



Department
for Work &
Pensions



New Enterprise Allowance Survey

January 2016

Research Report No 915

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Summary

The New Enterprise Allowance (NEA) is a scheme operated by the Department for Work and Pensions (DWP) with the intention of providing support to people on benefits who wish to start their own business. This report presents the findings from a telephone survey of NEA participants conducted between June and July 2015, with respondents being drawn from a sample receiving the weekly allowance provided by the scheme between November 2013 and April 2014. The focus of the survey was on determining the extent to which NEA recipients go on to start their own businesses, and the sustainability and characteristics of these start-ups.

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List of abbreviations

BIS	Department for Business, Innovation and Skills
CATI	Computer Assisted Telephone Interviewing
DWP	Department for Work and Pensions
ESA	Employment Support Allowance
IB	Incapacity Benefit
IS	Income Support
IT	Information Technology
JSA	Jobseeker's Allowance
NEA	New Enterprise Allowance
PR	Public Relations
SIC	Standard Industrial Classification
SMEs	Small and Medium-Sized Enterprises
SULCo	Start-up Loans Company
WRAG	Work Related Activity Group
UC	Universal Credit

Glossary of terms

Employment and Support Allowance (ESA)	Employment and Support Allowance is an income replacement benefit for people of working age with a health condition or disability.
Incapacity Benefit	An income-replacement benefit for people who are not able to work due to illness or disability. From 27 October 2008, Employment and Support Allowance (ESA) replaced Incapacity Benefit.
Jobseeker's Allowance (JSA)	A benefit paid to people who are unemployed and actively seeking work.
Jobcentre Plus	Jobcentre Plus is part of the Department for Work and Pensions (DWP). It provides services that support people of working age from welfare into work, and helps employers to fill their vacancies.
SMEs	Small and medium-sized businesses, i.e. with fewer than 250 employees.
Universal Credit	A single monthly payment for people in or out of work, which merges together some of the benefits and tax credits currently being received separately.

Executive summary

This summary presents the key findings from a survey of participants receiving support to start a business under the Department for Work and Pensions' (DWP) New Enterprise Allowance (NEA) scheme.

The survey of NEA recipients was conducted between June and July 2015, with respondents being randomly selected from a sample of those receiving the weekly allowance between November 2013 and April 2014. A total of 1,500 interviews were conducted by telephone following a pilot exercise with 30 respondents.

The focus of the survey was on determining the extent to which NEA recipients go on to start their own businesses, and the sustainability and characteristics of these start-ups. The specific research questions covered business type, employee profile, average turnover, and progress and expansion plans in the medium and longer term. For those businesses that ceased trading, the reasons for business failure were also explored.

The following sections provide key findings regarding these research questions.

Key findings

Background characteristics of participants

Amongst the survey participants, 62 per cent were male and 38 per cent female; 49 per cent were over the age of 45; 46 per cent were aged 25–44; and five per cent were aged 18–24. The majority of respondents were white British (83 per cent). Some 96 per cent of respondents reported that they were unemployed before joining NEA; the majority (89 per cent) were claiming Jobseeker's Allowance (JSA) reflecting the eligibility and targeting of the scheme.

The background of the NEA recipients surveyed varied in terms of their highest qualification level. Amongst respondents, 17 per cent reported having secondary school level qualifications as their highest qualification; just under a quarter (24 per cent) held qualifications above secondary school level; and a further 23 per cent had gained a vocational qualification. Higher level qualifications, in terms of an undergraduate degree, were held by 21 per cent, and a further 11 per cent held a post-graduate degree.

The majority of respondents (70 per cent) had no previous experience of self-employment. However, 56 per cent of all respondents had some knowledge of, and exposure to, what would be involved through friends and family who run their own businesses. The key reasons for choosing the self-employment route were having a business idea the respondent wanted to pursue (60 per cent) and wanting the freedom of being their own boss (52 per cent). The desire for a flexible work option was also evidenced by the eight per cent who reported wanting a work option that allowed them to manage a health condition, and 16 per cent who reported choosing this route as it allowed employment to be undertaken alongside caring responsibilities.

Support provided by the NEA scheme

Of those who started trading, just over a third (34 per cent) stated that they would not have started their business without the support provided through the NEA scheme. Even amongst respondents who reported they would have started the business anyway, irrespective of NEA support (61 per cent of those who started trading, and were still trading at the time of the survey) there were positive views about many aspects of the scheme. Typically, this group reported that the support provided a quicker route to self-employment and ensured they were more prepared.

Business mentoring was reported to be a key element of NEA support in terms of helping participants to develop a business plan. Of those who reported receiving support from a mentor, the majority (83 per cent) rated it as helpful in supporting them to develop a business plan. The payment of the NEA weekly allowance was also commonly highlighted by respondents as being a critical factor in enabling them to start their business. In addition, a large proportion of respondents (66 per cent) did not access any additional support at the time of starting their business which suggests that, for most, the NEA scheme provided appropriate and sufficient support.

In terms of ongoing support once businesses had started trading, 44 per cent of participants reported that no more help was needed to help their business continue to trade. Amongst the remaining participants, there was again a strong focus on financial support, with 17 per cent of participants highlighting this as an area of support which would be of assistance to ongoing trading of the business.

Characteristics of NEA businesses

A wide range of businesses were started by participants supported by the NEA scheme; these ranged across almost all sectors when examined in terms of the 2007 Standard Industrial Classification (SIC) codes. The most common sectors reported related to wholesale and retail trade and the repair of motor vehicles and motorcycles (14 per cent), construction (13 per cent) and professional, scientific and technical activities (13 per cent). Some 55 per cent of participants reported that they had chosen the sector for their business due to previously working in that sector. Similarly, 40 per cent reported holding relevant qualifications relating to the sector concerned.

This indicates that NEA-supported businesses tend to be started by participants with a background in, and experience and knowledge of, the sector pursued. Many of the other business types started through NEA had characteristics of craft businesses. This fits with a particular sector being chosen due to participants having had an existing interest as a result of a hobby or unpaid work (39 per cent of all respondents).

NEA-supported businesses tend to be small in scale. Those respondents who were still trading at the time of the survey were also asked to estimate their monthly turnover, in terms of income before paying out wages and other expenses. While these figures should be treated with some caution due to their self-reported nature, over half of the businesses supported by the scheme (58 per cent) were reported to have an average monthly turnover of less than £1,000, with over a third (37 per cent) having a reported turnover of less than £500. Almost one in four (24 per cent) had a reported turnover of between £1,001 and £5,000 per month, whilst only one in 20 (5 per cent) had a reported turnover above this.

In the main those starting businesses were the sole employee, this being the case in just over four out of five (81 per cent) of businesses trading at the time of the survey. Amongst the 19 per cent of businesses with more than one employee, almost three in five respondents reported the presence of either paid employees or a business partner (58 per cent), 17 per cent of respondents reported unpaid work by friends and family, and 15 per cent paid work by friends and family.

Sustainability of NEA businesses

In the vast majority of cases (94 per cent) respondents' businesses started trading following receipt of NEA support. Of businesses that had started, at the time of the survey four in five were still trading giving a sustainability rate of 80 per cent. Of these, over nine in ten had been trading for over 12 months. The sustainability rate of businesses was almost identical between those started by men and women, and across those with previous experience of self-employment and those without, at around 80 per cent. In terms of educational background, some differences were apparent in respect of business sustainability. Interestingly, the lowest sustainability rates were apparent amongst the 243 respondents with a degree level qualification or above, and the 56 respondents with no qualifications, the sustainability rate for both these groups being 75 per cent. In contrast, the rate for the 662 respondents with school level qualifications as their highest qualification was 78 per cent, whilst the highest sustainability rate was amongst the 454 respondents with post secondary or vocational qualifications as their highest qualification (86 per cent).

Of the businesses still trading at the time of the survey there was some evidence of growth and expansion. Around half of respondents reported an expansion in their customer base (55 per cent) or an increase in turnover (47 per cent) since starting their business. The majority of the group still trading also planned to expand in the coming years (with 70 per cent planning to increase turnover, 66 per cent to expand their customer base and 57 per cent to increase their sales volume).

Around one in five of respondents' businesses (289 of the 1,415 that started) were no longer trading by the time of the survey. There were no notable differences in the patterns of how long these businesses lasted according to the age of the respondents involved, their educational level, or their gender. Amongst respondents no longer trading, the main reason for this was the business not providing enough money to live on (51 per cent), followed by illness (18 per cent). Of this group no longer trading, just over two in five were in paid employment at a different business than the one they had started at the time of the survey, while just over a third (34 per cent) reported that they had returned to claiming benefits.

Amongst those who had not started trading at all (85 businesses), finding alternative work as an employee and difficulty getting credit or capital to support the business were the main reasons. Each of these reasons was reported by 23 of the 85 respondents in this category. Across those who did not start trading or whose businesses ceased trading, there was a notable proportion (57 out of 85 and 185 out of 289 respectively) who were keen to run another business in future, despite their businesses not necessarily having been successful on this occasion.

Concluding remarks

The survey findings illustrate that the NEA scheme can play an important role in supporting individuals off benefits and into self-employment. The finding that four in five NEA supported businesses were still trading at the time of the survey (80 per cent) is particularly noteworthy. Despite the prevalence of single employee businesses, and the majority of respondents reporting a monthly turnover of below £1,000, there are clearly some NEA supported start-ups that are expanding and generating employment opportunities for others. Equally, the common desire of those running the businesses to expand and grow is worth noting. Also positive is the fact that a notable proportion of those who had tried running their own business are keen to do so in future, despite their businesses not necessarily having been successful on this occasion.

It is suggested that focus should be given to ensuring that DWP and Jobcentre Plus continue to raise awareness of the scheme to those claimants genuinely interested in self-employment. More might also be done to support NEA participants in accessing capital support for their businesses. Further attention might also be given to matching mentors who are able to provide sector specific experience, and to enhancing the support provided by NEA providers and mentors once trading has commenced.

1 Introduction

This report presents the findings from a telephone survey of participants receiving support to start a business under the Department for Work and Pensions' (DWP) New Enterprise Allowance (NEA) provision. The survey of NEA recipients was conducted by Ecorys between May and July 2015, with respondents being drawn from a sample receiving the NEA weekly allowance between November 2013 and April 2014. The focus of the survey was on determining the extent to which NEA recipients go on to start their own businesses, and the sustainability and characteristics of these start-ups. To set the context for the analysis that follows this chapter first provides an overview of the NEA and its operation. The study aims and objectives are then detailed, prior to outlining the survey methodology.

1.1 Context for the study

1.1.1 Overview of the NEA and its operation

The NEA is a scheme operated by DWP with the intention of providing support to people on benefits who wish to start their own business. It is designed to assist the development of businesses under any structure (e.g. sole-trader, partnership, co-operative, franchise, limited company) as long as the NEA applicant has a genuine aspiration to build a sustainable business based in Great Britain.

In this context the NEA was initially established in 2011 to support Jobseeker's Allowance (JSA) claimants, with an interest in starting a business, as a route into employment. Following a pilot scheme running from January 2011, the NEA was rolled out nationally in stages from April of that year with the programme being officially launched on 1 April 2011. By the end of August 2011 the programme was available across Great Britain.

Since its inception, the NEA has comprised two core elements. Firstly, external contractors deliver mentoring and business support to programme participants in order to assist in developing a business plan before trading commences. Once a business plan is approved and trading starts, ongoing support is available from NEA providers for a period of six months. The second element, financial assistance, is offered in the form of an NEA weekly allowance administered by job centres. This is offered to claimants who have had a business plan approved and start working at their business for 16 hours or more per week.

While eligibility was initially restricted to JSA claimants, the opportunity to access support from the scheme was subsequently widened over time to include claimants of other benefits. 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 programme. In addition, over the initial period of the scheme's operation, eligibility for support changed from being restricted to those claiming JSA for six months, to those claiming for three months, and finally to all claimants ('day one eligibility'). From the start of 2015, this day one eligibility applies to claimants of JSA, ESA, IS (lone parents and those claiming due to sickness), and some Universal Credit (UC) claimants. In addition, support is available for dependent partners of JSA and ESA claimants.

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Delivery of NEA support was initially undertaken by external providers, funded through grant agreements, working in partnership with local Jobcentre Plus districts on behalf of DWP. NEA providers were responsible for providing business mentoring support to NEA participants to help them develop a business plan, start a business and support them through the first six months of trading. Following a procurement exercise, commercial contracts for external providers have been in place since the start of 2015 to deliver these services. Specifically, the role of the providers includes:

- Assessing the potential NEA participant's business idea
- Matching the participant with mentoring/business advice support during the pre-business start up phase
- Supporting and subsequently approving the development of a business plan
- Ensuring ongoing business support/mentoring during the first 26 weeks post start-up, given by the business advisor/mentor the participant was matched with.

Jobcentre Plus is responsible for administering the weekly allowance paid to NEA participants. Providing they continue to meet the scheme's eligibility and requirements the value of the allowance to participants is £65 for 13 weeks and then £33 for a further 13 weeks, being worth £1,274 in total. This financial support has been complemented since the launch of the NEA through the ability for participants to access loans to support their business start-ups. These loans were initially administered by separate loan companies contracted with DWP. The arrangements for loans were subsequently altered and now those accepted on the NEA programme have access to a loan from the Government's Start-Up Loan scheme. This is overseen by the Department for Business, Innovation and Skills (BIS) and administered by the Start-up Loans Company (SULCo), with the loans involved often being referred to as 'BIS loans' or 'BIS Start Up Loans'.

1.2 Research aims and objectives

The overarching aim of the research was to determine the extent to which NEA recipients go on to start their own businesses, and the sustainability and characteristics of these start-ups. In seeking to address this aim, DWP commissioned the study to inform longer term decisions on the future of the NEA and the Department's self-employment support programmes. Within this context, the Statement of Requirements for the study set out a series of research questions as detailed below.

1.2.1 Research questions

The research questions established were as follows:

- What are the background characteristics of participants? For example, previous experience of self-employment, qualification level etc.
- What are the characteristics of the businesses set up under NEA? For example, nature of business, customer base etc.
- Do NEA recipients employ anyone else in the business? Do they have plans for employees/partners in the business?
- To what extent are business start-ups under NEA sustained?
- What were the reasons for business failure?

- What is the average monthly turnover for the business?
- Where the business has not been sustained, what is the participant's status (employed/unemployed/inactive)? Do they have plans for further self-employment?
- How do businesses progress over the medium term?
- What are the future/expansion plans?

1.3 Methodology

Guided by the specification produced for the study, the research questions detailed above were addressed through a telephone survey of NEA recipients, the sample for which was drawn from those claiming the weekly allowance between November 2013 and April 2014. Given the focus on gathering evidence about the sustainability of businesses, these dates were chosen in order that the vast majority of survey respondents would have been likely to have started their business at least 12 months before the survey fieldwork took place, with some potentially having been trading for around 18 months by this point. It should be noted, therefore, that when asking about respondents' experiences of the NEA scheme, they were recalling activities some 12–18 months prior.

The survey was undertaken using Computer Assisted Telephone Interviewing (CATI). The survey sample frame was produced from a database provided by DWP; this included 11,539 records drawn from all participants recorded as having been in receipt of the NEA weekly allowance between November 2013 and April 2014. Prior to the main survey, 150 records were randomly drawn in order to conduct a pilot survey. The pilot was used to test the survey approach and research tools prior to the main survey. For the main survey, a sample frame of 5,653 individuals was randomly selected from the remaining records on the database.

Implementation of the survey for both the pilot and main stage followed the same procedure. Opt-out letters were sent to all potential respondents, providing details of the survey, its purpose, the treatment of any data gathered, and providing the opportunity to opt out through email, telephone or return of a slip to a Freepost address provided. Following removal of opt-outs the remaining records for both the pilot and main survey were then randomly sorted to provide an equal chance of participants being contacted by the CATI interviewers.

A questionnaire was developed for testing in the pilot survey; this was subsequently subject to minor amendments prior to its use in the main survey. The final questionnaire, including programming and routing instructions, can be found in Appendix A.

A total of 30 interviews were completed at the pilot stage in March 2015 and 1,500 interviews were completed for the main survey between 29 May and 1 July 2015. Interviews for the main survey lasted an average of 20 minutes. The response rate achieved for the main survey relative to the overall sampling frame of 5,653 was 27 per cent. When adjusted to account only for the 'valid' sample (those not screened out due to, for example, having no recall of the provision and who were contactable), the adjusted response rate was 31 per cent. Table 1.1 below details the sample frame and outcome for the main survey.

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Table 1.1 Sample frame and outcome for the main survey

Final sample status	Total sample used (N)	Total sample used (%)	Valid sample (%)
Valid sample			
Total valid sample	4,818	86	100
Live sample remaining	2,466	44	52
Refusal	492	9	10
Unreachable	360	6	7
Achieved interviews	1,500	27	31
Invalid sample			
Unusable	781	14	
Ineligible	29	0.5	
Other	25	0.4	
Total invalid sample	835	14	

Survey data was analysed using the SPSS statistical package, with code frames being prepared to analyse the 'open questions' included in the questionnaire. To check whether weighting was necessary to correct for potential non-response bias amongst those with particular characteristics,¹ the profile of all those who took part in an interview was compared with the profile of all NEA participants in the initial database received from DWP. This process only applied in respect of gender given that this was the only defined characteristic within the available database of NEA recipients.² The gender split in the full population database was the same as that in the achieved interviews, being 38 per cent female to 62 per cent male, which meant that no weighting for non-response was required on the grounds of gender.

Additional checks on the representativeness of the sample were then made, based both on the latest statistical release concerning the NEA³ and the profile of participants at the time the survey participants were engaged in the scheme.⁴ This confirmed that the achieved sample was similar, in terms of key characteristics such as age, gender and ethnicity, to known information about those receiving mentoring support and those starting businesses through the scheme. This contributes positively to the extent to which the results can be generalised to those receiving the weekly allowance as a whole. As such it provides a good degree of confidence that the results presented are generally representative of NEA participants receiving an allowance. Given that only minor changes to the operation of the scheme have been made since the cohort surveyed received NEA support, the results can

¹ Non-response bias concerns the potential for errors to occur in surveys if the answers of respondents differ, or are likely to differ, from the potential answers of those who did not answer. This can occur, for example, if the characteristics of respondents who do respond, such as gender, are different from those who do not.

² That is, other characteristics such as age, ethnicity, benefit type etc. were not defined in the database.

³ Department for Work and Pensions. (2015). *Great Britain New Enterprise Allowance quarterly official statistics: April 2011 to June 2015*, DWP.

⁴ Department for Work and Pensions. (2014). *Great Britain New Enterprise Allowance quarterly official statistics: April 2011 to March 2014*, DWP.

also be considered to be broadly representative in respect of the scheme as a whole in this time period.

It is important to note, however, that it has not been possible to make further checks to verify information gathered through the survey, for example benefit status or business turnover levels. Therefore, some caution is needed in that the findings presented here are self-reported (i.e. reported by survey respondents). Given the period of time which has elapsed since participants engaged in the initial stages of the scheme, it is reasonable to expect some issues of recall. In respect of sub-group analysis, for example within the 18–24 age group, small numbers mean that findings should also be treated with caution. Where this is the case, the analysis that follows makes this clear.

It should also be noted that, in the analysis that follows, figures relating to survey data in some tables and charts may not sum to 100 per cent, due to multiple responses being possible or rounding. In presenting the analysis, figures are rounded to the nearest whole percentage point. In places, the survey responses made by individual respondents to open questions are presented as verbatim quotes to illustrate the points or results being presented.

1.4 Structure of the report

The remainder of the report is structured as follows:

- **Chapter 2** examines the background and characteristics of NEA recipients.
- **Chapter 3** considers the support received by participants through the NEA to start and run businesses.
- **Chapter 4** details the types of businesses supported by the NEA in terms of the nature of the businesses and their sectoral profile.
- **Chapter 5** examines the sustainability of businesses supported by the NEA along with characteristics such as turnover, amount of employees and future plans.
- **Chapter 6** presents the main conclusions from the survey and offers some issues for consideration.

2 Background and characteristics of NEA recipients

This chapter presents an overview of the respondent population surveyed. It details the demographic characteristics of the respondents, as well as their background in terms of qualification levels and previous experience of self-employment. The reasons that individuals chose to pursue self-employment through joining the New Enterprise Allowance (NEA) scheme are also examined.

2.1 Key findings

- 62 per cent of survey respondents were male and 38 per cent female; 49 per cent were over the age of 45; 46 per cent were aged 25–44; and five per cent were aged 18–24. The majority of respondents were white British (83 per cent).
- 96 per cent of respondents reported that they were unemployed at the time of joining NEA; the majority (89 per cent) were claiming Jobseeker's Allowance (JSA).
- The majority of respondents (70 per cent) reported having had no previous direct experience of self-employment. However, 56 per cent of the total sample had some knowledge of, and exposure to, what would be involved through friends and family who run their own businesses.
- The key reasons for choosing the self-employment route were having a business idea the respondent wanted to pursue (60 per cent) and wanting the freedom of being their own boss (52 per cent).

2.2 The profile of survey participants

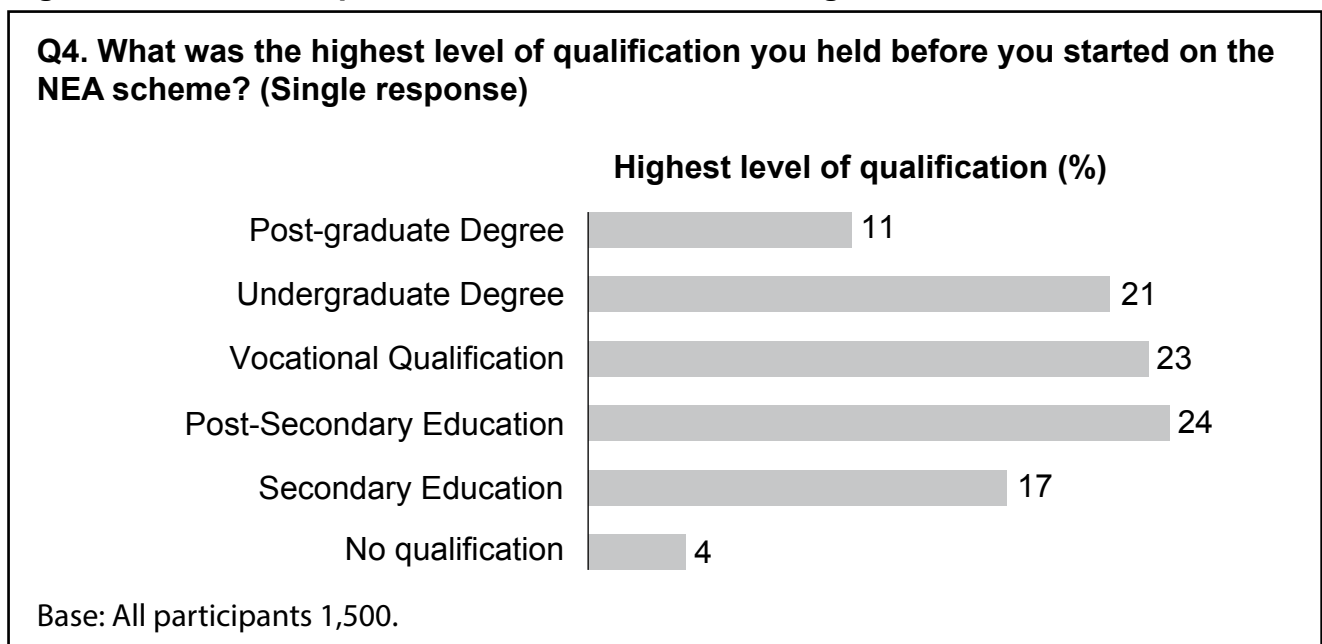
The survey respondents had the following profile:

- 62 per cent were male and 38 per cent female;
- just under half (49 per cent) were over the age of 45, 46 per cent were aged 25–44, and five per cent were aged 18–24;
- the majority of respondents were white British (83 per cent); three per cent had Asian backgrounds, and four per cent were black; and,
- 19 per cent reported having a disability or long-term health issue.

The respondent profile detailed above largely replicates that evident in the most recent statistical release concerning those receiving NEA support.⁵

The background of the NEA recipients surveyed varied in terms of their qualification levels. As Figure 2.1 shows, 17 per cent reported having secondary school level qualifications as their highest qualification. Just under a quarter (24 per cent) held qualifications above secondary school level and a further 23 per cent had gained a vocational qualification. Higher level qualifications, in terms of an undergraduate degree, were held by 21 per cent, and a further 11 per cent held a post-graduate degree.

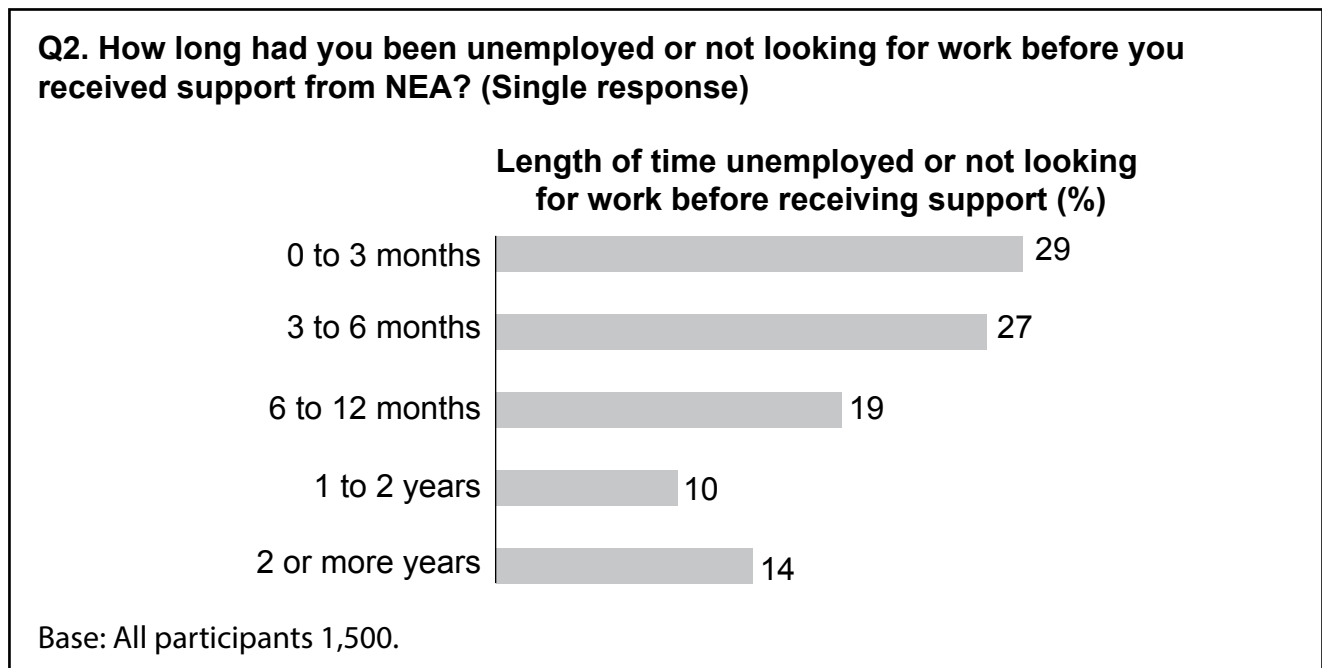
Figure 2.1 Level of qualifications held before starting on NEA scheme



Prior to joining NEA, 96 per cent of the respondent population reported that they were unemployed. The remaining four per cent reported that they were in education or training, or not actively looking for work, and thus did not view themselves as being unemployed. As shown in Figure 2.2, 56 per cent of those reporting that they were unemployed had been so for less than six months before joining NEA. Longer term unemployment was, however, a feature for other unemployed respondents, with 14 per cent having been unemployed for over two years. No further evidence is available to determine the number of those longer term unemployed respondents who may have been Work Programme returners.

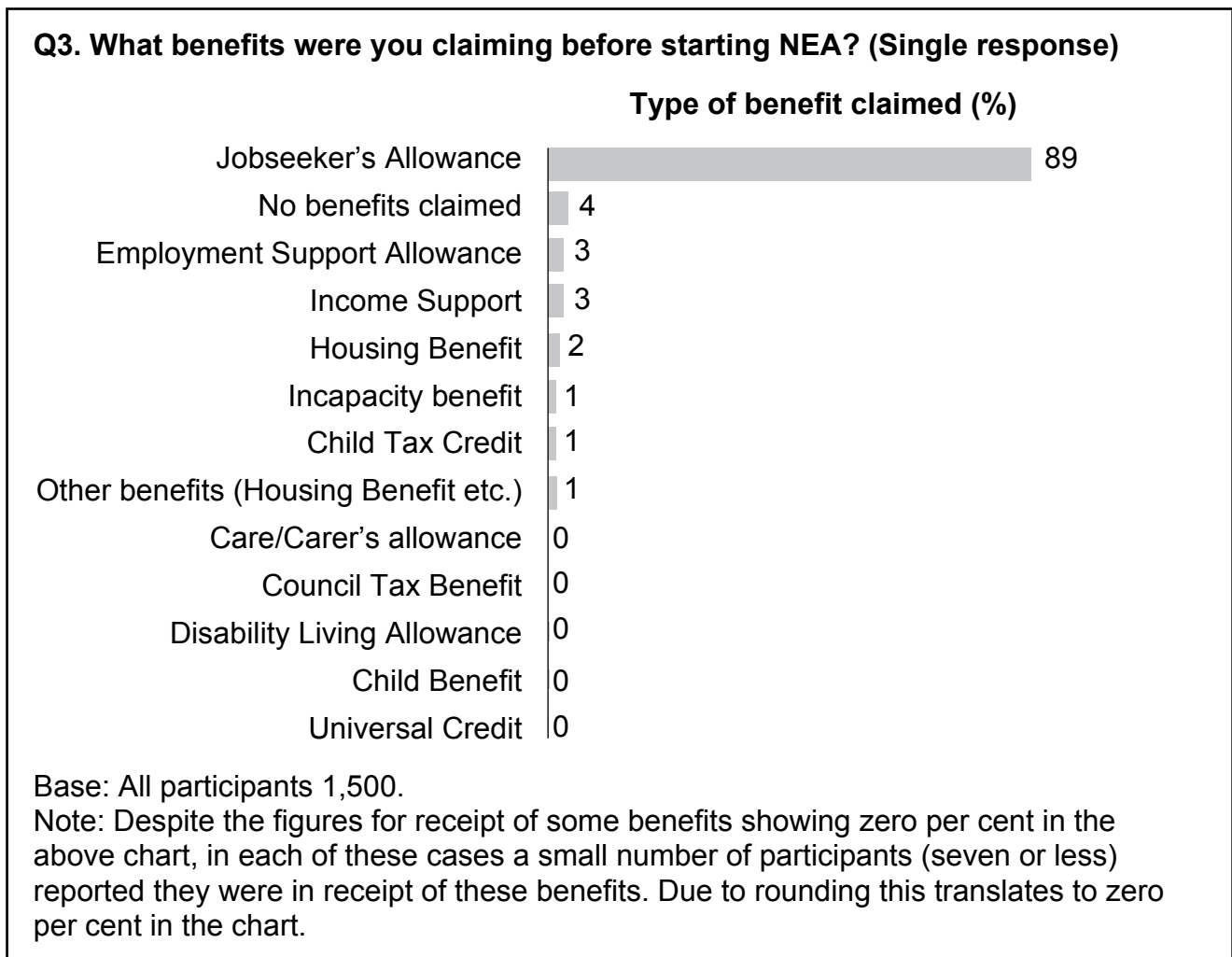
⁵ Department for Work and Pensions. (2015. *Great Britain New Enterprise Allowance quarterly official statistics: April 2011 to June 2015*, DWP.

Figure 2.2 Length of unemployment before joining NEA



Reflecting the eligibility and targeting of the scheme, the majority of respondents (89 per cent) reported that they were claiming JSA prior to engaging with the NEA. There was a small proportion (totalling five per cent) who reported claiming disability or carers benefits (Figure 2.3). The presence of respondents reporting that they did not claim benefits before joining the scheme is likely to relate to recall issues, given that it was not the intent that anyone other than a benefit claimant would access NEA support at the time such participants would have engaged with the scheme.

Figure 2.3 Benefit claimed before joining NEA



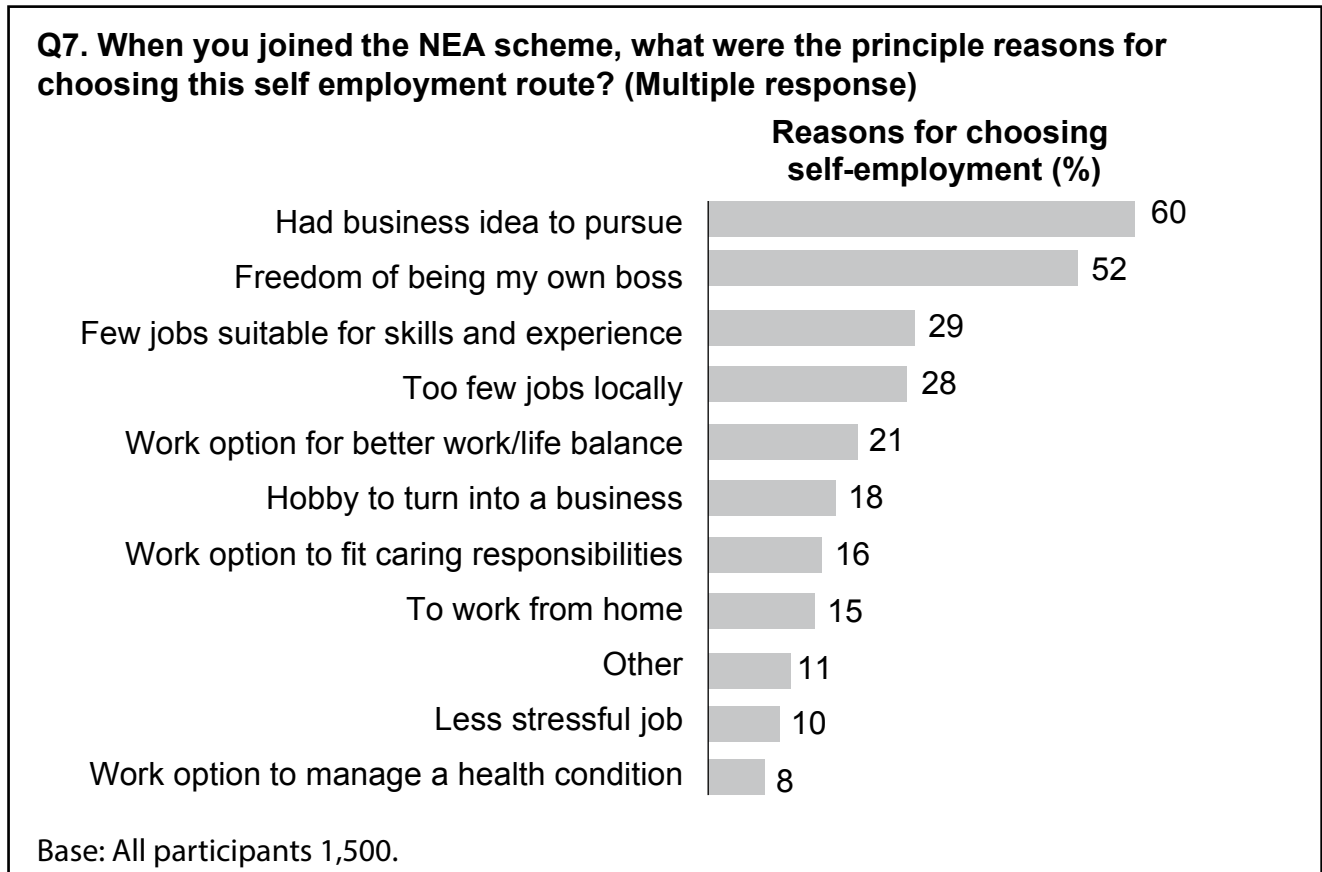
2.3 Reasons for choosing self-employment

The majority of respondents (70 per cent) reported having had no previous experience of self-employment. However, 56 per cent had some knowledge of, and exposure to, what would be involved through friends and family who run their own businesses.

In terms of reasons for choosing the self-employment route (see Figure 2.4), almost two-thirds (60 per cent) of respondents reported having a business idea they wanted to pursue. The flexibility of self-employment was attractive to some respondents with just over half (52 per cent) wanting the freedom of being their own boss, while 21 per cent wanted a work option that provided a better work-life balance. The desire for a flexible work option was also evidenced by eight per cent who reported wanting a work option that allowed them to manage a health condition, and 16 per cent who reported choosing this route as it allowed employment to be undertaken alongside caring responsibilities. Women were more likely to report caring responsibilities as a factor in seeking self-employment, with 27 per cent highlighting this factor compared to nine per cent of men. Women were also more likely to report having a hobby they wanted to pursue as a business as a factor in their decision to pursue self-employment through NEA (22 per cent as against 15 per cent for men).

Figure 2.4 Reasons for choosing self-employment

The state of the local jobs market was also a factor for some respondents, with 29 per cent reporting that they chose self-employment as there were too few jobs that were suitable for their skills and experience, or too few jobs locally for to apply for (28 per cent).



3 Support received for starting and running businesses

This chapter examines the support received by New Enterprise Allowance (NEA) recipients before they started their business, including that provided through the NEA scheme as well as other support accessed independently. It also examines the support participants received once their business had started trading. The critical elements of the NEA scheme that contributed to business start up and sustainability are also examined.

3.1 Key findings

- 89 per cent of respondents reported being in receipt of the business mentoring element of the NEA scheme to help prepare a business plan.⁶ The majority of this group (62 per cent) reported between one and five contacts or meetings with this mentor.
- Of those that received support from a mentor, the majority (83 per cent) rated it as helpful in supporting them to develop a business plan.
- A large proportion (66 per cent) of respondents did not access any additional support outside of the NEA scheme at the time of developing their business plan, suggesting that, for most, the NEA scheme provided sufficient and appropriate support.
- In total, only 25 per cent of participants whose business started trading applied for an NEA loan or a Department for Business, Innovation and Skills (BIS) start-up loan. The majority of those who applied (87 per cent) were successful in their applications.
- Of respondents still trading at the time of the survey, the majority (70 per cent) did not access any ongoing support or advice once their business was launched, beyond receipt of the NEA weekly allowance.
- The payment of the NEA weekly allowance was commonly highlighted by respondents as being a critical factor in enabling them to start their business.

3.2 Start up support

3.2.1 Mentoring

Business mentoring was reported to be a key element of the NEA scheme in terms of helping participants to develop a business plan. This element of support was reported as having been received by 89 per cent of respondents, while ten per cent reported that this was not received. It is known from previous research on the scheme that there were isolated cases where matching with a mentor did not occur within the development phase, or mentoring

⁶ Mentoring is a core element of the NEA scheme but it is possible that this represents an underestimate of the level of mentoring due to recall issues on the part of respondents after a 12–18 month time period (between receiving the weekly allowance and being surveyed).

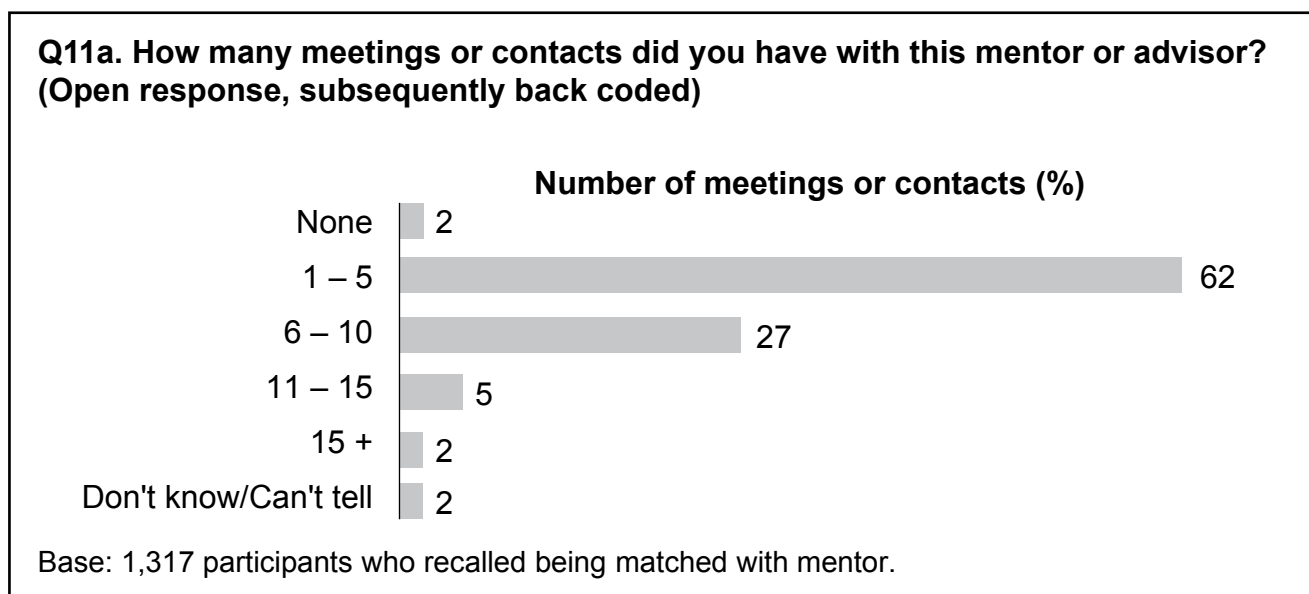
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relationships broke down, which could explain the non-reporting of a mentor.⁷ It is possible that a lack of recall on the part of respondents after a 12–18 month time period, between receiving the weekly allowance and being surveyed, is also a factor in some reporting that they did not receive mentoring support, despite it being a core part of the scheme.

Of the 158 respondents who reported not having a mentor, just under half (45 per cent) of those said that they accessed other support at the time of developing their business plan (see below). For most this was support from a local business support organisation, which may have been the NEA provider. In some areas support was provided in the form of workshop-based sessions.⁸ The remaining proportion (84 respondents) who reported no mentor and not accessing any further support potentially represent a group of self-starters who had sufficient motivation and knowledge to start a business independently. Of the 84 participants who reported this scenario, only seven reported that they did not start their business.

Of the 89 per cent who reported having had a mentor, there were different levels in the intensity of support they reported receiving (Figure 3.1). Between one and five contacts or meetings with a mentor was reported by the majority of respondents (62 per cent), with a further 27 per cent reporting six to ten contacts and five per cent reporting 11–15 contacts. More intensive support, in terms of 15 or more contacts with a mentor, was reported as having been received by just two per cent of these respondents.

Figure 3.1 Number of meetings or contacts with mentor



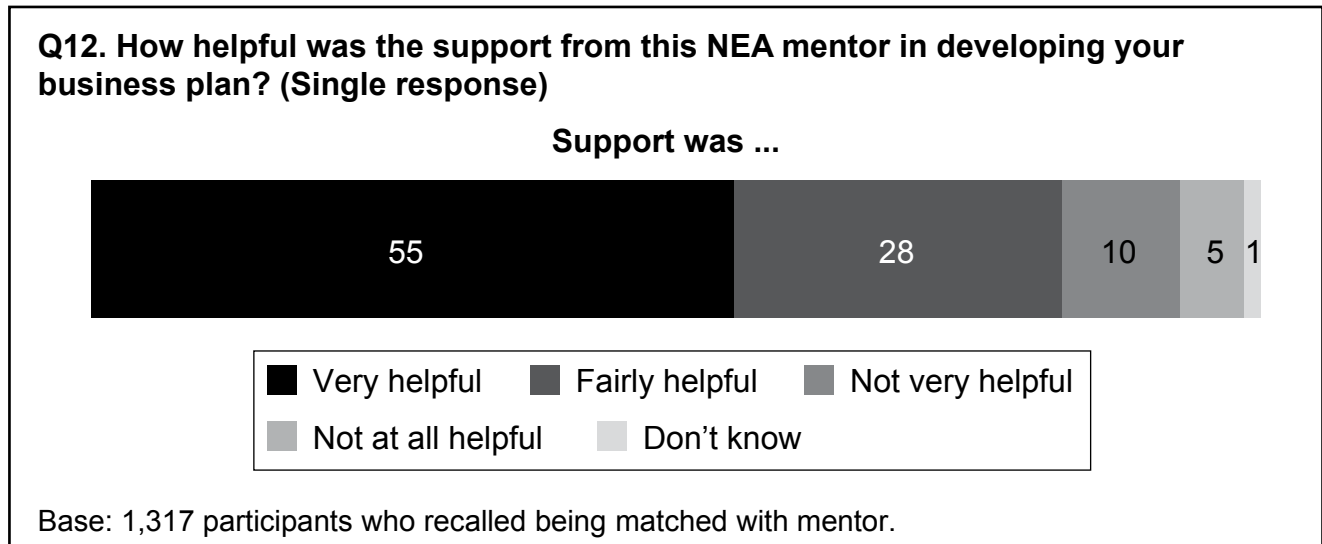
There were no notable differences in terms of the intensity of support received from mentors in terms of whether or not respondents had any previous experience of self-employment. Those who had not previously run a business were no more likely than those who had to have received more intensive support. This might suggest that respondents welcomed the mentoring support regardless of their prior self-employment experience.

⁷ Atkinson, I., Barham, J. and McKenna, K. (2013). *New Enterprise Allowance: Qualitative Evaluation*, DWP Research Report No.836, DWP.

⁸ Atkinson, I., Barham, J. and McKenna, K. (2013). *New Enterprise Allowance: Qualitative Evaluation*, DWP Research Report No.836, DWP.

Of those that received support from a mentor, the majority (83 per cent) rated it as helpful in supporting them to develop a business plan (Figure 3.2).

Figure 3.2 Participant views on how helpful mentor was in developing a business plan



Specifically, just over half (55 per cent) of respondents rated the support as ‘very helpful’ and a further 28 per cent as ‘fairly helpful’. The following comments were reported by those who reported the mentoring support as helpful:

‘The mentor was particularly helpful. He helped me have more faith in myself. I would never have contemplated starting my business.’

(Survey Respondent, Male, 45–54)

‘The mentor and their advice was really important in order to set up my business.’

(Survey Respondent, Male, 50+)

Only five per cent reported the support to be not at all helpful. It was not the case that those who reported a negative view were those whose businesses did not start; thus respondents’ views were typically not clouded by the outcome in terms of their planned business. Likewise, those with previous experience of self-employment were no more likely to negatively rate the mentoring support.

3.2.2 Financial support

The second major element of the support offered through the NEA scheme involves access to financial assistance in the form of the NEA weekly allowance for the first 26 weeks of trading and the ability to apply for a loan. All participants whose business plan was approved were eligible to be paid the NEA weekly allowance. Amongst respondents, individual comments received in response to an open question on whether the business would have been started without NEA support highlighted this element of the scheme as being important in enabling businesses to start. Examples of such responses included:

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'The NEA [weekly] allowance helped me because it stopped me feeling like I was "jumping off a cliff" when going self-employed.'

(Survey respondent, male, 25–49)

'It [NEA weekly allowance] was a great help at the very start. It was a big help every month getting that little bit of extra money. Every little helps when you're on a tight ship to start with.'

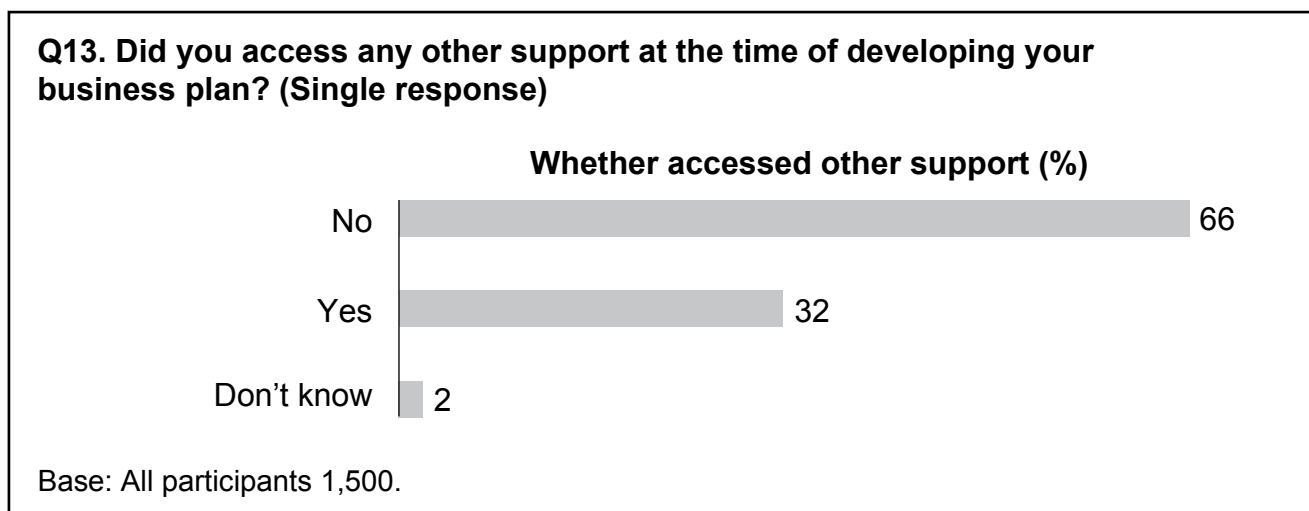
(Survey respondent, male, 25–49)

As detailed earlier, at the time that participants covered by the survey were receiving support, the NEA scheme had a loan element administered through a loan scheme contracted by the Department for Work and Pensions (DWP). The arrangements for loans were subsequently altered and NEA participants are now signposted to the Government's Start-Up Loan scheme. In total, only 25 per cent of participants whose business started trading applied for some form of financial support, either directly from an NEA loan or a Department for Business, Innovation and Skills (BIS) start-up loan. The majority of those who applied (87 per cent) were successful in their applications. Previous research with NEA participants found the low take-up of loans was often ascribed to the repayment terms, along with broader concerns amongst participants around getting into debt.⁹ For other businesses, financial support to help businesses once trading was sought from alternative sources (see below in section 3.3).

3.2.3 Other support

Just under a third of respondents (32 per cent) accessed other additional (non-financial) support at the time of developing a business plan, beyond the mentoring and financial assistance provided through the scheme (Figure 3.3). The fact that a large proportion (66 per cent) did not access any additional support suggests that, for most, the NEA scheme provided appropriate and sufficient support.

Figure 3.3 Other support accessed at business planning stage



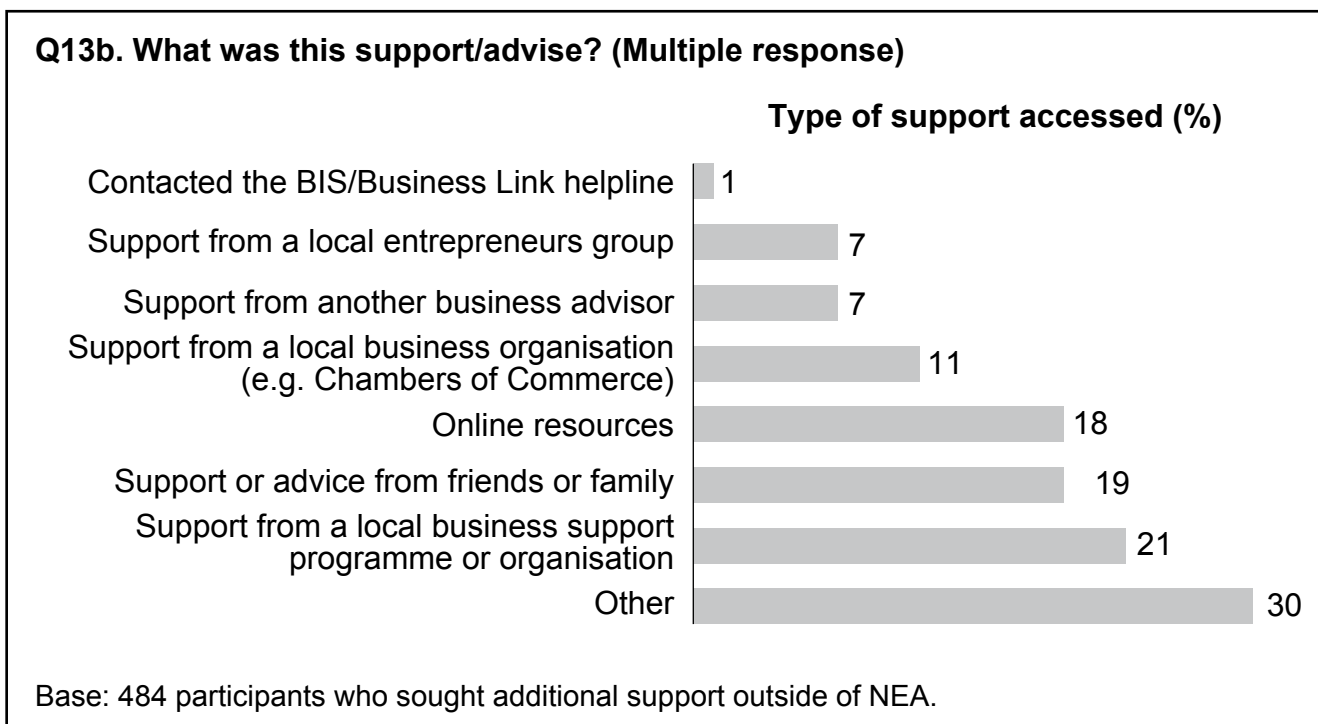
⁹ Atkinson, I., Barham, J. and McKenna, K. (2013). *New Enterprise Allowance: Qualitative Evaluation*, DWP Research Report No.836, DWP.

Of those respondents who did seek additional support at this point (484 participants), just over a fifth (21 per cent), reported accessing support from a local business support programme or organisation (see Figure 3.4). While not being explicitly expressed as such, it could be expected that for some this was received from the NEA provider, as previous research has shown that these organisations delivered some workshop-based support in addition to matching individuals with external mentors.¹⁰

Only 7 per cent, or 35 of the 484 participants who did seek additional support, reported having received support from another business adviser. Closer examination of these responses found that only a small proportion (6 of 35 participants) were those who had previously said they were not matched with a mentor. This could account for those few NEA providers which it is known delivered the mentoring element of NEA using employed business advisers.¹¹ The remainder (29 participants) therefore sought additional support from an individual adviser or mentor outside of the NEA scheme.

Other support sought independently of the scheme represented more informal help in the form of assistance from friends and family (19 per cent or 94 participants) and online resources (18 per cent or 86 participants). Within the other category, sources of support reported as being accessed included banks, accountants or local councils.

Figure 3.4 Type of support accessed outside of the NEA scheme



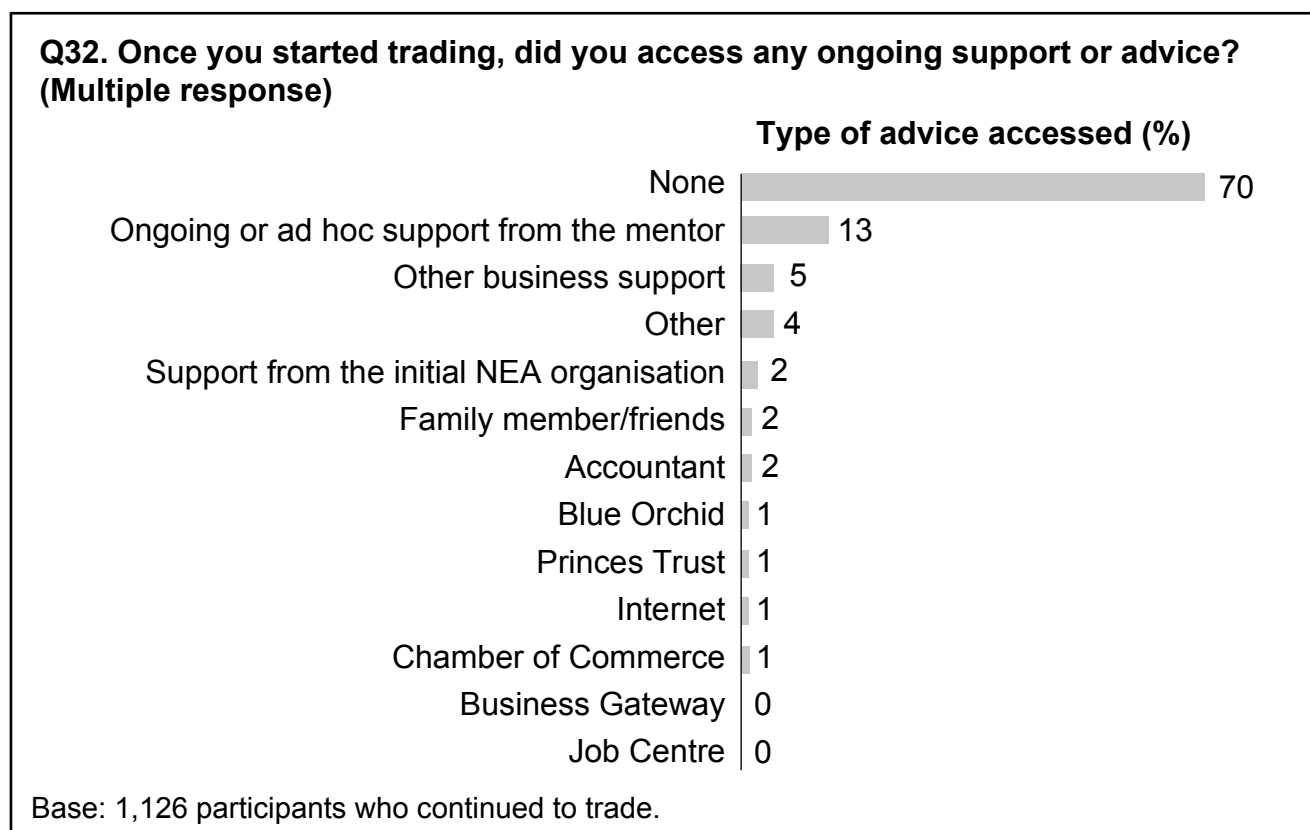
¹⁰ *Ibid.*

¹¹ Atkinson, I., Barham, J. and McKenna, K. (2013). *New Enterprise Allowance: Qualitative Evaluation*, DWP Research Report No.836, DWP.

3.3 Support to sustain businesses

Of the respondents who were still trading at the time of the survey, the majority (70 per cent) did not access any ongoing support or advice once their business was launched (Figure 3.5). Of these respondents, the majority (71 per cent) had reported that the initial support from the mentor was helpful and just under a third (29 per cent) reported some previous experience of self-employment. Both these factors may explain the lack of need for further support as the respondents concerned may have felt prepared without this.

Figure 3.5 Support accessed once business launched



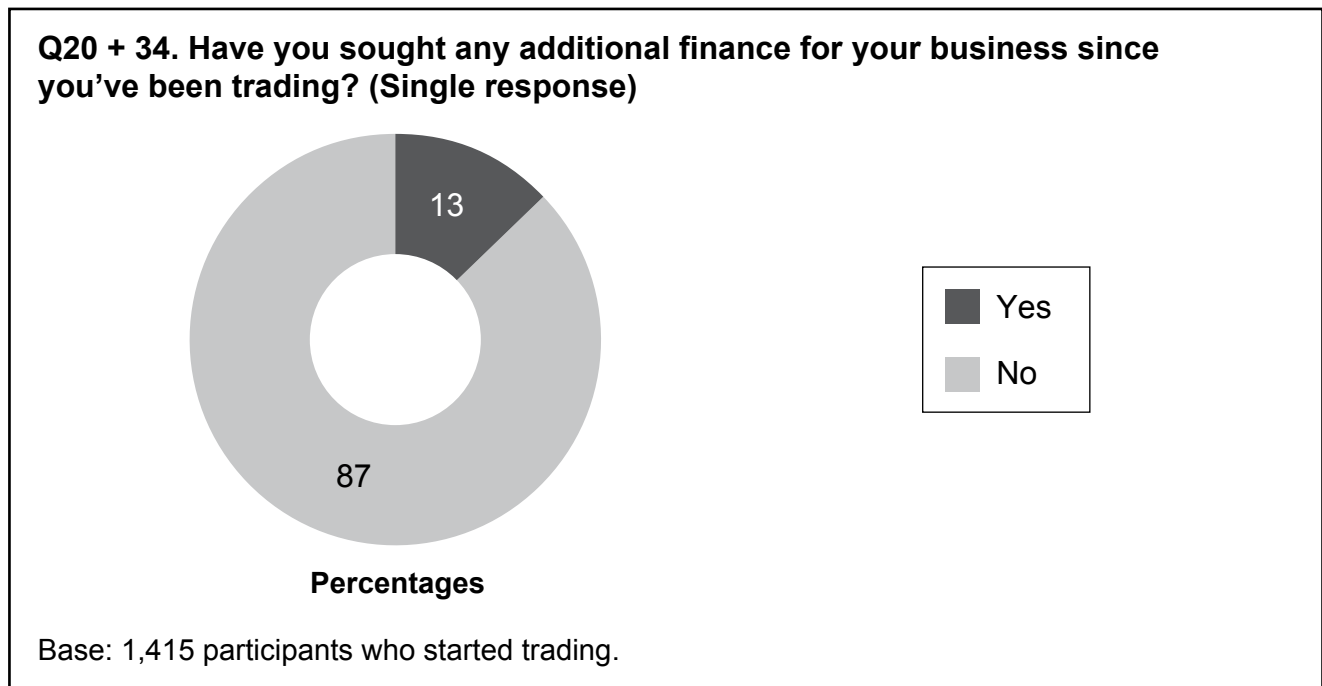
Where ongoing support was accessed (30 per cent of those who started trading), 13 per cent received ongoing or ad hoc support from the mentor they were originally matched with. It was not explicitly stated whether this support was delivered exclusively within the six month time period during which ongoing support was contractually available, or whether mentoring relationships continued over a longer period. It is known from previous research that, in a minority of cases, NEA participants reported having ongoing contact with their mentor through emails, telephone and face-to-face meetings, but that contact typically tailed off as the trading period extended.¹² Regardless of the timescales, maintaining this relationship was, unsurprisingly, exclusively done by those who found the initial support helpful.

¹² Atkinson, I., Barham, J. and McKenna, K. (2013). *New Enterprise Allowance: Qualitative Evaluation*, DWP Research Report No.836, DWP.

A much smaller proportion (three per cent or 28 participants) had further support from the original organisation to which they were referred within the scheme. It is known that some providers offered participants the opportunity to become a member of the provider organisation to access ongoing support and resources, while others delivered a structured programme of ongoing contact, typically involving telephone calls to participants.¹³ Other participants accessed support from accountants, friends and family, or organisations such as Chamber of Commerce or the Princes Trust.

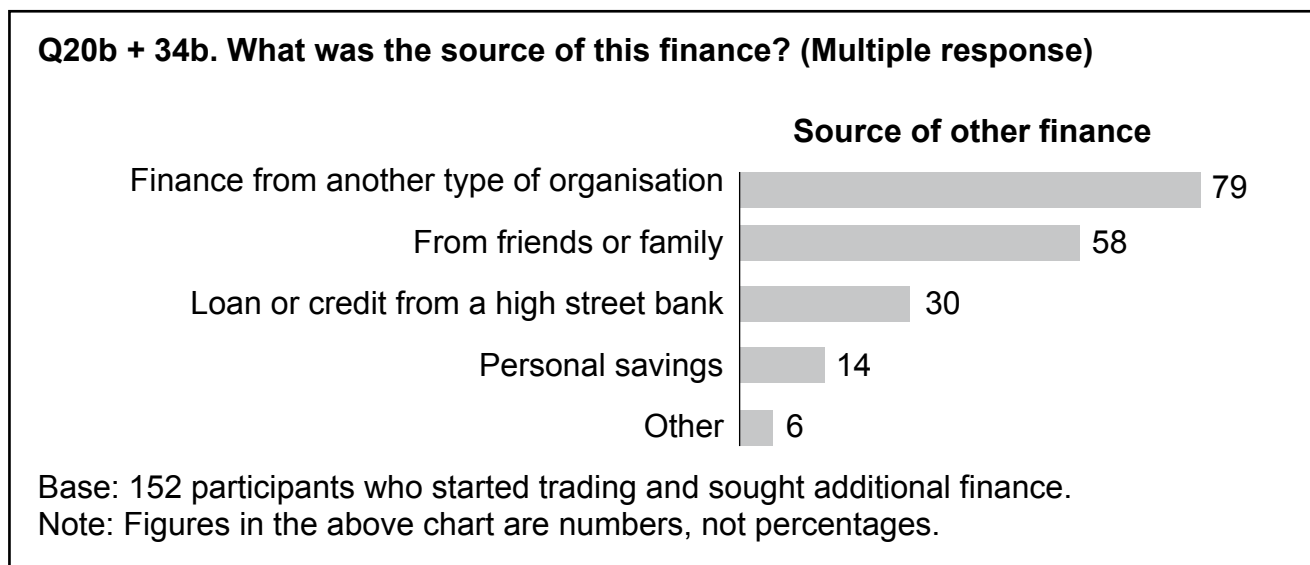
Accessing additional finance for the business once trading started was a further aspect of support examined in the survey for those respondents from this group (Figure 3.6 and Figure 3.7). As Figure 3.6 shows, across respondents who had started a business 13 per cent sought additional finance. Those whose businesses were still trading at the time of the survey were slightly more likely to seek this finance (14 per cent compared to 9 per cent of those whose business subsequently ceased), suggesting this may have been a factor in why the business was sustained.

Figure 3.6 Additional finance sought to support businesses once trading



¹³ Atkinson, I., Barham, J. and McKenna, K. (2013). *New Enterprise Allowance: Qualitative Evaluation*, DWP Research Report No.836, DWP.

Figure 3.7 Source of additional finance to support businesses once trading



As Figure 3.7 illustrates, those who sought additional finance did so from a range of sources. Friends and family were approached to support the business financially in the case of 58 responses out of a total of 187 responses, with a further 14 of the 187 responses relating to the use of personal savings. More official sources were also approached, including additional finance from high street banks (30 responses). The other organisations approached for finance were more varied and included specific business support organisations such as Princes Trust, or those who operated more locally such as Five Lamps or Blue Orchid – the latter also being providers of the NEA scheme. Support was also commonly sought from local authorities as well as individual investors.

There was a group of respondents who launched their business while accessing no additional or ongoing support beyond what was offered through the NEA scheme. For example, 36 per cent of those whose businesses were sustained accessed no additional support at the business planning or trading stage beyond what was offered through NEA. Some 44 per cent of respondents that had sustained businesses also reported that nothing or no further help was needed to help businesses continue to trade (see Figure 3.9 in section 3.4 below).

While one interpretation is that the NEA scheme fully prepared these participants, it is also likely that this was a group of self-starters who represent a highly motivated and confident group whose success in starting a business may well have happened outside of the NEA. Individual comments received at various points in the survey where open questions were asked suggest that there were participants who were highly confident and determined in their desire to start a business and NEA was a route to achieve that. As one respondent commented when asked whether they would have started the business without NEA support:

‘It [NEA] was helpful. When I went for induction though, I felt I was in a different boat to other people on the course, because a lot of them had untested stuff – but I knew what I was doing. Having to do the business plan – I already had it in my head; I had to write it down. The stuff in the induction was obvious. I felt others were taking more out of it. For me it was a formality for what I wanted to do.’

(Survey Respondent, Male, 25–49)

3.4 Critical aspects of NEA support in starting and sustaining businesses

The NEA scheme as a whole was valued by a notable proportion of respondents. Of those who started trading, 34 per cent reported they would not have started their business without the support. Looking at this by outcome, of those who subsequently ceased trading, just under half (47 per cent) stated that they would not have started their business without the support (Figure 3.8). Those still trading appeared to attribute less importance to the NEA scheme, with 30 per cent reporting that they would not have started the business without NEA support (Figure 3.9).

Figure 3.8 Whether those still trading and ceased trading would have started a business without NEA support

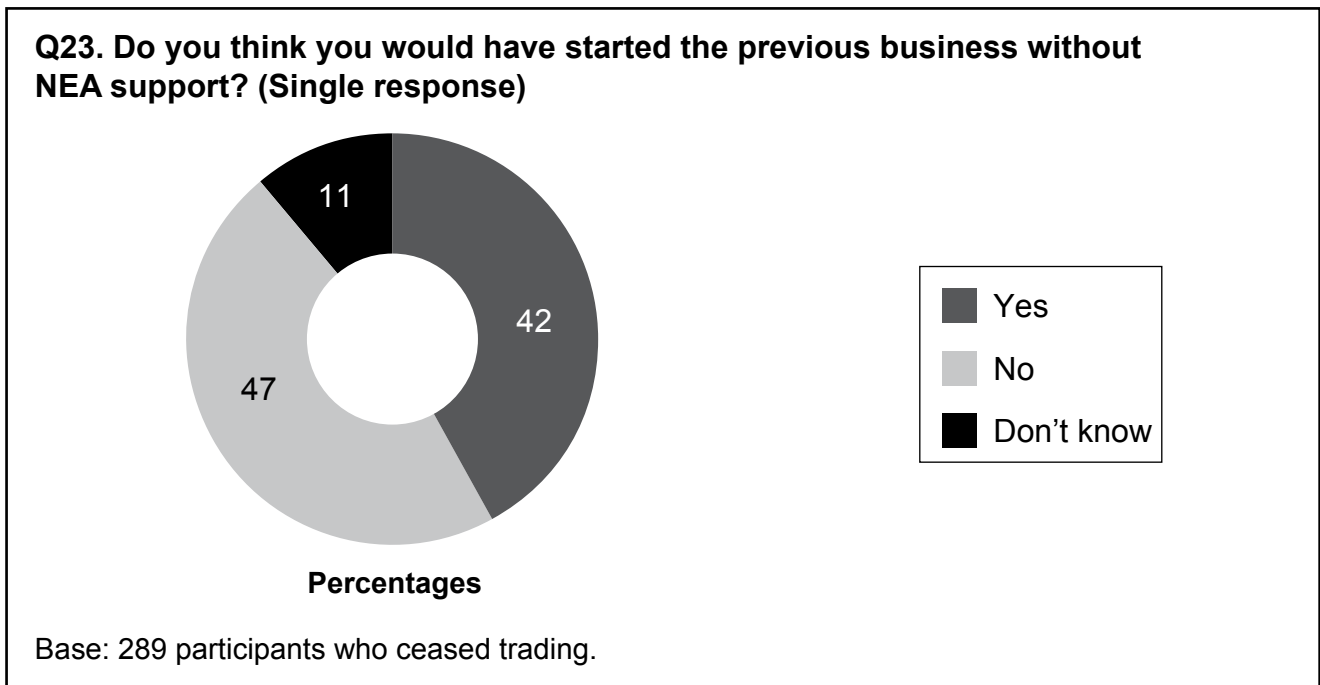
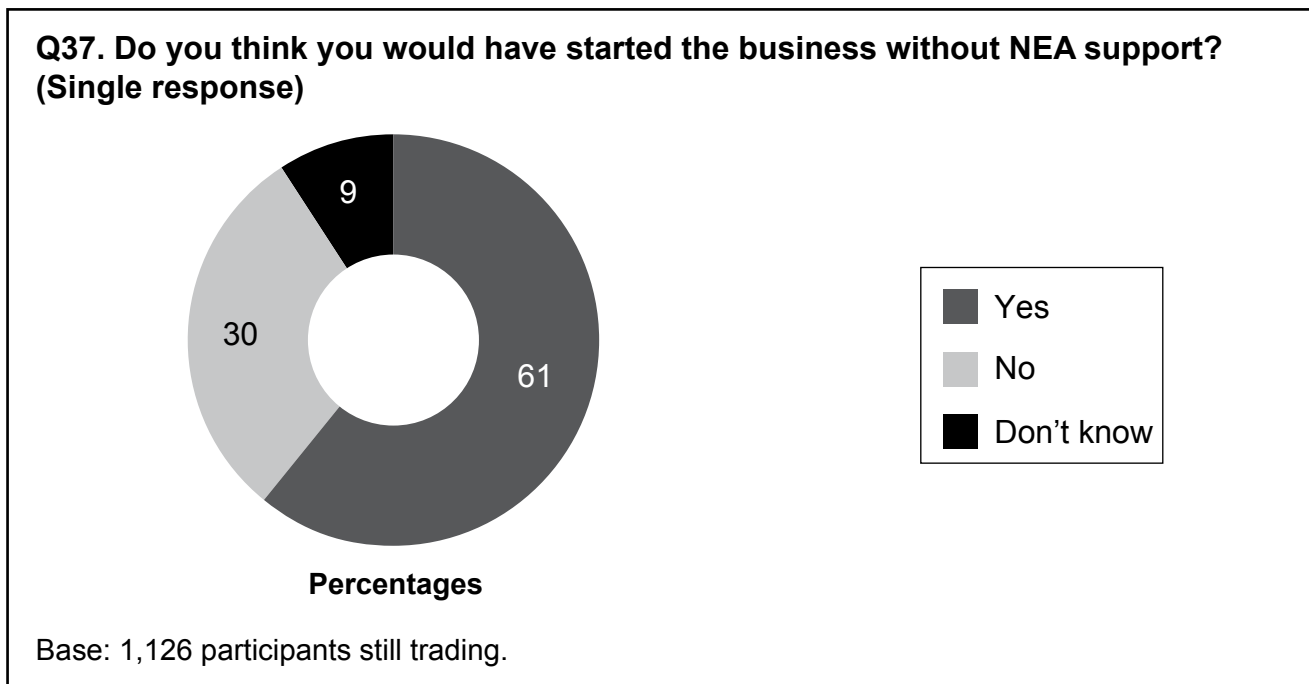


Figure 3.9 Whether those still trading and ceased trading would have started a business without NEA support



Illustrative of the importance of the whole scheme, one participant recalled:

'I wouldn't have known where to start; I wouldn't have a clue about business plans, where to find the resources. The financial help too – that was massive – it enabled me to have the freedom to grow my business in the first days. The mentor's support was good too. Without them I wouldn't be in the position I'm in today – doing work around my lifestyle and childcare commitments.'

(Survey Respondent, Female, 50+)

In contrast, 61 per cent of those still trading at the time of the survey stated that they would have started the business anyway, irrespective of NEA support. Nonetheless, respondents amongst this group were positive about aspects of the scheme, variously reporting that the support provided a quicker route to self-employment and ensured they were more prepared. As two respondents commented:

'I was already heading that way, but it helped me start the business more successfully having the mentor forced me to do the business plan, and it was beneficial – opened my eyes to the financial side and where to spend my money and where not to spend it.'

(Survey Respondent, Female, 25–49)

'I had a business plan to start my business, but with the advice from the NEA scheme it helped me to implement my plans a lot sooner.'

(Survey Respondent, Male, 50+)

The financial elements of the NEA scheme were commonly highlighted by respondents as being a critical factor in enabling them to start their business. Specifically, 36 per cent, or 122 of 339 respondents who started a business, and who reported that they would not have started a business without the NEA scheme, highlighted that the financial support was important. In individual comments made by participants in response to the open question from which these results were drawn, the knowledge, availability and approachability of the mentor also appeared critical to their overall view of the scheme. As one participant summarised:

'The scheme relied heavily on the quality of the mentor and she was outstanding, definitely.'

(Survey Respondent, Male, 25–49)

For the nine per cent of those still trading who reported they would not have started the business without the NEA scheme (30 out of 339 respondents), the increased confidence from participating in NEA is further highlighted by these comments made by individual participants:

'It was very helpful. It forced me into thinking about business plans and running a business/cash flow etc. It gave me confidence to start up.'

(Survey Respondent, Female, 18–24)

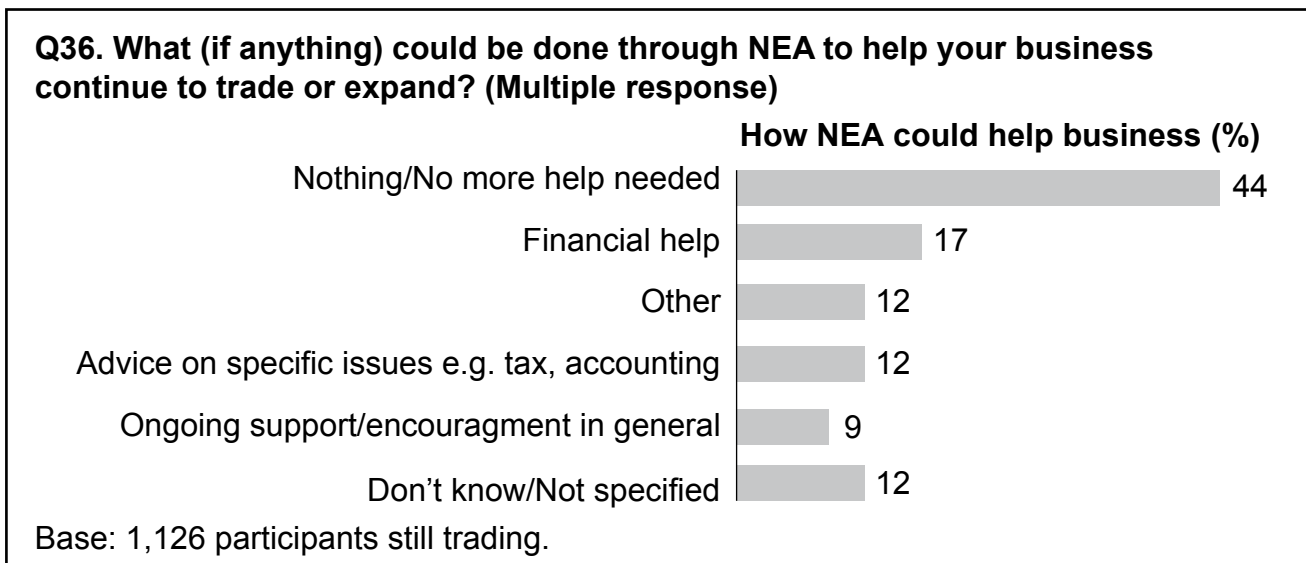
'It was a great help, everybody made it quite enjoyable. It got me over my nerves, and it gave me confidence, knowing that other people I hadn't previously met believed I could do it.'

(Survey Respondent, Female, 18–24)

3.4.1 Areas for ongoing support/improvements

In respect of respondents whose businesses were still trading, 44 per cent reported that no more help was needed to help their business continue to trade (Figure 3.10), one interpretation of which is that the NEA scheme prepared these participants sufficiently. Of the remaining participants, half of this group (50 per cent) highlighted an area where ongoing support could be provided through the NEA scheme to support the business to expand and/or continue to trade. There was again a strong focus on financial support, with 17 per cent of participants highlighting this as an area of support which would be of assistance to ongoing trading of the business.

Figure 3.10 Suggestions for potential NEA support to help businesses continue to trade



Advice on specific issues such as tax or marketing was highlighted by 12 per cent of those whose business continued to trade as an area where ongoing support would be welcomed. Tax issues in particular was an area highlighted in individual comments made by participants, given that this often did not emerge as a challenge until the business had been trading for a period and/or the deadline for tax returns approached. As one respondent noted:

'I think through the scheme they could have maybe made it a bit clearer about how you do your tax returns. This was not something I thought about at the time but when I came to look into it, some of the language used isn't particularly clear, even on the government website. NEA could make it more user-friendly.'

(Survey Respondent, Male, 25–49)

Another participant had stronger views on this:

'There's just not enough detailed help. Look at the mess I'm in with the tax. The legal/tax advice doesn't exist.'

(Survey Respondent, Male, 25–49)

Amongst the 'other' category (12 per cent), respondents made a range of suggestions of types of support that could be provided. These included a course on the use of social media by business owners, IT training or affordable legal advice.

As an area for improvement, there were additionally individual examples where participants recall mentors being unable to provide some specific areas of support. As one respondent noted:

'I would have liked more specific mentoring related to my business and sector, I felt that it was too generalised. However overall it was very useful.'

(Survey Respondent, Male 25–49)

A further nine per cent of participants whose businesses continue to trade would welcome ongoing support or encouragement as an area of continued support. This included specific reference to ongoing mentoring support as well as more general catch-ups by the NEA provider or Jobcentre to see how the business was fairing. As one participant highlighted, the opportunity to access mentoring support would be particularly welcome in times when the business was not performing as well:

‘There have been times when I have had no work through no fault of my own and I had no one to contact for assistance. I was left on my own and it was out of sight out of mind.’

(Survey Respondent, Male, 25–49)

4 Types of NEA businesses

This chapter examines the types of businesses started with support from the New Enterprise Allowance (NEA) scheme in terms of their sector or industry focus. It also reports on the reasons respondents gave for starting a business in the particular sector they chose.

4.1 Key findings

- A wide range of businesses were started by participants supported by the NEA scheme across almost all sectors when examined in terms of the 2007 Standard Industrial Classification (SIC) codes.¹⁴
- The most common sectors reported were those related to wholesale and retail trade and the repair of motor vehicles and motorcycles (14 per cent), construction (13 per cent) and professional, scientific and technical activities (13 per cent).
- 55 per cent of participants reported that they had chosen the sector for their business due to previously working in that sector. Similarly, 40 per cent reported holding relevant qualifications relating to the sector. There is therefore strong evidence from the survey that many NEA-supported businesses were started with a solid background in terms of experience and knowledge of the sector pursued.
- Many respondents reported that they provide consultancy or freelance services in a particular occupation that they worked in previously.
- Many of the business types started through NEA had characteristics of craft businesses. This fits with a particular sector being chosen due to respondents having had an existing interest as a result of a hobby or unpaid work (39 per cent of all respondents).

4.2 Sector and industry of businesses

Survey respondents were asked open questions to ascertain the type of business they started under the NEA scheme in terms of sector or industry focus. This was so as not to pre-categorise the type of NEA businesses and to assist administration of the questionnaire by avoiding a long list of categories. The responses were subsequently coded using the 2007 SIC codes for economic activity.

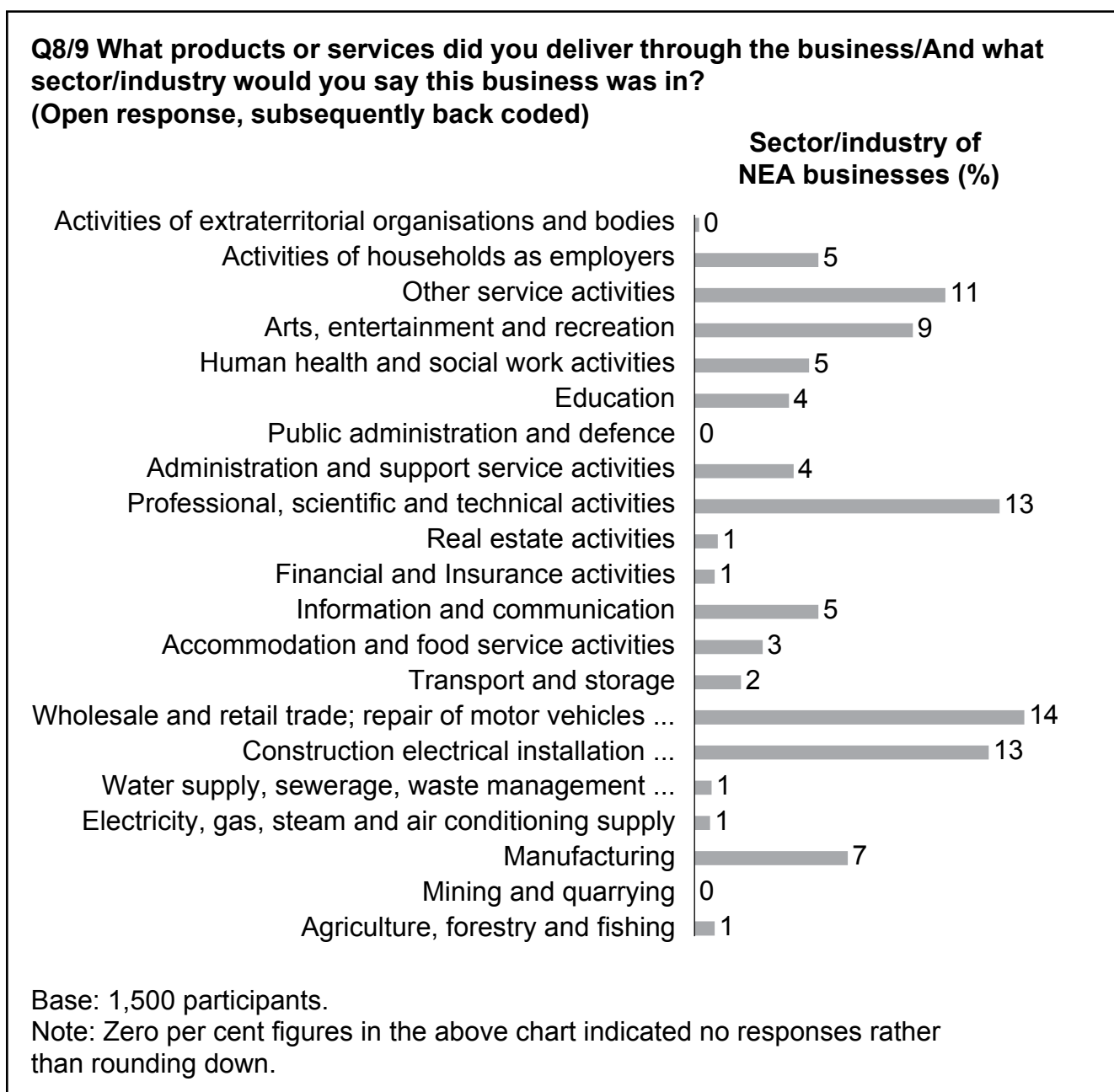
A wide range of businesses were started by participants supported by the NEA scheme across almost all sectors (Figure 4.1 overleaf). The most common sector of business reported (14 per cent) was that related to wholesale and retail trade and the repair of motor vehicles and motorcycles. Also common were businesses coded under the construction category (13 per cent) and those which represented professional, scientific and technical activities (13 per cent). Other service activities (11 per cent) and businesses relating to arts, entertainment and recreation (nine per cent) were also represented. Much less common, but still represented amongst NEA-supported businesses (one per cent respectively), were those

¹⁴ The SIC of Economic Activities are used by the UK Government to classify business establishments and other standard units by the type of economic activity in which they are engaged.

related to agricultural, forestry and fishing; real estate; financial and insurance services; electricity gas and air conditioning; and those related to water supply, sewerage and waste management.

The sector profile of NEA-supported businesses is comparable to other research results on the small business or self-employed sector. Given the use of the same SIC codes a direct comparison can be made with the Department for Business, Innovation and Skills (BIS) Small Business Survey. Results from the 2014 survey¹⁵ likewise show the most common sectors for Small and Medium-sized Enterprises (SMEs) to be wholesale and retail trade and the repair of motor vehicles and motorcycles (19 per cent), professional scientific and technical activities (14 per cent) and construction (12 per cent).

Figure 4.1 Type of NEA businesses by sector



¹⁵ Department for Business, Innovation and Skills (2015) Small Business Survey 2014: Businesses with no employees.

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The range and variation of NEA businesses is further evidenced when the type of services offered by the business is examined. Table 5.1 presents illustrative examples of the common services and products which were reported to have been the focus of businesses within each of the standardised sector categories. Given the wide range of business services reported, it is not possible to provide a full list. The examples highlighted represent types of services where at least 10 respondents reported them.

Table 4.1 Common business services/products offered by NEA businesses

Standard Industrial Coding	Common type of services offered
(A) Agriculture, forestry and fishing; (B) Mining and quarrying	Gardening Tree surgery Pest control
(C) Manufacturing	Clothing manufacture – children’s adults, vintage, t-shirt printing Jewellery design and manufacture Wood work – furniture, garden items
(D) Electricity, gas, steam and air conditioning supply	Sale of solar panels Energy assessing
(E) Water supply, sewerage, waste management and remediation activities	Scrap metal collectors Recycling
(F) Construction	Various trades – electricians, painter and decorators, joiners, plasterers
(G) Wholesale and retail trade; repair of motor vehicles and motorcycles	Online shops Car sales/repairs/valeting Physical shops/market stalls
(H) Transport and storage	Removals Taxi services Couriers
(I) Accommodation and food service activities	Operation of food premises – pubs, cafes/tea shops, sandwich shops, burger wagons Production of food items – cakes, micro breweries Catering services
(J) Information and communication	IT support/consultancy Freelance journalists
(K) Financial and insurance activities	Financial advisers Insurance sales
(L) Real estate activities	Estate agents
(M) Professional, scientific and technical activities	Creative services – Graphic design, illustration Photography Marketing or Public Relations (PR) Architects Training/consultancy/life coaches
(N) Administrative and support service activities	Freelance administration Security consultants Recruitment
(P) Education	Private tutors Driving instructors Music teachers

Continued

Table 4.1 Continued

Standard Industrial Coding	Common type of services offered
(Q) Human health and social work activities	Childcare Care workers Counselling
(R) Arts, entertainment and recreation	Artists Entertainers DJs Personal trainers
(S) Other service activities	Hair and beauty Computer repairs/IT support Animal care Alterations
(T) Activities of households as employers; undifferentiated goods and services-producing activities of households for own use	Gardening Ironing Cleaning

Data from the Labour Force Survey 2014¹⁶ put the following as the top occupations for self employed workers:

- Construction.
- Carpenters and joiners.
- Taxi drivers.
- Shop keepers and proprietors.
- Cleaners and domestics.
- Hairdressers.

While these were reported as the focus of some NEA-supported businesses, with the exception of construction and trades they made up a relatively small proportion amongst the types of business reported as whole, suggesting a much wider range of businesses developed with support from the NEA. The most common NEA business types/occupations were:

- IT or computer repair specialists (56 businesses).
- Health and beauty therapists (45 businesses).
- Shopkeepers¹⁷ (36 businesses).
- Cleaning businesses (30 businesses).
- Painters and decorators (25 businesses).
- Electricians (24 businesses).
- Gardeners (32 businesses).
- Hairdressing businesses (14 businesses).

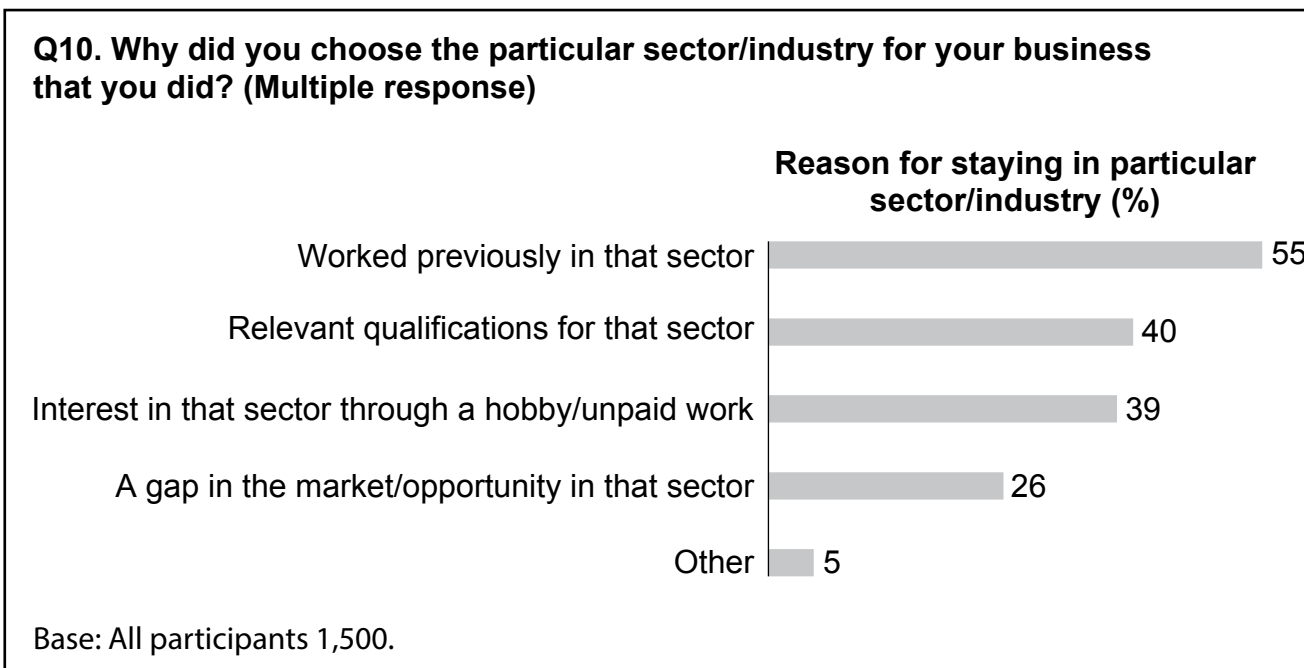
¹⁶ Office for National Statistics (2014). *Self-employed workers in the UK – 2014*.

¹⁷ Defined as those running an establishment as an outlet for the sale of products and includes online shops.

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There is strong evidence from the survey that NEA-supported businesses were started with a solid background in terms of experience and knowledge of the sector pursued, with this being likely to be a factor in their sustainability (Figure 4.2).

Figure 4.2 Reason for choosing sector for NEA business



As the above chart shows, 55 per cent of participants reported that they had chosen the sector for their business due to previously working in that sector. Similarly 40 per cent reported holding relevant qualifications relating to the sector. The relatively high proportion of businesses in the professional, scientific and technical activities category (14 per cent) is potentially a sector where this is the case in particular, with many respondents reporting that they provide consultancy or freelance services in a particular occupation (e.g. marketing, business consultancy, training, health and safety). While not explicitly expressed by respondents, it is reasonable to assume that redundancy may have been a factor for some. Moving into self-employment in an area of existing expertise was thus a logical step in cases where sectors had contracted since the economic downturn. Amongst the 'other' responses there were a small number of respondents (18 respondents) who reported choosing the particular industry as it offered an opportunity for flexible or home working to fit with childcare responsibilities.

Figure 4.3 below provides some illustrative examples of the tendency referred to above of participants starting businesses in familiar sectors in response to redundancy.

Figure 4.3 Businesses started in known sectors

Example 1: Having been made redundant and after a period of 3–6 months unemployment a participant launched a health and safety advisory service through NEA. The participant had relevant qualifications and experience from previous paid employment in this sector, and so pursued a business on a self-employed basis as the freedom of being their own boss was attractive. The business continues to trade 12 months after launching.

Example 2: After being made redundant in their 50s one participant was concerned about being able to find alternative work. NEA was reported to have come at a crucial time after 3–6 months of unemployment. The business started through NEA offered counselling services, building on qualifications and experience gained while working in the same sector as a paid employee. The business is still trading.

Another common response as to why a particular sector was chosen related to respondents having an existing interest as a result of a hobby or unpaid work (39 per cent of all respondents). This is evident from many of the business types having characteristics of craft businesses. The businesses concerned often hand produced products, often from home, which were sold online or in a single or small number of outlets. Such businesses additionally typically focused on homewares, food products or niche markets such as the manufacture of wedding items. Figure 4.4 provides examples of these ‘craft businesses’

Figure 4.4 Examples of craft businesses started under NEA

Example 1: A business making stained glass panels was started by one participant, building on a hobby, after a period of 1–2 years unemployment. The business is still trading after 12 months and has expanded its customer base over that period. The owner is looking to continue this growth.

Example 2: A participant joined the NEA scheme after between 1–2 years of unemployment and launched a business making clay models to be placed on wedding cakes. The launch of the business followed several years of making the same products as a hobby and as gifts for family and friends. The participant was attracted to self-employment to fit around childcare responsibilities. The business traded for 12 months, but is now no longer trading and the participant is working as a paid employee at a different business.

Example 3: A participant who was unemployed for over two years launched a business making cards for a range of occasions. The type of business was chosen as the participant had produced similar products as a hobby previously, but had not been able to access the required funds to establish it as a business. The business is continuing to trade.

There were also exceptional examples of more unusual businesses started with support from the NEA, where the product or service offered represented something more unique, as illustrated by the examples in Figure 4.5.

Figure 4.5 Examples of less common business types started under NEA

Example 1: After being unemployed for between 3–6 months one participant joined the NEA scheme and after helpful support from the mentor launched a business manufacturing and selling high quality loud speakers for homes and vehicles. This business idea came from activity the participant did as a hobby previously. The decision to become self-employed was influenced by wanting a work option that fitted with a health condition, as the participant reported that they were disabled. Twelve months after starting the business it continues to trade with the owner looking to expand to increase the volume of products and orders provided.

Example 2: A business organising roller skating sessions was started by one participant after a period of 3–6 months unemployment. The owner saw a gap in the market and built on an idea which was of interest as a result of unpaid work in the sector. The business has been trading for six months and continues to trade.

Example 3: One participant launched a business through NEA to provide tutoring in playing the game of chess. The participant based the business on a hobby and saw a gap in the market. The service is primarily offered to schools in terms of teaching chess and running chess clubs. The business is still trading.

Example 4: A business where the owner foraged for wild foods to supply restaurants was created under NEA. The business traded for over 12 months, but the owner then received an offer of paid employment that was too good to turn down so the business ceased trading.

Looking across the different types of business reported there is little evidence of any 'type' or sector of business being any more likely to be sustained than another. Those businesses that are continuing to trade represent a range in terms of the size and nature of the services delivered. There were also exceptional examples given of businesses that have expanded rapidly, and are achieving a high level of success in terms of the level of income being generated, as shown in Figure 4.6.

Figure 4.6 Examples of NEA business that have expanded significantly

Example 1: After a period of 3–6 months unemployment claiming JSA, one participant started a cleaning business. The business has expanded and is now reported to employ 35 people and generate over £10,000 in an average month.

Example 2: One participant who had been unemployed for 6–12 months started a business through NEA which delivered care services for people in their own home. The business now employs 32 people and turns over £10,000 per month.

5 Characteristics and sustainability of NEA-supported businesses

This chapter examines the overall sustainability and characteristics of businesses supported by the New Enterprise Allowance (NEA), looking at aspects including turnover, numbers of employees, and plans for future growth. It also examines the reasons for businesses ceasing trading and looks at why businesses did not formally start trading where this was the case.

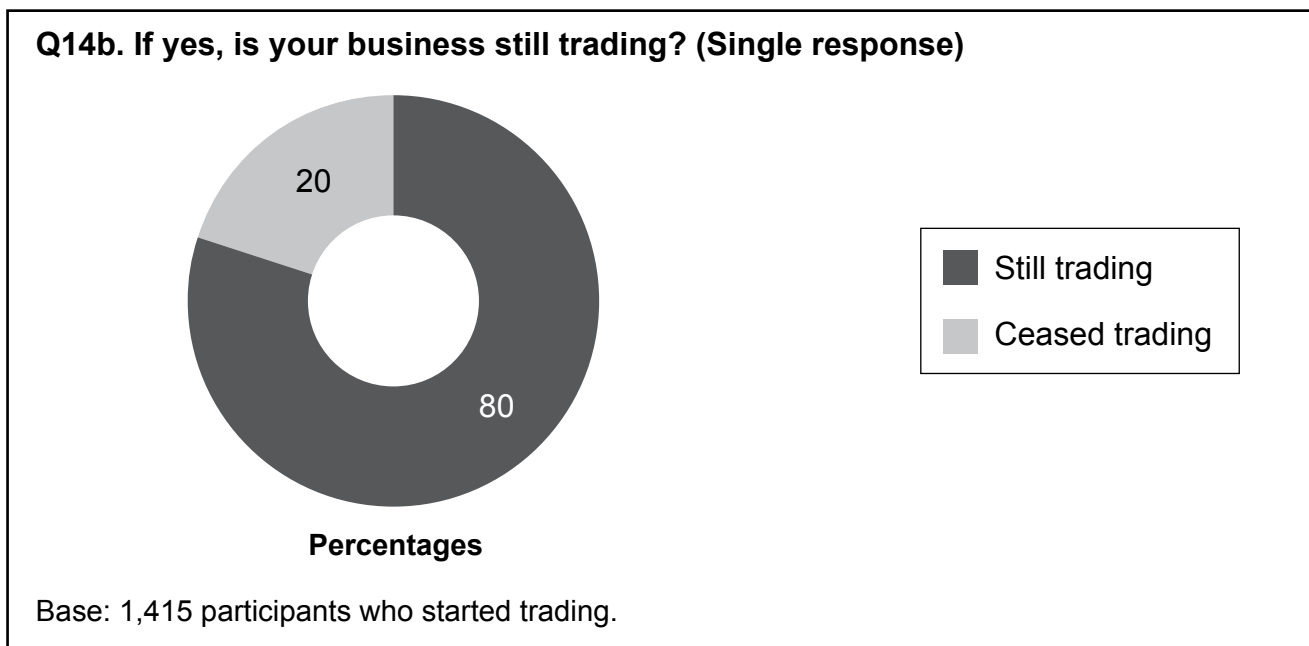
5.1 Key findings

- 94 per cent of respondents' businesses started trading following receipt of NEA support. The remaining six per cent did not start trading.
- 80 per cent of businesses started with NEA support were still trading at the time of the survey; of these over nine in ten had been trading for over 12 months.
- NEA-supported businesses tend to be small in scale; over half the businesses surveyed were reported to have an average monthly turnover of less than £1,000.
- 81 per cent of respondents were the sole employee of businesses at the time of the survey. Around half of respondents whose businesses were still trading at the time of the survey reported an expansion in their customer base (55 per cent) or an increase in turnover (47 per cent) since starting their business.
- The majority of those still trading plan to expand their businesses in the coming years (with 70 per cent planning to increase turnover, 66 per cent to expand their customer base and 57 per cent to increase their sales volume).
- Amongst respondents no longer trading (289 respondents), the main reason was the business not providing enough money to live on (51 per cent), followed by illness (18 per cent).
- Of this group of those no longer trading, just over two in five were in paid employment at a different business than the one they had started at the time of the survey, whilst just over a third (34 per cent) reported that they had returned to claiming benefits.
- Amongst those who had not started trading at all (85 respondents), finding alternative work as an employee and difficulty getting credit or capital to support the business were the main reasons for this.

5.2 Sustainability of businesses supported

In the vast majority of cases (94 per cent) survey respondents reported that their businesses had commenced trading. As Figure 5.1 illustrates, of these businesses that had commenced trading, at the time of the survey four in five respondents reported that they were still trading, giving a sustainability rate of 80 per cent.

Figure 5.1 Status of businesses supported through the NEA scheme at time of survey



When further analysing the group of respondents whose businesses had been sustained, there are some patterns as regards the effect of length of unemployment on the likelihood of sustainability. As Table 5.1 shows, there is a slight, although not statistically significant, decrease in the likelihood of businesses being sustained the longer NEA participants were unemployed, up to two years. However, for the 197 respondents that had been unemployed for over two years, the sustainability rate matches the average for all respondents whose businesses were still trading (at 80 per cent).

Table 5.1 Sustainability of businesses by length of unemployment pre-NEA

Length of unemployment	Ceased trading	Still trading	Percentage of businesses sustained
0 to 3 months	68	339	83
3 to 6 months	74	300	80
6 to 12 months	63	199	76
1 to 2 years	37	103	74
2 or more years	40	157	80

Looking at the demographics and background of respondents who had started a business, there were no notable differences in the likelihood of businesses being sustained according to respondents' gender or, interestingly, previous experience of self-employment. In both instances the sustainability rate was almost identical between men and women, and those with previous experience and those without, at around 80 per cent.

In terms of ethnicity, outside of the 'White British' group, numbers reporting other ethnicities were too small to meaningfully assess any relationship between ethnicity and business sustainability. The same was true in respect of benefits being claimed, given that around nine in ten respondents reported claiming Jobseeker's Allowance (JSA) with numbers reporting that they claimed other benefits being very small.

There were no notable differences in terms of the effect of age on the likelihood of businesses being sustained in groups over 25-years-old, with this being close to the average of 80 per cent for all age groups. However, the sustainability rate for 18–24 year olds was considerably lower at 69 per cent, though the relatively small numbers of respondents in this age group (only 65 in total) means that drawing any strong inference from this is problematic.

In terms of educational background, some differences were apparent in respect of business sustainability. Interestingly, the lowest sustainability rates were apparent amongst the 243 respondents with a degree level qualification or above, and the 56 respondents with no qualifications, the sustainability rate for both these groups being 75 per cent. In contrast, the rate for the 662 respondents with school level qualifications as their highest qualification was 78 per cent, whilst the highest sustainability rate was amongst the 454 respondents with post secondary or vocational qualifications as their highest qualification (86 per cent).

While interpretation of these patterns according to qualification levels can only be speculative, it may be that the vocational/post secondary qualification group comprises a number of individuals with practical or trade experience, perhaps setting up as sole traders having worked for others in the past. Several aspects would tend to confirm this impression, namely that:

- just under half of this group (49 per cent) reported having relevant qualifications for the sector they had chosen to start a business in;
- just over half (56 per cent) had previously worked in the sector; and
- 28 per cent reported having both prior experience and relevant qualifications.

In both cases (relevant qualifications and previous sectoral experience), these proportions were significantly higher than the equivalents for the other 'highest qualification' level sub-groups.

5.3 Characteristics of sustained businesses

To add further context to the rate of business sustainability discussed above, the survey also asked those still trading how long they had been doing so for. Reflecting the decision to draw the sample from those receiving the NEA weekly allowance more than 12 months prior to the fieldwork, as Figure 5.2 shows the majority of respondents (more than nine in ten, 92 per cent) had been trading for over 12 months. The small proportion trading for less than six months (3 per cent) is likely to comprise those who had claimed the weekly allowance and subsequently had a delay prior to trading.

Figure 5.2 Length of trading amongst businesses still trading



5.3.1 Turnover and employee composition

Those respondents who were still trading at the time of the survey were also asked to estimate their monthly turnover, in terms of income before paying out wages and other expenses. Given the likely fluctuation in turnover between different months, rather than attempt to provide an exact figure, respondents were asked to estimate their average turnover within a broad set of bands as reflected in Figure 5.. While these figures should be treated with some caution due to their self-reported nature, as the chart shows over half of the businesses supported by the scheme (58 per cent) were reported to have an average monthly turnover of less than £1,000, with over a third (37 per cent) having a reported turnover of less than £500. Almost one in four (24 per cent) had a reported turnover of between £1,001 and £5,000 per month, whilst only one in 20 (5 per cent) had a reported turnover above this.

Patterns in turnover were relatively consistent irrespective of whether individuals had previous self-employment experience, and across the reported periods of trading. It was not the case that those reporting lower turnover figures were those who had traded for the least amount of time. Turnover figures were also broadly consistent across the demographic/background characteristics of gender, age and educational level, with two notable exceptions. One of these was the greater proportion of women reporting their average monthly turnover at the lowest end of the scale (under £500), with 46 per cent of female respondents (202 out of 439) reporting this relative to 31 per cent of males (212 out of 687). The other concerned age, wherein turnover reported by the 18–24 year old group was similarly clustered at the under £500 level (23 out of 45) relative to other age groups. However, the small numbers within the 18–24 age group concerned means that this finding should be treated with caution.

Figure 5.3 Average monthly turnover of businesses still trading (self-reported)

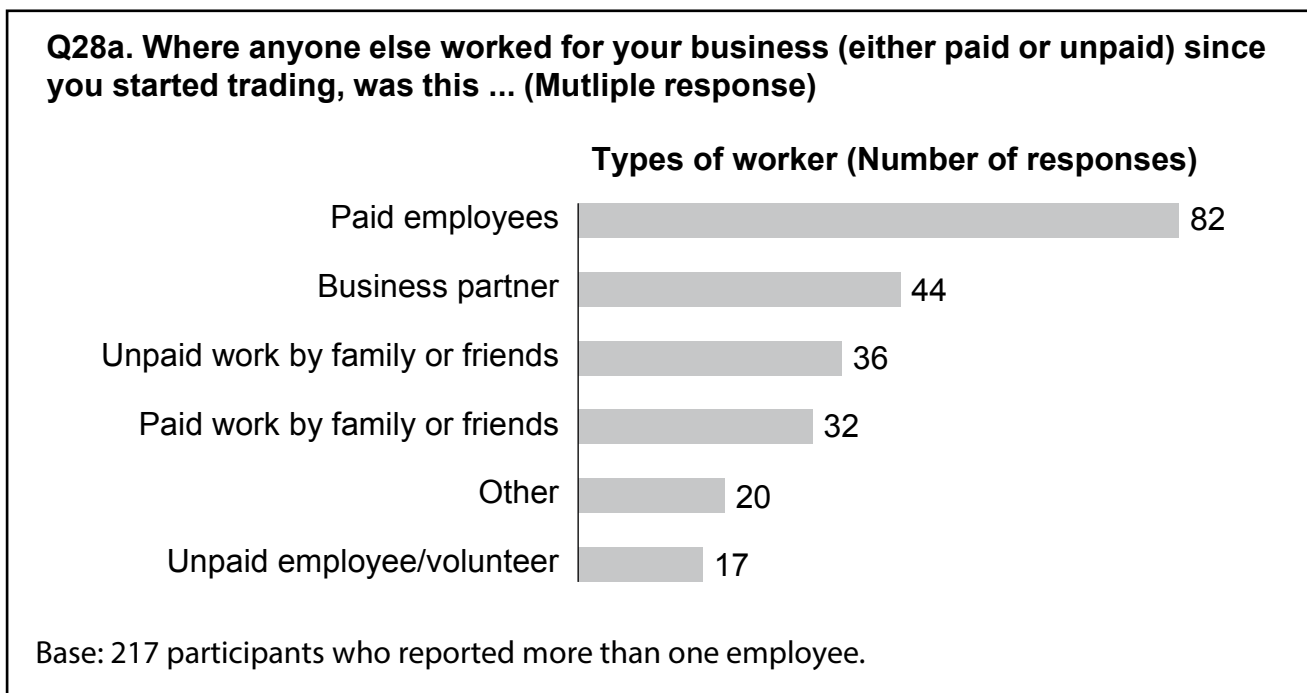


In general, the above turnover results strongly indicate that the businesses supported through the NEA are relatively small in scale, at least in the initial period of their operation. This was confirmed by asking respondents whose businesses were still trading at the time of the survey whether anyone else worked for them. This showed that in just over four out of five cases, respondents were the only employee (81 per cent). This reflects a previous qualitative evaluation of the NEA that found that the majority of businesses supported were small, with a large proportion being ‘sole traders’.¹⁸

In terms of the reported composition of the workforce within sustained businesses reported as having more than one employee (217 out of 1,126 businesses, 19 per cent), the role of family and friends is evident, whether acting as paid or unpaid staff. While, as Figure 5.3 shows, almost three in five respondents reported the presence of either paid employees or a business partner as workers in their business (58 per cent or 126 respondents), 36 respondents reported unpaid work by friends and family, and 32 respondents paid work by friends and family, as contributing to their business. The presence of volunteers and other unpaid employees in these businesses is also notable, with 17 respondents reporting this.

¹⁸ Atkinson, I., Barham, J. and McKenna, K. (2013). *New Enterprise Allowance: Qualitative Evaluation*, DWP Research Report No.836, p.56, DWP.

Figure 5.4 Types of employee within businesses still trading

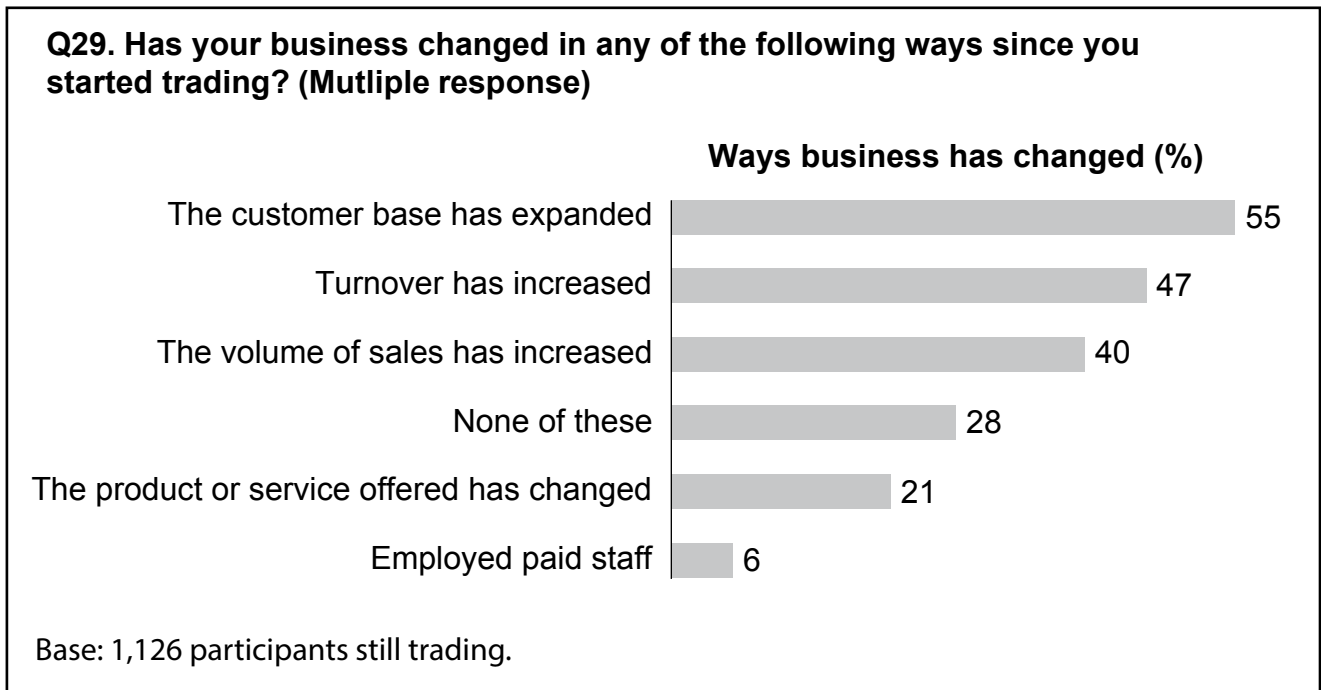


The sub-set of respondents reporting that their sustained businesses contained paid employees other than themselves was relatively small at 71, and the figures presented relating to this should be treated with caution given this small sample size. Accepting this, the data shows that almost three in five (42 out of 71) of these respondents reported having two employees, whilst just over one in five (15 out of 71) reported having three or four employees. Four in five of the sustained businesses supported by the NEA that did have paid employees were thus reported to have four employees or less.

5.3.2 Growth and expansion of businesses

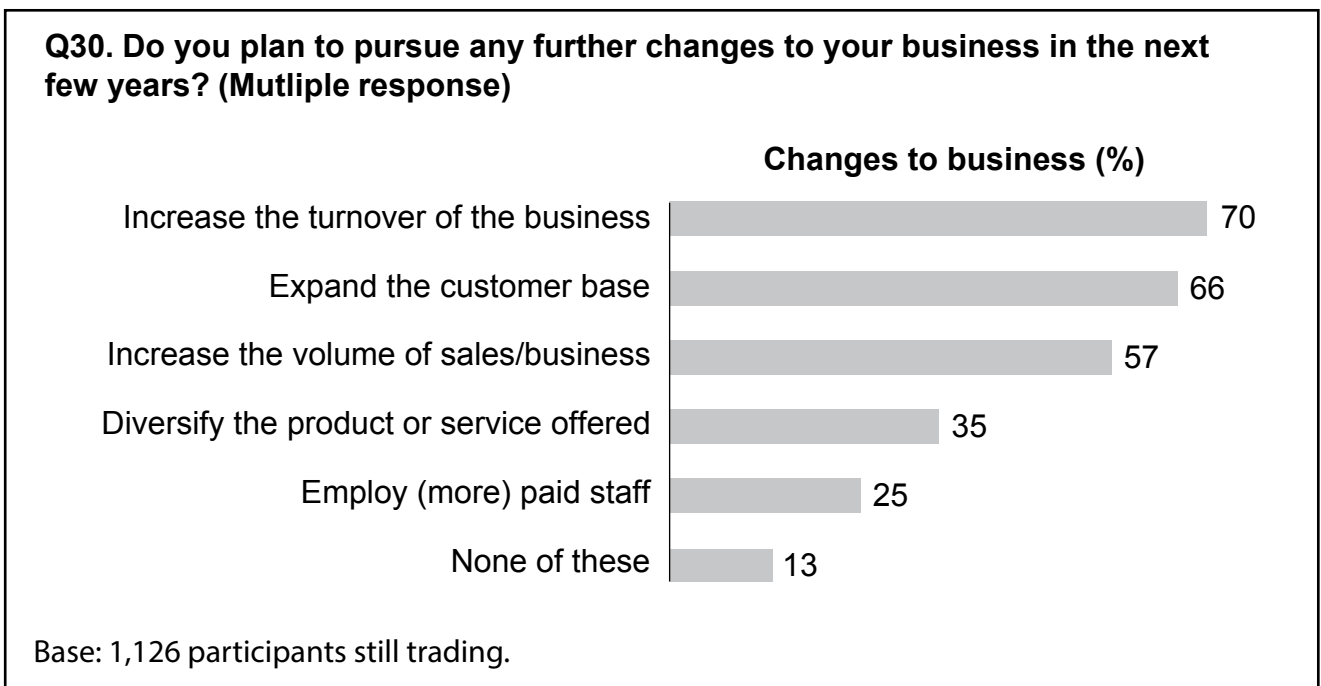
While the small scale nature of businesses supported under the NEA is evident from the above analysis, the survey results also present a picture of NEA recipients being keen to expand and grow their businesses along with a notable proportion reporting that such growth has already occurred. As Figure 5.4 illustrates, around half of respondents whose businesses were still trading reported an expansion in their customer base (55 per cent) or an increase in turnover (47 per cent) since starting trading. Two in five (40 per cent) similarly reported that their sales volume had increased. Reflecting the prevalence of single employee businesses, only just above 1 in 20 respondents reported having employed paid staff however (6 per cent).

Figure 5.5 Changes in businesses still trading since their inception



As might be expected, respondents whose businesses were still trading generally planned to expand their businesses over the coming years, whether in terms of increasing turnover, expanding their customer base or increasing their volume of sales. As Figure 5.6 shows, in each of these instances over half of those surveyed planned such expansion (70 per cent planning to increase turnover, 66 per cent to expand their customer base and 57 per cent to increase their sales volume).

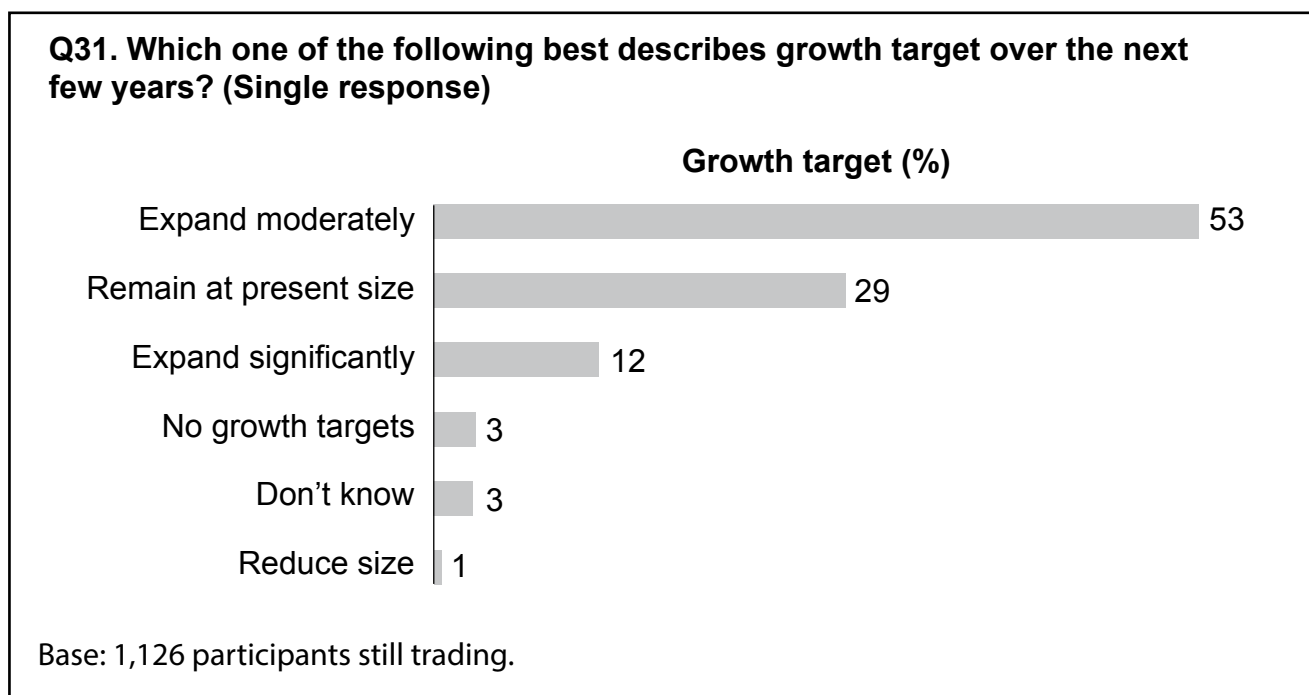
Figure 5.6 Future plans of businesses still trading



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As Figure 5.5 also shows, product diversification (35 per cent) and employing more staff (25 per cent) were less commonly cited as being part of respondents' plans. In particular, the fact that only one in four of those with businesses still trading planned to employ more staff emphasises the findings above concerning the small scale nature of many NEA supported businesses. As Figure 5.6 shows, the majority of respondents whose businesses were still trading also had targets to grow in the next few years, whether that be to expand significantly (12 per cent) or, more commonly, to expand moderately (53 per cent). Equally, however, it is notable that just under a third (29 per cent) planned to remain at their current size. While this suggests that the businesses supported through the NEA may have the potential to grow in some cases, therefore, it is clear that those running a significant minority of businesses have no particular aims to do so. The far greater proportion of those planning 'moderate' relative to 'significant' growth might also indicate that NEA supported businesses are, in general, unlikely to be of a type aiming for significant expansion.

Figure 5.7 Growth targets amongst businesses still trading



5.4 Businesses not started or ceasing trading

While the majority of NEA recipients surveyed started trading, and these businesses were still trading at the time of the survey, there were significant minorities who either did not commence trading or whose businesses had ceased trading. It is therefore worth exploring the reasons for not commencing trading, along with looking at the reasons why businesses ceased trading and the characteristics of these businesses.

5.4.1 Reasons businesses did not start trading

The 85 respondents whose businesses did not formally start trading were asked to select reasons from a pre-prepared list to explain this, or to state a reason other than that captured by the list. From the options provided, the most common reasons given were 'finding alternative work as an employee' and 'difficulty getting credit or capital to support

the business', with these options each being selected by 23 out of the 85 respondents. Less common options selected were 'discovering that there was no market for the service/products offered' (12 respondents), suffering 'ill health' (10 respondents) and having problems being able to start the business alongside 'caring and other family responsibilities' (2 respondents).

Of the 85 respondents, 31 provided an 'other' reason for not commencing trading. These covered a wide range of largely specific and individual reasons, including: practical or logistical considerations (e.g. not having access to a vehicle); issues occurring in peoples' lives meaning that the business was put on hold and not subsequently started (e.g. death of family member, issues with a landlord, financial or debt issues); issues specific to the planned business such as falling out with intended business partners; not managing to start the business at that point for whatever reason but still planning to do so; and deciding to go back into education.

Interestingly, just over two-thirds of the 85 respondents who had not commenced trading did feel that they would start and run another business in the future (57 out of 85). Only 15 of the 85 stated that they would not, while a further 13 were unsure. This suggests that, for at least some of this group, their experience of the NEA may act as an encouragement to starting a business in the future, perhaps if and when some of the issues preventing the business starting are able to be resolved.

5.4.2 Characteristics of businesses no longer trading and reasons for this

Of the 1,415 respondents whose businesses had commenced trading, 289 (around one in five) were no longer doing so by the time of the survey. To gather information on the characteristics of these businesses, this sub-set of 289 respondents were asked how long they traded for and what the average monthly turnover was during their period of trading. Figure 5.7 shows that the majority of businesses that were no longer trading at the time of the survey (almost two-thirds, 63 per cent) did in fact trade for over six months, while just under one in four (24 per cent) actually traded for over 12 months prior to closing. A small number, six per cent, traded for less than a month, while almost a third (31 per cent) did so for between one and six months.

Figure 5.8 Period of trading for those businesses no longer active

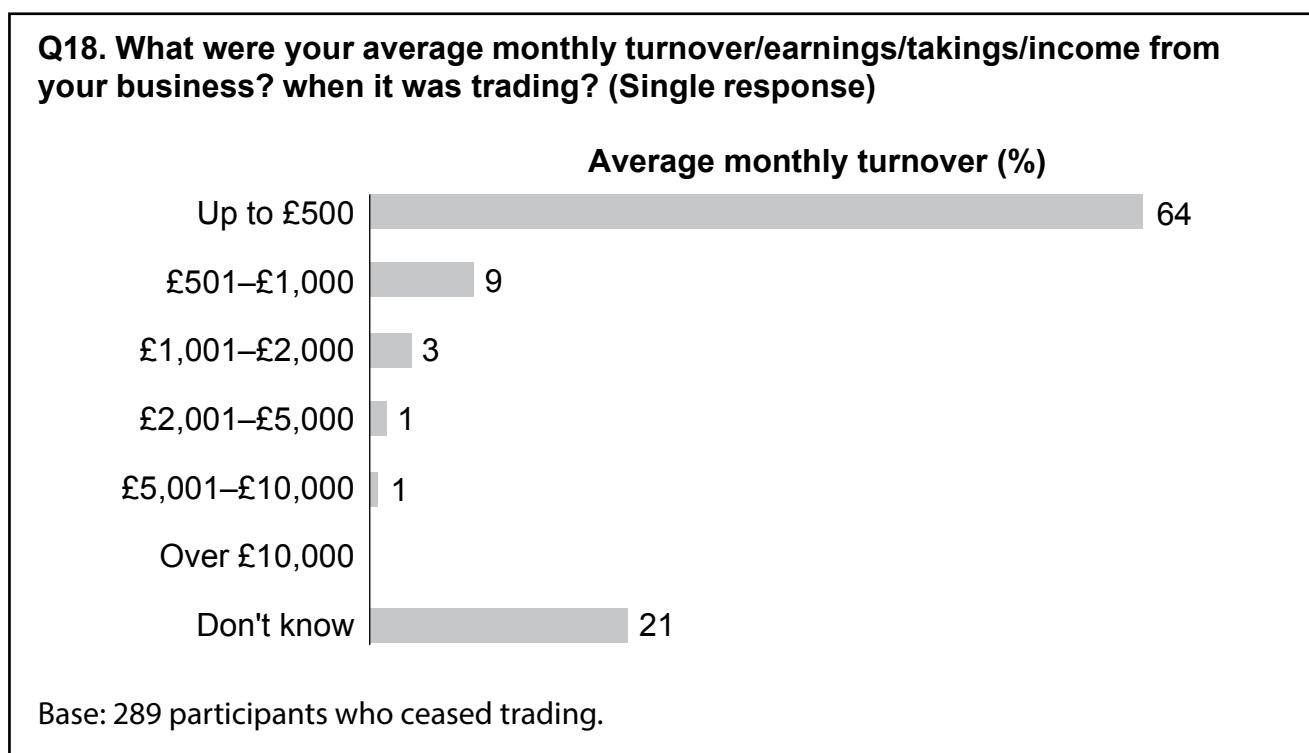


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Looking at the length of trading of these businesses against whether or not individuals had prior self-employment experience, there was no real difference in terms of how long businesses lasted for the 'prior experience' group relative to those for whom this was their first experience of self-employment. Equally, there were no notable differences in the patterns of how long these businesses lasted according to the age of the respondents involved, their educational level, or their gender. In addition, given that the vast majority of respondents whose businesses were no longer trading reported claiming JSA, numbers reporting that they claimed other benefits are too small to draw any inference from.

In terms of respondents' reporting of their average monthly turnover, as Figure 5.8 illustrates the majority who felt able to give a figure within the bands provided put this at £500 or below (almost two-thirds, 64 per cent). Almost one in ten (9 per cent) reported a turnover of between £501 and £1,000, while numbers for the bands above this were very small. When these figures are compared to those given by respondents whose businesses were still trading at the time of the survey (see Figure 4.3 earlier in this chapter), perhaps unsurprisingly there is a much higher prevalence of sub-£500 reported turnover amongst those whose businesses no longer operate (64 per cent compared to 37 per cent respectively). This indicates the likely role of limited turnover, and by extension, income, in causing businesses to cease trading; as discussed below, the reasons respondents gave for ceasing trading reflect this.

Figure 5.9 Average monthly turnover for businesses no longer trading (self-reported)



When those respondents whose businesses had ceased trading were asked for the main reasons for this, with more than one answer being possible, as Figure 5.9 shows the most commonly stated reason by far did indeed relate to income in terms of the business not providing enough to live on. Over half of respondents (51 per cent) cited this as a main reason, while almost one in five (18 per cent) gave ill health as a ‘main reason’. The next reasons most commonly cited were difficulty in getting credit/capital to support the business and finding alternative work as an employee (14 and 13 per cent respectively). Interestingly, lack of customers and too much competition were only cited by a small minority of respondents (7 and 4 per cent respectively). Overall, this pattern strongly suggests that a lower level of income than anticipated, with this not being enough to live on, represents the key factor explaining why NEA supported businesses are not sustained in the longer term.

Figure 5.10 Reasons for businesses ceasing trading



The ‘other’ responses given by respondents covered: personal issues such as re-locating with a partner and becoming pregnant; business-related issues such as promised work or expected contracts not materialising; deciding on a different path such as going back into some form of education, or deciding that self-employment was not for them; and finding running a business more challenging than anticipated.

As with those who did not commence trading, respondents whose businesses had ceased trading by the time of the survey were also asked whether they thought that they would start and run another business in the future. As with the group not commencing trading, the majority of those whose businesses no longer operated similarly felt that they would be likely to run another business in the future. In this case the proportion who felt they would try self-

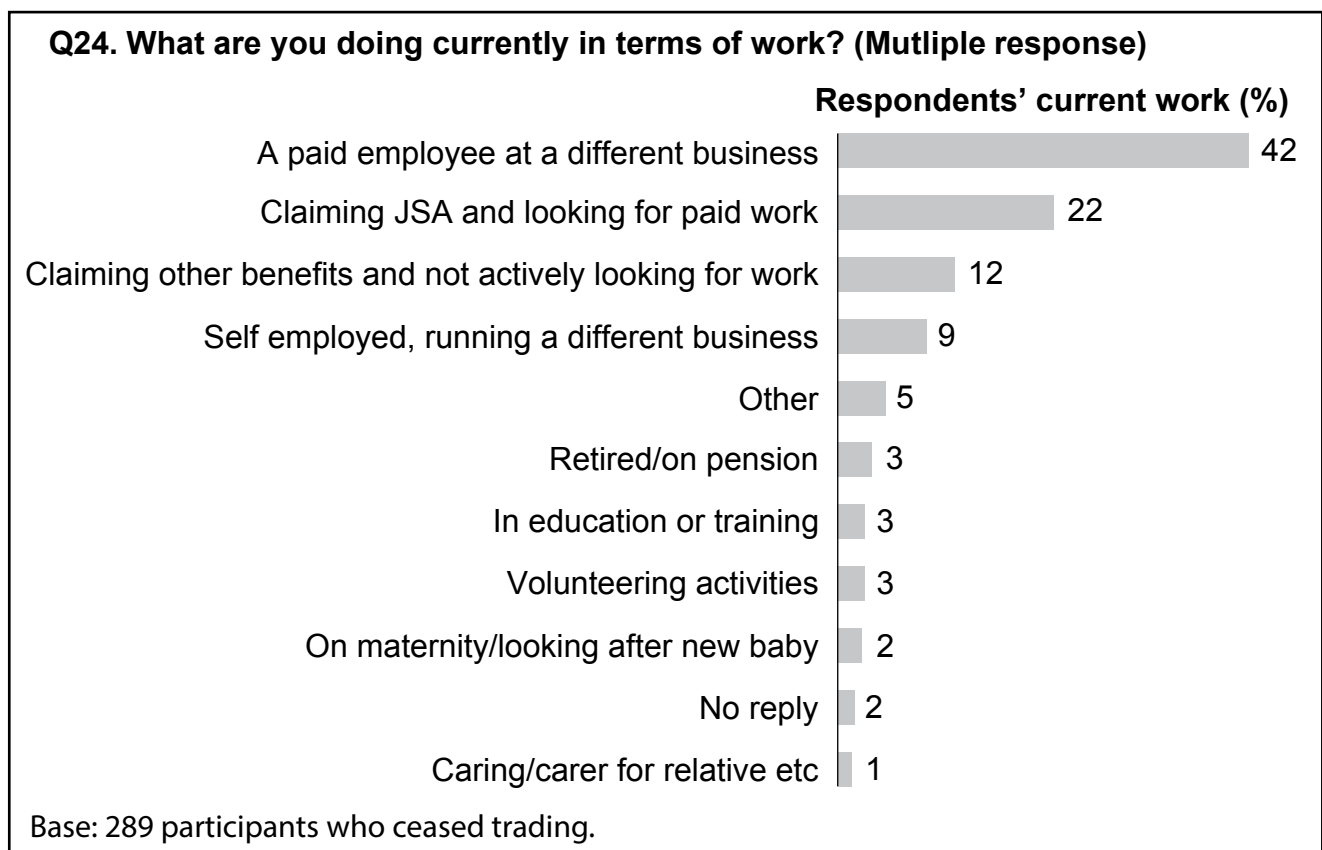
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employment again was 64 per cent, whilst 17 per cent felt they would not and 18 per cent were unsure. This suggests a notable proportion of those who had tried running their own business are keen to do so in future, despite their businesses not necessarily having been successful on this occasion.

5.4.3 Destinations of those who ran businesses no longer trading

Those who had commenced trading but were no longer doing so were asked what they were currently doing in terms of work, so as to investigate the destinations of this group. As Figure 5.10 shows, at the time of the survey just over two in five (42 per cent) of this group were in paid employment at a different business than the one they had started. Just over a third (34 per cent) had reported a return to claiming benefits, with 22 per cent claiming JSA and looking for work and 12 per cent claiming other benefits but not actively looking for work. Just under one in ten (9 per cent) were self-employed, having started a different business, while relatively small proportions of the 'no longer trading' group had retired, were in education or training, were volunteering, were on maternity leave, or were undertaking caring responsibilities.

Figure 5.11 Current activity of those starting businesses but no longer trading



The small number of this group providing 'other' responses tended to have some form of illness preventing them from working, but reported that they were not, at the time of the survey, claiming benefits as a result of this. Similarly, some of this group were either looking for work or economically inactive but reported that they were not claiming benefits.

6 Conclusions and issues for consideration

This final chapter sets out some overall concluding observations from the survey with New Enterprise Allowance (NEA) recipients. The report concludes by presenting a series of issues for consideration.

6.1 Concluding remarks

The preceding chapters illustrate that the NEA scheme can play an important role in supporting individuals off benefits and into self-employment. NEA is supporting individuals with a range of backgrounds in terms of qualifications and prior experience or understanding of self-employment. The NEA scheme is also providing a route into employment for individuals who otherwise may find it difficult to enter the labour market, such as the longer term unemployed and others with caring responsibilities or health conditions where a more flexible work option is preferred.

A wide range of businesses were started through the NEA scheme across almost all sectors. NEA-supported businesses often operate on a freelance model, with individuals running businesses delivering services they have previously undertaken as employees. The prevalence of 'craft businesses' is also interesting, commonly reflecting the choice to develop a hobby or unpaid interest into a business. These types of micro-businesses, while not necessarily being large or with high growth potential, are common in terms of UK business start-ups in general according to available data from the Creative and Cultural Skills Sector Skills Council, so their prevalence should be taken in this context.

The same is true of the evidence showing that the majority of businesses supported under the NEA are small, both in terms of turnover and number of employees. Despite the prevalence of single employee businesses, there are clearly some NEA supported start-ups that are expanding and generating employment opportunities for others. Equally, the common desire of those running the businesses to expand and grow is worth noting.

The finding that four in five NEA supported businesses (80 per cent) were still trading at the time of the survey, the vast majority of these having done so for 12 months or more, is perhaps particularly noteworthy. Where business failure has occurred, this is predominantly due to insufficient income being generated, and it is unsurprising therefore that many respondents whose businesses ceased trading are now working as a paid employee in another business. Positively, however, a notable proportion of those who had tried running their own business are keen to do so in future, despite their businesses not necessarily having been successful on this occasion. This suggests that the NEA might also act as a lasting catalyst for a desire to engage in entrepreneurship in the future.

The NEA scheme as a whole was valued by a notable proportion of respondents in supporting them to start their own business. Even those who reported they would have started the business anyway, irrespective of NEA support, were positive about aspects of the scheme, variously reporting that the support provided a quicker route to self-employment and ensured they were more prepared. Given that a large proportion (66 per cent) did not

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access any additional support other than the business mentoring, and payment of the weekly allowance, suggests that, for most, the NEA scheme provided appropriate and sufficient support.

6.2 Issues for consideration

The findings from the survey highlight the following issues for consideration:

- Jobcentre Plus Work Coaches should continue to raise awareness of the scheme where a claimant is genuinely interested in the self-employment route. The flexibility of this option makes it attractive to those with caring responsibilities or health conditions and outcomes have shown successful businesses can be sustained by individuals facing these circumstances. Continued eligibility for these, and other, claimant groups should be considered.
- The low take up of the loan element and the associated reporting of the issue of a lack of credit or capital as a reason for business failure suggests more could be done to support NEA participants in accessing capital support.
- Further attention might be given as far as possible to matching mentors who are able to provide sector specific or other relevant experience in a similar or related type of business to that proposed by the participant.
- The support provided by NEA providers and mentors once trading has commenced could be enhanced by the provision of advice or training on specific themes such as tax returns, IT or social media.
- A more structured programme of catch-ups between participants and mentors or providers once businesses have started trading would be welcomed by participants as a source of ongoing support or encouragement.

Appendix A

Additional methodological detail

This annex details the methodology used for the telephone survey of participants receiving support to start a business under the Department for Work and Pensions' (DWP) New Enterprise Allowance (NEA) provision. The survey of NEA recipients was conducted by Ecorys between May and July 2015, with respondents being drawn from a sample receiving the allowance between November 2013 and April 2014. The focus of the survey was on determining the extent to which NEA recipients go on to start their own businesses, and the sustainability and characteristics of these start-ups.

A.1 Questionnaire design

The specific research questions developed by DWP in the research specification, in addition to Ecorys' existing knowledge of the NEA scheme gained from our qualitative evaluation of the NEA,¹⁹ provided the basis for development of the survey questions. The draft questionnaire was developed in consultation with the DWP research team and included a mixture of open and closed questions. It was subsequently piloted with 30 respondents and only minor changes to question phrasing were made before the main stage fieldwork. A full version of the questionnaire, including routing instructions, can be found in Appendix B. In summary, the questionnaire covered the following areas:

- Background questions – Previous experience and knowledge of self-employment, type of business.
- Experiences of the NEA scheme.
- Businesses that did not start – reasons for business failure and likelihood of future self-employment.
- Businesses that ceased trading – length of trading period, turnover, access to finance, reasons trading had ceased, critical aspects of NEA, likelihood of future self-employment.
- Businesses that continue to trade – length of trading period, turnover, employee profile, expansion and growth plans, access to finance and support, critical aspects of NEA.
- Demographics.

A.2 Sample

The sample was drawn from those claiming the allowance between November 2013 and April 2014. Given the focus on gathering evidence about the sustainability of businesses, these dates were chosen in order that the vast majority of survey respondents would have been likely to have started their business at least 12 months before the survey fieldwork took place, with some potentially having been trading for around 18 months by this point.

¹⁹ Atkinson, I., Barham, J. and McKenna, K. (2013). *New Enterprise Allowance: Qualitative Evaluation*, DWP Research Report No.836, DWP.

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The survey sample frame was produced from a database provided by DWP; this included 11,539 records drawn from all participants recorded as having been in receipt of the NEA weekly allowance between November 2013 and April 2014. On receipt of the sample, records were reviewed to identify sample quality, removing any records with incomplete or missing details.

A.3 Pilot stage

A piloting exercise was undertaken in March 2015 to test the wording, length and flow of the questionnaire. The pilot also tested the approach to achieving co-operation. One hundred and fifty records were randomly drawn from the full sample frame in order to conduct the pilot survey. These individuals were sent an advance opt-out letter. Following a period of two weeks, to allow respondents to contact Ecorys to opt out, 30 pilot interviews were then undertaken.

The piloting exercise did not lead to any changes to the opt-out process or highlight any potential issues in respect of recruiting to the main stage fieldwork. Only minor changes were made to the questionnaire following the pilot in terms of adding additional 'Don't know/No response' categories to a small number of questions.

A.4 Main stage fieldwork

A4.1 Sampling

For the main survey, a sample frame of 5,653 individuals was randomly selected from the remaining records on the database. Random sampling was used in the absence of information on, for example, ethnicity or whether businesses are still running.

A4.2 Opting out

Ecorys sent an advance letter on behalf of DWP to all participants selected from the full sample. The letter provided details of the survey, its purpose, the treatment of any data gathered, and provided the opportunity to opt out through email, telephone or return of a slip to a Freepost address provided. The letters were sent out around two weeks before the start of fieldwork, to give participants the opportunity to opt out of the survey. Following removal of opt-outs the remaining records for both the pilot and main survey were then randomly sorted to provide an equal chance of participants being contacted by the interviewers.

A4.3 Fieldwork

Ecorys interviewed 1,500 participants in total, as initially planned, between 29 May and 1 July 2015. The survey sought to engage three categories of respondent, although no quotas were set:

- Those whose businesses did not start.
- Those who started a business but trading ceased.
- Those who started a business and continued to trade at the time of the interview.

The interviews lasted 20 minutes on average – interviews took longer for those whose businesses were still trading.

Interviewers were briefed by the Ecorys Survey Lead and received a set of interviewer instructions which contained information on the background to the survey, including the aims and objectives and the detail of the questionnaire and CATI²⁰ script.

Quality control during survey implementation was immediate using the automated system and run in conjunction with the fieldwork. Ecorys' Survey Lead 'listened in' to a random selection of interviews to check that all briefing instructions were being followed. Similarly, quality monitoring also involved 'watching' interviews being completed on screen, again to check that all instructions and routings were followed effectively.

A4.4 Response rates

The response rate achieved for the main survey relative to the overall sampling frame of 5,653 was 27 per cent. When adjusted to account only for the 'valid' sample (those not screened out due to, for example, having no recall of the provision and who were contactable), the adjusted response rate was 31 per cent. The response table from the main body of the report is provided here for convenience.

Table A.1 Sample frame and outcome

Final sample status	Total sample used (N)	Total sample used (%)	Valid sample (%)
Valid sample			
Total valid sample	4,818	86%	100%
Live sample remaining	2,466	44%	52%
Refusal	492	9%	10%
Unreachable	360	6%	7%
Achieved interviews	1,500	27%	31%
Invalid sample			
Unusable	781	14%	
Ineligible	29	0.5%	
Other	25	0.4%	
Total invalid sample	835	14%	

A4.5 Data coding and processing

Coding was conducted for 13 open-ended questions (Q8, Q9, Q11a, Q16b, Q22, Q23a, Q23b, Q25b, Q28b, Q35, Q36, Q37a and Q37b). Code frames were prepared by the survey team following completion of the survey through manual content analysis and checked and approved by the research team. Staff also checked verbatim answers entered by interviewers at the 'other – please specify' questions (Q7, Q10, Q13b, Q15, Q20b, Q21, Q24, Q28a, Q32, Q39) and the final survey question (Q42) which asked for any final comments. In places in the report, the responses made by individual respondents to open questions are presented as verbatim quotes to illustrate the points or results being presented.

²⁰ Computer-Assisted Telephone Interviewing.

A4.6 SPSS data file and analysis

A final data file was produced containing data relating to the interview questions and derived variables and categories. Survey data was analysed using the SPSS statistical package. To check whether weighting was necessary to correct for potential non-response bias amongst those with particular characteristics,²¹ the profile of those who took part in an interview was compared with the profile of all NEA participants in the initial database received from DWP. Checks on the representativeness of the sample were also made based both on the latest statistical release concerning the NEA²² and the profile of participants at the time the survey participants were engaged on the scheme.²³ This confirmed that the achieved sample was similar, in terms of key characteristics such as age, gender and ethnicity, to known information about those receiving mentoring support and those starting businesses through the scheme. Therefore it was not necessary to apply any weighting. This contributes positively to the extent to which the results can be generalised to those receiving the weekly allowance as a whole. As such it provides a good degree of confidence that the results presented are generally representative of NEA participants receiving an allowance. Where non-responses were recorded for individual questions in the survey, these were excluded from the valid responses used for analysis.

A4.7 Statistical reliability

The research participants are only a sample of the total 'population' of participants who completed the NEA scheme, so we cannot be certain that the figures obtained are exactly those we would have if all participants in our time period of interest had been interviewed (the 'true' values). However, the variation between the sample results and the 'true' values can be predicted from the knowledge of the size of the samples on which the results are based and the number of times that a particular answer is given. The confidence with which this prediction can be made is usually chosen to be 95 per cent – that is, the chances are 95 in 100 – or 19 in 20 – that the 'true' value will fall within a specified range. The table below illustrates the predicted ranges for different sample sizes and percentage results at the '95 per cent confidence interval'.

²¹ Non-response bias concerns the potential for errors to occur in surveys if the answers of respondents differ, or are likely to differ, from the potential answers of those who did not answer. This can occur, for example, if the characteristics of respondents who do respond, such as gender, are different from those who do not.

²² Department for Work and Pensions (2015). *Great Britain New Enterprise Allowance quarterly official statistics: April 2011 to June 2015*, DWP.

²³ Department for Work and Pensions (2014). *Great Britain New Enterprise Allowance quarterly official statistics: April 2011 to March 2014*, DWP.

Table A.2 Predicted ranges for sample sizes and percentage results at the '95 per cent confidence interval'

Size of sample on which survey result is based	Approximate sampling tolerances applicable to percentages at or near these levels		
	10% or 90%	30% or 70%	50%
	+	+	+
100 interviews	6	9	10
375 interviews	3	4	5
750 interviews	2	3	3
1,500 interviews	1	2	2

For example, with an effective base size of 1,500, where 50 per cent who started give a particular answer, the chances are 19 in 20 that the 'true' value (which would have been obtained if the whole of this population had been interviewed) will fall within the range of ± 2 percentage points from the sample result (i.e. between 48 per cent and 52 per cent).

When results are compared between separate groups within a sample, for example different genders, different results may be obtained. The difference may be 'real', or it may occur by chance (because not everyone in the population has been interviewed). To test if the difference is a real one – i.e. if it is 'statistically significant', we again have to know the size of the samples, the percentage giving a certain answer and the degree of confidence chosen. If we assume '95 per cent confidence interval', the differences between the results of two separate groups must be greater than the values given in the table below.

Table A.3 Difference required for significance

Size of samples compared	Differences required for significance at or near these percentage levels		
	10% or 90%	30% or 70%	50%
	+	+	+
100 and 100	10	13	14
250 and 500	5	7	7
750 and 750	3	4	4

A4.8 Reporting of results

Statistical significance

As above, it should be remembered that final data from the survey are based on a sample, rather than the entire population of NEA beneficiaries. Therefore, results are subject to sampling tolerances; where differences are reported they are statistically significant at the 95 per cent confidence level.

Reporting conventions

Where percentages do not sum to 100 per cent, or to aggregated scores, this may be due to computer rounding, or when questions allow multiple answers. In presenting the analysis, figures are rounded to the nearest whole percentage point. Verbatim quotes derived from open response questions are presented where appropriate to illustrate the points being made or results being discussed.

Appendix B

Final questionnaire

NEA participant survey

Please can I speak to [NAME FROM SAMPLE]? IF NOT AVAILABLE SEEK AN APPOINTMENT TO CALL BACK.

I am calling from Ecorys; we are an independent research company doing a survey on behalf of the Department for Work and Pensions. The survey is intended to gather feedback from a range of individuals who have participated in the New Enterprise Allowance self-employment scheme. This is a scheme arranged by the Jobcentre to help people start their own business.

I understand you have been on the New Enterprise Allowance scheme and received an allowance to help with your business from [INSERT DATE], is that correct? [CHECK DETAILS FROM SAMPLE TO PROCEED]

The purpose of this survey is to find out how you have got on with the scheme and whether you are still trading. It will help DWP improve the way the scheme is delivered. Could you spare 20 minutes to answer a few questions about this scheme? ADD IF NEEDED: This research will help the Department to support participants in future. We are interested in businesses that have continued to trade, those that have closed, and those that did not commence trading following receipt of the allowance. Your feedback will be very helpful and all responses will be anonymous.

IF YES – PROCEED/MAKE SOFT/HARD APPOINTMENT TO CALL BACK

IF NO – THANK AND CLOSE

Section A: Background questions

ASK ALL

1. **Before you received assistance through the NEA to start a new business/ become self-employed, which of the following best described your situation. Were you ...**
 - Employed
 - Unemployed
 - Not looking for work
 - In education or training
2. **How long had you been unemployed or not looking for work before you received support from NEA? (Single code)**
 - 0 to 3 months
 - 3 to 6 months

- 6 to 12 months
- 1 to 2 years
- 2 or more years

3. What benefits were you claiming before starting NEA?

- Jobseeker's Allowance
- Employment Support Allowance
- Income Support
- Universal Credit – Go to Q3a
- Other benefits (Housing Benefit etc.)

3a. (Only those claiming UC) Did you have any requirements to attend the Jobcentre or look for work?

- Yes
- No
- Don't know

4. What was the highest level of qualification you held before you started on the NEA scheme? (Single code)

Secondary Education (GCSE/O-Levels)

Post-Secondary Education (College, A-Levels, NVQ3 or below, or similar)

Vocational Qualification (Diploma, Certificate, BTEC, NVQ 4 and above, or similar)

Undergraduate Degree (BA, BSc etc.)

Post-graduate Degree (MA, MSc etc.)

No qualification

5. Did you have any previous experience of running your own business before starting the business under the NEA scheme? (Single code)

- Yes
- No

6. Do you have close family or friends who run their own business? (Single code)

- Yes
- No

7. When you joined the NEA scheme, what were the principle reasons for choosing this self-employment route? (Read out and select all that apply)

- There were too few jobs locally for me to apply for
- There were few jobs that were suitable for my skills and experience
- I had a business idea I wanted to pursue

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- I had a hobby I wanted to turn into a business
 - I wanted a work option that fitted with my caring responsibilities
 - I wanted a work option that allowed me to manage a health condition
 - I wanted a work option that provided a better work/life balance
 - I wanted to work from home
 - I wanted a less stressful job
 - I wanted the freedom and independence of being my own boss
 - Other (please specify)
8. **What products or services did you deliver through the business you started or planned to start under the NEA scheme?**
9. **And what sector/industry would you say this business was in?**
10. **Why did you choose the particular sector/industry for your business that you did? (Read out and select all that apply)**
- I had relevant qualifications for that sector
 - I had worked previously in that sector
 - I had an interest in that sector through a hobby or unpaid work
 - I saw a gap in the market/opportunity in that sector
 - Other (please specify)

Section B: Participating in NEA

ASK ALL

11. **Did the Jobcentre arrange for you to have support to develop your business plan from a mentor or business advisor as part of the NEA scheme? These meetings would have happened outside of the Jobcentre? (Single code)**
- Yes – Go to Q11a
 - No – go to Q13
 - Don't know/can't recall – go to Q13
- 11a. **How many meetings or contacts did you have with this mentor or advisor?**
12. **How helpful was the support from this NEA mentor in developing your business plan? (Single code)**
- Very helpful
- Fairly helpful
- Not very helpful
- Not at all helpful

Don't know

Can't remember/too long ago

13. Did you access any other business support or advice (other than from the mentor arranged through NEA) at the time of developing your business plan? (Single code)

- Yes – go to 13b
- No – got to Q14
- Can't remember/too long ago – go to Q14

13b. – If yes, what was this support/advice? (Select all that apply)

- Contacted the BIS/Business Link helpline
- Support from another business advisor
- Support from a local business support programme or organisation
- Support from a local entrepreneurs group
- Support from a local business organisation (e.g. Chambers of Commerce, Federation of Small Businesses)
- Support or advice from friends or family
- Online resources
- Other (please specify)

14. In order that we ask you relevant questions from this point on, can I confirm whether the business you developed with support from NEA started trading? By trading we mean you got to a point with your business that you advertised goods/services?

- Yes – go to Q14b
- No – did not start trading – go to Q15

14b. If yes, is your business still trading?

Yes – still trading – go to Q26

No longer trading – go to Q17

Section C: Business did not start trading

15. What were the main reasons that your NEA business did not start trading? (Select all that apply)

- I found alternative work as an employee
- I started another business
- I had difficulty getting credit/capital to support the business
- I found it difficult to run the business alongside my caring or other family responsibilities

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- I suffered ill health
- I discovered there was no market for the services/products I offered
- Other (please specify)

16. At any point in the future, do you think you would start and run another business? (Single code)

- Yes
- No
- Don't know

16b. Why would you say that?

GO TO Q38

Section D: Businesses no longer trading

17. How long did the business trade for? By trading we mean the length of time you advertised goods/services (Single code)

- Less than 1 month
- 1 month and less than 6 months
- 6 months and less than 12 months
- 12 months or more

18. What were your average monthly turnover/earnings/takings/income from your business when it was trading? This is the total amount of income that came into the business before paying any expenses or wages. If your business had seasonal variations in earnings, try to think of an average month.

- Up to £500
- £501– £1,000
- £1,001–£2,000
- £2,001–£5,000
- £5,001–£10,000
- Over £10,000
- Don't know

19. As part of the scheme did you apply for a.....?

- Loan through the NEA scheme – Go to Q19a
- BIS start up loan – Go to Q19a
- Neither – Go to Q20
- Don't know/can't recall – Go to Q20

- 19a. Were you successful in your application? (Response from 19 carried forward – Single code)**
- Yes
 - No
- 20. Did you seek any additional finance for your business while you were trading? (Single code)**
- Yes – go to 20b
 - No
 - Can't remember/too long ago
- 20b. – If yes, what was the source of this finance?**
- Loan or credit from a high street bank
 - Finance from an other type of organisation (please specify)
 - From friends or family
 - Personal savings
 - Other (please specify)
- 21. What were the main reasons your business stopped trading? (Select all that apply)**
- I found alternative work as an employee
 - I started another business
 - The business didn't earn enough to live on
 - I had difficulty getting credit/capital to support the business
 - I found it difficult to run the business alongside my caring or other family responsibilities
 - I suffered ill health
 - Other (please specify)
- 22. What could have been done through NEA to help your business continue to trade (if anything)?**
- 23. Do you think you would have started the previous business without NEA support? (Single code)**
- Yes – go to 23a
 - No – go to 23b
 - Don't know
- 23a. Why do you say that?**
- 23b. What was it about the NEA scheme that was particularly helpful that meant you wouldn't have started the business without the NEA support?**

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24. What are you doing currently in terms of work? (Select all that apply)

- A paid employee at a different business
- Self employed, running a different business
- Claiming JSA and looking for paid work
- Claiming other benefits and not actively looking for work (please specify)
- Volunteering activities
- In education or training
- Other (please specify)

25. At any point in the future, do you think you would start and run another business? (Single code)

- Yes
- No
- Don't know

25b Why would you say that?

GO TO Q38

Section E: Businesses that continue to trade

26. How long has your business now been trading for? By trading we mean the length of time you advertised goods/services (Single code)

- Less than 1 month
- 1 month and less than 6 months
- 6 months and less than 12 months
- 12 months or more

27. What are your average monthly turnover/earnings/takings/income from your business? This is the total amount of income that came into the business before paying any expenses or wages. If your business has seasonal variations in earnings, try to think of an average month.

- Up to £500
- £501–£1,000
- £1,001–£2,000
- £2,001–£5,000
- £5,001–£10,000
- Over £10,000
- Don't know

28. Other than yourself, has anyone else worked for your business (either paid or unpaid) since you started trading? (Single code)

- Yes – go to Q28a.
- No – go to Q29

28a. If yes, was this...

- Paid employees – go to Q 28b
- Paid work by family or friends
- Unpaid employee/volunteer
- Unpaid work by family or friends
- Other (please specify)

28b. How many paid employees do you have?

29. Has your business changed in any of the following ways since you started trading?

	Yes
Employed paid staff	
Turnover has increased	
The volume of sales has increased	
The product or service offered has changed	
The customer base has expanded	

30. Do you plan to pursue any further changes to your business in the next few years?

	Yes
Employ (more) paid staff	
Increase the turnover of the business	
Increase the volume of sales/business	
Diversify the product or service offered	
Expand the customer base	

31. Which one of the following best describes growth target over the next few years? (Single code)

- Expand significantly
- Expand moderately
- Remain at present size
- Reduce size
- No growth targets
- Don't know

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32. Once you started trading, did you access any ongoing support or advice? (Select all that apply)

- Ongoing or ad hoc support from the mentor
- Support from the initial organisation you were referred to for NEA
- Other business support (please specify)
- Other (please specify)
- None

33. As part of the scheme did you apply for a...?

- Loan through the NEA scheme – Go to Q33a
- BIS start up loan – Go to Q33a
- Neither – Go to Q34
- Don't know/can't recall – Go to Q34

33a. Were you successful in your application? (Response from 33 carried forward – Single code)

- Yes
- No

34. Have you sought any additional finance for your business since you've been trading? (Single code)

- Yes – go to 34a
- No
- Can't remember/too long ago

34a. If yes, what was the source of this finance?

- Loan or credit from a high street bank
- Finance from an other type of organisation (please specify)
- From friends or family
- Personal savings

35. What would you say is the most important factor that has kept your business trading?

36. What (if anything) could be done through NEA to help your business continue to trade or expand?

37. Do you think you would have started the business without NEA support? (Single code)

- Yes
- No
- Don't know

37a. Why do you say that?

37b. What was it about the NEA scheme that was particularly helpful that meant you wouldn't have started the business without the NEA support?

GO TO Q38

Section F: About You

And finally, can I ask a few questions about you.

38. What is your ethnic group? (Single code)

White	
1. English/Welsh/Scottish/Northern Irish/British	
2. Irish	
3. Gypsy or Irish Traveller	
4. Other White	
Mixed/Multiple ethnic groups	
5. White and Black Caribbean	
6. White and Black African	
7. White and Asian	
8. Any other Mixed/Multiple ethnic background, please describe	
Asian/Asian British	
9. Indian	
10. Pakistani	
11. Bangladeshi	
12. Chinese	
13. Any other Asian background, please describe	
Black/African/Caribbean/Black British	
14. African	
15. Caribbean	
16. Any other Black/African/Caribbean background, please describe	
Other ethnic group	
17. Arab	
18. Any other ethnic group, please describe	

39. What is your gender? (Single code)

- Male
- Female
- Other (please specify)

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40. How old are you?

- 18–24 years old
- 25–34 years old
- 35–44 years old
- 45–54 years old
- 55–64 years old
- 65 years or older

41. Do you have any long-term illness or health problem which limits your daily activities or the work you can do? (Single code)

- Yes
- No

42. Is there anything else you would like to say about the NEA scheme?

The survey is now complete. Thank you for your time

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