ies Report

Institute for Employment Studies

Youth self-employment support

Phase 1 consultation findings

Jonathan Buzzeo, Cristiana Orlando and Becci Newton

youth futures FOUNDATION

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About Youth Futures Foundation

Youth Futures Foundation is the national What Works Centre for youth employment, with a specific focus on marginalised young people. It aims to create a society where every young person can achieve good work, by finding out What Works and driving change in policy and practice.

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1   About this report

This report presents the findings from a series of consultations on the topic of self-employment. It sets out how young people can be supported to consider and pursue this form of work. This fieldwork was completed as part of a wider project exploring the feasibility of developing and evaluating a self-employment support intervention for young people.

The consultations aimed to establish:

- How young people view self-employment;
- What barriers young people face in pursuing self-employment;
- How to identify and reach young people who might benefit from self-employment;
- The features of effective self-employment support interventions for young people;
- What outcomes these interventions can reasonably deliver.

The report is structured around each of these questions and aims to answer each one in turn. It builds on the findings of a rapid evidence assessment (REA) completed earlier this year, which focused on similar themes. The REA findings are referenced throughout, where there are points of difference or similarities in the messages that came through.

1.1   Method

Fieldwork was completed from August to November 2024. In-depth interviews were completed with:

- **Twelve organisations working in the voluntary, public and private sectors**. These organisations all had experience of delivering self-employment support interventions, several of which were targeted at young people. They included a mix of local, regional and national providers.

- **Twenty-one in-depth interviews with young people aged 18-30**. Young people were sampled from two regions: London and North East England. The majority of participants were female (65 per cent) and white (60 per cent). They included a spread of characteristics in terms of employment status: 30 per cent were NEET; 30 per cent were gig or platform workers; 40 per cent were in low-paid insecure work. Participant attitudes towards self-employment varied. This included those who had never considered self-employment, those who had considered and rejected the idea, as well as those who are interested or active in some form of self-employment.

Interviews lasted approximately one hour and were carried out through Microsoft Teams with providers and over the phone with young people. Thematic coding and framework analysis were used to code and analyse findings, with themes reflecting the headings used in the discussion guides. The discussion guides for providers and young people are included in Appendices 1 and 2 of this report.

2   Young people's views of self-employment

This section summarises the feedback from young people on their understanding and perceptions of self-employment. It covers the appeal and deterrents to self-employment, and the factors that influence young people's views. It then details what support young people feel they need to help them consider self-employment as a viable path.

For the most part, findings from the consultations align with the REA findings in terms of young people's understanding of self-employment, its appeal and challenges, and views on enablers and support. The consultations provide additional insight into factors influencing young people's views, which were not covered in the REA.

2.1   Perceptions of self-employment

Overall, self-employment was seen as an appealing path towards achieving personal and professional goals by young people who were motivated by independence, passion, and flexibility. However, those seeking stability, routine, or collaboration found traditional employment more appealing.

The young people most interested in self-employment often valued autonomy and expressed more risk-tolerance, being driven by the potential for growth and self-fulfilment. Those with access to financial capital were also more likely to see self-employment as a viable route. However, for others, the perceived high initial costs and lack of financial security made self-employment less viable and appealing. Personal circumstances, such as caregiving responsibilities or health conditions, were further compounding factors, as young people in this group tended to view self-employment as incompatible with their needs.

2.1.1   Appeal of self-employment

Young people reported being attracted to self-employment due to the autonomy, flexibility, and potential for financial and personal fulfilment. Key elements shared by participants across the consultations included:

■ **Autonomy and control over work:** Young people reported valuing aspects of self-employment that would allow them to make their own decisions, set their own hours, and choose the type of work they want to pursue. Being their 'own boss' was often highlighted, as it was felt to offer a sense of ownership and personal accomplishment, with the satisfaction of building something independently from the ground up.

■ **Flexibility and work-life balance:** The flexibility of self-employment appealed to young people who seek a better work-life balance, especially those who want to tailor their schedules around personal needs, caregiving responsibilities, or hobbies. Many

found this flexibility attractive compared to traditional 9-to-5 jobs, allowing them to integrate work with lifestyle choices such as remote work, taking breaks when needed, and managing their energy and time effectively.

- **Financial incentives and potential for higher earnings:** Many young people were drawn to self-employment for the financial potential, envisioning it as a route to higher income through hard work and business growth. Unlike traditional jobs with fixed salaries, self-employment was seen to offer the possibility to directly influence earnings by scaling up operations, securing clients, or expanding services.

- **Pursuing passions and meaningful work:** Self-employment was seen by many participants as an opportunity to engage in work that is personally fulfilling or aligned with personal passions and values. Some young people found self-employment appealing as a way to turn hobbies or interests into a business, providing more meaningful engagement compared to roles in traditional employment.

- **Reduced workplace pressure:** Several participants mentioned viewing self-employment as a means to escape the pressures often associated with conventional employment environments. Many were attracted to the idea of working in a stress-free setting where they could avoid rigid corporate expectations, competitive environments, and the need to conform to company culture or work with challenging colleagues.

- **Potential for creativity and novelty:** Self-employment was appealing for those who seek variety and creativity in their work. Young people were drawn to the idea of being able to explore new projects, adapt to changing interests, and take on work that provides a break from monotony. For those with entrepreneurial spirits or creative aspirations, self-employment was seen to offer an avenue to innovate and bring unique ideas to market. For some, the intrinsic satisfaction of building something independently was highly motivating.

2.1.2   Deterrents and barriers to self-employment

Several young people also reported being deterred from self-employment by financial insecurity, perceived high start-up costs, and the lack of necessary skills and knowledge to manage a business independently. The fear of failure and potential financial loss, coupled with the complex administrative requirements, made self-employment seem risky and unfeasible. Limited access to guidance and support further amplified these concerns. Key elements shared by participants across the consultations included:

- **Financial insecurity and inconsistent income:** The primary deterrent to self-employment for young people is the inherent financial instability and unpredictability of income. Several reported worrying about not having a guaranteed monthly wage and the potential for income fluctuations, which creates stress, particularly for those who need to support family members or cover fixed expenses. The absence of benefits like sick pay, holiday pay, and insurance was also a concern, as self-employed individuals can lack the safety nets typically provided in regular employment.

- **High start-up costs:** Participants believed that starting a business often requires significant initial capital, which several did not have or felt reluctant to invest without a

guaranteed return. The high costs that young people often associated with setting up their own businesses included the cost of acquiring licenses, funding marketing, or purchasing equipment, which they felt may outweigh the potential benefits of self-employment. Additionally, the prospect of taking out loans without a secure way to repay them was viewed as a high risk, which made self-employment seem untenable.

- **Risk of failure and fear of losing investments:** The risk of business failure was another significant concern, especially given the personal financial and emotional investment required for self-employment. Many young people worried about the possibility of investing time and money into a venture that might not succeed, which could lead to financial loss and the need to return to traditional employment. The fear of 'losing everything' or going into debt if the business failed was a major psychological barrier. Further, the prospect of 'going it alone' without the safety net of a stable job was reported by many to be intimidating.

- **Lack of knowledge and skills:** A common theme was the lack of knowledge about business operations, from managing taxes to handling paperwork, and navigating legal requirements. Many felt that self-employment requires specialised knowledge or skills that they do not have. This lack of confidence was compounded by a perceived lack of accessible resources or training to guide young people in starting a business.

- **Administrative and regulatory challenges:** Young people often found the administrative demands of self-employment, such as tax returns, licensing, and business registration, to be daunting. They expressed concerns about the complexity of managing these tasks independently and the potential legal pitfalls if they made errors. For those without prior business experience, these challenges appeared intimidating, creating a barrier to entry.

- **Limited social and institutional support:** The lack of structured support systems and resources for young people also deterred interest in self-employment for many participants. They mentioned a need for more accessible guidance, mentorship programmes, and resources, such as government-provided frameworks or shadowing opportunities with established businesses, which could help mitigate the challenges of starting and sustaining a business. Participants emphasised that the resources currently available are often scattered or inaccessible.

- **Work-life balance concerns:** While flexibility was reported as a major draw for self-employment, the reality of long and often irregular hours was off-putting for many. Young people worried about the strain that self-employment could place on their personal lives, especially if they were responsible for family or caregiving. The perceived constant need to network and seek clients was seen as a lifestyle challenge that could make self-employment unappealing. Some felt that traditional employment offered a clearer separation between work and personal time, which contributed to a more balanced lifestyle.

- **Fear of isolation and desire for learning:** For some young people, the appeal of conventional employment lays in the opportunity for teamwork and professional development. They mentioned appreciating the collaborative environment of traditional workplaces and worried about getting 'stuck' in a self-employment role that lacked mental stimulation or opportunities for growth.

2.2   Influences over young people's perceptions

2.2.1   Family and friends

Participants' perceptions of self-employment were often shaped by family and friends. Seeing others succeed or struggle in self-employment highlighted both the flexibility and risks involved. Peer success stories served as motivation, showing that self-employment could be achievable. However, failed ventures or observed stress made self-employment seem daunting and high-risk for others.

Additionally, those who had access to positive role models or mentors who encouraged initiative and entrepreneurship felt more capable of exploring self-employment, while those lacking positive role models expressed less interest. This mirrored the findings from the REA, which found that 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.

Cultural and socio-economic backgrounds were further influencing factors observed during the consultation. For some young people, traditional family expectations to pursue specific professions (e.g. doctor, lawyer) limited self-employment aspirations. In other cases, young people perceived self-employment as less accessible or feasible due to the social and economic context of their communities, which often did not provide the financial safety net needed to mitigate the risks of self-employment.

2.2.2   Media

Media coverage, particularly TV shows like *Dragons' Den* and social media, was reported to play a notable role in shaping young people's understanding of self-employment. These sources often present entrepreneurship as a path to independence, wealth, and innovation, which some young people find appealing and inspiring. Content creators on platforms like YouTube also contributed positively by sharing personal stories of self-employment, making it seem more accessible and motivating. However, such portrayals were also felt by some to set unrealistic expectations by glamorising self-employment without fully conveying its challenges.

2.2.3   Previous experiences of work

Young people who had previous negative experiences in traditional employment environments, such as toxic workplaces or limited job opportunities, were also more likely to be interested in pursuing self-employment. For individuals facing barriers in finding traditional employment, self-employment appeared as a potential solution to control their work conditions and avoid harmful work environments. Those who had experienced job stability and protections in traditional employment, instead, tended to view self-employment as too risky by comparison.

2.2.4   Impact of the pandemic

Several participants noted that their views on self-employment changed following the pandemic, as they saw more individuals around them starting small businesses, often on digital platforms. This has led some to see self-employment as more accessible, even without extensive experience, changing traditional ideas of self-employment as reserved for those with formal qualifications or experience. Among these participants, self-employment was viewed as increasingly common and accessible, driven by the availability of gig work and online platforms (e.g. Etsy, eBay). Some young people associate self-employment with low entry barriers, allowing individuals to monetise skills or pursue ventures on a smaller scale, even without extensive prior experience.

2.3   Enablers and support

Young people identified several types of support that would enable them to pursue self-employment, with financial assistance and mentorship programmes emerging as top priorities.

2.3.1   Financial support

Participants consistently highlighted the need for financial assistance to cover start-up costs without the obligation of immediate repayment. They expressed that access to financial support, such as grants or low-interest loans, would be critical to helping them pursue self-employment. Several expressed interest in grants rather than loans due to the perceived risk of debt, especially in the early stages when income is uncertain. Participants suggested a government-backed scheme that provides funding based on a promising business plan, helping individuals take their first steps without the risk of incurring overwhelming debt.

2.3.2   Mentoring and resources

Alongside financial support, a strong desire for mentorship emerged, with participants highlighting the need for guidance from experienced business owners. Young people valued the idea of having mentors from their specific fields to guide them through the nuances of self-employment, particularly with practical elements like structuring business systems and strategies. Several felt that a structured mentorship programme could provide the expertise and support they lacked, especially in areas like marketing, financial management, and navigating administrative tasks.

Others also noted that having accessible educational resources on self-employment topics would better equip them for business ownership. These resources could cover skills such as tax management, financial planning, and marketing. Some suggested online courses or informational content (e.g. YouTube tutorials) on essential business skills, offered by government or educational organisations, to help bridge knowledge gaps.

2.3.3   Networking and peer support

Several participants highlighted the value of a supportive community of self-employed individuals: a network where they could exchange advice, discuss challenges, and share resources that would make self-employment feel less isolating. This could take the form of forums and online communities where they could connect with other self-employed individuals. They noted that networking opportunities and peer support systems would allow them to exchange advice and find collaborative support, as well as help them feel more motivated, especially during challenging periods. Some participants felt they would benefit from concrete examples of successful self-employment paths, including insights into the steps, challenges, and resources used by others to succeed.

2.3.4   Administrative support

A few participants suggested that streamlined administrative support, particularly in navigating tax, licensing, and compliance, would ease the transition into self-employment. Simplifying these processes or offering government guidance could reduce the psychological and administrative burden, making self-employment more approachable. Another suggestion was for a single, government-backed resource with easily understandable information on business regulations, tax filing, and legal compliance tailored specifically for young people.

2.3.5   Support in education

Almost all participants noted that self-employment was rarely discussed or encouraged in school, with emphasis instead placed on traditional paths like university education or other forms of employment. This gap often left young people unaware of self-employment as a viable choice or unprepared for the practicalities of starting a business. A few participants had received some information about self-employment in sixth form or university, but felt it was insufficient to truly understand the demands of self-employment. They advocated for its inclusion in the school curriculum, through practical modules on starting a business, managing finances, and navigating tax and administrative requirements, for example.

3   Information and outreach

This section summarises the feedback from support organisations on how young people can be supported to make an informed decision about whether to access a self-employment support intervention.

The consultation findings offered more of an insight into this intermediary step in a young person's journey towards self-employment, which was not well covered by the REA. It highlighted that it is important for self-employment support services to be embedded within young people's local communities to build trust in the information provided. The consultation findings also outlined the type of information young people need at this stage to compensate for the limited information they receive on self-employment as part of their education.

3.1   Reaching young people

Several support organisations noted that to reach young people and engage them in the idea of pursuing self-employment, promotion needs to be embedded within their local communities. Interviewees stressed that young people need to trust the organisation delivering the intervention if they are to sign up.

A few support organisations stated that often this is best achieved by developing relationships with other local youth services. This provides opportunities to become more well-known to the target group through partnership working, co-location or hosting events on trusted premises. Some support organisations found that establishing working relationships with local authorities helped them to build connections with other local agencies working in this area. This strategy was also seen as effective in reaching more disadvantaged groups of young people, such as those not in employment, education or training. Often, these young people have additional needs, and so engaging them through other services they are already in touch with was viewed as valuable in starting to build a relationship and get to know a young person's needs and preferences over time.

3.2   Delivering information

Support organisations were clear that, given the paucity of information that young people receive about self-employment as part of education, target groups will need to be given the resources to make an informed choice about whether self-employment could be a potential option for them before starting any support programme. Locating with other community support services (including those offering other forms of employment support) was seen to be beneficial in allowing young people to consider a range of options in terms of where they go next with their employment, education or training.

Other outreach models for younger age groups that support organisations mentioned included delivering half-day information sessions at local Further Education colleges. These were targeted at students on vocational courses in sectors where rates of self-employment are high (e.g. construction, hair and beauty). The sessions cover the pros and cons of self-employment; the legal requirements associated with establishing a business and what is required in different sectors (e.g. in terms of insurance); common employment benefits they might miss out on and how they might access these privately (e.g. sick-pay cover); taxes and marketing.

The organisation that delivered these sessions also held some awareness-raising sessions for course tutors so they could support this process. On the basis of the feedback they received, the sessions were viewed as successful in supporting students who had never previously considered self-employment to view this as a potential option. However, the support organisation concerned noted that there is a lack of funding for this type of outreach work, and they have been unable to run more of these sessions in recent years.

3.3   Reaching young people through the welfare system

While a community-based approach was seen to work well in engaging young people, some support organisations were keen to highlight the difficulties they face in working with Jobcentres to support outreach and referrals. Some organisations with direct experience of delivering contracted self-employment support provision for DWP noted that, in general, Work Coaches have very limited knowledge of self-employment. As a result, they felt that Work Coaches were not best placed to advise on this route and needed greater support and training in this area.

4   Support journeys

This section of the report summarises the feedback from support organisations on how they structure their self-employment interventions for young people.

This feedback provided additional insight that was not present in the studies considered as part of the REA by describing the most salient features of these interventions and providing some commentary on how they should be delivered to best engage this target group.

4.1   Principles of support

Support organisations were keen to emphasise that any support offer needs to be person-centred. This involves developing an in-depth awareness of a young person's circumstances, their wider support needs (beyond what they require to set up their own business), and how this might affect their journey towards self-employment. It was felt that developing this understanding was particularly important when supporting a young person to pursue self-employment, given the level of commitment required. Due to this emphasis, several support organisations placed a strong focus on 1-2-1 elements of support (e.g. mentoring), which allow close working relationships to be built and tailored support to be delivered. This aligned with the findings from the REA, where mentoring or coaching was present in most of the support interventions considered.

Having sufficient flexibility in the duration and pacing of support (especially during the initial stages of business development) was also recommended to support a person-centred approach. Some support organisations were clear that it can take participants 8-9 months to be in a position to launch their business. For some, it will take longer, depending on their starting point and what else is going on in their lives. Allowing at least 12 months for a young person to launch their business was seen to allow enough time for participants to engage in training, develop their business knowledge and skills, and test their idea, while also providing space for them to learn at their own pace and give focus to other priorities or demands in their lives.

4.2   Key components

4.2.1   Initial stages

Confidence building and developing a relationship with the young person

There was a degree of consensus among support organisations on the content of self-employment support during the early stages of a young person's journey. Several organisations highlighted that it is important to initially focus on building up a young

person's confidence in their business idea. A large part of this centres on helping a young person to refine or reshape their idea and consider how they can practically test it in the real world. This allows the young person to start to see a path towards pursuing their idea, which in turn builds their confidence in the feasibility of this route.

Support organisations generally believed that the refinement and exploration of a young person's idea is best facilitated through 1-2-1 mentoring with an experienced business advisor. As well as an in-depth knowledge of self-employment and an ability to provide advice across different sectors, support organisations emphasised the importance of advisors striving to develop a positive, trusting relationship with the young person. They viewed this relationship as the basis for a person-centred approach. Without it, young people would be unlikely to disclose their personal circumstances, and the advisor would be unable to tailor their approach to these needs and make an informed judgement about the pacing of support and how far they can stretch a young person at a given point in time.

During these early stages of business development, some support organisations felt that young people could benefit from some of these initial discussions taking place in a group setting alongside other participants. They believed that, for young people in particular, group sessions can help build their confidence to voice any questions that they have, while group activities can be productive in getting feedback on their initial ideas. Having the opportunity to develop relationships with other young people who are going through the same process can also make the experience feel less isolating and provide participants with access to peer support where needed.

Developing the young person's business knowledge and skills

Alongside individual business mentoring/coaching, support organisations often work to develop a young person's business knowledge and skills so that they can successfully establish and sustain their own business. This is often done through a series of online workshops or training sessions. The broad topics covered as part of this training often included: marketing, sales, legal advice, tax and finances and business planning. Some support organisations were able to offer flexibility in when young people completed this training, so they could pace their support journey appropriately and accommodate their needs.

While the content of this training was not seen to differ for young people compared to other age groups, a few support organisations highlight some differences in delivery that might be needed to accommodate young people's needs. This included:

■ Delivering some of the content at a slower pace over a longer period in recognition that young people may have less prior knowledge of certain topics (e.g. the tax system)

■ Some support organisations 'gamified' parts of the training content to make it more digestible and engaging to young people. This included delivering some of the content through short articles on an app, with young people subsequently testing their knowledge through quizzes.

■ Putting more of an emphasis on certain topics over others for this age group. One support organisation highlighted that often young people are more familiar with social media marketing and so need less time to absorb this content. However, they may be less familiar with business finances and taxation, which may require more attention.

4.2.2 Start-up phase

Several support organisations involved in the research only had funding to support young people for a few months after they had launched their business. A few, however, were able to offer longer-term support. For one organisation, they were able to offer up to 3 years of support from a business mentor following a business's launch. They said this was hugely valued by the young people they worked with and a real 'game-changer' in terms of helping them to navigate any big hurdles that arise during this time. As a result, this part of the support model was seen as vital in supporting the sustainment and growth of the businesses created as part of the scheme.

After young people had set up their business, some support organisations arranged business showcase events in the local community. These could allow young people to gain experience in promoting their business directly to prospective customers or buyers, while building business connections and networks in the process.

4.3 Access to finance

While most of the interventions considered as part of the REA included financial components such as access to loans or microfinance, these studies provided very little commentary on when these elements should be made available during an individual's support journey.

Several support organisations stated that they were cautious about looking to secure external sources of finance (e.g. loans) during the early stages of business development. They felt it was risky for young people to get into debt before their business idea had been tested in the market and had a customer base. As an alternative, these organisations support people to consider how they could raise their own finances (e.g. by selling possessions they no longer need; making sales in advance so they use the customer's money to invest in their business) or save money during the set-up phase (e.g. by delivering services at home/in other people's homes, buying equipment second hand). A few organisations, meanwhile, could offer young people a small grant (e.g. up to £500) during this phase to market test their idea.

Some support organisations made clear that they would only encourage young people to consider a loan if they wanted to expand their business at a later stage, once they had an established client base and were receiving a regular income from self-employment, to ensure they could make any repayments. These loans were often obtained from external sources. One common source of external finance that several support organisations encourage young people to use is the government-backed Start Up Loans scheme, which is open to those starting a new business or who have been trading for less than three

years. The scheme also offers 12 months of free mentoring to all applicants, which can be beneficial in cases where support organisations are unable to offer ongoing assistance.

4.4   Resources needed to deliver support

While support organisations were keen to stress the value of 1-2-1 support delivered over an extended period, some highlighted that the short-term funding model that employment support programmes often have does not facilitate this way of working. Some organisations felt that a support/funding model lasting at least 2 years was necessary to achieve an impact for a self-employment support intervention. This would ideally allow 12 months for young people to complete their training and set up their business, and a period of in-work support to address any issues that arise during their initial trading period.

5   Outcomes

This section outlines how support organisations often track outcomes as part of their self-employment support interventions. It also sets out some wider considerations around judging the success of self-employment initiatives and how this might differ from other employment support interventions.

The views expressed by support organisations are aligned with some of the findings set out in the REA in terms of the types of outcomes participants can expect from a self-employment support intervention. This evidence highlighted that participants may choose to combine self-employment with part-time work, and use self-employment to support their overall financial situation, rather than it being their sole focus and source of income.

5.1   Tracking outcomes

Several support organisations tracked the proportion of participants who go on to establish their own business and used this as one metric of the effectiveness of their support. A few organisations also tracked the sustainability of these businesses, either formally or informally, by remaining in touch with participants. Support organisations noted that the proportion of participants who go on to launch their own business will never be 100%, as not all business ideas or plans are viable. Others stated that the proportion of participants completing the intervention and starting up their own business tends to be lower for younger age groups than in all-age programmes, given the more limited resources that young people can draw on to support this work.

5.2   Measuring 'success'

A point that several support organisations emphasised was that it may take time for the businesses created as part of these schemes to look 'successful' in terms of establishing a client base and providing a source of income to the individual. Creating a business is only the very start of a young person's journey and may take at least 12 months to achieve. They noted that it may take time for a young person to fully establish and grow their business after it has been launched, and that the current high cost-of-living had only exacerbated this. For instance, a young person may need to combine self-employment with part-time employment to minimise the financial risk to themselves and provide a reliable source of income. They may also have other commitments (e.g. childcare) that they need to attend to. This can limit the amount of time they have to dedicate to their business, which will slow the process of business development. Support organisations acknowledged that this model does not suit the 'churn' you see in other employment support programmes, which typically have shorter time frames and strict milestones that need to be achieved to draw down funding.

Other support organisations also encouraged a shift away from seeing the goal of self-employment support programmes as being the creation of a business that is a young person's sole focus. They saw these schemes instead as being a way of supporting young people to pursue a passion or a hobby while also increasing their income. Some went further and spoke about aiming for the development of an entrepreneurial mindset and skillset that would enable young people to identify opportunities to test business ideas and opportunities that might come up throughout their working lives. Ultimately, they viewed these schemes as providing young people with options and choices around what they do next, and the chance to experiment and gain experience of business development (which young people generally lack) in a more secure way, without putting themselves at great financial risk.

This feedback aligned with the REA findings, which highlighted a tendency for participants in self-employment support schemes to move into wage-based employment over time. Some people may do this because they no longer want to be self-employed or because their business idea does not work out. However, one study that considered how participants combine different sources of income over time showed that self-employment was viewed as one financial strategy among many by a large share of participants, with individuals fluctuating in terms of their reliance on self-employment as a source of income compared to other forms of work.

5.3   Challenges in pursuing self-employment while receiving benefits

While some support organisations did have experience of supporting people to pursue self-employment while they were claiming Universal Credit, they were critical of the current processes that operate within Jobcentres to process these claims, which in turn can affect participant outcomes. For claimants to continue to claim Universal Credit while running their own business, claimants need to pass a gateway interview carried out by their local Jobcentre within 12 months of deciding they want to become self-employed. The gateway interview considers whether a claimant's plans for self-employment are sufficient for them to become financially independent (e.g. by reviewing their business plan, customer and supplier lists, marketing materials). Support organisations complained that whether someone passes this gateway interview appeared to be a subjective judgement, and decisions seemed to be inconsistent between the different Jobcentre offices they worked with.

As a result, support organisations noted that it was hard for them to improve how they prepare participants for the gateway interview and the pass rate they have. While claimants can request another gateway interview within this 12-month period, failing to pass can be a discouraging experience for the claimant and disruptive to the development of their business.

6 Conclusions

The consultation findings showed that young people had conflicted feelings around the prospect of taking up self-employment, which was in line with the REA findings. While they recognised the benefits it could bring in terms of flexibility, autonomy and personal satisfaction, the prospect of pursuing self-employment could also seem risky and unfeasible. Young people were acutely aware of the gaps in their knowledge of how to establish and run a business, and this lack of confidence only exacerbated the feelings that self-employment was not right for them.

Due to these starting points, support organisations acknowledged that any self-employment support service must first work with young people to fill some of these knowledge gaps. The aim is to develop their awareness of the pros and cons of self-employment and the work involved in establishing a business, so young people can come to a more informed decision about whether this is a path they want to pursue. Support organisations felt it was important that this is delivered alongside other community services and sources of information, so young people trust the service and can make an informed decision about what they do next.

In terms of the content of any employment support intervention, there was a high degree of overlap between what support young people felt they needed and what support organisations already provide, with a strong emphasis from both on the value of 1-2-1 support from a business advisor or mentor. This supported the findings from the REA, where elements of 1-2-1 support were present in most of the interventions included in the review. The only difference in views between support organisations and young people was around the timing of early financial support to assist with business development. Young people noted that this was critical to support their journey, while some support organisations were confident, based on their experience, that they could assist young people to find ways to overcome any early financial obstacles they might face and avoid getting into debt.

A key consideration in delivering a self-employment support intervention, which support organisations were keen to emphasise, was that it can take time for young people to be in a position where they are ready to launch their business. They were also keen to highlight that these businesses may not look successful to begin with and can take time to grow and provide a source of income for participants. It was felt that this situation had been exacerbated due to the current high cost of living, with some participants choosing to pursue self-employment alongside part-time work to provide greater financial security.

Some support organisations were clear that they view the purpose of their service as providing participants with options around what they do next and the opportunity to increase their incomes. For them, pursuing self-employment was not an either/or option. Based on the risk-aversion of the young people consulted as part of this research,

engaging in a self-employment support intervention with these aims may be a more attractive and realistic option in the short-term. It could help them realise some of the benefits of running their own business, build their knowledge and experience in this area, while also helping to reduce any potential financial risks.

Appendix 1 - Support Services Discussion Guide

Understanding Self-Employment

Conceptualisation of Self-Employment

1. How do you define or understand self-employment within your organisation?

    a. Do you make any distinction between different types of self-employment? (i.e. independent vs. dependent/bogus self-employment)

    b. What types of self-employment does your organisation support and encourage?

2. Are you aware of how the young people you support perceive self-employment?

    a. What do they find appealing/off-putting about it?

    b. What types of self-employment are they often most interested in?

3. What have you found influences these views? (probe on influence of family, social networks, education system, employment and other statutory services, wider culture)

Influence of Welfare and Other Systems

4. Do you feel that the current welfare system in England incentivises or disincentivises young people to consider self-employment? In what ways?

    a. What could be changed to improve this?

5. What about the wider policy environment? (e.g. administrative requirements in setting up own business, the tax system, access to capital)

    a. What could be changed to improve this?

6. What about the wider economic environment?

Promoting Self-Employment

Promoting Interest in Self-Employment

Check if the participant has supported young people to pursue self-employment and characteristics of young people involved (e.g. unemployed, inactive, on low-incomes, particular age groups)

7. In supporting people to pursue self-employment, do you work with or target any particular groups?

8. Have you noticed any particular trends in terms of the characteristics of people who approach your organisation for support? Who tends to be interested in pursuing self-employment?

9. How do you work with young people to identify if self-employment is a good fit for them? What do you consider? (e.g. personal motivation, viability of business idea, current financial situation and needs)

10. Does any of the work you do involve encouraging young people to consider self-employment as a potential option?

11. What support or strategies have you found effective in promoting interest in self-employment among young people?

    a. Are there particular messages or approaches that resonate most with them?

Barriers and Enablers

12. What do you see as the main barriers preventing young people from setting up as self-employed?

13. For those young people who are able to start their own business, what do you see as the main challenges for them in sustaining or growing their business?

14. What do you believe are the main benefits for young people in becoming self-employed?

    a. How does this compare to other forms of employment?

15. What do you believe could enable more young people to pursue self-employment?

Fit and Reach

Fit for Self-Employment

16. Do you believe self-employment could be a good fit for more young people than currently pursue it? Why or why not?

17. What would enable support services to better identify and reach young people who might benefit from self-employment?

18. Would this require any wider policy or system changes to support this work? What would this look like?

Reaching More Young People

19. What outreach strategies or partnerships have been successful in reaching young people as part of your work?

20. Are there specific groups of young people that are harder to reach? If so, why, and how could this be addressed?

Effectiveness and Quality of Support

Requirements for High-Quality Support

21. In your opinion, what would/does high-quality support for young people pursuing self-employment involve?

    a. What are the key components of this support?

    b. How long will this support ideally last?

22. What is needed at the provider level to deliver this type of support? E.g. human and financial resources, partnerships with other organisations, contacts within the business community

23. What are the current challenges for providers in delivering this type of support?

    a. Where are the gaps currently? What needs to change to address this?

Effectiveness of Current Support

24. How do you/your organisation establish the effectiveness of support offered to young people considering self-employment? What outcomes do you consider? Over what period?

25. Are there specific programmes or initiatives (including your own) that have shown particularly good results in these areas? In what areas have they performed well?

26. Do these outcomes differ for different groups of young people? Which groups tend to be more/less successful? Why is this?

27. Do you believe these outcomes could be improved at all? In what areas?

    a. How could this be achieved?

28. What are your reflections on the nature of the outcomes that young people can expect from self-employment in general? What type of returns are needed to make this a viable route for young people?

Indirect Benefits of Self-Employment

29. Beyond financial gain, are there other benefits of self-employment for young people (e.g. skills development, confidence, social networks)?

30. Can you share examples of indirect benefits you've observed? How are these supported and/or achieved?

    a. Do these outcomes differ for different groups of young people? In what way?

Conclusion

31. Do you have any additional thoughts or ideas about self-employment that we haven't covered?

Thank the participant for their time and insights. Briefly explain how their input will be used and any next steps or follow-up.

Appendix 2 - Young People Discussion Guide

Understanding Self-Employment

Conceptualisation of Self-Employment

1. Can you describe what comes to mind when you think of self-employment or entrepreneurship? (i.e. someone running their own business or working for themselves)

   Prompt: This can either be the type of person you think of when you think of someone who is self-employed, the type of work they do, or how they work.

2. Do you or anyone you know have experience of this type of work? How has this influenced your views on self-employment?

Appeal of Self-Employment

3. Is the idea of being self-employed appealing to you? Why/why not?

   a. Are other forms of employment (such as working for an employer) more/less appealing to you? Why is this?

4. What (if any) aspects of self-employment do you find attractive?

5. Do you see yourself running your own business or working for yourself in future? Why/Why not?

Deterrents to Self-Employment

6. Are there any aspects of self-employment that you find off-putting? What are these?

7. What (if anything) would help make self-employment more appealing for you?

Influences and Success in Self-Employment

Influence of Other Systems

8. How do your family, friends, or the people around you view self-employment?

9. What messages (if any) have you received about self-employment while in education or from careers advisors?

10. Do these views and experiences influence your own views on self-employment? How and why?

11. Has anything else influenced your opinions of self-employment?

Defining Success

12. What would success in self-employment look like to you? In the short term? In the long term?

13. Is the risk of failure off-putting at all in considering self-employment? How does this compare to other forms of work?

Barriers and Enablers

Barriers to Self-Employment

14. What do you see as the biggest challenges in becoming self-employed?

15. Are there particular challenges, costs, or risks you think young people in particular face when considering self-employment?

16. How would this affect your decision-making about whether to become self-employed?

Enablers for Self-Employment

17. Is there anything that would encourage you (or other young people) to consider running your own business or working for yourself?

18. Can you think of any specific incentives that might help?

Support and Goals

Support for Self-Employment

19. Can you think of any formal support that would make it easier for you (or other young people) to pursue self-employment? This could be advice or guidance, peer, or financial support.

20. What types of resources or assistance would be most helpful?

Achieving Goals through Self-Employment

21. What do you currently look for from work? What's most important to you? (i.e. the type of work you do, how and when you work, or the level of security or independence it provides)

22. Do you feel that self-employment or running your own business could help meet any of these needs? How?

23. Do you think self-employment could help you achieve any personal or professional goals that you have? Can you give an example?

Conclusion

24. Do you have any additional thoughts or ideas about self-employment that we haven't covered?

25. Is there anything else you'd like to share about your experiences or opinions?