



BRIEFING PAPER

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New Enterprise Allowance

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Summary

The New Enterprise Allowance (NEA) provides support to unemployed people who want to start their own business in Great Britain. It also supports people who are currently self-employed, and getting Universal Credit, to develop their business. Participants receive support from a business mentor and can access financial support.

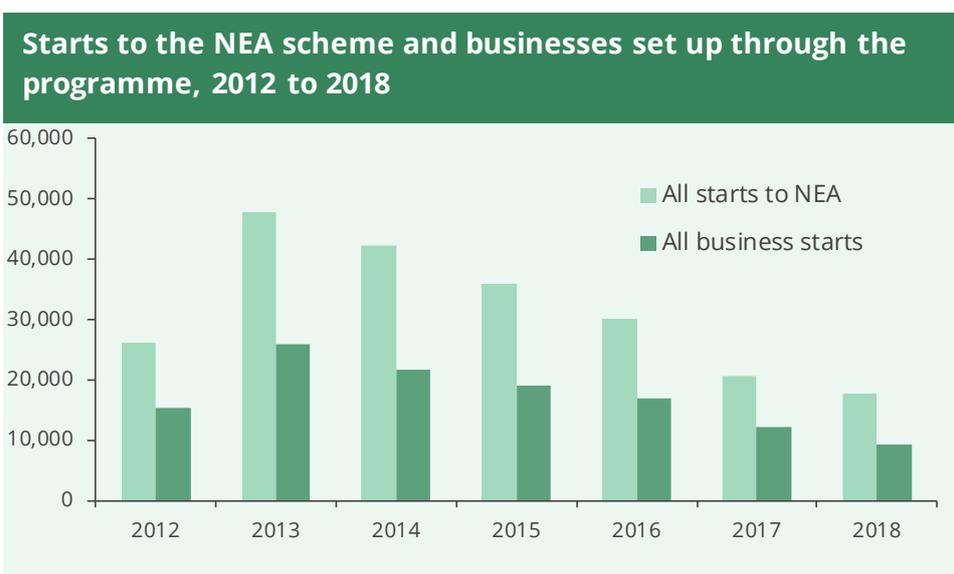
To receive this support a claimant with a new business idea needs to contact their Jobcentre Plus (JCP) Work Coach. The Work Coach will refer eligible claimants to a contracted provider organisation who will undertake an initial assessment of the business proposal. If this is accepted, then the provider organisation will provide a business mentor who will work with the claimant to put together a business plan. If the plan is approved at the end of the mentoring phase then the individual can access financial support once they stop claiming benefit:

- a weekly allowance of £65 a week for 13 weeks and then £33 for the following 13 weeks (a total of £1,274 over 26 weeks).
- If participants need help with start-up costs, they may be able to access a loan of up to £25,000.

They will also be able to continue to get advice and assistance from their business mentor for a further 12 month period.

Take-Up

Between April 2011 and December 2018, there were 230,000 starts to NEA by 204,000 individuals. Over the same period, 126,000 businesses have been set up through the scheme by 123,000 individuals. The number of starts has been decreasing since 2013, although this will be at least partly due to the fall in the number of eligible claimants during this period.



1. New Enterprise Allowance

1.1 How it works

The New Enterprise Allowance (NEA) provides support to unemployed people who want to start their own business in Great Britain. It also supports people who are currently self-employed, and getting Universal Credit, to develop their business. Participants receive support from a business mentor and can access financial support.¹

Those claimants who have a new business plan approved will receive financial support worth £1,274 over a 26 week period. This consists of:²

- A weekly allowance of £65 a week for 13 weeks.
- £33 for the following 13 weeks (a total of £1,274 over 26 weeks).

Participants can also apply for a Start-Up Loan.

1.2 Eligibility

The scheme is open to Jobseeker's Allowance (JSA) and Employment Support Allowance (ESA) claimants and their partners (both the claimant and their partner need to be aged 18 and over). It is also open to some Universal Credit claimants.

Those receiving Income Support can also access NEA if they are a lone parent, or are sick or disabled.³

Furthermore, self-employed people who are getting Universal Credit may be eligible to get support from the programme to develop their business. Claimants may be eligible if their income is below the [Minimum Income Floor](#).

Participants on the [Work and Health Programme](#) are not eligible for the NEA. Support with self-employment is instead delivered by the Work and Health Programme provider. The dependent partner of a claimant on this programme is eligible for NEA.⁴

1.3 Process for a claimant to receive support for a new business

To receive this support a claimant with a new business idea needs to contact their Jobcentre Plus (JCP) Work Coach. The Work Coach will undertake an **initial check** of the business idea and check that they are eligible for the allowance.

JCP Work Coaches will refer eligible claimants to a **Link Up: Start Up compulsory workshop**. This workshop will provide an overview of the

¹ Gov.uk, [Help with moving from benefits to work, Starting or running your own business](#)

² DWP, [New Enterprise Allowance phase 2 provider guidance](#), August 2018, p42

³ Ibid, p6

⁴ Ibid, pp 7-8

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“impact, commitment and responsibilities of being self-employed’ and is compulsory for new businesses.⁵

For those claimants who still want to take their proposal forward following the workshop, the JCP will arrange a one to one, face to face **Initial Assessment** with a provider organisation. The claimant’s business proposition will be assessed in this meeting, with the provider organisation considering whether the claimant is likely to be able to put together a robust business plan and whether the claimant has a “reasonable” chance of launching a business.⁶

If the provider organisation accepts the claimant onto the programme, then the claimant begins a 12-week **Mentoring Phase**. During this phase the provider organisation will provide a business mentor for the claimant, and the mentor will support them to develop a business plan. These business plans must demonstrate the viability of the business idea and include a full breakdown of start-up and on-going costs.⁷

Following the mentoring phase, the provider organisation will review the submitted business plan as part of the **Approval Process**.⁸

If the plan is agreed, then the claimant progresses onto an optional 13-week **Business Development Phase**. They can use this period to further develop their business idea and apply for a start-up loan. During the 13 week period the claimant needs to start trading, and stop claiming benefit.⁹

Once they have **commenced trading** and ceased claiming benefit, they will start to receive the NEA weekly allowance. Business mentors will continue to be available to provide advice and assistance to the individual during the first 52-weeks of their new business.¹⁰

Start-Up Loan

Those people who are currently participating in the NEA scheme, or participated in it within the last 10 months, can apply for a **Start-Up Loan**. Participants can apply for a loan amount between £500 and £25,000 using their approved business plan.

The Start Up Loan application is separate from the NEA process, so having a business plan approved does not mean that someone will automatically be eligible for the loan. Whether the loan is approved will also depend of credit worthiness, affordability and overall business viability.¹¹

Loans have an interest rate of 6% fixed per annum and terms are available from 1 to 5 years. There are no set-up fees.¹²

⁵ DWP, [New Enterprise Allowance phase 2 provider guidance](#), August 2018, p

⁶ Ibid, pp 22-23

⁷ Ibid, pp 33-35

⁸ Ibid, p39

⁹ Ibid, pp 40-41

¹⁰ Department for Work and Pensions (DWP), [New Enterprise Allowance Official Statistics](#), 21st December 2016, p2

¹¹ Start Up Loans, [Frequently asked questions](#)

¹² Start Up Loans, [Loan repayment calculator](#)

1.4 Process for a Universal Credit claimant to receive support to develop a business

The process for a Universal Credit claimant to gain support for developing their business is the same as the process for those who are setting up a new business, except they do not attend a Link Up: Start Up workshop.¹³

At the mentoring stage, support will be provided to put together a Business Development and Growth Plan. This plan will outline how the participant aims to increase earnings from their business to at least the Minimum Income Floor.¹⁴

The provider organisation will then review the Business Development and Growth Plan during the Approval Process.

Those participants who have their plan approved will have access to Mentoring support for 52 weeks, and will be able to apply for a Start Up Loan if the business is less than 2 years old.^{15 16}

1.5 Expansion of scheme

The NEA was initially rolled out across Great Britain between April and August 2011, following a 'trailblazer' in Merseyside in January 2011.¹⁷ The scope of the scheme has been expanded several times since it was first announced.¹⁸

From April 2017 the mentoring support offered on the New Enterprise Allowance scheme was extended to self-employed Universal Credit claimants.¹⁹

¹³ DWP, [New Enterprise Allowance phase 2 provider guidance](#), August 2018, p16

¹⁴ Ibid, p37

¹⁵ Ibid, p42

¹⁶ Gov.uk, [Starting or developing your own business](#)

¹⁷ DWP press release, [Massive expansion of business opportunities for the unemployed as Grayling pledges to get Britain working again](#), 31 January 2011

¹⁸ Department for Work and Pensions (DWP), [New Enterprise Allowance Official Statistics](#), 21st December 2016, p9

¹⁹ [HC 20 February 2017, Volume 621.](#)

2. Statistics

Between April 2011 and December 2018, there were 230,000 starts to NEA by 204,000 individuals. Over the same period, 126,000 businesses have been set up through the scheme by 123,000 individuals.²⁰

During 2018 there were 17,500 starts to the NEA. The number of starts has been decreasing since 2013, although this will be at least partly due to the fall in the number of eligible claimants during this period.

There was a large increase in take-up after October 2012, when eligibility was widened to include people claiming JSA for less than six months.

Starts to the NEA scheme and businesses set up through the programme, 2012 to 2018



Source: DWP New Enterprise Allowance Statistics

Notes: 2018 new business figures are provisional and are likely to change as its may take up to 6 months for a participant to set up a business after starting on NEA

Cost

In the financial year 2017/18, the NEA cost £22.1 million. This is down from £29.1 million in the previous financial year, and £58.8 million in 2013/14. This reduction in cost reflects the fall in starts over the same time period.²¹

2.1 NEA statistics by region

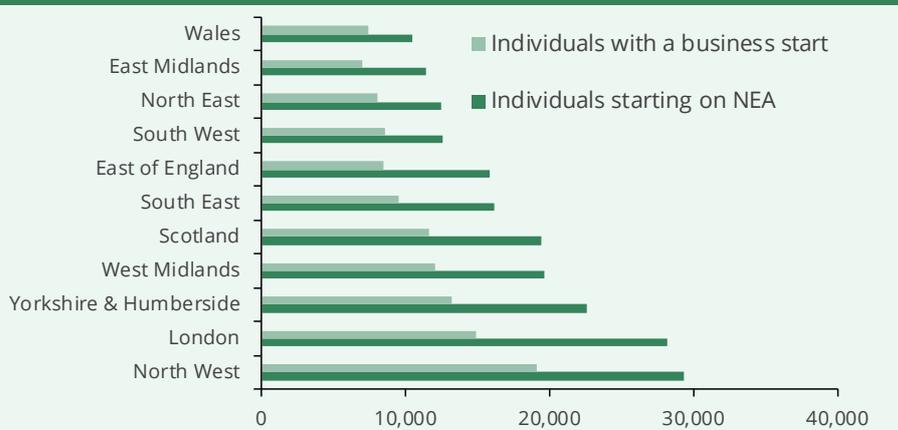
Between April 2011 and December 2018, The North West had both the highest number of individuals starting on the NEA and the highest number of individuals with a resulting business start. Wales had the lowest number those starting on NEA.

Wales had the lowest number of individuals starting on the NEA while the East Midlands had the lowest numbers of business starts.

²⁰ Department of Work and Pensions, [New Enterprise Allowance Statistics](#), April 2019.

²¹ [PQ 170295, 19 September 2018](#) [New enterprise Allowance: costs]

Regional breakdown of NEA starts and businesses set up through the programme, April 2011 to December 2018



Source: DWP New Enterprise Allowance Statistics

Notes: 2018 new business figures are provisional and are likely to change as its may take up to 6 months for a participant to set up a business after starting on NEA

2.2 NEA Statistics by age, gender, disability and ethnicity

The table below shows the demographic make-up of those who receive NEA, and those who have gone on to start a business between April 2011 and December 2018.

Breakdown of NEA participants
April 2011- December 2018

	Percentage of individuals starting NEA	Percentage of individuals with a business start
Over 25	91%	92%
18-25	8%	7%
Men	60%	59%
Women	39%	40%
Not disabled	75%	76%
Disabled	24%	23%
White	79%	81%
Black, Asian & Minority Ethnic	16%	13%

Notes: Figures omit unknowns and therefore will not add to 100%

Source: DWP, New Enterprise Allowance Statistics

2.3 Findings from the New Enterprise Allowance Survey, January 2016

A survey, conducted between June and July 2015 for the Department of Work and Pensions, looked at the extent to which NEA recipients progress to start their own business and the sustainability and characteristics of these start-up businesses. This survey included a total

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of 1,500 telephone interviews with people who had received NEA between November 2013 and April 2014.²²

Most survey respondents started a business following the receipt of NEA (94%). Of these start-up businesses, around 80% were still trading at the time of the survey. Of the respondents still trading at the time of the survey, 58% reported their monthly turnover as less than £1,000, while only 5% reported a monthly turnover above £5,000.

The most common sectors for the new businesses included retail trade and the repair of motor vehicles and motorcycles (14%), with construction (13%) and professional, scientific and technical activities (13%) also being common. Just over half (55%) of the respondents started their business in a sector in which they had prior experience or knowledge.

²² Department for Work & Pensions, [New Enterprise Allowance Survey](#), January 2016

3. Similar schemes under Labour Government 1997-2010

The previous Labour Government introduced two self-employment support schemes for the unemployed. The first was introduced as part of the New Deal welfare-to-work programmes. The second was created as part of a package of measures, called the Six Month Offer, that were introduced during the 2008/09 recession to provide additional assistance to jobseekers. These schemes were broadly similar in nature and both have now ended.²³

Self-employment option in New Deal programmes

The New Deal was a series of programmes - some mandatory, some voluntary - that gave people on benefits support in looking for work. There were a number of separate New Deal schemes, with most containing a "self-employment option".

The self-employment option offered an initial awareness session followed by a period of supported business planning with a business expert and a period of "test trading". During test trading, participants started their business while continuing to receive their benefit to help them over any initial transitional hurdles. This period lasted up to a maximum of six months.²⁴

The New Deals were replaced by the current Government's welfare-to-work scheme, the Work Programme, in the summer of 2011. This has since been replaced by the Work and Health Programme.²⁵

Self-employment credit

The Six Month Offer was announced in January 2009 as a support package for Jobseeker's Allowance claimants reaching the six month-point in their claim. It was introduced in Great Britain from April 2009 for two years in response to the recession.

As part of the Six Month Offer, someone who had been receiving Jobseeker's Allowance for at least six months²⁶ and set up as self-employed may have been eligible for a self-employment credit worth £50 a week for a maximum period of 16 weeks. This was payable once the individual ceased claiming Jobseeker's Allowance and became self-employed.²⁷ Those interested in self-employment could also receive information, advice and practical support on becoming self-employed.

The Six Month Offer, including the self-employment credit, ended in March 2011.

²³ [HC Deb 21 Jul 2009 c1324W](#)

²⁴ [HC Deb 23 Mar 2007 c1184-5W](#)

²⁵ DWP website, [Work Programme](#)

²⁶ From the 22 Feb 2010, customers in receipt of JSA for three or more months became eligible for Self Employment Credit instead of the usual six or more months.

²⁷ [HC Deb 11 Nov 2009 c571W](#)

4. Similar schemes under Conservative Government 1979-1997

Enterprise Allowance Scheme (EAS)

This scheme was available nationally from August 1983 and provided an allowance of £40 a week for up to a year for individuals aged 18-65 who wanted to start their own business and who had been unemployed for at least eight weeks. An additional condition to join the scheme was that you needed to have £1,000 of your own money (or from a bank loan) to invest in the business.²⁸ The scheme was replaced in April 1991 with a similar scheme called the Business Start Up Scheme.

Business Start Up Scheme (BSUS)

This scheme ran from April 1991 to March 1995. It replaced the Enterprise Allowance Scheme as a more flexible form of help for unemployed people who wanted to start their own businesses. It was administered by Training and Enterprise Councils (TECs). The general rule was that people had to be aged between 18 and 59 and unemployed for at least six weeks to qualify. TECs set the level of the allowance which could vary between £20 and £90 a week and last for between 26 and 66 weeks.²⁹

²⁸ For more on this scheme see: National Audit Office, [Department of Employment/Training Commission: assistance to small firms](#), 1988 [link only accessible to those on the Parliamentary network]

²⁹ Library Research Paper 05/62, [Employment and Training Programmes for the Unemployed, Vol II](#), Sep 2005, page 74

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