

Self-employment feasibility study

Targeted, rapid evidence assessment

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Contents

1	Introduction	1
2	RQ1: How is self-employment defined in the labour market data?	3
2.1	Features and characteristics of self-employment	3
2.2	Incidence of self-employment among different groups	5
2.3	Self-employment in the UK	7
3	RQ2: What are the labour market outcomes of self-employment for young people	8
3.1	Employment	8
3.2	Earnings	9
3.3	Quality of work.....	9
3.4	Business creation and performance.....	10
3.5	Sector differences.....	11
4	RQ3: How is self-employment understood by young people who are NEET or in low-paid insecure employment, and those who support them?	12
4.1	Young people’s conceptualisations of self-employment	12
4.2	Motivations for pursuing self-employment.....	13
4.3	Factors to incentivise self-employment.....	14
5	RQ4: What are the barriers and enablers to accessing self-employment for young people who are NEET or in low-paid insecure employment?	15
5.1	Business skills and knowledge	15
5.2	Access to finance and capital	16
5.3	Access to business networks, mentoring, and support	17
5.4	Wider economic and cultural context	17
5.5	Confidence and cognitive skills.....	18
6	RQ5: What types of support are available for young people who are NEET or in low-paid insecure employment to access self-employment?	20
6.1	Support types	20
7	RQ6: What is known about the (short and longer term) effectiveness of these types of support for young people who are NEET or in low-paid insecure employment?	26
7.1	Description of interventions	27
7.2	Outcomes.....	33
8	Conclusions	41
	References	43
	Appendix 1: Self-employment feasibility study – evidence review protocol	43
	Purpose of Rapid Evidence Assessment.....	46
	Search strategy and selection criteria.....	47
	Databases.....	51
	Wider sources of literature	51
	Data extraction, quality assessment and reporting	52
	Principles of Research Quality	53

1 Introduction

This Targeted Rapid Evidence Assessment (TREA) has been completed as part of a wider project exploring the feasibility of developing and evaluating a self-employment support intervention for young people who are NEET. The purpose of completing a TREA for this feasibility study was to ensure that the latter stages of the research and the intervention design were grounded in up-to-date, robust empirical evidence. The TREA seeks to address the following research questions (RQs), and literature has been selected to enable the TREA to do this:

1. How is self-employment defined in labour market data?
2. What are the labour market outcomes of self-employment for young people?
3. How is self-employment understood by young people who are NEET or in low-paid insecure employment, and those who support them?
4. What are the barriers and enablers to accessing self-employment for young people who are NEET or in low-paid insecure employment?
5. What types of support are available for young people who are NEET or in low-paid insecure employment to access self-employment?
6. What is known about the (short and longer term) effectiveness of these types of support for young people who are NEET or in low-paid insecure employment?

A TREA was selected as it is not possible to adequately address such a range of RQs through either a systematic or semi-systematic review approach, which would focus on one primary research question.

The RQs were developed to:

- conceptualise self-employment and the different forms it can take;
- build understanding of what outcomes are often associated with self-employment for young people;
- develop an understanding of how young people view self-employment and the barriers and enablers to access;
- develop a better understanding of interventions that have been implemented to support young people's entry into self-employment, and their effectiveness.

The purpose of the TREA is to deliver an insight into the evidence base in each of these areas. These insights will help inform later stages of the research and the intervention design, ensuring they are grounded in up-to-date, robust empirical evidence.

Approach to the TREA

Full details of the approach taken to selecting, screening and reviewing studies as part of the TREA are provided within the review protocol included in the appendix to this report. In designing the approach to this study, the research team was informed by the existing YFF Evidence and Gap Map, the largest interactive mapping resource for global evidence on what works to improve youth skills, employment and job quality. While the EGM includes a range of evaluation evidence on self-employment, this focuses on low- and middle-income countries because self-employment support programmes are most common in these countries. The TREA prioritises evidence from high-income countries so that learning is most transferable to the UK. However, it should be noted that mapping of gaps in existing self-employment support for young people sits outside the scope of this study, which focuses on providing an overview of current frameworks and features around self-employment support in high-income countries.

In total, 803 studies were screened. Screening of each article's title and abstract was completed first to assess their relevance to the research questions and the inclusion/exclusion criteria developed for this review. This was followed by full-text screening for the papers that passed through the first stage. Following this process, 37 studies were selected for full data extraction due to the strength of their match and ability to provide coverage of the six research questions. This report synthesises the findings from these 37 papers against each of the research questions in turn.

It should be noted that to ensure the findings of this TREA were relevant to a UK context, the review only included papers focused on high-income countries. OECD member states were used as a proxy for a high-income country in our screening criteria. Priority was also given to studies published within the past 10 years. For RQ5 and RQ6 specifically, the research approach was informed by the Kluve et al (2017) systematic review. This review considered the impact of youth employment interventions (including youth entrepreneurship promotion) on labour market outcomes. Given the comprehensiveness of this study, RQ5 and RQ6 in the current study focus largely on studies published from 2017 onwards.

2 RQ1: How is self-employment defined in the labour market data?

This section outlines findings around definitions of self-employment, including the features and characteristics of self-employment, the incidence of self-employment among different socio-demographic groups, and self-employment in the UK economic and labour market context.

2.1 Features and characteristics of self-employment

Definitions of self-employment are varied and multifaceted. They include legal, economic and social dimensions that vary across different contexts. From a socioeconomic perspective, self-employment is an employment strategy that is highly personalised and aims to support economic self-sufficiency (Iacomini et al., 2022). Traditional conceptualisations of self-employment encompass individuals operating their own businesses or professional practices, with or without employees, and autonomously choosing where and how they work, and what they do, without being bound by the regulations of a hierarchically structured company or workplace (Ortlieb et al., 2019). Key features that cut across conceptualisations of self-employment are:

- autonomy in selecting customers,
- independence in organisational aspects and tools of the trade,
- working in solitude with the option to enlist external expertise,
- varied work locations (from home to client sites),
- and diverse legal statuses (e.g. in the UK this ranges from sole trader to limited company) (YFF 2023).

On this last aspect, a further distinction can be made between sole traders, managing their businesses independently, and self-employed individuals with staff, which can incorporate different levels of business ownership and management structures (Hinks et al., 2015).

A further conceptualisation of self-employment can be obtained by looking at the motivations that drive people to pursue this path, which can be both economic and non-economic. Economic motives encompass an aspiration to have greater job and income security, financial success, and wealth accumulation (Cowling & Dvouletý, 2023). Non-economic motives reflect personal values, such as autonomy, achievement, self-realisation, and societal engagement.

Beyond these motives, it is also important to note opportunity-driven and necessity-driven motives. Opportunity-driven self-employed individuals seek independence, freedom, and

higher income, while necessity-driven workers embark on this path due to limited options in the labour market or as an alternative to unemployment (Cowling & Dvouletý, 2023).

2.1.1 'Bogus' self-employment

The distinction between autonomy and dependency is important to understand different self-employment dynamics, with self-employed workers operating along a spectrum of independence dictated by their relationships with clients and the quality of their employment. There are a number of risks that may impact the quality of employment and level of independence of self-employed individuals. Self-employed individuals do not have access to the same protections enjoyed by waged employees, such as sick pay, holiday pay, and employer pension contributions. Particularly in lower-skilled sectors, self-employed workers often experience low and fluctuating incomes, increasing the likelihood of financial instability and debt (Jones et al., 2015).

These considerations have recently led to concerns about the rise of 'bogus self-employment'. This term has been developed to classify forms of work where workers are self-employed but effectively function as employees as they are dependent on a single client or organisation, leading to issues such as loss of benefits for the worker and tax revenue for the state (Hinks et al. 2015; Ortlieb et al., 2019; YFF, 2023). Bogus self-employed people formally deliver their services as an independent contractor, based on a service contract or a general commercial contract. However, in reality, they depend on another organisation to the same degree as salaried employees depend on their employers. Typically, these people work as sole traders without employees working for them; they have only one client, are not able to hire staff if necessary, and have limited autonomy in their decisions around the organisation of their work and business (Ortlieb et al., 2019). This phenomenon, which is quite prevalent in the construction and service industries, raises concerns about circumventing labour laws and social insurance contributions (ibid.). While true self-employment can grant individuals freedom in their work arrangements, 'bogus self-employment' is typified by dependencies on clients or organisations (Hinks et al., 2015).

2.1.2 Self-employment as distinct from entrepreneurship

Self-employment can also be thought of as distinct from entrepreneurship. Self-employment is often used as a proxy for entrepreneurship because it is more easily measured, but its definition does not encompass the full spectrum of 'entrepreneurial skills and intentions' (ILO, 2016). Not everyone who starts a business and is therefore self-employed qualifies as an entrepreneur. Entrepreneurship focuses on the generation of new ideas, the transformation of these ideas into a business, the development of innovative strategies, and the creation of employment for others (Caldwell 2014; Iacomini et al., 2022). Definitions of youth entrepreneurship in particular have a strong focus on qualities like initiative, innovation, creativity, and risk-taking in the work environment, with the aim of increasing personal growth, confidence, and community involvement (Eurofound, 2015).

The expansive nature of entrepreneurship encompasses diverse forms, including economic, social, public, intrapreneurship, and cooperative entrepreneurship (ILO, 2006). Economic entrepreneurship revolves around wealth creation and profit generation within the private sector. Social entrepreneurship is instead focused on the creation of social value. Public entrepreneurship looks to achieve social objectives within public institutions. Intrapreneurship defines entrepreneurial endeavours within existing organisations, with the aim of fostering greater dynamism and profitability. Finally, cooperatives are characterised by mutual benefit, egalitarianism, and democratic control, aiming to fulfil economic, social, and cultural needs often at local level (ILO, 2006).

While we acknowledge this distinction in some pieces of literature between self-employment and entrepreneurship, it should be noted that much of the discussion in this review relates to both concepts.

2.2 Incidence of self-employment among different groups

Prevalence, types and forms of self-employment vary among different sociodemographic groups, based on factors such as age, gender, education, and economic circumstances.

2.2.1 Age

When it comes to age, young people, particularly those aged 15-24, exhibit lower rates of self-employment compared to older cohorts (Sheehan et al., 2016). As age increases, so does the likelihood of engaging in self-employment, with individuals aged 25-34 showing notably higher rates compared to their younger counterparts, and a further rise among those aged 55-64, indicating a positive correlation between age and self-employment (Sheehan et al., 2016). Evidence also suggests that there has been a progressive increase in self-employment among older workers (aged 50+), potentially due to self-employment serving as an alternative or complement to retirement (Hinks et al., 2015; Jones et al., 2015). Age is likely positively correlated with self-employment as a result of increased experience, human capital, and access to financial and social resources, which places older individuals in a better position to access the networks and knowledge required to pursue self-employment and entrepreneurial opportunities (Dvoulety et al. 2018).

2.2.2 Gender

Gender also plays a role in shaping self-employment patterns. Historically, men have dominated self-employment (Hinks et al., 2015; Sheehan et al., 2016). OECD data indicates a substantial gender gap in self-employment rates among young individuals aged 20-29, with young men being 1.6 times more likely to be self-employed than young women, and self-employed women are also less likely to employ others (OECD, 2023). However, there is mixed evidence on this aspect, which is country-specific.

In the UK, for instance, the gender gap in self-employment has converged, indicating a more equitable distribution between men and women, possibly influenced by economic,

social, and cultural factors (Sheehan et al., 2016). Gender-specific effects are also evident in relation to NEET status, with young women NEET exhibiting higher regional start-up counts in the UK compared to their male counterparts (Vershina et al., 2024). Additionally, young women NEET who become self-employed may have significantly lower hazard rates (i.e. the transition probabilities that imply the likelihood of someone changing status or remaining in the same category) than male NEET peers (Vershina et al., 2024). Despite these changes, men still represent a majority of the self-employed population (Hinks et al., 2015; Sheehan et al., 2016). This gender imbalance is attributed to various factors, including sectoral differences in economic participation and differing risk attitudes. For example, women tend to be overrepresented in service sectors, which traditionally offer fewer opportunities for self-employment, while men dominate sectors with higher self-employment rates, such as engineering and natural sciences (Dvoulety et al. 2018).

2.2.3 Educational attainment

Educational attainment does not exhibit a clear-cut relationship with self-employment. Evidence which looks at trends across the EU shows a slight increase in self-employment rates with higher educational attainment among young people aged 15–24 (Eurofound, 2015). Evidence from the UK instead indicates that individuals with no qualifications or lower levels of education exhibit higher self-employment rates, potentially driven by limited employment opportunities in the formal employment sector (Hinks et al., 2015). It also indicates that educational attainment intersects with gender, with self-employed women more likely to have higher-level qualifications compared to self-employed men (ibid.). There is also evidence to suggest that highly educated individuals may initially opt for formal employment due to better job prospects but may transition to self-employment later in their careers, potentially driven by a lack of suitable job opportunities (ILO, 2016; Ortileb et al., 2019; Sheehan et al., 2016). This trend is reflected in the increasing educational status of the self-employed population over time, indicating a shift in employment dynamics and motivations (Sheehan et al., 2016).

2.2.4 Influence of economic conditions and policy environments

The incidence of self-employment is also influenced by various factors beyond individual characteristics. Economic conditions, sectoral shifts, and policy environments contribute to shaping the prevalence and dynamics of self-employment (Jones et al., 2015). For instance, the increase in self-employment among older workers may be attributed to economic factors such as the global financial crisis and changes in retirement patterns (Jones et al., 2015). Sectoral shifts, particularly growth in self-employment in managerial and professional occupations, which traditionally see higher rates of older and high-skilled workers, also contribute to changes in these patterns (Jones et al., 2015). Moreover, the COVID-19 pandemic has likely impacted self-employment trends, with potential increases in side-hustles and gig economy participation observed among younger age groups (Prince's Trust, 2021).

The recent emergence of new forms of self-employment, particularly platform-based work, adds complexity to the landscape. Platform-based work (e.g. Uber, Deliveroo) has gained

popularity, especially among young people seeking flexible earning opportunities (YFF, 2023). Alongside this, there are other informal forms of self-employment which are popular among young people, such as selling goods online or engaging in activities like social media influencing (ibid.). However, these new forms of self-employment are not yet fully captured in official statistics, and therefore, an accurate picture of the prevalence of self-employment among groups with different characteristics (age, gender, ethnicity) is not yet available.

2.3 Self-employment in the UK

Self-employment in the UK labour market has experienced significant growth in recent years, distinguishing the UK from many other EU nations. From 2009 to 2014, while self-employment decreased on average across EU countries, the UK witnessed a remarkable 19 per cent increase in the self-employed workforce (Hinks et al., 2015). In 2017, 15 per cent of the total UK workforce was self-employed (IES, 2017). Self-employment figures dropped during the Covid-19 pandemic, but since then have risen to 13 per cent, and are still at historically high levels (ONS, 2024).

The criteria for determining self-employment in the UK is not defined in employment law. It is a category used by HM Revenue and Customs (HMRC), the UK tax collection entity, for tax purposes. Unlike some EU countries, the UK imposes no financial or qualification thresholds for individuals to become self-employed (Hinks et al., 2015). The heterogeneity within self-employment is evident in various segments of the UK workforce. These segments range from low-paid, insecure workers driven by necessity to high-paid, secure professionals exercising significant autonomy (IES, 2017). Factors such as qualification levels, reasons for self-employment, and levels of control over work significantly influence the characteristics of each segment. Segments with higher levels of qualification tend to exhibit greater autonomy and job satisfaction, while those with lower qualifications often face precarious working conditions and limited prospects for upward mobility.

Recent debates on self-employment have focused on considerations of economic dynamism versus precariousness. On one end of the spectrum are proponents who view the rise in self-employment as indicative of a dynamic, entrepreneurial economy, fostering flexibility and innovation (IES, 2017). Conversely, sceptics voice concerns over the emergence of a segment of precarious, insecure, and poorly remunerated work, highlighting the need for regulatory interventions to safeguard workers' rights (ibid.). This reflects concerns about the increasingly diverse nature of self-employment and of contractual arrangements, especially following the rapid rise of the 'gig economy' and its implications for workers' welfare and rights (ibid.).

3 RQ2: What are the labour market outcomes of self-employment for young people

This section outlines findings around the labour market outcomes of self-employment for young people, including in terms of employment, earnings, quality of work, business creation and performance, and sectoral differences.

3.1 Employment

The share of self-employed youth in the EU is highly correlated with the share of young people NEET, with labour markets with high overall levels of young people NEET, such as Italy, Greece, Romania and Spain, displaying the highest levels of youth self-employment (Eurofound, 2015). Data from the Start-Up Loan Scheme in the UK indicates that 32.0 per cent of young people (N=4,627) starting a new business between 2012 and 2023 were categorised as NEET prior to starting their business (Vershina et al., 2024). A further link between former unemployment and self-employment outcomes is evidenced in Eurostat data, which shows higher rates of self-employment in countries with high levels of youth unemployment or economic stagnation (Eurofound, 2015).

Some evidence suggests that among the group of previously unemployed, the percentage of those who become self-employed out of necessity is much higher than for other young adults (Dvouletý et al., 2018). The 'classical' push and enabling factors of self-employment, such as risk tolerance and parental role models, are also less important for individuals who have previously experienced unemployment than for those who have not had such an experience. However, evidence also suggests that it is small shares of young unemployed who move from unemployment into self-employment, and that there are high transition rates of young self-employed individuals back into unemployment or inactivity (Ortlieb et al., 2019). This may indicate that maintaining self-employment is quite challenging for young people.

Additional evidence that transition rates out of self-employment decrease with age can be interpreted as partly resulting from a higher share of involuntary self-employment among young people. For some young self-employed people who moved into salaried employment, running their own business may have functioned as a steppingstone to a more secure job (ibid.). This suggests that opportunities for young people to escape unemployment by founding their own business are limited. However, young people's experiences while self-employed only provide a partial indication of longer-term labour market outcomes. There is some evidence from the UK indicating that though many youth start-ups may have short lifespans, young people may still achieve 'softer outcomes' such as the development of new skills, building contacts with employers and gaining work

experience, which improve their employability (Jones et al., 2015). However, it is important to note that the evidence is mixed on this aspect and varies between countries, with evidence at the EU-level indicating there are high transition rates of young self-employed individuals back into unemployment or inactivity in the short-term (Ortlieb et al., 2019).

3.2 Earnings

Self-employed workers, particularly in the UK, often face polarised incomes, with a higher likelihood of falling into lower income deciles compared to employees, especially among young people (Hinks et al., 2015; Jones et al., 2015). This discrepancy persists even if they transition to employed status, highlighting the potentially scarring effect of low-quality self-employment on some workers (low-paid, low-skilled, insecure) (Hinks et al., 2015). Additionally, whilst all workers in the UK have seen a decrease in real earnings since the 2008 crisis, the self-employed have experienced this more sharply, with weekly earnings falling by 20 per cent since 2008, compared to a fall of 6 per cent for employees (Jones et al., 2015). Evidence from the UK shows that for young people in particular, self-employment tends to be associated with lower earnings and limited social protections, especially in more informal sectors of the economy (Prince's Trust, 2021).

However, evidence from the EU shows that the young self-employed under 35 years receive a median income which is slightly higher than that of young salaried employees but lower than the income of older self-employed adults (Ortlieb et al., 2019; Sheehan et al., 2016). Despite this, the share of young self-employed workers who believe they are well paid for their work is larger than that of older self-employed groups and of young salaried employees (Ortlieb et al., 2019). Across the EU, the young self-employed with employees also tend to have higher incomes compared to the self-employed without employees (Sheehan et al. 2016).

3.3 Quality of work

Though not recent, there is some evidence to suggest that self-employment does not always lead to good quality work. While self-employment offers flexibility, following the recession, increases in self-employment have mostly consisted of poor quality, dependent, or 'necessity' types of work (Hinks et al., 2015). This is in general work with lower autonomy, therefore greater reliance on the dictates of clients, at its worst becoming bogus self-employment, or driven by unemployment or lack of further professional opportunities, rather than active pursuit of entrepreneurial opportunities (ibid.). As a result of these challenges, there are mounting concerns regarding the working conditions of self-employed young people, including long working hours and potential stress-related health issues, particularly among 'bogus' self-employed workers who lack social security protection (European Commission, 2018; OECD, 2020). Additionally, the emergence of the 'gig' economy presents new challenges, as it can often present with the working arrangements of false self-employment, where individuals are hired as self-employed workers rather than employees so that employers can avoid regulations, taxation and

unionisation (OECD, 2020). This type of work disproportionately impacts youth since they are the most active in the 'gig' economy.

In relation to working hours, the young self-employed work longer hours on average compared to employees, with impacts on their work-life balance (Ortlieb et al., 2019; Sheehan et al., 2016). Though not recent, there is research evidence to suggest that the young self-employed worked on average 50 hours per week, which was above the EU-27 average for self-employed workers (43 hours) and employees (37 hours) (Sheehan et al., 2016). The young people who participated in the research reported concerns over healthcare, pension, unemployment benefit and financial stability (ibid.). However, many did not have any concerns, believing they were too young to think about social protection.

There is some evidence showing that perceptions of job fit among young self-employed individuals across the EU indicate good levels of satisfaction with working conditions, albeit slightly less favourable compared to older adults in self-employment (Ortlieb et al., 2019). The study highlights that the young self-employed, in particular women, perceive a good fit between their job duties and their social commitments. Although the share of those perceiving a good fit is smaller than that of the young salaried employees, this finding indicates satisfactory working-time arrangements, also in comparison with older adult self-employed (ibid.). Likewise, the young self-employed report positive ratings (and actually more positive than their salaried peers) for a number of items of job quality, including: feeling at home in the organization worked for; being able to do job at age 60; expect not to lose job in next 6 months; job involves learning new thing; and job offers good prospects for career advancement (ibid.).

3.4 Business creation and performance

Young people are more active compared to the overall population in starting new businesses, with over 5 per cent of EU youth working on a new start-up between 2018 and 2022, compared to 4 per cent of the general population (OECD, 2023). Similarly, young people in the OECD were also more likely to be working on a start-up (9%) than older adults (8%) during this time (ibid.).

In terms of the characteristics of the businesses created, young people tend to run small-scale businesses with fewer employees compared to older self-employed adults (ibid.). Young self-employed individuals often operate without employees, and there are barriers to hiring, including financial constraints, skill shortages, and legal obligations (Ortlieb et al. 2019; Sheehan et al., 2016). Moreover, a high rate of young self-employed are likely to be bogus self-employed, working in jobs resembling salaried employment rather than genuine self-employment (Ortlieb et al., 2019). Data from the UK Start Up Loans scheme also shows that there has been a steady decline, since the inception of the scheme, in the rate of young people NEET who create new businesses, indicating fluctuations influenced by factors such as Brexit and COVID-19 (Vershina et al., 2024).

While young people are slightly more active in starting new businesses than adults, they struggle to operate the businesses they establish. There is a notable drop-off between ownership of a new business and an established business across the EU, suggesting that young people may face challenges in developing their ventures into stable sources of

income (OECD, 2023; Vershinina et al., 2024). Various factors contribute to the performance and survival of self-employed businesses among young people. These include access to start-up capital, with higher start-up capital associated with increased business sustainability, and the level of public policy support, particularly targeted programmes for specific groups such as graduates, young people NEET, and women (Vershinina et al., 2024).

3.5 Sector differences

Self-employed young people are often concentrated in sectors with low entry barriers and low capital requirements, as well as low capital returns (OECD, 2020; 2023). This means that young people are much more likely to work in elementary and service occupations, rather than higher-skilled professional ones (Jones et al., 2015). For example, the construction, services (wholesale, retail, accommodation, food), agriculture, and arts sectors tend to attract a high proportion of self-employed youth due to lower entry barriers, as they offer opportunities for work with little capital or experience (Eurofound, 2015; OECD, 2020, 2023). However, there is also evidence that a notable proportion of young self-employed people engage in skilled trades, associate professional roles, and managerial roles (OECD, 2023; YFF, 2023). While the construction sector accounts for a sizable portion of self-employed youth, there is also a growing trend in freelance work within digital and creative sectors (YFF, 2023). Moreover, the prevalence of youth self-employment in certain sectors, like construction, is influenced by factors such as bogus self-employment practices, which may skew representation in certain industries (Eurofound, 2015). There are some gender differences in occupational choices, with young self-employed women more likely to work as professionals or service and sales workers, while young self-employed men are more likely to work in craft, trade, or agricultural occupations (Sheehan et al., 2016).

4 RQ3: How is self-employment understood by young people who are NEET or in low-paid insecure employment, and those who support them?

This section outlines findings around how self-employment is understood by young people, including disadvantaged young people. It covers their conceptualisation of self-employment, their motivations for pursuing self-employment, and the factors that can incentivise self-employment.

4.1 Young people's conceptualisations of self-employment

Many young people show an interest in self-employment, viewing it as a desirable career path, and many in the younger age cohorts (15-24 years) are much more tempted than older age groups by the idea of becoming self-employed (ILO, 2006, 2016). A study from the UK found that over half of young people aged 18-30 in the research wanted to start their own business, with two-thirds having seriously considered it (Prince's Trust, 2021). This entrepreneurial drive may be nurtured from an early age, influenced by family and social environments, and may contribute to a culture of creativity, risk-taking, and ambition among young people who pursue the path of self-employment or entrepreneurship (Iacomini et al., 2022).

Young people's understanding of self-employment often overlaps with the concept of entrepreneurship, which is associated with creativity, ambition, and risk-taking (YFF, 2023). Young self-employed individuals see self-employment as a path providing autonomy. This includes autonomy to choose clients, tasks, and working conditions. Self-employment also aligns with the notion of living out personal values through their work and following their passions (ibid.). Young self-employed individuals also view self-employment as prioritising job characteristics that align with personal growth and societal contribution, such as using initiative, achieving personal goals, doing something useful for society, having responsibilities, matching one's abilities, learning new skills, and having a say in important decisions (Eurofound, 2015). They tend to place less emphasis on job security, conforming to rules, and living in an overall stable environment, indicating a stronger desire for independence and self-direction (ibid.). This aligns with the broader perception of self-employed people and entrepreneurs as innovative and freedom-oriented individuals who challenge the status quo.

While young people are attracted to the idea of 'being one's own boss' and the freedom associated with it, they also acknowledge the challenges that come with this status.

These include the broad range of responsibilities, some of which may be less interesting or more difficult. However, the broader sense of autonomy and the ability to make significant decisions about their work life often outweigh these daily challenges (YFF, 2023). While earnings do not seem to feature prominently in young people's understanding of good quality self-employment, the ability to achieve financial stability while maintaining personal values is seen as a key marker of quality (ibid.).

4.2 Motivations for pursuing self-employment

Young people's motivations for pursuing self-employment are diverse, encompassing a range of personal, economic, and social factors. These include 'pull' factors, for example, the desire to implement an idea or gain independence, as well as 'push' factors, like being able to secure work (Jones et al., 2015). While 'pull' factors seem to be more dominant in driving the decision of young people to become self-employed, these factors are also influenced by the industry where young people work (ibid.).

As noted above, a strong reason motivating young people to pursue self-employment is the desire for independence and autonomy. Many young people across the EU prefer self-employment because it allows them to be their own boss, offers the freedom to choose their work time and place, as well as opportunities to create social value (ILO, 2006; OECD, 2023). Pursuing personal passions and interests is another significant motivation (OECD, 2023). A study conducted with disabled university students highlights that they are drawn to self-employment to improve their quality of life, given the flexibility this type of work can afford, and engage in work they are passionate about (Iacomini et al., 2022).

However, there is a notable minority of young people who become self-employed out of necessity – with 17 per cent of new business owners under 30 in the EU between 2018 and 2022 citing necessity as the reason for starting their business (OECD, 2020, 2023). This correlates to evidence showing that individuals who have experienced unemployment may turn to self-employment out of necessity rather than opportunity, and that for formerly unemployed young adults, opportunity-related factors become less important, while necessity-related factors gain prominence (Dvouletý et al., 2018). When self-employment is driven by necessity rather than choice, the significance of freely choosing between paid employment and self-employment diminishes, and the importance of factors related to enforced self-employment increases. This may be linked to evidence showing that young people turn to entrepreneurship in the wake of economic downturn, such as following the 2008 recession and the coronavirus pandemic (Prince's Trust, 2021).

For young people from disadvantaged backgrounds, self-employment can also offer an alternative to standard work opportunities that are perceived as being limited or unappealing (in relation to pay, conditions or prospects). In particular, those from marginalised backgrounds, who face or have faced disadvantage or discrimination as a result of structural and cultural barriers in the labour market, can view opportunities to work on their own as more attractive (YFF, 2023). For some, this may have been driven partly by their experiences as employees, where they did not experience good quality

work. Some young people turn to self-employment after facing workplace discrimination, or when they feel a misalignment between their values and their work or workplace (ibid.). These young people turn to self-employment and entrepreneurship to pursue social, creative and ecological value as well as financial, inclusivity and sustainability (ibid.).

4.3 Factors to incentivise self-employment

Young people express a clear need for various forms of support to facilitate self-employment. Factors like confidence in their abilities, start-up funding grants, mentorship, and business education are crucial for encouraging entrepreneurship (Prince's Trust, 2021). Both financial (hard) assistance and non-financial (soft) assistance, including mentoring, networking, and entrepreneurial education, are key to incentivising young people to start and sustain self-employment (Sheehan et al., 2016).

Financial barriers, in particular, are significant obstacles to self-employment. Financial support is therefore critical, especially for initial equipment purchases and operational costs (Vershina et al., 2024). Governmental programmes can provide starting capital through subsidies, loans with subsidised interest rates, or credit guarantees (ibid.). However, it's essential to ensure that programme design, candidate selection, and outcome monitoring are carefully managed to maximise effectiveness (ibid.). Decreasing start-up costs play a key role in empowering individuals with project ideas but limited funding to start their own businesses (Cueto et al., 2017). Moreover, reducing financial barriers can encourage less-qualified individuals to pursue self-employment, thereby improving their prospects in the labour market (Cueto et al., 2017). For example, integrating unemployment benefits with support for business start-ups can facilitate the transition from unemployment to self-employment (Sheehan et al., 2016).

Alongside these measures, mentorship, coaching, and access to networks and role models also play an important role in inspiring young people to consider self-employment and entrepreneurship as a viable career path (OECD, 2020; ILO, 2006). Successful entrepreneurs can serve as ambassadors, showcasing independence, success and achievement, thereby motivating young individuals to explore self-employment opportunities (ILO, 2006). Such support structures provide guidance, encouragement, and opportunities for peer learning and networking, enhancing the sustainability and growth of businesses (Jones et al., 2015).

Entrepreneurship education is another vital component, ideally integrated into the general education system from secondary school onwards (European Commission, 2018). Practical experiences such as creating mini or junior companies and project-based work can help instil entrepreneurial skills and mindset early on (ibid.). Alongside education, entrepreneurship training programmes tailored to youth and focused on enhancing self-efficacy, business planning skills, and the ability to recognise and exploit opportunities are another key resource (Vershina et al., 2024). Creating business incubators, creative centres, and co-working spaces at local, regional, and national levels can facilitate information sharing and networking for aspiring entrepreneurs, helping young people navigate the complexities of starting and running a business (Sheehan et al., 2016).

5 RQ4: What are the barriers and enablers to accessing self-employment for young people who are NEET or in low-paid insecure employment?

This section outlines findings around the barriers and enablers for young people, including disadvantaged young people, to accessing self-employment, including business skills and knowledge, access to financial capital, access to business networks, mentoring and support, the wider economic and cultural context, and confidence and cognitive skills.

5.1 Business skills and knowledge

A substantial barrier to accessing self-employment among young people is a lack of business skills and knowledge. Only around four in ten young people in the EU report having the necessary skills and knowledge to start a business, compared to almost half of adults (OECD, 2020, 2023). Evidence from the UK highlights a similar trend (Jones et al., 2015). Young people often lack specific skills in areas such as opportunity recognition, business planning, financial management, legalities and taxes, sales, and marketing (Iacomini et al., 2022; OECD, 2020; YFF 2023).

Alongside these technical skills and knowledge, young people often also lack the informal skills and experience needed for managing a business, such as social networks and familiarity with business environments, which older entrepreneurs often have (Vershina et al., 2024). This creates a competitive disadvantage for younger entrepreneurs (Hinks et al., 2015). This imbalance is reinforced by the growth of freelance self-employment, which often requires a track record and professional qualifications that young people are less likely to have (Jones et al., 2015). This emphasis on experience and qualifications creates a significant barrier for young people, who may lack the necessary credentials to compete effectively in the self-employment market. Alongside this, while young people may possess certain advantages such as new ideas, enthusiasm, and digital skills, they also face common disadvantages such as limited work experience, poor networks, and limited access to capital (ibid.).

For young people NEET, these challenges can be even greater, as they often lack employment experience and access to social networks, even compared to their non-NEET peers (European Commission, 2018; Jones et al., 2015; Vershinina et al., 2024). Additionally, many young self-employed people perceive a mismatch between their skills and job requirements, reporting that they would like further training (Ortlieb et al., 2019). This is especially the case among women, who are more likely to feel that they lack the necessary skills for self-employment (ibid.). Moreover, young people often do not take up

government-funded advisory services due to a lack of awareness or confusion about the variety of services offered. This confusion can be exacerbated by services not being tailored to the specific needs of young people (ILO, 2006). In the UK, for example, a significant portion of small businesses cited lack of awareness as a major reason for not using these services (ibid.).

5.2 Access to finance and capital

One of the most significant deterrents to self-employment among young people is the difficulty in accessing finance. EU-wide evidence shows that nearly two-thirds of young people viewed a lack of entrepreneurial skills as a barrier, and without adequate funding, even those with skills could hesitate to start a business (European Commission, 2018). Young people looking to start a business or venture often lack the collateral and financial history needed to secure external financing, with many young people indicating that a lack of finance and financial support is the main barrier to making self-employment and entrepreneurship feasible (Eurofound, 2015; OECD, 2020). Because of their age, young people are unlikely to have the type of business experience, track record or business skills that banks or other financial institutions look for in assessing creditworthiness (ILO, 2006). Without substantial personal savings, credit history, or guarantees, they are seen as high-risk by lenders (OECD 2020, 2023; ILO, 2006). This is exacerbated by other financial issues, such as student debt, and the fact that businesses started by young people often fall into the micro-business category, with limited tangible assets and low profit margins, which can make securing loans even harder (ILO, 2006).

The perception that a significant amount of initial capital is necessary to start a business exacerbates this issue, especially for those without savings or financial support (Prince's Trust, 2021). Young people, especially those from disadvantaged backgrounds, such as young people NEET and minorities, have limited personal and family economic resources to draw on (Cueto et al., 2017; Jones et al., 2015; Mariani et al., 2019; Sheehan et al., 2016; YFF 2023). Without a financial cushion to fall back on, the risks associated with self-employment become more pronounced (YFF, 2023). This economic vulnerability makes the potential for failure even more daunting, as there are fewer safety nets to absorb financial shocks. For example, in the UK Start Up Loans scheme, young people NEET took out much smaller loans compared to non-NEET peers, with start-ups by young people who were not NEET having 1.8 times the debt capital. As financial capital is critical to the early life-cycle of a new business, this relative lack of financial resources was deemed to put young people NEET at a significant disadvantage (Vershina et al., 2024).

Beyond challenges in securing loans, many young people are also reluctant to take on loans due to the high financial risk and uncertainty associated with self-employment. They often prefer to rely on personal income or to sacrifice business growth rather than borrow money, which can limit their ability to sufficiently finance their activity (OECD 2020; Prince's Trust, 2021). According to a recent survey in the EU, about 36 per cent of potential young entrepreneurs in the EU reported that their own savings would be among the top three sources of funding used, followed by banks (33 per cent) and family and friends (21 per cent) (OECD, 2023). There is evidence too that some young people are

sceptical about financial support presented as a ‘handout’ and can be concerned that such support could undermine their independence and efforts (YFF 2023).

The complexity of financial documentation and procedures, as well as long waiting periods for funding decisions, are further barriers that young people encounter and can be particularly off-putting and time-consuming (ILO, 2006). Many young people are also not fully aware of the various types of financing available, including debt and equity financing, and may lack understanding of the benefits and drawbacks of different funding forms, which can further limit access to appropriate financial support (ibid.).

5.3 Access to business networks, mentoring, and support

Young people face significant barriers to self-employment due to limited professional networks and social capital. Building these networks is crucial not only for business development but also for emotional support and encouragement (YFF, 2023). Young people recognise the need to build social capital, and relationships formed through these networks are seen as crucial support mechanisms (ibid.). Given their limited experience, young people often lack connections to potential business partners, customers, and suppliers (OECD, 2023). They often have to develop their own networks from scratch, which can be daunting given their limited initial connections (OECD, 2020). This isolation can create a vicious cycle, whereby challenges in accessing networks reduce the possibilities of sourcing business contacts and building a network, hindering the chances of creating a successful business (ILO, 2006; Cueto et al., 2017). Unemployed young people are at a particular disadvantage, as they often have weak social networks, and this often impacts the degree of ‘entrepreneurial social capital’ that they can access and develop (Jones et al. 2015).

Access to quality mentoring and support is another critical barrier. Young people often struggle to find reliable mentors and, when they do, often find themselves navigating these relationships on their own, which can be challenging and sometimes lead to negative experiences (YFF, 2023). The absence of formal accreditations for mentors exacerbates this issue, making it difficult to find trustworthy mentorship and coaching (ibid.). Alongside this, there is often a lack of role models, particularly for disadvantaged young people who often do not see individuals from their own backgrounds achieving entrepreneurial success (Prince's Trust, 2021). This can undermine their belief in self-employment and entrepreneurship as a viable career path (ibid.).

5.4 Wider economic and cultural context

In countries or areas with lower economic development, including those with high unemployment rates and low GDP per capita, young people can turn to self-employment out of necessity rather than opportunity, as a survival strategy (ILO 2016; Jones et al. 2015; Vershinina et al., 2024). Evidence from the UK shows that young people NEET are more likely to operate start-ups in economically deprived areas, with less access to customers and markets (Vershinina et al., 2024). Young people in these areas often rely

heavily on local markets, which limits their growth potential compared to those who can access broader markets through online platforms and new technologies (Jones et al. 2015). Similarly, limited access to technology and poor broadband coverage in remote areas can further constrain their entrepreneurial activities (ibid.).

Young people pursuing self-employment also face significant administrative challenges, including complex tax regimes and onerous business registration procedures. It can be particularly challenging for disadvantaged young people to navigate such systems, given their lack of experience and resources (ILO, 2006). Furthermore, frequent regulatory changes, as part of wider economic reforms, can create an unstable environment, making it difficult for young people to plan and sustain their businesses (ibid.).

Some evidence suggests that cultural attitudes towards risk and failure also impact upon young people's willingness to engage in self-employment. In cultures with high uncertainty avoidance, there is a strong fear of failure, which discourages entrepreneurial activities (ILO, 2006). This fear is compounded by societal perceptions of entrepreneurship, which may be viewed with scepticism, and this can deter young people from pursuing this path (ibid.). The influence of family and social networks also plays a crucial role. Young people from entrepreneurial backgrounds are more likely to consider self-employment, as their families provide not only financial support but also a positive view of business ventures, while those without such support may find the prospect of entrepreneurship daunting (ibid.).

5.5 Confidence and cognitive skills

Young people may also personally struggle with self-confidence and fear of failure, which are significant psychological barriers to entrepreneurship. Recent evidence shows that two-fifths of young people in the EU identified fear of failure as a barrier to self-employment (YFF, 2023). This fear is not just about financial loss but also about social stigma and personal failure, which can be deeply demotivating (ILO, 2006). The lack of confidence in their entrepreneurial abilities can discourage many from even considering self-employment as a viable career path. Educational institutions play a critical role in shaping entrepreneurial attitudes and skills. However, in many cases, education systems do not provide sufficient exposure to entrepreneurship, which could help demystify the process and build necessary skills (ILO, 2006).

The perception of entrepreneurship itself can be a barrier. Many young people do not identify with the term 'entrepreneur', which they associate with specific, often unattainable characteristics (Prince's Trust, 2021). This alienation is exacerbated by the portrayal of entrepreneurship in media and policy narratives, where exceptional success stories are highlighted without addressing the common struggles and failures that most entrepreneurs face (ILO, 2016).

Often, particularly among disadvantaged young people, low self-confidence is a result of insufficient experience, business knowledge, contacts and social networks (Mariani et al., 2019). Lack of access to networks, mentoring, and training in business skills compounds these challenges, leaving young people feeling unprepared and unsure about starting their own businesses (Prince's Trust, 2021). Evidence from a UK study shows that the

majority (91 per cent) of young people in the research sample believe that confidence is necessary to become an entrepreneur, and just under half (46 per cent) say that they would be more likely to start a business if they were more confident (ibid.). This study found that over half (52 per cent) of young people have never been taught about running their own business, and over a quarter (27 per cent) said that business or enterprise training or education would make them more likely to start a business.

5.6 Fragmented support landscape

The barriers outlined so far are amplified, in some cases, by a landscape of self-employment support which is poorly joined-up and lacking in coherence. As found by Hinks et al. (2015), policies and initiatives aimed at fostering self-employment and entrepreneurial activity in the United Kingdom are characterised by great heterogeneity regarding their approaches, target populations and underlying rationales. Young people are rarely explicitly targeted, and a lack of signposting and joined-up activities leave initiatives aimed at developing entrepreneurial mindsets underused by their target populations.

Where youth-focused schemes exist, they tend to split in two: those that provide direct support to small firms (finance plus advice), and those that promote awareness and enthusiasm for entrepreneurship. Alongside these sit initiatives for other, often overlapping groups (unemployed people, women, Black and minority ethnic communities, and 'high-growth' innovators), so young people may be included indirectly through these categories. Despite all this activity, there's little evidence that these programmes achieve their goals. Where evaluations exist, they often point to policy failure. Participants usually say they're satisfied, but measured impacts are weak (ibid.).

6 RQ5: What types of support are available for young people who are NEET or in low-paid insecure employment to access self-employment?

6.1 Support types

There are various types of support available for young people who are NEET or in low-paid, insecure employment and wish to start a business and become self-employed. This includes schemes and interventions specifically (but not always exclusively) targeted towards young entrepreneurs, designed to facilitate the transition to self-employment and eliminate common barriers individuals might face.

The main barriers addressed by these schemes and programmes typically include a lack of access to funding capital and the need for administrative support to understand the basics of business operations. Additionally, strategic guidance through training, mentoring, and coaching is often crucial, whether in the initial stages of drawing up a business plan or during the early stages of the business. Some programmes also offer non-repayable financial support (i.e. grants) to cover living expenses in the beginning stages when the business might not generate sufficient income.

Interventions might focus on one specific aspect, providing targeted support to alleviate a particular barrier, or adopt a more integrated approach, combining multiple components such as financial support and mentorship.

The next sections outline the different components that a scheme might include to facilitate entry into self-employment. This covers:

- Business advisory services, mentoring, and coaching;
- Business and management training;
- Administrative and tax measures that incorporate assistance with setting up business structures, understanding legal requirements, and managing taxes;
- Providing access to markets and business networks;
- Support from business incubators and hubs;
- Financial support, which can come in the form of loans, loan guarantees, and grants to provide the necessary capital.

These components aim to address the various challenges faced by young entrepreneurs, helping them transition into self-employment and operate their business successfully.

6.1.1 Business advisory services, mentoring and coaching

Young people at the beginning of their working life, or those transitioning into self-employment as a new form of employment, often lack the necessary experience to succeed.

Informal mentoring can develop without the need for a targeted intervention and can be encouraged by facilitating connections between business professionals and young entrepreneurs. However, this largely depends on the willingness of experienced individuals to take on a mentoring role, while the quality of informal mentoring can be highly variable.

In contrast, formal mentoring involves an assigned relationship and is often part of a broader support scheme or organisational mentoring programme. These programmes are designed to provide young entrepreneurs with informal advice and guidance from experienced professionals and are typically offered by governments, NGOs, and trade associations (ILO, 2006).

One of the key success factors in formal mentoring is effectively matching mentees with mentors or coaches who are equipped to address their needs (OECD, 2020). This typically involves both mentor and mentee outlining their objectives and responsibilities in writing at the beginning of the relationship to provide clarity on how they will work together and establish the shared goals they are working towards. It can also be helpful for coaches or mentors to have experience in a related sector to support young people in quickly developing trust in the benefits of the relationship.

The majority of EU Member States offer tailored coaching and mentoring schemes for young entrepreneurs. These schemes, due to targeted outreach methods, often have high take-up rates, but the content delivered is of variable quality, and their impact is often difficult to assess. Few evaluations examine the impact of the schemes in relation to their costs (OECD, 2023).

There are also integrated forms of support that combine entrepreneurship coaching and mentoring with financial support schemes. This can involve assistance in finding external sources of finance, such as introductions to lenders and investors, as well as support in applying to various start-up financing programmes. Examples include the Creator Groups scheme in France and the Launchpad Scheme in Spain.

Additionally, some schemes prioritise the provision of financing but also offer training, coaching, and/or mentoring both before and during the financial support period. Examples of such schemes include the Prince's Trust Enterprise Programme, Start Up Loans, and the New Enterprise Allowance (NEA). These integrated approaches are discussed in more detail in the next chapter.

6.1.2 Business and management training

Business and management training is somewhat similar to mentorship and coaching, with the key difference being that it is usually not personalised or specifically tailored to individual needs and is often implemented prior to business creation. This training can be

delivered through structured courses that cover topics such as accounting and finance, business management, and legal issues. An OECD review of policy developments around youth entrepreneurship across member states noted that evidence often suggests that training is more effective when combined with more intensive individual support, such as coaching (OECD, 2020). This allows participants to receive personalised guidance when applying what they have learned.

Similarly to mentorship and coaching programmes, business training is often supported through initiatives launched by national governments, NGOs, and trade associations. An example of such training is the workshop component of the The New Enterprise Incentive Scheme in Australia, where 2-week workshops introduce participants to the idea of starting a small business as an alternative to employment. Similarly, the Start Up Loans programme in the UK offers initial 'pre-application support' to help individuals develop a business plan, although this could include a combination of workshops and more tailored support through one-to-one meetings with business advisors.

There are national-level schemes and programmes, but universities are also increasingly common places for entrepreneurship training and support for start-ups. For example, the EuroTech Universities Alliance consists of a partnership of six European universities of science and technology. These universities have their own entrepreneurship centres, covering *'the entire value chain from entrepreneurship and innovation-related knowledge generation, awareness-raising, education and training of students and scientists, to patent applications, international business development, and investment in start-ups'* (ILO, 2006).

6.1.3 Administrative and tax measures

Support for young people also exists in the form of assistance with complying with administrative requirements or temporary relief from certain administrative obligations that often come with becoming self-employed. These measures are designed to ease the transition into being a business owner, especially for those with no prior experience, making the transitional phase less challenging. Examples of such administrative and tax measures include easing tax filing requirements, temporary tax reductions, and relief from social security contributions (about 30% of EU Member States offer this to young entrepreneurs) (OECD, 2023). These approaches are often phased out over a short period of time, typically within the first three years of operation.

Another example of such support is the creation of a special legal status for youth-led or youth-operated businesses. This type of business status, used in 8 EU Member States, is often accompanied by additional support measures (OECD, 2023). For example, France introduced the Student Entrepreneur Status in 2021, which allows students to continue their higher education studies while creating a business. This allows young entrepreneurs to maintain their student status and associated benefits (e.g. housing assistance, scholarship, reduced rates) and access additional supports, including coaching and access to co-working spaces.

6.1.4 Access to markets and business networks (and value chains)

Another valuable support mechanism for young entrepreneurs is access to market and business networks. Facilitating access to these networks can connect young entrepreneurs with experienced entrepreneurs who have been in similar positions and can offer valuable advice.

Supporting young people to join business networks with other young entrepreneurs might come with the disadvantage that members are often too inexperienced to effectively support each other. Network managers can address this by creating linkages with other entrepreneurs from the local business community and other business support organisations (OECD, 2020).

Youth entrepreneurship networks can also be fostered as part of a broader intervention that provides additional support to aspiring young entrepreneurs. This approach mitigates the issue of inexperience by providing help outside of the youth network. However, these networks might be short-lived as they are often tied to the duration of the intervention. An example of such a network is YES!Delft in the Netherlands, which built a network for student and academic entrepreneurs participating in its incubator programme (OECD, 2020).

A more unique case of entrepreneur networks is the loan groups and loan centres in the Grameen America scheme. To be eligible to apply for a loan, the scheme requires potential borrowers to come together in groups of five women, who are then brought together to form larger loan centres of 25-30 women. Each woman receives her own loan and is responsible for repaying it. For any woman to receive another loan, all group and centre members must be up to date on their loan repayments. This structure fosters strong support networks through group vetting and peer accountability (MDRC, 2022).

6.1.5 Business incubators or Hubs

Business incubators and hubs primarily focus on stimulating highly innovative start-ups and fostering the development of new products and services in high-tech industries. For aspiring entrepreneurs in other sectors, these business incubators might be referred to as 'start-up factories' and 'garage.incs.' These facilities typically offer a more limited content package, which mainly includes shared workspace, IT infrastructure, minimal financial subsidies, media promotion, and, in some cases, mentoring or consulting for a limited time period (ILO, 2006). These resources aim to support early-stage businesses in various industries by providing essential infrastructure and guidance during the crucial initial phases.

6.1.6 Loans

Young people often face difficulties in securing financing or capital for their businesses due to a lack of credit history, collateral, and business experience, making it challenging to obtain traditional bank loans. Similarly, previously unemployed individuals or those in insecure, low-paid employment also struggle with these barriers.

This is where interventions and schemes can be particularly useful. They provide loans for business creation to those who have exhausted other means of securing financing and are motivated to enter self-employment (OECD, 2023). Examples of such interventions include The Prince's Trust and Start Up Loans in the UK, ENISA in Spain (a state-owned company that offers credit to young entrepreneurs), and the Grameen America scheme. These interventions usually offer an integrated approach, providing mentoring and coaching in addition to financing. This support can be particularly useful for improving the survival rates of businesses created by young people (OECD, 2020).

The loans provided through these schemes are sometimes termed 'soft loans' because they offer no or low-interest rates (excluding the Grameen America scheme, which has interest rates of between 15-18%), typically do not require collateral, but involve stringent eligibility criteria.

By addressing the financial barriers faced by young entrepreneurs, these types of schemes can play a crucial role in enabling business creation and development among youth.

6.1.7 Loan guarantees

Loan guarantees are another form of support used in interventions targeting young entrepreneurs. They are an efficient means of facilitating access to conventional banking finance.

As discussed, loan schemes can be operated by government directly in the public sector. However, loan schemes can also be managed by banks or other credit institutions, with public authorities establishing loan guarantees for private sector loans.

The advantage of working with private risk capital providers through loan guarantees is that *'public authorities can leverage private sector expertise and experience while increasing the supply of debt financing to young entrepreneurs'* (OECD, 2020).

Eligibility requirements for loan guarantees tend to be similar to those for the loan schemes discussed previously. These guarantees help mitigate the risk for lenders, making it easier for young entrepreneurs to secure the necessary funding to start and grow their businesses.

6.1.8 Grants/Allowances

Grants and allowances are another form of financial support aimed at securing the livelihood of young and/or unemployed individuals during the period needed to set up and stabilise a business. These financial aids are designed to encourage business creation among those willing but limited by their means, enabling a smoother transition into self-employment.

Some argue that the stringent selection criteria that often accompany grants can make them more inaccessible to individuals with lower levels of education or to youth from disadvantaged backgrounds (OECD, 2020). Moreover, while resources from repaid loans

can be reused to finance future business start-ups, financial support in the form of grants is arguably less efficient in this regard.

Grants can also be sector-specific. For instance, in the Republic of Türkiye, grants are provided to young farmers and entrepreneurs in the agricultural sector who propose projects in rural areas. This aims to support youth employment, regional development, and prevent the ageing of the sector (OECD, 2023).

7 RQ6: What is known about the (short and longer term) effectiveness of these types of support for young people who are NEET or in low-paid insecure employment?

The previous section outlined the typical components of support schemes that are available for young people who are NEET or in low-paid insecure employment to access self-employment. This section outlines what is known about the effectiveness of these schemes. It focuses on six schemes in particular, some of which were mentioned in the previous section. All are large-scale interventions delivered in high-income countries and have each been subject to individual evaluations. This includes:

- The Prince's Trust Enterprise Programme (UK)
- The Start Up Loans programme (UK)
- The New Enterprise Allowance (UK)
- The Grameen America programme (USA)
- The Self-Employment Assistance programme (USA)
- The New Enterprise Incentive Scheme (Australia)

This section provides a broad overview of each of these programmes before taking a closer look at their short- and longer-term outcomes, taking into account the strengths and limitations of the available evaluations.

It should be noted that although various studies provide insights into the outcomes associated with these support programmes, the methods used to assess these outcomes vary greatly, and outcomes need to be understood in this context before making any inferences. Evaluations can be descriptive or qualitative in nature, but if the goal is to understand the size of the effect that the intervention has on the observed outcomes (and not any other factors), then a more sophisticated evaluation design is required. In these cases, analysis would attempt to control for sources of bias by comparing individuals who participated in the scheme with a 'matched' sample of individuals that did not, and address sample selection effects. Otherwise, there may be unobserved differences between these groups – such as differences in a person's attitude or motivation – that explain variations in the labour market outcomes they achieve.

Evaluations included in this REA that contain an analysis comparing participants to comparable non-participants are the studies focused on the Prince's Trust (IES, 2003) and the Grameen America (MDRC, 2022) support programmes. The others are

descriptive and draw on survey evidence or analysis of administrative data that include no matched comparison group. As such, for these studies, no causal inferences about the effectiveness of these programmes should be drawn from the findings.

7.1 Description of interventions

A description of each of the interventions considered as part of this section of the review is provided below. Table 1 also provides a high-level summary of the key components present in each of the schemes. Table 2 provides an overview of the target group for each intervention and further details on the research design, study population and sample for each of the accompanying evaluations.

7.1.1 UK based interventions

In the UK, young people wanting to start a business have the opportunity to benefit from the **Prince's Trust Enterprise Programme** or apply for **Start Up Loans**. The Prince's Trust is an all-round business start-up support scheme offering funding, training, and mentoring. Start Up Loans provides the opportunity to apply for larger-sum loans, accompanied by support and mentorship.

At the time it was evaluated (early 2000s), the Prince's Trust Enterprise Programme targeted 18–30-year-olds who were unemployed, under-skilled, within or leaving the criminal justice system, or leaving care. To receive start-up funding, clients must have been refused funding by other sources. Initially, Start Up Loans targeted young people aged 18-24 in England, offering loans to start or develop a business that had been trading for less than a year, along with business support and advice. A year after the pilot began, the age cap was raised to 30, similar to the Prince's Trust.

Both programmes allow young people to access the necessary capital to start a business in the form of a loan. At the time of the evaluation, The Prince's Trust offered low-interest start-up loans of up to £5,000, with most clients receiving between £1,500 and £3,000 (the Trust is now able to offer loans of up to £25,000) (IES, 2003). Additionally, the Trust was able to offer start-up grants of up to £1,500 (now up to £5,000). Start Up Loans offers personal loans of between £500 and £25,000.

Start Up Loans pairs loans with mandatory pre-application support to help individuals develop a business plan, and continuing mentoring support (which is optional) to help develop and grow the business, using a national network of delivery partners. The Prince's Trust also offers support from an assigned business mentor (IES, 2003).

A programme that was recently withdrawn in the UK, which did not specifically target young people but unemployed benefit claimants wanting to start a business, was the **New Enterprise Allowance (NEA)** scheme. The components, similar to the previous two schemes, consist of financial support, including an optional unsecured loan of up to £1,000, along with a weekly allowance payable over 26 weeks. Participants also received access to business mentoring delivered through a Local Advisory Board (LAB) to help develop a business plan, start a business, and support them through the first six months

of operation. LABs were selected through a competitive tendering process and were a mixture of local authorities, private sector companies and voluntary sector organisations.

7.1.2 International schemes

Similar to the New Enterprise Allowance scheme in the UK, the **Self-Employment Assistance** (SEA) Programme in the US gives States the opportunity to set up programmes to target and help unemployed workers create their own jobs. It does not exclusively focus on young people. To be eligible for SEA, individuals must (1) qualify for unemployment benefits, (2) have experienced a permanent separation from prior employment, (3) be identified as likely to exhaust unemployment benefits, and (4) be willing to participate in the self-employment activities required by their state's unemployment insurance agency. States may add additional eligibility or participation requirements. Once eligible, the programme provides financial assistance in the form of a weekly self-employment allowance. This allowance is equal in amount and duration to the participant's regular unemployment benefits. SEA programme participants are also exempt from actively seeking wage and salary jobs, so they can devote their energies to self-employment activities while they receive SEA allowance.

The **New Enterprise Incentive Scheme** (NEIS) in Australia, meanwhile, provides accredited small business training, business mentoring, and advice in the first year of a business following introductory workshops to promote interest in self-employment. For those who are eligible, it also offers financial assistance to participants in the form of a regular allowance. Furthermore, it provides participants with Entrepreneurship Facilitators to raise awareness of and reduce barriers to self-employment opportunities and help people turn ideas into viable businesses. Additionally, something unique to this programme is the SelfStart Online Hub, which connects people to existing services (including state-specific resources and support) and provides general information to assist them in starting a business.

The final large-scale intervention, the **Grameen America Programme**, is characterised by its unique model. While microfinance is central to the intervention, it comes with particularly unique requirements. It is a group-lending model targeted at women on low incomes. It requires potential borrowers to form a group with five other women looking for financial assistance before they are eligible to apply for loans. Each member of an approved group then receives her first loan, typically between \$500 and \$1,500, with an interest rate of 15-18%. Group members can apply for subsequent loans at their discretion.

What is unique is that by enrolling in the programme, participants become part of an immediate network of women in similar situations. The women in each loan group must all live near each other and know one another. This structure provides accountability, support, and a built-in community. As part of the programme, five or six loan groups come together to form loan centres of 25 to 30 women. They meet weekly, usually at the home or business of one of the borrowers, to make their loan payments. Each woman receives her own loan and is responsible for paying it back. As noted, for any woman to be able to receive another loan, all group and centre members must be up to date on their loan repayments.

Grameen America does not offer individual mentoring, coaching, or training support, but it has an inherent community aspect, providing a network of other small business owners and accountability through weekly meetings. Another unique aspect of the programme is reporting loan payments to major credit reporting agencies to help borrowers establish credit histories. This helps to address a significant challenge (and barrier) in America to securing further credit, loans, and being able to lease properties and obtain insurance.

These examples illustrate a range of approaches to supporting young entrepreneurs or those on low incomes, from financial assistance to mentoring and community-building efforts, each tailored to address specific barriers and needs.

Table 1: Overview of interventions

Intervention name	Country	Business and management training	Business advisory services / mentoring and coaching	Access to markets/business networks and value chains	Grants	Loans / Microcredit / Microfinance	Administrative/tax measures	Business incubators / business hubs (virtual and physical)
The Prince's Trust Enterprise Programme	UK		✓		✓	✓		
The Start Up Loans programme	UK	✓	✓			✓		
The New Enterprise Allowance	UK		✓			✓		
The Grameen America programme	USA			✓		✓		
The Self-Employment Assistance programme	USA	✓	✓				✓	
The New Enterprise Incentive Scheme	Australia	✓	✓			✓		✓

Table 2: Overview of target groups and evaluation design for selected interventions

Intervention name	Target group at time of study	Study population	Sample	Evaluation design
The Prince's Trust Enterprise Programme	Young people aged 18-30	5,597 young people who received support from the Trust in 1998/1999	2,000	Longitudinal survey with match comparison group
The Start Up Loans programme	Young people aged 18-30	11,001 lenders who accessed a loan in 2014, and 3,543 lenders who accessed a loan in 2016	104 lenders from the 2014 cohort (who accessed their loan 3 years prior to the survey), and 601 lenders from the 2016 cohort who were surveyed in the same year	Longitudinal survey
The New Enterprise Allowance	Benefit claimants	11,539 participants in receipt of NEA weekly allowance between November 2014 and April 2014	1,500 (survey)	Survey and case study research
The Grameen America programme	Women on low incomes across 19 US cities	1,492 women in 300 loan groups that enrolled on Grameen America between March 2014 and March 2017	1,492	RCT
The Self-Employment Assistance programme	Recipients of Unemployment Insurance (UI) benefits who meet the SEA eligibility criteria	640,807 individuals in New York and 396,692 individuals in Oregon who	Same as study population	Descriptive analysis of participant data

Intervention name	Target group at time of study	Study population	Sample	Evaluation design
		filed an UI initial claim between January 2013 and June 2015 (this includes UI claims data, administrative UI wage data and SEA programme participant data)		and interviews and site visits
The New Enterprise Incentive Scheme	Primarily targeted towards 18–24-year-olds in areas of high youth unemployment, but can be accessed by all ages	22,606 participants that accessed NEIS business assistance between July 2015 and March 2019	6,253 (survey)	Survey, interviews, focus groups and analysis of administrative data

7.2 Outcomes

The outcomes of these various self-employment support interventions are detailed below. These are grouped into four main areas: employment, earnings, business creation, business performance as well as skills and confidence.

7.2.1 Employment

Evaluations of self-employment schemes show mixed but generally positive effects on employment. For instance, participants in the Prince's Trust programme were much more likely to be in employment (especially self-employment) and much less likely to be unemployed or economically inactive than members of the comparison sample surveyed up to two years after receiving self-employment support (87% of the Prince's Trust sample compared to 61% of the comparison sample). This correlated with high rates of business survival for the majority of Prince's Trust-supported businesses over this time period, which is discussed later in this chapter. This difference in employment rates between the two groups was statistically significant once the influence of other factors was controlled for (i.e. personal characteristics) with a coefficient size of 1.68 (IES, 2003).

However, this difference was driven largely by Prince's Trust participants who had managed to sustain their businesses over the period covered by the research. Looking solely at those participants who had ceased trading by the end of the research period ('non-survivors'), there was no evidence that their overall chances of being in work were any greater than their counterparts in the comparison sample. The employment rate of non-survivors by wave 3 of the survey was 58%, slightly below the comparison sample's employment rate of 61%.

The Grameen America randomised controlled trial also identified positive and statistically significant impacts on employment outcomes among participants in the loan group scheme compared to the comparison group (MDRC, 2022). While the impact on overall employment rates was not considered, thirty-six months after starting on the trial, 86.5% of participants were operating their own business(es), compared to 74.8% of participants in the control group. However, this did not appear to affect the likelihood of participants being in some form of wage-based employment at this time point (i.e. working for an employer). Earlier findings at 18 months suggested that participation in the scheme had led to decreased participation in wage-based employment, yet at 36 months, the differences between the two groups were negligible (49% of women in the Grameen America group were working for an employer, compared with 48% in the control group).

The study authors reflect that, over time, some women may have chosen to leave self-employment or supplement their income with wage-based earnings. The qualitative research completed as part of the Grameen America study suggested that some women valued the (albeit limited) benefits that wage-based jobs provided in comparison to self-employment, as well as having access to a steady source of income.

A similar trend, albeit over a shorter time period, was observed as part of the evaluation of the New Enterprise Incentive Scheme (NEIS) in Australia (DEWR, 2022). Three separate surveys were completed with participants 3, 12 and 24 months following their participation in NEIS. The study did not include a matched comparison group, so the findings presented here are purely descriptive.

The three-month survey showed that 68.4% of participants were still running their NEIS-supported business, while 12.2% were employed elsewhere, 13.9% were unemployed, and 5.5% were no longer in the labour force. Breaking these findings down by demographic characteristics, young participants (aged 15-24) were less likely to be running their NEIS business at the three-month point compared to other age groups, while those with higher qualifications were more likely to be running their NEIS business or employed after 3 months.

By the 12-month point, rates of self-employment had decreased: 48.4% of participants were still running their NEIS business, dropping to 43.2% at 24 months. The proportion of participants employed elsewhere meanwhile increased to 22.1% 24 months post-support. The authors of this study commented that these findings indicate that many NEIS participants at some point swap self-employment for wage-based employment. This could either be because their NEIS business did not operate successfully, they did not enjoy being self-employed and/or self-employment was not as attractive an option when compared with wage-based employment. However, this study did not explore how many participants continued running their NEIS business *and* took up some form of self-employment, as the Grameen America study did. This raises the prospect that rates of wage-based employment among this sample could potentially be higher if, as in the Grameen America scheme, some individuals opted to engage in wage-based employment while continuing to run their own business.

Finally, turning to the evaluation of the Start-Up Loan scheme in the UK, while this study did not include a comparison group, the survey research did find, in line with the other findings presented here, that a large majority of participants within one cohort of lenders from 2014 were still operating their business several years after engaging in the support (84% after 3 years) (SQW, 2019). While a quarter of this sample were unemployed prior to accessing a loan, this had reduced to 6% by the 3-year point.

A separate study that analysed administrative data on the Start-Up Loan scheme from 2012 to 2021 found that of the 82,797 individuals who accessed the scheme over this period, 25,605 participants (31%) were previously unemployed and were successful in transitioning to self-employment (Cowling and Dvouletý, 2023). Again, the vast majority of the businesses being run by formerly unemployed individuals (82%) were still operating at the time of the research and had been running for an average of 46 months (almost 4 years). While 18% of businesses failed, these businesses were sustained for an average of 29 months.

Overall, the evidence suggests that self-employment support schemes that combine some form of financial assistance with business mentoring or wider social support can be effective in increasing the chances that participants, including those previously unemployed, will be in employment several years after the end of the scheme.

Furthermore, it seems that these high employment rates are largely driven by individuals sustaining the business they were supported to establish, showing that these schemes can offer an effective means to enter self-employment. However, across a few studies discussed here, there is a clear trend of participants taking up wage-based employment over time, either to replace or supplement their income from self-employment. This may reflect individual preferences and decision-making based on participants' direct experience of self-employment, changing financial circumstances and/or the nature of the economic benefits and opportunities for growth (or lack thereof) that self-employment provides. The latter themes are explored in more detail in subsequent sections.

7.2.2 Earnings

Overall, there is mixed evidence of the impacts on earnings from the self-employment support programmes considered as part of this review.

Findings from the Prince's Trust programme, for example, provide little support for the idea that the ventures were economically beneficial for participants compared to alternative forms of employment. Participants reported lower weekly earnings than their counterparts at least 2 years after they had received support, with 26% earning less than £50 per week despite working long hours (IES, 2003). It should also be noted that the median pre-tax earnings of participants in the Prince's Trust programme who were *not* still running their own business at the time of the research were similar to their counterparts in the comparison sample, with both groups having much higher earnings than those still running their Prince's Trust-supported businesses (IES, 2003).

However, multivariate statistical analysis did show that Prince's Trust participation had a significant and positive impact on *self-employed* earnings, with those in the Prince's Trust sample earning more when self-employed than the self-employed in the comparison sample. This suggests that the support did help increase the earnings potential of participants who entered self-employment, more than would have been the case if they had not engaged in this support.

In terms of personal characteristics and experiences, Prince's Trust clients who had been in work prior to starting their business reported significantly higher earnings from their businesses than those who had been unemployed or economically inactive immediately prior to start-up. This suggests that the work experience and/or financial situation of these individuals provides an advantage to the start-up process. In line with other findings presented throughout this report, age was also positively correlated with earnings. This again suggests that the accumulation of resources, through work experience and earnings, is advantageous to those looking to pursue self-employment.

The evaluation of the Prince's Trust programme also observed a negative relationship between the take-up of mentoring support and self-employment income. While the cause of this is hard to determine, the voluntary nature of the mentoring support suggests that those in greatest need (i.e. low earners) require greater levels of support (as opposed to mentoring having a negative effect on earnings).

Taken together, these findings highlight that the earnings potential of participants in the Prince's Trust scheme is higher in self-employment than it would have been in the absence of support, but not as high as it could have been had they pursued other forms of employment. Further, given the relationships between previous employment, mentoring and earnings, it may be that more vulnerable groups of young people are particularly susceptible to low earnings effects from self-employment.

For other schemes, women who participated in the Grameen America loan groups reported a 13% higher average net income than non-participants after three years, with the difference being just below the threshold for statistical significance. The programme did, however, produce a statistically significant effect on the likelihood of having a net income above a certain threshold of \$1,800 or more. Based on these findings, the study authors state that the weight of evidence suggests that Grameen America probably had a positive effect on net income overall (MDRC, 2022).

The Grameen America study also considered wider financial benefits from participating in the programme. It found that participation in the loan groups reduced the likelihood of experiencing material hardship, with 40% of women in the programme reporting such hardship compared to 47% in the control group. The programme also increased non-retirement savings and the likelihood of having a VantageScore (i.e. a credit score that participants would not have been able to access otherwise), significantly improving financial empowerment (MDRC, 2022).

In the case of the Self-Employment Assistance (SEA) programme in the US, across two states, the progress of participants was tracked over time through a longitudinal survey involving a comparison group. However, it should be noted that this was not a matched comparison, and the authors highlight that the background characteristics of individuals from the two groups varied considerably. While the results should therefore be treated with caution, the study found that participants had lower wages and salaries compared to the comparison group in the initial period, as they focused on establishing their businesses. By the second year, this earnings gap had largely disappeared in one state, while SEA participants in the other were earning more than the comparison group (Mathematica, 2017).

Overall, the evaluation evidence considered as part of this review showed mixed effects on earnings from engaging in different self-employment support schemes. While the Prince's Trust evaluation indicated that participants running Prince's Trust supported business did not enjoy the same economic benefits as they might have done from wage-based employment, participating in the scheme did have a positive effect on earnings from self-employment compared to non-participants. The Grameen America study also provides evidence that the low-income women who took part in the scheme benefited more financially from being part of the loan groups than they would have done otherwise. Participants in the SEA programme (who were unemployed on entry) also saw a narrowing of their earnings gap with non-participants over time, although the extent to which this can be attributed to the support they received is unclear.

While it is difficult to draw firm conclusions from these findings, they do suggest that there can be financial benefits from participating in self-employment support schemes for

vulnerable groups (i.e. unemployed individuals, those on low incomes), particularly those that provide access to microfinance, and that these benefits are higher than they would have been in the absence of this support. However, overall, there is a lack of evidence of the efficacy of these interventions in terms of their earnings effects for young people in particular. What evidence is currently available suggests it can be challenging for self-employed young people to earn as much as they would in regular employment by participating in these schemes, and those at the younger end of the age spectrum with fewer resources may be at greatest risk of these low earnings effects.

7.2.3 Business creation

A common finding across multiple self-employment support evaluations is the presence of significant deadweight in terms of business creation, where ventures would have started regardless of programme participation. Estimates of deadweight of 60-70% are common (IES, 2003). While sophisticated estimates of deadweight were not present in the studies considered as part of this review, survey evidence within several evaluations provides an indication of the proportion of participants who would have started their own business regardless of the support.

Looking at the New Enterprise Allowance (NEA) in the UK, one in two individuals who had an initial meeting with a mentor went on to receive the NEA allowance and start a business. The Department for Work and Pensions (DWP) found that 78% of NEA participants were continuously off benefits for a 12-month period. While a slight majority of respondents indicated they would have likely established their businesses without support, most acknowledged that the scheme provided a quicker route to self-employment and ensured they were more prepared (Hinks et al., 2015).

While the Start Up Loans programme in the UK is not a 'welfare bridge programme' but a Start Up *loan* scheme (where applicants arguably have a firmer stance on wanting to start a business ahead of applying as they are primarily seeking to eliminate financial barriers), a survey of two cohorts that participated in the scheme in 2014 and 2016 found that nine in ten individuals who secured a loan went on to start a business. Similarly to the NEA, over half of survey respondents indicated that they were able to start their businesses more quickly than they otherwise would have, following the support (SQW, 2019).

The findings from both of these evaluations suggest that self-employment schemes that provide access to finance as well as business advisory services/mentoring support can accelerate the process of business creation for participants and improve the knowledge/preparedness of entrepreneurs.

Regarding individuals less certain of wanting to start a business before engaging in an intervention, a survey of participants that took part in the NEIS programme in Australia reported that almost half (49.6%) of participants who commenced a Be Your Own Boss introductory workshop went on to take advantage of the NEIS training, and about a third (36.2%) proceeded to NEIS Assistance (which provides business mentoring for the first year that someone is running their own business). Almost all (95%) workshop participants not already self-employed were interested in starting their own business, and 86% said the workshop influenced this decision. The report authors stated that the 2-week duration

of the workshops assisted in making them accessible, particularly for participants who were unable to commit to longer amounts of time or were unsure about whether to pursue a business at all. (DEWR, 2022) Since July 2015, 47,259 people have commenced a new small business through NEIS (DEWR, 2022).

While significant deadweight can exist in self-employment support schemes, the evidence presented above highlights the roles these schemes can play in encouraging more people to consider this route and in quickening the process of business creation. Some element of financial support is present in all the schemes considered, suggesting that this component is important in providing participants with the resources needed to spend time establishing their business, as well as helping with start-up costs and overcoming financial obstacles.

7.2.4 Business performance

In terms of business performance, some evaluations of self-employment support schemes targeted at young people highlight positive outcomes. The Prince's Trust study, for example, reported enterprise survival rates of Prince's Trust participants of 88% in the first year, dropping to 65% in the third year (IES, 2003). A more recent evaluation found that 76% of those who received full start-up support in 2012-13 were still running two years later, and 73% three years later, with survival rates higher than typical UK businesses (The Prince's Trust, Wavehill and NatWest, 2016).

The 2003 study explored why some Prince's Trust participants had ceased trading. The authors found across each wave of the survey that business reasons predominated over personal reasons. The most common business reasons cited related to the financial performance of the business (i.e. not generating a sufficient income, a lack of demand, fluctuating income levels, as well as business costs being too high or not having sufficient business capital) (IES, 2003).

For other interventions, in other national contexts, survival rates were somewhat lower. In Australia, young people participating in the NEIS Assistance programme in Australia received 12 months of support while they were establishing their business (this involved business mentoring as well as receiving financial support in the form of an allowance in some cases). As highlighted earlier, three months after exiting NEIS Assistance, 68.4% of participants were still running their NEIS business, although this dropped to 48.4% at 12 months and 43.4% at 24 months post-participation. While these survival rates were lower than for all Australian non-employed business entries across the research period (which stood at 75.4%), the data for all businesses show a similar rate of decrease in business survival over time (DEWR, 2022).¹ The NEIS survey also explored the drivers of business closure among the sample. The primary reasons cited by participants for closing their NEIS business were similar to the Prince's Trust study and included a lack of profit (73.4%) and a lack of market demand (57.7%).

¹ It should be noted that comparing NEIS supported businesses with national business entries is not the same as comparing outcomes to a comparable control group, so these figures should be interpreted with caution.

Besides business survival, the growth (potential) of a business is a further marker of 'business performance.' Qualitative interviews with participants in the New Enterprise Allowance (NEA) in the UK revealed that the scheme typically supports sole traders in sectors like gardening, hairdressing, and construction. While the programme was seen to effectively support those interested in self-employment, the enterprises were generally small-scale with less growth potential than anticipated (Hinks et al., 2015).

This research into the NEA programme indicated that most participants aimed to sustain themselves rather than expand their businesses. They faced challenges such as insufficient income, cash-flow issues, and capital constraints. Despite this, 80% of businesses started with NEA support were still trading at the time of the survey (approximately one year after starting to claim NEA).

For the Prince's Trust scheme, the 2003 study showed that only 24% of supported businesses had paid employees (one indicator of business growth) working within their business at least two years after receiving the support. The average net job creation per surviving business was 0.44 jobs, which at the time compared well with previous studies of new start-ups. For the NEIS assistance programme in Australia, rates of job creation were slightly higher (but still low overall). On average, NEIS businesses had created 0.33 additional paid positions 3 months following the support. This rose to 0.49 after 12 months and 0.70 after 24 months.

Similar to the Prince's Trust programme, the Grameen America loan group study found that after 36 months, only 20% of supported businesses had paid employees. However, this was higher than for women within the control group (14%) and the difference was found to be statistically significant. Furthermore, while the proportion of Grameen America-supported businesses that had paid employees was the same at the 18-month and 36-month point (at 20%), for women in the control group, the proportion declined between these two time points (from 17% to 14%, respectively). The authors state that this could suggest that the businesses of women in the control group were growing at a slower rate.

While self-employment support schemes are generally designed to encourage business creation and survival, the outcomes vary. Some of the UK-based schemes, such as the Prince's Trust Enterprise programme, do demonstrate relatively positive business survival rates 1-2 years after being established compared to similar international initiatives. However, across all the schemes considered here, there appears to be limited scope for these businesses to expand, with a focus instead on supporting sole traders to sustain themselves in self-employment. This may be indicative of the sectors that participants in these schemes are drawn to work in (i.e. sectors where sole traders are more common) as well as the more limited earnings opportunities and financial challenges that can come with solo self-employment.

This is not to say, however, that these schemes do not influence or affect business growth. Evidence from the Grameen America study suggested that the loans and peer support provided as part of this initiative may have enabled these businesses to grow faster than would have otherwise been the case. In addition, the authors of this study also highlight that the fact some businesses did not grow might not be an indication that the

programme had no impact. Case studies completed as part of this project highlight that women within the loan groups may have had different financial relationships with their business at different points in time. For instance, women in the loans groups fluctuated between seeing their business as their main source of income and at other times using the business to supplement their wages from wage-based employment (49% were in wage-based employment at 36 months). This highlights a broader point that self-employment may be one financial strategy among many for people who establish their own business, and the performance of these businesses and the income they provide should not necessarily be viewed in isolated terms in assessing their value to the individual.

7.2.5 Skills/Confidence

Evidence from the collated studies shows that self-employment support schemes do help improve participants' skills and confidence. Participants in the Prince's Trust programme and the NEA scheme reported enhanced confidence and skills in areas such as marketing, networking, and financial management, for example (IES, 2003; DWP, 2013). The Start Up Loans programme in the UK highlighted the importance of mentoring in supporting the development of these attributes, with higher levels of mentoring support associated with more positive outcomes in business and personal confidence (SQW, 2019).

The development of skills and confidence is a crucial component of self-employment success. By equipping young entrepreneurs with the necessary tools and knowledge, these programmes help them navigate the challenges of running a business and increase their chances of sustaining their business in the long-term. However, the effectiveness of these initiatives depends heavily on the quality and consistency of the training and mentoring provided, as well as participants' level of awareness of this support. For example, some programmes like the Start Up Loans scheme have optional mentoring components. The evaluation of this scheme showed that a significant minority of individuals did not understand the potential value of mentoring, and close to 20% of people supported by the programme said they had not been offered mentoring support. These findings highlight some of the risks to consistent delivery for national self-employment support schemes with optional components where delivery is overseen by a diverse network of local delivery partners.

8 Conclusions

The collated research evidence shows that there is a high level of interest in self-employment among young people within the UK and across the EU. However, as outlined in section 5, young people can typically lack the human, social and financial resources required to establish and sustain their own business.

Self-employment support schemes have been developed across different countries to address these barriers for young people, as well as other groups. As highlighted in section 6, often these schemes combine different types of support as part of an integrated programme, for example, by offering business mentoring alongside microfinance to help people through the start-up phase.

The evidence collated and presented in section 7 shows that these schemes can be effective in supporting business creation and helping participants start up a business more quickly than would otherwise have been the case. This evidence base also suggests that the survival rates associated with these schemes are high, with the majority of businesses still trading 1-3 years following the support.

Some important caveats to these positive findings centre around the returns participants in these schemes can expect from self-employment and the opportunities available to participants to grow their business. Some longitudinal studies with matched comparison groups have shown that, while young people can earn more from self-employment by accessing these schemes than they may have done otherwise, these earnings are not as high as they could have been if they had entered wage-based employment. In fact, across evaluations of several schemes, there is a tendency for participants to move into some form of wage-based employment over time.

Furthermore, it seems that the type of businesses created by these schemes may provide limited growth opportunities. The findings from several studies show that often the businesses created as part of these schemes do not hire additional employees, with business owners instead focused on sustaining themselves in self-employment. This may be indicative of the type of sectors participants drawn to these schemes are interested in, as well as the lower earnings potential offered by solo self-employment compared to wage-based employment.

However, this does not suggest that self-employment support is not materially beneficial to individuals compared to alternative routes. Only one study included in this review considered how participants combined wage-based employment and self-employment over time (the Grameen America programme). This study found an overall material benefit for the women who participated in the scheme, with participants fluctuating between their business being their main source of income to it being used to supplement their earnings from wage-based employment. This suggests that future studies considering the long-term material benefits from self-employment support should look at

how the income someone derives from their business fits with their wider portfolio of financial strategies. In this way, we can better consider the overall value of this support to the individual.

In considering what components of self-employment support make the most difference to individuals, it is difficult to draw firm conclusions given the integrated nature of the support programmes included in this review and their use across differing national and economic contexts, with different target groups. Previous reviews of studies in this area have noted that integrated programmes in general appear to be most effective, and the inclusion of some type of financial support is particularly important in driving business creation (OECD, 2023). However, it is not clear what types of non-financial support (e.g. business advisory services, mentoring, training) are most effective in driving positive outcomes. One consideration to emerge from the evidence base though, which is relevant for this current feasibility study, is that disadvantaged groups of young people may require more intensive support (e.g. in terms of access to mentoring) compared to individuals with more resources (in terms of educational background and work experience) to derive more benefit from these programmes in terms of rates of business survival and employment over time.

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The Prince's Trust, Wavehill and NatWest (2016). *Trust in Business: How Prince's Trust support increases business sustainability*

Vershinina. N, Radu-Lefebvre. M. Sarah. J and Discua Cruz, A (2024). *What Influences Youth with NEET Status to Start a Business, and Is it a Path to Sustainable Work?*

Welsh Government (2022) *Review of Welsh Government Youth Entrepreneurship Programme 2016 to 2022: final report*

Wolff. J, Nivorozhkin. and Bernhard, S (2016) *You Can go your Own Way! The Long Term Effectiveness of a Self Employment Programme for Welfare Recipients in Germany*

Youth Futures Foundation (2023) *Choosing your freedom: research into youth self-employment*

Appendix 1: Self-employment feasibility study - evidence review protocol

Purpose of Rapid Evidence Assessment

The purpose of completing a literature review for this feasibility study is to ensure that the latter stages of the research and the intervention design are grounded in up-to-date, robust empirical evidence. The literature review will cover each of the six research questions posed by this study. These are:

1. How is self-employment defined in labour market data?
2. What are the labour market outcomes of self-employment for young people?
3. How is self-employment understood by young people who are NEET or in low-paid insecure employment, and those who support them?
4. What are the barriers and enablers to accessing self-employment for young people who are NEET or in low-paid insecure employment?
5. What types of support are available for young people who are NEET or in low-paid insecure employment to access self-employment?
6. What is known about the (short and long-term) effectiveness of these types of support for young people who are NEET or in low-paid insecure employment?

In addressing these questions, the review will identify frameworks for conceptualising self-employment; provide a description of the outcomes associated with self-employment for young people, as well as barriers and facilitators to access; identify the features of self-employment support available to disadvantaged groups; and outline what is known about the effectiveness of these interventions.

We propose completing a single Rapid Evidence Assessment (REA) that covers all six research questions. An REA is an appropriate choice of review in this instance, given the greater costs and time required for a fuller review, and the exploratory nature of the research questions, which may not suit a more systematic approach.

Completing separate reviews for each research question will be costly, and the review may lose coherence. Completing a single review will allow links to be made between each of the research questions, which will strengthen the overall presentation of the evidence and the clarity of the findings that emerge.

Search strategy and selection criteria

While the REA will cover all six research questions through a single review, we will adopt two separate search strategies to address them. The rationale for this is that research questions one through four are largely descriptive, while questions five and six pertain to evidence on interventions and their effectiveness. Therefore, the search criteria, study designs for inclusion, and wider evidence for analysis will vary, requiring distinct approaches.

Strand 1

The evidence addressing the first four research questions² will require us to draw on conceptual frameworks that have been developed to define self-employment, as well as labour market statistics and survey evidence that provide an overview of the outcomes associated with self-employment for young people, and views on what inhibits and promotes access.

Given this focus, we anticipate that this strand of the REA will draw heavily on grey literature sources. Our search strategy and inclusion criteria (Table 1) cannot therefore be too restrictive either in terms of the publication date or study design, to allow us to identify a sufficient number of relevant papers. In particular, we will target previous authoritative evidence reviews that have sought to describe and define the nature of (youth) self-employment in both the UK and international context.³

Table 1: Strand 1 inclusion and exclusion criteria

Inclusion	Exclusion
Studies that provide definitions of self-employment (RQ1)	Studies that do not provide definitions of self-employment (RQ1)
Studies that focus on the labour market outcomes of self-employment for young people (RQ2)	Studies that do not focus on the labour market outcomes of self-employment for young people (RQ2)

²We anticipate that Strand 1 will identify studies which also shed light on some aspects of question five, specifically through the investigation of enablers and barriers. Therefore, where relevant we will retain and code this data and include it in our analysis.

³ For example, see Williams et al. (2017) *The true diversity of self-employment*. Available at: https://www.employment-studies.co.uk/system/files/resources/files/The%20true%20diversity%20of%20self-employment_0.pdf

Studies that explore how self-employment is conceptualised and thought of among young people and people that support them (RQ3)	Studies that do not explore how self-employment is conceptualised and thought of among young people and people that support them (RQ3)
Studies that focus on enablers and barriers to self-employment for young people in relation to a self-employment support intervention (RQ4)	Studies that do not focus on enablers and barriers to self-employment for young people in relation to a self-employment support intervention (RQ4)
Studies that focus on disadvantaged young people, including young people NEET and young people in low-paid, insecure employment (RQs 2-4)	Studies that do not include a focus on disadvantaged young people (RQs 2-4)
	Studies that focus on entrepreneurship education (i.e. interventions typically delivered in educational settings that do not directly aim to support individuals to create their own business)
Studies conducted in the UK and OECD countries	Studies not conducted in the UK and OECD countries
Studies published in English	Studies not in English

To conduct our research for Strand 1, we will use the following search string, in full or using a combination of terms, depending on the database being searched and the research questions being examined:

("Self-employ*" OR "Entrepreneur*" OR "Freelanc*" OR "Gig work" OR "Gig economy" OR "Micro-enterpris*" OR "Microenterpris*" OR "Microfinanc*" OR "micro-financ*" OR "Microfranchis*" OR "micro-franchis*" OR "Start-up" OR "Small business" OR "Micro business" OR "Crowd-fund*" OR "Crowd fund*" OR "Incubat*" OR "Accelerat*") **AND** ("youth" OR "young" OR "teenage*" OR "adolescen*") **AND** ("Disadv*" OR "Marginali*" OR "Vulnerab*" OR "Not in education employment or training" OR "NEET*" OR "Unemploy*" OR "Jobless" OR "Low-paid" OR "low paid" OR "Low pay" OR "Low-pay" OR "Insecure" OR "Precarious" OR "Unstable")

We propose using this search string, which will generate the highest number of results pertinent to self-employment and youth, and successively sift the results using the inclusion criteria, to identify studies which focus on definitions and understandings of self-employment, labour market outcomes, and barriers and enablers to accessing self-employment. We will prioritise studies for inclusion based on their relevance and the extent to which they focus on each of these themes.

Strand 2

Our approach to addressing research questions five and six will focus more heavily on the academic and evaluation literature. For these research questions, we want to identify evaluations of self-employment support interventions and gather evidence on their effectiveness. We will prioritise impact evaluations for inclusion, but may also include other types of study (e.g. process evaluation studies, such as those focused on the Prince's Trust Enterprise Programme), which are relevant to the research questions and provide novel insights on how outcomes can best be achieved. This will help ensure that the components of the intervention developed as part of this feasibility study are underpinned by the robust empirical findings. We have grouped questions five and six under Strand 2, as this strand aims to shed light on intervention pathways and identify the links between different support packages and their outcomes. While the strength and quality of the evidence will vary, and assertions of causality may not always be possible, we hope that tracing the pathway from intervention support to outcomes will support our understanding of facilitators and moderators in the interventions.

In developing the inclusion and exclusion criteria that we will use to screen studies for research questions five and six (Table 2), our approach has been heavily informed by the Kluge et al (2017) systematic review.⁴ This review considered the impact of youth employment interventions (including youth entrepreneurship promotion) on labour market outcomes. Given the comprehensiveness of this study, we suggest that our review focuses largely on studies published from 2017 onwards to update this evidence base. Exceptions to this inclusion criteria may be high-quality impact evaluations of youth entrepreneurship programmes delivered in the UK within the last 20 years, given their contextual relevance to the feasibility study.

As well as focusing on youth employment interventions, the Kluge review also included evaluations of interventions focused on other disadvantaged groups to capture relevant insights. While we will prioritise youth interventions for inclusion in this REA, it may be necessary to expand the scope of this review in a similar way, given the paucity of evaluation studies in this area, particularly within high-income countries.

Similar to the Kluge review, we will only focus on studies that look at the direct impact of interventions on labour market outcomes (this will exclude entrepreneurial educational interventions from the REA, for example, which are not designed to support entry into the labour market in the short-term). While we will select studies based on whether they investigate impact on labour market outcomes, where such studies identify further outcomes (such as wellbeing) we will include this evidence in the research. We will not use the quality of self-employment as an inclusion/exclusion criteria as it is a dimension of work that exists on a spectrum and cannot be assessed in a binary way, and using it as a criteria for the searches may risk key evidence being missed or excluded. We will,

⁴ Kluge, J., Puerto, S., Robalino, D., Romero, J.M., Rother, F., Stöterau, J., Weidenkaff, F. and Witte, M. (2017), Interventions to improve the labour market outcomes of youth: A systematic review of training, entrepreneurship promotion, employment services and subsidized employment interventions. *Campbell Systematic Reviews*, 13: 1-288. <https://doi.org/10.4073/csr.2017.12>

however, investigate this element at the full text review stage, and will exclude studies which focus on interventions supporting entry into dependent or bogus self-employment.

To ensure the findings of this REA are relevant to a UK context, we will only include evaluation evidence from high-income countries. OECD members will be used as a proxy for a high-income country in our screening criteria.

Table 2: Strand 2 inclusion and exclusion criteria

Inclusion	Exclusion
<p>Studies of interventions that focus on entrepreneurship or self-employment promotion (including business mentoring and coaching, provision of credit, grants or loans, access to business advisory services, business and management training) for youth (aged between 15-35) or other disadvantaged groups (such as ethnic minorities, those on low incomes, women, and intersections between these groups)</p> <p>AND</p> <p>Measure the direct impact on labour market outcomes (specifically, impact on employment/unemployment, earnings and income, business creation and business performance)</p>	<p>Studies that do not focus on entrepreneurship or self-employment promotion for youth or other disadvantaged groups</p> <p>Studies that do not measure the direct impact of entrepreneurship or self-employment promotion on labour market outcomes.</p>
Studies conducted in the UK and OECD countries	Studies not conducted in the UK and OECD countries
Studies published in English	Studies not in English
Studies published from 2017 onwards	Studies published before 2017

To conduct our research for Strand 2 in accordance with the inclusion criteria outlined above, will use the following search string, in full or using a combination of terms depending on the database being searched:

("Self-employ*" OR "Entrepreneur*" OR "Freelanc*" OR "Gig work" OR "Gig economy" OR "Micro-enterpris*" OR "Microenterpris*" OR "Microfinanc*" OR "micro-financ*" OR "Microfranchis*" OR "micro-franchis*" OR "Start-up" OR "Small business" OR "Micro business" OR "Crowd-fund*" OR "Crowd fund*" OR "Incubat*")

OR "Accelerat*") **AND** ("youth" OR "young" OR "teenage*" OR "adolescen*")⁵ **AND** ("Disadv*" OR "Marginali*" OR "Vulnerab*" OR "Not in education employment or training" OR "NEET*" OR "Unemploy*" OR "Jobless" OR "Low-paid" OR "low paid" OR "Low pay" OR "Low-pay" OR "Insecure" OR "Precarious" OR "Unstable") **AND** ("Intervention" OR "Program*" OR "Initiative" OR "evaluat*" OR "evidence" OR "outcome*" OR "impact")

Databases

Our searches will focus on national and international sources of academic and grey literature. For Strand 1, we anticipate that key evidence will be concentrated in grey literature, and for Strand 2, we expect evidence to be spread across academic and grey literature sources.

We will search the following electronic databases to identify studies for inclusion in the review:

- Academic databases: Scopus; PubMed; PsychINFO; JStor; the Education Resources Information Center (ERIC); Project MUSE; Social Science research Network (SSRN)
- Wider databases: Google/Google Scholar; gov.uk; OECD Library; European Commission Library; Eurofound; International Labour organization (ILO); Youth Entrepreneurship Policy Academy; National Lottery Community Fund (NLCF) Evidence Library; Joseph Rowntree Foundation (JRF); Nuffield Foundation; Centrepoin; Youth Employment UK; Impetus; Office of Planning, Research and Evaluation (OPRE); Princes Trust; the National Bureau of Economic Research (NBER); The Pathways to Work Evidence Clearinghouse; Clearinghouse for Labor Evaluation and Research.

Wider sources of literature

We will identify relevant studies that are not captured through our database searches by perusing the reference lists of included studies.

We will also use the YFF evidence and gap map to identify relevant studies completed within high-income countries focused on youth entrepreneurship promotion and financing. We will take into account any updates to this resource over the review period and include any studies recommended by the YFF or its advisers on this topic.

Finally, we will consider putting out a call for evidence on youth entrepreneurship through our networks to identify soon-to-be-published material and source additional recommendations for our long list of evidence to sift and review.

⁵ We will run searches both including and excluding this part of the search string, as we aim to identify studies specifically focused on young people and studies on interventions with disadvantaged adults.

Data extraction, quality assessment and reporting

Following the searches, we will screen results based on key terms included in the title and abstract of each study. The data screening software Covidence (or an equivalent) will be used to support this process. Following title and abstract screening, shortlisted papers will undergo a full-text review using the inclusion criteria.

We will assess the confidence in all studies included for data extraction by using a critical appraisal tool. The former Department for International Development developed a comprehensive set of principles and associated questions that can be used to assess the quality of the research presented within a given study (a summary of these is provided below). Each study will be given an overall rating of high, medium or low quality based on how comprehensively the study addresses these principles in practice. Studies that provide high-quality evidence will be prioritised for inclusion in this review.

Data from the included papers will be extracted using a standardised pro-forma to ensure consistency of data extraction. We will pilot extraction with the pro-forma as well as holding team meetings to build consensus about what to extract and how. A code book will then be developed to guide our extraction of studies (in Excel). We will pilot coding and hold team reviews to ensure there is sufficient detail coded to support later analysis. The codes will be revised on an inductive basis as further themes emerge from the review of the literature.

We will produce a report summarising the main findings from the REA. The layout of the report will follow the structure of the research questions, addressing each one in turn. A draft of the report will be submitted to YFF for feedback and comment, after which an edited and finalised output will be submitted.

Principles of Research Quality

Principles of quality	Associated questions
Conceptual framing	<p>Does the study acknowledge existing research?</p> <p>Does the study construct a conceptual framework?</p> <p>Does the study pose a research question or outline a hypothesis?</p>
Transparency	<p>Does the study present or link to the raw data it analyses?</p> <p>What is the geography/context in which the study was conducted?</p> <p>Does the study declare sources of support/funding?</p>
Appropriateness	<p>Does the study identify a research design?</p> <p>Does the study identify a research method?</p> <p>Does the study demonstrate why the chosen design and method are well suited to the research question?</p>
Cultural sensitivity	<p>Does the study explicitly consider any context-specific cultural factors that may bias the analysis/findings?</p>
Validity	<p>To what extent does the study demonstrate measurement validity?</p> <p>To what extent is the study internally valid?</p>

	<p>To what extent is the study externally valid?</p> <p>To what extent is the study ecologically valid?</p>
Reliability	<p>To what extent are the measures used in the study stable?</p> <p>To what extent are the measures used in the study internally reliable?</p> <p>To what extent are the findings likely to be sensitive/changeable depending on the analytical technique used?</p>
Cogency	<p>Does the author 'signpost' the reader throughout?</p> <p>To what extent does the author consider the study's limitations and/or alternative interpretations of the analysis?</p> <p>Are the conclusions clearly based on the study's results?</p>