



YOUNG PEOPLE & BUSINESS START-UPS IN LONDON

A BTEG Roundtable Discussion

May 2015

1. Introduction

The purpose of this Black Training and Enterprise Group (BTEG) briefing paper is to stimulate a new debate with policy makers and commissioners about improving the support that we offer to young people in diverse urban areas to start a business. The content is based on a Roundtable Discussion attended by key national and regional start-up providers and took place on the 24 February 2015 at the Department for Communities and Local Government (See Annex 1 for list of attendees).

2. Background

In January 2014 BTEG and three local enterprise providers¹ launched a new enterprise pilot programme called *Opening Doors Network* for unemployed 18-30 year olds in three London boroughs. The programme focuses on building enterprise skills, social capital and entrepreneurship amongst our diverse urban communities.

The idea for ODN came out of the aftermath of the 2011 London riots and focussed on three of the boroughs affected - Brent, Croydon and Haringey. The ODN partners meet monthly to look at performance, operational challenges and good practice. The ODN partners believed it would be useful at the halfway stage to share and compare our experiences with leading start-up providers in the capital.

There has been a dramatic rise in self-employment over the last decade. Figures reported by the Office for National Statistics (ONS) in August 2014 showed that self-employment is now at its highest level at 4.6% of the working age population. Interestingly, for some ethnic groups, self-employment is declining whilst for others it is increasing. Indian and Chinese groups in particular have seen a decrease whilst self-employment rates among Pakistani men have risen.

Part of this is due to fewer people leaving self-employment than in the past, with many working past retirement age; self-employment among those aged 65 and over doubled from 241,000 in 2009 to 428,000 in 2014.

Self-employment among young people is also increasing with previous figures published by the ONS showing that self-employment among 18 to 24s rose from 2.8% in March 2013 to 3.2% in March 2014.

Some of this significant increase in the younger self-employed is due to the growth in information technology (IT) work such as website development, where the costs of entry are comparatively low, skills are high and demand continuing to grow. (Walsh K, 2011).²

¹ ODN partners: ABi Associates Community Interest Company, PJ's Community Services and Tottenham Hotspur Foundation. Funders DCLG and Trust for London.

² The Encouragement and Support for Youth Self-Employment in the United Kingdom: Comparisons with the approach in Spain, Kenneth Walsh, 22 August 2011

Aspirational young people want to start their own business. In 2013 The Prince's Trust surveyed³ more than 1,600 people aged 16 to 30. This survey found that 30% wanted to work for themselves, while 25% expected to achieve that goal within the next five years. Of the 271 unemployed young people within the sample, 27% said they would rather set up their own business than look for a job in today's competitive market.

BTEG would like thank the organisations listed in Annex 1 for participating in the roundtable discussion and DCLG for hosting the session.

3. Key findings from the roundtable

The discussion was themed around several topics such as recruitment, retention and additional support. All partners shared information about what they are currently doing, what is working and where the challenges and issues lie. Some key themes emerged for all providers.

- Young people require **life-skills and holistic** support to help them cope with life issues whilst undertaking start-up training.
- The use of **positive role models** helps motivate young people, particularly if they have similar backgrounds or shared experiences.
- **Social media** is now providing an 'on-line' method of 'word-of-mouth' – by far the most successful mode of recruitment.
- **Retention** of young people can be difficult as young people may not be as motivated as older people with responsibilities to meet.
- Regular **1-2-1 support and advice** is crucial in maintaining motivation.
- Young people may struggle to complete a traditional (written) business plan therefore other forms such as **images/graphics or a video** could be used.
- Providers offering support should **work together** rather than operating in silos.
- There should be a **link** between learning life-skills and learning skills required in employment/enterprise.
- Not all **Jobcentres** have a consistent work coach with a commitment to business start-ups and current awareness of local start-up providers.

³ https://www.princes-trust.org.uk/about_the_trust/what_we_do/research/1305_youth_business_boom.aspx

4. Key challenges

- **Recruiting young people**

- Word-of-mouth is by far the most successful mode.
- Social media such as Facebook and Twitter are providing an online 'word-of-mouth' channel particularly as young people embrace social media and use it constantly.
- Brands such as Princes Trust and Tottenham Hotspur Foundation are sufficiently well known for young people to contact them directly via website or phone.
- Direct outreach is not a preferred method of recruitment as it is resource heavy (time, human resources, cost) and does not always provide the required results.
- Recruiting young people can be challenging. Outreach via grassroots organisations who are well known to young people in their areas has proved very successful in recruiting young participants.
- When workshops/events/support is sector specific, (e.g. food related), then recruitment improves significantly.
- Jobcentre Plus could be a valuable source of referrals if providers had good links with their local branches and also if Jobcentre Plus work coaches were strong supporters of enterprise programmes and could see the value in referring customers onto them.

Opening Doors Network Case Study

So far 150 people have participated on the ODN programme. Recruitment and retention of young people has proved challenging. From the outset ODN recruited participants via grass roots organisations and word-of-mouth, including social media. Though aimed at young people aged 18-30, ODN received requests from people of all ages to join the programme. A year into the programme the age profile for our project and subsequent conversion to business starts is:

AGE	STARTS PROGRAMME (%)	on	BUSINESS STARTS (%)
18-30	53		4
31-49	31		11
50+	12		0

Statistics from ONS state that the average age of those currently self-employed is 47. Compared with the average age of those in employment which is currently 41.

UK studies have shown that most of those becoming self-employed are in the middle to older age groups, and this is a simple reflection of the fact that it helps to have work experience (normally obtained while working as an employee) as a basis for going solo. As such, young people are at a distinct disadvantage, and unless they have skills or experience to develop their idea into a business plan they will have problems becoming self-employed and sustaining their business. [Walsh, K, 2011]

This is definitely our experience on ODN, where 21% of young people have withdrawn from the programme compared to 6% of other age groups. Those who withdrew stated that they had personal issues to deal with such as housing problems, finance/benefit problems or were just lacking the motivation to continue with the programme.

ODN partners have considered the journeys of participants to date and recognise that 20% moved into employment and learning. They have also concluded that supporting unemployed people with multiple needs into self-employment often require more practical holistic support than is available from the start-up programme, especially programmes based on payment by results. The ODN partners think there should be a link between learning life-skills and those required in employment/work and skills required in business.

Diversity profile year one

60% of the participants are women and the majority of participants (81%) are black African and black Caribbean origin. 12% are white and 4% are Asian and Mixed.

- ***Diversity and start-ups***

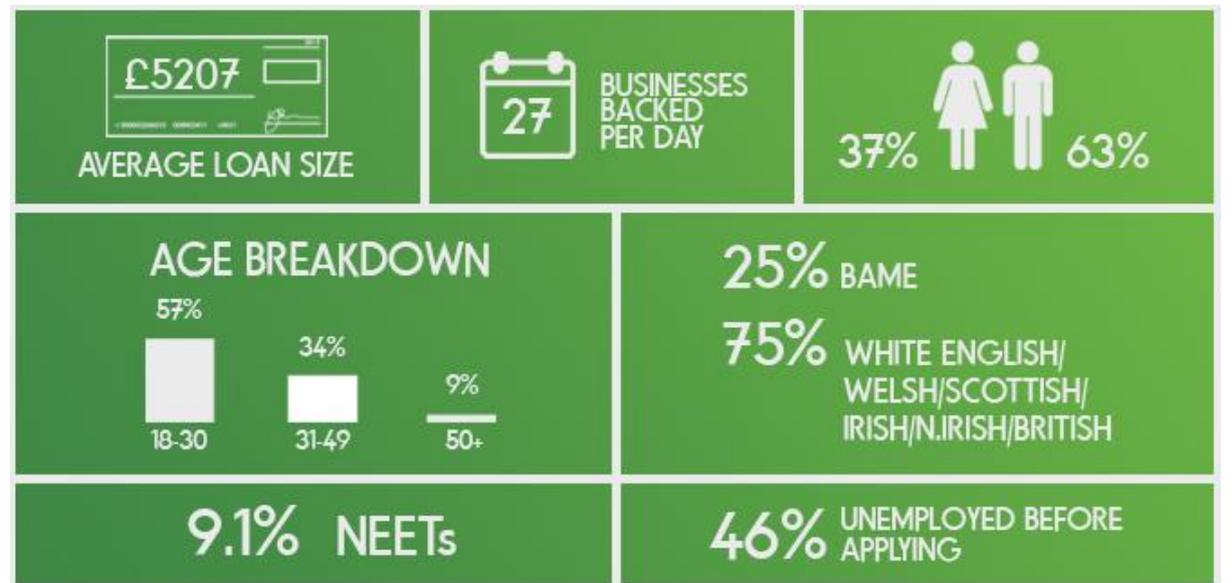
Most roundtable providers have a greater proportion of males on their programmes but they are now seeing an increase in female participants. In relation to ethnicity all participants report low levels of engagement from young Asian people. Reasons for this may be due to the following factors:

- Borough locations of start-up providers.
- The pre-existing networks of support for entrepreneurs within some Asian communities.
- The sector/industry of business start-up and levels of support required i.e. Pakistani men are the faster growing group of self-employed ethnic groups, due to the number working in transport, particularly as taxi drivers.

All participants believe it is important to produce and share diversity data in terms of genders, ethnicity, disability and age. Ethnicity data should be presented separately for specific ethnic groups rather than aggregated into one 'ethnic minority' or 'BME' category. Aggregating minority ethnic groups prevents providers and commissioners from understanding which ethnic groups are actively seeking start-up support and therefore better targeting limited resources.

Start Up Loans – sharing data good practice

The Start Up Loans Company shares data on its website about the beneficiaries they support. This data is really useful to understand the demographics of who is starting their own business and accessing support. It would be useful to have a further breakdown of those aged 18-30 by gender, ethnicity and employment status.



- **Retaining young people on start-up programmes**

- Networking with other participants is vital and helps participants to remain self-motivated and build self-confidence.
- Regular workshops and business advice clinics also help to motivate young people.
- Use of role models who are local entrepreneurs to speak at workshops and attend networking events has proved successful. Participants are motivated by meeting entrepreneurs who can talk about life changing experiences - such as leaving prison and becoming an entrepreneur.
- Some young people may not be ready to engage with a start-up programme and may need pre-start up support. Confidence building support and programmes to help move aspirations forward would be useful for this group.
- Personal financial support should be offered to all young people on start-up programmes so that they can understand their own finances whilst also working to understand that of their proposed business.
- A personal 'survival' financial budget is essential to ensure sustainability of a start-up, since the young person needs to ensure focus on their start-up is not decreased due to concerns about their own personal finances.
- Additional wrap around/holistic support should also be offered which includes: life skills, support with emotional issues and dealing with chaotic lifestyles.
- Support should be given to those with additional learning needs (ALN) such as dyslexia, as many entrepreneurs may have an ALN and should not be excluded because of this.

- Any support offered (wraparound, ALN etc.) should be 'needs-based' and not 'one-size-fits-all' generic support.

- ***Young people and business plans***

All the roundtable providers experience difficulties getting young people to complete their business plans and have tried a variety of approaches. All were clear that they avoid writing the business plan for the young people as this often demonstrates a real commitment to succeed. Many providers felt that young people only truly saw the real value of having a business plan after actually completing it.

Providers find that literacy can be an issue and use a template which limits the need to write large amounts of text. Business plans could also be in different forms such as pictorial or video.

Start Up Loans providers offer mentoring, including advice to complete business plans; supporting participants towards obtaining a loan to start their new business. There is an onus on these providers to scrutinise business plans to ensure the new business can be sustained and subsequently repay their loan.

ODN Case Study - Completing Business Plans

ODN participants struggled to complete their business plans. Initially participants were completing their programme (over 8-10 weeks) and then starting to produce their plans. Many, without the structure of workshops, lacked the motivation to complete their plan on their own - even with weekly 1:1 support sessions if they required them.

Providers moved to a model of completing the plans within or at the end of each workshop session, with homework linked to completion of the business plan - which had to be completed before attending the next session. Completion of business plans has now more than doubled.

- ***Promoting enterprise support at the local level***

- There is a variety of providers offering business support but they tend to work in silos rather than to link together.
- Local authorities could provide start up hubs - such as in Lewisham where the Council is opening three hubs for trading and networking.
- Lack of space can be a barrier for start-ups. There could be potential for small traders to share space and use pop-up trading or hot-desking to ensure they have space to start/run a business locally.
- Young people in schools undertaking enterprise programmes are offered mentoring support from a number of enterprise providers, however support is limited and young people should be offered more. Young people also require holistic support that is not solely around enterprise.

- Some local authorities hold an annual enterprise week or month. In the past there have been good speakers but some events are not promoted widely and therefore have low attendance.
- Not all local authorities have a Chamber of Commerce and perhaps they should. They could bring together a mix of organisations to drive enterprise in their areas.
- It would be good practice for local authorities to have an action plan for how they will promote and support enterprise.

5. Conclusions

Providers contributing to the roundtable discussion felt that it was very useful to share their experiences and this helped everyone to better understand what is and is not working. BTEG learnt that our challengers were common to all providers and that things working well for ODN also worked well for others.

Sharing of data enabled providers to see how their initiatives worked compared to other providers larger and smaller, local and national.

6. Recommendations

- Providers offering start-up support and/or start-up loans should collect and share data relating to age, ethnicity, gender and post code of participants who have engaged in their programmes and those who have successfully converted to business start up.
- Providers offering start-up support should regularly meet to discuss what is working for them and what challenges they are facing - with a view to sharing good practice and jointly working on possible solutions to issues.
- All Jobcentres should have a permanent work coach business start-up lead to ensure jobseekers can benefit from the new enterprise allowance and external business start-up services.
- There should be more 'risk funding' available in the form of grants to encourage more business start up.

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Annex 1

A discussion was held on 24 Feb 2015 and attended by the organisations listed below.

In attendance

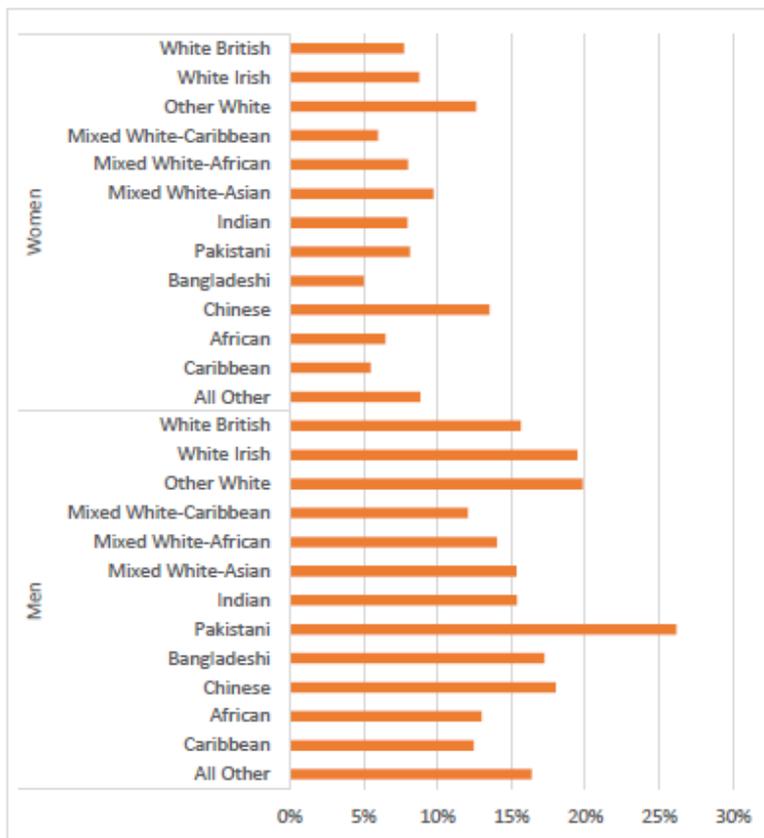
Jeremy Crook OBE	BTEG
Indra Pooran	BTEG
Ian Naysmith	DCLG
Claudine Reid	PJ's Community Services
Nikki Kelly	Tottenham Hotspur Foundation
Mike Nelson	Princes Trust
Imran Choudhury	Princes Trust
Patrick Nicholson	GLE
Stephen Donovan	Bright Ideas Trust

Annex 2

A graph showing the proportions of self-employed people by ethnic group,



Chart 3: Self-employment in 2011, split by men and women (proportion of ethnic group active in labour market)



Catney & Sabater (2015). Individuals aged 16-49

Annex 3

Virgin Start-Ups Data (age and gender)

<http://www.virginstartup.org/news/virgin-startup-infographic/>