

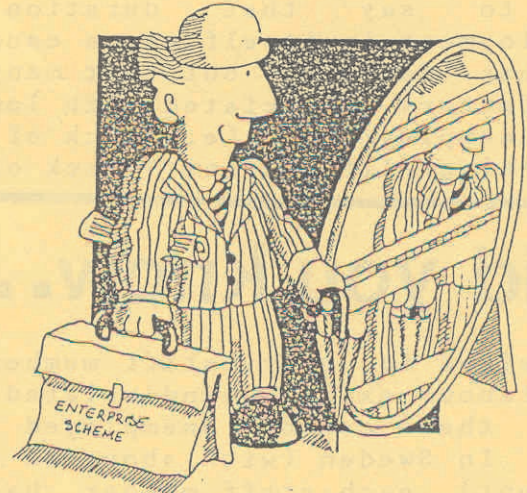
anyone for self-employment?

The notion that the unemployed can address their situation through self-employment has achieved a certain popularity with the Government, with public opinion, and among some voluntary groups. The results of a recent ESRI study show that promoting self-employment among the unemployed has a very limited impact on job creation and, in particular, it is unlikely to be an option for the long-term unemployed.

The report 'Self-Employment and the Unemployed' (ESRI No. 140, October 1988), evaluates the Enterprise Scheme (earlier known as the Enterprise Allowance Scheme). Under this scheme people unemployed for 13 weeks or more who wish to start their own businesses receive an allowance for 52 weeks. There are a number of possible measures of the achievements of the Enterprise programme.

1. Businesses established: Allowances under the scheme are paid for 12 months. Three months after the allowance ceased, one third of the businesses supported had ceased operating while after two years, i.e. twelve months after payment of the allowance had ceased, 60% of all the businesses supported remained. This 'rate of

survival' is about par for the course for business start-ups.



2. Jobs created: When calculating the overall effect on job creation of the Enterprise Scheme a number of factors have to be taken into account. These include, in addition to the number of people who become self employed, the numbers of further employees taken on. On the minus side they include the jobs lost in other firms as a result of competition from the new firms set up under the scheme and a calculation for the jobs created under the scheme which would have been created anyway. As a result the study finds that after two years for every hundred entrants to

Enterprise, about "34 person years of net additional employment/self-employment will be produced".

How can this low level of net job creation be explained?. The report shows that three quarters of the businesses set up under the Enterprise scheme were in the services sector - e.g building services (including self-employed painters, plumbers, etc.), retail shops, taxi drivers, hairdressers etc. According to the study "It seems likely, that the majority of such businesses are competing against similar firms in what is already an overcrowded market". New firms can only succeed in these areas and create jobs, by taking business and therefore jobs away from existing firms.

3. Who gets the jobs? The study points out that those who are short-term unemployed are more likely to benefit, while "Enterprise seems unlikely to be of benefit to those who experience the greatest difficulty escaping from unemployment - such as the long-term unemployed or early school leavers". In fact "businesses set up by respondents who had spent a long time unemployed were less likely to survive". This is not to say that duration of unemployment in itself was a cause of business failure, but that many of the factors associated with long-term unemployment, (e.g lack of educational qualifications, lack of re-

sources) were also factors militating against success in self employment.

This becomes clear when we list the factors associated with businesses most likely to survive which included:

Personal Characteristics: possession of relevant experience gained via previous employment/self-employment or formal training, aged 25-44, having at least some formal educational qualification.

Organisational features of business: business operated from specific premises rather than from home, larger rather than smaller, initial investment of own capital.

CONCLUSION

The study specifically focuses on the Enterprise scheme and the authors conclude "we do not see Enterprise as being a major programme in combatting unemployment, though we feel that it has a minor role to play". More generally the study should act as a note of caution to voluntary groups, Centres for the Unemployed, etc. against giving too much emphasis in their work to promoting self-employment. It is possible that the costs to such groups, in terms of committment of scarce energy and resources, might outweigh the likely benefits.