Jobcentre Plus TPPMs or equivalent typically lasted between 45 minutes and an hour. Each interview was guided by use of a semi-structured topic guide and was recorded with the permission of the respondent.⁸ Interviews were subsequently transcribed in full. Focus groups with Jobcentre Plus advisers were also guided by a semi-structured topic guide and typically lasted between 30 and 45 minutes. Of the 16 focus groups, 15 were recorded with the permission of participants and transcribed. Due to permission not being forthcoming in the case of one of the groups, notes were taken and subsequently written up.

⁷ Further discussion and examination of these variations is covered in chapter 3 of the report.

⁸ All research tools are reproduced at Appendix B for reference.

1.3.3 Sampling for participant interviews and implementation

In order to gain a detailed understanding of participants’ experience of the NEA, a series of in-depth telephone interviews were undertaken to capture the views of participants who had reached different stages in the NEA process. This allowed the study to explore, for example, why some of those referred did not go on to fully engage with the programme and why some had started businesses, but were no longer trading. The sample frame included the following groups:

- 1 Those who were referred to the programme, but did not progress any further to receive mentoring support
- 2 Those who were matched to mentors, but did not progress to claiming the weekly allowance
- 3 Those who received mentoring and claimed the weekly allowance, but were now claiming benefits again (the presumption being that they were no longer trading)
- 4 Those who had received mentoring, claimed the weekly allowance and were not back on benefit (the presumption being that trading was ongoing).

Table 1.1 details the target quotas set for each group and the numbers achieved. A total sample of 1,000 participants was provided by DWP to facilitate the process. To help ensure that the target quotas were met, the overall sample was five times the size of the target quota for each group.

Table 1.1 Sample frame for participant interviews

	1. LAB referral, but no mentor start	2. Mentor match, but no allowance start	3. Received mentoring and allowance, back on benefit	4. Received mentoring and allowance, not returned to benefit	Total
Total sample	150	150	250	450	1,000
Target	30	30	50	90	200
Achieved	29	28	51	90	198

The sample broadly reflected the overall pattern of engagement with the programme, with some ‘boosting’ of numbers for those groups that would otherwise have small sample sizes – for example, those referred, but not subsequently engaging. To create a link with the case study districts selected for the research, half the initial sample was drawn from these areas, with the remainder drawn from those engaging across Great Britain.

To help ensure informed consent, potential interviewees from the overall sample were initially sent an ‘opt-out’ letter informing them of the research. This contained details of a Freephone number they could call to indicate that they were unwilling to be contacted for the study. When contacting those participants not opting out, the research was explained to the potential interviewees and explicit verbal consent sought for their participation.

All interviews were facilitated using a semi-structured topic guide with notes being taken at the time of the call.⁹ Given the varying number of questions designed for the different participant groups sampled, the length of the interviews varied. For those groups that had only limited engagement with the programme, and had not gone on to claim the weekly allowance or start a business, interviews typically lasted for 15 to 30 minutes. For other groups, interviews typically lasted 30 to 45 minutes. Notes taken were subsequently written up to prepare for the data analysis stage outlined below.

1.3.4 Data analysis

Excerpts from the transcripts of the case study interviews and focus groups, along with the write-ups from the telephone interviews, were first entered into an analysis framework designed in accordance with the key research questions under consideration. This process of 'gridding' enabled the subsequent analysis to draw out key findings, themes, patterns and issues relating to the evaluation focus and key research questions. The perspectives of the different respondent groups were first analysed independently, prior to bringing the findings together in a second stage of analysis to compare and contrast views of the programme and its operation. Findings from the analysis were then written up to feed into this report.

1.4 Report structure

The remainder of the report is structured as follows:

- **Chapter 2** examines issues relating to the design of the NEA including its payment model, eligibility criteria and financial components.
- **Chapter 3** considers the delivery approaches and relationships connected to the programme's implementation.
- **Chapter 4** reviews the implementation of the NEA within Jobcentre Plus.
- **Chapter 5** assesses key delivery elements of the programme including referral processes, the delivery of mentoring support and the process of business plan approval.
- **Chapter 6** examines the outcomes and effects of the programme in terms of the types of business supported and effects on participants.
- **Chapter 7** considers overall perspectives on the NEA along with suggested improvements.
- **Chapter 8** offers some concluding remarks and issues for consideration in respect of the evaluation overall:
 - Appendix A lists the key research questions addressed by the study.
 - Appendix B reproduces the research tools used in the evaluation.
 - Appendix C details the payment model used for the NEA for reference.

⁹ The topic guide is included at Appendix B for reference.

2 Programme design

2.1 Introduction

This chapter considers issues relating to the design of the New Enterprise Allowance (NEA), along with briefly considering its initial implementation in terms of procurement and contracting processes. It first considers the initial procurement and contracting involved in the programme, including examining the reasons Lead Accountable Bodies (LABs) became involved. The 'start profiles' established for numbers engaging with the NEA are then examined, along with other performance indicators and the payment model adopted. The chapter then looks at the eligibility criteria used for the programme, along with the support period available prior to the submission of business plans. The loan and weekly allowance elements of the NEA are then considered. The chapter concludes by summarising the key findings arising.

2.2 Initial procurement and contracting

Jobcentre Plus staff involved in initial procurement, typically Third Party Provision Managers (TPPMs) or equivalents, generally cited that the process of identifying and selecting LABs to deliver the NEA was straightforward. LAB staff who commented on procurement and contracting generally mirrored these views. The procurement exercise was described as straightforward and clear, while subsequent contracting was cited as working smoothly. The one exception involved slight delays in finalising a contract, though this was not seen as a major issue.

The model of using a centrally designed delivery specification, but conducting the procurement process locally, was broadly welcomed by Jobcentre Plus staff. Typically, a sufficient number of bids had been received. The quality of these, and hence the choice available, was generally described as good. The only exceptions were in two areas which had received only one bid of acceptable quality, though in these cases the strength of the bids concerned meant that this was not viewed as a significant issue.

While the use of specifications developed at the national level was generally viewed as appropriate in terms of ensuring consistency, a minority of TPPMs or their equivalents did raise some points in this area. In a couple of instances, those concerned felt that there might be scope for enhancing local input into the development of the specification. One interviewee, for example, raised this in terms of having the ability to influence the 'start profiles' devised for the programme. However, others felt that they did have sufficient opportunity to influence specifications locally.

2.2.1 Reasons for LAB involvement

Reasons for LABs bidding to deliver the NEA commonly revolved around a perceived fit with the wider activity of the organisation concerned. In several cases, this related to organisations involved in business support activity, whilst in others, the main link came from existing experience of delivering support to unemployed individuals. The opportunity to expand the geographical scope, scale, or type of activity offered was also noted in the case of a couple of the private sector LABs involved in delivery. Existing relationships

with Jobcentre Plus locally were also cited. The following comment was typical of the explanations offered:

'We were doing other unemployment support contracts as well, so we had good liaison with the Jobcentres and it [NEA] just blended very well.'

(LAB manager)

2.3 The NEA payment model, profiled starts and performance targets

2.3.1 Programme starts

In most cases, LAB representatives felt that the profile of programme starts allocated was reasonable and achievable. Given that this profile was also linked to the payments received for delivering the programme,¹⁰ this was seen as important in ensuring delivery was viable. However, in a minority of the areas visited LABs were finding it difficult to achieve the profiled number of starts. Reasons for this varied, but were generally ascribed to competing programmes operating, hence lessening the number of referrals to the NEA, or lower than expected volumes being referred due to other factors. These are covered in more detail in Section 5.3 on referrals, but included a perceived reluctance within some Jobcentres to refer and the NEA having a limited profile across the districts concerned.

In districts where referrals were notably behind profile, both LAB staff and TPPMs, or equivalent, expressed concerns over the effects this was having. These related both to current delivery and the potential issues that could be caused as a result of money having to be paid back from the grants awarded. In such situations, LAB staff reported that they had diverted resources and energy to working with Jobcentre Plus to raise referral rates, as opposed to focusing on delivering other aspects of the programme. Jobcentre Plus TPPMs, or their equivalents, also expressed concern over the viability of delivery for those LABs that were significantly behind profile.

It was also acknowledged that the scenario of referral rates being largely outside the control of LABs was problematic and possibly unfair. As one TPPM commented:

'We're actually putting the LABs in a vulnerable position ... to say we want you to take these [targets] but at the same time we're not going to give you all these referrals, so we want you to pay us all the money back at the end. So it kind of doesn't sit right.'

(Jobcentre Plus TPPM)

¹⁰ The grant funding model for the national roll out of the NEA involved an upfront payment of 20 per cent of the total grant to LABs to cover start-up costs, followed by equal payments over the contract period (comprising the remaining 80 per cent of the grant). At the end of the contract, LABs will be able to retain a proportion of the monthly payments based on performance in terms of numbers of starts, business plans signed off, numbers commencing trading and numbers trading at 26 weeks. Further detail on the payment model is included at Appendix C.

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It is also worth noting that in some areas where profiled starts were seen as reasonable and achievable, LAB staff nonetheless cited that changes in eligibility restrictions were an important factor in this judgement. Without the move from Jobseeker's Allowance (JSA) claimants being eligible at three months rather than six, and subsequently from day one of their claim, it was noted that the assessment of whether profiled starts could be achieved would have been less positive.

2.3.2 Key Performance Indicators and Service Level Agreements

Alongside the achievement of profiled starts influencing the amount of the grant LABs retain, within the NEA payment model certain key performance indicators (KPIs) also have an effect. In particular, these relate to the number of participants progressing through the programme to the point business plans are signed off, numbers starting trading and the number of businesses still trading 26 weeks later. Failing to achieve the profiles set for these KPIs would mean that LABs would have to repay part of the grant received. As such, LAB staff were also asked for their views on these KPIs and their link to the NEA payment model. Such views were more variable than in respect of start profiles.

In situations where numbers engaging were up to profile and conversion rates in terms of starting businesses were high, LAB staff commonly viewed the KPIs as reasonable. However, where participant starts or the proportion progressing through the programme were lower than anticipated, interviewees were concerned that KPIs would prove to be too stretching and affect the amount of grant that could be retained (given the link to the payment model as outlined above). Along with some Jobcentre Plus staff at the district level, such LAB interviewees felt that assumptions of the number of starts that would be converted to business plan approvals and business starts were overly ambitious. While the concept of using KPIs and associated targets was seen as reasonable, there was concern that some LABs would have to repay a proportion of the grant received due to the inter-linkage between profiled starts, KPIs and the overall payment model.

As part of the NEA contracting process, LABs also committed to a number of service level agreements (SLAs) defining certain standards of delivery. In the main, these were viewed as reasonable by LAB staff and no significant issues were raised. In a minority of cases, some LAB staff raised issues around the SLA governing the time limit for contacting participants and arranging an initial meeting following their referral from Jobcentre Plus. It was noted that participants were sometimes uncontactable for reasons beyond the LAB's control and that it was not always possible to meet this SLA as a result. However, this was not seen as a major issue and SLAs in general were seen as appropriate and reasonable.

2.3.3 General perceptions of the payment model and its effects

Jobcentre Plus staff, working at the district level, and LAB representatives gave a range of views when asked for their overall perception of the NEA payment model and its effects.¹¹ The grant-based upfront and ongoing monthly payment aspects of the model were well received by most LAB managers in terms of ensuring that enough funding flowed into the provision. Some interviewees had run contracts based on payment by results models, wherein funding was largely 'back-loaded' on the basis of performance, and tended to compare the NEA model favourably with these. As noted, for at least some LAB and

¹¹ Further detail on the NEA payment model is included at Appendix C for reference.

Jobcentre Plus representatives, the start profile and KPI aspects of the model were also seen as reasonable and appropriate.

However, some LAB and Jobcentre Plus staff, while feeling that the grant-based approach was suitable in general, also felt that the overall payment model was complex and difficult to fully understand. Some LAB staff reported being unclear about the formulas to be used by the Department for Work and Pensions (DWP) at the end of the contract to reclaim money from the ongoing monthly payments LABs received. Likewise, some TPPMs or their equivalents acknowledged that the model could be, in the words of one, '... a bit hard to grasp.' While not a universal concern, those advancing this view did feel that a simpler mechanism would ideally have been used.

The other main theme that emerged was the potential disconnect between the reliance of LABs on a certain volume of referrals to retain their grant and their limited ability to directly influence referral numbers. This was cited by one LAB manager as being 'frustrating' in that the model had implications for the amount retained for reasons outside their control. This was also seen by some Jobcentre Plus staff as being potentially unfair. In one case, concerns over the effects of this on the relationship with the LAB were also raised.

Those consulted were also asked for their views on whether, as per its intent, the payment model was acting as an incentive to ensure that as many referrals as possible were converted into sustainable business starts. While the intention behind the model was recognised by some, those commenting either found it hard to assess whether the model was having this effect or felt that there was little evidence that it was. Similarly, the difference between the payment model used for the Merseyside pilot and that adopted for the national roll-out was not seen as having a notable effect by the few interviewees able to comment.¹²

2.4 Eligibility and the structure of NEA support

2.4.1 Eligibility criteria

In July 2012, eligibility for the NEA changed from being restricted to those claiming JSA for six months to the mentoring element being open to those claiming for three months. Shortly before fieldwork for the evaluation commenced, eligibility was further widened in October 2012 to cover all JSA claimants ('day one eligibility'). This easing of eligibility criteria was generally welcomed, with the views expressed by LAB and Jobcentre Plus staff (including advisers) being almost universally positive. This was particularly evident amongst LAB staff in areas where the previous restrictions were seen as a barrier to higher referrals onto the programme. Such a scenario was particularly acute in Scotland, for example, where an alternative programme run by the Scottish Government, Training for Work, was open to participants after 13 weeks. At the point that NEA eligibility was set at 26 weeks this was viewed as a particular issue. The effects of this were described by one LAB staff member as follows:

¹² For the Merseyside pilot, DWP profiled outcomes (business start ups) and LABs could take on as many claimants as required to meet their profiled outcomes (so if a participant left they could immediately be replaced). For national roll-out, the Department profiled starts on the scheme and LABs cannot exceed the total number of starts which they are allocated (so where someone leaves they cannot be replaced). The idea was to convert as many of the starters to outcomes as possible.

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'Chronologically the clients were able to go on that [Training for Work] sooner and I think that made a big difference ... so we were picking up scraps from the rich man's table in that sense.'

(LAB staff member)

In this situation, both LAB and Jobcentre Plus staff felt that more attention would ideally have been given to ensuring that the NEA fitted with and complemented the alternative programme.

More generally, the move to 'day one eligibility' was cited as having a notable effect on referrals in areas where volumes had previously been below profile. This was welcomed in particular by LAB staff and those involved from Jobcentre Plus with responsibility for overseeing the programme at the district-wide level. As one TPPM noted:

'The best thing that has happened is just the recent change where they've brought everything to day one. That really has made a difference and we've seen an increase in starts in the month of October by probably about 40 per cent.'

(Jobcentre Plus TPPM)

Similar themes emerged in some of the focus groups with Jobcentre Plus advisers. It was noted that previous restrictions had led to scenarios whereby someone with a genuine interest in self-employment would find themselves waiting to become eligible at the three or six month stage. As one adviser commented, *'you don't want people to stay unemployed for six months just so they can go onto the scheme'*. In some instances advisers also acknowledged that in situations where individuals were close to becoming eligible, the temptation was to encourage them to remain on benefit in order to access the provision. Evidence from the participant interviews confirmed this. For example, some participants described how they were 'forced' to wait prior to engaging with the NEA due to the eligibility restrictions imposed by the programme, with words such as 'frustrating' or 'annoying' being used to describe this.

While welcoming the move to 'day one eligibility', some Jobcentre Plus and LAB staff felt that access to the NEA should be widened further. This generally related to opening eligibility to those claiming benefits other than JSA, most commonly the Employment and Support Allowance (ESA). Those arguing for this often noted that ESA claimants were potentially just as suited to self-employment as those claiming JSA. In line with the intent of the NEA to support the development of new businesses, therefore, such an extension of the programme was seen as logical.¹³

2.4.2 Period of support prior to business plan submission

The time available for participants to develop their business plan was another element of the NEA design examined by the evaluation. To encourage participants towards starting a business in a reasonable time period, an eight-week limit for business plan development following initial engagement was established. To add some flexibility, the opportunity to extend this to 12 weeks in some circumstances also formed part of the programme design.

¹³ Following completion of the fieldwork for the evaluation, DWP announced that from 18 February 2013 the NEA would be open to lone parents claiming Income Support (IS) and those claiming ESA in the Work Related Activity Group from day one of their claims for benefit.

In the majority of cases, LAB and Jobcentre Plus staff felt that the standard eight-week period was appropriate and provided a useful impetus for participants. In addition, the opportunity to extend to 12 weeks in particular circumstances, and the flexibility this offered, was broadly welcomed.

Accepting the general support for the standard period, in some cases those interviewed felt that the flexibility given by the possibility of extending the timeframe to 12 weeks might be further expanded. This was typically raised by LAB and Jobcentre Plus staff in response to a minority of cases where participants faced unforeseen issues likely to delay production of their business plan or the chance to start trading. In particular, the option to pause the 'eight-week clock' for a flexible period of time when such circumstances arose was raised. As one LAB representative noted, due to such issues:

'With the best will in the world there are occasions where there's nothing we can do except wait and in that sense it would be quite good to have the facility to say "the clock's stopped on this one", depending on access to a property or something.'

(LAB staff member)

A small number of LAB and Jobcentre Plus interviewees felt that such flexibility should be more comprehensive in terms of the business plan development stage of the programme being available for a longer period, such as up to four, five or six months. The rationale was to widen the suitability of the NEA to those who were further away from developing a business plan or starting a business. As noted, however, the view that the eight-week period acted as a positive impetus for participants was more common. Equally, some Jobcentre Plus and LAB staff noted that restricting the time available was more likely to ensure that support was focused on those who had a realistic business idea and chance of commencing trading in the near term.

Evidence from the participant interviews supported the view of the eight-week period being appropriate and acting to focus attention. Most participants viewed the available time as being adequate and few felt it was too short. In contrast, some participants commented that they did not need this amount of time, though this was generally in cases where individuals had already begun seriously scoping out their ideas or working on business plans prior to referral. However, a small minority of participants did cite that it had been difficult to fully develop their plan in the available period, while others had failed to meet the deadline to submit a plan. Generally, this related to other caring or family responsibilities taking up time. In some cases those who did not submit plans acknowledged that they had reconsidered whether the business was viable and/or whether self-employment was the right option for them.

A further aspect to the design of the pre-business plan submission phase concerned the fact that participants were able to continue to claim JSA during this period. The participant interviews clearly demonstrated that for the majority of those engaged this was particularly important. Not having to apply for other jobs at this point was also noted as being a significant help. The following comment illustrates this:

'It was very, very helpful. Had I had to sign off or stopped receiving [JSA] I wouldn't have given it a try ... It was very difficult to focus on the tasks each week and set up a business plan and think about running a business, without having to do a job search as well.'

(NEA participant)

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Contrary to the design of the NEA and its regulations, a small number of participants reported being informed by Jobcentre advisers that they still needed to look for work while developing a business plan. This was seen as taking the focus away from developing a plan and preparing to start a business, in addition to confusing some participants or causing them concern. As one participant commented:

'I was trying to develop the business plan whilst the Jobcentre kept asking whether I had been applying for jobs so they weren't that informed about NEA requirements.'

(NEA participant)

2.5 NEA financial components

2.5.1 Weekly allowance

Participants and those administering the programme felt that the NEA weekly allowance, payable once business plans had been approved, was a useful and important element of the programme's design. Its importance in acting as a 'safety net' was often referenced, particularly in terms of the added security of having a consistent income in the initial stages of trading. The role of the allowance in supporting the transition from being on benefits to self-employment was widely commented on, though it was clear that its relative importance varied between individuals. For some participants, terms such as 'vital' or 'crucial' were used to describe the weekly allowance, while one interviewee noted:

'It's been pretty fundamental, but just because it's been such a tough year, that money [the allowance] I was just living off for subsistence as for quite a long time there was no other income [from the business].'

(NEA participant)

For others on the programme, the allowance may have been less vital, but was still important and welcome from a reassurance standpoint when making the transition to self-employment. The following comments were typical of those interviewed:

'It [the allowance] was necessary, because [going] from receiving the benefits to being self-employed and receiving nothing would have been hard. In that initial stage when you are getting your customers together, that little support, knowing that we were not going from something to nothing [was important].'

(NEA participant)

'[It was] very helpful because I didn't worry so much, especially £65 a week, it was almost the same as JSA so it [starting a business] wasn't such a worry.'

(NEA participant)

LAB and Jobcentre Plus staff generally felt that the allowance was around the right level, along with the length of payment being appropriate. A small number of respondents did feel, however, that the allowance should either be higher or continue at its full rate of £65 for longer than 13 weeks. In most cases, their argument was that £65 represented a relatively small amount when placed against the costs of starting a business, though the potential to access a loan was also acknowledged. Those in favour of the allowance remaining at £65 for longer, rather than changing to £33 after 13 weeks, mainly predicated this view on

feedback from participants who had struggled with this change. Some LAB and Jobcentre Plus staff also felt that the allowance might be tapered to a greater extent over the period of its payment, so as not to create one big drop at the 13-week stage.

Participant views on the amount of allowance payable were a little more varied, though facing difficulties when the allowance was reduced by almost half at the 13-week point emerged as a relatively common theme. As one participant explained of the allowance:

'To start with it's fine as it's nearly the same as JSA, but when it drops down it's not easy as a single parent. It's been a struggle because although the business is bringing money, it's also using money to keep it going.'

(NEA participant)

Although some participants felt that the allowance was of a reasonable level, certainly at £65, it was also viewed as relatively small in the context of the outgoings associated with starting a business. This was generally the argument advanced by the minority of participants who felt that the allowance should either be higher or should continue at £65 for six months or longer. Those returning to benefits, either after some engagement with the NEA or after trading for a period, were most likely to see the amount of the weekly allowance as insufficient.

Amongst participants the allowance was generally used to support minor expenses and/or general living expenses as distinct from more significant business costs. However, its role in helping with initial cash flow in the early stages of trading was also cited. The description of the use of the allowance by one participant was relatively typical:

'At the beginning, it [the allowance] basically gave me the funds for my insurance for my massage [business], and some initial stock to run the business. When it's been the quiet period where I haven't had that many clients, I've been able to live off that, buy food and pay my weekly bills.'

(NEA participant)

2.5.2 Loans

Views on the loan element of the NEA varied amongst LAB and Jobcentre Plus staff. While it was commonly seen as a useful optional component, some interviewees raised issues around the available amount. Although the figure of up to £1,000 was viewed by some as appropriate, others felt that there could be more flexibility in the amount available. The rationale for this was typically that for some businesses £1,000 would be more than sufficient start-up capital, whilst for others it would be inadequate.

Along with participants, those implementing the NEA also frequently questioned the interest rate payable on the loan in terms of it being too high at 10 per cent. LAB staff in particular questioned whether this was reasonable and some felt that it would be likely to lead some participants to struggle to make repayments. Interestingly, some of the mentors interviewed noted that they would actually discourage participants from taking the loan on this basis unless they had no choice. The low take-up of loans, commonly cited by those consulted in the case study visits was often ascribed to the repayment terms, along with broader concerns amongst participants around getting into debt.

LAB and Jobcentre Plus staff arguing for greater flexibility in the amount of the loan sometimes linked this to their concern about the interest rate payable. Therefore, for

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example, one suggestion was to have a £1,000 loan on offer at a lower interest rate, with up to £5,000 available at a higher interest rate to reflect the greater risk involved. Conversely, others made the point that raising the available amount might be inappropriate for the group that the NEA was serving, whatever the repayment terms. For these interviewees, offering too great an amount to those coming off JSA who might have been on benefits for some time was seen as being irresponsible.

The views of participants on the loan aspect of the programme broadly reflected those expressed by the respondent groups implementing it. For a minority of those interviewed the loan was seen as particularly welcome or important, with some noting that they would have found it difficult to access credit elsewhere. As one participant noted of the loan:

'I wouldn't have been able to do it without it. I wouldn't have been able to buy a vehicle. Without that money it [starting a business] wouldn't have happened.'

(NEA participant)

More commonly, participants in receipt of the weekly allowance had not taken up the loan. The main reasons cited for non-take up were:

- Reluctance to get into debt and/or add to existing debts.
- Availability of alternative finance, often from family or friends on an interest free basis.
- Other existing capital being in place, for example from redundancy pay outs.

Less commonly, participants were unaware of the loan option, felt they had not been sufficiently advised about it, had concerns over their credit rating, felt that interest rates were comparatively high, or already had all the required equipment for their business. A small number also questioned the size of the available amount, in some cases arguing that it was insufficient given that taking out the loan might preclude them from accessing credit elsewhere. As one participant commented:

'If they had made it £5,000 that would have been attractive ... To put yourself down as a debtor for just £1,000, well, if you go elsewhere for a loan, the lender will ask you if you have any loans elsewhere ... so that would kill your chances as you are paying two loans. Why would I take out £1,000 to limit my chances?'

(NEA participant)

While a relatively small proportion of participants had taken out a loan, those that had generally cited that the process itself was understandable and relatively straightforward. This reflected the views of most LAB and Jobcentre Plus staff. In a small minority of cases, participants and those involved in implementing the NEA did note that the loan application process was somewhat complex and long. For one LAB staff member the process was described as 'bureaucratic' and 'tiresome', though this was the exception rather than being a common view.

Where participants had accessed loans, the finance was generally used to meet start-up costs and initial outlays in terms of equipment or premises. In a smaller number of cases, participants described using their loan on a more ongoing basis to meet the costs of smaller items or stock required for their operations. There was no evidence of loans being used for purposes other than those directly related to running a business.

2.6 Summary of key findings

Procurement and contracting elements of the NEA were reported as functioning smoothly. Using a centrally designed delivery specification, but conducting the procurement exercise locally was broadly welcomed by Jobcentre Plus staff involved. However, a minority felt that greater local input into profiles for the numbers of participants the NEA was intended to engage would have been beneficial. 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 established for the programme 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, the link between this and retaining the grant received for delivery was cited as a concern. This aspect of design was seen as problematic given the limited control LABs had over numbers being referred from Jobcentre Plus. Some LAB staff also felt that payment model KPIs were based on overly optimistic assumptions of the number of starts that would result in business plan approvals and trading commencing.

Changes in programme design to broaden eligibility criteria since its national roll out were almost universally seen as positive. Enabling JSA claimants to access the NEA from day one was seen as helping to boost referrals and avoid scenarios where claimants were unable to access support, or had to wait to engage with the programme. LAB and Jobcentre Plus staff often felt that eligibility should be extended to other benefit types.

The time-limited support phase prior to submitting business plans for approval was widely seen as appropriate and effective in ensuring that participants focused on establishing their businesses. The ability to extend this period from eight weeks to 12 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. Suggestions for a more gradual tapering of the payments were offered as a result.

The other financial component of NEA, an optional loan for participants, was less universally well received. While it was clearly important for some participants, take up was reported as 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. Others, however, felt that raising the available amount would be problematic given the potential repayment difficulties that could occur.

3 Delivery approaches and relationships

3.1 Introduction

This chapter focuses on the delivery models and arrangements adopted by Lead Accountable Bodies (LABs), along with their relationship with Jobcentre Plus. It first examines LAB delivery models, including the different approaches taken to the provision of mentoring support. The approach of LABs to recruiting mentors and the support offered to them is then considered, prior to examining the relationship between LABs and Jobcentre Plus in delivering the programme. Key findings from the analysis are then summarised.

3.2 LAB delivery models and approaches

There was notable variation in LAB delivery models across the case study areas visited. This primarily related to the extent to which LABs used volunteer mentors, as per the original New Enterprise Allowance (NEA) policy intent, or whether paid business advisers were employed for all or part of the mentoring/support role. The latter generally had a professional background in delivering business support, while volunteer mentors were often current or retired business people as originally envisioned in the programme's design. Delivery models fell into the following broad categories, with LABs:

- Using paid business advisers from within the LAB for the majority of support.
- Using paid advisers for all support, hence not using volunteer mentors at all.
- Sub-contracting the majority of support to paid advisers in a network of partners.
- Combining business advisers with volunteer mentors in roughly equal measure.
- Primarily using volunteer mentors for the majority of, or all, support.

There was also some variation within these categories. For example, amongst LABs relying primarily on volunteer mentors, some offered additional provision delivered by paid business advisers for specific aspects of support. Typically, these involved more technical aspects of running a business, such as legal and financial requirements, though in some cases workshops based around particular topics such as marketing or networking were offered. Conversely, other LABs using volunteers largely relied on the mentors to offer all support rather than engaging professional business advisers.

Some blurring of the distinctions between paid business advisers and volunteer mentors was also apparent. In some cases, for example, LABs used 'paid mentors' whose background was closer to the 'volunteer mentors' being used elsewhere; that is, they were individuals with current business experience or retirees rather than those with a professional background in delivering business support. A similar crossover in the roles of 'paid advisers' and 'volunteer mentors' was also evident. In general, the latter had more of an encouraging or pastoral role, while the former concentrated on more technical support, though this did vary. Distinctions between the roles of paid business advisers and volunteer mentors were

clearest where both were used as part of a delivery model, the former to offer specialist advice and the latter to offer motivational or pastoral support. Such a model was described in the following terms by one of the LAB manager's consulted:

'... the mentor is there to support and motivate ... while we've got the business advisers doing the day-to-day, on-the-ground sort of things ... sitting down with them [participants] at first meeting, telling them what market research and everything they need to go off and do in order to put into their business plan.'

(LAB manager)

LAB representatives commonly held strong views on the relative advantages of their selected model. Those delivering largely or wholly through paid advisers often felt that issues of quality, accountability and consistency precluded them from depending on volunteers. As the manager of one LAB operating such a model argued:

'Mentors that are voluntary are not as reliable as employed staff, they're not as qualified as employed staff ... I mean, you're putting the company's reputation on the line and we want to make absolutely sure that the service we give is excellent.'

(LAB manager)

Conversely, those using volunteer mentors stressed their experience, independence and that their role could combine well with workshops and other sources of guidance. In these cases, some of those interviewed also referenced the fact that using volunteers as the basis of support was more in line with the programme guidance. Those using a 'combined' model of paid advisers with volunteer mentors argued that this provided a balance and complementarity of skills and roles that would otherwise be unavailable.

Another variation worth briefly highlighting arose in two of the districts visited, wherein LABs relied in part on 'virtual mentoring', with those fulfilling this role being drawn from a national mentor bank in some (though not all) cases. Such mentoring was wholly or largely undertaken by phone or email as opposed to being face-to-face. While it was acknowledged in these instances that difficulty in sourcing mentors locally had influenced the model, it was also argued that the approach offered advantages. These principally related to the enhanced ability to match mentors with experience of particular business sectors with participants. It was also noted that using paid advisers to meet participants face-to-face alongside the virtual mentoring meant that the requirement for such contact was met.

Other variations related to whether, or the degree to which, the lead organisation was delivering in partnership with others. In the main, LABs were undertaking the majority of, or all, delivery themselves with the exception of the volunteer mentors recruited. One LAB, however, was using a network of other organisations to deliver support through paid advisers employed by those organisations. In another district, the LAB was working with a partner organisation to cover a large geographical area. Some LABs also used partner organisations to deliver particular types of support such as workshops on an occasional or ad-hoc basis. In all these cases, advantages to delivering in partnership were cited around offering an expanded or better service, though this was often discussed in general terms rather than specific examples being provided.

3.3 Recruitment of volunteer mentors and paid advisers and their reasons for involvement

Mentors, both paid and unpaid, were sourced through a variety of routes. Volunteer mentors were most commonly recruited through 'mentor banks' operated by the LAB or delivery partners. These mentor banks were often already in existence prior to NEA delivery, being used previously to support other aspects of the organisations' activity. Use of national volunteering services, advertising on volunteering websites, networking at business gatherings, and use of existing contacts and links were also common. Where LABs used paid mentors or 'business advisers', they tended to be recruited internally within LABs and delivery partners and often had experience of delivering related schemes.

LAB managers gave differing accounts of the difficulty of sourcing mentors. Those reliant largely or wholly on volunteer mentors often found sourcing them more challenging. In some cases, this was described as one of the most difficult aspects of delivery, with some LABs having taken time to reach what they viewed as an adequate network of mentors. This was viewed as principally relating to the fact that individuals were being asked to voluntarily give up their time to contribute to the programme. As a result, approaches using volunteer mentors in particular were dependent on the goodwill of local business people.

Other LABs found the recruitment process easier. This partly related to the LAB's existing role and focus. For example, one LAB used a database of around 14,000 business contacts at the outset of delivery, developed through previous activity, to facilitate an initial call for volunteers. In other cases, delivering similar programmes to the NEA previously meant that LABs had pre-existing relationships with groups of potential mentors.

Some LAB representatives cited local contextual factors as an explanation for the difficulty of finding mentors. For example, in one district LAB staff felt that the recession had led to particular difficulties due to the decline of once buoyant sectors. It was noted that while mentors had previously been recruited from these sectors, the current concentration on business survival meant that the focus of likely candidates was elsewhere. In other cases the presence of competing programmes also using volunteer mentors was cited.

In terms of reasons for involvement, the most common driver leading volunteer mentors to engage with the programme was a desire to share their experience of running businesses and to, as several put it, 'give something back.' A number of mentors also described how they themselves had benefited from mentoring or coaching in the past which added to this desire. Equally, some mentors had previously been made redundant or faced periods of unemployment which added to their specific motivation to get involved with the NEA. Finally, some volunteer mentors acknowledged that personal motivations were important. For example, some retired volunteers noted that mentoring enabled them to remain engaged in business or, as one mentor put it, 'get out of the house and do useful things'.

Motivations for paid mentors or business advisers to become involved often related to the opportunity to build on their existing expertise. For some, this was in terms of widening their experience of the types of clients they had supported. For others, the NEA offered an opportunity to use their existing skills and experience that might otherwise not have been available due to the contraction of the business support sector.

3.4 LAB support for mentors and advisers

3.4.1 Initial guidance and training

Guidance and training offered to mentors by LABs varied, in part depending on whether those concerned were volunteer mentors or were operating in more of a paid adviser role. In the case of volunteer mentors some LABs ran a group training session or workshop, though it was evident that even where this was available not all mentors attended. More informal guidance sessions, whether for groups or individuals, were also commonly used. These generally focused on the responsibilities of the role rather than offering training as such. Whether group training sessions or informal contact with LAB staff were used, such elements were generally combined with written guidance materials setting out the mentoring role and responsibilities.

While the overall impression was that training and guidance was relatively light touch, volunteer mentors themselves often felt that they did not need any significant training. More commonly, basic information about the NEA, their responsibilities and what was expected was seen as sufficient. This often related to mentors' belief that they were already experienced in offering coaching or related support, or that business experience in general was likely to be more significant than particular mentoring skills. A minority felt that more training or the opportunity to attend sessions with other mentors would have been beneficial, though this sometimes appeared to be more from an interest point of view as opposed to believing that training or such sessions were necessary.

Guidance and training for paid mentors tended to operate slightly differently from that aimed at volunteers. In some instances, particularly in the case of experienced business advisers, LAB managers or line managers had simply outlined the role with support being available as and when required. The view that this was all that was required was often influenced by the fact that advisers often had existing qualifications. In other cases, group training or workshops focusing on the role and mentoring techniques were used. In a couple of instances such sessions were oriented around team building in addition to being focused on the delivery role itself. Similar to volunteers, paid mentors or business advisers generally felt that the training and guidance they had received was sufficient.

3.4.2 Ongoing support and oversight mechanisms

Ongoing support and oversight of mentors by the LABs was often informal and light touch, particularly in respect of volunteers. In most cases, volunteer mentors provided the LAB with short weekly email updates or completed a short template after meeting participants. Mentors also often noted that they could just get in touch with the LAB if issues arose. However, some LAB staff and mentors acknowledged that where specific paperwork was expected, such arrangements were not always observed. The fact that mentors voluntarily gave time and expertise influenced the view of some LAB managers that there were limits to what could be expected in this sense.

In a couple of districts visited, slightly more extensive oversight mechanisms were used. One LAB using both paid advisers and volunteer mentors, for example, operated a programme of 'shadowing' where the volunteers accompanied LAB advisers to meet participants and vice versa. This was seen as beneficial in terms of facilitating learning along with allowing the LAB to gain a greater insight into the operation of their volunteers. However, such arrangements were not prevalent and in general any oversight was limited to, often informal, catch-up meetings or telephone calls between mentors and LAB staff.

New Enterprise Allowance: Qualitative evaluation

Despite this limited direct oversight, LAB staff generally felt that the arrangements in place for volunteer mentors were sufficient and often noted that they would expect feedback from participants if there were any issues with the mentoring. However, such issues were generally seen as rare. Equally, for mentors, the ongoing support received was, in the main, felt to be adequate. In a small number of cases mentors noted that they might ideally like more face-to-face meetings with their contact at the LAB, though this was not seen as a major issue. For paid business advisers, oversight and support tended to be in the form of standard line management or reporting procedures. No particular issues were raised in respect of this.

3.5 Relationships between Jobcentre Plus and LABs

In the majority of cases relationships between Jobcentre Plus and the LABs were reported as functioning very well and in some instances being very strong and positive. This was particularly notable in respect of relationships between LAB managers and Jobcentre Plus staff overseeing the programme at the district level. Good communication, flexibility in addressing issues arising and responsiveness were commonly cited as important factors in developing positive relationships. As one Jobcentre Plus staff member at the district level commented of the relationship with the LAB:

'I think it's excellent. I think they're a very constructive organisation, they're willing to listen and they're willing to respond.'

(Jobcentre Plus TPPM)

Even in districts where issues had arisen in terms of insufficient referrals, this was felt not to have affected working relationships to any great degree. Indeed, in one such district the LAB and Jobcentre Plus staff had worked closely together to implement an action plan to address this issue to positive effect.

Generally, any issues that did arise between LABs and Jobcentre Plus at the district level were reported to have been minor and/or addressed quickly. One partial exception concerned more significant initial issues around communication and administrative procedures linked to information transfers from Jobcentres to the LAB. In this case, referral forms for participants were not being completed or being lost which was acknowledged as leading to some tensions. However, after a period new systems were put in place to collate the forms centrally and send them to the LAB, following which relationships were cited as having gradually improved.

While in some districts there was limited contact between LABs and frontline staff in Jobcentres, in cases where links to advisers were more prevalent relationships were generally cited as being good and functioning well. Partly this related to the extent to which LAB staff attended Jobcentres, whether to meet with participants or to give talks about the programme. This facilitated some ongoing informal contact and hence the development of relationships between Jobcentre Plus advisers and LAB staff. The ability, as one adviser put it, to *'... put a name to a face ...'* encouraged advisers to feel that they could telephone the LAB to check on the progress of those who they had referred, or to check details of the programme or procedures with LAB staff.

Where there was less contact of this type, this was generally due to a conscious decision on the part of the LAB not to meet participants at the Jobcentre. The rationale for this was to ensure some distinction between the participants' contact with the Jobcentre for the purposes of claiming benefit and their move towards self-employment through engaging with the NEA. More generally, there was little direct contact between those mentoring participants and Jobcentre Plus staff, particularly in the case of volunteer mentors.

Partly due to the more informal nature of contact in districts where relationships between advisers and LAB staff were common, feedback provided by LABs on client progress was often ad-hoc. This generally occurred when advisers called to check what was happening with those they had referred or called for other reasons, but happened to discuss this. More formal feedback mechanisms relating to particular participants were limited. Knowledge of the mentoring process and client experience amongst Jobcentre Plus advisers was often similarly limited as a result, beyond the ad-hoc feedback mentioned. While a minority of advisers cited that more information would be helpful, most were content with the existing arrangements.

There were few suggested improvements to relationships between Jobcentre Plus and LABs, partly due to the general perception that they were functioning well. In addition to some advisers feeling that more feedback would be useful, some LAB staff and advisers felt that the technical aspects of communication could be improved. Some LAB staff felt that it would be helpful to be able to contact Jobcentre Plus advisers by email in some instances. There was also a more widely expressed view that referral processes should be made fully electronic, rather than depending on the use of facsimile machines.

3.6 Summary of key findings

Delivery models and approaches varied notably between LABs. Differences primarily concerned the extent to which LABs used volunteer mentors to deliver NEA support, as per the original programme intent, or used paid business advisers. Some LABs operated a 'combined' model, using professional business advisers to offer more technical advice while volunteers had a more pastoral or motivational role. LAB representatives commonly held strong views as to the relative advantages of their chosen model. LABs using paid advisers felt that quality, accountability and consistency concerns prevented a reliance on volunteers. Those using volunteer mentors stressed the experience and independence they could offer. LABs using a 'combined' model argued that this provided a balance and complementarity of skills and roles that would otherwise be unavailable.

Volunteer mentors were often recruited through existing networks or 'mentor banks' held by LABs. Use of national volunteering websites, advertising, and networking at business events were also used. The main reason volunteers engaged with the programme was a desire to 'give something back' through sharing their experience. Paid business advisers were mainly recruited internally and had taken their roles to expand their experience or to continue in their chosen profession. Guidance and training offered by LABs 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. Ongoing oversight of mentors by LABs was similarly 'light touch' in most cases, with LABs tending to presume that any issues with mentoring support would be raised with them by participants.

New Enterprise Allowance: Qualitative evaluation

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 often minor and easily addressed. Communication, flexibility and responsiveness on both sides were cited as important factors in developing positive relationships. Some LAB delivery staff had developed ongoing contacts with Jobcentre Plus advisers, in part through attending Jobcentres to meet with participants or give talks on the programme. Such links were seen as beneficial where they operated though were not universal, partly due to differences in the extent LABs undertook delivery within Jobcentres.

4 Implementation within Jobcentre Plus

4.1 Introduction

This chapter examines the role of Jobcentre Plus staff in the delivery of New Enterprise Allowance (NEA), particularly advisers dealing directly with Jobseeker's Allowance (JSA) claimants. It first considers the information, guidance and support offered to advisers, along with their understanding of the NEA programme. The extent of knowledge transfer and good practice sharing between Jobcentre Plus staff and offices are then briefly examined. The chapter concludes by summarising the key findings arising.

4.2 Guidance and the understanding of the scheme within Jobcentre Plus offices

4.2.1 Information, guidance and other support for Jobcentre Plus advisers

Jobcentre Plus advisers generally reported that they received limited information and guidance on the programme. Most commonly, online guidance (via the intranet) was cited as the main source of information on the NEA. This guidance was in some cases accompanied by printed information such as NEA process flow-charts or similar 'desk aids'. Less commonly, staff had received 'walk-throughs' around delivery processes or other talks about the NEA in weekly communication meetings. Such information and guidance was sometimes provided by Lead Accountable Body (LAB) staff in addition to, or in collaboration with, that provided by Jobcentre Plus staff. Beyond this, advisers reported that they had not received any additional training to deliver the programme.

Views varied amongst advisers as to whether the guidance and information they were given was sufficient, along with the degree to which it was easily understandable. In some cases, the online guidance was cited as being straightforward, with members of staff identifying that the NEA was easy to understand in comparison with other provision. Others saw the online guidance, and the detail of NEA processes they contained, as confusing and/or insufficient. In addition, advisers that had referred few participants onto the scheme felt that it was difficult to develop their understanding of the processes involved, particularly in light of their overall responsibilities and the range of provision they were involved with. This was also seen as reflecting the fact that the NEA and self-employment would only be suitable for a minority of claimants. As one adviser noted:

'... unless you've actually got someone that's interested in it [NEA], you don't read up and find out what it's all about, so we can go on like the A to Z [intranet] and find out ... but there's been so much other stuff being thrown in this year that it's really difficult to keep on the ball with everything.'

(Jobcentre Plus adviser)

New Enterprise Allowance: Qualitative evaluation

Where online guidance was complemented by additional information sessions, including 'walk-throughs', it was evident that this was well received by advisers and felt to be useful. Those benefiting from such additional information and communications often felt that they had a better understanding of the scheme and its operation as a result. In a number of cases, information sessions provided by LAB staff were seen as helpful in contributing to understanding of the programme and the route that those referred would take. In such instances, advisers generally felt more confident in raising NEA as an option and in making referrals. As one adviser commented:

'At the beginning, we were all reluctant to put anybody forward but once ... [LAB staff member] ... had been here it seemed to be a lot easier then.'

(Jobcentre Plus adviser)

Linked to this, several advisers also compared the NEA to previous self-employment support including that delivered under the Six Month Offer,¹⁴ wherein it was noted that staff from the programme would come into Jobcentres to give talks to claimants. This was raised as a possible route to more effectively promoting the NEA and understanding of it, both amongst participants and Jobcentre Plus staff. Similarly, a number of advisers also noted that it would be useful to have more detail in general on the support that participants would receive once referred. In particular, this was seen as likely to be beneficial in being able to discuss the programme from a position of greater understanding and, therefore, 'sell' it more effectively to potential participants.

A small number of the Jobcentres visited had also appointed NEA 'champions' with responsibility for gaining a more comprehensive understanding of the programme and who could offer peer support to other Jobcentre advisers. This was seen as a useful mechanism by advisers who would otherwise have been concerned that their knowledge of the scheme, and ability to respond to specific queries from claimants, might be limited. While this was seen as beneficial, however, the risk of 'champions' not being available or leaving and taking their understanding with them was also acknowledged.

4.2.2 Advisers' understanding of the NEA and effects on programme participants

Advisers' differing views on whether they had received sufficient information and guidance on the NEA were reflected in their varying levels of understanding of the programme. While, in the main, those advisers consulted in focus groups felt they had a solid understanding of the programme, in a number of instances this was not the case. In particular, advisers often noted that their understanding of the NEA had been limited at the outset at least. As one adviser commented:

'It [NEA] got kind of flung in in the July and we were telling folk about it but we didn't really know that much about it and then it wasn't clarified until that lady [LAB staff member] came down a couple of months ago.'

(Jobcentre Plus adviser)

¹⁴ The Six Month Offer was a package of support introduced in 2009 and discontinued in 2011. The support included advice on self-employment, delivered through Business Link, and a Self-Employment Credit of £50 for 16 weeks.

Where a lack of understanding was evident, this was apparent both in terms of advisers' own judgement on their understanding of the NEA and in respect of confusion concerning the programme and its operation evident through other comments. For example, in some case study areas there was confusion between the NEA and other self-employment provision, whilst in others advisers were evidently unclear about when to refer participants and/or the process of ongoing contact with participants once they had been referred. Overall, however, those advisers with significant limitations in their understanding were in the minority.

Where advisers did feel that they had an insufficient understanding of the programme, this was sometimes linked to a lack of information and guidance received at the launch of the NEA. In one case, for example, this led to additional information sessions being instituted:

'There wasn't really any advertising material ... nothing at all. That's one of the reasons why we did the [workshop] sessions because clients were asking us about it and it was quite embarrassing. We couldn't tell them much.'

(Jobcentre Plus adviser)

The variance in understanding evident amongst advisers was further reflected in the views of NEA participants on the initial advice and information they had received from Jobcentre Plus staff. In some cases, the advice was seen as helpful, clear and straightforward, as reflected in one participant's comment that *"they [advisers] were very informative on how to go about getting the allowance and what it involves."* In other instances, participants raised concerns over what they saw as a lack of understanding of the programme on the part of advisers. The view that advisers were not fully aware of the NEA or what it could offer in general, along with more specific uncertainty concerning the nature of eligibility criteria and the precise processes involved, were the most common issues raised. As one participant commented:

'The process of getting onto the NEA was very difficult because the staff in the Jobcentre did not seem well informed. They weren't really up to speed.'

(NEA participant)

Such concerns were particularly evident amongst participants who accessed NEA when it was relatively new. In some cases, participants also reported being 'passed around' Jobcentre Plus advisers until one with a good knowledge of the programme was found.

As well as the initial information received from Jobcentre Plus advisers, some participants also reported that subsequent requests for advice were inadequately addressed. The effect that participation would have on other benefits, particularly Housing Benefit and tax credits, was most commonly raised in this context. A small number of participants also reported being incorrectly told that they would need to continue to actively seek employment, and provide evidence for this, after they had been referred to the NEA. In such cases, participants often noted that this had led to negative knock-on effects, including taking up time that could otherwise have been used to work on developing their business plan.

In general, however, concerns relating to ongoing information and advice were in the minority. In part this is perhaps related to the fact that contact between participants and Jobcentre Plus advisers was reported as being relatively limited, once the former had been referred onto the programme. Most contact that did occur related to when participants attended the Jobcentre for formal checks to evidence their claiming of the weekly allowance. In line with this, when participants had concerns over their interaction with LAB staff or mentors, the LAB itself rather than the Jobcentre was reported as being the first stop to address or resolve them, though in general such issues were uncommon.

4.3 Transfer of learning and the sharing of good practice between advisers and offices

The case study visits indicated that there was relatively little transfer of learning or sharing of good practice relating to the NEA between offices in Jobcentre Plus districts. The one exception involved a district where NEA 'leads' were established in each office. In this case, a district-wide workshop had been held for these 'leads' to exchange ideas and information, with this being viewed as useful by the staff involved. In most other cases, the potential utility of developing links and sharing good practice was questioned, in part because of the limited role of Jobcentre Plus in actually delivering the NEA relative to LABs. The practicality of such activity on geographical or time grounds was also raised. While such transfers of practice or learning between staff in different offices was limited, however, as noted above, the development of NEA 'champions' in offices and more informal peer support between advisers within Jobcentres was more common.

4.4 Summary of key findings

Information and guidance for Jobcentre Plus advisers concerning the NEA was primarily accessed through the staff intranet. Whilst some advisers felt this was sufficient, others felt that they would have benefited from additional guidance, information or training around the programme and its administration. 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. Such additional guidance was sometimes delivered by LAB staff along with those from Jobcentre Plus in the form of talks or briefings for advisers at weekly communications meetings. Amongst advisers who felt that more guidance or information would be helpful, this commonly related to the support that would be available for participants upon referral to LABs, so as to be able to better explain this.

Due in part to variations in the extent to which additional guidance was available, there were also differences in levels of understanding of the programme amongst Jobcentre Plus advisers. Whilst 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, with the difficulty of some in providing advice about the programme and the support on offer being raised as an issue. The other main issue raised by participants related to uncertain or incorrect advice given by advisers concerning the effect that participation in the programme would have on other benefits, particularly tax credits and Housing Benefit.

5 Key delivery elements

5.1 Introduction

This chapter examines key elements of the delivery of the New Enterprise Allowance (NEA). It first considers the marketing and promotion of the NEA. Referral processes are then examined, including the considerations made by Jobcentre Plus advisers in making referrals. The approaches taken by Lead Accountable Bodies (LABs) to the sifting of NEA participants once referred are then considered. The chapter then looks at the nature, format and perceptions of the mentoring support delivered as well as the process for approving business plans. The nature of the support available to participants following business plan approval and the commencement of trading is then examined. The chapter concludes by summarising the key findings arising.

5.2 Marketing and promotion of the NEA

In general, the degree to which marketing or promotional activity was undertaken as part of implementing the NEA was relatively limited. This related both to promotion of the scheme to participants and to frontline staff in Jobcentre Plus as part of communications or awareness raising efforts. The limited promotion aimed at Jobcentre Plus advisers was, as noted in the previous chapter, a factor in the variable levels of understanding apparent. LAB and Jobcentre Plus staff noted that the absence of more widespread promotional activity was connected in part to the fact that the NEA was relatively small scale in terms of the overall Jobcentre Plus offer, with this in turn reflecting the fact that self-employment would only be an option for a minority. The specific focus and eligibility of the scheme was also felt to require a more targeted approach to promotion.

There were some exceptions to this general pattern, with low numbers of referrals in some districts leading to greater promotion of the programme as a response. In one case, the marketing and promotion involved was aimed both at potential participants and at raising awareness amongst staff working in Jobcentres. This involved the LAB working with Jobcentre Plus staff overseeing the programme at the district level to institute an awareness-raising campaign aimed at boosting referral volumes. Aspects of this included promotional leaflets, newsletters and presentations by LAB staff as part of weekly communications meetings in Jobcentres. In general, however, such activity was the exception rather than the rule.

5.3 Referral processes

5.3.1 Adviser considerations in making referrals

Jobcentre Plus advisers generally reported raising and discussing the NEA as an option only if the claimant themselves highlighted self-employment as being of interest. In addition, advisers generally cited that they would only consider referring if they felt claimants were serious about self-employment. It was also noted that this was in line with the programme guidance. This defined claimants as being suitable for referral where they had a clear idea of the business they wished to start and a readiness to commit to transforming a business idea into reality.

New Enterprise Allowance: Qualitative evaluation

The degree of motivation amongst potential NEA participants was typically assessed through questioning claimants on what activity they had already done to explore self-employment. Adequate demonstration of this was seen as a measure of the claimant having appropriate attributes to benefit from the NEA and the potential to start a business. As one adviser noted:

'The customer needs to be proactive, if they are not being proactive in setting the business up it is not going to be viable in the longer term.'

(Jobcentre Plus adviser)

In areas with alternative self-employment support provision, the decision to refer to NEA was heavily influenced by whether the claimant had accessed this alternative support. In one district the alternative provision was targeted at claimants in the very early stages of considering self-employment, so completion of this scheme was sometimes considered by advisers as a necessary prerequisite before a referral to NEA was made. The scheme was also seen as acting as an effective mechanism for identifying suitable participants for NEA. As an adviser in this area commented:

'[Referral to the alternative scheme] tends to sort out the ones who are not very certain about being self-employed. The ones that come back from having done that course and say, "I'm really ready, I think that's what I'm going to do", then they tend to get referred to NEA.'

(Jobcentre Plus adviser)

Upon establishing interest in self-employment, eligibility was the other main consideration for advisers in making referrals to NEA. Potential participants' status in respect of other programmes, such as the Work Programme, and the length of their claim when eligibility was restricted in this way were the considerations made.

Advisers had different views on the extent to which they felt responsible for considering the viability of business ideas in making referrals to NEA. In line with the NEA guidance, some were clear that it was the responsibility of the LAB to rule on the viability of the business idea during the initial sifting process. There was evidence, however, that other advisers did consider how feasible the business idea was as part of their overall referral decision, particularly given the time limited period to develop a business plan. As one adviser commented in respect of this:

'If it is just a little spark of an idea the eight weeks may not be long enough for them to get it all in place, so we perhaps wouldn't refer that person.'

(Jobcentre Plus adviser)

The tendency of at least some advisers to consider viability in this way may also link to the fact that LAB representatives were generally content with the suitability of referrals received, as discussed below in Section 5.4.1.

5.3.2 Operation of referral mechanisms

Where a decision to refer a client was made by a Jobcentre Plus adviser, the referral processes used were generally reported to be functioning well. While the process across different districts was largely consistent, there were some minor variations. In one area, for example, referral forms were sent initially to the Jobcentre Plus District team who in turn forwarded it to the LAB, rather than referrals being sent directly as in other cases. This was partly in response to some initial issues with referrals such as paperwork going astray.

However, it was also felt to streamline the process for advisers and provide a single point of contact for LAB staff if queries arose. As a Jobcentre Plus representative explained:

'They're all referred to a central point. There's one telephone number for everybody in the district, which just makes it much more streamlined for advisers. I think it also helps us manage the relationship with the LAB because there is a single point of contact'

(Jobcentre Plus TPPM)

There was also some variation in the degree to which Jobcentre Plus advisers telephoned LAB staff as part of the referral process or relied on faxing paperwork over. In most cases, the agreed arrangement was that advisers would telephone whilst with the potential participant, though it was noted that time pressures and difficulty in getting through to the LAB could make this difficult. From the LAB perspective, referrals not made by telephone with the participant present could lead to difficulty in making contact with those referred. In one area, this had led to the LAB asking for regular reminders to be sent to advisers stressing the importance of 'warm handovers'. In general, however, such issues were seen as minor and the process overall was viewed as functioning well.

5.3.3 Referral numbers and patterns

Levels of referrals were commonly reported to have varied during the period of the NEA's operation. Typically, high referral levels at the start of the programme, attributed to pent-up demand, tailed off over time to a more or less consistent level. However, in some districts LAB staff noted that referrals often peaked soon after they had delivered a talk about the programme to Jobcentre staff and then gradually dropped. The need to raise awareness on a regular basis was, therefore, noted in these cases. LAB staff also reported that referrals increased at the points where eligibility was changed from six months to three months and to 'day one eligibility'. Again, pent-up demand was seen as the cause of this.

At the time of the research referrals were at or above initial profiles in some cases, though in a minority of districts visited they were significantly below profile. Variations in referral numbers across areas was attributed to the volume of other provision available locally or other issues specific to the local context. For example, in areas with high referral rates the local economic context in terms of the lack of other employment opportunities was reported to have made self-employment a more popular option. In contrast, in two other areas the existence of alternative schemes was felt to have led to lower referrals.

In some cases, LAB representatives also noted that there could be wide variation in referrals from different Jobcentre Plus offices. This was typically attributed to differences in awareness of the scheme amongst advisers and the degree to which it had been promoted in particular offices. Where referral numbers were below profile, LAB staff had commonly sought to work with district staff to raise awareness of the scheme in individual offices. There was recognition, however, that there were limits to the ability to increase the numbers in all cases, not least because self-employment would not be an option for the majority of claimants. As one Jobcentre Plus representative noted:

'I can't say to an office you've got to find 20 people this month that want to go self-employed. You can't do that as it's not an option for every customer.'

(Jobcentre Plus TPPM)

5.4 LABs and the initial ‘sifting’ of participants

Following referral, all LABs operated some form of initial ‘sifting’ or assessment of participants. Typically this took the form of a short telephone call between participants and LAB staff, particularly in areas where geography made delivery of an initial face-to-face meeting more difficult. In some areas, business advisors working within LABs undertook the sifting as the precursor to the mentoring stage. In one area, an individual was specifically engaged to undertake this sifting role on behalf of the LAB, while in another senior administrative staff undertook the initial sifting. Where an initial telephone discussion was held, this was generally followed by a face-to-face meeting prior to full engagement on the programme. This was seen as allowing for the required detailed consideration of the business idea.

The relative formality of these sifting discussions, along with the degree to which structured approaches to decision making were evident, varied across areas. Some LAB staff used specific tools such as formal lists of questions, checklists or sets of written criteria. However, in several cases the individual experience and judgement of the business adviser was cited as being more significant than the use of tools to facilitate the process. In such cases, discussions with participants and the overall assessment process were reported as being more informal and less structured, with specific tools not being used at all in some instances.

The most common reason for rejection of participants at the initial sifting stage related to the judgment of the LAB staff that the individual concerned was not yet ready to viably move into self-employment. This was often because they were either showing little evidence of really considering what running a business would entail, or had little concrete idea of how their business would operate. In a small number of cases the lack of real commitment or interest of the person who had been referred was cited. LAB staff judging that an idea was overly ambitious or unrealistic was seldom cited as a reason for rejection.

Accepting this, in some cases participants were rejected if their business required a qualification or license before trading with this being unachievable within the eight-week timescale. Similarly, a participant could be rejected where finance was required beyond that available through NEA and other sources were not readily identifiable. As one LAB staff member noted of participants:

‘A few of them might need £5,000 to start trading, and they don’t know where they’re going to get the money from. In those situations we just say “look, we’ll not take you on for NEA. We’ll refer you back to the Jobcentre”. The funding is usually the key thing because the loan is only £1,000.’

(LAB staff member)

While rejection at this stage was generally infrequent, where it did occur it was routine for potential participants to be sent back to the Jobcentre with guidance to rethink or rework their idea and ask to be re-referred at a later date. In these instances all LABs reported providing brief feedback to the Jobcentre on returning the NEA form outlining the reasons for rejection.

5.4.1 LAB perspectives on participants and their business ideas

LAB staff were generally satisfied that the NEA was targeting appropriate participants and business ideas. It was noted that the participants referred were generally motivated, ready for, and genuinely interested in, self-employment. Inappropriate referrals were, therefore, viewed as being in the minority. These cases were typically reported to involve those who were not really interested in being referred, did not know the detail of the programme, or from the LAB's perspective were a long way away from developing a business plan and starting to trade. In such cases, LAB staff felt that there may be room for improvement in the filtering of potential participants by Jobcentre Plus advisers. As one LAB manager noted:

'Sometimes people are referred to us when they're actually not really ready for a business, so maybe if they could be filtered a little bit more by the Jobcentre.'

(LAB manager)

The potential for such improvement is suggested by the fact that in a couple of districts visited the suitability of participants was cited as having gradually improved as Jobcentre Plus advisers became more familiar with the NEA and its requirements. However, as some LAB staff acknowledged, the programme guidance did not envisage Jobcentre Plus advisers filtering referrals based on business ideas and that there were limits to how realistic such filtering could be. As one LAB manager commented:

'We do get some referred through where they haven't got a cat in hell's chance of ever setting up the business, but the Jobcentre people are not supposed to be experts on this, that's supposed to be part of what we're doing.'

(LAB Manager)

In general, however, as outlined above unsuitable referrals of this type were reported to be uncommon.

5.5 Mentoring support

5.5.1 Matching mentors to participants

LABs used a number of criteria in matching participants to mentors though the emphasis placed on different considerations varied, partly due to the particular delivery model adopted. Where voluntary mentors were used, seeking to match according to the type of business of which they had experience was the most prevalent consideration. Some mentors also noted that they strongly preferred to be matched in this way to allow them to provide the most effective mentoring support. As one mentor commented:

'The business needs to be something I feel able to relate to. If someone wants to set up a beauticians, as a true mentor I'd be struggling a little bit because I couldn't advise them specifically on the best way to run that type of business.'

(Voluntary mentor)

There was one exception to this approach wherein LAB staff cited that they specifically avoided it due to the potential competition between the mentor and mentee that could arise should the business be successful. As a staff member noted:

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'One of the issues that has come up is that lot of the mentors don't really like to work with people in their own sector, as they see them as a potential competitor.'

(LAB staff member)

Another consideration for matching voluntary mentors to participants was related to the specific type of support a participant needed. This was typically only a consideration where a participant had already done some work on a business plan and was looking for assistance in a particular area such as marketing or promotion. Other criteria used to match both voluntary and paid mentors were location, age, and personality. Where LABs had struggled to recruit a full compliment of voluntary mentors, capacity and availability also played a role in matching. In addition, in the case of some of the more rural areas served, for unavoidable reasons the location of mentors was the primary consideration as this LAB staff member highlights:

'The ideal situation would be on their skill set, or their background, but actually in our area it's on location.'

(LAB staff member)

In the case of one LAB, participants themselves were offered the opportunity to identify suitable mentors. In this instance participants were asked if they would like to nominate someone such as a local community member or local business person and the LAB would approach them on their behalf. Such an approach was unusual however.

Most LABs reported that 'mismatches' between mentors and participants were uncommon but did occur. In general, LABs explained to mentors and participants at the outset of the relationship that they could get in touch if there were any issues and LAB staff generally reallocated mentors in these instances. Personality clashes were most commonly cited as the reason for issues arising.

'Difficult to match' clients were similarly cited as being uncommon, but occasionally presenting a challenge. The main reasons for this related to the unusual nature of the individual's business idea. For example, in one area that matched mentors based on business type a participant hoping to become an inventor was viewed as difficult to match with the mentors who were available. In other cases, individual participants had additional needs such as learning difficulties or literacy and numeracy needs. This meant that matching was more difficult, given that some mentors did not feel they had adequate skills or the capacity to provide the additional support required. Again, however, such scenarios were uncommon.

5.5.2 Mentor perspectives on participants

Across the board, mentors' perspectives on participants were largely positive suggesting that filtering and sifting decisions prior to the mentor matching were effective. Mentors reported that participants generally had sufficient motivation to engage positively and prepare their business plan. As one mentor commented:

'I would say 99 per cent of the participants I've seen have had a very good attitude, they have been generally motivated.'

(Voluntary mentor)

On the whole, mentors also felt that participants had appropriate skills to begin their business. More commonly, a lack of confidence amongst some participants was noted as a barrier to the likelihood of their trading successfully and sustainably. In some cases, mentors felt that addressing such confidence issues was beyond their capability in the available time and felt that this was something that the LAB, or NEA more broadly, could address. As one mentor noted:

‘Running a business when you’re self-employed is a lonely journey. You’ve got to have lots of confidence. As participants have had the security of benefits, when the sales don’t come through for six weeks you also need the confidence not to panic.’

(Voluntary mentor)

While such ongoing support to develop confidence after the business plan approval stage was envisioned as a core element of the programme, the evidence gathered showed that in some instances this was not delivered. This issue is considered further below in Section 5.8 on post-business plan approval support.

5.6 Support for business plan development

5.6.1 Delivery of mentoring and related support

Across the districts visited, mentoring support typically commenced with an initial face-to-face meeting. This was generally used to determine the focus and format of subsequent support. In the main, ongoing contact between mentors and participants did not run to a set timetable, though there were exceptions. In one area using paid business advisers, for example, participants were allocated an hourly slot for a weekly face-to-face meeting. In other areas, particularly those using voluntary mentors, ongoing contact was generally driven by the participant as and when they needed assistance. Where distance between mentor and mentee was an issue, it was common to have an initial face-to-face meeting and subsequent telephone or email contact.

Mentors and business advisers reported using a variety of tools to support their role. Most commonly a template for producing a business plan was involved, with this sometimes being formalised by the LAB concerned. However, more often such templates were used flexibly depending on the preference of mentors and participants. In addition, their use depended on whether participants already had a business plan document. A similarly flexible scenario pertained to the use of other tools to support participants. These commonly included tools designed to calculate cash flow requirements or factsheets on topics such as marketing or business promotion.

In general, the support delivered was flexible and tailored to the needs of the participants as per the policy intent for the NEA. Mentors or paid business advisers offering this support sometimes commented on this aspect as the following illustrates:

‘The intention is that participants have a solid base for starting trading, so the support offered depends on what participants need.’

(Mentor)

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In addition, the design of the NEA and accompanying guidance that provided for the delivery of bespoke mentoring support was welcomed by mentors and LAB staff. As one LAB staff member noted of the support aspect of the programme:

'I think it's very flexible because there is nothing mandated, there's nothing that they are required to do, and it does seem to be very much dependent on what the customer's business idea is and what their needs are. Everybody goes in with a different need; some people have very basic needs, some people it's just financing. As far as I'm aware that seems to be working quite well.'

(LAB staff member)

Mentors also commonly described how they sought to tailor support to participants' needs, such as focusing on particular sections of a business plan where input was required. Equally, for participants looking to establish a larger business where financial outlay was required upfront, the support from mentors was more likely to focus on how to apply for financing. It was also apparent in a number of cases that mentors were conscious of the need to balance the support they offered with participants' responsibility to undertake their own work on the business plans. As one mentor outlined in respect of this balance:

'If we're doing too much then we're maybe taking away that bit of confidence and motivation that they would need to step out into the real world.'

(Voluntary mentor)

While flexible support that was client led typified the contexts reviewed, and was felt by LAB representatives and mentors to be sufficient, in some cases the ultimate limitations to the support that could be offered under the programme were also acknowledged. Mostly this was in terms of having to explain to clients that mentors had limited capacity and that working with them on too regular a basis would not be feasible. However, in one isolated case an LAB was clearly focused on limiting support in light of what they perceived to be financial constraints, in part due to using paid business advisers in the context of the finite NEA grant.

5.6.2 Additional support and signposting

In addition to receiving direct support from mentors, in some instances participants were also signposted to or provided with additional support. In some areas, this additional support involved relevant group or workshop sessions being run by the LAB, but outside the NEA contract. One example involved an organisation delivering regular workshops on a range of themes such as health and safety, taxation advice, marketing, and business banking. NEA participants were invited to these sessions during the mentoring period.

Other support involved signposting to additional business advice provided through established enterprise support agencies such as Business Link/Business Gateway and organisations such as the Prince's Trust. There were few examples of formal partnership work to facilitate regular or routine signposting of this nature. Rather, it often occurred where a mentor was aware of the availability of additional support and had a participant who would benefit. Other examples included mentors signposting participants to networking opportunities that they were aware of through their own contacts or activities.

5.6.3 Participant perspectives on mentoring and support

In the majority of cases participants valued the support offered and felt it was helpful in developing their business plan. Mentors were generally perceived by participants to have sufficient and relevant business experience and the fact that they had often set up their own business was seen as particularly valued. As one participant noted:

'He [the mentor] was very helpful. He was a successful businessman so he knew what he was doing so I knew I could take on board what he was saying.'

(NEA participant)

For other participants the individual focus and attention given by mentors was a key reason they felt positive about the support received:

'It really boosted me having that individual there for me. I'm not used to that kind of care from someone you completely don't know. I can only be grateful.'

(NEA participant)

In the main, participants reported that mentors were accessible and there was no problem in getting in touch as required, though some would have preferred more face-to-face contact. The focus of the support provided by mentors was also largely felt to be responsive to that needed or requested by participants as the following comments typify:

'She [the mentor] was really helpful; she helped me consider things that I didn't know about. I really struggled with my business plan, the idea of the cash flow and I did get advice on this and was shown some helpful tools online.'

(NEA participant)

'She was really just like a sounding board. Its quite isolating when you're doing it all on your own so it's good to get an impartial opinion. She didn't just tell you what you want to hear. It made a huge difference. She also gave me a lot of advice around tax returns having worked previously at the Inland Revenue.'

(NEA participant)

Where participants reported having a more negative experience, or felt support was not helpful, a common reason was their perception that the mentor possessed insufficient understanding of the particular business they planned to establish. In a few cases the nature of the business or business model itself was cited as an issue. For example, some participants setting up social enterprises or community interest companies felt that mentors did not understand this. As one of the participants concerned commented:

'The mentor I was assigned to was a very nice woman and very well meaning but [had] absolutely no contacts in terms of the work I was doing. Other than very general business advice, there wasn't really anything there for me draw on from her.'

(NEA participant)

For other participants, their experience of the mentoring phase was less positive due to mentors not being very accessible or no longer being available due to illness and no alternative arrangements being put in place. In a small number of cases participants reported not being matched with a mentor at all. Equally, some were unsure whether they had been actually been matched, or had simply received very limited or no support. As one such participant noted:

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'I wanted a bit of advice and nothing materialised. I think because I had a bit of experience he left me to my own devices in some ways.'

(NEA participant)

Most participants felt that the overall support from the mentoring phase was sufficient. However, some participants did suggest possible improvements. One was around benefit calculations and help with assessing the loss of additional benefits once the claim for JSA was terminated. Another suggestion involved the potential for networking opportunities to bring NEA participants together given that, as the participant concerned noted, some businesses established may have the potential to work together.

5.7 Approval of business plans

5.7.1 Approval mechanisms

At the end of the mentoring phase, business plan approval was typically undertaken by core LAB staff, whether by business advisers or the contract manager. Mentors were generally not involved in the approval process beyond ensuring that a business plan was produced in line with the requirements set by LAB, or to their own satisfaction before it was submitted to the LAB for approval. There was one notable exception. In this case, business plan approval was undertaken by mentors for the most part, with this being in contrast to the policy intent of the NEA that only LABs should approve plans. One mentor in this area felt strongly that such approvals should not be their responsibility due to the potential conflict of interest from having supported the participant to produce the plan. As the mentor noted:

'Approving the business plan is a bureaucratic function, and I don't feel that it's right to put that responsibility onto the mentor. We also have a conflict of interest as we've worked with the participant on the plan.'

(Voluntary mentor)

Approval of business plans was mainly undertaken by a single individual at the LAB rather than using any form of assessment panel or cross-checking. In general, plans were assessed against set criteria using a template designed for the purpose, though there was some variation in terms of the particular focus and criteria adopted by assessors. In one instance, for example, the main focus of the process was described in terms of ensuring that the key elements of the plan were in place and coherent:

'We look at it from the perspective of "does the narrative and the financials bear each other out", rather than solely on completion of every section.'

(LAB staff member)

In other cases, LAB staff noted that, while a certain level of quality was expected, applying overly strict criteria to the approval process would be inappropriate given the different capabilities of NEA participants. As one staff member involved in approving plans commented:

'We can't make it too much of an academic process, as there is going to be a wide variety of standards of business plan according to the capabilities of the client. If we put the bar too high it means that, you're potentially denying somebody the opportunity of self-employment if they can't express themselves sufficiently in a business plan.'

(LAB staff member)

When plans were submitted, but required more attention in certain areas, those assessing the plans commonly identified this to the participant and allowed them to make the necessary adjustments prior to formal approval. In line with the guidance for the programme, in some cases an extension was sought to allow the participants up to 12 weeks to finalise the business plan for approval.

Given this process of allowing additional time and redrafts to be submitted, the non-approval of business plans was generally cited by LAB staff as being rare.¹⁵ In most instances, where plans were not approved this was due to the available time period expiring, including cases where participants were asked to resubmit but did not make the necessary amendments. In other cases, non-approval actually occurred as a formality as participants had in fact disengaged earlier during the eight-week period after realising that self-employment was not for them. For others, circumstances changed which meant that pursuing self-employment was not a viable option at the time.

5.7.2 Feedback processes

In cases of non-approval, notification was given to Jobcentre Plus advisers through the faxing of the required paperwork. LAB staff generally reported that they included feedback on the documentation to ensure that Jobcentre Plus advisers were aware of the reasons. LAB staff also claimed to provide participants with feedback where they were still engaged and contactable. This was felt to be particularly important where the main reason for non-approval was that circumstances had changed and where LAB staff believed that self-employment could be an option in the future. As one LAB staff member commented:

'Rather than say sorry, you've failed, goodbye, we like to give feedback that's more about go away and think about this area, do a bit more market research here, think about more of your cash flow. It's really about being truthful in what we've looked at, so a participant can pick things up in the future when the time is right.'

(LAB staff member)

¹⁵ While not being discussed directly by interviewees, it is noteworthy that LABs could be considered to have an interest in ensuring that plans are approved given that the numbers of approvals affect the amount of NEA grant they are able to retain at the end of their delivery period.

5.8 Support following business plan approval

Overall, support for participants following business plan approval was limited or somewhat ad-hoc and unstructured. This was the case, despite the specification for NEA delivery requiring that LABs would offer support to participants at this stage and for the first six months of trading. For example, although most LAB staff claimed that support was available from mentors as well as the LAB, mentors often commented that they did not offer support and were unaware that they could or were supposed to. In some instances this led mentors to cite that a lack of ongoing support was a gap in provision. Where support was offered it was commonly ad-hoc, for example, a mentor informally offering to be available should a participant need any support in the future. As one mentor commented:

'I do actually say to people, if at any stage in the future you would want to talk and have some help or anything, call me, but I'm yet to hear back from any of them as I'm not sure any of them would have the confidence to re-contact me.'

(Voluntary mentor)

In some instances, LABs did report that they offered a more structured programme of ongoing contact, but this was the exception. In one area where paid business advisers were in place this was in the form of a weekly telephone call to participants, continuing the format of contact delivered during the business plan support period. Where this did occur, the rationale was that it was the early stages of running a business which were recognised as the most challenging where this support was likely most needed. In another area, participants were offered the opportunity to become a member of the LAB organisation for one year free of charge. While this provided the opportunity to use facilities at the LAB and attend business networking events, it was not clear how many participants did so.

The tendency of mentors to note that they did not provide any formal or structured support was reflected in the majority of participants reporting that they had not had any contact with their mentor since starting trading. In a minority of cases, participants reported having contact through emails, telephone and face-to-face meetings, but that this typically tailed off as the trading period extended. As one participant commented:

'We stayed in touch in the first three months to check in every few weeks but since then I have not maintained contact.'

(NEA Participant)

Equally, in a small number of cases, participants and mentors did have ongoing contact as the result of forming a business relationship. However, in other instances participants had attempted to contact their mentor with a particular query and had not received a response. Equally, in one or two cases, participants reported feeling uncomfortable about contacting their mentor in case they were too busy and felt that they had already, as one put it, *'taken up enough of their time.'*

As a result of their lack of awareness that ongoing support should be available, it was relatively common for participants to note that being able to access support once their business had started trading would have been useful. Equally, in some cases, participants felt that they had been somewhat abandoned or, as one put it, *'left on my own to get on with things'*. Similar to some of the comments made by mentors, such participants felt that the lack of ongoing contact was a gap in the support offered.

5.9 Summary of key findings

In general, the degree to which marketing or promotional activity was undertaken as part of implementing the NEA was relatively limited. This related both to promotion of the scheme to participants and to frontline staff in Jobcentre Plus. Exceptions to this general pattern tended to be in those districts where low numbers of referrals had been received by LABs. In these cases, LAB and Jobcentre Plus staff, overseeing the programme at the district level, worked together to raise the profile of the NEA through leaflets, newsletters and talks about the programme in weekly Jobcentre communications meetings.

Processes for referring participants onto the programme were generally reported to be well defined, understood and to be functioning well. They were also relatively consistent across different areas, though with some minor variations. Levels of referrals were at or in excess of those originally profiled in several cases, but were significantly below profile in a minority of areas. This was attributed to a lack of visibility for the programme and, in some 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 being arranged. The relative formality of the assessment varied, with templates being used in some cases while in others resting largely on the judgement of LAB staff. Rejection of participants at this stage was uncommon, but where it did occur generally 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 a number of criteria in matching participants to mentors. Matching according to types of businesses was the most prevalent consideration. Other common considerations were 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 by participants in the majority of cases. Less positive experiences for participants often 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 resubmit them. Following approval of plans, any ongoing support offered by LABs and mentors was often limited and ad-hoc. There was also a lack of clarity amongst mentors as to whether they could, or should, offer support. Participants were similarly unclear in some cases as to whether support was available. As a result, mentors and participants commonly cited this lack of support as a gap in provision.

6 Outcomes and effects of the programme

6.1 Introduction

This chapter considers the outcomes and effects of the New Enterprise Allowance (NEA). It first examines the types of businesses started by participants benefiting from the scheme, along with the role of the NEA in encouraging business start-ups. The chapter then focuses on outcomes and effects for participants. Specifically, it examines the effects of participation on confidence in starting businesses along with participants' understanding of the requirements for successful trading. Outcomes for participants' businesses are then examined. The chapter then considers those participants who engaged with the NEA, but subsequently dropped out of the programme or failed to start businesses, examining the reasons for this. Where appropriate, short participant 'case studies' are used throughout the chapter to help illustrate the effects of the programme and participants' experience of it. Key findings from the preceding analysis are summarised at the end of the chapter.

6.2 Types of businesses supported

The NEA supported participants to start a wide range of businesses, though certain sectors or types of employment were reported as being more common. Lead Accountable Body (LAB) staff, mentors and Jobcentre Plus staff often noted that a significant proportion were 'sole trader' businesses, providing services such as landscape gardening, painting and decorating, hair and beauty and building services. Participant interviews generally confirmed this impression and also highlighted that businesses often grew out of existing hobbies or interests pursued by those engaging with the NEA. The following participant case study helps to illustrate this:

Case study – participant A

After 20 years working for a local authority, participant A was made redundant. Due to budget cuts, he felt that it was unlikely that any similar jobs would become available in the near term. As the participant had a particular interest in horticulture, he felt that some form of self-employment based on this hobby could provide an alternative employment option using the skills and knowledge gained from his gardening activities. The support from the mentor was reported to be very helpful in translating the participant's interest into a viable business plan and approach. Once launched, the business has grown steadily with 30 regular customers and 30 hours of work per week in the height of the summer season.

It was also evident that enterprises were often started by people with a background in the sector concerned who, for example, had been made redundant. Moving into self-employment in an area of existing expertise was, therefore, a logical step in cases where sectors had contracted since the economic downturn.

In general, however, it was the range and variation of businesses that was referenced.

Evidence from the participant interviews and case study visits provided an impression of this range and variation. Along with those mentioned, businesses included: Information Technology (IT) support and website development; driving instruction; vehicle repair and servicing; personal fitness training; producing food products; environmental consultancy for homes and businesses; research and management consultancy; accountancy; photography; e-commerce businesses selling, for example, jewellery or books; restaurants and cafes; making musical instruments; and producing specialist or niche clothing. In general, therefore, the NEA was supporting a balanced range of businesses and sectors though with a bias towards services rather than, for example, manufacturing.

While part of the NEA policy intent was to help develop businesses with growth potential, given the start-ups supported the general view was that in most cases they were likely to be small scale rather than having significant growth possibilities. The focus of many participants on supporting themselves and their immediate family, rather than growth, was generally discussed in this context. However, there were some interesting and notable exceptions, both in terms of businesses being high value and/or having significant growth potential. For example, one business, started with NEA support, subsequently began supplying the Sellafield nuclear plant with robots to undertake work in contaminated areas. The product concerned won a '2012 Nuclear Decommissioning Authority SME Innovation Award'. In other cases, the ambition of participants was to expand and take on (more) staff, particularly those starting businesses in the catering or leisure services sectors.

6.3 The role of the NEA in encouraging business start-ups

Views varied on the likelihood of participants starting a business in the absence of NEA support, although there was a general consensus that at least some would have done so. LAB staff were most likely to feel that participation in the programme was important in enabling individuals to commence trading. Along with Jobcentre Plus staff and mentors, LAB staff also commonly felt that the support provided increased the likelihood of business success. The combination of mentoring and financial assistance provided was seen as particularly significant. Some of the participants interviewed also cited this combination as being important, as the following case study helps to illustrate:

Case study – participant B

Participant B established a Reiki and yoga business through the NEA. He had previously pursued teaching qualifications in both practices in his spare time, but after being made redundant from a job in the public sector and being told about the NEA he decided this was an opportunity to turn his hobby into a career. The support and advice of a mentor was welcomed, although given the specialist nature of the business this was reported to be most helpful in advising on online marketing. Alongside this, the NEA weekly allowance gave the participant the 'breathing space' to undertake the necessary networking and searching for premises before launching the business. At the time of the research the business was reported to be going well and starting to generate a good level of income.

The view that the NEA played a role in accelerating the process of commencing trading was also widespread, as was the feeling that some individuals would be unlikely to take what might be a difficult or daunting step without the support offered.

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Perhaps unsurprisingly, participants were more likely than mentors, LAB or Jobcentre Plus staff to claim that they would have set up their business anyway in the absence of the NEA. This may relate to the fact that participants' most common motivation for considering self-employment was a lack of other opportunities, whether in general or in particular areas of work. Having considered self-employment as an option in the past and/or waiting for the right time or opportunity to start a business were also frequently cited. In common with the views of those delivering the programme, participants also noted that the financial support provided by the NEA made establishing their business easier. Likewise, many commented that the support had 'sped up' the process of starting to trade and/or had acted as a 'push' or 'motivation'. As one participant commented:

'It [NEA] just accelerated the development of my idea. It took me off JSA more quickly than might have been the case.'

(NEA participant)

6.4 Outcomes of engagement with the NEA

6.4.1 The perspective of those delivering the programme

Based on working with participants and their feedback, the views of those delivering the programme on the outcomes and benefits of the NEA were mainly positive. It was seen as enabling some participants to do what they had wanted to for some time, along with providing a 'push' and/or framework of support that was important for some to start trading. Likewise, it was generally felt that beneficiaries would be more prepared to start a viable and sustainable business as a result of engaging with the NEA.

The combination of financial assistance, general encouragement and specific technical advice for starting a business was often cited as being central to the effectiveness and strength of the programme. As a result, those delivering the NEA often found it difficult to identify one particular aspect of support that was most significant. Where they did, views varied as to which element was most significant. It was also noted that the relative importance of particular elements varied according to participants' circumstances, their previous experience (if any) of running a business, and the type of business concerned.

6.4.2 Effects on participants' understanding of business requirements and confidence to start trading

The effects of support on participants' confidence to start a business varied according to their perception of how much help they required. Those more confident in their knowledge of the requirements for self-employment reported little effect from participation. This was often the case where participants had extensive experience of the type of business or sector concerned, and/or where they had previous experience of self-employment. For others, NEA support was important in giving them confidence. Sometimes the confidence gained related to the support helping to verify the realism and viability of a business idea, while for some participants more general support with confidence was seen as significant. An example of this latter group is illustrated by the following participant case study:

Case study – participant C

With five children, participant C was finding it hard to find suitable employment that fitted around her childcare. Self-employment was something that she had considered as a solution, but had never had the confidence to pursue herself. When told about the NEA by her Jobcentre Plus adviser she decided to investigate the possibility of establishing a business to address an issue she had experienced, namely a difficulty in finding affordable school uniforms in her local area. After completing a course run by the LAB and the eight-week mentoring period, the participant felt confident enough to start a business. In particular, the support received had helped to provide the belief that she could successfully market the idea and develop a customer base. Allied to this, the NEA weekly allowance provided the financial support that allowed the participant to focus on these aspects in the early weeks of trading. After trading for a year, the business has grown sufficiently for the participant to consider employing someone to help and she has been back in touch with her original mentor to get advice on this.

Contact with a mentor who had set up their own business was also often cited as useful given that the latter could empathise with the experience and share advice. This emerged as being particularly important for those who may have had a long career working for others, but for whom self-employment was still a big step. As one participant explained:

'The main way that the support helped me prepare was helping me make a transition to self-employed from being employed by someone else for 32 years. It helped in making this transition, which is quite a culture shock.'

(NEA participant)

Equally, for those with less business experience, increasing their understanding of legal requirements such as tax responsibilities and Companies House registration was noted as being important from a confidence standpoint. The same was true of those participants who may have been confident of their business idea, but for whom certain other aspects of trading appeared daunting. Typically, these related to marketing and promotion of a business and/or networking in order to develop and expand the business.

In part due to the effects of participation on self-confidence, the prevailing view amongst participants was one of being ready to move into self-employment once their business plan was approved. However, a number of those interviewed did not necessarily, or wholly, ascribe this readiness to involvement with the NEA or the support received. Amongst such respondents, previous experience of business, their own preparation for trading outside the programme and/or existing knowledge and expertise were important factors. In many cases, however, the NEA was certainly a significant factor in participants feeling ready to commence trading, as the following comment illustrates:

'I felt much more prepared [after participating] There was lots involved in running a business which I didn't know about.'

(NEA participant)

Similarly, most participants felt that they had gained at least some additional knowledge of what would be required to trade successfully in terms of sustaining or growing their business. In a number of cases this was also reported to have made the transition to starting a business easier and/or to have helped during the initial period of trading. As noted

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above, however, in a smaller number of cases those interviewed felt that previous business experience, education or other courses meant that NEA support did not contribute much in this sense.

Interestingly, amongst those participants who did not go on to start a business, the programme was nonetheless generally seen as helpful in enhancing their understanding and readiness for possibly commencing trading in the future. Those who commented in this area also generally felt that participation would be beneficial in the longer term, whether they ultimately opted for self-employment or re-entered the labour market as an employee. As one such participant noted of their engagement with the programme:

'It's given me a new kind of insight into what I can offer and what I can do, because I've not thought about it before ... so now I'm more attuned to do something and feel more confident'.

(NEA participant)

6.5 Outcomes for participants' businesses

Given the roll out of the NEA across Britain, between April and August 2011, and the timing of the evaluation, the majority of those interviewed who had started businesses had been trading for a year or less. Equally, some had only recently started their enterprise. Nonetheless, it was possible to gain an impression of participants' trading to date. Of those who had started businesses, most were still trading at the time of the interviews. A minority of participants cited that the initial period of trading had been challenging, with some relating this to difficult economic, and hence trading, conditions. In some instances, this had led to thoughts about whether to continue or to look for other employment. Equally, participants often made comments such as there being 'good days and bad days' or that there had been 'peaks and troughs' in terms of demand.

While it was relatively common for participants to note that their businesses were just surviving or remaining stable, some participants were nonetheless optimistic about the potential for growth. Often, though not exclusively, this was described in terms of expanding trading and growing the customer base rather than taking on members of staff. However, given that many of the businesses discussed had only recently commenced trading, participants often felt that it was too early to tell whether or not their business would grow. It is also worth noting that even where growth was not seen as a key aim, most interviewees felt they were doing well enough to continue trading in the near term.

In a small number of cases, participants reported that their businesses had already grown, some significantly. For example, in one instance growth had been rapid and the person involved had been approached by a mobile phone network to purchase the enterprise. In other examples, expansion had been sufficient for participants to move into new premises, or expand the premises they were in. A small number of interviewees had also taken on (more) staff, though the employment generated was often in terms of a single associate, partner or member of staff rather than greater numbers. Perhaps due to the (small scale) nature of the businesses concerned, in several cases family members had been taken on as partners or staff members.

The most common reason given where businesses had failed was a lack of income generated, leading to trading becoming unviable. In some cases this was linked to the weekly allowance from the NEA ceasing, meaning that participants were unable to support themselves. Less commonly, business failure was linked to specific capital or cash-flow constraints leading to, for example, the inability to procure essential equipment or suitable premises. Other reasons cited involved caring responsibilities or changes in personal circumstances. In a small number of cases individuals had taken other work after judging it to be preferable to continuing with their business.

While it was uncommon, a small minority of those interviewed also linked the failure of their business to perceived limitations in the support they had received under the NEA. The following case study offers an example of this:

Case study – participant D

After nine months of unemployment, Participant D decided to set up his own business working as an electrician. He was attracted to the NEA as it provided the opportunity for financial support while building the business up. The participant was allocated a mentor, but felt the support received was insufficient. He met the mentor only twice and the support received was not felt to be tailored to the specific needs of his business. Rather, it was reported to focus on completing a standard business plan template, with limited opportunities for discussion of different aspects of the plan. After eight months of trading the income generated was insufficient to cover business costs resulting in the enterprise closing. The participant felt that had he received more support from the mentor on the specifics of marketing and finance he could have continued trading.

Where participants' businesses had failed, at the time of the interviews most had returned to claiming Jobseeker's Allowance (JSA) while a small number had subsequently found paid employment. In the main, such participants felt that they might return to self-employment in the future. For some, the aim was to wait until trading conditions improved. Others felt that they would need more finance when they next started a business and were planning to ensure that they were in a better situation when commencing trading in future. In a small number of cases, interviewees had decided that they were less suited to self-employment than anticipated and were, therefore, planning to seek other forms of work.

6.6 Reasons for participants not remaining on the programme or starting businesses

Interviews with participants also enabled examination of why some had initially engaged with the NEA, but did not remain on the programme or start businesses. Two main 'groups' of participants were consulted in this sense: those who had been initially referred to the LAB, but had not gone on to receive mentoring support or start developing a business plan, and those who were matched to a mentor or business advisor, but did not subsequently commence trading.

6.6.1 Reasons for not participating after initial contact with the LAB

For participants not engaging further after initial referral to a LAB, the most common reason was the lack of viability of their business idea. This was often related to a need for greater start-up finance than was available through the programme (in terms of the loan element) or through other means. There was little evidence that large numbers with inappropriate or simply unrealistic business ideas were being referred to LABs, or that those with little interest in self-employment were reaching the initial engagement stage.

Some participants and LAB staff also described instances where initial discussions had led to a decision that self-employment was not a suitable option. In the main this appeared to occur where participants had not fully appreciated what self-employment would involve. In some cases, participants acknowledged they had insufficient understanding in this area, whilst LAB staff also felt that on occasion those referred did not fully appreciate the demands involved in running a business. As one LAB business adviser commented:

'A lot of people don't realise what's involved and like the concept of it [self-employment] but the stark reality of having to fill in tax returns, keep books, find customers is a bit remote from their knowledge really.'

(LAB staff member)

In a very small number of cases, participants reported having no further contact from the LAB following an initial meeting, leading them to continue to attend the Jobcentre and claim JSA. These participants had expected the LAB to get back in touch with them, but when this did not occur had not pursued things any further. It was not clear in these cases whether either Jobcentre Plus advisers making the referral or their colleagues had followed up with the individuals concerned.

6.6.2 Reasons for not starting businesses after engagement with NEA

There were several reasons why participants had been matched to a mentor, but did not subsequently start trading. In some instances, those engaged had been offered work and had elected to take this rather than pursuing self-employment. In others, undertaking the process of business plan development had led participants to decide that their business idea was not viable. This decision had sometimes been reached through discussions with LAB staff or mentors, but more often participants had independently decided not to continue. In several cases, the lack of viability resulted from a greater degree of start-up capital or ongoing funds being required than were available. In others, participants decided that potential income generation would not be sufficient or that there was too much competition locally.

While a lack of viability was typically determined during the process of business plan development, with the plans not being submitted for approval, in a couple of cases participants had done so, but their plan had not been approved. In such instances those concerned had not continued with their idea, citing that they felt that the business was not realistic anyway and/or that they did not feel that committed to it. In an equally small number of instances, the deadline to submit a plan had not been met. Again, it appeared that a decision that self-employment was not a viable or good option lay behind this, though in one instance a participant claimed not to be aware of why the plan had been rejected or to have received any feedback concerning this.

Delays in establishing a business, while still intending to do so, were also cited as an explanation for not commencing trading in a small number of cases. Typically, such delays related to difficulties in finding suitable premises or gaining required permits or licenses, though financial constraints were also noted. Finally, in a couple of instances, participants had met with their mentor once, but then had no further contact and had not continued to develop their business plan. In one instance the individual concerned had sourced alternative paid employment, whilst in another the participant reported that they had returned to the Jobcentre and continued to claim JSA.

6.7 Summary of key findings

The NEA has supported a range of businesses across different sectors, though 'sole trader' enterprises set up to provide services such as gardening, hairdressing, or building 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 described as being relatively small scale, though there were some significant exceptions and some businesses were reported to have grown significantly. More often, however, those trading had found conditions challenging and were focused on keeping their businesses going rather than expansion. 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 NEA support, most acknowledged that the support had made this process easier and/or had helped to accelerate it. In comparison, those delivering the programme generally ascribed a greater importance to the NEA in facilitating business start-ups. From this perspective, the combination of financial assistance with other support and advice was seen as key in encouraging or enabling individuals to move into self-employment when they otherwise might not have done so.

Some NEA participants confirmed that the programme was important in helping with their confidence to start trading, particularly in terms of verifying the viability of their ideas. However, the background or existing knowledge of others meant that such effects were less significant. Similar variation was evident in terms of the NEA's role in preparing participants to commence trading, though even those with prior experience of self-employment or understanding of its requirements tended to cite that it had been helpful. 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. This was often for financial reasons such as insufficient capital and/or that the likely income from the business would not be sufficient. 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. These included being offered and accepting paid employment whilst on the programme, deciding that the business idea was not viable during the business planning process, delays in commencing trading due to factors such as premises not being available, and business plans not being approved.

7 Overall perspectives on the New Enterprise Allowance

7.1 Introduction

This penultimate chapter examines interviewees' overall perspectives on the New Enterprise Allowance (NEA). Suggested improvements to the design or operation of the NEA are also considered. A brief summary of key findings relating to these aspects is then offered.

7.2 Overall perspectives on the programme

The majority of mentors, Lead Accountable Body (LAB) and Jobcentre Plus staff offered positive overall views of the NEA. In the main it was seen as a worthwhile addition to the support available for Jobseeker's Allowance (JSA) claimants and to offer beneficial, and often important, support for those considering self-employment. Similarly, the majority of these respondent groups felt that the NEA was effective in supporting the development of businesses, with the overall package of support and assistance being seen as key to the programme's effectiveness. Implementation, ongoing management and administration of the programme were also generally seen as functioning well in most instances.

As outlined in previous chapters, certain aspects of the scheme were welcomed in particular. These included the combination of mentoring advice with financial assistance in the form of the weekly allowance, along with the provision of a period for participants to develop business plans and prepare for trading without the usual JSA job-search conditionalities. The following comments from staff overseeing the programme at the district level typified the views offered by Jobcentre Plus representatives:

'I just think customers are really lucky actually to have that scheme because if you go back a couple of years ago, if you wanted to start a business you were more or less penalised for it because of the conditionality that you had to be looking for work all the time.'

(Jobcentre Plus Third Party Provision Manager (TPPM))

'One of the reasons we invested some of our Flexible Support Fund in NEA was because we saw it as one of our more effective programmes; we could see the results from it.'

(Jobcentre Plus TPPM)

LAB representatives offered similarly positive overall views, with a number comparing the programme favourably with other self-employment provision they had been involved with. In particular, the support available through the programme was seen as sufficiently flexible to meet the needs of most participants. The ability to vary the amount of contact, within limits, depending on the amount of support required was seen as a key aspect to this. A number of

mentors involved with the scheme also highlighted this aspect, along with the opportunity for participants to benefit from the experience of, as one put it, *'those that have been there and walked the walk.'*

Participants' overall views of the programme were more varied, though in many instances were similarly favourable. For some, it had provided an opportunity to successfully pursue something that they had sought to do for some time and most participants commented positively on their overall experience of engagement. As might be expected, however, some of those who had been referred to the NEA, but failed to complete it or start businesses were more negative. While such views were less common amongst those who had gone on to start businesses, a small minority of this group also criticised elements of their experience. This generally related to what they saw as limited or incorrect advice offered by Jobcentre Plus advisers or the quality of mentoring support received. These factors sometimes appeared to colour what would otherwise have been positive views.

7.3 Key suggested improvements

While overall views of the programme were broadly positive, those consulted also offered a number of suggestions for how the NEA might be improved. Some of these suggestions have been referenced in previous chapters, but it is worth briefly bringing these together and highlighting the most common ideas here. The most frequently raised suggestions, covering aspects of both programme design and implementation, were:

- Improving promotion of the programme to Jobcentre Plus advisers along with ensuring greater consistency of understanding.
- Extending NEA eligibility to other groups of benefit claimants beyond those claiming JSA¹⁶.
- Enabling greater local input to the start profiles attached to delivery and the NEA payment model.
- Clarifying the effect of participation on Housing Benefit and Tax Credits (including providing clearer guidance to Jobcentre Plus advisers to enable them to explain this to participants).
- 'Modernising' the referral process through the use of online systems rather than current paper-based processes.
- Tapering payment of the NEA weekly allowance rather than paying it at £65 for 13 weeks and then reducing it to £33 at a single point.

In many cases, participants felt that there were no real improvements to be made to the programme or found it difficult to identify anything specific. Amongst the suggestions that were made, some mirrored those offered by other respondent groups whilst some were specific to those benefiting from the programme. Common suggestions included:

- Ensuring better tailoring of support to specific business ideas rather than offering more generic assistance.

¹⁶ After the evaluation fieldwork was complete, from February 2013 eligibility was widened to enable lone parents claiming Income Support (IS) and Employment and Support Allowance (ESA) claimants in the Work Related Activity Group (WRAG) to access the NEA.

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- Increasing the level of financial assistance, either in terms of the length of the weekly allowance or the size of available loans (the latter being a barrier to a small number who had not started trading).
- Providing more ongoing mentoring support once trading had commenced (a small number felt that support largely dissipated at this point).

7.4 Summary of key findings

Overall views of the programme were positive, particularly amongst LAB staff, Jobcentre Plus representatives and mentors. Participant views were more varied, but were often favourable. The combination of mentoring support with financial assistance was seen as a key strength of the approach. Implementation, ongoing management and administration of the programme were also seen as functioning well in most cases. Suggested improvements by LAB and Jobcentre Plus staff included improving understanding of the NEA amongst Jobcentre advisers, extending eligibility beyond JSA claimants, more local input into target profiling, clarifying the effect of participation on other benefits, modernising referral processes, and more gradual tapering of reductions in the weekly allowance. Suggested improvements by participants included more extensive and consistent support once trading had commenced along with, in a smaller number of cases, increasing the size of the financial assistance provided.

8 Conclusion

8.1 Concluding observations and issues for consideration

The overall impression gained of the New Enterprise Allowance (NEA) is that it offers effective support for those interested in self-employment as a route to (re-) entering the labour market and plays a useful role in supporting the development of new enterprises. However, these enterprises are perhaps typically of a smaller scale and with less growth potential than initially anticipated in terms of the policy intent. Despite this, for those assisted by the programme the opportunity to support themselves and their families through starting a business is clearly welcomed in many cases. In particular, the combination of mentoring support with financial assistance is central to the programme's strength and effectiveness.

Although the implementation of the NEA has gone well overall, there are a number of areas where improvements could be made. In particular, raising the profile of the programme amongst frontline Jobcentre Plus staff along with improving their knowledge and understanding would be beneficial. Equally, the nature and consistency of the support offered once participants have commenced trading could be improved. Other aspects might similarly be reassessed, including making sure that eligibility is as wide as possible and that the weekly allowance is more gradually tapered in the early stages of trading.

These potential improvements inform some suggested issues for consideration arising from the evaluation. These are offered in the context of the need to inform the provision of self-employment support under the incoming Universal Credit system, in addition to further enhancing the effectiveness of the NEA over its remaining lifetime. The key issues for consideration can be summarised 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 its 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 of a similar nature might usefully be considered, in particular around the potential to 'pause the clock' for time-limited support periods to deal with particular circumstances.
- 5 The potential benefits of the NEA for the unemployed or economically inactive beyond Jobseeker's Allowance (JSA) 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 attention to the support provided 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.

Appendix A

Key research questions

Table A.1 Key questions

Respondents	Key questions
Participants	<ul style="list-style-type: none"> • Does the scheme prepare participants sufficiently to sustain and/or grow their business? • Have participants' confidence levels in business improved as a result of the scheme? • Has participants' knowledge of what it takes to survive in business improved? • Would participants have attempted to set up a business if New Enterprise Allowance (NEA) did not exist? • How could the scheme be improved? • Was the time allowed to build up a business plan while still claiming Jobseeker's Allowance (JSA) helpful? Was the period about right or too long/short? • Did participants feel sufficiently prepared to become self-employed? • Why did some participants referred to NEA not progress from the mentoring stage to actually establishing their business? • Are businesses started through NEA still trading? Are they successful? • If a business started through NEA failed, why? <p>Mentoring:</p> <ul style="list-style-type: none"> • In what ways has mentoring assisted participants' businesses? • Were mentors interested in participants' business ideas? • Were mentors accessible to participants? • Did mentors have appropriate experience? • Did participants receive support from mentors after they began trading? Was any such support helpful? <p>Financial support:</p> <ul style="list-style-type: none"> • Are the allowance and loan at a sufficient level? • How have participants invested the financial support in their business? • Why do some participants opt not to take the loan element of NEA? <p>Administration:</p> <ul style="list-style-type: none"> • Was the Jobcentre helpful in explaining the scheme and assisting with any issues? • Was the right level of support in place to help participants resolve any issues they had (with their mentor/Lead Accountable Body (LAB)) whilst on the scheme?

Continued

Table A.1 Continued

Respondents	Key questions
Lead Accountable Bodies	<ul style="list-style-type: none"> • Was NEA targeted to appropriate individual's/business ideas? • How do LABs source mentors (and ensure that they have appropriate business experience)? • How easy/difficult has it been to find suitable mentors? • Did LABs have sufficient/expected level of referrals? • Is there enough flexibility within the scheme (including the funding model) to enable innovation and provide appropriate levels of support? • Is the scheme well balanced in terms of the sectors involved? • Do mentors use any local partnership work to support delivery of NEA contract? What has worked well with participants • How could the scheme be improved? • How does the contract-based funding model used in the Merseyside pathfinder compare to the grant-based funding model used in the national roll out? • Do LABs use any specific tools to assess business ideas and potential progression of business? • Is there sufficient funding to deliver support for participants, particularly when trading? • From the LABs' perspective, how is the local working relationship with Jobcentre Plus functioning?
Mentors	<ul style="list-style-type: none"> • Was the scheme targeted to appropriate individuals/business ideas? • Did participants have sufficient motivation/skills/experience? • How did participants benefit from the experience? • Were participants willing to learn new skills? • What has their overall experience of NEA been? • Is the NEA is well managed as a whole (LABs/Department for Work and Pensions (DWP)/Jobcentre Plus)? • Is there enough flexibility within the scheme (including the funding model) to enable innovation and provide appropriate levels of support? • Does their LAB sufficiently understand the workings of the scheme? • Do mentors use any local partnership work to support delivery of NEA contract? What has worked well with participants • How could the scheme be improved? • Do mentors use any tools to help participants? E.g. cash-flow or financial budgeting tools etc. • Was the time allowed for participants to build up their business plans while still claiming JSA helpful? Was the period about right or too long/short? • Do mentors use any specific tools to assess business ideas and potential progression of business?
Jobcentre Plus staff	<ul style="list-style-type: none"> • Is NEA a worthwhile scheme? • Does NEA help participants to improve their long-term prospects? • Are NEA LABs/mentors are genuinely interested in helping participants? • Have Jobcentre Plus staff been given enough guidance/information to administer the scheme? • Do Jobcentre Plus staff think NEA participants set up their businesses in the absence of the scheme? • Do Jobcentre Plus staff have a good working relationship with LABs? • Do Jobcentre Plus staff have good/any working relationships with mentors? • Do Jobcentre Plus staff get feedback if a participant is not suitable or fails to complete initial stage of mentoring support? • What examples of good practice exist in terms of working with providers?

Appendix B

Research tools

B.1 Topic Guide for Third Party Provision Managers (District Staff)

Part 1: Introductions

- Begin by briefly outlining the aims of the evaluation and objectives for the interview
- Inform the interviewee of the likely duration of the interview
- Provide a brief overview of the likely content of the interview and the scope of the issues the interview will be looking to explore
- Outline our treatment of data gathered and the approach to confidentiality
- Request permission to record the interview
- Check if the interviewee has any questions prior to commencing the interview.
- Take care to tailor the interview to the role of the interviewee

Part 2: Background

- 1 Please briefly outline your role in respect of the NEA scheme

Part 3: Referrals and relationships

- 2 Were there any issues in sourcing and selecting a LAB for the district?
 - Probe on any issues with the local contracting process
- 3 Overall how well do you feel the relationship between Jobcentre Plus staff/DWP and LABs is working?
 - Are there any issues or challenges that commonly arise or have arisen in terms of this and if so, what are these and how are/were they addressed?
 - Are there any particular ways in which the relationship operates in this district that means things work well? Probe for any good practice examples.
- 4 Are there any ways in which the relationship between Jobcentre Plus staff and LAB/mentors might be improved? If so, how and why?
- 5 Overall how well is the process of referrals to NEA working and why?
 - How might referral processes be improved?
- 6 Has there been the expected level of referrals to NEA in your district?
 - Probe on whether referral levels have been sufficient and more/less than anticipated and why

- 7 Do you have any views on the eligibility criteria in terms of time required on JSA before referral to NEA and the changes in this (i.e. 6 months to 3 months to day one)?
 - Probe on whether these changes are seen as appropriate and why
- 8 Have you undertaken any specific activity to promote take up of NEA in the district?
 - If so what did this involve?
 - How successful do you feel this has been and why?
- 9 How appropriate is the funding model being used for NEA in terms of LABs being allocated a set maximum number of participant starts? (Explain intent to encourage conversion of participant starts into business start-ups if required)
 - Is this proving sufficiently flexible and why/why not?
 - Is this approach succeeding in incentivising LABs to convert as many participant starts into business start-ups as possible?
- 10 Have any changes been made to the allocation of NEA places in the district?
 - Probe on any changes to increase places on the scheme and why change was made

Part 4: NEA support

- 11 Overall do you have a view on how well NEA support is being delivered to participants?
 - Probe on any issues with different aspects of the scheme – mentoring/LAB/financial support
- 12 [If not covered above] How far to you feel LABs have sourced appropriate mentors for the scheme?
 - Probe on reasons for viewpoint
- 13 Do you feel there is sufficient flexibility in the support provided to participants?
 - Probe on flexibility at all stages of support (pre-approval and once trading has commenced) and what effect this has?
 - Probe on whether funding model in particular allows flexibility
- 14 Do you feel that the NEA scheme has supported participants to start business that have the potential for sustainability and growth?
 - Probe on reasons for viewpoint

Part 5: NEA Participants

- 15 From your perspective how do participants benefit from the scheme?
 - Probe in terms of effects on confidence and specific knowledge to run a successful business
- 16 What contractual targets/obligations do LABs have in terms of participants?
 - How realistic and achievable do you feel these targets are and why?
 - Probe in particular on any issues in achieving the outcome targets in the context of rigid starts profile.

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Part 6: Overall Views

17 Are there any ways the scheme could be improved?

18 Overall to what extent do you think NEA is an effective scheme to support business start ups?

THANK INTERVIEWEE.

B.2 Topic Guide for Jobcentre Plus Advisers

Part 1: Introductions

- Begin by briefly outlining the aims of the evaluation and objectives for the interview.
- Inform the interviewees of the likely duration of the interview.
- Provide a brief overview of the likely content of the interview and the scope of the issues the interview will be looking to explore.
- Outline our treatment of data gathered and the approach to confidentiality
- Request permission to record the interview
- Check if the interviewees have any questions prior to commencing the interview.
- Take care to tailor the interview to the role of the interviewees.

Part 2: Background

- Please briefly tell me about your current role (Job title, time in post, main responsibilities, role in respect of NEA)

Part 3: Guidance and information on the scheme

- What information and guidance have you been given on NEA?
- Probe on what this involves – e.g. intranet, printed guidance, desk aids, email updates/ information, other information sessions etc.?
- Would it be possible to get copies of any of these materials?
- What are your views on this information and guidance?
- Is it useful/helpful or less so and why?
- Do you feel the information and guidance provided is sufficient to administer the scheme and why?
- What might be improved in terms of the information and guidance provided?
- Do you feel you have a good understanding of the NEA scheme compared with other Jobcentre Plus provision and why?

Part 4: Referral onto NEA and relationships with the LAB

- Can you give a broad overview of how the process of referring people onto NEA works?
- What are the main things you consider when deciding whether to refer people onto NEA?
- Have there been any issues with the number of referrals you can make?
- Probe on what the issues are why?
- When making referrals, what contact do you have with the LAB you are referring participants to?
- (If not covered earlier) probe on the process involved – e.g. do advisors talk to LAB about specific participants and their business idea or do they just fill in paperwork/notes on electronic systems and pass this on?
- Do you have any views on the eligibility criteria in terms of time required on JSA before referral to NEA and the changes in this (i.e. 6 months to 3 months to day one)?
- Probe on whether these changes are seen as appropriate and why
- Do you get the sense that LABs are sourcing appropriate mentors to support NEA participants?
- Probe on whether customers have provided any feedback on this/any other reasons for interviewees' perspectives
- Do you have any direct contact with the mentors?
- If so, what does this involve?
- What are your views on the mentors?
- (If no or limited contact) Do you think that additional contact would be useful? How and in what ways?
- Do you get feedback from the LAB if a participant is not suitable or fails to complete the initial stage (i.e. LAB declines business idea or business plan is not approved?)
- Is the feedback useful? How and in what ways?
- What are the typical reasons given for participants not completing this initial stage?
- Has this feedback altered the types of referrals you make? In what ways?
- How well do you feel the relationship between Jobcentre Plus staff and LABs works?
- Are there any issues or challenges that commonly arise or have arisen in terms of this and if so, what are these and how are/were they addressed?
- Are there any things you do that means the relationship works particularly well? If so what are these? (Probe for any good practice examples)
- How could the relationship between Jobcentre Plus staff and LAB staff/mentors be improved?
- Do you share any ideas/good practice relating the NEA scheme with other offices or districts? If so, how and in what ways?
- [If not] – Would this be something that would be useful for the future operation of the NEA?

New Enterprise Allowance: Qualitative evaluation

Part 5: NEA participants

- What feedback have you received from participants about the NEA?
- To what extent do you think that the NEA helps participants to improve their long-term employment prospects?
- Why and in what ways?
- What elements of NEA are particularly valuable? Probe on mentoring, weekly allowance and loan
- To what extent do you think LABs/mentors are genuinely interested in helping participants and why?
- What proportion of NEA participants do you think would have set up their businesses in the absence of the scheme? (Probe for rationale for response and whether they have any specific examples informing this)

Part 6: Overall views

- Are there any ways the scheme could be improved?
- Overall, to what extent do you think NEA is an effective scheme to support business start ups?

THANK INTERVIEWEES

Make arrangements to collect or be sent any locally produced materials.

B.3 Topic Guide for Lead Accountable Bodies

Part 1: Introductions

- Begin by briefly outlining the aims of the evaluation and objectives for the interview
- Inform the interviewee of the likely duration of the interview
- Provide a brief overview of the likely content of the interview and the scope of the issues the interview will be looking to explore
- Outline our treatment of data gathered and the approach to confidentiality
- Request permission to record the interview
- Check if the interviewee has any questions prior to commencing the interview.
- Take care to tailor the interview to the role of the interviewee

Part 2: Background

- Please briefly outline the role of your organisation in delivering the NEA and your own role within this
- How does the NEA fit into your organisation's wider activity?
- What are the main reasons that your organisation decided to bid to become a LAB to deliver NEA?
- Does your organisation deliver the service in partnership with any other organisations? If so, what are these and what role do they play?

Part 3: Referrals, relationships and delivery

- How does the process of receiving client referrals from Jobcentre Plus work?
- What formal and informal mechanisms are in place to support this process of referrals and how well do these work?
- Explore procedures for liaison with Jobcentre staff, mechanisms to feed back issues to Jobcentre Plus, other processes and procedures.
- What are your views on the general suitability or otherwise of potential participants referred from Jobcentre Plus and why?
- Probe on whether NEA is targeting appropriate individuals/business ideas
- To what extent do participants have sufficient motivation/skills/experience to be self-employed?
- Overall, how appropriate are the business ideas being pursued by participants?
- Probe on the typical sectors involved
- Have you had the expected level of referrals?
- Probe on whether referral levels have been sufficient/more or less than expected and the pattern of referral numbers

New Enterprise Allowance: Qualitative evaluation

- How might referral processes and mechanisms be improved?
- Overall how well do you feel the relationship between Jobcentre Plus staff/DWP and yourselves works?
- Are there any issues or challenges that commonly arise or have arisen in terms of this and if so, what are these and how are/were they addressed?
- Any improvements needed?
- [If delivering in partnership with other organisations] How are relationships with other delivery partners functioning as part of delivering the service?
- Probe on any perceived advantages/disadvantages to delivering in partnership along with any challenges faced and how they have been addressed.
- Probe on any perceived advantages for/effects on participants
- In terms of the NEA scheme your organisation delivers, what contractual targets/ obligations do you have in terms of participants?
- How realistic and achievable do you feel these targets are and why?
- How do you monitor the performance of the scheme – e.g. mentors performance?
- Are there any issues raised by having a set maximum starts profile as part of the contract? Probe particularly on any issues in the context of satisfying expectations of the conversion of participant starts into business start-ups in this context.
- Have you requested an increase in the profiled number of starts and why? What was the result of this?

Part 4: Mentoring participants

- How many mentors have you engaged so far?
- In what ways have you sourced mentors for the scheme and how do you assess their suitability?
- Probe on balance sought between mentors with specific business experience versus mentoring/business start up experience and use of voluntary versus paid staff
- Probe for typical background of mentors
- Overall how easy or otherwise has it been to find suitable mentors?
- How are mentors matched to participants?
- Probe to what extent matching is based on experience of mentor and business idea and how – e.g. are there particular processes used for this?
- Is there a process in place if either participants or mentors are unhappy with the match?
- What does this involve?
- Has it been used often and for what reasons?
- Have there been any individuals that have been difficult to match with a mentor and why? What has been done in such instances?
- What support/training is provided to mentors to develop the skills needed to deliver the NEA scheme?

- Probe on what is provided e.g. working with the client group versus business mentoring skills
- How are mentors kept up to date with other initiatives/information?
- Probe on whether mentors are given guidance on other programmes and support available that may be relevant to participants and how this is done
- Probe on the oversight/monitoring of mentors, the frequency and format of any contact

Part 5: Approving business ideas and plans

Approving business ideas

- What support is provided to participants to develop their business idea prior to referral to a mentor?
- Probe on the nature, format and amount of support e.g. meetings, telephone contact etc., workshops
- Probe on any specific tools to help participants – e.g. Cash flow or financial budgeting tools etc.
- What is the process for assessing and approving business ideas?
- Probe on who approves business ideas and how this is done
- [If not covered above] Probe on any specific tools used to assess business ideas and potential progression of business

Developing and approving business plans

- How appropriate is the time period available for participants to develop their business plan?
- Probe on whether period is too long or short and why
- What is the process for assessing and approving business plans?
- [If not covered above] Probe on any specific tools used to assess business ideas and potential progression of business and role played by mentors
- Where a business plan is not approved, what feedback or support is provided to participants?
- What are the typical reasons for non-approval?
- What feedback is given to Jobcentre Plus advisers in these cases?

Part 6: Ongoing support and impacts on participants

- What ongoing support is provided after the participant has started their business?
- Probe on nature, format and timescales of this support and who provides this support – mentor/LAB
- Probe on use of specific tools during this stage of support? E.g. Cash flow or financial budgeting tools etc.
- Probe on whether there is sufficient funding to deliver support for participants

New Enterprise Allowance: Qualitative evaluation

- How does the financial support available in terms of the NEA weekly allowance and loan help participants?
- Probe on whether the level of allowance and loan are sufficient and why
- How much flexibility is there in the support you are able to provide to participants?
- Probe on flexibility at all stages of support (pre-approval and once trading has commenced) and what effect this has
- Probe on whether the funding model in particular allows flexibility
- From your perspective how have participants benefited from involvement with the NEA?
- Probe in terms of degree to which it provides them with confidence and the specific knowledge required to run a successful business
- What proportion of NEA participants do you think would have set up their businesses in the absence of the scheme?

Part 7: Overall Views

- Are there any ways the scheme could be improved?
- Overall to what extent do you think NEA is an effective scheme to support business start ups?

THANK INTERVIEWEE.

B.4 Topic Guide for Mentors

Part 1: Introductions

- Begin by briefly outlining the aims of the evaluation and objectives for the interview.
- Inform the interviewee of the likely duration of the interview.
- Provide a brief overview of the likely content of the interview and the scope of the issues the interview will be looking to explore.
- Outline our treatment of data gathered and the approach to confidentiality
- Request permission to record the interview
- Check if the interviewee has any questions prior to commencing the interview.
- Take care to tailor the interview to the role of the interviewee.

Part 2: Background

- How did you become involved as a mentor on the NEA scheme?
 - Explore the interviewee's motivations for becoming involved
- [if not covered above] What is your business background?

Part 3: Management and administration of the scheme

- What guidance or support has been provided to you by [insert LAB name] to support your mentoring role?
 - Was this useful/helpful or not and why?
 - [If not covered above] Have you received any training before beginning the mentoring role?
 - [If no] was any training offered and, if so, why did you choose not to take this up?
 - Probe whether this was focused on working with the client group or business mentoring?
- How are your mentoring relationships monitored?
 - Probe on performance monitoring by LAB.
- More generally, from your perspective how well is the LAB managing the scheme?
 - Probe on reasons for the interviewee's response
 - Do you get the sense that the LAB fully understands the workings of the scheme and why?
 - Are there any improvements that could be made?

Part 4: Mentoring and supporting participants

- How many participants have you mentored so far under the scheme?
- Can you briefly describe the process of being matched to a participant?
 - [If not covered above] Probe on the extent to which matching is based on the experience of the mentor and the business idea
 - Do you feel you have been appropriately matched to a participant/participants?
 - What influence have you had over the matching process?
- What support do you provide to participants to develop their business plan?
 - Probe on the nature, format and frequency of support – e.g. meetings, telephone contact etc.
 - Probe on any specific tools to help participants – e.g. cash flow or financial budgeting tools etc.
 - Is this consistent across all participants?
- How much flexibility is there in the support you are able to provide to participants?
 - Are you able to meet the needs of all participants?
 - Do you refer participants back to the LAB/elsewhere for particular support?
- Is the time period available for participants to develop their business plan while still claiming JSA adequate?
 - Probe on whether period is too long/short/about right and why
- Do you play a role in the process of actually approving business plans as distinct from supporting their development?
 - [If yes] What role do you play in this?
 - What are the typical reasons for business plans not being approved?
- What ongoing support do you provide after the participant has started their business?
 - Probe on the nature, format and timescales of this support.
 - Probe on use of specific tools during this stage of support? E.g. Cashflow or financial budgeting tools etc.
- Do you use any local partners or contacts to help deliver any aspects of the NEA contract?
 - Probe on the nature of this e.g. referral to other business support and what this is
 - Probe on what has worked well with participants and why
- In your view how does the financial support available through the scheme help participants?
 - Probe on whether the level of allowance and loan are sufficient and why

Part 5: Perspectives on scheme targeting and NEA participants

- From your experience, to what extent do you feel the scheme is targeting appropriate individuals?
 - Probe on the reasons for the interviewee's perception
- Equally, to what extent is the scheme being used to support appropriate business ideas?
 - Probe on the reasons for the interviewee's perception
- In your experience do participants have sufficient motivation, skills and experience to be self-employed? Why/why not?
- To what extent were participants willing to learn new skills?
- Overall, to what extent are the business ideas being pursued by participants viable and how far do they have the potential to result in growth?
- In your view what were the main barriers faced by participants to establishing a viable and successful business?
- How would you describe the ways in which participants have benefited from their experience?
 - Probe for example in terms of confidence and specific knowledge to run a successful business
- What in particular do you feel helps to benefit participants?
 - Probe on whether this is the mentoring itself/the weekly allowance/the loan/other and the balance between these aspects
- In general, do you think that NEA participants would have set up their businesses in the absence of the scheme?
 - Probe for specific examples to illustrate the interviewee's perspective

Part 6: Overall views

- What are the main ways in which the scheme could be improved?
- Overall, to what extent do you think NEA is an effective scheme to support business start ups?

THANK INTERVIEWEE.

B.5 Topic Guide for Participants

Part 1: Introductions

- Begin by briefly outlining the aims of the evaluation and objectives for the interview.
- Inform the interviewee of the likely duration of the interview.
- Outline our treatment of data gathered and the approach to confidentiality.
- Check if the interviewee has any questions prior to commencing the interview.
- Check if the interviewee is happy for the discussion to be recorded for the purpose of gathering accurate quotes.

Part 2: Screening/Overview

Can I just briefly ask a few initial questions to check what experience you have had of New Enterprise Allowance. This is not the interview, it will just allow me to only ask questions relevant to your experience.

- a. When did you first have contact with [insert LAB organisation name]?
- b. Did you have a mentor organised by [insert LAB organisation name]?
- c. Did you have your business plan approved?
- d. Did you claim the NEA weekly allowance (explain that we are referring to the actual weekly allowance received once signed off JSA)?
- e. Did you start a business?
- f. Is the same business trading at the moment?
- g. Did you apply for a loan through New Enterprise Allowance?
- h. Are you claiming JSA at the moment?
- i. How long had you been claiming JSA before you were referred to NEA?

Tell the participant that the interview will go through each stage of their New Enterprise Allowance experience in order to establish their views of the different elements of the NEA.

Part 3: Engagement with the Jobcentre and referral onto NEA

- 1 What originally attracted you to self-employment?
 - [If not already mentioned] probe on what their business idea was and the extent to which it was driving their decision to participate as against other factors
 - Why were you interested in the New Enterprise Allowance scheme? Probe on if any element in particular was most attractive
 - What was it about the NEA that you felt was particularly suited to your circumstances?
- 2 Would you have attempted to set up a business if New Enterprise Allowance did not exist? Why?

- 3 Were there any issues faced in joining the scheme initially?
- Probe on any delays around eligibility due to length of time on JSA required and the effects of this
 - Probe on any issues around feasibility of business idea and any delay/wait for referral to LAB
 - Do you feel you received enough information from Jobcentre Plus at this stage to make an informed decision about participating?
- 4 Did the Jobcentre/adviser provide any ongoing support once you were involved with the scheme (i.e. if there were any issues with the mentoring, LAB [enter name] or business plan development stages)?
- What did this involve?
 - [If relevant] Did this help solve any issues that arose with your mentor or with the process of developing a business plan and getting it approved?

Part 4: LAB support, mentoring and developing a business plan

Initial support from LAB and approval of business idea

- 5 What initial support did you get when you were first referred to [insert LAB name]?
- Probe on any initial meetings pre-mentor to assess their business idea or support from staff at LAB [enter name] e.g. workshops
 - Over what time period did you receive this support? Probe on whether LAB support continued once matched with a mentor and what this involved
- 6 Were you allowed to continue to develop your original business idea after this initial period?
- If not, why not?
 - **If business idea declined at initial LAB stage and no mentor match go to Q16 and Q17, then Part 7**

Mentoring and business plan development stage

- 7 What support did you get from your mentor to develop your business plan?
- Probe on the nature, format and frequency of support – e.g. meetings, telephone contact etc.
 - [If disabled customer] Did you receive any additional support to meet your needs? Probe on whether support through the Access to Work programme was offered and what this entailed
 - [If disabled customer and didn't receive support as above] Would any other support have been of benefit to you either in setting up the business or while you have been trading?
 - How easy was it to contact your mentor if you needed support?

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- 8 How helpful was the support from the mentor?
- Probe in what ways was it helpful/unhelpful and why?
 - What was the most helpful element of the support from your mentor?
- 9 Do you feel your mentor had the right experience to help with your business plan?
- How and in what ways?
 - How interested was the mentor in your business idea?
 - Probe how this impacted on the participant and the process of developing their business plan
- 10 Did you have any concerns about the support at this stage or later on in the process?
- What were these and did you raise them?
 - Probe on whether issues raised with LAB staff, mentor or Jobcentre Plus adviser and whether/how they were resolved
 - Probe how these impacted on the participant
- 11 What might be improved in terms of mentoring support?
- [For disabled customer] Was there any additional support that would have helped you?
- 12 Did you access any other business support or advice (other than from the mentor) at this stage (e.g. Business Link helpline, other business adviser, local organisations) and why?
- What was this support/advice?
- 13 How helpful was it having time to build up a business plan while still claiming JSA?
- Probe on what ways was it helpful/unhelpful and why?
 - How did you find the time period available to develop your business plan?
 - Probe on whether too long or short and why?
- 14 After receiving the support from the NEA scheme, to what extent did you feel prepared to become self-employed? Why and in what ways?
- (If didn't feel very prepared) Why and what other support or information do you feel you needed?

If not known from screener – Confirm whether business plan approved-

- **If yes – go to Part 5**
- **If no – go to Q15**

If business plan not approved:

- 15 What feedback were you given about your business plan?
- Probe how participant felt about this feedback
- 16 What have you done since this decision?
- Probe – whether continued to claim JSA or found employment

17 Do you plan to start a business in the future?

- Probe on the extent to which participant is still interested in self-employment and any timescales for starting a business

Go to Part 7

Part 5: Starting and running your business

18 After your business plan was approved, did you feel well prepared to start your business?

- Did you feel any pressure to start trading after your plan was approved?

If not known from screener – Confirm current status of business

- **Not yet started – go to Q19**
- **If ongoing – go to Q22**
- **Ceased trading – go to Q28**

Not (yet) started a business

19 Are there any particular reasons why you have not started trading (yet)?

- Probe – whether still in preparation for starting trading or if there has been change in attitude to self-employment since plan approved?
- If still preparing – probe on likely timescales for starting, any barriers faced
- If change in attitude – probe on factors underlying this e.g. changes in circumstances or motivation or external factors e.g. business idea, market

20 Even though you haven't started trading (yet), do you feel you benefited from participating in New Enterprise Allowance?

- Prompt if necessary – improved confidence/self-esteem or new skills in other areas

21 Do you think you know more about what it might take to run a successful business as a result of participating in the scheme?

- If not, why not?
- If yes, probe what they think is required and which element of NEA has helped with this?

Go to Part 6

If business is ongoing

22 How long has your business been trading for?

23 Have you received any support from your mentor since you began your business?

- Probe on the nature, format and timescales of this support.
- In what ways has it been helpful/unhelpful and why? Probe on any particularly helpful elements of mentor support once trading has begun

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24 Have you accessed any other support alongside the NEA

- Probe on nature of support and where accessed (e.g. Business Link helpline, other business adviser, local organisations)?

25 Have you been able to grow your business since it started trading?

- Probe on nature and scale of growth?
- If not, why not?

26 Do you feel you know more about what it might take to run a successful business as a result of participating in the NEA scheme?

- If not, why not?
- If yes, probe what they think is required and which element of NEA has helped with this?

27 Have there been any other benefits from participating in the scheme?

- Prompt if necessary – improved confidence/self-esteem

Go to Part 6

If business has ceased trading

28 How long did your business run for?

29 Did you receive any support from your mentor while your business was running?

- Probe on the nature, format and timescales of this support.
- In what ways has it been helpful/unhelpful and why? Probe on any particularly helpful elements of mentor support once trading had begun

30 Why did you stop running your business?

- Probe fully on the reasons for ceasing trading or for hiatus in trading e.g. change in attitude/circumstances/market conditions
- Would any more/different support or information from the New Enterprise Allowance scheme have helped?

31 What have you done since stopping your business?

- Probe – whether reclaimed JSA or found employment

32 Do you plan to (re)start a business in the future?

- Probe – whether still interested in self-employment and timescales for restarting business

33 If you were to (re)start a business do you feel you know more about what it takes to run a successful business as a result of participating in the New Enterprise Allowance scheme?

- If not, why not?
- If yes, probe which element has been a factor in this?

34 Have there been any other benefits from participating in the scheme?

- Prompt if necessary – improved confidence/self-esteem

Go to Part 6

Part 6: Financial support

If not known from screener – confirm if weekly NEA allowance taken up?

- If allowance not taken up, probe on why not Go to Part 7

For those accessing the weekly allowance

35 In what ways has the weekly allowance helped you remain in self-employment?

- Probe on how allowance has been used/invested
- In what ways has it been helpful/unhelpful and why?

36 [if not covered above] What are your views on the level of the allowance?

- Probe why it is felt to be too low/high/about right

Loan

If not known from screener – confirm if loan taken up (If yes) At what point did you apply and why?

- (If not) Why did you not apply for a loan? **Go to Part 7**

37 How did you find the application process for the loan?

- Probe on any issues with completing the application and/or providing the information required
- What might be improved in terms of the application process?

38 Was your loan application successful? (If not probe on what the impact of this has been)

39 [If loan received] In what ways has the loan helped your business?

- Probe on how the loan has been used/invested and the impact of this

40 [if not covered above] What are your views on the level of the loan?

- Probe why it is felt to be too low/high/about right

Part 7: Overall Views

41 Are there any ways that the scheme overall could be improved?

THANK INTERVIEWEE.

Appendix C

NEA payment model

The NEA payment model is designed to allow LABs to operate, ensuring positive cash-flow, whilst minimising financial exposure for Jobcentre Plus. The grant based model includes:

20 per cent of the grant value paid up-front to cover start-up costs;

followed by:

24 x equal payments (80 per cent of grant value/24) – paid monthly in arrears.

Where the grant award period is more or less than 24 months, the monthly payment is calculated based on the number of months of the grant award period.

Grant payments are linked to the performance level achieved by LABs, based on a profile of starts agreed with them prior to the award. Payments can be suspended or recovered, and/or the overall level of the grant reduced, based upon the following tolerances:

- where performance slips to 20 per cent or more below the agreed profile in any one month or cumulatively, it will usually trigger performance recovery action including the agreement of a recovery action plan between the LAB and Jobcentre Plus;
- where performance slips to 50 per cent or more below the agreed profile in any one month or cumulatively, future payments may be suspended until performance improves to within acceptable tolerances, i.e. to within 20 per cent of profile as set out above;
- where performance slips to 70 per cent or more below the agreed profile in any one month or cumulatively, Jobcentre Plus may recover any funding which is deemed to have been overpaid, in line with the terms of the grant, to bring performance within acceptable tolerances, i.e. to within 20 per cent of profile as set out above.

The amount of the grant paid that is retained by LABs at the end of their delivery period is defined according to an 'entitlement calculation'. This calculation takes place at the end of the delivery period, when a final reconciliation will determine whether any funding must be repaid by the LAB, by considering expenditure versus payments made and entitlement to funding. Entitlement to funding is calculated as follows:

- for each verified start the LAB will be entitled to retain up to 20 per cent of the unit cost;
- for each participant who completes the preparation phase the LAB will be entitled to retain up to 30 per cent of the unit cost;
- for each participant who commences trading the LAB will be entitled to retain up to 40 per cent of the unit cost; and
- for each participant who completes 26-weeks trading, the LAB will be entitled to retain up to 10 per cent of the unit cost.