



New Enterprise Allowance Survey

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This summary presents the key findings from a survey of participants receiving support from the Department for Work and Pensions' (DWP) New Enterprise Allowance (NEA) scheme. The NEA scheme is 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. Since its inception, the NEA has comprised two core elements; mentoring and business support delivered by external contractors to assist participants in developing a business plan, and financial assistance in the form of an NEA weekly allowance administered by Jobcentres.

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 addressed 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 or have plans to? To what extent are business start-ups under NEA sustained?
- What are 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?

The following sections provide key findings regarding these research questions.

Key findings

Background characteristics of respondents

Amongst the survey respondents, 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. This respondent profile largely matches the most recent programme statistics concerning those receiving NEA support.

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) that 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.

The findings from the survey highlight a number of issues for consideration in respect of the ongoing operation of the scheme. It is suggested that focus should be given to ensuring that Jobcentre Plus Work Coaches continue to raise awareness of the scheme to those claimants genuinely interested in the self-employment route, and to those whose circumstances due to health issues or caring responsibilities make this flexible option attractive. More might also be done to support NEA participants in accessing capital support for their businesses (through the BIS start-up loan scheme). 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. In addition, a more structured programme of catch-ups between mentors and participants would be likely to be welcomed by participants as a source of ongoing support or encouragement.

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The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 911003 18 2. Research Report 915. January 2016).

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