HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: Universal Credit rollout, HC 336

Wednesday, 17 January 2018

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Watch the meeting

Members present: Frank Field (Chair); Heidi Allen; Andrew Bowie; Jack Brereton; Alex Burghart; Neil Coyle; Emma Dent Coad; Ruth George; Chris Green; Steve McCabe; Chris Stephens.

Questions 250 - 303

Witnesses

I: Sally Beadle, Children's entertainer, Richard Betton, Self-employed farmer, Luke Johnstone, Founder, Pack'd, and Andrew Kozman, Founder, Mercury Digital.

II: Andy Chamberlain, Deputy Director of Policy and External Affairs, IPSE, Andrew Clark, Director of Policy, National Farmers Union, Mark Hooper, Founder and Policy Lead, indycube, and Lindsay Owen, Deputy Director of Policy and Evaluation, The Prince's Trust.

Written evidence from witnesses:

- Sally Beadle
- Prince's Trust
- National Union Farmers
- Andy Chamberlain

Examination of witnesses

Witnesses: Sally Beadle, Richard Betton, Luke Johnstone, and Andrew Kozman.

Q250 **Chair:** Thank you very much for coming. We would like you to identify yourselves for the sake of the record and then Andrew will begin our questioning.

Luke Johnstone: I am Luke Johnstone. I am the founder of Pack'd. We are a frozen food business that has launched a range of smoothie kits in supermarkets across the UK.

Richard Betton: I am Richard Betton. I am a self-employed tenant farmer from the north of England.

Sally Beadle: I am Sally Beadle. I am a self-employed clown and entertainer from Norfolk.

Andrew Kozman: I am Andrew Kozman. I am the founder of Mercury Digital, which is a digital marketing agency and consultancy.

Q251 **Andrew Bowie:** Good morning and welcome. A very simple question to start with: what effect will moving to Universal Credit have on your business? We will just work from left to right, so Luke.

Luke Johnstone: For me, I am having to look retrospectively. I started my business on working tax credits and I am now off working tax credits and forecast to make a turnover of £1.5 million this year, so working tax credits have worked great for me. Looking back, I was on working tax credits for two years, so it took me two years of working tax credits to get my business to the point where I was running a successful company. Prior to that, I also spent one year getting myself into personal debt to even get the business off the ground. In total, I think it took me two and a half years before I was earning national minimum wage and it took me four and a half years before I turned a profit. I think that moving to Universal Credit would give me too short of a window in which to create a viable business.

Richard Betton: For me personally, I am not on Universal Credit. Whether I need to go on Universal Credit in the future will depend on the price of food, what I am selling cattle and sheep for, and also on the costs the business incurs, because the costs can go up even if the food prices do not go down, so you can be squeezed. Farmers generally going into farming, I think we normally intend to make a profit. We are trading to make a profit, but because so many things are out of our control, we never know until we get there whether we made a profit and what size that profit is.

Sally Beadle: As an entertainer, my concerns are that, quite frankly, the business will have to close down. I fluctuate heavily because of seasonal work. My first hurdle I feel I would fall at, because of that, is the work coach. I have to meet someone and explain my business to them. I have autism and dyspraxia and I find it very difficult, when put on the spot, to explain things, so please bear with me. I am very good at what I do and I believe that given more time I will grow and expand. However, Universal Credit is going to remove the safety net I have of tax credits at the moment, so my concern would be that I would quite simply, after 12 years, have to close the business.

Andrew Kozman: When I first started my business I did working tax credits. I did all of the benefits to help me support not just myself, but also my family, because I have a young family while also starting my business. If Universal Credit were to kick in, I do not think I would have enough time to be able to build the business that I am running and be able to support my family at the same time, especially because, as a young marketing agency, it is a very competitive industry. It is very hard to get a steady stream of work in the first one or two years until you have built a solid network of customers coming through and regular requests. I feel like Universal Credit will not give me the amount of time necessary to be able to build up that reputation that is required for a marketing agency to be successful.

Q252 **Andrew Bowie:** I think Andrew and Sally both touched on the time element of Universal Credit. Is that the biggest difference you can see between tax credits and Universal Credit?

Andrew Kozman: Yes. To be honest with you, I believe that 12 months is not a sufficient amount of time for a business to get its feet off the ground. I believe that at least 24 months is a reasonable timeline to see whether a business can be successful or not, especially because in the first year it is all about figuring out how the business is being run, going out and finding clients as much as possible, and building your reputation. Reputation does not build up overnight; it is something that takes time and requires effort and patience. I do not think I would have been in a position to run my business today and be where I am today without the support of the benefit system that we have right now. If that were to change in any way to offer less support than it does now, then I do not think I would be able to carry on.

Q253 **Andrew Bowie:** Sally, do you feel the same?

Sally Beadle: I agree with that. I think the major difficulties—we will probably touch on this later—are the minimum income floor and the reporting procedures. As a business, I feel like the reason I excel at self-employment is because I have a whole list of ailments and things that I have wrong with me and difficulties I have with my family. One of the things I find very, very difficult is sensory issues and I have some mobility issues because of arthritis. But I work as a clown and entertainer, so I use the things that I find difficult—being clumsy, being disorganised—and I have found a way to make money out of that.

However, it is very dependent on the environment. As an example, one of my main clients is a holiday caravan park—a deluxe caravan park—and they spend a lot of money on entertainment. They are not spending as much money on entertainment because their well-off clients, they feel, are not going to be spending as much money on their holidays this year. That is a knock-on event that I have no control over. It is about issues with the economy and Brexit, of course, and everything that they are concerned about, but their decision is affecting me. In terms of whether that is going to be a decision that other people make—individual families make—I am not sure whether they will have birthday parties. Perhaps it will be a benefit. I will not know. Like this gentleman, I have no way of knowing. People sometimes decide two weeks before, or two days before, that they are going to have a party—they are going to spend money on entertainment. I have no way of knowing.

With the monthly reporting, it makes it very difficult because of my difficulties with my literacy and I suffer from depression. My business and what I do, that draws me out of it. I get out of bed in the morning because I love making people laugh and I love making people smile. If I had to go to work, it would not work for me. I am not stuck with self-employment; I am blessed with it because it enables me, with all these things, to pay into society eventually and to run a business.

Q254 **Andrew Bowie:** Great. Richard, I think you probably know just as much as Sally about being reliant on events and about fluctuating reasons for different income every month. Obviously one of the big uncertainties right now facing the world of farming is the end of the CAP and where we are going to in a post-Brexit world in terms of a new agricultural policy. Do you think what we do in that field could help or complement the changes to tax credits and Universal Credit and in some way end some uncertainty for tenant farmers like yourself?

Richard Betton: I am sure it could. In my particular farming—I am a livestock farmer and I am very dependent on sheep production—at the moment 40% of the lamb crop produced in the UK goes to Europe. There are uncertainties around that and I would like to be certain in my own mind that there is some safety net not just for me but for all farmers in that position during some uncertain times.

Q255 **Andrew Bowie:** I have a large rural constituency. We are hearing all the time that we are struggling to get new tenant farmers into the industry. Do you think this change will put new tenant farmers off entering the sector?

Richard Betton: I think there is a risk we will see less people coming in. I think there is also a risk that we will see farms getting bigger and bigger. That has other diverse effects on rural communities. It makes it less attractive for service providers to provide any services like postal services and broadband. Universal Credit does rely on access to services to be able to access it, and the more remotely you live, the more difficult it is to access those services.

Luke Johnstone: For me, the biggest thing is the time limit. I think one year to get a business to the point where I can pay national minimum wage or even be profitable is not what I would say is the reality. If I was looking back after one year, if I had moved on to the minimum floor, then I would have to increase personal debt to carry on the company and give it the full focus—100% attention—that it needs, or I would have to take on part-time work, which would effectively be taking a step back in the progress of my business, or I would have to give it up entirely and work in full-time employment.

I think it forces companies to have an unrealistic expectation of one year to turn a business into a success and that encourages you to take risks that might not necessarily be necessary. I think it deprives the Government of having a higher probability of a return on their investment. I think if you were giving businesses two years to make a success, there would be less wasted investment in those businesses because you would have a higher success rate and a greater return in the long run.

Chair: Emma, Sally has begun to answer your question, but go on.

Q256 **Emma Dent Coad:** Yes, so maybe we will start with Sally with this question. What changes to Universal Credit for self-employed people would make the greatest difference to your business?

Sally Beadle: That would be the minimum income floor and the monthly reporting. As I have already touched on, it is going to be very difficult for me to do things to a certain time. As it is at the moment, it works very well for me. I am able to excel at what I do. I have come to the point on several occasions where I have very nearly been paying tax, and we are planning a party when that happens. We are nearly getting there. The last time—2009—everyone stopped spending money, I earnt my money by standing in the street handing out balloons and collecting change for about three years after that. It was the only money I was bringing in. But I would stand out there, rain or shine, so I am definitely a worker. I can see why this has been done, but I feel that there are so many people like myself.

Q257 **Chair:** Sally, do you think the job coaches should be given discretion to allow you to continue under the old system within Universal Credit?

Sally Beadle: Yes, definitely.

Chair: Very good, thanks. Andrew.

Andrew Kozman: I believe that they are probably the people who are most intimate with your personal situation, so they will understand. If you are putting the work in—obviously you are putting the effort in to grow your business—and they can see that, then they obviously have that clarity. Yes, I do believe they should be given more right to do that.

Richard Betton: The monthly reporting is quite onerous, and I think it is also not reflective when income comes in certain months of the year. In farming, especially livestock farming in the hills, the income tends to be in the autumn. Then, of course, the CAP payment comes through, and then, the rest of the year, there might be nothing coming through. On those months when you are carrying surplus forward, you are probably not going to get a payment. I know there are some figures being worked out by the NFU that demonstrate that, overall, for a self-employed person in that sort of situation, they end up with an income of about £2,500 to £3,000—I think it just over £3,000—less than what somebody who was earning a small wage in employment being made up by Universal Credit would get at the end of the year.

Chair: Very clear, thanks. Luke.

Luke Johnstone: Can I just ask you to repeat the question again?

Emma Dent Coad: Yes. What changes to Universal Credit for self-employed people would make the greatest difference to your business?

Luke Johnstone: Back when I was starting the company up and I was on working tax credits, the biggest difference was that move to assuming that I am making national minimum wage, because it was not based on reality. Like I say, it took me two and a half years to get to the point where I was earning minimum wage, and it has taken four and a half years to turn the business into profitable. If you did a study of average company start-ups in that first three years of growth, I think it would be quite a similar story. There are plenty of examples of companies that are huge and have been great successes, but have taken a long time to hit a profit, Ocado being 15 years. That is the biggest thing for me: suddenly assuming that I am making the minimum wage when I am really not.

Q258 **Emma Dent Coad:** I think we know the answer to this one from what you have been saying, but if you are affected by the minimum income floor, would moving to an employee job be viable and if not, why not? We will start with Andrew.

Andrew Kozman: My motivations for starting my business were for several reasons, the first of which was because I believe that by running my own business I can add value and add success to a lot of different companies that I work with. The marketing knowledge that I have has already helped several companies to generate more revenues and to grow as companies and has ultimately contributed to the UK economy in some way. That is the first thing.

The second thing is flexibility and just the ability to be able to manage my own time. I have a young family—a young son—and I would like to spend more time with my family. Those were the strong motivating factors. For me, in terms of going back to employment, all options are on the table, obviously. Ultimately I will need to provide for my family, but the most preferable route for me would be to continue running my business, growing my business and having the opportunity to really excel at what I do best.

If I was ever put in a position where I would have to choose, I may also consider options where I may look to move outside the UK if I am unable to sustain my situation because my passion is in entrepreneurship—it is in running a business. Everything I have learnt over the last 18 months has been invaluable to me. It is something that I would never have learnt in full-time employment. It has just been a crash course in a lot of different valuable skills that I think, ultimately, will return not just to me, but also to society, to companies, to different people around me. It is all very valuable.

Q259 **Chair:** Sally, you have already answered this. Would it make any difference to the answer you have given if the reporting period was not one month but every three months?

Sally Beadle: That is something I have written as a suggestion. That would help. Could I just add a little on that? I will try to be brief. I struggled with employment. I have been employed; I spent seven years in the forces. I found that I was bullied, and I came to feel like the proverbial goldfish that is told it is stupid because it cannot climb a tree. I have a whole list here—I will not read them out—of ailments and reasons why employment is difficult for me. I also have a family. I have a 13-year-old son. He has dyspraxia. His organisational skills are appalling—they are even worse than mine. He also has some incontinence difficulties. This is a medical issue. We are working through it, but it is going to take some time. I have a daughter who is 18, who suffers from anxiety and panic attacks. She is in a position now where she is coming to work with me. She has her own insurance. She has registered her own company and she is starting to come out of this.

Under employment I could not do this. I could not take my daughter to work. I could not take my son to work. I could not nip off to the school with a spare change of underwear for him. I could not help him to maintain the discretion that a young man of his age needs with his conditions. In terms of all of the things and the uniqueness about my family, I fear, under employment, my depression would get the better of me. Being perfectly open and honest now, I self-harmed when I was employed as a way of coping. That is not an easy thing to admit to people, particularly that I do not know.

But on behalf of myself and all the other people who suffer from depression and other conditions—perhaps not diagnosed, because when I was at school these things were not recognised, and there just isn't the provision these days—let me just to finish on this: I have made it work and I can make it work, but I cannot control the financial environment. I can put every hour in that God sends and I will continue to do so. I am just asking that I have the opportunity to try to work myself off benefits.

Richard Betton: That is a slightly difficult question because a farmer, by definition, is self-employed. To go into employment would mean giving up farming unless it was part-time employment in addition, which ends up with rather a long working week. Also, from the point of view of a tenant farmer, if you give up farming to go into employment, you are losing the roof over your family's head as well, so it is quite a difficult and traumatic thing to do. At the end of the day, everybody is going to need food in the future and I think you still need to have people farming, so I do not think moving into employment is a viable solution.

Luke Johnstone: If I was looking back, and if going into employment was a possibility, I could have taken on a part-time job, but I think it depends what the purpose of Universal Credit is. If the purpose is to give people from a disadvantaged background a platform to succeed, then encouraging them to have part-time employment while pursuing their business ambition is not giving them a fair platform. I think it is setting people up almost for failure, because one year lures you in and at that point it is taken away and what you are given there is an encouragement to get part-time work and encouragement to take your focus away from the business.

If you have two like-minded businesses, one with the privilege of a background that can afford to support you and one without, Universal Credit is encouraging you to work 50% of your time on your business and 50% of your time in work, while this person can focus 100% of their time on the company. I think there is only one winner in that scenario.

Q260 **Alex Burghart:** Do you feel that you understand the Universal Credit surplus earnings rules, Andrew?

Chair: Because we would like it explained to us.

Andrew Kozman: To be honest with you, I did not have much time to prepare for this Committee, but I read through the Universal Credit. The basic understanding is that in the first 12 months you have the usual Universal Credit support and then after the 12 months your Universal Credit will be calculated based on an assumption that you are earning the minimum living wage. That is my understanding of how that will work. I can definitely tell you that after 12 months, in my case, I am still not quite there yet, so for me that would not really work. That is my understanding of it. I am not sure if I have it completely correct.

Q261 **Alex Burghart:** It is not a test. Sally, do you feel you are familiar with the rules?

Sally Beadle: The surplus earnings—that is when you have earned your minimum floor and anything you earn over it. As I understand it, it is quite similar to tax credits. On tax credits at the moment, when my money goes up, my benefits go down, so if I earn £1 over, a certain amount of that I get to keep and a certain amount will come off my benefit.

Q262 **Alex Burghart:** Do you think that these rules will affect your earnings, Sally?

Sally Beadle: It is difficult to know until they are implemented, because it is difficult to get any actual figures for what will come in. This income floor of 35 hours a week would be difficult for me. Twenty-five hours I am probably managing, but I have a child who is over 13, so 35 hours would be what I was on. He is on a Disability Living Allowance, so there is a possibility if I get the right work coach I will not have an income floor at all or have a lower one, so I do not know where my money will start to taper off—it is to answer that question without knowing exactly what I have coming in. At the moment I know weekly. If that was paid monthly, I would know monthly what I have coming in, but it is very difficult to know without having the facts.

Q263 **Chair:** Sally, do you have a named work coach?

Sally Beadle: No, I have not. I am still on tax credits at this point. We are expecting a change or changes in our area in September for new claimants, and I am hoping to hang on to tax credits by my fingernails for as long as I can.

Q264 **Chair:** Andrew, do you have a named work coach?

Andrew Kozman: No, I do not.

Chair: Richard, back to Alex's question, sorry.

Richard Betton: Surplus earnings over the minimum income floor are relatively easy, I think, to understand and to work out when somebody has a relatively stable income each month. For self-employed farmers, some months the actual costs of the business exceed the income quite significantly; other months it is the other way round. It would be much better if it was not done on a monthly reporting basis and it was done on a yearly basis.

Q265 **Alex Burghart:** For you, it would be a yearly basis. Frank suggested a three-month basis earlier. For farming, would three months be better or just as unhelpful?

Richard Betton: It would probably be just as uncomfortable, because, certainly for my own business, I do not have any stock to sell during the summer and I really have no income, but I have quite a lot of expenditure.

Q266 **Chair:** A yearly basis, Richard, would overcome your problem about how unfairly you can be treated compared with somebody in normal working activities?

Richard Betton: I think it would make a level playing field for farmers with seasonal income and other people with seasonal income and those who are employed who are getting Universal Credit. If you are looking for a fair solution that is probably one of the most important things that needs altering. I think there is agreement from all of us on that point.

Sally Beadle: Yes, I think we are all agreed on that one. Three-monthly would be better—that is why I answered that one—but yearly would be so much better.

Q267 **Chair:** Our job will be, won't it—as you are asking the questions, I will ask you one, Alex—to present this if we thought it was a right reform and to show it had the DNA of Universal Credit and was not really an extension of tax credits? Luke, do you want to add anything to this part?

Luke Johnstone: To be honest, I echo exactly what they say. The seasonal nature of business means that a year would be a perfect scenario.

Chair: Very good. Thank you very much for coming in. It was very helpful. We wish you continued luck with your huge efforts—they are admirable.

Examination of witnesses

Witnesses: Andy Chamberlain, Andrew Clark, Mark Hooper and Lindsay Owen.

Q268 **Chair:** Andrew, will you begin by introducing yourself, and we will go down the panel, as we did before? I understand you have to leave if we have not finished at 11.00 am, so we will not take it as an insult if you do. We may be finished by 11.00 am. Andrew, might you introduce yourself, please?

Andrew Clark: Thank you very much, Chairman. I am Andrew Clark. I am the Director of Policy at the National Farmers' Union.

Lindsay Owen: I am Lindsay Owen. I am the Deputy Director of Policy and Evaluation at the Prince's Trust.

Andy Chamberlain: Andy Chamberlain, Deputy Director of Policy and External Affairs at IPSE; that is the Association of Independent Professionals and the Self-Employed.

Mark Hooper: Mark Hooper. I run co-working spaces primarily in Wales, but also across the rest of the UK, and we are working with the Community union on a benefit package for the self-employed.

Q269 **Chris Green:** To each in turn, except Ms Owen, what do you expect the impact of Universal Credit to be on self-employed people in your sector? I suppose in farming about 90% of people are self-employed sole earners.

Andrew Clark: Yes, virtually everybody in farming is self-employed—part of a partnership, a business or a small company—so Universal Credit potentially could provide a very important safety net for those on extremely low incomes. Our concern is the mismatch with the Universal Credit monthly testing regime. As you have heard previously from our member, Richard Betton, the annual cycle of farming is characterised by periods of high income and high expenditure, and it just does not fit the type of regime that farming has. Indeed, it is something Government recognises, because the Treasury even recognises a five-year tax averaging system, which looks back retrospectively at returns from farms, averages farm incomes over the five-year period and allows income tax to be paid on that basis.

Q270 **Chris Green:** How does this differ to the experience on tax credits?

Andrew Clark: Tax credits allow you to set against your income on an annual basis and look at what you received last year and give you a payment on that basis for the next year.

Q271 **Chair:** Before you go on, Chris, we gained some of our money back that we pay into Europe to support our farming system. Is that done on a monthly basis or on a yearly basis?

Andrew Clark: As you very perceptibly note, it is on an annual basis, yes. We hope it arrives in December, but it does not always arrive in December. For some of our members, it arrives six months after it should arrive.

Andy Chamberlain: There is a financial burden and there is an administrative burden, and then there are certain groups within the self-employed that are likely to be particularly hard done by by Universal Credit. The financial burden, as we have heard, it is all around the minimum income floor and how it is likely to be unfair between those that have steady income streams, such as, usually, employees and those who are self-employed, who are more likely to have volatile income and even seasonal-based income.

The administrative burden is this monthly reporting. It is perhaps something that has not been talked about enough. I think that as it creeps closer, we are beginning to realise that is a real burden on businesses. They are going to have to work out what their profit has been each month and report that. We are now at the time of the year where people are doing their annual tax return, and that is quite stressful enough, so I imagine doing that on a monthly basis is quite a burden on business.

Then, certain groups are bearing the brunt of the policy. Low-earning self-employed people will of course suffer more than those earning more. Some 51% of self-employed women earn less than £1,000 per month, and that compares to 36% of self-employed men, so you can begin to see it is going to affect women more than men. Disabled people will also be disproportionately affected. Their earnings are 23% lower than those of people without disabilities.

Q272 **Chris Green:** How will this differ from tax credits, do you think?

Andy Chamberlain: It is all about the minimum income floor really. This is the new thing that has come in, and this is the thing that everyone is struggling with. The minimum income floor makes assumptions about how much a business will be earning in its second year, and those assumptions are in contrast to what statistics show, as we heard earlier. We are seeing a situation where people are going to be expected to earn around about £1,050 per month on the minimum income floor, but in fact, in their second year, the average is about £665. It is a big drop-off there. That is not the case at the moment with the tax credit system, so that is where the real difference will come in and people will be financially worse off.

Mark Hooper: We have had lots of people who have come through our spaces and people we work with now who are at the more precarious end of self-employment—so people who are on tax credits at the moment who are moving on to Universal Credit. Without repeating anything, the minimum income floor is critical for this. In terms of being able to hit that level of income—to expect that to happen in a year—I echo what we heard earlier: that is the true situation—that they will not be able to achieve that.

I am also concerned about this monthly reporting. At the moment you have a lot of self-employed people who are scared of their tax returns. This is a genuine fear that they have. If that becomes a monthly basis, we have more people who are likely to suffer from mental health problems who are self-employed. People who are at this lower end of self-employment cannot get into the normal job market, so some of them effectively have to choose self-employment. It can be a good thing, but they are there and they are in a position whereby these things become more of a struggle. They have to rely on professional advice to get some of these things done, like tax returns, so where do they then go? Is that an extra cost to them for their business? Also, when they report these things, they are very wary of making sure these things are correct, because the impact of them being incorrect is that they lose the benefits and they lose their business.

One other point on this as well: a year for the minimum income floor means you really need to start scaling down your business after about nine months. You are starting off with a situation where you are thinking about failing before you start. You may give it a really good push for six months and then you think in the next three months, "What happens if I am not achieving it?" You do not want to get out there in front of potential customers and say, "I have this great business. This is going to work" and it does not. I think that is something where the reality is that people will start scaling back earlier than the year.

Q273 **Chris Green:** It is often considered the most difficult time for a business, that first year. If we are already ingraining into people the idea that you have to start thinking about bailing out of your new business—if you have to start thinking about giving up this vision that you have already—in the first year, that is setting up people to fail.

Mark Hooper: I think so. It is a systemic approach to that as well, so you feel like you are in the system. The human side of it is out of it. It is a figure. It is not, "I am doing my best. I am seeing progress," because progress for one person's business can be quite different to somebody else's. It can be appropriate so that they can spend more time with their families. We have heard that already today. That is important for lots of people that we speak to. They choose self-employment for reasons other than just earning money.

Q274 **Chris Green:** It was highlighted on the previous panel that for many people your own personal circumstances may not make you, as an individual, compatible with a normal traditional 9.00 am to 5.00 pm job. Many of those people, if they go self-employed and have that independence and that flexibility to work around their own lives and their own families, will be those on lower incomes, so, disproportionately, they will be affected by Universal Credit in this regard.

Andy Chamberlain: Yes, very likely. I think the real issue we will get to address is around the interaction of the minimum income floor and the assumptions that are made within it. I would have thought if we can address something in there, we can begin to make this look a bit more appealing to self-employed people. But the way it is set up at the moment is that there is absolutely no wiggle room. You have this quite high assumption of level of earnings, you are reporting it on a monthly basis, which gives you no opportunity to have a bad month, and some of the people that you most want to get help to are going to be most affected by it. At the moment it is geared up to cause big problems, and with some tweaks it could be a bit better.

Andrew Clark: I agree with all the points that Mark and Andy have already made, but I would just add that personal circumstances also include living in rural areas where there are no alternative sources of income, and self-employment is the thing that you can do, if you have a good broadband connection.

Q275 **Chris Green:** How would say the experience of Universal Credit for young, self-employed people is different to people on Universal Credit more broadly?

Lindsay Owen: Just to clarify, the Prince's Trust provides start-up support, so the evidence I can give and the experience we have is about people who are in that first one to three years of starting up their business. Obviously the start-up period is a big concern for us. We have some anecdotal evidence of how people are finding it with Universal Credit, because obviously it is only rolling out into certain areas. There has been some positive feedback in terms of it is simpler having everything in one benefit, but we also have had some major concerns, including a couple of young people who have told the mentors that we give them that they are going to have to stop their business because they have hit that one-year cut-off point and they are not ready. They do not have enough actual income to meet, as people have said, this theoretical minimum income floor, so they are having to go back to looking for a job. As we have heard, that is not easy for everybody.

In terms of the young people that the Prince's Trust helps through our enterprise programme, 20% of them do not have a GCSE level of qualification, 17% have mental health needs, as we have heard, 10% are single parents and, obviously, there will be others who are parents in couples. For all those people, self-employment is often a better option than looking for a job. They are more likely to succeed and more likely to come off benefits and become financially independent through self-employment than they would have been through employment.

Q276 **Chris Green:** With Universal Credit, if someone sets up a business and, within that year, it is not viable—it is not going to work—what option do they have then to say, "You know what, I have some fantastic experiences from doing that. I know what went wrong. I know what I will do next time" and then to start up a second business? What impact would Universal Credit have on that?

Lindsay Owen: As we understand it, Universal Credit only allows you to have a one-year start-up period every five years. Most of the young people we work with do not have other sources of funds, so they would essentially have to wait five years before they could try again.

Q277 **Chris Green:** All that experience you gain from setting up a business, if it fails, that would be lost because you would perhaps be in mainstream employment for the next four years before you could try again?

Lindsay Owen: Exactly.

Q278 **Chris Green:** It is not really encouraging an entrepreneurial culture.

Lindsay Owen: No. I think a lot of very famous entrepreneurs would say they failed several times before they got the formula right and succeeded.

Q279 **Chair:** Lindsay, did you say that all members of the Prince's Trust going into work get a mentor?

Lindsay Owen: Yes. The way our programme works is that everybody who thinks they might be interested in self-employment goes on a four-day course with us called Exploring Enterprise, where they explore whether it is the right thing for them. We give them information about how to deal with the tax system, we encourage them to think about how they would market their business, for example, and at the end of that they decide if it really is right for them or not. Some of them decide that it is not, and that is absolutely fine. We then give them other support to find other outcomes, which might be a job. For those that do want to go on and go ahead, yes, they can apply for a loan and a mentor with us.

Chair: I was in my Jobcentre Plus on Friday and I needed a mentor to help me apply for Universal Credit.

Q280 **Jack Brereton:** You have answered a number of the points I was going to ask already about reporting, but I just wondered if you could expand a bit further. We have heard from the previous panel about whether it should be annual or three-monthly. Could you expand a bit further on how frequently you think reporting should be if it were to be changed?

Andrew Clark: I will start off on that. I am very clear from our perspective that annual is the most frequent we would expect to see. More frequently than that and it is a complete mismatch with an annual farming cycle. I have mentioned already about the five-year profit averaging. We have seen very significant volatility in farm incomes over the last ten years now, to the extent that, in designing the post-Brexit agriculture policy, one of the key cornerstones, we have said—alongside productivity and meeting a public benefit environmental provision—is addressing volatility. Volatility means, for example, that when we look at dairy farms, between 2010 and 2016 they experienced a 74% year-on-year variation in farm income. That does not mean that they would have become eligible for Universal Credit, but I do want to illustrate this point about income volatility within a sector that finds it very difficult to be able to manage external pressures.

Lindsay Owen: Thinking about the start-up period, we think that monthly reporting probably is appropriate during that time. Because, during that time, you are entitled to Universal Credit topping up your income, a monthly basis probably does work. Beyond the start-up period, we have less information because we are not working with young people so much. The two young people that you had on your panel before, Luke and Andrew, were both supported by the trust, so I would be guided by what they said about frequency of reporting beyond the start-up period.

Andy Chamberlain: One year would be the clear ideal, particularly for seasonal businesses, where it is hard to imagine anything other than one year being of any use at all. The other thing that is on the near horizon, of course, is Making Tax Digital, where people will be expected to report on their profit and loss on a quarterly basis. You could imagine how it could tie in with that, but if you are a seasonal business, I still cannot see how that will work. Possibly for some other types of self-employed business, who are always likely to suffer from income volatility but may not have the Christmas tree seller seasonal aspect to their business, the quarterly reporting could work. But whether there could be something like, "It is a seasonal business, therefore you report annually," I do not know. It would seem it is going to need something like that.

Mark Hooper: I would echo that I think a year is most appropriate. Even in most small businesses, there is a lot of volatility in income that we need to be aware of, and I think this is something you will see exacerbated. The other concern is that there will be people who are put off the monthly reporting to such a point that they will not even claim. I think there is a risk to people not claiming the benefits that they are due because they are not prepared to go through that system. That is the risk to it.

Q281 **Jack Brereton:** For Andrew particularly, given that we are starting with a clean slate as we are designing post-CAP support for farms, do you think there is scope within that to address some of the concerns you have about Universal Credit in the yearly and monthly seasonal reporting?

Andrew Clark: One of the reasons I mentioned volatility is that, in looking at the future agricultural policy, we are encouraging Secretary of State, Michael Gove, to look at how you can build in measures that include addressing volatility. Some sectors would be particularly vulnerable in terms of their total income, and that would be the livestock sectors, beef and sheep in particular. It is also about recognising the difficult situation tenants have, where they do not have land capital on which they can rely and they are wholly dependent on that farm business. We need to see that.

The other point I would make in terms of the link through to Universal Credit introduction is that the post-Brexit world is going to require many farm businesses to rethink their structures, and it is something that we have not picked up. We talked about start-up businesses here, but what consideration is given to businesses that have been functioning profitably for years, perhaps even generations, but now need to go through a significant period of readjustment that could well take them into Universal Credit eligibility? That does not seem to be taken into account either in this situation. We are all for equality between employed and self-employed, but there are special circumstances around self-employment where you are risking your livelihood and your house to keep that business going.

Q282 **Jack Brereton:** I want to move on to a different aspect, particularly about the reform of the minimum income floor, and we have heard already some of the issues with that. I would like to ask particularly what ideas you have in terms of what reform you would put forward.

Andrew Clark: In terms of the minimum income floor, we question whether it is the most important test in terms of farm businesses. We think looking at an annual test of gainful self-employment might be a more rational approach to see that there is a coherent and convincing business plan that aims for sufficient profit. We are very prepared to sit down with HMRC and DWP to work through that, but the minimum income floor seems to us to be an artificial construct that almost tries to also then assess whether you have a viable business model. We would rather focus on, "Is there a viable business model there? Do you have a convincing business plan?" and look at that each year.

Lindsay Owen: We agree there are problems with the minimum income floor. As you say, a gainful self-employment test might work. The Prince's Trust agrees with the Government that propping up failing businesses is not good for anybody. We do not think that is a good outcome for the young people we work with. That is part of the reason that not everybody who does our initial course goes on to set up a business with us. Some of them realise that it is not going to be the best route for them.

In terms of when the minimum income floor kicks in, as well as extending the start-up period, we wonder whether there could be more of a taper approach. As you said, Chair, you are looking for things that would be within the spirit of Universal Credit. The idea of Universal Credit is to get rid of cliff edges. At the moment this is representing a cliff edge. First of all, could the start-up period be made longer? We would say at least two years, although looking at figures for our own businesses and also average businesses, we think three years is when people tend to start earning enough, equivalent to the minimum wage.

On top of that, as well as extending the period, could we have more of a tapered approach to transition if the minimum income floor is going to be applied, rather than one month it is there and the next month it is not? Could you go down to half the amount for a certain amount of time and then reduce it again? I agree that it would be great to have a more tailored look at whether the business is viable, but I would question whether job coaches would be the right people to do that. Would you need some different sort of expertise within the Jobcentre to make an assessment of what is a viable business plan?

Q283 **Neil Coyle:** Would it be something you might bid for if it was not to be within the DWP family?

Lindsay Owen: Do you mean could the Prince’s Trust do that?

Neil Coyle: Yes.

Lindsay Owen: We would think about it. It could be difficult for us, because we are in the business of supporting young people, not in the business of deciding what a good Government investment is.

Q284 **Chair:** It is quite a difficult task, is it not? Carillion could have done with a bit of support on this front.

Lindsay Owen: Yes. Obviously we are a lender to businesses, so we do an assessment on that basis. However, our loans are quite small, so we are saying, “Are we likely to get our money back from a small loan to this business?” Some of that is Government money, but for us to be administering the benefit system on behalf of the Government would feel somewhat uncomfortable, I think.

Andy Chamberlain: Picking up on some of the points already made, the start-up period, we agree, should be extended by another year. If it could be extended beyond that, that would be great, but keeping within the scope of where the Government are, I think a further 12-month extension would be good. We also like the tapered idea, which could come into the third year to prevent the cliff edge, so that you begin to introduce a minimum income floor but then it grows up over that year. We think that would make a real difference.

If you look at some of the underlying statistics around how much businesses are earning in their first, second and third year, you could begin to build a pattern so that it begins to match that a bit more closely. That would seem a little bit more sensible from the outset. Of course, most people are already self-employed, so none of this start-up period comes into their experience anyway. For them, you have to think about how the minimum income floor is going to impact a business that is already going. Part of the way you can address that is by looking at the 12-month period—or even a quarterly period, but a 12-month period would help, I think—to iron out some of the problems.

Then, building some more flexibility into it, you could do things like have three months in the 12-month period where they will top up if you do not make your minimum income floor. After three months, if it happens again, then they perhaps revert to the gainful self-employment test where they say, "Let's go back and have a look. Is there problem with the business?" They could offer some advice at that stage. You could work out ways to build in a little bit of flexibility to help people, because there will be months where they are not going to make it. It is almost inevitable.

Mark Hooper: I support what my colleagues have said in terms of the timescale—I think it should be extended. I also support the taper at the end of it. I do have some concerns about the test of gainful self-employment. If, five years ago, someone had said, "I want to set up a social media market here," would somebody in the DWP have been able to assess whether that was a real business? We are going to have more of these types of jobs and businesses coming forward, rather than less. There is a training need at the DWP for internal staff to help them do that.

The minimum income floor is there as fraud prevention, effectively, because the gainful test is there. If we can make that first test the right thing, then we are getting the right people running their businesses with some sort of assessment. I am not sure the capability is in the DWP to do that, nor can it be. It is a big task.

Q285 **Jack Brereton:** Can I ask if any of you have done any work on costings of doing this and making that change?

Lindsay Owen: We have not, but I would recommend that any work that is done takes into account the return on the other side. We have had a social return on investment analysis done of our own programme, which of course does not just support people who end up with businesses, but also who end up in jobs. We found that for every £1 invested, £4.31 is returned to society. That includes benefits to the Exchequer—obviously, the person themselves comes off benefits if they set up a business, and they might employ other people. I know that Luke, who you heard from earlier, is employing seven other people now, so that is seven more people who are employed and paying tax, and the business is paying tax. I would just urge that any costings that are done take into account the benefits that will come back from the investment.

Andy Chamberlain: We have had a bit of a go at this. We think that extending the start-up period to 24 months will cost something like £310 million per year. We think that is quite a high figure. It does not seem like that much, but that is because not so many individuals are in the second year of their business. We think there might be about 125,000 people per year who would be doing that, and we have worked out what the difference is in the Universal Credit that they might be getting if you had no minimum income floor. It comes to £310 million. I would be more surprised if it turned out to be over that than under it.

Q286 **Chair:** There should be an opportunity cost analysis as well, Andy, shouldn't there? What is the cost of not changing the rules on business failure?

Lindsay Owen: Yes, exactly.

Andy Chamberlain: Exactly the point that Lindsay was making just before. Although Lindsay said, "I would hope that any work that gets done factors that in," we did not factor that in. Sorry, Lindsay, but we did not.

Mark Hooper: We do not have any figures for that at the moment.

Q287 **Heidi Allen:** Two questions, one probably for us and one for you. Does anybody know if the DWP has any analysis of the sectors? I was struck by what you said about social media. In my naive head I am thinking, I want to start up a café, but you are right about the way industry is going. Does the DWP have any analysis of the type of sectors that the self-employed claimants are in that they are dealing with now and under Universal Credit to help them know whether they have the expertise in-house? I bet they do not.

Chair: We will press on that. What has become clear to me during the session is that it was always implicit in the benefit rules, and particularly tax credits, that DWP clearly have had and will have a major impact on job creation in this country, contrary to the normal conception of what we regard as a benefit Department.

Heidi Allen: That was the first half for us. Secondly, we are told that Jobcentre work coaches, even though they may not be experts on everything, now have access to this discretionary part—I forget what we call it—where they can pay money to contract out if you—

Lindsay Owen: Flexible Support Fund.

Heidi Allen: Yes. Do any of you have any evidence of job coaches doing that for people with specific self-employed needs? I do not know the answer to this myself, but in terms of, "I have a chunk of money. I am going to contract out and get some expertise for you", is there any evidence of that at all?

Lindsay Owen: It is not a question we have asked. I have not heard of it. Rather spending the money on the individual claimant, the Jobcentre might commission the Prince's Trust, for example, to run a work experience programme in that locality. I have not heard of it being used specifically—

Q288 **Heidi Allen:** Nothing specifically tailored to self-employment?

Andy Chamberlain: Similar answer—no. Yes, I have heard of it. We have not specifically gone out there and asked though.

Q289 **Chris Stephens:** I think some of the panel have touched on this already in terms of their support for the extension of the 12 months during which the minimum income floor does not apply and a view that it is too short. Could we maybe just explore that a bit further in terms of why you support that position? Can we start with Mark? There will be people watching these proceedings who will be asking, "Why should there be an extension of the 12 months for the start-up period and the minimum income floor not applying?"

Mark Hooper: I will go back to something I said earlier. In terms of when I set up the business that I am running now, you spend some time doing the thinking about it, you then spend your time going out there and finding your first customer. You want people to pay you money quickly so it can start to build up that cash flow. In terms of all the businesses that we have seen in the eight years that we have been in existence, I cannot think of any start-up business that has succeeded in its first year. Mine are all micro-businesses in the main. There are a few businesses that have become quite big, but generally they are small, one-man lifestyle businesses.

With those businesses, I have not come across one that I would say has achieved and would be able to say that it was confident in its future after one year. A lot of people fail in that first year, and a lot of people are teetering and do not know whether it is going to happen or not. If we push that challenge to nine months instead of a year—that is the point I was making—I think they would start to close their business nine months into it. If we want them to succeed, which is part of the whole objective of this, we have to try to get them to a point where they feel confident in it themselves as well.

In my opinion, a lot of these people—this is anecdotal, about the people we have seen—do not want to be on benefits. This is their route off benefits. This is not something they want to maintain. Especially if we have this monthly reporting, which they do not want to do, this is just making hassle. You do not get into business to file tax returns. You go into business to sell the things that you want to sell to your customers. That is something that, in the main, there is a passion for. You heard it from the people on the panel before: there was a passion behind their business. That is what they want to do. All the other stuff—dealing with accountants and lawyers—is horrible; they do not want to do that stuff. This is another example of that.

Andy Chamberlain: I have a very similar answer. I will keep it brief. It takes time for a business to become profitable—it takes more than one year. There are statistics that show that. The MIF, or the minimum income floor, kicking in after 12 months and expecting a level of earnings at around the minimum wage on 35 hours a week, is not backed up by what people are actually earning in their businesses in their second year of running. That is the best argument I can think of to say that it is not matching reality at the moment. There is an assumption being made, which is not matching the reality.

Lindsay Owen: I agree with everything that has been said. The RSA did a good report—I think it was 2016—talking about the earnings of self-employed people. The Prince's Trust did some of its own research—it commissioned an independent research agency to talk to some people that it had helped to set up in business. When we talked to them, their businesses had been going for either two or three years, and we asked them, "Approximately what wages have you been able to pay yourself each year since start-up?" Our researchers tell us there is quite a big caveat around this, because people interpret the question slightly differently: "What is the difference between wages, earnings and profits?"

Regardless, the figures are really low. In year one, the average of the answers people gave us was just over £4,000 as their wages for year one. In year two, it was £5,500, and in year three, £6,000. We know that these businesses are very viable, because we know that they go on to succeed, and these figures are comparable with the average business across the UK. The Prince's Trust businesses, from our evidence, are more likely to survive at the two and three-year point than your average business, and the earnings are similar.

Andrew Clark: Very little more to add. While I propose looking at the gainful self-employment test, I would absolutely agree with my colleagues on the panel about having a minimum of a year. Frankly, with farm businesses, when they are starting up, you are looking at three to five years before they start turning a profit.

Q290 **Chris Stephens:** I just have a follow-up. If it is to go beyond a year, do you have a suggested timeframe in mind?

Chair: And then any tapering.

Andrew Clark: I think the proposal of having a taper to the introduction of the minimum income floor would make sense. I am with colleagues: I cannot envisage a farm business setting up after a year. Two of the principal variables are politicians and the weather. You do not really know what is happening. It is surprising anybody sets up a business, really.

Lindsay Owen: The RSA research says that the average length of time it takes for a self-employed person to earn the equivalent of the national minimum wage is three years. We accept that there are constraints, and therefore maybe two years would be a compromise between that figure and what the Government is currently suggesting.

Andy Chamberlain: Yes, two years and then tapered. We would be very happy if that reform were made. However, as much leeway as we can get, I suppose, would be the honest answer. But two years and then a taper—we would consider that to be a good reform.

Mark Hooper: I think we should challenge for three years. If we want this to succeed, it needs to be three years, not two. I think the taper is a good idea. We are just trying to get close to one year, whereas, actually, the issue is it is three years and that is what I would encourage the Committee to take on board.

Lindsay Owen: The point made earlier about Government having a better return on their investment if they give these businesses a chance to succeed was a well-made point.

Q291 **Steve McCabe:** The danger here is that we are trying to come up with a formula approach. In terms of the whole idea of work coaches, it is meant to be a personalised, customised service. Wouldn't it make more sense to say, maybe, a minimum of two years, but during that period there should be intensive support and coaching so that people can be assessing, "Is this a viable business, does it need extra support or is this person on the wrong lines?"? In which case, it might be better to coach them out of that activity. The danger, it seems to me, is that if we have a formula, you are stuck with it, so whether you have a good plan that just needs bit of extra support or you are on the wrong track, that does not get picked up. You are going to come to the end of the timeframe, and that is it. Would it not make sense to try to build in much more discretion around the personalised nature of it?

Lindsay Owen: As always in these cases, somebody's discretion is somebody else's postcode lottery. It is quite difficult. We absolutely would agree about the value of mentoring and coaching. When we surveyed the young people we worked with who set up businesses, they said they thought the biggest barrier was the money, but after two or three years, in hindsight, what had made the biggest difference was the mentor.

Q292 **Ruth George:** I am particularly worried about how the start-up costs of businesses can be accounted for, particularly on a monthly reporting basis, and about how volatile income and expenditure will match and be accounted for into that, where, with annual reporting, you can have capital allowances and where people in self-employment often take on personal debt, which cannot be counted against the business but is obviously a drain on their own resources. How do think all those different factors will play in producing monthly reports of income to DWP for somebody first starting up a business?

Mark Hooper: I think there will be a mess. People will cobble together. Those earnings that Lindsay mentioned earlier, the £4,000, is what people start on. They do not have money to be able to pay for an accountant or a bookkeeper—this is doing it themselves. They may use some system to help them to do it, but a lot of this is cobbled together. Then there is this fear factor of going to somebody who is going to test that and whether or not it is right. The assumption as they go in, I think, is going to be quite difficult. Doing it properly will not be an option for a lot of people, which then could lead to them being sanctioned unnecessarily, and it could lead to a lot of other things as well. It will increase the fear, I think.

Andy Chamberlain: I agree. I think there will be a lot of that going on. Also, even if we imagine some dream world where they are all going to do it properly, it will still look like a mess because if you have a big expense in one month, then you will be zero—minus—profit. You will have made a loss; that is the way it is. But you know that because you are setting yourself up to have better months in the future. With any business, you cannot just look at it on a one-month basis, especially if it is a new business, and say, "How much have you made this month?" "I have lost £10,000 because I have bought a van and a lawnmower and I am going to be a gardener." It is very hard to see how it could realistically work for a lot of businesses.

Lindsay Owen: I have nothing to add to that. I agree with what has been said.

Andrew Clark: The only other point, which we have already made, is that producing it detracts from running the business. You spend a lot of time producing what potentially are inaccurate, misleading accounts to either be eligible or not eligible. Then, presumably, on the other side there is somebody sitting in a DWP office or a Jobcentre trying to assess these accounts. There is regulatory load on both sides, and, we think, for very little gain.

Q293 **Ruth George:** My colleague asked the previous panel if they understood the surplus earnings rule—because it is very complicated, it has not come into practice yet—and there was not the understanding that the surplus earnings rule is where you exceed the top threshold for Universal Credit, but then your payment for the following months is reduced by that excess amount. The previous panel answered it really well for us, but how do you feel that, in practice, claimants of Universal Credit will be able to understand that volatility of income? Particularly if they have something like a single farm payment coming in in one month, how that will then affect their income for the following month?

Andrew Clark: I think we are all venturing into this not really certain how it is going to work. As I understand it, you take forward the surplus income for five months, but I am not at all clear how that is going to work. No farmers I am aware of are subject to Universal Credit yet, so it is more a plan than a reality. It does not look very simple.

Lindsay Owen: It does sound complex. One concern we have is that if a new business does make a surplus, probably the person running the business would want to reinvest that into their business rather than just save it and have it sitting in a bank account for when their Universal Credit top-up is reduced three or four months later. We worry that that is going to be another difficulty that our mentors will have to explain to young people and that it could hold back the new businesses they are starting.

Andy Chamberlain: Yes, there is a real danger that people will not understand the surplus earnings rules. What may happen is that they will think that they are doing well, but then they will come into hard times and they will be told, "No, you earned over your maximum threshold in those months so that is now going to count against your allowance for the next couple of months." They may well not know that is coming, and that is the danger with it.

There is one other final point on it. With this rule, the Government have factored in looking at your overall earnings over a longer time period so that you do not get overpaid, but what many of us have been asking for so far today is, can we factor in the longer part-time period as well when it comes to the minimum income floor, so that they do not get underpaid? There, they seem to be a bit less willing to build in that flexibility. If they can do it for this, they should be able to do it the other way round too.

Mark Hooper: I have not a lot to add, apart from that there is a risk that this will come and hit you at the worst time. The way life works, both things will hit you, and you will find out you are going to get your reduction in your Universal Credit at the same time as your business starts to struggle. We have talked about volatility quite a lot and, again, it is the sort of thing that will just make life that much more difficult and make it more likely for people to fail.

The other thing is that it could encourage people to make overall bad decisions for their business. Lindsay talked about making an investment decision. We have a lot of people now from south Wales, where you find businesses set up in areas where you could get EU grants, for example, so you would set up in Blaenau Gwent rather than staying in Cardiff. That is not necessarily a good thing for your business, but it is for getting a grant in. Some of these things bring about the wrong decisions for the business, and this would be the same.

Q294 **Ruth George:** This partly follows on from what Mark said, but do the other members of the panel have a view on how Universal Credit overall will affect business viability beyond the initial 12 months?

Andrew Clark: A point I have made already is that I am concerned about how it fits with, shall we say, business reorientation—changing your enterprises when you need to change track, with Brexit being one of the issues where you do need to change track. We need to factor that in.

You could almost have a situation where a viable business becomes a start-up business, because they are starting up a new business.

Q295 **Neil Coyle:** A couple of you have already touched on this. Is moving into an employee job a genuinely viable option for these self-employed people you represent?

Andrew Clark: From my point of view, to be a farmer is to be self-employed, unless you are a director of a farming company. It is black or white.

Q296 **Neil Coyle:** Did the NFU submission not suggest that part-time employment was a viable option?

Andrew Clark: Yes, sorry. Self-employed: some of your family income can come from farming, and you can take employment elsewhere. So that is a viable business model.

Neil Coyle: It did not sound like what the previous panel suggested, but carry on.

Lindsay Owen: Some of the young people we work with do have part-time employment while they are setting up their business. When we asked them at the two to three-year point, 14% still had some part-time employment and 23% said they had done that at some point while they had been running the business. However, we also asked, "How long do you spend running your business on average?" and the most common answer was 30 to 40 hours a week, so if they are taking up part-time employment, they are obviously working very long hours across the week.

The point was also made by the earlier witnesses that, for some people, childcare responsibilities, disability and other circumstances would make it difficult either for them to secure a job at all or for them to work full-time. In many cases, we would say their best chance of their highest income and of becoming financially self-sufficient is self-employment rather than employment.

Andy Chamberlain: Some people could move into employment. Most of them do not want to, and some of them would find it very difficult and perhaps would not be able to. That group would include those with health issues, which have been mentioned. There are also other barriers to employment, such as criminal records. Then there are more lifetime things like childcare responsibilities—those types of issues—which mean the self-employed lifestyle is more suited to their circumstances.

One final point I would make is that it is not necessarily clear that there would be lots of jobs suddenly available in the market for a massive amount of self-employed people to go and get, so it may be that the jobs are not available.

Mark Hooper: A lot of people who have gone and got a job have tried their business, it has not succeeded for one reason or another, and they have turned up one day with a brand-new MacBook and said, "I am a social media marketer." And then, three weeks later, they have a job with someone, so it does happen.

The longer you are in self-employment, the less employable you are. It is very difficult to move from being your own boss to working for somebody else. People take themselves out of that market by their mindset more than anything else, and that is potentially one of the biggest things. We work alongside a lot of people who are very precariously placed, and a lot of those are probably looking for a job as well as running their business, so they may be at a job site at the same time as they are trying to do whatever they are doing.

Q297 **Steve McCabe:** I want to ask about the support that is available at Jobcentre Plus for the self-employed. I think I saw something from the PeoplePlus organisation that said that 70% of people coming to Jobcentres do not get any help or support for self-employment. Could you tell me what you think should happen? Should it be contracted out? Should it be specialist work coaches? Do they need extra training? If we are genuinely going to support these people, and this is a viable route to earning a living, then it seems to me that what is on offer now is not quite good enough. Is that your view, and what would you do to improve it?

Mark Hooper: There is a lot of business support out there, and I would argue that a lot of it does not do the job that it was expected to do. Other people on the panel may well disagree with that.

Q298 **Steve McCabe:** Why is that?

Mark Hooper: Because I think the world of work is changing so quickly. We often get mentors who are former bank managers, and their knowledge set is quite different to that of people who are setting something up, so that is different.

There are also people, particularly younger people, whose expectations of life are quite different from what they would have been. I think they are starting to recognise that a career is not the same as before, so they can have a mixed career—a bit of self-employment—and do lots of different things. I do not think a work coach who has been through a traditional route would understand that all that well.

Q299 **Steve McCabe:** Is that an argument for much better, more up-to-date training for work coaches so they are in tune with the world we live in?

Mark Hooper: Yes, but my confidence in achieving that is quite low.

Q300 **Chair:** It could be one job, of course, that the self-employed could move into full time. They would know something about it, wouldn't they?

Mark Hooper: The biggest support that we see is peer-to-peer support. If you are sitting at the coffee machine with somebody else who has had a late payment—it has not been paid—and say, "How did you sort that issue out?" and they say, "I did it this way," that is by far the best support you can get. It is also support where people care about your business because they are your friends.

Andy Chamberlain: I agree. Peer-to-peer support is very important. That is one of the things that we see happening organically within our membership. They meet up, talk to each other and provide support that way.

There is this other scheme, the New Enterprise Allowance scheme, which has done some good things. It provides coaching and financial support to unemployed people to help them grow their business, but it is just not that big. It only caters for around 7% of what Jobcentre Plus needs to have in this area. It is really not that big. Maybe something like that could be extended, but there is a cost implication to that. Yes, if there could be a way that work coaches could be brought up to speed to give really good advice to people, then that obviously would be better, but I do share that concern that how you get there is not immediately obvious.

Q301 **Chair:** It is a long way from the old buddy system, isn't it, Lindsay?

Lindsay Owen: Yes, I was about to say that. It is not really realistic to expect the Jobcentre to replicate the support that young people get from the Prince's Trust. The mentors are available to the young people at times that suit both parties. That is not always 9.00 am to 5.00 pm. They can go to where the young person is. They quite often meet in a café or they will speak over Skype. Many of the mentors have experience of running their own businesses, and they see your peer-to-peer point; they understand what it is like. I do not think you could really expect work coaches, who of course have to deal with a variety of people doing a variety of different careers, to offer the same level of support that we can provide. Referring to specialist providers is probably likely to be more successful, and that is borne out by our really high business survival rates.

Q302 **Steve McCabe:** I am curious about the mechanism. Should that simply be a case of the work coach recognising that they do not possess those skills, but facilitating an arrangement whereby someone else can come in?

Lindsay Owen: Yes, that is what happens now. We have outreach teams—some young people who have been through our programmes themselves— who are based in Jobcentres a couple of days a week, in many cases. The Jobcentre staff know what provision there is. All our courses are on the Jobcentre computer systems. Staff are able to say, "You are interested in self-employment. You meet the Prince's Trust age criteria. Let me have a look. Yes, they have a course starting in three months' time. I can quickly refer you". It is the smoothness of that relationship that we need to maintain. At the moment, that is not the case in every Jobcentre. We would like to see that rolled out more.

Q303 **Steve McCabe:** Should there be a requirement, given this statistic that 70% of people do not get any of this kind of access, to check that the work coach has done that part of their job—that they have made that possible?

Lindsay Owen: If that could be done in a practical way, then yes.

Andrew Clark: Like others on the panel, I would say the best form of business mentoring comes from other businesses involved in that business. We have business breakfasts and we have mentors—young farmers who have just got into this. They might be five to 10 years into their career. They are best placed to understand what it is like to be at that early stage of development of a farm business. At least in farming you have some known parameters about what the nature of farming is like. The real risk is then pulling in people to the business who know little about farming. As you say, the retired bank managers of this world know a lot about running a big business, but not a lot about running a one-man farm business, or tenant business, and that is a completely different environment.

Chair: Very good. Thank you very much. It is quite clear what some of our recommendations might be. We are grateful to both panels for helping us this morning. Thank you.