



# **Self-Employment, Enterprise and Social Inclusion**

**Forum Report No. 14**

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■ This symbol indicates where a recommendation is made in the Report.





# **Executive Summary**





# Executive Summary

1. This Report is being submitted for consideration by the Government in the context of employment creation strategies and follow-up on the social inclusion and equality provisions of *Partnership 2000* and, in particular, the commitment to build on the potential contribution to employment growth of long-term unemployed people setting up in self-employment.
2. Its central focus is to widen the range of employment options through (i) addressing the particular barriers faced by disadvantaged groups (the long-term unemployed, women, lone parents, people with a disability and Travellers); and (ii) providing these groups with opportunities and incentives to take up self-employment, thereby contributing to and enabling them to share more fully in the benefits of economic growth. International studies have shown that self-employment programmes to help the unemployed start their own businesses are a potentially cost effective tool in job creation.
3. **Sections I and II** provide the background and contextual setting, follow the ILO definition of self-employment (which includes the “*social economy*”), pinpoint the key role played by small business in our economy and the sharp increase over the last decade in the number who are self-employed.
4. **Section III** highlights the particular barriers faced in the overall by disadvantaged groups at all stages of the enterprise cycle, as well as the difficulties confronting market traders.
5. **Section IV** outlines these barriers in greater detail as they affect these groups at the pre-enterprise stage in relation to under-appreciation of entrepreneurship, low confidence and self-esteem, family commitments (notably the lack of childcare facilities) and difficulties of access to information and training. One issue which is particularly highlighted is that of the need to clarify and streamline the roles and responsibilities of the over 100 Agencies involved in assisting potential entrepreneurs, as a necessary first step to the subsequent development of first-stop-shop facilities in the provision of information and support services.
6. **Section V** lists the barriers arising at the start-up and later enterprise stages in relation to lack of business experience and skills and problems of access to training, particularly for women and lone parents. Other barriers highlighted include problems in securing finance, lack of workspace, cash flow, taxation and bureaucratic burdens and insufficient rewards for risks.

7. Section VI provides details of the four main programmes which support enterprise and self-employment for disadvantaged groups, namely the (i) Area-based Enterprise Allowance Scheme (AEAS) and the Back to Work Allowance Scheme (BTWAS), (ii) the FÁS Local Enterprise Programme, (iii) the County Enterprise Boards and (iv) the Area-based Partnership Companies. The main policy issues which arise for consideration relate to the provision of assistance in specific skills training (including business management), the under-representation of women, lone parents and people with a disability on these programmes, the need for co-ordination and integration between programmes and the prevalence of low incomes among businesses assisted by these programmes.
  
8. Section VII presents the Forum's recommendations which cover:
  - Institutional Issues; and
  - Specific Policy Issues:
    - Education and Training;
    - Childcare Facilities;
    - Access to Finance;
    - Lack of Workspace;
    - the Area-based Enterprise and the Back to Work Allowance Schemes; and
    - Market Traders.
  
9. Finally, any increases in public expenditure arising from the recommendations made in this Report should as far as possible be met by resulting savings and a re-ordering of existing public expenditure priorities. Any additional expenditure over and beyond this should be accommodated within the extra resources provided for social inclusion and equality under *Partnership 2000*.

Section I

**Introduction**



# Introduction

- 1.1 As part of the Forum's on-going work of addressing the structural causes of poverty and disadvantage in our society, the particular focus of this Report is on the encouragement of enterprise and self-employment opportunities for the long-term unemployed and other marginalised groups in our society through:
- examining the particular barriers faced by these groups; and
  - making a number of practical recommendations to overcome these barriers.
- 1.2 The Report considers these barriers in the framework of a continuum of enterprise encouragement and support which should start with a positive attitude in schools and society generally, and move on to *first-stop-shops* for advice and help, incubator units for workspace and other support facilities, access to finance, mentoring, networking and a range of varied supports and incentives at different stages in the enterprise cycle. These support services need to be delivered and targeted in a focused way at local levels but should also be part of a wider enterprise strategy which is integrated and comprehensive at national level.
- 1.3 Other barriers such as targeted policy responses to raising the education and skill levels of disadvantaged groups and reforms of the tax and welfare systems to improve work incentives are not dealt with in this Report as these will be addressed by the Forum in its Opinions under the monitoring provisions of *Partnership 2000*. The Forum has already submitted<sup>1</sup> a wide-ranging set of recommendations to tackle more effectively the problems of early school leavers and youth unemployment and the Government has responded positively to these recommendations. This will be outlined more fully in the Forum's *Second Periodic Report* which is under preparation at present.
- 1.4 The structure of the Report is as follows:
- **Section II** outlines the background and the contextual setting;
  - **Section III** pinpoints the barriers to self-employment and enterprise which particularly impact on the disadvantaged;

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<sup>1</sup> *Early School Leavers and Youth Unemployment*, Forum Report No. 11, (January, 1997).

- **Section IV** focuses on the barriers arising at the pre-enterprise stage, within the framework of a continuum of enterprise encouragement, and the need for responses to these to be flexible and targeted at the varying needs of different groups;
  - **Section V** details a number of proposals to address the barriers at the start-up, early enterprise and consolidation/expansion stages;
  - **Section VI** profiles current schemes to help disadvantaged groups to become self-employed and the policy issues which arise for consideration; and
  - **Section VII** sets out the Forum's main conclusions and policy recommendations.
- 1.5 Finally, the Forum wishes to express its appreciation and thanks to those who contributed papers and made presentations at different stages in the preparation of this Report. A list of all those involved is contained in Annex 1.

Section II

**Background**





# Background

- 2.1 The economic situation is extremely favourable and the future outlook is positive as evidenced by the recently-published ESRI *Medium Term Review 1997–2003* which suggests that the current exceptionally high rates of economic growth are likely to continue into the next decade. This will raise living standards here to the EU average around the middle of the decade while our unemployment rate can be expected to fall to 7 per cent by the year 2005, compared to its current level of 11.9 per cent.
- 2.2 However, disadvantaged groups are not significantly benefiting from the economic boom and the record number of jobs being created. For example, long-term unemployment, as measured by the numbers on the Live Register for one year or more, remains unacceptably high at a level in excess of 124,000 in April last. Furthermore, the then Department of Social Welfare's analysis of those who left the Live Register in March last shows that 82 per cent were under 45 years of age, and only 5 per cent had been on the Register for more than 3 years.
- 2.3 The encouragement of enterprise, in the sense of encouraging self-employment, offers potential in helping the long-term unemployed out of the trap of poverty and dependence. A World Bank/OECD study<sup>2</sup> has shown that programmes which help the unemployed start their own businesses have proven to be a potentially cost effective tool in job creation in a number of industrial countries. Even where the businesses do not survive, programme participants find it easier to obtain employment than non-participants. Recent research for the OECD *Jobs Strategy*<sup>3</sup> found that:

*“Experiments in the United States such as the Washington and Massachusetts demonstration projects suggests that such schemes result in employment gains for men, primarily between the ages of 30 and 40, who have relatively high levels of education....A further positive outcome of assistance to unemployed people to start their own business is that these businesses may create further jobs for others.”*

- 2.4 *Partnership 2000* contains important provisions and commitments to tackling social exclusion and unemployment through enterprise promotion, job growth, employment incentives, targeted employment measures and the further development of the Local Employment Service. But it is important to ensure

<sup>2</sup> *Self-Employment for the Unemployed: Experience in OECD and Transition Economies*, World Bank Discussion Paper No. 263, Washington DC, (1994).

<sup>3</sup> *The OECD Jobs Strategy, Enhancing the Effectiveness of Active Labour Markets Policies*, (1996).

that other complementary policy measures aimed at sustaining and improving the enterprise environment, including supporting infrastructure and services, take into account also the particular barriers faced by disadvantaged groups, thereby providing these groups with opportunities and incentives to contribute to and as a consequence share more fully in the benefits of economic growth. This is the particular focus of this Report. The demand for skilled workers is rising rapidly and increases in employment are likely to be more skill-intensive than in the past. Nevertheless, driven by domestic demand, there is likely to be an increase in employment opportunities within the services sector and which call for a wide range of skills, as emphasised in the ESRI's *Medium-Term Review*.

## Defining Self-Employment

- 2.5 The most widely adopted definition of self-employment, which is used by the ILO<sup>4</sup> and is followed in this Report, includes employers, own-account workers, members of producers' co-operatives and unpaid family workers. This covers all types of enterprise from sole traders to larger entities and provides a basis and a perspective for a more varied and targeted policy approach in addressing access barriers faced by the long-term unemployed, women, lone parents and other disadvantaged groups.
- 2.6 The above definition also encompasses the "social economy", which has previously been identified by the Forum<sup>5</sup> and by the European Commission<sup>6</sup> as an area with employment potential in the services sector, particularly for the long-term unemployed and other disadvantaged groups. In line with the commitment in *Partnership 2000*, a Working Group is now being established, involving relevant Government Departments and the Social Partners, to assess its potential for further development. To avoid duplication, the social economy is not dealt with in this Report but the Forum may return to this topic in its future work.

## Importance of Small Enterprises

- 2.7 Information and statistics regarding the size and structure of firms in our economy are difficult to source.<sup>7</sup> There is no complete and reliable information on the number of enterprises, or on the number of small businesses. The Task Force on Small Business, which reported in March 1994, estimated, based on Revenue Commissioners data, that there were 160,000 non-farm businesses, of

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4 *The Promotion of Self-Employment*, ILO, (1990).

5 Report No. 4 *Ending Long-term Unemployment*, (June, 1994) and Report No. 7 *Jobs Potential of the Services Sector*, (April, 1995).

6 EU White Paper *Growth, Competitiveness and Employment – The Challenges and Way Forward into the 21st Century*, Commission of the European Communities, (1993).

7 The *Census of Industrial Production (CSO)* contains data for firms in the manufacturing sector only. Forfás collects data on firms in manufacturing and internationally-traded services, but not on indigenous firms in the services sector. The Companies Registration Office covers registered firms only. The Revenue Commissioners also have data on firms, sole traders and people in self-employment who are liable for some form of taxation.

which a little over half had at least one employee and a little under half were run solely by their owners. The latest data supplied by the Revenue Commissioners indicates that there are now about 175,000 non-farm businesses. The Task Force stated that these firms account for around half of all private sector employment and more than 80 per cent of them are in the services sector. It further established that the number of start-ups is, on a pro-rata basis, around the European average, while the number of closures is at the higher end of the European range.

- 2.8 The setting up of the Task Force on Small Business and Services,<sup>8</sup> the Joint Oireachtas Committee on Small Business and Services and of a Small Business Division in the Department of Enterprise, Trade and Employment, are all acknowledgements of the valuable and growing contribution of the sector to our economy, particularly in the area of services.
- 2.9 In recent years there have also been a number of new policy initiatives and programmes introduced to aid new and small enterprises. These include the Area Partnership Companies, the County Enterprise Boards, LEADER II Groups and various measures under the EU Small Business Operational Programme. The more established job creation Agencies, Forbairt, S.F.A.D.Co. and Údarás na Gaeltachta have also been very active in the encouragement of small businesses. The table below shows the level of grant aid paid out by these bodies to small businesses, the number of projects assisted (if available) and the number of job gains in both 1995 and 1996. It has not been possible to source statistics for the other organisations mentioned above.

**Table 2.1**  
**Job Creation Statistics – Small Businesses**

Organisation	1995 Total Job Gains <sup>1</sup>	1996 Total Job Gains <sup>2</sup>	1995 Project Nos.	1996 Project Nos.	1995 Grants Paid	1996 Grants Paid
Forbairt	6,408	5,730	1,308	1,330	£8.9m	£11.2m
S.F.A.D.Co.	931	819	90	90	£1.7m	£2.5m
Údarás Na Gaeltachta	1,161	1,083	456	539	£9.8m	£8.4m
CEBs	3,237 <sup>2</sup>	3,454 <sup>2</sup>	N/A	N/A	£13.5m	£12.9m
Area Partnerships	1,045	2,199 <sup>3</sup>	N/A	N/A	N/A	N/A

1 Job Gains for Forbairt and S.F.A.D.Co. includes new jobs and jobs recovered. Job

Gains for the other agencies equate to gross new jobs.

2 CEBs Job Gains are full-time equivalents.

3 396 of these are part-time.

8 Followed by the Forum on Small Business and Services.

2.10 Local development groups have also become more active in fostering the encouragement of enterprise. These initiatives are funded from a number of sources including money raised locally, FÁS and EU initiatives such as the Employment and Adapt Initiatives. The Forum welcomes all of these developments whose importance is evidenced by the fact that most of the jobs created in the last few years have been in small businesses and these now account for almost half of all employment in the private sector.

## **Growth in Self-Employment**

2.11 Up to the late 1970s there was little policy interest in self-employment and employment policies, both in this country and throughout Europe, concentrated on waged employment. Following the economic crises of the mid and late 1970s there was a renewed interest in self-employment, entrepreneurship and small business development and their role in contributing to economic growth. Key factors in this were:

- structural changes arising from the shift to services from manufacturing;
- the contracting out of what were previously internal functions of companies;
- a recognition of the importance of the small business sector and self-employment as a source of employment growth<sup>9</sup>; and
- a recognition of the potential role of female entrepreneurs<sup>10</sup>.

2.12 This led to the introduction of policies aimed at promoting self-employment among the unemployed in most developed economies. These policies show considerable variation in both the timing of their introduction and their objectives. For the most part, however, the scale of these programmes has been modest and rarely has the number of participants exceeded 5 per cent of the eligible unemployed. It is also notable that the majority of programmes were targeted towards the unemployed generally and not specifically at the long-term unemployed (OECD, 1988). The current schemes in place in this country to help the unemployed into self-employment are profiled in Section VI of the Report.

2.13 The number of self-employed people has risen sharply here over the past decade. According to the 1996 Labour Force Survey, 92,200 people were self-employed outside agriculture, compared with 72,100 in 1988. However, as the table below shows, self-employment as a proportion of total employment remains low, at only 8 per cent. In particular, there are fewer women in self-

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9 *Self-Employment and the Long-Term Unemployed: Lessons and Issues Arising from Evaluations of the Area Enterprise Allowance Scheme and the Back to Work Allowance Scheme*: a paper prepared for the Forum by WRC Consultants. (July, 1997).

10 *European Network for Women's Local Employment Initiatives (LEI), Five Years of Achievement: An Evaluation 1991-1995*, European Commission. (July, 1996).

employment than men, although female self-employment has shown the most rapid growth (54 per cent) over the last decade or so. Despite such growth, women in self-employment make up just 4.4 per cent of the female labour force. The number of women employers has also grown significantly (62 per cent), although this again has been from a small base, and they currently account for less than a fifth of employers, despite making up 41 per cent of total non-agricultural employment.

Table 2.2

Non-Agricultural Self-Employment 1988-1996									
	Male			Female			Total		
	1988 000s	1996 000s	Change	1988 000s	1996 000s	Change	1988 000s	1996 000s	Change
Self-Employed	58.5	71.3	+22%	13.5	20.8	+54%	72.0	92.1	+28%
-Employer	40.7	46.0	+13%	6.6	10.7	+62%	47.3	56.7	+20%
Total non-agri. employment	585.0	671.6	+15%	339.2	473.6	+40%	924.2	1145.2	+24%
Self- employment as % of total	10.0%	10.6%		4.0%	4.4%		7.8%	8.0%	

Source : CSO Labour Force Surveys.



Section III

**Particular Barriers  
Faced by  
Disadvantaged  
Groups**





# Particular Barriers Faced by Disadvantaged Groups

3.1 Barriers to enterprise which arise at various stages in the enterprise cycle or continuum represent varying degrees of challenge to entrepreneurs, depending on their skills and background. Long-term unemployed people, women who have been out of the labour force for some time, people with a disability, Travellers and lone parents are at a particular disadvantage in the absence of more targeted and effective pre-enterprise confidence-building, training and development programmes. In addition, these groups are liable to be discriminated against.

3.2 There are a combination of factors affecting these groups, these include:

- low confidence and self-esteem;
- lack of suitable work experience and skills;
- lack of clear information on education and training courses and options available;
- lack of seed capital and/or matching finance;
- lack of workspace and support facilities; and
- conflict with family commitments.

The impact of these factors as they affect disadvantaged groups at the pre-enterprise and post-enterprise stages are outlined in greater detail in the next two Sections of the Report.

3.3 Given their low levels of business experience and skills, the types of projects which disadvantaged groups tend to pursue can generally be characterised<sup>11</sup> by:

- low barriers to entry;
- low levels of innovation;
- high levels of competition;
- high price sensitivity; and
- lower likelihood of expansion.

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<sup>11</sup> Paper from Gillian Baggot, Business Advisor, Meath County Enterprise Board to the Forum's Plenary Session, (29 April, 1997).

Such businesses have low levels of income for the entrepreneur and are extremely vulnerable in a recession.

- 3.4 The above factors are not, of course, confined uniquely to disadvantaged groups and also affect other potential entrepreneurs to varying degrees. But some of these barriers are particularly severe for the long term unemployed, other groups whose underlying cause of disadvantage is unemployment and those who have been out of the workforce for some time, as a result of their working in the home. Lack of confidence and low self-esteem is reflected and reinforced by the categorisation of unemployed people as poor credit risks because they do not have assets and investment capital to back borrowings. Dublin Inner City Enterprise have found that the long-term unemployed are frequently caught in a “catch 22” in their having to match financial assistance from support organisations with funds of their own. They have no savings and no means of saving. The Back to Work Allowance and Area Enterprise Allowance Schemes are critically important, but these Schemes do not give the participants the opportunity to save even a modest amount of capital.<sup>12</sup>
- 3.5 Moreover, the long-term unemployed generally lack experience in running a business, in calculating levels of profit or loss with the result that cash flow problems can arise as the business progresses. In addition, the relatively low levels of income generated by businesses established by the long-term unemployed may eventually become a barrier or deterrent to others doing so in the future.
- 3.6 The long-term unemployed are also frequently profiled as lacking motivation and this perception may also be a significant factor in the way lending and official grant-giving agencies respond to their needs and circumstances. It is vital, therefore that these agencies take a more person-centred and supportive approach to each individual they deal with.
- 3.7 Women are substantially under-represented among entrepreneurs in this country. The LEI<sup>13</sup> estimates that women account for only one in five enterprise creators here, compared to one in three in Germany. Further evidence of this is provided in the Survey of Micro Enterprise<sup>14</sup> which found that 90 per cent of the entrepreneurs were men. One factor in this is that many women are precluded from signing on the Live Register. While access to training in FÁS does not have a specific Live Register requirement, the reality is that FÁS gives priority to those on the Register which means that women are also excluded from many of its training schemes. In addition, the key schemes available for people to get into self-employment, see Section VI of the Report,

<sup>12</sup> *Improving the Supports for Enterprise in the Dublin Area* – a Report by CMA Executive Training to Inner City Enterprise, (August, 1996).

<sup>13</sup> LEI, op.cit..

<sup>14</sup> *Survey of Micro Enterprise* – ESF Programme Evaluation Unit, (July, 1994).

the Area Enterprise Allowance Scheme and the Back to Work Allowance Scheme, also have Live Register criteria.

- 3.8 Additional problems for women include family commitments, lack of targeted and responsive training and support, inadequate representation on the Small Business Forum, County Enterprise Boards and other support systems, and stereotype views on what constitutes good management and business practice and which militate against acceptance of women's management styles. The Fourth Joint Oireachtas Committee on Women's Rights concluded, after examination of a wide range of issues, that:

*"Probably the most fundamental barrier to the participation of women in the labour force in general, and therefore also in management and entrepreneurship, is household organisation – the division of domestic labour, and particularly childcare. This is especially the case in Ireland where childcare services are very underdeveloped."*<sup>15</sup>

- 3.9 Many of the barriers outlined above also affect other groups such as Travellers, people with a disability and lone parents. There are, however, additional and specific barriers facing these groups which need to be addressed. The Task Force on the Travelling Community found that:

*"...a significant and distinct work ethic exists within the Traveller community. The Traveller culture and way of life values enterprise... but that...lack of emphasis on the distinct manner in which Travellers organise their economic activities is reflected in a failure to consider supports appropriate to the Traveller economy"*<sup>16</sup>.

The Task Force highlighted that the Traveller *economy* is based on self-employment, set out its distinct characteristics and identified the following barriers to its further development:

- access to trading licences and pitches;
- safe access to waste on landfill sites and baling stations;
- access to grazing areas for horses;
- failure to provide for the Traveller economy in the design of Traveller specific accommodation; and
- lack of recognition for the Traveller economy in official policy-making.

- 3.10 In addition to self-employment in the Traveller economy, Travellers have also been involved in setting up Traveller *enterprises* in the mainstream economy. The main barriers to the development of such enterprises<sup>17</sup> are:

<sup>15</sup> *Barriers to the Participation of Women in Business and Business Creation*, Third Report of the Fourth Joint Oireachtas Committee on Women's Rights, (July, 1996).

<sup>16</sup> *Report of the Task Force on the Travelling Community*, (July, 1995).

<sup>17</sup> *Generating Options: A Study of Enterprise Initiatives Supported through Traveller Organisations*, Pavee Point Publications, (1996).

- lack of funds to adequately capitalise the start-up of enterprises;
- lack of appropriate commercial knowledge, contacts and business management skills among Travellers and Traveller groups; and
- exclusion and discrimination which have reduced the ability of Travellers to network among emerging economic groupings.

3.11 Tackling these barriers requires a long-term response involving capacity-building and on-going financial support if Traveller enterprises are to be encouraged. The nature of Traveller enterprises and the challenges involved in moving from the Traveller economy into the mainstream economy are such that the development of the Social Economy, which should include an appropriate balance of social and economic objectives, as envisaged in *Partnership 2000*, could offer great potential.

3.12 The difficulties experienced by disadvantaged groups are compounded by physical barriers in the case of people with a disability. The largest area of concern raised in submissions to the Commission on the Status of People with Disabilities was lack of access to transport and this in turn results in their being denied full access to education, employment and training.

3.13 Existing State services are not generally accessible to people with disabilities. Moreover, they may not be registered for employment purposes and may, therefore, fall outside the employment and enterprise brief of many of the relevant semi-State organisations. This has to be addressed and the present system of training, funding and mentoring provisions needs to be broadened and made more accessible.

3.14 Notwithstanding these difficulties, the Commission on the Status of People with Disabilities found that there was potential for people with a disability to become self-employed and to create new employment opportunities for unemployed persons. The Commission found that:

*“clear potential exists within the services, community and co-operative sectors”*

and recommended that the then Department of Enterprise and Employment, in conjunction with the Co-operative Development Unit in FÁS, should establish a pilot programme of worker co-operatives for the employment of people with disabilities.

3.15 Lone parents seeking to become entrepreneurs also face unique problems as they tend to lack the back-up of family which deprives them of the direct and indirect unpaid help that families offer. This also exacerbates some of the other barriers such as lack of affordable childcare facilities, particularly during

unsociable hours. Although lone parents are one of the priority groups for access to the Back to Work and the Area-based Allowance Schemes, recent official figures show that there is only a 2 per cent take-up by lone parents of these Schemes.

- 3.16 Finally, as regards market traders, a recent (unpublished) survey carried out by the Centre for Retail Research, on behalf of the European Union for Market and Street Traders, estimated that there are between 15,000 to 20,000 people engaged in mobile market trading in this country. This involves an estimated number of 120 trade markets covering 70 municipalities; 70 per cent of these are open-air and 30 per cent are covered markets.
- 3.17 Local Authorities devote little attention to the development and modernisation of these markets. Traders have no rights to demand market stands and, for the most part, are deemed second-class traders and do not enjoy a good reputation. Markets are often rated as assembly points for illegal trading. Street markets are not rated as *“attractive sites”* while the opinion prevails that no adequate services are provided by the Local Authorities.
- 3.18 The view that markets can have an attractive value and bring in additional customers to town centres is not commonly accepted in this country. Casual traders are not consulted about issues which affect their interests such as the fixing of fees, the choice of pitches, maintenance and equipment of places of sale etc. Moreover, traders come up against regulations which differ according to county or even municipality. In 1994, a sectoral organisation (i.e. the Irish Organisation of Market and Street Traders) was established to organise the sector more professionally in relation to quality upgrading, promotion of legislation, central registry of traders etc.



Section IV

**Pre-Enterprise  
Stage**





# Pre-Enterprise Stage

- 4.1 This Section and Section V of the Report detail the particular barriers and obstacles which arise at different stages of the enterprise cycle, on the basis of the Forum's consultation with entrepreneurs and a wide range of representatives of official Agencies, Government Departments, the community and voluntary sector and private sector organisations. While the particular focus of this Report is on the barriers facing socially-excluded groups, many of the barriers identified also affect all potential entrepreneurs to varying degrees.
- 4.2 These barriers can be considered in terms of their impact at different stages of the enterprise cycle or continuum. The framework for this continuum, as set out in Figure 1, is divided into the following four broad phases:
- Pre-Enterprise;
  - Start-up;
  - Early Operation; and
  - Expansion/Consolidation.
- 4.3 The barriers encountered and the means of overcoming them differ according to the phase that the enterprise is at, and also depend on the background and experience of the entrepreneur. In the analysis which follows, barriers arising at the pre-enterprise phase, which particularly affect socially-excluded groups, are identified, together with a number of suggested possible responses.

## Pre-Enterprise Barriers

- 4.4 The barriers arising even before an enterprise is embarked on and the contributory factors involved are:
- Under-Appreciation of Entrepreneurship;
  - Low Confidence and Self-Esteem;
  - Family Commitments; and
  - Difficulties in Accessing Information and Training.

**Figure 1**  
**Phases of Enterprise and Type of Support required**

Supports Required	Pre-Enterprise	Start-up	Early Operation	Expansion/Consolidation
<b>Advice</b>	Information on services and assistance available for this stage, contacts to make, type of documentation to assemble	Information on services and assistance available and referral to/establishment of contacts with other agencies which may have a role at this stage	Referral to other agencies which may have a role at this stage.	Establishing links with agencies which will have an on-going involvement in the firm and sector
<b>Training</b>	Intensive – Personal Development, Confidence Building, Basic Business Skills	Ongoing but part-time to suit work – Business skills, accounts, taxation, I.T., staff recruitment	Ongoing – a few hours a week to suit work – Business skills plus basic Management skills – staff management, industrial relations, strategic planning	At regular intervals – further development of management skills, especially planning, keeping up-to-date with developments – e.g. in taxation and labour law
<b>Business Planning</b>	How to draw up a business plan, identifying critical success factors	Submitting, maintaining and revising a business plan	Updating the business plan, identifying critical success factors, managing cash flow	Updating the business plan, identifying critical success factors, managing cash flow
<b>Funding</b>	Seed capital, grants, loans	Grants and loans	Making provision for withdrawal of support	Obtaining funding from commercial sources
<b>Space Provision</b>	Office accommodation for this first planning stage	Office and workspace – incubator units	Office and workspace – incubator units	Help in moving to own accommodation
<b>Guidance</b>	Intensive – one-to-one counselling, advice and guidance	Mentoring – encouragement, advice and guidance	Mentoring – and networking with others in same sector	Networking

A common underlying factor in the above is the need for more focused and targeted provision of quality education, skills training and work experience programmes for disadvantaged groups.

**(i) Under-Appreciation of Entrepreneurship**

- 4.5 There is a widely-held perception that entrepreneurship is not highly rated in this country and that traditionally it has not been respected as a career option. This point was made not only in consultations which the Forum<sup>18</sup> held, but has also been highlighted by the Joint Oireachtas Committee on Small Business and Services, which found that:

*“..the message from educational establishments and ...society in general is that the badge of success is to achieve high academic qualifications...there is a need to shift cultural emphasis – to guide people towards business as a career option, to present the idea that self-employment is as much an option as working for somebody else, and to dismiss the concept that profit is a dirty word.”*<sup>19</sup>

- 4.6 A related factor is that failure is regarded very unfavourably in this country. In other countries it is acceptable for entrepreneurs to fail a number of times before being successful. As the above Joint Oireachtas Committee stated:

*“there is a need to get away from the stigma attached to having failed in one venture and also to get away from the idea that a business venture must have a long term prospect of survival. Financial backers must come to recognise that experience gained through a failed venture can be of considerable benefit in the start-up of another enterprise. The cause of failure would have to be identified and the entrepreneur’s ability to avoid such an outcome in the future would have to be assessed.”*

- 4.7 This issue can best be tackled by education – both through the formal education system and by the media. There are already encouraging moves in this direction. At post-primary level, the Applied Leaving Certificate and some transition year courses include entrepreneurial studies as an option, while at third level, bodies such as the University of Limerick, Letterkenny RTC and the UCD Smurfit School of Business Studies also have enterprise modules but these need to be developed and extended. In the media, TV programmes and accompanying newspaper features such as *Start Me Up* are highlighting enterprise as an option. The County Enterprise Boards and the Area-based Partnership Companies are also playing a role in this area. One of their primary functions is to create an enterprise culture. Most of the CEBs are involved, in co-operation with other Agencies, in the Young Entrepreneurs Scheme for post-primary students.

<sup>18</sup> Submissions to the Forum’s Plenary Session, (29 April, 1997).

<sup>19</sup> Third Report of the Joint Oireachtas Committee on Small Business and Services, (April, 1997).

4.8 All of these initiatives will over time contribute to the development and enhancement of an enterprise culture. Their potential impact will also be reinforced by the economy's continuing buoyancy which will encourage and provide enterprise opportunities. The significant increase in the number of small and micro enterprises is evidence that, with the right set of conditions, there are people ready and willing to take risks but the removal of barriers to the creation of an enterprise culture must be addressed if the potential of the above initiatives and the favourable economic circumstances are to be more fully exploited.

**(ii) Low Confidence and Self-Esteem**

4.9 This was already highlighted in Section III as a particularly pronounced barrier among long-term unemployed people and those who have been out of the workforce for some time and who tend to feel that they have little to contribute and that the skills they have are out of date. Women who gave up work for family reasons can also experience similar feelings and may not recognise the value of the skills they possess – budgeting, cashflow and time management – because they are applied in a domestic situation.

4.10 Specific and targeted training and educational programmes are required to address these problems. A pioneering example of this is the Women Entering Business (WEB) programme which operates in Tallaght. This is a pilot project under the EU New Opportunities for Women (NOW) initiative, and consists of the following elements:

- an outreach and initial advisory service;
- pre-enterprise training;
- the NEST programme (a one-year developmental programme); and
- access to mainstream supports.

Since opening in 1996, WEB has helped 150 women. Box 1 profiles the main features of the NEST development programme.

**Box 1**

**New Enterprise Support Trust (NEST)**

The NEST was set up in 1993 as primarily a mentoring and support programme. Applicants are interviewed to assess their suitability and commitment and only about 60% of those interviewed are accepted.

- The core of NEST activities are weekly group sessions for participants where they bring each other up to date on progress and lessons learned in starting their businesses.
- These group sessions are supplemented by one-to-one support and advice and formal training through evening classes in bookkeeping, accounts, computing and financial management.
- When joining the programme participants sign a contract that commits them to NEST for at least one year. Even if an individual business is very successful, the promoter cannot leave the programme until the contracted period is up.
- Success stories are vital to help those still trying to succeed and the ethos underpinning NEST requires participants to give back to the process in return for what they have personally gained from it.

4.11 It is important to ensure that the commitments in the White Paper on *Human Resource Development* (May, 1997) to mainstreaming the outcomes of suitable pilot projects supported by the NOW, Integra and other strands of the EU Employment Initiative are implemented and actively followed up. Pre-enterprise training and developmental programmes have been particularly successful features of the WEB scheme and have much to offer in addressing the particular barriers faced by a range of disadvantaged groups. The Forum considers that these elements should now be built into, or be available in tandem with, schemes for the long-term unemployed, lone parents etc. such as the Area Enterprise Allowance Scheme. It will be essential to ensure also that these programmes take participants through the full range of issues involved in moving to self-employment and enterprise from an employee culture or even from the regular situation of unemployment payments, and the impact this might have on family circumstances.

**(iii) Family Commitments**

4.12 The first barrier that arises under this heading is that of childcare and care for the elderly, both of which impact disproportionately on women. Lack of childcare facilities and its non-availability outside of “normal” working hours i.e.

weekends may prevent some women from exploring entrepreneurship as a career option. A second barrier is that even where childcare is available, or where children are at school, women find that timetables on FÁS and other training courses are not suited to the hours that they are free.

- 4.13 A third barrier is the practical financial burdens placed on a family when one or both parents go into business, in terms of supporting and facilitating the demands of the business. The loss of a secure income and the fear of jeopardising the security of the family home when raising finance may also inhibit a potential entrepreneur. In the case of one parent families, these burdens may be an insurmountable barrier for many of them.
- 4.14 All these issues require imaginative policy responses. In this regard, there is scope for the development of a type of local brokerage service to link childminders or carers with possible clients – particularly where some potential entrepreneurs are inhibited for lack of childcare facilities, and others are seeking to enter that very area of service provision. The Local Employment Service, using the co-operative model as a basis, could be a vehicle for such a brokerage.
- 4.15 Finally, the Forum particularly welcomes the recent establishment of the *Expert Working Group on Childcare*, under the provisions of *Partnership 2000*, to devise a cohesive national framework for the provision of affordable and accessible childcare services of an acceptable standard. A notable feature is that, unlike previous studies and reports over the last two decades, this Group includes representatives of all interests involved such as parents, voluntary agencies, private sector agencies, training and certification agencies, statutory bodies and the Social Partners.

#### (iv) Difficulties in Accessing Information and Training

- 4.16 The increased recognition of the contribution by small and micro enterprises to economic growth and employment has been reflected in an upsurge in the number of agencies providing information and support to potential entrepreneurs. It has been estimated that there are over 100 Agencies providing information and help to entrepreneurs, including County Enterprise Boards, LEADER II Groups, Local Employment Service, Partnership Companies, FÁS, Forbairt, S.F.A.D.Co. and Údarás na Gaeltachta. The diagram at Figure 2, which illustrates the array of sources in one small area – Co. Louth – is reproduced from a guide to enterprise services which was produced by the Louth County Strategy Group. While every effort has been made in the guide to inform readers about the services available, the diagram shows how difficult it is to convey the information, even for experts in the area. For example the diagram

Figure 2  
Co. Louth Support and Services for Enterprise

	Start up Support	Business Planning Support	Feasibility Study Grants	Employment Grants	Capital Grants	Financial Mentoring	Marketing Mentoring	Training Development	Management Development	Business Loans	Community Project Support	Equity Finance	Cross Border Projects
Local Authorities													
Louth County Enterprise Board	•	•	•	•	•	•	•	•	•	•	•	•	•
Dundalk Employment Partnership	•	•	•	•	•	•	•	•	•	•	•	•	•
Drogheda Partnership	•	•	•	•	•	•	•	•	•	•	•	•	•
Louth County Enterprise Fund	•	•	•	•	•	•	•	•	•	•	•	•	•
Louth Leader II	•	•	•	•	•	•	•	•	•	•	•	•	•
TEAGASC	•	•	•	•	•	•	•	•	•	•	•	•	•
Dundalk Resource Centre	•	•	•	•	•	•	•	•	•	•	•	•	•
Drogheda Resource Centre	•	•	•	•	•	•	•	•	•	•	•	•	•
International Fund for Ireland	•	•	•	•	•	•	•	•	•	•	•	•	•
Employment Support Services (D/SW)	•	•	•	•	•	•	•	•	•	•	•	•	•
FÁS	•	•	•	•	•	•	•	•	•	•	•	•	•
Coillte	•	•	•	•	•	•	•	•	•	•	•	•	•
Interreg II	•	•	•	•	•	•	•	•	•	•	•	•	•
Forbairt	•	•	•	•	•	•	•	•	•	•	•	•	•
Peace and Reconciliation Programme	•	•	•	•	•	•	•	•	•	•	•	•	•
Chambers of Commerce	•	•	•	•	•	•	•	•	•	•	•	•	•
Chamberlink	•	•	•	•	•	•	•	•	•	•	•	•	•
Co-operation North	•	•	•	•	•	•	•	•	•	•	•	•	•
National Rehabilitation Board	•	•	•	•	•	•	•	•	•	•	•	•	•
Midlands East Regional Tourism Authority	•	•	•	•	•	•	•	•	•	•	•	•	•
IBEC	•	•	•	•	•	•	•	•	•	•	•	•	•
Enterprise Equity	•	•	•	•	•	•	•	•	•	•	•	•	•
Board Iascaigh Mhara	•	•	•	•	•	•	•	•	•	•	•	•	•
An Bord Trachtála	•	•	•	•	•	•	•	•	•	•	•	•	•
Regional Development Centre	•	•	•	•	•	•	•	•	•	•	•	•	•

Source: Economic Development County Louth, Louth County Strategy Group.

shows that there are no less than 15 possible sources of information on starting a business – but it is difficult to tell who to approach in the first instance.

- 4.17 Not only is there a confusing number of information sources, the most appropriate agency to approach depends on where one lives, the type and size of enterprise one wants to start, whether one is employed or unemployed, and if unemployed, the duration of unemployment. This is confusing for potential entrepreneurs and can result in their being referred on several times before they eventually get to the appropriate agency.
- 4.18 A major barrier facing entrepreneurs at all enterprise stages is the lack of clear information concerning not just what is available in terms of support, training and advice, but also what is appropriate to their needs. The Forum acknowledges that many agencies have endeavoured to provide comprehensive information to their clients – the example given above, of the brochure produced by Louth County Strategy Group, is a case in point – but these efforts are frustrated by the sheer volume and complexity of the information to be conveyed, and by duplication/overlap of functions among agencies. Indeed, practitioners in the area acknowledge that they themselves often find it difficult to know how best to advise and direct their clients.
- 4.19 There is now an urgent need to clarify and streamline the roles and responsibilities of all the agencies involved but this should be done within a policy framework which recognises that a range of responses are required at different stages of the enterprise process, and for different groups of potential entrepreneurs. Simply reducing the number of agencies involved may not be appropriate. The challenge is to identify more clearly and define their roles, and so facilitate the provision of information and services in a comprehensive but transparent manner, perhaps via *first-stop-shops*. However, there would not be much point in establishing these, or indeed any kind of guide, unless the necessary clarity and definition was first in place.
- 4.20 Once this has been achieved, the provision of information, whether by brochure or direct contact, will be easier. The concept of *first-stop-shops* could then be developed, using information technology to provide easy-to-use guides to schemes and services for potential entrepreneurs. Audio facilities, perhaps through the simple use of cassette tapes with recorded information, could also be made available for those with visual impairments and reading difficulties.
- 4.21 An example of the type of service which could be provided is that of the United States' Small Business Administration Internet Site, which provides clear and easy to follow questions and answers on a comprehensive range of enterprise issues. An example of one page from this Site is set out at Box 2. An Irish Enterprise Site on the Internet could be easily accessed by those with



computers, and the provision of terminals to *first-stop-shops* would allow both staff and callers to trawl through this Site. This proposal should be considered in the context of follow-up on the Report of Ireland's Information Society Steering Committee.<sup>20</sup>

**Box 2**

**U.S.A. Small Business Administration**

**31 Most Asked Questions**

1. Do I have what it takes to own/manage a small business?
2. What business should I choose?
3. What is a business plan and why do I need one?
4. Why do I need to define my business in detail?
5. What legal aspects do I need to consider?
6. What do I need to succeed in business?
7. Would a partner(s) make it easier to be successful?
8. How can I find qualified employees?
9. How do I set wage levels?
10. What other financial responsibilities do I have for employees?
11. What kind of security measures must I take?
12. Should I hire family members to work for me?
13. Do I need a computer?
14. What about telecommunications?
15. How much money do I need to get started?
16. What are the alternatives in financing a business?
17. What do I have to do to get a loan?
18. What kind of profits can I expect?
19. What should I know about accounting and bookkeeping?
20. How do I set up the right record-keeping system?
21. What financial statements do I need?
22. What does marketing involve?
23. What is my market potential?
24. What about advertising?
25. How do I set price levels?
26. Are some locations better than others?
27. Is it better to lease or buy the store (plant) and equipment?
28. Can I operate a business from my home?
29. How do I find out about suppliers/manufacturers/distributors?
30. Where can I go for help?
31. What do I do when I'm ready?

Source: [http://www.sbaonline.sba.gov/business\\_management/31\\_questions](http://www.sbaonline.sba.gov/business_management/31_questions)

<sup>20</sup> *Information Society Ireland – Strategy for Action*, (December, 1996).

- 4.22 The provision of *first-stop-shop* facilities could be undertaken in the first instance by County Enterprise Boards, in co-operation and consultation with other Agencies and groups. The CEBs represent a locally-based response combining “*top-down*” and “*bottom-up*” approaches in order to address the fragmentation and separate vertical organisation of State development and training support systems. The CEBs were identified by the Task Force on Small Business as suitable vehicles to provide a front-line access point for information on the range of public and private initiatives, services and products relating to enterprise development. In addition under the Operational Programme for Local Urban and Rural Development it was envisaged that the CEBs would establish single contact points for all State development Agencies.
- 4.23 The Local Employment Service, which, according to the White Paper on *Human Resource Development*, is to be integrated and developed within the proposed National Employment Service, could provide basic information on self-employment options for disadvantaged groups, prior to their referral for more specialist advice and assistance to the relevant State Agencies.
- 4.24 If *first-stop-shops* are to be successful, not only would their establishment have to be preceded by clarification of agency roles, responsibilities and of the schemes available in the area of enterprise encouragement, they would also have to be provided on an on-going basis with adequate budgets, flexible staffing and suitable accommodation and equipment. Full co-operation and involvement of all the Agencies involved would be absolutely vital for this purpose.

Section V

**Start-up and  
Later Enterprise  
Stages**



# Start-up and Later Enterprise Stages

5.1 Using the framework developed earlier, this Section outlines the barriers arising at:

- the start-up stage;
- the early enterprise stage; and
- the expansion/consolidation stages.

## Barriers at the Start-Up Stage

5.2 The following issues arise at this stage:

- (i) Lack of business experience and skills;
- (ii) Problems of access to training;
- (iii) Problems in securing finance; and
- (iv) Lack of workspace.

### (i) Lack of Business Experience and Skills

5.3 In the consultations which the Forum has had, lack of business experience and skills has been identified by both entrepreneurs and Agencies as a key reason for failure. Entrepreneurs are unlikely to be skilled in all aspects of running a business. Most entrepreneurs have strong technical and production skills but lack general business skills and experience. It is critical that these gaps are recognised and filled. Even with a highly innovative and marketable product or service, an entrepreneur is unlikely to be successful if the business is not well run. According to a 1994 survey by the ESF Evaluation Unit<sup>21</sup>, only 11 per cent of the entrepreneurs surveyed had undertaken training prior to starting their own business.

5.4 A related problem is that some entrepreneurs may lack business experience in the specific sector which they are seeking to enter. In general, people who start businesses tend to do so in sectors they are familiar with and experienced. Entrepreneurs who start in sectors where they have no experience have a higher failure rate.<sup>22</sup>

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<sup>21</sup> Op. cit..

<sup>22</sup> Paper by Mr Tony Jones, Forbairt, at the Forum's Plenary Session, (29 April 1997).

5.5 The lack of product development and presentation skills is a key barrier for disadvantaged groups. This should slowly change, however, as the benefits of increased labour force participation come through but that leaves many who need to be trained in these skills and given suitable work experience opportunities.

5.6 The response to these issues is to provide suitable training at all appropriate stages of the enterprise cycle. In this respect, the Forum welcomes a number of proposed measures in the White Paper, *Human Resource Development*, to assist all enterprises overcome the skills barriers to business development through:

- an awareness programme on skills and training needs;
- assisting small enterprises by increasing expenditure on the Training Support Scheme to £12m per annum, with at least three-quarters of the expenditure to be allocated to small business; and
- increased funding for Forbairt's Management Development Grants Scheme and County Enterprise Boards to place stronger emphasis in the future on the development of management capability at "micro" enterprise level.

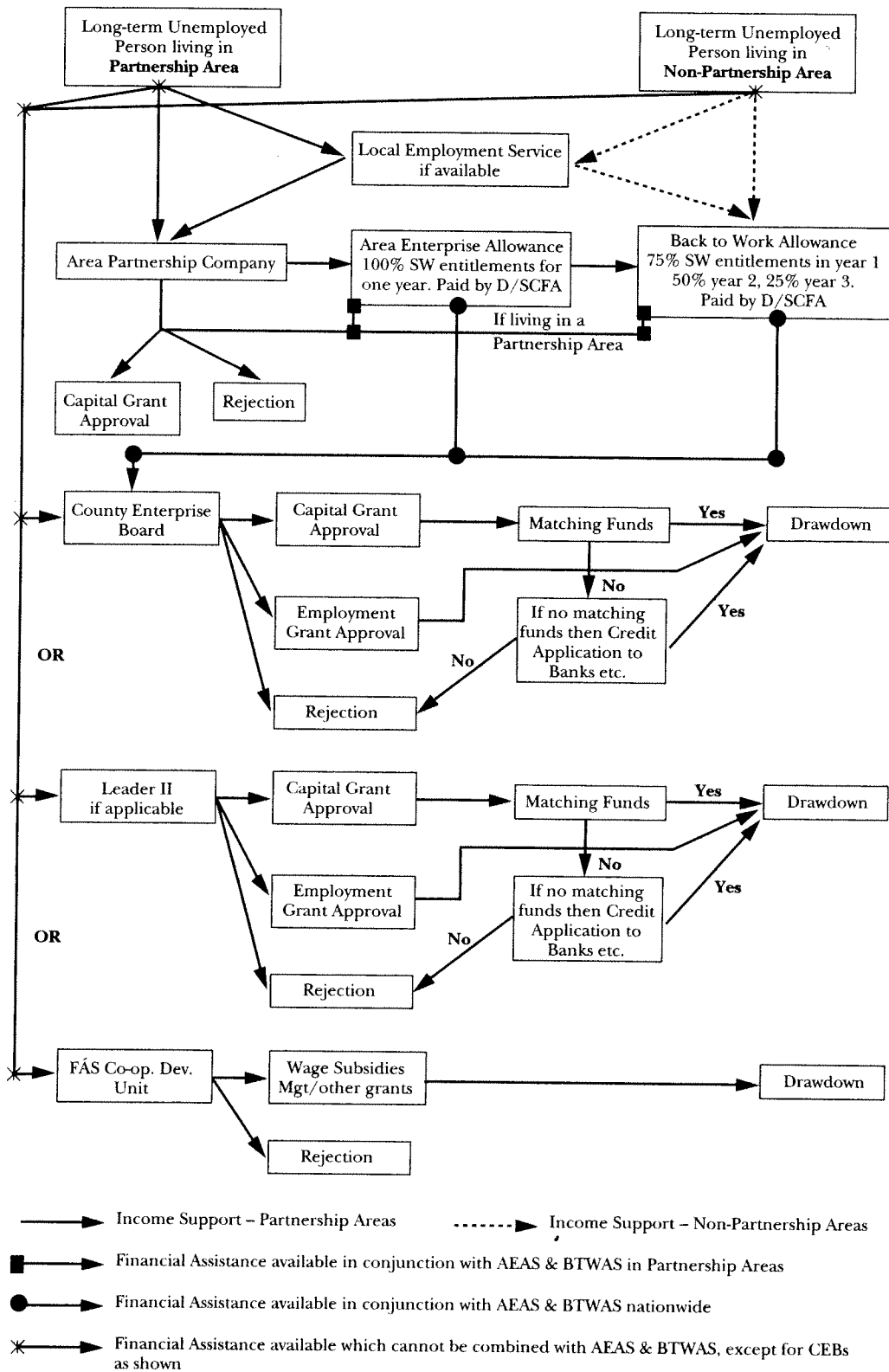
#### **(ii) Problems of Access to Training**

5.7 The clarification of roles and responsibilities and the provision of clear information on options available (see Section IV), would go a long way towards overcoming problems in accessing these services. However, specific provision needs to be made to facilitate women and lone parents from disadvantaged backgrounds who are not on the Live Register, and who may not receive priority for other training courses. Such courses should be provided in a flexible and targeted manner, to suit the particular needs and circumstances of these groups. This has been recognised in the White Paper on *Human Resource Development* which centres State training and support for the individual on the agreed needs of the client to facilitate his or her progress to employment, and which contains specific commitments to promoting equal opportunities. The Local Employment Service should play a lead role in reaching and providing access to training for these groups, as a basis to gaining a foothold in the labour market.

#### **(iii) Problems in Securing Finance**

5.8 Eligibility criteria for financial aid can be complex and the potential entrepreneur may have to secure finance from several sources, many of whom may operate different sets of criteria. An example of the difficulties facing an entrepreneur who has been long-term unemployed is set out in the pathways map at Figure 3. If the entrepreneur is living in a Partnership Area then s/he is

**Figure 3**  
**Pathways to Income Support/Financial Aid for Potential Entrepreneurs from the Long-term Unemployed**



entitled to the Area Enterprise Allowance which is accessed through the Area Partnership Company but paid by the Department of Social, Community and Family Affairs. If the entrepreneur wants to get grants towards equipment then s/he would probably have to approach the local CEB. However, in order to obtain a grant, the applicant has to meet the relevant criteria and provide matching funds. This whole process is long and tedious. An additional barrier for separated women is the requirement by some financial institutions for the permission of the spouse before women are accepted for financial assistance.

5.9 Financial aid from State Agencies such as Partnerships, CEBs and LEADER II Groups is limited and restricted in a number of ways, such as the requirement for matching funds. In addition, these bodies do not have the facility to provide revolving loans, despite their stated wish to do so. Such loans, given at a fixed-rate over relatively long periods (5-10 years), would have the following advantages:

- optimal use of funds available – the funds can be recycled on repayment;
- good discipline in terms of enterprise development; and
- repayment of the loan provides a mechanism for monitoring progress of the enterprise.

5.10 Several agencies have tried to address the difficulties experienced by long-term unemployed people, women and other disadvantaged groups in securing finance. In some instances, local loan funds such as the Enterprise Trust Fund in Tallaght, have proved to be effective in meeting the finance gap. A further example is that of *First Step* which provides interest-free loans in the £500-£5,000 range, and supports applications to banks and credit unions for additional funds. The Area Partnerships provide backing for approved clients when seeking loans, and the Department of Social, Community and Family Affairs has made £500,000 available through the Irish League of Credit Unions to establish a Loan Guarantee Fund for Back to Work Allowance Scheme participants who need access to capital. However, women who are not on the Live Register cannot avail of the Back to Work Allowance Scheme and, in consequence, cannot access the associated Loan Guarantee Fund. There are also continuing difficulties for all disadvantaged groups, arising especially from the requirement to provide matching funds. Recent schemes of soft loan finance for SMEs do not cater for this segment of the market.

5.11 One part of the solution to these issues would be to develop the role of Credit Unions who serve the financial needs of their community on a non-profit basis, and to retain members' savings in their community for the benefit of all members. At present, Credit Unions are not involved to any great extent in business lending. In 1996, only 7 per cent of total loans was issued for business-related purposes. Credit Unions have successfully assisted local enterprises (see



example of Tallow Area Credit Union, Box 3) and small worker co-operatives, by providing grants to their members who are also members of a co-operative. The grant is £750 per member or £3,000 per co-op. However, a Credit Union Model for Enterprise Support is now being developed which will be based on:

- financial support – consisting of a fund separate from the normal Credit Union personal loan fund;
- business support – utilising the talents of members to provide technical assistance;
- mentoring – to provide advice, moral support and boost confidence; and
- business infrastructure – provision of office space and equipment.

**Box 3**  
**Tallow Area Credit Union**

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This Credit Union established an Area Enterprise Group in 1986 as a forum for discussion of the serious problems of unemployment and emigration in the area. The main stages in the development of the Group were as follows:

- The Credit Union provided initial support in the form of office space and the use of facilities.
- A full-time start your own business training program was initiated in the Credit Union offices.
- The participants on the course had viable business ideas and new suitable premises were required from which to operate.
- An old disused grain store was purchased by the Credit Union for under £10,000 and this was handed over to the Group.
- By 1993, the need for further workspace became a priority and when the Group identified a suitable premises the Credit Union loaned them the funds and a grant of £5,000 towards its refurbishment.
- The positive support of the Credit Union has been widely recognised and it has encouraged other Unions to work positively in supporting the needs of their own communities.
- The Group, which was awarded the Community Initiative Award for the South East Region in 1994, has to-date assisted 100 people find full-time employment.

Source: *Extract from the paper presented to the Forum by Mr. Tony Smyth, Irish League of Credit Unions.*

5.12 Another area of potential is the model being developed to provide low cost working capital by the Southside Partnership in Dún Laoghaire. This programme is designed to create self-selected “peer groups” of 5 to 7 entrepreneurs which take responsibility for reviewing and approving each other’s business plans and loan applications. There are five parts to the programme:

- a four to five session Orientation that helps build the peer group and develop business plans for each member;
- loans to members, starting at £500, are recommended for approval by the group and loan amounts increase incrementally to a £5,000 maximum if repayments meet the schedules;
- peer support helps entrepreneurs overcome the pressures of starting a business;
- access to on-going training, education and workshops is provided; and
- mentoring support is also provided for the group.

The peer group is responsible for the loans of all its members and, if any of the loans to the group are defaulted on, all group members are ineligible for new loans until the arrears have been cleared.

5.13 The Forum considers that the provision of revolving loan facilities for Area Partnerships and County Enterprise Boards needs to be considered at both national and EU levels, so that these bodies can provide flexible and sustained financial supports. This could involve diverting some of the funds currently used for grants and/or equity financing of small companies.<sup>23</sup> This would be in line with the Culliton Report and has been supported by the recommendations in the Mid-Term Evaluation of the EU Operational Programme.

5.14 As already mentioned in Section II, the OECD has recently advocated the use of subsidised business start-ups for the unemployed who have entrepreneurial skills and motivation to survive in a competitive environment, on the basis that such subsidies appear to be successful in helping unemployed people start in business. Similar results have been reported by Meager, in his study of transitions from unemployment to self-employment.<sup>24</sup> Both the OECD and Meager cite experiments in subsidising business start-ups for unemployed people in Washington and Massachusetts. Meager found that the Washington experiment, which involved a capital subsidy in the form of payment of a lump-

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<sup>23</sup> *Improving the Supports for Enterprise in the Dublin Area*, op. cit..

<sup>24</sup> *From Unemployment to Self-employment: Labour Market Policies for Business Start-up* by Nigel Meager, in the International Handbook of Labour Market Policy and Evaluation, (1996).

sum, as opposed to a time limited on-going allowance, had a greater positive effect on the self-employment chances of the participants. Similar benefits were found with lump-sum payments for business start-ups in France and Spain. Such payments could also be used to help unemployed people to provide the matching funding which is required under several of the existing enterprise programmes.

- 5.15 The design of such schemes is critical to their success. The Washington scheme involved the participants undergoing training and receiving business advice and counselling. During this phase, participants received an allowance equivalent to their unemployment entitlements. It was only after they had passed a series of milestones that they received the lump sum; these included the completion of training, the submission of a business plan and the acquisition of external finance.
- 5.16 Under the FÁS Enterprise Programme, which began in 1983, there was provision for the capitalisation of unemployment benefits in order to give participants a lump sum. However, this was stopped in 1986 because the lump sum was not being utilised as suggested<sup>25</sup> and had not been properly designed and implemented.
- 5.17 Notwithstanding this experience, the Forum believes consideration should now be given to the introduction of a targeted lump-sum subsidy payment to disadvantaged people who wish to start up a business. However, rather than only offering the two extremes, viz a lump sum or an allowance, the potential for a hybrid scheme should also be investigated. Such a scheme, which would be a variation of the existing Back to Work Allowance Scheme, could combine a lump sum element with a reduced on-going allowance. This would allow the participant to access additional finance and grants by providing matching funding while still providing an allowance to protect the family income. The reduction in the allowance required to pay for the lump sum should not be offset against any dependent allowances. This scheme would reduce the public expenditure exposure to the costs of failure when compared to a pure lump sum scheme. The additional costs of a hybrid scheme over the current BTWAS would result from the failure rate and timing differences where savings from the allowance would fall into the following financial year. As a hybrid scheme would allow participants to access matching funds, the failure rate should be lower than the current BTWAS which means that the additional exposure should be small.

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<sup>25</sup> World Bank's Discussion Paper, op. cit.

**(iv) Lack of Workspace**

5.18 This is particularly acute in disadvantaged urban areas, and Dublin Inner City Enterprise have found that there is a particular shortage of space suitable for food preparation<sup>26</sup>. The space required for start-ups is generally in the range 200-1,000 sq ft. and this relatively small size is not readily available on the commercial market. The cost of workspace is also an issue, particularly for unemployed people, who cannot take on large leases with onerous terms. The CEBs, Area Partnership Companies and some other Agencies have tried to address this issue by providing incubator space in enterprise centres. In the circumstances, many small businesses start in kitchens, garages and spare bedrooms. Again, this is a particular problem for people in disadvantaged areas and for those with families, because working from home may not be a practical option. In addition planning regulations may preclude the use of domestic premises for business purposes. There is also the problem of where to locate once the time in the incubator space is over.

5.19 The difficulties encountered in obtaining workspace need to be addressed by greater provision of incubator units, and by initiatives such as the proposed Credit Union provision of office accommodation outlined above. Local Enterprise Networks, as envisaged in *Partnership 2000*, should also be encouraged to facilitate the establishment of links between potential entrepreneurs and employers in the community, Chambers of Commerce and educational establishments such as Universities and RTCs to make maximum use of available space.

**Barriers at the Early Enterprise and Expansion/Consolidation Stages**

5.20 The main common themes raised in the submissions which the Forum received fell under the following headings:

- Lack of Planning and Market Research;
- Cash Flow Problems;
- On-going Financial Requirements;
- Taxation and Bureaucratic Burdens; and
- Insufficient Rewards for Risks.

5.21 Many of the barriers arising under the above headings, in so far as they impact on conventional-type entrepreneurs, have been examined in a number of reports in recent years, most notably by the Task Force on Small Business which

<sup>26</sup> *Improving the Supports for Enterprise in the Dublin Area*, op. cit..

made 121 recommendations in its report which was published in March, 1994. In consultations with the Department of Enterprise, Trade and Employment, it is understood that 47 of these recommendations have been fully implemented and substantial progress has been made with the partial implementation of a further 30 recommendations.

5.22 The Small Business and Services Forum has been established to advise the Minister for Enterprise, Trade and Employment on policy issues generally, including implementation of those recommendations which are still outstanding. In the circumstances, the Forum does not wish to duplicate the work of that body except to urge it, and where appropriate, to take into account the concerns and recommendations which are outlined in this Report in its on-going work in this area.

5.23 Finally, it is worth noting the conclusions of the ESF Programme Evaluation Unit's Survey of Micro-Enterprises<sup>27</sup> to the effect that further research on the needs of micro-enterprise should be undertaken, particularly as regards:

- the means by which representative information about such enterprises can be efficiently collected;
- rigorous exploration of the training needs of these enterprises including:
  - identifying training and learning activity within such enterprises;
  - exploring the means by which the training agencies can best impact on these enterprises;
- establishing by means of baseline studies the range of locally-provided support services;
- exploring ways of maximising growth among micro-enterprises; and
- undertaking research in relation to enterprise failure and the black economy and integrating the lessons of experience from the Area Partnerships and the Back to Work Allowance Scheme.

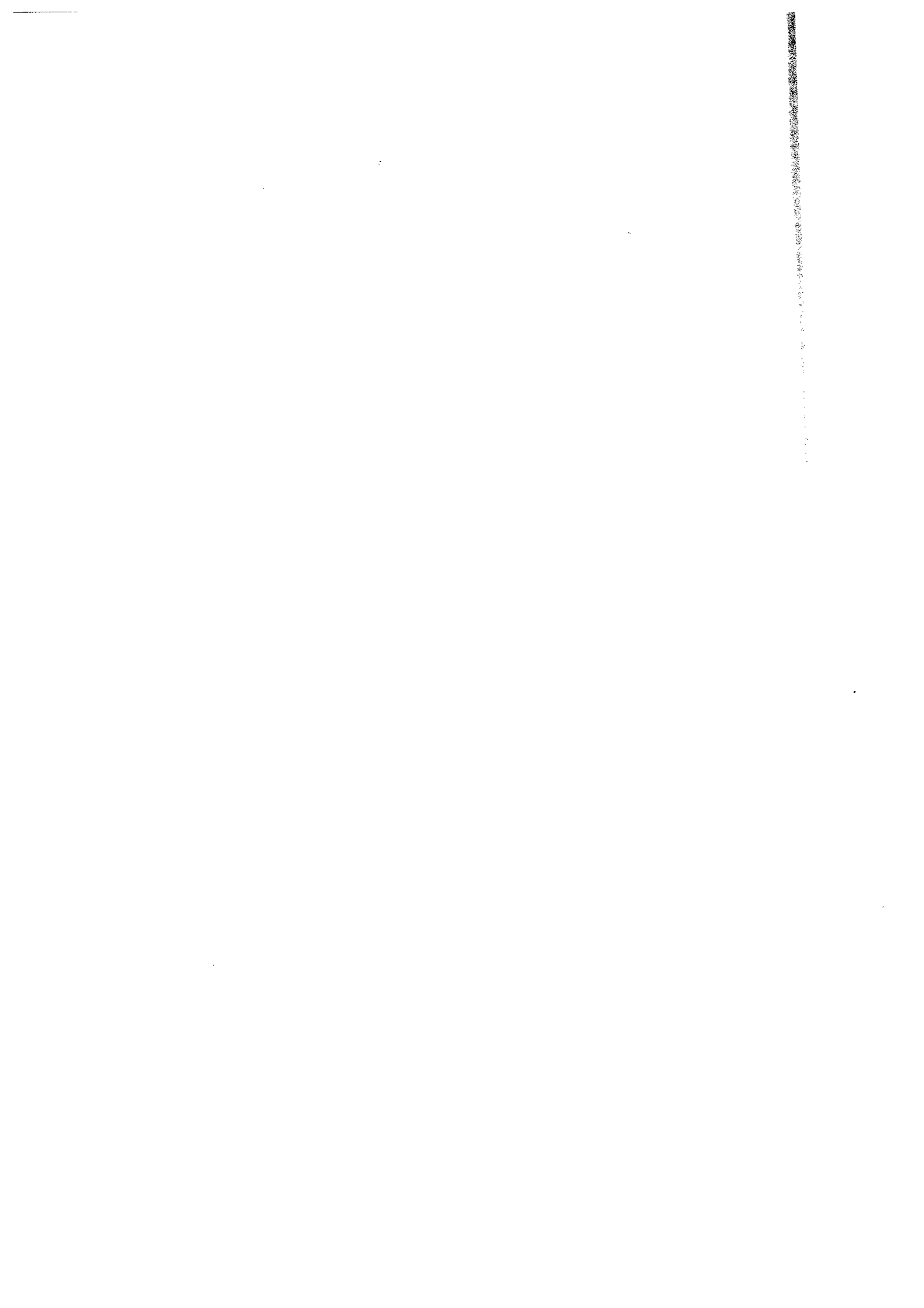
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<sup>27</sup> Op. cit..



Section VI

**Enterprise and  
Self-Employment  
Programmes  
Targeted at  
Disadvantaged  
Groups**





# Enterprise and Self-Employment Programmes Targeted at Disadvantaged Groups

- 6.1 The recent interest in self-employment in this country often overlaps with, and is submerged within, a more diffuse concern with issues such as small business development, local development, and entrepreneurship. This is illustrated by the limited consideration of self-employment *per se* in the Culliton Report (1992) and the response of the Moriarty Task Force to this in 1993, the Report of the Task Force on Small Business (1994) which primarily concentrated on owner-managed small business, the virtual absence of any consideration of self-employment in the recent strategy paper from the then Department of Enterprise and Employment – *Growing and Sharing our Employment* – or in the White Paper on *Human Resource Development*. Indeed, in the context of dealing with unemployment and long-term unemployment, the latter bases its response almost entirely on the objective of providing access to waged employment in the private sector. This is despite evidence of the growing significance of non-agricultural self-employment, the more general growth of atypical employment, and the rapid increase in the number of long-term unemployed entering self-employment through the AEAS and the BTWAS.
- 6.2 The main programmes supporting enterprise and self-employment for disadvantaged groups, which are funded either solely by the Exchequer or on a co-financed basis with support from EU funds (i.e. the European Social Fund and the European Regional Development Fund) include the following:
- (i) the Area Enterprise Allowance Scheme (AEAS) and the Back to Work Allowance Scheme (BTWAS);
  - (ii) the FÁS Local Enterprise Programme;
  - (iii) County Enterprise Boards; and
  - (iv) Area-based Partnership Companies.
- 6.3 These programmes provide a range of supports to people seeking to establish a new business or expand an existing business. The main features of each are outlined below and the Section concludes with a review of a number of policy issues which arise for consideration in the operation of these programmes.

(i) **AEAS and the BTWAS**

6.4 The AEAS was introduced in mid-1992 followed by the BTWAS in September 1993. The latter incorporates a more explicit recognition of the need to provide a route out of the black economy. The core feature of both programmes, which represent an important policy shift from passive to more active labour market supports, is the payment of an allowance based on prior welfare income to participants. Any established entitlements to secondary benefits are also retained. The AEAS operates in all areas where an Area-based Partnership Company has been established. The BTWAS operates at a national level and is administered by the Department of Social, Community and Family Affairs. Key features of both programmes are outlined in the Table beneath.

**Table 6.1**  
**Main Design Features of the AEAS and the BTWAS**

	<b>AEAS</b>	<b>BTWAS</b>
<b>Eligibility</b>	LTU 23+ & Lone Parents (no age criteria). Resident in Partnership Area	LTU 23+ & Lone Parents (no age criteria) & People with a Disability (1000 places)
<b>Implementing Agency</b>	Area Partnerships & D/SCFA	D/SCFA
<b>Screening</b>	Application & Business Plan (variable)	Application (standard)
<b>Form of Financial Support</b>	Allowance	Allowance
<b>Levels of Financial Support</b>	100% of prior welfare & retention of secondary entitlements for 1 year then BTWAS.	75% of prior welfare & retention of secondary entitlements for 1st year, 50% in 2nd & 25% in 3rd.
<b>Capital &amp; Grants</b>	Variable across Partnerships, can also access CEBs	Joint loan fund (D/SCFA & <i>First Step</i> ), can also access CEBs
<b>Form of Non-Financial Supports</b>	Enterprise Officers plus business training and services (variable)	Job Facilitators
<b>Duration of Support</b>	4 years including BTWAS	3 years

- 6.5 Other programmes outlined in this Section can also be accessed by participants on the AEAS and the BTWAS as forms of additional support, but current evidence suggests that relatively few access support from the CEBs. A more recent addition to the BTWAS was the establishment of a joint loan fund between the Department of Social, Community and Family Affairs and *First Step*.
- 6.6 One of the notable features of both these schemes has been the consistent increase in the number of participants. This is particularly true of the BTWAS. An analysis<sup>28</sup> of the Back to Work Allowance Scheme indicated that some 18,300 people were on this Scheme at the end of May last and that 53 per cent of those are on the self-employment strand. The Area Enterprise Allowance Scheme had 2,200 participants at the end of April, 1997. This level of participation, representing nearly 10 per cent of the long-term unemployed, places the scale of operation of both these schemes among the largest of programmes that have been introduced in any country to assist the unemployed to take up self-employment.
- 6.7 Table 6.2 shows the profile of participants on both the BTWAS and the AEAS. In spite of only making up 73 per cent of the long-term unemployed, more than 90 per cent of BTWAS participants were male. More than half were unemployed for over 3 years, and almost two-thirds were over the age of 35. More than one-third had no second-level education and almost 40 per cent had completed Junior cycle only. Well over half had never previously participated on a labour market programme. Just under one-fifth had previously been involved in the black economy. The vast majority of businesses established are sole traders in the services sector and are started from the participants' own homes.
- 6.8 WRC Consultants have estimated (subject to the usual qualifications attached to such measurements) that the deadweight<sup>29</sup> effects of the AEAS and the BTWAS were 43 per cent and 36 per cent respectively. These are in line with levels reported in other studies in Germany, Denmark, France and the UK. The estimated displacement<sup>30</sup> effects on employment were 19 per cent for the AEAS and 10 per cent for the BTWAS. These are low compared to studies for other countries and may be attributed to the fact that the vast majority of businesses established under both these schemes were very small, with a limited capacity to displace employment.

<sup>28</sup> The tables and analysis of the AEAS and the BTWAS are drawn from the paper which the Forum commissioned from WRC Consultants, op. cit.

<sup>29</sup> *Deadweight* relates to the jobs which would have arisen in any case without any policy initiatives.

<sup>30</sup> *Displacement* occurs when aid intended to favour particular groups results in other groups losing their jobs.

**Table 6.2**  
**Profile of Entrants to the AEAS and the BTWAS compared to the Long-term Unemployed (LTU)**

	AEAS (%)	BTWAS (%)	LTU* (%)
<i>Gender</i>			
<b>Men</b>	88	96	73
<b>Women</b>	12	4	27
<i>Age</i>			
<b>Under 25</b>	3	2	18
<b>25 – 34</b>	32	35	30
<b>35 – 44</b>	35	41	27
<b>45+</b>	30	22	25
<i>Educational Level</i>			
<b>Less than Junior Cycle</b>	41	29	52
<b>Completed Junior Cycle</b>	36	39	32
<b>Completed Senior Cycle</b>	12	19	13
<b>Third Level</b>	11	13	3

\*Age and gender figures are based on Live Register figures for April, 1993. Data on educational levels are from a special tabulation of the 1990 Labour Force Survey data.

6.9 Almost 90 per cent have survived at the end of the second year, and it is estimated that over two-thirds will survive the eventual withdrawal of supports.<sup>31</sup> The reasons for failure relate very closely to the barriers outlined earlier on in this Report such as lack of access to capital, lack of planning and under-estimation of competition. The failure rate associated with schemes of this type can generally be considered an over-estimation because of the spin-off effects on participants, even those whose businesses fail. The recent OECD Economic Survey of Ireland recommends that we should focus on targeted employment subsidy programmes because:

*“schemes of this type appear to have increased the number of long-term unemployed who have accepted jobs or become self-employed”*<sup>32</sup>

**(ii) FÁS Local Enterprise Programme**

6.10 This is a composite of a number of programmes which include Enterprise Training (encompassing the Business Appraisal Training Programme), the Community Enterprise Programme and Co-Operative Development Council/Unit.

<sup>31</sup> WRC Consultants, op. cit..

<sup>32</sup> OECD Economic Surveys, Ireland, (1997).

6.11 *Enterprise Training* is mainly provided through the Business Appraisal Training Programme which is a 10 week course covering a range of topics related to establishing and operating a small business. The Programme is available to the unemployed with a business idea and selection is by interview. Participants are entitled to the FÁS Training Allowance or their Social Welfare entitlements, whichever is the greater. In addition, FÁS have also developed an open learning programme called Building Business Today. This is provided at a regional level and includes three main elements:

- a mentor support system;
- self-learning material (video and workbooks); and
- workshops on key skill areas (e.g. financial forecasting, marketing).

These programmes can be accessed by unemployed people exploring the option of establishing a business or by people who have commenced training.

6.12 The *Community Enterprise Programme* is geared to promoting and supporting enterprise development and an entrepreneurial climate within local communities. It supports local development groups through:

- Enterprise Education Modules to develop management structures and business ideas; a facilitator is assigned by FÁS to work with the group for a number of sessions over an agreed time period; and
- Financial Assistance which could include grants for:
  - feasibility studies;
  - the development of specific business ideas; and
  - management and administration costs for a new commercial project for one year.

Groups may be defined by their geographical location or by their shared interest in a product or service. Local development groups, community and worker co-operatives, Chambers of Commerce, credit unions, heritage and tourism groups and craft workers are among the types of groups that may qualify for assistance. In 1996, the training modules catered for 1,400 community project workers while the employment of 155 enterprise workers/project managers was grant-aided to support the development of 120 commercial businesses or business advice/support centres.

6.13 The *Co-Operative Development Council* was founded in 1988. Its terms of reference included stimulating greater awareness of co-operatives and their potential and identifying and responding to the needs of co-operatives, in particular worker

co-operatives. It was in response to these needs that the Co-Operative Development Unit (CDU) was subsequently established in FÁS. All local Agencies (County Enterprise Boards, Leader II, Partnership Companies, etc.) have a FÁS representative on their Boards who have a liaison role with the CDU and other FÁS departments. The CDU assists worker co-operatives through its grant package, from feasibility study through start-up to on-going support, advice and assistance and access to the Worker Co-operative Revolving Loan Fund.

6.14 The CDU has now developed a more focused approach as to how the worker co-operative model can be utilised:

- as a structure to assist start-up enterprise and phoenix-type rescue situations;
- as a transfer mechanism for family firms with no suitable, identified successors; and
- as a vehicle for associate company formation by medium/large firms as a means of developing existing personnel, penetrating new markets and creating employment opportunities for others.

The worker co-operative model is also an employment mechanism for suitable FÁS Community Employment and Community Enterprise Programme clients.

6.15 In 1994, just over 1,100 people participated on the Local Enterprise Programme.<sup>33</sup> This rose to 1,300 in 1995, 62 per cent of whom were women and 34 per cent were long-term unemployed. There were no disabled, lone parent or Traveller participants. In terms of educational qualifications, 26 per cent had at most junior cycle qualifications, 57 per cent had completed the senior cycle and 8 per cent had third-level qualifications. Data on educational levels were not available in relation to the remaining 9 per cent of participants.

6.16 It is not possible from available data to determine the number of businesses established as a result of participation on the Local Enterprise Programme. Data from the most recent follow-up survey of participants by FÁS (cited in the Mid-Term Evaluation) indicate that:

- 78 per cent of participants obtain employment;
- 37 per cent used their skills a lot in their first job after participating on the measure;
- 82 per cent said that participation helped them get a job;

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<sup>33</sup> *Mid-Term Evaluation of the EU Human Resources Development Operational Programme, 1994-1999*, Goodbody Economic Consultants, (1997).

- 18 per cent had a certificate/11% a degree; and
- 17 per cent were at work prior to participation.

**(iii) County Enterprise Boards**

6.17 County Enterprise Boards (CEBs) provide a range of services to promote small and micro-enterprise. The CEBs' measures are divided into four main areas:

- promoting an enterprise culture;
- providing advice, information, counselling and mentoring;
- providing financial support for start-up and expansion; and
- providing financial aid for management development training.

6.18 The financial assistance provided to individual enterprises/entrepreneurs falls under the following headings:

- feasibility study/business plan development – subject to a limit of £5,000;
- capital – a maximum of 50 per cent of the cost of capital investment or £50,000 whichever is less;
- management development – not expected to exceed £1,500 per person; and
- employment grants – £5,000 per job to a maximum of £50,000.

The £50,000 limit is absolute for any one project or enterprise.

6.19 Data on people/enterprises receiving approval for financial assistance from the CEBs during 1996 show that a total of 1,745 enterprises were approved. Just over half (53 per cent) of these were sole traders. The gender composition was as follows:

- men 68 per cent;
- women 17 per cent; and
- men and women 15 per cent.

6.20 The majority of people were either employed (35 per cent) or self-employed (43 per cent) at the time they received approval, 19 per cent were unemployed, and just 3 per cent were classified as working in the home ("*home duties*" in the official classification). In the case of the unemployed, there is no breakdown available between the short and long-term unemployed. In this regard, the

Forum endorses the recommendation made in the recent Mid-Term Evaluation of the Local Urban and Rural Development Operational Programme on the need for the collection, analysis and dissemination of baseline data on the long-term unemployed in all the sub-programmes of this Programme.

6.21 The distribution of the type of assistance which was approved by the CEBs was as follows:

- capital 37 per cent;
- employment 50 per cent; and
- feasibility studies 13 per cent.

Total grant aid commitments amounted to just over £14 million. Actual drawdowns and jobs created are contained in Table 2.1 in Section II of the Report.

6.22 Finally, the Forum also supports the reference in the Mid-Term Evaluation for a greater emphasis to be placed by the CEBs on the development of a strategic approach to local enterprise development and for the Boards to play a more pro-active and innovative role.

**(iv) Area-based Partnership Companies (APCs)**

6.23 In addition to their role in implementing the AEAS, the APCs provide a range of services, including access to loans on favourable terms and to grant aid, mentoring programmes and accountancy services geared to supporting enterprise creation and development. The specific form of these varies from one partnership company to another. They include the NEST (New Enterprise Support Trust) and PLATO programmes operated by the Tallaght Partnership and the STEPS (Support Training in Enterprise Programme towards Self-Employment) operated by the Northside Partnership. In general, the APCs have a higher level of human resources to devote to the implementation of the AEAS than the Department of Social, Community and Family Affairs in relation to the BTWAS.

6.24 As regards their role in enterprise and employment creation, a recent report by ADM<sup>34</sup> showed that, up to end December last, Partnership Companies had helped over 3,000 people to set up their own businesses (80 per cent of whom had been previously long-term unemployed) and had placed nearly 4,000 people in full-time jobs and over 1,000 in part-time jobs (nearly 60 per cent of these had been long-term unemployed). The gender breakdown for the people

<sup>34</sup> *Partnerships – Making a difference in People's Lives*, ADM Ltd, (August, 1997).



setting up in business was 75 per cent male and 25 per cent female and 48 per cent and 52 per cent respectively for those placed in full-time employment.

## Policy Issues Arising:

### (i) *Selectivity of Entry to Self-Employment*

6.25 There is now substantial evidence that in the absence of specific efforts, particular groups of people among the unemployed will not be included among entrants to programmes aimed at assisting the unemployed enter self-employment. On the basis of available evidence in this country and elsewhere, four groups with low levels of participation can be identified as:

- the long-term unemployed, particularly the more disadvantaged of these who lack educational, training or relevant occupational experience;
- women (especially those from disadvantaged backgrounds);
- people with a disability; and
- Travellers.

### (ii) *Factors Related to Education, Training and Prior Occupational Experience*

6.26 The results of evaluations of programmes seeking to assist the unemployed enter self-employment consistently show that, in general, programme participants are better qualified and better prepared than non-participants (Meager, 1996; WRC, 1997). This is reflected in the higher levels of education and training and the more skilled occupational profile of participants vis-a-vis non-participants. More generally, there is also evidence that in the past entry to self-employment has been linked to the possession of professional qualifications related to entry to the professional services sector and that, more generally, entry to self-employment is conditioned by factors such as coming from a social background in which there is a tradition of self-employment and small business.<sup>35</sup>

6.27 These findings point to two issues. First, they highlight that entry to self-employment – particularly successful entry to self-employment – is for most people based on the possession of a set of skills that underpin a product or service that is capable of being marketed on a self-employed basis and generating an income that supports survival in self-employment. Second, programmes aimed at assisting what have been termed “*non-conventional*” or “*non-traditional*” entrepreneurs need to provide assistance in the area of specific skills training as well as training in the more conventional area of business

<sup>35</sup> Burrows, R., *Who are the Contemporary British Petit Bourgeoisie?* International Small Business Journal, 9 (2), (1991).

appreciation and business management. Evidence of the value of this approach is provided by a number of projects in the *EU EMPLOYMENT Initiative* (see Annex 2).

*(iii) Under-Representation of Women*

- 6.28 With the exception of the Local Enterprise programme operated by FÁS, women account for a minority of participants. This is particularly the case in respect of the major programmes of assistance, namely the AEAS and the BTWAS. In relation to both of these, women are under-represented vis-a-vis their representation among those eligible to participate and the representation of women among the self-employed nationally. It is also the case that a very small proportion of participants on the AEAS and the BTWAS are lone parents.
- 6.29 No study in this country has directly examined the reasons for the low level of participation by women in self-employment and in programmes aiming to assist entry to self-employment. In the absence of such work, it is impossible to specify the relative importance of a range of factors that could reasonably be identified as contributing to their low participation. Among the reasons that have been identified by the Fourth Joint Oireachtas Committee on Women's Rights are:
- the domestic division of labour and the lack of childcare facilities; and
  - limited work experience, lack of training, lack of access to credit, inadequate representation of women on supports systems (e.g. County Enterprise Boards) and stereotype views of business practice that militate against the acceptance of women's management style.
- 6.30 A particularly significant factor is likely to be the lack of occupational experiences which provide a platform for entry into self-employment. There are at least two aspects to this; (i) the lack of technical skills in areas where self-employment has prevailed and/or is now expanding and (ii) limited managerial experience while in employment. Both of these factors reflect historical as well as contemporary gender segregation and inequalities in employment. To the extent that these are changing and reflecting the growth in service sector employment generally, one would expect that women's participation in self-employment will increase.
- 6.31 One important issue that arises here is recognising and responding to the particular barriers that are likely to be experienced by women whose backgrounds and associated educational and training experiences confine them to the lower rungs of service sector employment. This can be addressed through the provision of educational and skill development in parallel with the more conventional type of business appreciation and training programmes.

- 6.32 More generally, while recognising that information, motivational and attitudinal barriers exist, it is important to focus attention, however, on the specific skills required to enter self-employment.
- 6.33 At EU level, many women in small businesses are the main associates of entrepreneurs and are very often responsible for accounting, marketing, secretarial and general management of the enterprise. The EU Conference on Women Entrepreneurs and Co-Entrepreneurs in Family Businesses, which was held in Greece in 1994 (the first time that the concerns of women entrepreneurs and co-entrepreneurs had been brought together in a joint forum), identified the need for policy measures under the following headings:
- economic and social role of women entrepreneurs and co-entrepreneurs;
  - training and development needs;
  - support programmes and measures;
  - women-friendly approaches and good practice; and
  - networking and co-operation.

Women entrepreneurs have remained largely in the informal economy. As Agnes Hubert, Head of Equal Opportunities European Commission (DGV), has noted:

*“Their participation is somewhat invisible as far as economic indicators are concerned. There are no statistics or integration of their activity in the GNP. Their work is left in the private sphere...of ‘family solidarity’ with the consequence of no social status or rights of their own.”*

*(iv) Under-Representation of People with a Disability*

- 6.34 Evidence of the very low level of participation of people with a disability in programmes aimed at promoting self-employment is provided by their virtual absence among participants in the BTWAS (only four despite a reservation of 1,000 places for them) and their non-participation on the FÁS Local Enterprise Programme during 1995. In 1994, just one per cent of participants on this Programme were people with a disability. This issue has been recognised in the Report of the Commission on the Status of People with Disabilities (1996) and a number of proposals have been made. The issue of providing special supports within the framework of the AEAS and the BTWAS and the role of the NRB in this does not, however, appear to be addressed.

**(v) Predominance of a Conventional Approach to Entrepreneurship**

6.35 Both in the area of State-assisted programmes as well as in the general range of private and public sector supports to enterprise there is an emphasis on individual innovation, risk and reward. This is particularly evident in the comparative absence of supports focusing on more collective forms of enterprise development. The exceptions of the Community Enterprise Programme and the Co-Operative Development Unit are of note in this respect. However, these are small programmes in comparison to the AEAS, the BTWAS and the supports provided by the County Enterprise Boards. In this regard, it is of note that while co-operatives are eligible for support from the County Enterprise Boards, just 8 of the 1,745 enterprises approved for financial aid from the County Enterprise Boards in 1996 were co-operatives.

**(vi) Linkages Between Programmes**

6.36 Apart from the AEAS and the BTWAS, the bulk of enterprise supports are orientated towards what could be considered as the conventional type of entrepreneur (i.e. predominantly male, reasonably well educated, with access to some capital and possessing a clear plan for the establishment and operation of a small business). It is assumed that the wide range of supports to aid small business development which have been introduced over the past number of years are both relevant to and accessible by the long-term unemployed. The evidence suggests that this is not the case. In contrast, policy consideration of self-employment in terms of own-account workers is primarily concentrated on supporting the movement from unemployment to self-employment. At a practical level, this has resulted in a lack of continuity between those policy supports which are in place to assist those who wish to take up self-employment and those which are more generally available to people seeking to engage in small business development and enterprise.

6.37 In theory an unemployed person seeking to enter self-employment could access support from all the programmes in place. However, this rarely occurs in practice. What must be emphasised in this context is that the four programmes identified above do not overlap in terms of the specific focus of each:

- |                  |   |
|------------------|---|
| AEAS/BTWAS       | – primarily income support in the form of allowances;                     |
| Local Enterprise | – enterprise related training and co-operative development;               |
| CEBs             | – financial aid for feasibility studies, capital and employment; and      |
| APCs             | – information and support services, specific enterprise-related services. |

6.38 What is lacking is a clear framework within which each of the programmes can be accessed by people seeking to pursue self-employment. In this regard, there is a need to review the existing programmes with a view to increasing the co-ordination between them from the point of view of the client.

*(vii) Self-Employment, Income and Survival*

6.39 Evaluations of businesses established with support from programmes aimed at assisting the unemployed to take up self-employment have rarely focused on the incomes obtained from such businesses. Such evidence as there is points to the likely prevalence of low incomes among a substantial proportion of businesses established with assistance from these programmes (Meager, 1996). The findings of the WRC Consultants evaluation of the AEAS and BTWAS clearly point to this as an issue in relation to the operation of these programmes – the average weekly income generated by a business established under the BTWAS was only half the average industrial wage while under the AEAS it was less than two-thirds of this wage. This is also an issue which crucially impacts on survival in that a business which is not capable of generating an income commensurate with meeting personal/domestic income requirements will not survive. All too often the success of programmes has been assessed in terms of sustainability of the transition from unemployment to self-employment and on the overall costs of programmes net of deadweight and displacement effects, rather than on the quality of the self-employment created.

6.40 One particular feature of self-employment on an own account basis that should be noted is the relationship between the net income of the business and personal disposable income. This feature is often overlooked in conventional approaches to business planning and there is evidence that there is a lack of attention being paid to this in the implementation of the AEAS and the BTWAS. Among the issues arising are the need to take personal/domestic expenses into account in making cash flow projections and examining how periodic downturns in income from the business are financed (e.g. is it an issue of working capital or income support?). More generally, there is a need to develop a more tailored approach to the fostering, development and management of businesses operated on a sole trader/own account basis. This involves recognising that while many of these do not have the potential to grow in employment terms they have, nevertheless, a potentially significant role to play in assisting unemployed people participate in the economy and society.



Section VII

**Conclusions and  
Recommendations**

1. The first part of the document is a list of names and titles.



# Conclusions and Recommendations

- 7.1 The current economic situation of sustained growth, strong domestic demand, low inflation and interest rates and on-going tax reforms, has already led to a striking increase in new enterprises and in self-employment. A wide range of enterprise and self-employment policy initiatives have been introduced in recent years to facilitate and encourage these developments. The Forum considers that this is a particularly opportune time to build on these initiatives, with a view to further widening the range of self-employment options and addressing the barriers faced by disadvantaged groups in availing of these opportunities and in the process leading to a more inclusive society.
- 7.2 From the earlier analysis in this Report, the submissions which the Forum has received and reports by bodies such as the OECD and Dublin Inner City Enterprise, a major priority is that of streamlining and clarifying the roles and responsibilities of the over 100 Agencies who are involved in the encouragement of enterprise and self-employment. The sheer volume and complexity of programmes and structures make it almost impossible at present for potential entrepreneurs to know what is available in terms of support and encouragement, and to obtain clear and helpful information and advice.
- 7.3 A second and related priority is that the bulk of enterprise programmes of assistance are primarily geared towards entrepreneurs engaged in conventional-type enterprises. These need to be extended to include a strengthened social inclusion dimension. This should be specifically geared to taking more fully into account the particular needs of disadvantaged groups such as the long-term unemployed, women, lone parents, people with a disability and Travellers while at the same time recognising the importance of promoting an enterprise culture and of facilitating the capacity of all businesses to compete in the market place.
- 7.4 For this purpose, the Forum's recommendations are outlined beneath under the following two headings:
- Institutional Issues; and
  - Specific Policy Issues.

(i) ***Institutional Issues***

7.5 The Forum's core recommendations under this heading are that:

- the roles and responsibilities of the very wide range of Agencies involved in the encouragement of enterprise and self-employment should, where appropriate, be clarified and defined to ensure that the varying needs and requirements of different target groups, in particular the long-term unemployed and other disadvantaged groups, are met at the different stages of enterprise development;
- following such clarification, a co-ordinated system (perhaps via *first-stop-shops*) for the provision of information and advice should be put in place, initially via the County Enterprise Boards (as envisaged in the White Paper "*Better Local Government – A Programme for Change*" (December, 1996)), and in liaison with other bodies such as the Area-based Partnership companies, LEADER II and the Local Employment Service; this should be underpinned with adequate budgets, flexible staffing and suitable accommodation and equipment; and
- while maintaining their overall enterprise focus, the CEBs should adopt a more strategic approach to local enterprise development, which would include a greater targeting of the long-term unemployed and other disadvantaged groups, address information gaps across the entire range of enterprise support programmes and referral to specialist agencies, rather than the delivery of all services from one location; in addition, information on training needs and initiatives should be made available to help increase local development awareness among partnership interests at both board and staff levels of CEBs, LEADER II Groups, Area-based Partnership Companies etc..

7.6 The provision of clear and user-friendly information through *first-stop-shops* could be facilitated by the use of information technology (e.g. through the Internet) to provide staff and clients with easy access to information on the organisations, programmes and schemes available to potential entrepreneurs. Such an information service should deal with the questions most frequently asked by entrepreneurs, set out the basic requirements of support agencies and financial bodies in terms of documentation such as business plans, provide on-line tutorials on how to complete a business plan, and on follow-up contacts.

(ii) ***Specific Policy Issues***

7.7 The Forum's recommendations on specific policy issues, which are aimed at ensuring that enterprise and self-employment programmes take more fully into account the needs of marginalised groups, are as follows:

### ■ *Education and Training*

- the provision of pre-enterprise and development training in specific skills and in business appreciation and management should be increased and incorporated as features of the Area Enterprise Allowance Scheme (AEAS) and the Back to Work Allowance Scheme (BTWAS);
- successful pilot projects such as the WEB/NEST programme in Tallaght should be mainstreamed and form part of service delivery programmes nationwide;
- specific provision should be made to facilitate women and lone parents from disadvantaged backgrounds who are not on the Live Register; these courses should be available on a flexible basis e.g. outside normal office hours and at more accessible locations to suit the needs and circumstances of these groups and the Local Employment Service should play a lead role in this; and
- the provision by FÁS of mainstream enterprise-related training should specify inclusion and equality objectives so that greater progression can be facilitated on to these programmes by all disadvantaged groups from the more targeted training programmes provided for these groups.

### ■ *Childcare Facilities*

The Forum repeats the recommendations made in a number of its earlier Reports that:

- childcare provision should be affordable, accessible and responsive to the needs of both parents and children, particularly for low-income families and single parents;
- childcare services should be regulated to ensure adequate quality, proper safety and supervisory standards;
- providers should be adequately trained to a nationally recognised standard; and
- flexible employment practices, which fully underpin quality working conditions, should be actively promoted to assist men and women workers in the integration of work and home life.

The Forum has consistently highlighted the potential of the Social Economy to become involved in the provision of childcare facilities.

■ **Access to Finance**

The Forum recommends that consideration should be given to:

- the provision of revolving loan facilities for Area-based Partnership Companies and County Enterprise Boards;
- encouraging and supporting the Credit Union movement in its development of a model for enterprise support;
- the introduction of a targeted lump-sum payment to disadvantaged people who wish to start-up a business; such a subsidy should be used to help these people to provide the matching funds which are required under enterprise support programmes; the potential risk to cash-flow of capitalising income support at an early stage would, of course, have to be carefully assessed; and
- the provision of working capital to address cash-flow problems in the light of the commitment in *Partnership 2000* (Chapter 7, Action on Small Business) to examining the scope for “*introducing new finance and support schemes for start-ups and expanding firms, including agricultural enterprises and micro-businesses*”.

■ **Lack of Workspace**

- Local Enterprise Networks should be encouraged to facilitate the maximum use of available space by establishing links between local employers, Chambers of Commerce, educational establishments etc. and potential entrepreneurs;
- the delays and the speed with which planning applications are dealt with by Local Authorities and An Bord Pleanála should be reviewed, while ensuring that good environmental planning and public participation in the process are not impaired;
- with the aim of stimulating the provision of incubator and commercial workspace, consideration should be given to the targeted introduction of tax reliefs and other incentives such as reduced charges for public services; such provision should be geared to meeting the needs of local entrepreneurs, especially the long-term unemployed and other disadvantaged groups, and in ensuring that they reap the benefits of the workspace provided; and
- Local Authorities should be encouraged to facilitate the Traveller economy in the design of Traveller specific accommodation.

■ **Area-based Enterprise and Back to Work Allowance Schemes**

(i) **Assessment and Monitoring**

- a balance should be struck between the proven capacity of these Schemes to activate the long-term unemployed and the need to test the viability of projects;
- more pro-active approaches should be developed to identifying businesses that are capable of providing reasonable prospects of survival and of adequate incomes and participants and supports should be directed towards these areas;
- the role of the Job Facilitator or Partnership Enterprise Officer in providing a supportive environment to address these issues before assessing and approving participation is vital; this should entail regular meetings with participants to identify risks, opportunities and the financial and training needs as the business progresses; appropriate training should be provided for the Facilitators and Enterprise Officers to enable them to carry out this role effectively;
- the role of the LES in promoting self-employment as an option for its clients needs to be addressed and enterprise supports should be integrated in its work; this should not mean that the LES Mediators also take on the role of Job Facilitators/Enterprise Officers, but rather that they should be trained in basic information provision on self-employment options and the referral of their clients to the appropriate specialist services;
- monitoring and follow-up procedures should be improved and participants on these Schemes should be provided with developmental programmes such as the NEST programme in Tallaght.

(ii) **Incentives**

The Forum recommends that consideration should be given to:

- developing linkages between these Schemes and the broader range of enterprise supports available to people seeking to engage in small business development;
- merging the BTWAS and the AEAS, as recommended by WRC Consultants, into a single national programme for self-employment which would provide a four-year income support element for all participants; the Forum's recommendation in its Report No.12<sup>36</sup> that the AEAS be extended and targeted at other areas with significant levels of unemployment and underemployment could be a first step in this process;

<sup>36</sup> *Rural Renewal – Combating Social Exclusion*, Forum Report No. 12, (March, 1997).

- establishing, a baseline of non-income supports and making these available to all participants, regardless of their being located in Partnership or non-Partnership areas; and
- extending the Family Income Supplement to such participants, given the clear relationship between the rate of business failures under the AEAS and the BTWAS and the capacity of the businesses to generate sufficient personal income for participants as income supports are reduced.

**(iii) Eligibility**

- an information campaign should be launched to address the under-representation of women (especially those from disadvantaged backgrounds), people with a disability, Travellers and the more disadvantaged of the long-term unemployed on these Schemes;
- eligibility for participation on these Schemes should be extended to include the young unemployed who are in receipt of Unemployment Assistance; and
- a system of enterprise supports should be developed to facilitate enterprise activity among those, mainly women, who have been absent from the labour market for an extended time-period and who are currently not eligible for Social Welfare based schemes.

**(iv) Evaluation and Networking**

- a national monitoring committee, under the aegis of the Department of Enterprise, Trade and Employment and including representatives of the Department of Social, Community and Family Affairs, County Enterprise Boards, Area-based Partnership Companies, the Social Partners, the voluntary and community sector and other relevant State Agencies and Departments, should be convened to monitor and oversee the development and evaluation of self-employment initiatives; and
- local and national fora, again under the aegis of the Department of Enterprise, Trade and Employment, should also be convened on a sectoral basis for participants on these Schemes to act as conduits for feedback on the quality of service delivery, inform policy makers, develop proposals for training and for the establishment of inter-trading among participants and to facilitate joint tendering for contracts.



# **Annexes**





Finally, the Forum welcomes the recent decision taken to publish the consultancy study, which was commissioned from WRC Consultants by the then Department of Social Welfare, and which should encourage a more informed public debate and comment by all relevant interests on the policy issues involved.

■ **Market Traders**

- the 1995 Casual Trading Act should be reviewed, in consultation with representatives of market traders, with a view to having more uniform regulations throughout the country; and
- Local Authorities should be encouraged to increase the availability of market spaces and provide adequate facilities based on European models of good practice.

## **Exchequer Implications**

7.8 It is not possible at this stage to provide any firm estimates on the overall costs of the above recommendations, given their outline form only in some instances while in other cases this will have to await detailed evaluation by the Departments concerned and decisions taken on the options available and the time-scale for their implementation.

7.9 On the other hand, these recommendations will provide off-setting savings through:

- (i) the more efficient and effective deployment of the resources of the official Agencies involved in the promotion of enterprise and self-employment;
- (ii) lower expenditure on unemployment payments – the Department of Social, Community and Family Affairs estimates that a fall of 1,000 in numbers on the Live Register provides a saving of £3m to £4m for the Exchequer in a full year; and
- (iii) increased taxation receipts arising from employment gains and higher levels of economic activity.

7.10 The Forum fully accepts, of course, the fiscal disciplines which underpin *Partnership 2000* and that any additional expenditure (net of the above savings) should be met, as far as possible, through a re-ordering of existing public expenditure priorities. Any additional expenditure over and beyond this can in any case be justified, on both economic and social grounds, and should be accommodated within the extra resources provided for social inclusion and equality under *Partnership 2000*.

# Annex 1

## List of Acknowledgements

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Ms Antonia Corrigan, Women Entering Business.  
Dr Tony Crooks, Area Development Management Ltd.  
Mr Paul Cullen, Department of Enterprise, Trade and Employment.  
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# Annex 2

## **EU EMPLOYMENT Initiative – the Mediated Model of Enterprise Development**

This Initiative is one of the EU human resource initiatives and targets those who are acutely disadvantaged on the labour market. It provides funding to organisations – known as project promoters – to design and pilot innovative actions under one of three measures: Systems Development; Delivery of Training and Employment Creation. Under the Measure for Employment Creation, a total of 33 projects are receiving support; many of these are involved in developing enterprise opportunities for their participants. These projects are very diverse in terms of participants and include people with disabilities, members of the Travelling community, lone parents, very long-term unemployed people and women living in disadvantaged communities. They are also diverse in relation to their location (inner city, peripheral estates, rural areas). Most significantly, perhaps, they differ greatly in regard to the economic sector within which they operate: these include the environment, software support, arts, social care, horticulture, crafts, transport vehicle repair and clothing.

Despite this level of diversity, enterprise projects in EMPLOYMENT share a number of highly significant features such that, regardless of the type of participants, the locality involved or the targeted sector, one can identify a generic model, “*the mediated model*”, of enterprise development appropriate to the needs of the target groups. The essential feature of this model is that the promoting organisation acts as intermediary between the target group and the opportunities and needs identified. This organisation seeks to develop an enterprise based on a comprehensive analysis of the problems faced by the target group on the one hand and on a strategic identification of a market opportunity on the other. In contrast to the conventional concept of enterprise as the prerogative of the sole entrepreneur capable of identifying an opportunity and exploiting it, the mediated model of enterprise development (see Box 1) reflects the following analysis of the issues and strategic responses.

## Box 1

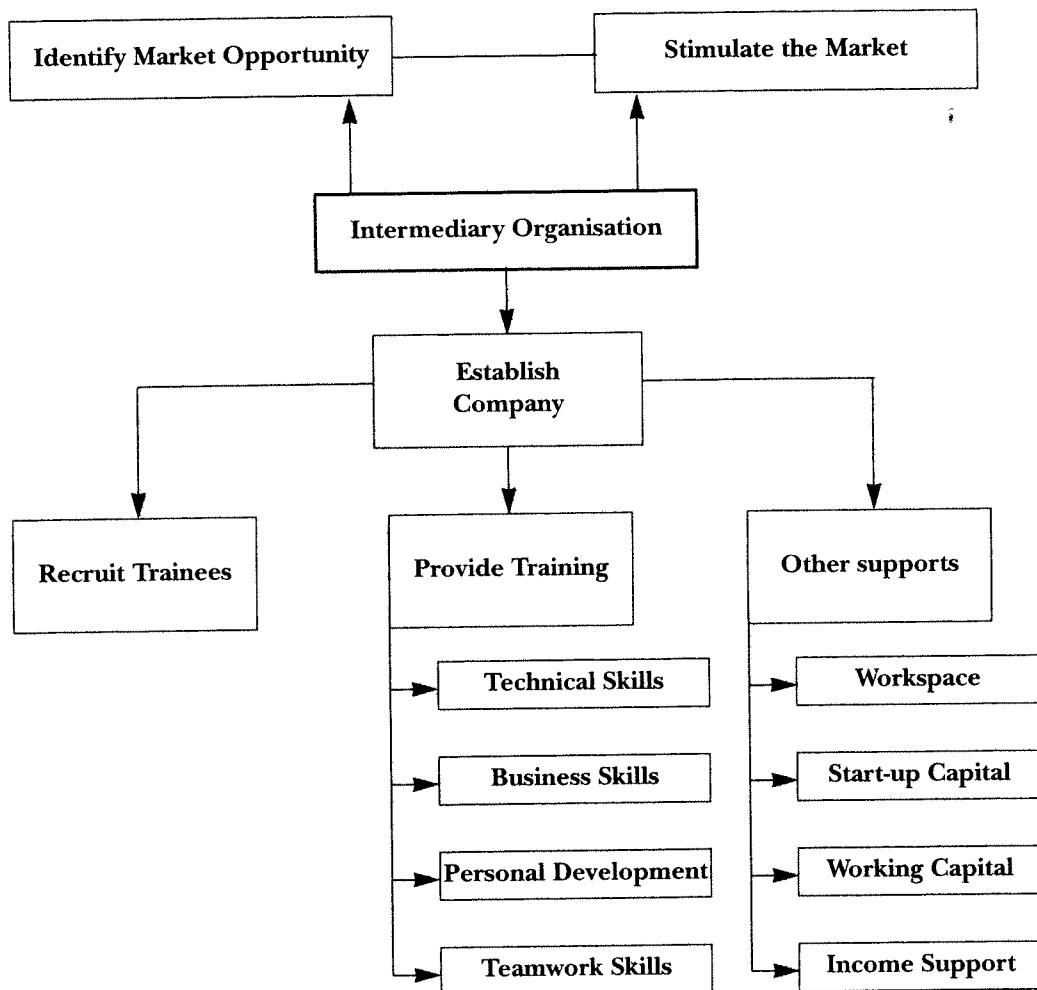
Analysis	Response
<ul style="list-style-type: none"> <li>● people who are marginalised on the labour market and lack information on potential enterprise opportunities.</li> </ul>	=> an intermediary or broker organisation is needed to identify the market opportunity.
<ul style="list-style-type: none"> <li>● many enterprise opportunities, and particularly those in new growth areas, cannot be exploited by a sole entrepreneur / sole trader.</li> </ul>	=> a micro-enterprise or co-operative must be established to exploit the opportunity.
<ul style="list-style-type: none"> <li>● people who are locked out of mainstream employment are most likely to also be locked out of enterprise opportunities for the following reasons: <ul style="list-style-type: none"> <li>* lack of technical skills to exploit new markets</li> <li>* lack of business skills</li> <li>* no experience of teamwork</li> <li>* limited confidence/motivation/self esteem</li> <li>* lack of start up/working capital</li> <li>* lack of premises.</li> </ul> </li> </ul>	=> a range of provisions must be put in place which addresses all of the factors which act as barriers: <ul style="list-style-type: none"> <li>* technical training</li> <li>* business training</li> <li>* communication/group work skills</li> <li>* personal development/counselling</li> <li>* capital support</li> <li>* provision of premises.</li> </ul>
<ul style="list-style-type: none"> <li>● the longer-term viability of enterprise and particularly those in new growth sectors, will require specific actions to stimulate market demand.</li> </ul>	=> market development strategies must be undertaken, which may include increasing public awareness, seeking policy changes to stimulate/subsidise demand etc.

Figure 1 provides a schematic overview of the mediated enterprise development model which features in EMPLOYMENT. The key element of the model, and one which fundamentally distinguishes it from conventional enterprise supports, is the existence of an intermediary organisation. This organisation interacts both with enterprise opportunities and with the target group and, through its operations, seeks to link the two. Thus, the intermediary organisation identifies the enterprise opportunity, establishes the vehicle to exploit it, recruits the target group and provides them with a range of inputs which addresses the multi-faceted needs

identified. The comprehensive range of needs which are addressed within this model is a further significant factor in distinguishing it from more conventional supports.

Finally, the intermediary organisation may also undertake activities to promote demand for the goods or services which are produced. This may range from developing a marketing strategy to seeking policy change to support/stimulate demand.

**Figure 1**  
**Schematic Overview of the Mediated Model of Enterprise Development**



Source: *Employment Initiative*, 1996 Annual Report, (June 1997).

## Terms of Reference and Constitution of the Forum

1. The Terms of Reference of the National Economic and Social Forum are to develop economic and social policy initiatives, particularly initiatives to combat unemployment, and to contribute to the formation of a national consensus on social and economic matters.

The Forum will:

- (i) Have a specific focus on:-
    - job creation and obstacles to employment growth;
    - long-term unemployment;
    - disadvantage;
    - equality and social justice in Irish society; and
    - policies and proposals in relation to these issues;
  - (ii) Make practical proposals on measures to meet these challenges;
  - (iii) Examine and make recommendations on other economic and social issues;
  - (iv) Review and monitor the implementation of the Forum's proposals and if necessary make further recommendations; and
  - (v) Examine and make recommendations on matters referred to it by Government.
2. The Forum may consider matters on its own initiative or at the request of Government.
  3. The Forum will work in two year cycles and will inform Government of its programme of work within three months of the beginning of each cycle.
  4. In drawing up its work programme, the Forum will take account of the role and functions of other bodies in the social and economic area such as NESC to avoid duplication.
  5. The Forum may invite Ministers, Public Officials, Members of the Forum, and outside experts to make presentations and to assist the Forum in its work.
  6. The Forum will publish and submit all its reports to Government, to the Houses of the Oireachtas and to other Government Departments and bodies as may be appropriate.
  7. The Forum will be drawn from three broad strands. The first will represent the Government and the Oireachtas. The second will represent the traditional Social Partners. The third strand will be representative of groups traditionally outside the consultative process including women, the unemployed, the disadvantaged, people with a disability, youth, older people and environmental interests.
  8. The Forum will have an independent Chairperson appointed by Government.
  9. The term of office of members will be two years during which term members may nominate alternates. Casual vacancies will be filled by the nominating body or the Government as appropriate and members so appointed shall hold office until the expiry of the current term of office of all members. The size of the membership may be varied by the Government.
  10. The Forum is under the aegis of the Department of the Taoiseach and is funded through a Grant-in-Aid.

## Forum Publications

### (i) Forum Reports

Report No.	Title	Date
1.	<i>Negotiations on a Successor Agreement to the PESP</i>	November 1993
2.	<i>National Development Plan 1994-1999 – the proposed Local Development Programme</i>	November 1993
3.	<i>Commission on Social Welfare – Outstanding Recommendations</i>	January 1994
4.	<i>Ending Long-term Unemployment</i>	June 1994
5.	<i>Income Maintenance Strategies</i>	July 1994
6.	<i>Quality Delivery of Social Services</i>	February 1995
7.	<i>Jobs Potential of the Services Sector</i>	April 1995
8.	<i>First Periodic Report on the Work of the Forum</i>	May 1995
9.	<i>Jobs Potential of Work Sharing</i>	January 1996
10.	<i>Equality Proofing Issues</i>	February 1996
11.	<i>Early School Leavers and Youth Unemployment</i>	January 1997
12.	<i>Rural Renewal – Combating Social Exclusion</i>	March 1997
13.	<i>Unemployment Statistics</i>	May 1997



## **(ii) Forum Opinions**

<b>Opinion No.</b>	<b>Title</b>	<b>Date</b>
1	<i>Interim Report of the Task Force on Long-term Unemployment</i>	March 1995
2	<i>National Anti-Poverty Strategy</i>	January, 1996
3	<i>Long-term Unemployment Initiatives</i>	May, 1996
4	<i>Post-PCW Negotiations – A New Deal?</i>	August 1996
5	<i>Employment Equality Bill</i>	December 1996

