

Written evidence from the Centre for Entrepreneurs

In May 2016, the Centre for Entrepreneurs published a comprehensive report, *From inmates to entrepreneurs: how prison entrepreneurship can break the cycle of reoffending*, on the potential of prison entrepreneurship programmes (PEPs) in reducing reoffending and helping ex-prisoners build new lives. The report combined a review of existing evidence on the topic, fresh surveys of prisoners, ex-offenders and entrepreneurs, case studies of successful prison entrepreneurship programmes and ex-prisoner entrepreneurs, and an estimate of the potential economic impact of widespread PEPs in the UK.

Since then, our findings have been covered in the mainstream and local press, and disseminated among key stakeholders and policymakers in the criminal justice sector and beyond, including MoJ officials, prison governors, entrepreneurs and voluntary sector organisations. The report was officially endorsed by (then) prisons' minister Andrew Selous, and the Centre has partaken in several "Policy Fellows" roundtables hosted by the prison reform team at the MoJ.

We see our submission to this inquiry as part of our on-going mission to make Britain's prisons more entrepreneurial, and as a way of informing MPs of our research and ensuring that the new Secretary of State for Justice recognises the fundamental importance of prison entrepreneurship.

About the Centre for Entrepreneurs

Launched in 2013, the Centre for Entrepreneurs think tank promotes the role of entrepreneurs in creating economic growth and social well-being. It is home to national enterprise campaign, StartUp Britain.

The Centre is an independent, nonprofit think tank founded and chaired by Sunday Times columnist and serial entrepreneur, Luke Johnson and housed in the Legatum Institute.

It is supported by a prominent advisory board including Brent Hoberman, Dale Murray, Duncan Cheadle, Ed Wray, Guy Rigby, Oli Barrett, Richard Rivlin, Shalini Khemka, Robert Kelsey, Sam Smith, Simon Devonshire and Toby Baxendale.

Summary of recommendations

- Alongside existing initiatives, prisons should be equipping select prisoners with the right mix of skills, knowledge and motivation to work for themselves once released, primarily by commissioning externally provided "prison entrepreneurship programmes".
- Prison governors, prison officers and prison education staff should – in different ways – support the implementation of prison entrepreneurship programmes and work towards

making their prisons more entrepreneurial. Specific training should be provided to help them do so.

- Specific reforms that will enable more prisoners to pursue their entrepreneurial ambitions, such as increased access to Release on Temporary License (ROTL) and ICT, and more balanced prison security requirements, should be implemented.
- The key components of the prison reform agenda, such as reform prisons, empowered governors and the Coates review recommendations, must all play their part in unleashing the untapped entrepreneurial potential of the prison population.
- In the announced “prison league tables” and any other future performance measures for prisons, self-employment and business creation among ex-prisoners should be tracked alongside traditional employment outcomes. In order to do this, data from the MoJ, DWP, HMRC and Companies House should be combined, as has been done previously.
- Other positive outcomes from entrepreneurship training, such as improved self-esteem and motivation, positive behavioural change, and “intrapreneurship” in employment should be measured.
- Transforming Rehabilitation must be reviewed to ensure that small voluntary and private sector organisations (including but not limited to prison entrepreneurship programme providers) are able to acquire enough work from the prime providers delivering the contracts. This does not appear to be the case so far.

I. The purpose of prison

In our report, we argue that alongside existing rehabilitation efforts, prisons should be equipping select prisoners with the right mix of skills, knowledge and motivation to work for themselves once released.¹

Prisons have traditionally focused on employment as the solution to reducing reoffending and providing ex-prisoners with the means to support themselves. Yet in the period 2012-2013, only 26% of prisoners entered employment on release from prison.² What’s more, recent government data shows that after two years, only a third of ex-prisoners have been in formal employment at any point.³

¹ From inmates to entrepreneurs: how prison entrepreneurship can break the cycle of reoffending. The Centre for Entrepreneurs (2016).

² The Prison Reform Trust (2015). Prison: the facts – Bromley Briefings Summer 2015.

³ MoJ/DWP/HMRC (2013). Experimental statistics linking data on offenders with benefit, employment and income data

The reasons for this vary, from low skills and self-esteem among prisoners to prejudice and fear on the part of employers. A 2010 Working Links survey of employers found that roughly three quarters would use disclosure of a conviction to discriminate against a candidate.⁴

On the other hand, there are also positive reasons for why many prisoners are suited to entrepreneurship. Academic research from the United States has demonstrated that prison inmates share many of the traits associated with entrepreneurship with real-world entrepreneurs⁵, while our own survey of 100 prisoners in four prisons (Feltham, Isis, Thameside and Wealstun) revealed that 42% already had experience of running a business/being self-employed and 79% were interested in doing so in the future.⁶

Based on the evidence, we strongly believe that prisons should be doing more to prepare prisoners for entrepreneurial lives after release. We define entrepreneurship broadly, to include everything from freelance painters and decorators to high-growth digital businesses. Our definition also includes what is often called “intrapreneurship”, in other words the ability to act entrepreneurially for an employer – a potentially happy medium for entrepreneurial ex-prisoners not ready to take on the risks of starting their own venture.

To achieve this new purpose of releasing the entrepreneurial potential of the prison population, we propose that prisons consider establishing formal “prison entrepreneurship programmes” (PEPs) to educate interested pre-release prisoners in the specifics of starting a business and equip them with the skills and self-confidence to do so. Such programmes already operate in several countries (including the UK, on a smaller scale) and have been highly successful in reducing reoffending rates to single digit figures. A common feature of existing programmes is that they improve employment as well as business start-up outcomes, proof that entrepreneurship has relevance beyond the formal act of establishing a company.

Alongside the introduction of PEPs, there are various things prisons should start doing to make themselves more entrepreneurial places:

- Make raising aspirations a priority. Get prisoners thinking about what it means to be a good citizen and a helpful neighbour, as well as a successful entrepreneur. Low confidence is a major problem in prisons, so constantly emphasise to prisoners what is possible, not impossible.
- Less menial work. Work in prisons should be linked to real-world employment and pass on managerial and vocational skills. This will improve prisoners’ motivation and self-esteem, and prepare them for both entrepreneurship and intrapreneurship after release. The Clink, Timpsons and the Freedom Bakery are examples of this in practice.

⁴ Working Links (2010). Tagged for life: A research report into employer attitudes towards ex-offenders

⁵ See page 11 in our *From inmates to entrepreneurs* report

⁶ See pages 12 and 13 in our *From inmates to entrepreneurs* report

- Make prisons more open places. Although security is important, current rules make it difficult for people outside prison to visit and inspire those inside. Entrepreneurs, corporate employees, successful ex-prisoners and entrepreneurship educators have told us it is far too difficult to visit a prison. A better balance is needed.

II. The role and responsibilities of prison staff, prison governors, NOMS and the MoJ

If prisons are to make creating and supporting entrepreneurial prisoners part of their official purpose, this will require the committed involvement of those working within prisons, such as prison officers, prison governors and education staff. Without participation from those on the ground, any stated purpose to make prisons more entrepreneurial is unlikely to succeed.

Prison governors should be the figurehead of a prison's commitment to engendering entrepreneurship. From educating staff on the importance of entrepreneurship and introducing and supporting entrepreneurship programmes in their prisons, to adapting systems and procedures to facilitate entrepreneurial activities and identifying and aiding prisoners with entrepreneurial potential; governors are key to it all.

Other prison staff also have a major role to play in facilitating entrepreneurship. Prison officers' duties tend to be focused on safety, security and risk mitigation, but there is much more they could do, from identifying and signposting those prisoners suited to entrepreneurial training to potentially taking part in and facilitating entrepreneurship workshops themselves. And although we believe that formal entrepreneurship training should be delivered by external providers, prison education staff have a role to play in embedding enterprising thinking and behaviour across the curriculum.

Based on the above, the possibility of introducing entrepreneurial training for prison staff themselves should be considered; this will enable them to run their prisons more entrepreneurially and identify those prisoners with genuine entrepreneurial potential.

Beyond the individual prisons themselves, there are a range of things that the Ministry of Justice and other government departments could do to support entrepreneurship. Barriers to the success of prison entrepreneurship identified in our report, such as highly restricted access to ROTL and ICT and inadequate numbers of staff, require policy reforms at the ministerial level. The MoJ could also disseminate the successful experiments of entrepreneurial governors by setting up forums (online or offline) for best practice sharing, as our report also recommends.

Other barriers we identified require the involvement of other government departments, primarily the Department for Work and Pensions. For example, neither the New Enterprise Allowance nor Universal Credit, while both designed to incentivise (in different ways) entrepreneurial behaviour, are fit for purpose when it comes to ex-prisoners (see page 28 of our report for further details). We would also like DWP, HMRC and the MOJ to regularly re-run their 2013 experimental data release, which tracked ex-offender employment and benefit usage over

several years, but this time incorporate self-employment and business registration as further variables.

III. Key opportunities and challenges of the prison reform agenda – 500 words

Reform prisons

We are supportive of the introduction of six reform prisons whose governors will be given greater control of budgets and prison rules/regulations in order to pursue innovation in rehabilitation. These unprecedented powers, combined with the stated emphasis on encouraging voluntary and private sector involvement, are an excellent opportunity for the introduction of prison entrepreneurship programmes and will enable governors to act entrepreneurially in the manner described in the previous section. Many of the barriers facing entrepreneurial prisons, such as onerous security requirements and limited access to ICT and ROTL, could be addressed by reform governors.

On the other hand, there are numerous pitfalls that await if the agenda is not progressed carefully. Despite pressure to demonstrate proven outcomes in a relatively short time span (recent reform prison grant applications required a completed evaluation by September 2017), rehabilitation initiatives (entrepreneurship-related or otherwise) should be run carefully and rigorously, avoiding the temptation to “cherry-pick” the easier prisoners and the distortion of outcomes by rushing implementation and evaluation.

Empowered governors

The ultimate purpose of reform prisons is to test a more autonomous and flexible model of operating that will eventually spread to most if not all prisons. This makes sense, but currently there are several obstacles to the success of this agenda:

- **Communication:** As it stands, governors do not communicate enough with each other when it comes to best practice. The solution might be the forums proposed above, or perhaps a team of researchers moving between prisons, evaluating interventions and promoting its findings.
- **Longevity:** while many governors do try to make their prisons more innovative, decreasing tenure lengths mean that many are transferred before they are able to see through and embed their initiatives.⁷ Governors should be able to stay put and build legacies, unless they are performing extremely poorly.
- **Training:** Selecting six entrepreneurial governors for the six reform prisons is one thing, but finding a similar number for the entire prison estate is another. To ensure that (when

⁷ Podmore, John (2012). Out of sight, out of mind: Why Britain’s prisons are failing. Biteback.

they are introduced en masse) the new powers for governors are used effectively, the training and recruitment process for governors will have to be reformed.

The Coates Review

Many recommendations of the recent Coates Review of prison education are of direct relevance to entrepreneurship in prisons. Indeed, the greater provision of enterprise and self-employment support is one of the review's explicit proposals. Implementing the review's recommendations on skills development in maths, English, finance and ICT, and on vocational training, personal and social development, distance learning and through the gate support will go a long way in preparing prisoners to work for themselves after release.

However, the review's (extremely brief) discussion of enterprise/self-employment support for prisoners is unsatisfactory, for several reasons. First of all, it discusses the training as a matter for prison education departments, i.e. OLASS. Yet if there is one thing that is certain about entrepreneurship training, it is that it should be provided by external organisations with real-world business experience and links to entrepreneurs and employers, not education staff.

Furthermore, although the review argues that prison education departments should be partly evaluated on their engagement with external providers, cultural change is needed before this becomes viable. Experienced providers of entrepreneurship training have told us of prison education departments that – for reasons of territorialism and jealousy – were unwilling to cooperate with or even actively disruptive of external providers. Also, when it comes to entrepreneurship, the emphasis of education departments on formal qualifications and accreditation is likely to exclude many providers with valuable business experience.

ROTL

ROTL is an excellent way of gradually exposing prisoners to the demands of the outside world in advance of their release. This is particularly true of ex-prisoners planning to work for themselves after release, who need to carry out market research and acquire accommodation, bank accounts and insurance.

Despite an incredibly low rate of failure among prisoners released on ROTL, access to the privilege was recently severely restricted in the wake of several high profile incidents. We believe this is short sighted, and were encouraged by previous justice secretary Michael Gove's commitment to improving access to ROTL.

We strongly encourage the current justice secretary to follow through on this proposal, and suggest introducing a specific form of ROTL for prisoners interested in starting their own businesses, in which permission would be linked to specific tasks such as opening a bank account, attending business workshops or doing market research, for example.

IV. Performance measures

The prison reform agenda places a welcome emphasis on the need for robust and comparable performance measures across prisons, captured in a competitive prison league table. In our data-driven era, this makes sense, but current proposals do not recognise the important role entrepreneurship has to play in rehabilitating prisoners.

So far, employment but not self-employment of ex-prisoners has been discussed as a performance measure for individual prisons. This is a mistake, for as we have argued in this submission, self-employment and entrepreneurship are important routes to self-sustainability for ex-prisoners either uninterested or unable to secure a regular job. Alongside the percentage of ex-prisoners who go on to secure jobs, prisons should be evaluated on the percentage that end up working for themselves. This will allow prisons to better understand what their prisoners are doing after release, and more efficiently track the outcomes of any business/entrepreneurship training programmes they offer.

But tracking the number of prisoners who register as self-employed is not in itself sufficient. First of all, as a measure it is unable to distinguish between those simply freelancing or sole-trading and those who formally incorporate businesses with growth potential. Secondly, without information on business growth, turnover or survival rate, it is impossible to judge the success of ex-prisoner entrepreneurship. In order to provide these statistics, prisons should work with the MoJ, HMRC, DWP and Companies House to link together data from ex-prisoners on reoffending, employment status, business creation/turnover/survival and benefit usage. This potential of this approach was demonstrated in a 2013 HMRC/MOJ/DWP experimental data share, which shared anonymised data combining all three agencies' data.

Beyond data on “hard” outcomes, when it comes to teaching entrepreneurship it is also important to measure “soft” outcomes in terms of motivation, mindset, behaviour and confidence. These outcomes - often referred to as enterprising to distinguish them from entrepreneurship (i.e. the formal act of starting a new business) - help ex-prisoners to rebuild their lives, avoid reoffending and take initiative in the workplace (intrapreneurialism) as well as start businesses. Measuring soft outcomes requires metrics different from those used to measure hard outcomes - the recommended approach is to survey prisoners with tailored questions at the beginning of their prison sentence or rehabilitation programme, and at the end. But the temptation should be avoiding of measuring every prisoner by the same yardstick; what matters most is distance travelled, rather than final destination.

In the US the Texas Prison Entrepreneurship Program⁸ puts great pride in graduates that become intrapreneurs in existing companies, as not everyone is suited to running their own business. Perhaps UK prisons teaching entrepreneurship could find a way to track this phenomenon, via case studies of successful ex-prisoners or surveys of employers.

V. Transforming rehabilitation and criminal justice devolution

⁸ See pages 38 and 39 of our *From inmates to entrepreneurs* report for a case study on the PEP

We appreciate Transforming Rehabilitation's (TR) efforts to open up probation to the private and voluntary sectors, and commend the extension of supervision to prisoners sentenced to 12 months or less. Our report on prison entrepreneurship argues that external providers with real-world business experience, not prison and probation staff, should be responsible for delivering training to offenders both inside and outside of prison. TR should in theory make it easier for PEP programmes to deliver the "through-the-gate" component of their support.

Unfortunately, concerns have been repeatedly expressed to us regarding the implementation of TR. While the charitable organisations in the UK currently delivering PEPs were initially optimistic about the potential of the reforms, several now feel let down by the execution and the outsized role of the prime providers in charge of the contracts. Their complaints include being used by the prime providers as "candy" to secure bids without actually receiving work, receiving less funding than promised later than expected, and the large commissions charged by the prime providers that reduce the money available for actual rehabilitation.

As for justice devolution, it remains to be seen how this will work in practice. While the finer details are yet to be confirmed for the devolution of justice powers to Greater Manchester, like the broader prison reform agenda endowing local authorities with more decision-making power has the potential to stimulate innovation and entrepreneurialism in the prison system. Local authorities may be better placed to tailor the rules and regulations governing local prisons, potentially liberating them to experiment with pioneering approaches to rehabilitation - including but not limited to PEPs.

There may even be opportunities to combine devolved powers in other areas with criminal justice, for example by offering tax breaks to businesses that are either run by ex-offenders or that hire ex-offenders, or offering subsidised business/skills training to ex-prisoners in the community.

30 September 2016