

How can the most disadvantaged groups benefit from enterprise?



A speech delivered by Aaron Barbour, linksUK Research & Policy Manager, on 5th March, 10am, in Blackpool, at the Prowess Annual Conference's Worklessness and Enterprise workshop.

Good morning.

To answer the question posed for this workshop 'how can the most disadvantaged groups benefit from enterprise?' to be blunt, they can't within the current government system, or at least to say it's very difficult.

I'm here to give you an outline of the benefit and tax credit systems and the role and impact that they have on women's enterprise - there is more detail in the evidence paper published today (hold up a copy); the alternatives that people turn to; and to make some recommendations for what needs to be changed.

I work for part of Community Links, which is a local charity working with over 50,000 people a year in Newham, east London - think West Ham Football Club and the Olympics – called linksUK, the national team of Community Links, which takes that local experience and knowledge and shares it with other practitioners and policy makers, such as yourselves, across the country.

We've been researching and campaigning on issues concerning the benefit and tax credit systems, employment, cash-in-hand work and enterprise for more than 10 years, because money and work are such immediate and pressing issues for the local people we work with.

OK, so a bit of context:

- 1 in 5 women enter self-employment from unemployment, compared with 1 in 15 men
- Women are twice as likely to live in poverty than men
- Benefit and tax credits comprise 1/5th of a woman's income, and only 1/10th for men

So it's even more important for women that these systems respond to and reflect the way today's labour market operates.

We know that women's businesses operate:

- Often part time
- At varying hours
- They have longer start up times, and may require longer-term support
- They do this fitting in caring responsibilities
- With variable incomes
- And frequent changes of circumstances

Becoming self-employed or starting up a business is risky business - this contrast to the low but regular income streams provided by benefit payments.

If you are self-employed or running a business on a low income you can claim benefit and tax credits.

If you are unemployed you can get help from government to move into enterprise. The primary way of doing is this if through the government's flagship programme – New Deal, which is aimed at getting the long term unemployed back into work. When it was first launched in 1997, they forgot to include any enterprise support, but quickly cobbled together the New Deal Self-Employment option in 1998.

- Take up is low on NDSE – there are no statistics from DWP for NDYP or ND50+, but on the ND25+ self-employment option there were only 1,490 people on the self-employment option in August 2008 in the whole country.

- o Women are less likely to take up the self-employment route than men. This is due to the factors I mentioned above, but it is also to do with the policy.

So in order to be eligible for ND25+ you have to be unemployed for 18 months. I don't need to tell you what people are like after this period of time. For some the period of time you can test your business called test-trading, is not long enough for some, particularly women and their issues as I mentioned earlier. And there is a very deep lack of understanding about NDSE by staff and customers alike. In fact I'd go so far as to say that very few Jobcentre Plus staff 'get' enterprise and self-employment.

There are currently very few incentives to come off benefit. Current rules trap people on benefit and therefore in poverty.

For example, if you a parent becomes self-employed they will automatically lose valuable 'passport' benefits such as free school meals and prescriptions. They will enter the quagmire that is Working Tax Credit. For example, in July 2008 HMRC had 7 million calls to their telephone 'helpline' which weren't, I repeat, weren't answered by them. No-one picked up, but plenty who needed it gave up. They will experience huge benefit withdrawal rates of up to 85%; and they will have to pay disproportionate amounts of tax in relation to their income.

So if the system does not provide the support that people need they will turn to alternatives: opting out of the system – knowingly or not.

They will seek support elsewhere:

- o Family and friends
- o Enterprise agencies
- o Specialist support like micro-credit organisations. We found in some research we conducted about five years ago with the east London micro-finance consortium, which includes Prowess flagship holders Streetcred, that not a single female client across the consortium was getting any sort of benefit.
- o Or people turn to the informal economy, running their businesses informally, with all the traps and perils involved in that. There's more about that in your yellow packs (hold up the pack)

As we all know and from what has been discussed at this conference these are uncertain times. New Deal is changing later in the year to become Flexible New Deal. Flexible because private and third sector contractors will be paid on outcomes – people moving into work; not by delivering a set of process, as they currently do, like training. However what remains unclear is what, if any, self-employment provision will be offered by these contractors.

So wrapping up what needs to change. In the National Policy Centre evidence paper (hold up) we've made a number of recommendations. Do read the paper for the details. However I'd like to share the most salient ones with you:

- o Enterprise and self-employment should be a very real avenue for anyone on any benefit and/or tax credit.
- o DWP, HMRC and BERR must integrate their benefit, tax credit and enterprise policies if they are going to really help people; and any new changes must be checked or 'proofed' for the possible interactions that these could have with the other systems.
- o JCP and HMRC must improve their administration of their systems
- o DWP and Jobcentre Plus must improve their communication and marketing, particularly around NDSE.
- o They must also change the policy of NDSE now. Unemployed people should be able to get enterprise support from day one of being unemployed; and they should look at assessing test-trade period in terms of levels of income, not time.
- o And finally, I, we cannot state strongly enough that Flexible New Deal must include specialist self-employment provision.

Thank you.

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