



Self-help and mutual aid: re-thinking microfinance

Market feasibility study and business plan model for a self-employed women's mutual

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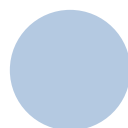
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Executive summary

Self-employment in the UK has doubled over the past 30 years. Support for the self-employed is vital for a healthy economy. Too often, the sole trader without employees is dismissed as a 'lifestyle' business, not a 'proper' one.

The sole trader sector is and always has been the very glue of local economies. Through their heterogeneous skill base and flexible ways of working, the self-employed contribute to the stability and rich diversity of local communities that is so treasured. Self-employment now in fact provides more jobs than British manufacturing. More than one in five (6.4 million workers) in the British workforce are either self-employed or supported by a self-employed person. Among many ethnic groups and in some rural areas, self-employment is double the average UK rate.

Low-income sole traders and community-based entrepreneurs face difficulties in both accessing and affording appropriate services to support their business activities. Many self-employed people work exceptionally long hours and have no holiday-pay entitlement. In Britain, the self-employed endure the longest working week as well as contributing additional unpaid work from family members to the economy. The average median earnings in the UK for self-employed people is 20 per cent below the median for waged workers. Despite their growing importance, they are not well catered-for by the welfare state. They do not benefit from statutory sickness benefits and they cannot access the state second pension. Seven in ten self-employed people have no employees, but as workers, they have few statutory rights and far less social protection compared to those in conventional jobs.

As their businesses are generally unincorporated, the self-employed are part of the informal economy. In the EU as a percentage of the workforce, they represent one in ten workers in northern Europe and up to three in ten workers in southern Europe. In the developing world, the self-employed sector comprises typically nine in ten workers. This research has explored how self-help and mutual aid mechanisms for women in business might be extended further through the development of a large-scale mutual organisation set up at national level to provide a more comprehensive range of advice, support, professional and financial services for the micro-enterprise sector. International microfinance experience in developing countries shows how this can be done. Such mutuals for women have been developed by innovators in the microfinance sector in India. The most well known practitioners are the Self-Employed Women's Association (SEWA) and the Working Women's Forum (WWF). A hypothesis tested through this research has been to explore the scope to transfer this learning from the 'South' and adapt it to the 'North'.

Success with such a challenge would advance microfinance practice well beyond the narrower support needs of enterprise advice and microcredit where most current programmes focus their intervention work and assistance. Both SEWA and WWF have perfected a network model for service provision which includes advice and support, savings and loans, and advocacy. Their 'social protection' model of microfinance works especially well in both urban and rural areas for low-income women in self-employment.

For many years in the UK, the number of men setting up in business yearly has been double that of women. If this difference could be overcome nationally, the Government estimates that an additional 750,000 businesses could be established. Recent research evidence shows that the main barriers faced by women to become self-employed are fear of debt, fear of failure, fear of a loss of benefit income and

other real financial risks. A revised microfinance model with a social protection mission like SEWA and WWF could potentially mitigate all these risks.

The research fieldwork was conducted in four diverse subregions of England and Wales to test demand specifically for a new mutual services organisation with the capacity to support in a comprehensive way both the social and economic needs of low-income, self-employed women and community-based entrepreneurs. The research areas included two urban subregions: London, and Coventry and Warwickshire and two rural subregions: Devon and Mid-Wales. The model tested by the research did not make a clear differentiation between the self-employed and community enterprises (also known as microsocial enterprises) as, from a holistic perspective, both groups appear to have similar needs. This was borne out by the research findings.

The proposed self-employed mutual had widespread appeal both amongst the interviewees and among a larger survey sample. The appeal of the mutual appeared to be higher for the lower-income group of women in business, although better-paid women often liked the idea and were willing in some cases to help to establish local networks to make it happen. It was apparent from the research that disadvantage was the common thread linking demand for the mutual from a highly diverse range of people.

From the research findings, the main business advice and support services needed by the women in business were:

- Marketing networks.
- Access to finance.
- Tax advice and tax credit guidance.
- Pensions advice.
- Contact through social events with others in the same business.
- Personal advice and support.
- Discounts on goods.
- Legal advice.

Participants also identified an overriding need for a national advocacy body to raise the needs of the self-employed up the political agenda. The idea of a trade union for the self-employed, as is the practice in India and in a growing number of other EU countries, had strong appeal in the two urban areas. In Devon there was strong support for a strong advocacy body to help change Government policy to address the neglected needs of this growing and largely invisible sector of the labour force, but some women disliked the name 'trade union' to describe such a body. Overall and repeatedly, participants expressed a preference and need for face-to-face contact over internet-based services, although many said that they would value and use internet support.

The focus groups organised in each subregion tested annual membership rates for a new mutual. A basic rate and a somewhat a higher-cost 'network rate' were both accepted as sound and affordable by the focus group participants. For a mutual to be successful, the focus group participants could see the need for it to operate both at a national coordinating level and at regional levels. They felt that the mutual should cater both for the needs of the self-employed and for those involved in setting up social enterprises.

The research confirms that a grass roots approach, similar to the SEWA and WWF models of integrated mutuality, is most likely to appeal to the lower-income self-employed market and to succeed in addressing their very diverse business and personal needs. This social protection model of microfinance should be piloted and the Community Banking Partnership network in England and Wales could provide

a delivery framework to do so. If a viable model through these pilots can be found, this revised approach to microfinance could find the missing solution to the demand-related problems that most UK Community Development Finance Institutions (CDFIs) have been experiencing to date.

Given the size of their contribution to employment and their community resilience, so called lifestyle businesses need to be given serious policy attention. This is both important and timely as the threat of climate change is leading to growing public recognition of the need to relocalise economies for social and environmental reasons.

In this regard the report findings and recommendations should be of interest to local authorities in England and Wales as they are charged under the Sustainable Communities Act 2007 to find new ways to support local enterprises and to develop their capacity to provide growth in respect to:-

- local jobs and production within a 30 mile area;
- more local and organic food;
- green energy within a 50-mile regional radius;
- provision of local services (e.g. health, housing, banking, public eating places, etc.);
- measures to increase mutual aid and community projects; and
- measures to increase community health and well-being.

There could be scope for a mutual to link different self-employed trades together to assist local authorities in England and Wales to find creative solutions to the challenges posed by the sustainability agenda.

Significant resources have rightly gone into supporting British business over the post-war decades. This report shows that there is a wellspring of imaginative and entrepreneurial energy within the self-employed sector which can be released and will thrive if the ethos of self-help is supported through a mutual aid system and strategy.

PART I:

MARKET FEASIBILITY STUDY



Introduction

Over the past 20 years, an optimistic interpretation of ‘enterprise’ has been dominant. For understandable reasons, this positive view is backed by public and private sector policy-makers and those in Government internationally.

This perspective sees self-employment and enterprise as an engine for jobs and the key driver of a new and more flexible economy. There is, though, a more cautious and sceptical viewpoint which might provide a better understanding about what the real needs of the majority of those in business are and how they might best be addressed. This alternative view recognises the rise in levels of self-employment but raises important questions about:

- the quality of the new jobs being created;
- the capacity of this sector to create employment for others;
- the evidence about both low rates of pay and a ‘long hours culture’; and
- the lack of social protection for the labour force in this sector.

Richard Arum in the USA and Walter Mueller in Germany are representative of this more pessimistic perspective. Based on their findings from an international comparative study of self-employment which analysed data from a broad range of countries in Europe, North America and Asia, they have critically questioned both the prevailing ‘enterprise culture’ policies of most Governments and the post-modern view of a future expanding growth of self-employment and portfolio working.

‘Our findings overall provide a critique of post-modern claims related to self-employment. Self-employment is indeed becoming more heterogeneous as some social commentators have argued; self-employment, however, is not ever-expanding nor likely to eliminate dependent employment in traditional firms nor is it simply dominated by sub-contracting, freelancing and temporary work. We believe that increasing heterogeneity within self-employment also should not be understood simply as the emergence of “new forms” of work, but rather these activities are likely quite similar to those found in earlier historic periods when self-employment was also heterogeneous and included a large portion of very marginal activities. Rather than interpreting current forms of self-employment as new and unprecedented, we thus prefer to suggest that what was unusual was the dramatic disappearance of these marginal forms during the expansion of twentieth century mass industry and related improving conditions of dependent work... in advanced economies in the decades following World War II [when] the relative incentives for self-employment were low. Our results also have political implications. In terms of social policy, our findings should serve to caution those policy makers who advocate promoting entrepreneurialism as an economic panacea. We find these policy schemas of relatively little merit, since self-employment today often no longer employs others, nor does it always involve individuals who likely even aspire to developing firms into large enterprises.’¹

The conclusion drawn by Arum and Mueller about a reversion now occurring to a past pattern of self-employment after an atypical period of history is a key point.

In relation to the EU, some slow changes are occurring, but at present both the post-modern and the prevailing public-sector perspectives continue to underpin the structuring of policy in this field.

Self-employment is the timeless and vernacular form of work. Globally the vast majority of workers earn a living this way. Self-employment is at the centre of informal sector of the economy and thus not institutionalised. From a legal perspective, it is important to note that self-employed people lack much in the way of targeted support from the State because they fall outside the protection of the two separate, yet complementary, regulatory frameworks of employment law and company law. Thus, and most unfortunately, neither protective framework offers these workers security.

The evidence revealed in this report underscores the need for a reformation of both current enterprise policy and employment policy. The Supiot report to the European Commission has made this point also.² The reality in the UK is that most self-employed people are trading without employees. As labour force data confirms in many countries, these workers fall between the stools of both these policy frameworks.

This situation has wide implications. To address the needs of the self-employed more appropriately, this research sought to explore the strategic potential of a radical approach involving microfinance, other support services and advocacy. This alternative approach is based upon a methodology that does not prioritise credit needs. This is not to say that microfinance institutions are unimportant, but to raise the question as to whether social-insurance-related financial services (instead of credit) are indeed the real priority need of the self-employed on low and moderate income.

Profile of the self-employed: age, ethnicity, gender and regional issues

The self-employed are a highly significant sector of the economy. They encompass the vast majority of businesses nationally and they account for a very large section of the labour force. Since 1979 the self-employed sector in the UK has doubled from 6.6 per cent to 13 per cent in 2007.^{3,4} Small Business Service figures show that self-employed people in the UK account for 3.8 million jobs and that they employ a further 2.6 million people.^{5,6} Taken as a whole, this micro-enterprise sector employs 6.4 million people – more than one in five of the 29 million UK workforce.

It is a myth that the average self-employed person is a high-earning and entrepreneurial professional: 83 per cent of self-employed workers earn less than those in traditional employment.⁷ According to the Office of National Statistics, the median earnings of self-employed people by comparison to those in employment was found to be 20 per cent lower. In rural areas, earnings have been found to be even lower among the self-employed. A study for the Countryside Agency has found that the rural self-employed in England had a median income 22 per cent below than that of the self-employed in urban areas.⁸

Men and women in self-employment work considerably longer hours by comparison to their counterparts in salaried employment. One in two men and one in five women in self-employment work over 45 hours per week.⁹ In its comprehensive research series on modern forms of work, the Joseph Rowntree Foundation found that the self-employed endure the longest working week.¹⁰ Such households also frequently rely upon significant amounts of unpaid labour from other family members. The research findings highlighted that family life is coming under alarming pressure from the strain of operating a microbusiness.

'Long irregular hours, low incomes and reliance on unpaid family labour are part of the flexibility of the small business. Much of the unpaid work burden fell on the wives of the male owners. Such families had only a sustainable and adequate, but not generous livelihood and worry over security of livelihood was endemic.'

In the UK, the self-employed are broadly concentrated in the sectors of the economy, where start-up costs are low and where efficiency can be achieved at a low level of operation. In the UK, craft-related jobs predominate and are a

determining factor in the self-employed sector: 30 per cent of self-employed men are in the construction trades; 48 per cent of self-employed women work in the service sector.^{11,12}

British micro-enterprise levels are about average compared to most countries in Western Europe but a distinguishing pattern in the UK is 'solo self-employment'. This term refers to sole traders without waged or salaried staff. The advent of the internet and the growth of working from home over the past ten years to three million people in Britain have underpinned this reshaping of the microbusiness world.¹³ The internationally accepted definition of a micro-enterprise is a business with under ten employees. In the UK, 71 per cent are sole traders with no employees, 23 per cent employ 1–5 staff and only 3 per cent employ 6–9 staff.¹⁴

Additionally to the size aspect, there is a wide range of age, ethnicity, gender, disability and regional differences in the pattern of self-employment in the UK.

Self-employment rates as a general trend have been found to increase with age. By comparison to those in employment, the age distribution of all self-employed people is skewed with over half the self-employed aged over 50. The exception to this overall trend is among women in business where the aged group 35–44 has the highest participation levels among age categories.¹⁵

Most people begin self-employment when over 30 years of age. A study of National statistics showed that while only 1.2 per cent of 16–20-year-olds were self-employed in spring 2002, this rose to 16 per cent of 56–60-year-olds. Indeed proportionately, those newly retired were well represented among the self-employed in these findings, with 31 per cent of the 66–70-year-olds earning income this way.¹⁶

Based on the 2001 Census, research by the Joseph Rowntree Foundation shows considerable discrepancies between the levels of self-employment among different ethnic groups.¹⁷ The self-employment rate of 17 per cent among white men is considerably less in most cases than the respective rates of 27 per cent for Chinese, 26.5 per cent for Pakistani, 21.4 per cent for Indian and 19.1 per cent for Bangladeshi men. Self-employment rates though are less for Black Caribbean (13 per cent) and Black African (13.5 per cent) men. Among women in self-employment the pattern is less pronounced with 7.3 per cent of white women in business by comparison on the one hand to higher levels of 18.3 per cent for Chinese, 10.3 per cent for Indian, and 9.9 per cent for Pakistani women but on the other hand lower levels of 5.9 per cent for Bangladeshi, 4.5 per cent for Black African and 3.3 per cent for Black Caribbean women.

The Joseph Rowntree Foundation study showed that self-employment among ethnic minorities remains highly concentrated in certain sectors, often businesses involving long hours such as restaurants, takeaways or driving taxis. For some ethnic groups the reliance upon employment in family businesses is on the decline. The research found that between 1991 and 2001 this was particularly the case for Indian and Chinese men. This was associated with the improved educational attainment levels and the greater employment prospects for the children of Chinese and Indian immigrants.

In the UK labour market the participation rates of women in employment by comparison to men has narrowed rapidly over the past 20 years and is now almost equal. Today women are 51 per cent of the UK population and they comprise 47 per cent of those active in the labour market. By contrast, however, men are 2.7 more likely to self-employed than women. Among those in work, one million women (7.6 per cent) were in self-employment in 2006 by comparison to 2.7 million men (17.4 per cent).¹⁸

Only 15 per cent of businesses in the UK are majority-female-owned and the 27 per cent proportion of women amongst the self-employed has not changed much in 15 years.¹⁹ (Wilson and Shaw, 2006). By contrast in the USA, the percentage of female self-employment has risen every year since 1976 and currently stands at 39.6 per cent.²⁰ Thirty per cent of US businesses are majority-female-owned.²¹ Gordon Brown has observed that if this American success rate could be achieved here,

then Britain would gain three-quarters of a million businesses.²²

A key barrier to securing this change would be to find ways to increase the number of business start-ups by women: 8.9 per cent of men enter self-employment each year whereas the business start-up rate of 3.8 per cent for women is less than half this level.²³ If these rates could be equalised, then an additional 150,000 women-led start-ups could be secured each year.²⁴

There are several risk-related barriers that need to be noted. The biggest barriers to entering business for men and women are a fear of failure and fear of debt: 35.8 per cent of people contemplating self-employment have a fear of failure.²⁵ Women are more vulnerable and have a greater fear of debt and failure than men.²⁶ They are twice as likely to live in poverty compared to men and with greater caring responsibilities, they have more to risk by coming off benefits; 80 per cent of women compared to 17 per cent of men are responsible for looking after children or arranging childcare facilities.²⁷ On average, benefits and tax credits comprise one-fifth of women's income and less than one-tenth of men's.²⁸

Women with young children, however, are more likely to become self-employed, whereas men with young children are less likely to become self-employed.²⁹ The evidence in the UK suggests that for women, self-employment is viewed as a means of achieving the flexibility needed to balance work and childcare commitments: 21 per cent of women state that family commitments were a reason for becoming self-employed; only 2 per cent of men refer to this as a factor.³⁰ Additionally, 54 per cent of women report that a motivation for them starting a business has been to choose the hours they work.³¹ This finding coincides also with a preference by women in business to work both more flexible and shorter hours.

A full-time nursery place for a child under two costs over £7000 per year.³² Childcare costs are not recognised as a business expense and are thus not tax-deductible for either the employed or the self-employed. This may be one of the reasons why part-time self-employment for women is the predominant pattern. More than one in two women chooses to set up a business on a part-time basis.³³ This is consistent with the finding that half of women employees work part-time compared to only one in six men working part-time.³⁴ In relation to enterprise, only 6 per cent of self-employed men work part-time.³⁵

The average hourly pay gap between women and men in full-time employment has narrowed from 70.5 per cent in 1975 to 87.4 per cent in 2006.³⁶ In relation to self-employment, however, the mean total for women's earnings by comparison to men has not narrowed and in 2005 was 69 per cent.³⁷

Disabled people find self-employment attractive as well. According to a survey by the Small Business Service in 2003, 18 per cent of disabled men and 8 per cent of disabled women in paid work that year were self-employed, compared with 14 per cent of non-disabled men and six per cent of non-disabled women respectively.³⁸

Vani Borooah has studied the census figures on self-employment and derived a set of factors affecting the predictable take-up of self-employment in Britain. He summarises these factors this way:

- Overseas and immigrant bias: women and men born outside Britain are more likely to be in self-employment.
- Age bias: the likelihood for self-employment increases with age.
- Occupational bias: men in skilled manual and non-manual occupations are more likely to be self-employed; among women, those in professional, managerial or technical occupations are more likely to be self-employed.
- Educational bias: both men and women with degree level qualifications are more likely to enter self-employment.

- Additional-earner bias: women and men living in households where there are other earners are more likely to be in self-employment.³⁹

Borooah also identified in his research a national capital bias with more people in London likely to be in self-employment in percentage-terms than in other regions. Other research additionally reveals a regional bias related to rural areas. Rural self-employment is 37 per cent higher than urban self-employment in England.⁴⁰ In Wales, rural self-employment is 56 per cent higher than urban self-employment.⁴¹ In some rural areas, such as Powys and Ceredigion in Mid Wales, rural self-employment is double the urban rates in the UK.

The need for comprehensive business support services and peer networks

Low levels of numeracy and literacy, lack of transport, lack of internet access, English as a second language and poor sign-posting can operate as barriers to accessing the vital advice, information, support and guidance needed to enhance the chances for both enterprise success and job security. As a result of economic development priorities, Government primarily targets those businesses employing staff or most likely in its estimation to create jobs. Consequently, support for the self-employed is not consistently regarded in some regions as business support, as it is not necessarily perceived as a job creation area.

Too often, the sole trader without employees is dismissed as a lifestyle business, not a 'proper' one. The overhead costs for micro-enterprises can be disproportionately high and many commercial organisations impose charges on the newly self-employed that can seem unaffordable. Unfortunately lessons are too often learned the hard way with many new traders seeking accountancy advice belatedly when tax assessments arrive and when either no or very little provision for payment has been made.

The full support needs of the self-employed encompass a challenging set of problems. In the past and in some cases more recently, mutual organisations have provided very cost-effective solutions to meet both the business and social protection needs of isolated sole traders. Current examples operating in different regions nationally include farmer co-ops, taxi co-ops, domiciliary care co-ops and artist co-ops.

For mutual aid solutions to work, awareness needs to be raised among a broad group of isolated people that, by clubbing together, they can jointly purchase, at a lower cost, business and other support services of good quality that they routinely need. Mutual aid methods can also enable sole traders to secure better rates of pay, health and safety at work and access to other forms of social protection and social security provision.

To deal with the disparity in business start-up rates between men and women and to seek ways to close this gap, the Government set up the UK Women's Enterprise Task Force in February 2007. Getting the support systems right is crucial. The Small Business Service has found that women are more likely to move from joblessness to work through enterprise than men. Around one in five women make this transition compared to only one in fifteen men.⁴²

To increase the number of start ups, Rebecca Harding of the Global Entrepreneurship Monitor has highlighted the key importance of peer networks.

*'You can't understate the importance of networks to new entrepreneurs – it's essential in starting a business.'*⁴³

Harding points to evidence that shows a correlation between the availability regionally of such networks (e.g. in the North, South and South-East of England) and a growth in women's enterprise. Jacqui Brierton of Prowess backs this up:

*'It's so much about culture and changing attitudes. Women need to have other successful women they can look at and say, "that could be me." The best advice would be to find out about local women's business networks and find like-minded people who are already running their own business.'*⁴⁴

Matthis has studied peer-support networks and their value in helping women in work situations. Her findings show that mentors and role models can have a great effect, especially in assisting women gain confidence and successfully overcome challenges and barriers to achieve what they want to. In particular, peer support assists in the development of leadership skills.⁴⁵

Breakthroughs have been made by some CDFIs in co-delivering microcredit and business advice. In some cases this has been structured as a mutual aid package by adapting peer-lending methodologies from developing countries. Both London Rebuilding Society and Fair Finance in London and the Full Circle Loan Fund in rural East Anglia are currently providing both finance and joined-up support services for over 1000 women in business. Most of these women have now been trading for three or more years and a high proportion have gained initial assistance in moving from unemployment into work with the help of these three CDFIs that have been pioneering work in this field nationally.

The rationale for a mutual for women's businesses and the research scope

This research has explored how mutual aid for women might be extended further through the development of a larger-scale mutual organisation set up at national level to provide a more comprehensive range of advice, support, professional and financial services for the micro-enterprise sector. International microfinance experience shows how this can be done. Such mutuals for women have been developed by innovators in the microfinance sector in India and a hypothesis tested through this research has been to explore the scope to take this learning from the 'South' and adapt it to the 'North'. Success with such a challenge would advance microfinance practice well beyond the narrower support needs of enterprise advice and microcredit where most current programmes focus intervention work and assistance.

The successful Indian mutuals are dynamic and operate equally well in rural areas with traditional social bonds and in urban areas, where self-employed people have far more mixed social, religious and ethnic backgrounds. The comprehensive services the self-employed mutuals in India provide include the provision of microcredit, sickness insurance, trade association services and business group advocacy plus other social security assistance and bulk-buying co-operative services. Two examples of note are SEWA which operates in both urban and rural areas throughout India and WWF which operates in rural areas of south India. Both mutuals are linked operationally to CDFIs; in the case of SEWA, the link is to SEWA Bank and in the case of WWF, the link is to a credit co-operative similar to a British credit union. **nef** has established a relationship over the past ten years with SEWA Bank and has researched the reasons for its success.⁴⁶

Ideally, a new mutual for micro-entrepreneurs would aim to deliver business advice and support together with financial services to meet the needs of disadvantaged businesses as fully as possible. Beyond the current general policy focus in Britain on credit and enterprise advice, a holistic approach would additionally include tailored and business specific services plus other forms of support to enhance social protection and social security provision. In relation to the latter, both SEWA and WWF have provided advocacy services for women through the trade union services they have established.

Prior to this project, the developers gathered evidence from recent research which indicated that there is a niche market in Britain for such a mutual that has not been tapped to date. To validate this more broadly and subregionally, the **nef** and NACUW research sought both to clarify this demand and to indicate the ways and means in which a mutual could tap into self-help efficiencies to overcome the recognised service delivery difficulties and high costs which have constrained more conventional approaches to reaching and supporting the lifestyle business sector.⁴⁷

The research fieldwork was conducted in four diverse subregions of England and Wales to test demand specifically for a new mutual services organisation with the capacity to offer comprehensive support to meet the social and economic needs of low-income, self-employed people and community-based entrepreneurs. These

included two urban subregions: London, and Coventry and Warwickshire and two rural subregions: Devon and Mid Wales.

The original intention of the research was to test demand for a mutual from both women and men respondents, but the full budget for the research was insufficient to cover both genders, so the research programme was in the end confined to testing demand for a mutual by women in business. The findings are therefore orientated towards women's needs and approaches to business; further research would be needed to establish whether men's needs are different, how they could be met and how provision might be tied in with provision for women.

nef and NACUW are working in seven areas of England and Wales with other national and local partners to implement the Community Banking Partnership (CBP) model for tackling financial exclusion. The other national CBP partner is Community Finance Solutions at the University of Salford. Community Banking Partnership is seeking to deliver to low-income households the ABCs of advice, banking, and credit. CBPs seek to provide both advice and support services as a package with microfinance products through a group structure involving a subregional CDFI and credit unions working in local partnership to provide the latter and a non-profit affiliate company to provide the former. This methodology has been inspired by the success of the Community Development Credit Unions (CDCUs) in the USA.⁴⁸ The fastest growing CDCUs use this system to provide a one-stop-shop service to meet the needs of their self-employed members.

With its focus on low-income sole traders and community entrepreneurs, this research has been designed to complement and supplement the CBPs under development in England and Wales.⁴⁹

Background: The self-employed and social protection issues

In the UK, the evidence shows that the majority of the self-employed work longer hours and are lower paid than their counterparts in paid employment. Through diverse approaches internationally, low-cost ways to deliver more comprehensive support for the self-employed have been pioneered.

Under these methodologies, both the credit needs of the self-employed and their social protection needs are a focus (i.e. sickness provision, pensions, childcare, working hours, health and safety, etc). This broader strategy of support for the self-employed is important and more integrated policies are needed in both the UK and the EU for this key workforce sector.

Self-employment and the informal sector

The self-employed form a major part of the broader informal sector. Internationally, the informal sector is growing in size in most countries. According to the International Labour Organisation (ILO) this sector includes: the self-employed, family businesses, paid workers of micro-enterprises, unpaid workers of family businesses, casual workers without a fixed employer, and subcontract workers linked to formal or informal enterprises.

The percentage of total employment provided by the informal sector varies enormously from low-income countries like those in Sub-Saharan Africa to high-income countries like the United States and Canada. According to the ILO, the informal sector globally accounts for in the region of 80 per cent of employment in low-income countries, 40 per cent of employment of middle-income countries (e.g. Greece) and 15 per cent of employment of high-income countries. The major reason for these broad differences relates to the number of people employed in agriculture, which is high in the South, but low in the North.

This difference shows up as well in a relative way within high-income countries in Europe. The rate of self-employment in Scandinavian countries (Denmark and Sweden) is below 10 per cent, while in most southern European countries where agricultural employment is much higher (Italy, Portugal and Greece), it is above 20 per cent.⁵⁰ The average rate of self-employment in Western Europe (i.e. between 10 and 20 per cent) is found in Germany, France, Austria, Holland, Belgium, the UK, Ireland and Luxembourg.

Self-employment and the lack of social protection – EU and ILO findings

A key driver underpinning the upward trend in some countries of self-employment and the use of casual labour is the outsourcing of work by corporate bodies. Through the engagement of former staff as suppliers, through subcontracts with employment agencies for 'temps' and through other brokers of casual and contract labourers, employers can make major savings, cut the costs of security of employment and avoid other social protection overheads.

The Supiot report for the European Commission in 1999 provided ample evidence of this trend, and indicated the new grey area between traditional employment and this growing area of self-employment and quasi-employment which is characterised by few employment rights and marginal social protection measures.⁵¹

Informal economy and community resilience: social capital and self-employment

Self-employment is the vernacular form of work. The vast majority of work globally is in the informal economy. Sociologists can understand this sector, but economists struggle. When the economy gets into difficulties, social capital can provide a lifeboat for people. But whether, where and to what extent this can be the case varies from country to country internationally. Teodor Shanin at the University of Manchester has pioneered the study of the informal economy over the past 35 years. In the early 1980s he was perplexed because Northern England and Northern Italy were both hit by recession and unemployment increased strongly in both countries, but whilst hardship and poverty was rife in Britain at the time, he could find no similar social hardship in the north of Italy. A strong increase in self-employment in Italy was supported by the resilience of mutual aid networks.⁵² In the mid-1990s when the Russian economy collapsed, Shanin was working in Moscow and asked by US State Department about the need for food aid in the countryside. He advised the Americans not to send in food as it was not needed and it could disincentivise self-help and undermine local markets. Shanin is an expert on peasant cultures and his researchers confirmed that Russians with access to land had quickly reverted back to food growing skills. The USA and Germany sent in trainloads of food anyway but as Shanin predicted, the mafia simply exported most of the food for cash.

Those in employment benefit from a wide range of social welfare and employment legislation. In the UK this body of legislation secures for employees the rights to:

- the national minimum wage;
- right not to be unfairly dismissed;
- statutory sick pay;
- working time regulations including rest break entitlements and limits on night work;
- holiday pay;
- maternity, adoption and paternity leave; and
- statutory redundancy pay⁵³

These legal rights are not available to the self-employed and numerous areas of social protection have to be privately funded. The self-employed are subject to commercial law which is based on contracts. The employed are also covered by contract law but the additional employment and social welfare law which shelters them by providing enforceable rights to strengthen by statute their much weaker and vulnerable position in the market place relative to employers. Most self-employed people are not legally incorporated and thus they are heavily exposed to high market risks and to unlimited liability. This dangerous exposure can be mitigated by insurance provision but this is expensive. For the vast majority of self-employed people, most social protection is either limited in scope or unaffordable.

In his report, Professor Alain Supiot provides a critique of conventional labour law which is rooted in an industrial model that has been undermined by technological changes. In his recommendations, Supiot called for self-employed workers in Europe to be equitably protected by broadening labour law to include them. He called for EU states to provide 'social drawing rights' to support the growing number of workers in these unprotected areas.⁵⁴

In its response to the Supiot report, the European Commission recognised that there is a growing sector of the labour force in the EU that may need greater protection including health and safety, working time minimum requirements, updating of skills, social protection and equal treatment.⁵⁵ A follow-up report for the European Commission in 2002 by Professor Adalberto Perulli has reiterated the call by Supiot for basic social rights to be extended to all types of employment.⁵⁶ Four out of ten workers in the EU are not covered by employment

law because they are either self-employed or working in temporary or other areas of work with few rights and little social protection. The European Commission in its Green Paper on modernising employment law is consulting member states on reform measures.⁵⁷

The rapid growth of flexible employment and the corresponding weakening of the traditional labour market in industrialised countries additionally have gone hand in hand with a rapid decline in trade union membership in the EU since the 1980s. An exception to this trend has been the Scandinavian countries, where social protection measures have been maintained.⁵⁸

In the UK, trade union membership has declined from 58 per cent of the workforce in the late 1970s to 26.6 per cent in 2006. Trade union membership peaked in 1980 at 13 million but by 2006 had fallen to half this level.⁵⁹ The rate of decline has been even sharper in the private sector in the UK with a rate of trade union membership of only 17 per cent in 2006.⁶⁰ In 1975, four in five workers were covered by national agreements.⁶¹ Today with the decline of mass employers, apart from the public sector, social protection is now much more limited for most people in work.

Supiot and Perulli have called for self-employed workers in Europe to be equitably protected by broadening labour law to include them. They have called for EU states to provide 'social drawing' rights for this growing workforce. The European Commission recognises that there is a growing sector of the labour force in the EU that may need greater protection including health and safety, working time minimum requirements, updating of skills, social protection and equal treatment. In the Commission's Green Paper on modernising labour law, member states have been consulted on reform measures and on a common definition of self-employment. The Commission favours the adoption across the EU of a common model based on the Danish system of 'flexicurity'.⁶² This is a balanced three-sided model involving:

1. Labour market flexibility.
2. Social security protection for all those in work.
3. Active labour market policy with rights and obligations for the unemployed.

The key reform would be to ensure that labour-market flexibility, which is now widespread in Europe, is underpinned by social protection measures.

After a six-year battle, the Government, the Confederation of British Industry (CBI) and the Trades Union Congress (TUC) agreed in May 2008 to equalise the legal rights of 70 per cent of the UK's temporary and agency workers (i.e. those employed for over 12 weeks) with those of permanent employees.⁶³ Unfortunately no such relative equality for the self-employed is under discussion at present in Britain. The practicalities of extending social protection to the self-employed is difficult but some positive developments in the EU are showing how this can be done by a range of methods that could involve the use of guild practices in some cases, co-operative and mutual solutions and craft union approaches. This research explored how such a mutual aid approach to meeting the needs of self-employed women might work.

Mutual aid for the self-employed – ILO and lessons from Indian microfinance organisations

In October 1999, the ILO convened a meeting in Geneva of trade unionists from 31 countries (including representatives from Africa, Europe, Latin America, North America and Asia) to examine the needs of workers in the informal sector. This event produced an important report, *Trade Unions and the Informal Sector: Towards a Comprehensive Strategy*. The evidence of the need for action, which fed into the ILO report, was presented by a coalition of practitioners in this field, WIEGO (Women in Informal Employment Globalising and Organising).⁶⁴

WIEGO evidence shows that the informal sector represents the largest sector in the global workforce and, as a result of outsourcing and downsizing by formal sector employers, it is growing in size in both North and South.

WIEGO works at three different levels internationally: research, policy development and coalition building. Two major areas of its work internationally with trade union support in many countries have been around efforts to organise homeworkers and street vendors.⁶⁵ In the UK, contract labour in industry includes an estimated one million homeworkers. According to the National Group on Homeworking, pay can be as low as 15 pence an hour.⁶⁶ The National Group on Homeworking, operates as both as a lobbying organisation and as an advice and support body for homeworkers.⁶⁷

As a strategy for organising the informal sector, WIEGO sees the creation of cooperatives as an important element in coalition-building and in meeting some of the needs in the informal sector.^{68,69} Indian microfinance organisations have led the way internationally in developing these successful methodologies over more than 30 years.

The self-employed have, in general, three main options for seeking social protection through a collective organisation. They can join a trade association of other small businesses; they can, in some occupational areas, join a trade union; or they can form some other type of mutual organisation. As with microcredit instruments in general, innovation in this field internationally has been particularly creative in India. The leading pioneer organisation in this field has been SEWA in Ahmedabad, the urban centre of the textile industry in India. SEWA in fact offers all three forms of collective action to assist the self-employed.

SEWA grew out of a study undertaken in 1970 of women working in the informal sector in Ahmedabad. This research was funded and carried out by the women's wing of the Textile Labour Association (TLA), the Indian trade union, which at the time was concerned about the growing trend by the textile mills to outsource piece work to non-union homeworkers locally. The TLA research, led by Ela Bhatt, ranged more broadly and examined the plight of women working in many diverse areas of the informal sector in the city, from street vendors to manual labourers.

The findings of the TLA research highlighted the exploitation of informal sector workers by public officials, large businesses and moneylenders. SEWA was formed as a self-help and mutual aid association in 1971 with support from TLA and in 1972, after a hard struggle, it was registered as a trade union. To address the widespread need of the self-employed to escape predatory moneylenders, SEWA Bank was founded in 1974 with initial deposits from 4000 low-income women in business.

SEWA Bank is a co-operative bank with paid staff and board directly elected by its self-employed women members. Loans are for productive credit that is community-development based. The two main loans of the bank are business loans (working capital and equipment finance mainly) and finance for housing construction. The emphasis of SEWA Bank is to use credit to build wealth through measurable assets. Mobilising savings, building strong local businesses and assisting women to own their own housing represent a spectrum of community economic development. Since 1994, SEWA has extended its successful work nationally to rural areas and has become active in agricultural work and water management projects in many regions of India.

SEWA as a trade union had 960,000 members at the end of 2006. SEWA Bank supports over 1600 savings groups in rural areas.⁷⁰ The bank also provides insurance services to urban and rural members. Today SEWA operates as a dynamic and three-pronged 'mutual movement' for self-employed women. Its three centres of activity are the trade union, the co-operative bank and a growing network of over 80 separate co-operatives. The network of co-operatives includes producer, consumer and multi-stakeholder social co-operatives. It includes those set up as social businesses for specific trades (e.g. agriculture, construction, retail, artisan/crafts, weavers, and street vendors); those established for social protection and social service needs (e.g. childcare, health services, rural savings groups, etc); and those founded to facilitate housing and infrastructure projects. SEWA also has established its own Housing Trust and research academy.

Under SEWA there are four main trade sectors: home-based workers, street sellers, manual labourers and service workers, other producers. Members of each trade elect their representative on the basis of one for each 100 members. These form the Trades Council. A Trade Committee is established for each trade with one representative for each 15 to 50 members dependent on the size of the trade sector. Each trade group also has an organiser. Every three years the Trades Council representatives elect a 25-member Executive Committee on a proportionate voting system based on the relative number of members in each trade sector.

The SEWA model developed by Ela Bhatt and others is rooted in the self-help and mutual aid principles, known as 'khadi'. As a founder of the TLA in 1920, these were developed by Gandhi to foster local strategies for employment and self-reliance. SEWA's philosophy and methods have inspired other similar co-operative consortiums in India. All have in common a microcredit and microsavings system. These microfinance organisations include the Co-operative Development Foundation, Working Women's Forum and Indore Mahila Co-operative.⁷¹ WWF, founded in 1978 by Jaya Arunachalam in Tamil Nadu, south India, today has over 600,000 members and supports over 30,000 separate groups of women across this large rural state.⁷² WWF, like SEWA, takes an integrated co-operative development approach involving a system of savings similar to that of credit unions (the Indian Co-operative Network for Women), a strategy to build social businesses through establishing co-operative networks for both consumer and producer groups and political advocacy work through the WWF as a grassroots mutual association, campaigning for Government reform and greater social protection measures. WWF's microcredit operations reach out to almost 3000 villages in Tamil Nadu. The healthcare services of WWF have assisted over one million users.

Like SEWA, WWF has founded a trade union, the National Union of Working Women (NUWW) with a focus on organising to build the self-confidence of women working in the informal sector and, beyond this, to develop women as leaders for political and social change. The trade union's campaign areas include child labour, child slavery, unfair trade practices, occupational safety, and low pay. Social insurance and social protection is a service area of WWF as it is with SEWA and a separate social insurance company has been set up, with over 120,000 policy holders.

The microcredit services of both SEWA and WWF are self-financing. Interest rates on WWF loans at 18 per cent APR are among the lowest in the world for microfinance organisations. Both SEWA and WWF work internationally. WWF has helped to set up WWF organisations in Tunisia, Egypt, Tanzania, Thailand and Honduras. SEWA has helped to set up the Self-Employed Women's Union (SEWU) in South Africa and is working with local groups in Turkey and Yemen to set up similar organisations for self-employed women.

Trade union and small business services in the EU for the self-employed

The informal sector and self-employment in a majority of cases is distinctly different from the small business sector. In the UK, seven in ten self-employed people only employ themselves. In a growing number of EU countries, new recruitment initiatives to reach this market are being developed both by private sector organisations and by trade unions. The sheer numbers of working people engaged in this sector in the UK is in itself a powerful reason for examining through research the best ways to offer similar packages of services. The vulnerability of the self-employed to sickness, poverty in retirement, the risk of failure because of lack of support, the role of self-employment for under-privileged groups, such as refugees or isolated rural populations, all have significant policy implications.

For example, self-employed people must entirely fund their own pension provision beyond the basic state retirement pension. Unlike those in employment, they are not entitled to the state second pension which is earnings related. Research by Scottish Widows has shown that only about one in three self-employed people are saving enough for old age. On average they have greater levels of debt by comparison to those in work.⁷³ Research has shown that this pension gap is severe and leading each year to a growing number of self-employed people who will face insecurity and relative poverty in retirement after hard working lives.⁷⁴

A comparative study by Karin Gottschall and Daniella Kroos of the problem of the solo self-employed in the UK and Germany has highlighted the lack of social protection as a growing crisis.⁷⁵ This is even more the case in the UK where social protection legislation is much weaker than in Germany. For the better off among the self-employed (i.e. roughly the top 20 per cent), many can look to professional guild-type structures. This group includes many in the legal and accountancy professions or others that can afford to provide for themselves through the private pension and insurance market. But for most other self-employed workers, they have no support bodies like this, cannot afford private provision and the welfare systems set up in the post-war period do not accommodate them, because the state services were designed at a time when self-employment was on the decline.

Gottschall and Kroos highlight the need for a framework of risk management for the self-employed. In their conceptual framework, they indicate the following danger areas where social protection is required:

- finding a means to assist with the prospecting time involved to secure work;
- establishing a system to acquire and keep up skills in the different trades;
- effective control systems to secure the quality and reliability of workmanship;
- ways to manage time to avoid excessively long hours and self-exploitation;
- help to protect intellectual property and copyright; and
- comprehensive social security systems that cover employment, compensation and social benefits including pension provision.

Other commentators have remarked on the potential relevance of a modern system of craft guilds to cover these risk areas. With the growing range of solo self-employment, Hodgkinson has argued for the need to bring back the protective practices of the guilds as their rules aimed to provide worker security through quality controls, limits on working hours, and social protection in relation to illness.⁷⁶ Historically a richly diverse range of mutual organisations diversely offered protection for self-employed workers. These included: friendly societies, craft-based trade unions, penny banks, consumer co-ops and building societies.⁷⁷

Mutuality and the self-employed – historical roots

The rapid growth of self-employment and flexible labour markets over the past ten years has reconfigured labour-market conditions in Britain and many EU countries. Trends towards long hours, low pay, and job insecurity are reminiscent of nineteenth-century labour conditions rather than the larger corporate (public and private) environment which characterised much of the twentieth century. An appropriate and viable model for a mutual may therefore be an updated and modernised version of the successful co-operative models of nineteenth-century Europe, which originally targeted skilled sole traders and micro-enterprises. One hundred and fifty years ago it was self-employed artisans (shoemakers, bakers, smiths, printers, dressmakers, etc.) who were attracted to become members of the first mutuals which provided them access to education, markets, sickness provision and working capital.⁷⁸

These mutuals were in fact an evolution of many of the practices of the medieval guilds. As they developed in the nineteenth century, they often began as legally incorporated friendly societies. Many went on to develop into craft unions. The National Union of Journalists (NUJ) and Equity are good examples of craft unions with a large number of self-employed members for whom they continue to provide mutual services.

In the UK, determining how to provide mutual support for the self-employed involves an examination of the choices of small business associations, trade union affiliation and other mutual and co-operative systems. SEWA and WWF notably cover all three of these and core need areas including: advice and support, advocacy, and savings and loans.

The Federation of Small Businesses (FSB) is the main provider in the UK for a wide range of both micro- and small businesses. The FSB certainly offers many of the key services needed, including:

- financial services at discounted rates for business bank accounts and special rates for savings;
- low-cost insurance services;
- special rates for business services (e.g. telecoms/internet, business supplies, etc.); and
- legal and tax information services.

A fuller description of these services is set out in Appendix 5.

FSB membership rates are based on the size of the business. Self-employed members with no employees pay £30 to register and a renewable annual subscription of £100. Microbusinesses with up to four employees pay the same rate to register and an annual subscription of £140. The FSB, however, caters for the full spectrum of small businesses, up to a maximum of 100 employees.

It is clear from ILO⁷⁹ (2001) and other research⁸⁰ that, unless key unorganised sectors like the self-employed can be unionised, the ongoing decline in trade union membership will continue. As a consequence, there have been increasing efforts since the Supiot report to try to extend trade union membership to those working in the informal sector.

IG Metall in Germany and FILTEA-CISL in Italy have begun organising homeworkers. SIF in Sweden has been recruiting the self-employed in the information technology sector since 1998, the so-called 'e-lancers'.⁸¹ Craft unions in some countries are increasing their membership in sectors where contract labour or self-employment is either common or the norm, such as journalism and the performing arts.

Additionally, in some countries, there has been a growing interest in the revival of guilds. Guild models have been developing among workers in creative industries, including among: internet workers, writers, filmmakers, workers in the specialist food sector and in other arts and craft fields. Guilds for professionals have set going rates of pay and provided and advocacy for lawyers, accountants, surveyors and stockbrokers for centuries. Thus the question is being asked in many countries, why should not such protection be opened up to other forms of work in a deregulated labour market that provides virtually no state protection to self-employed people and where forms of collective bargaining are not applicable.

According to the ILO, emerging attempts to organise the self-employed into trade unions have encountered a broad range of challenges which do not apply to traditional trade union work and conventional collective bargaining methods.⁸² Self-employed members require a more individualised service with different solutions needed for different occupations. The tailored approaches required can vary widely. The advice needed in relation to taxation, contractual matters and occupational health issues requires expertise beyond that of most trade union officers, who are accustomed to the traditional hierarchical work structures within industry.⁸³ Moreover, setting recommended fees for categories of self-employed workers can be challenged by Government as price-fixing. The NUJ, for example, has in the past been accused by the Office of Fair Trading of operating a cartel.

Because of the challenges and the costs involved in organising these trade sectors, the European Trade Union initiatives in different countries have tended to follow the lead of SIF and focus on supporting self-employed workers in the information economy, the e-lancers. This strategy has had the support of the European Trades Union Confederation. This approach is exemplified by the CFDT-Cadres in France which launched in September 2002 its *Reseau Professionnels Autonomes* – a network for independent consultants, graphic artists and designers, software engineers, freelance journalists, photographers, translators, trainers and other well-educated professionals operating at the margins of the employed workforce.⁸⁴ The CFDT network offers them information relevant to their profession and legal assistance as part of the membership fee. Additional services are made available for an extra charge in relation to social insurances and pension plans.

Similarly in Denmark, the HK union has developed a similar strategy for almost a 'digital trade union' through its website www.freelancer.dk. The website's members-only section offers trade specific advice.⁸⁵ The public section of the website allows for any freelancer to offer services in a searchable database. Members pay about £20 equivalent per month. Over 2,500 members have been recruited.

The largest German trade union, ver.di, has developed both a website service and a call-centre helpline. ver.di has recruited over 30,000 self-employed members. Their target groups are freelancers which they seek to recruit through their Mediafon service.⁸⁶ More specialised enquiries from those who become members are available about tax or legal matters. These issues are referred to experts who are also self-employed members. Some Mediafon services are also accessible to non-members to encourage them to join. The conversion rates achieved through this technique is reported to be about 15 per cent. In Austria, the GPA union is adopting a similar approach to ver.di. Karin Gottschall feels that these trade union approaches are the way forward because they are both tailored to the needs of the individual but also seek to organise social networks.

'[these] organisations aim at a protection against market risks as well as securing professional autonomy by the following characteristics:

- *They have established modern effective internal structures to facilitate communication with their members...*
- *They are rather socially inclusive than exclusive in the sense that they are open for newcomers in the field, part-timers, employees as well as freelancers.*
- *Their strategies aim at supporting individual economic success of freelancers, offering specialised services.*
- *They support networking as a way of succeeding in the market as freelancers and they pursue at the same time more traditional strategies such as setting standards for quality and prices for knowledge-based services.'*⁸⁷

As our research shows, these new players in their fields are well accepted, attracting a rising number of members and making progress in getting established as professional representation.⁸⁸

Research in the South East of England among freelancers in the new media market has highlighted the importance of new methodologies like this.⁸⁹ Gottschall has stressed that:

*'Unions' chances to reach these workers more and more relies upon innovative communication forms like the use of websites providing information and advice. Other than leaflets, personal contacts or reunions, the traditional means of linking members, this form allows the workers to keep contact with the union on low profile... as it is compatible with fluctuation in employment forms.'*⁹⁰

The Norwegian finance service union, Finansforbundet, has launched an affiliated non-profit organisation called Rom.⁹¹ Rom does not claim to be a trade union and seeks to support both employees and the self-employed through subscriber rather than member services. This approach is controversial in the European trade union movement because it markets services to two separate categories of workers and then supports them, not through the trade union, but through an affiliated non-profit body. Services offered by Rom include legal advice, training and discounts on services such as insurance.

FNV Zelfstandige Bondgenoten was founded in 1999 with the goal to become the first trade union for the self-employed in the Netherlands.⁹² (ILO, 2001). They were sponsored for several years under the wing of FNV Bondgenote, the largest Dutch trade union in the FNV national federation. Given the scope of its market, this approach strategically could be argued to be in advance of other EU countries. It has succeeded now in becoming a dedicated trade union for the self-employed.⁹³ Its organisers are pursuing membership recruitment proactively. It uses direct mail and tele-marketing methods and work down target lists of 15,000 microbusinesses every six months. Its aim is to recruit over the next ten years one in five self-employed workers. It covers the full spectrum of the self-employed including on the one hand professionals working as IT specialists, interpreters, financial advisers and consultants and on the other hand those working as couriers, taxi drivers, ballet dancers, piano tuners and those in the organic food sector.⁹⁴

After Greece and Poland, Italy has the third-highest level of self-employment in the EU. One in four Italian workers is a sole trader and there are many areas of work involving high levels of exploitation. There are three Italian trade unions working in this sector. ALAI-CISL is the largest and has over 30,000 members. The strategy in Italy is to develop a method for collective bargaining on behalf of low-income workers – especially those working in tourism, commerce and the chemical industry. ALAI-CISL campaigns on their behalf and provides business accounting services and free conference room facilities.

In the UK, the trade union movement is beginning to develop work in this area. As previously mentioned, craft unions like the NUJ include a growing section of self-employed members. Amicus has begun organising self-employed workers in recent years but number recruited so far are below 1000.⁹⁵ The membership fee that Amicus charges self-employed members is £100 per year and broadly the same as the lowest rate charged by the FSB. Membership rates charged by EU trade unions to self-employed workers varies from subsidised rates of €50 in Italy to typical rates in most countries ranging from €180 in the Netherlands to €360 in Sweden.

The commercial sector in Britain is now seeking to reach the higher-paid self-employed. A recent initiative is Freelance UK. The company behind this venture, Contractor Ltd, has been developed by accountants. Its target market is knowledge economy and cultural industry workers who are self-employed. Its website at www.freelanceuk.com is very interactive and well designed. Web-based services include regularly updated advice and information on tax, company formation, working from home, insurance and financial services. For new micro-enterprises Freelance UK provides guidance on starting up, running your business, marketing and access to useful resources. Members can also access a Freelance Forum and discussion group relevant to their trade. These have been established thus far for Design, PR, Marketing, Photography, Journalism and Copywriting workers. To date, Freelance UK has attracted 1,000 members, of whom about half are reported to be active users of the services.

There is work now developing internationally to share good practice. The first global trade union, Union Network International (UNI), was founded in 2000 and operates in the services industry. UNI has looked at the success of trade unions globally to organise the self-employed and has included this information in its *UNI Organising Manual*. In the EU, from the experience over the past ten years in organising the self-employed, high on the list of service demands are: legal advice, training and insurance needs.⁹⁶ Credit needs are also being looked at in Italy by ALAI-CISL through a partnership with banks.

The low-pay issue poses major challenges. In many ways the tasks are similar to that of the guilds in the past. UNI sees the need to develop model pay agreements for particular groups of workers. This is crucial to securing social protection rights and the means to pay for these. Andrew Bibby, a consultant for UNI, sums up the trade union role this way:

*'Unions also should be sceptical of schemes for the unemployed which over-enthusiastically encourage them into self-employment... the union responsibility is to ensure that individual workers are fully aware of both the advantages and the disadvantages of self-employment. The downside of self-employment, which can be overlooked in the initial euphoria of 'working without a boss', typically includes work insecurity, loss of income in the event of sickness or accident, loss of social protection, loss of pension rights and loss of opportunities for training and career development. Not everybody is cut out for the responsibilities of running their own business... the task for unions... is to remind them of the need to price their services highly enough to enable them to cover not only their business overheads but also to replace those features of social protection which employees receive automatically. This means that the rates charged by self-employed workers will need to be substantially higher than comparable rates paid to employees – typically by at least 50%-100%.'*⁹⁷

Within the trade union movement there are different views on who can become members. As a general rule, the view is that those self-employed people not employing anyone else are acceptable as members. In the EU, GPA in Austria and SIF in Sweden hold this view.⁹⁸ Some trade unions like the IDA engineers union in Denmark welcome self-employed members with staff but it will not advise these members on issues and questions that arise in relation to their role as employers.

The development of organisations for the self-employed is challenging and the research evidence shows that the take-up of members takes a considerable degree of time. For example, SEWA initially struggled and it took almost ten years to achieve more than 6,000 members. Indeed during this first decade of slow growth in Ahmedabad, the membership levels fluctuated up and down for many years from 1,000 to 4,000. In the next ten years of its development, membership grew steadily to 46,000 in 1992. The key turning point was in 1993/1994 when SEWA expanded its work strongly in rural areas and also began recruitment nationally. This twin-pronged strategy has paid off and by the end of 2006, SEWA membership had soared to just under one million.

Like SEWA in its first ten years, most trade unions for the self-employed in EU countries are finding it hard to secure a critical mass of members. As an outcome of recruitment efforts, by 2005, GPA in Austria had 1,500 self-employed members, HK in Denmark had 2,500, SIF in Sweden had 3,000 and FNV Zelfstandige Bondgenoten had 6,750.⁹⁹ Other trade unions have been more successful than this. By 2005, ALAI-CISL in Italy with its low and subsidised membership rates had attracted 30,000 and ver.di in Germany with its creative marketing and call centre methods had signed up 29,000.

Target markets and the range of micro-enterprise advice and support services

The success of microcredit internationally as a policy instrument to assist in employment creation in developing countries has influenced both policy and practice thinking by Governments in both Western Europe and in North America over the past ten years. Thus there has been a growing policy focus on the microbusiness sector in relation to its credit needs in the EU. In some national programmes, the linkages have been made to business advice and assistance programmes. Attempts to replicate in Europe the successful peer-group lending models of South East Asia and India have struggled but nonetheless microfinance methods are now emerging in developed economies. This steadily growing success has accompanied the evolution of community development finance frameworks, first in the USA in the early 1990s and more recently in the UK. In turn, there is now a perceptible extension of similar community development finance tools to France, Holland, Belgium, Spain and Ireland.

Market testing exercises carried out over the past two years by **nef** and NACUW project partners involved with this research have found in separate surveys that there would be high demand for such a mutual among a broad and diverse target market. These samplings of market demand were carried out in Coventry and Warwickshire, and London and the evidence showed that a modern mutual would appeal to disadvantaged women entrepreneurs, service sector workers operating from home, craft workers, artisans, refugee women starting up, ethnic minority micro-enterprises and community enterprise developers. The WBDA postal survey of its users in Coventry and Warwickshire indicated widespread demand for a mutual organisation: 72 per cent of women entrepreneurs responding to this survey indicated that they would join.

A qualitative study of users of the London Rebuilding Society Mutual Aid Fund confirmed strong demand by women microsocial entrepreneurs for a range of mutual aid services beyond microcredit to meet their needs.¹⁰⁰ This research confirmed considerable interest from respondents in such a mutual. The demand was found in these two studies to be particularly strong among inner city, immigrant and ethnic minority entrepreneurs trading. Moreover, the success of the WEETU Full Circle Fund and the LRS Mutual Aid Fund shows how mutuality can also be attractive to self-employed women in isolated rural circumstances. A description of the LRS Mutual Aid Fund and a profile of the growing progress of this dynamic methodology to provide a holistic set of services for women in business are set out in Appendix 3.

WEETU (Women's Employment, Enterprise and Training Unit) in its service provision locally has many similarities to SEWA. It provides training, finance, networking, advice and support services. It also acts regionally and nationally as an advocacy organisation. In terms of support, it has sought to deal with the heterogeneous nature of women's enterprises by promoting the different trades in a coherent way. Rather than just seeking to target a professional sector, as most of the national trade union methods do in Europe with their focus on new media freelancers, WEETU seeks to be fully inclusive and ensure every trade is promoted from hairdressers and child minders to website designers and journalists. It groups its diverse range of business members in the following thirteen categories:¹⁰¹

1. Accommodation and travel
2. Arts and crafts
3. Clothes and fashion
4. Coaching, mentoring and training
5. Domestic
6. Food and drink
7. Health and beauty
8. Language services
9. Mind, body and spirit
10. Performing arts
11. Photography
12. Professional services
13. Special services

In order to deliver its services, the mutual would need to recruit members, develop and deliver initiatives, provide products and services for members, maintain an information exchange and ensure regular networking occurs among members. Carrying out these tasks well would be essential in order to promote the benefits

through success and in turn to recruit new members to grow the organisation's strength and capacity. The list of support services that a mutual might be able to provide for its members includes:

- Marketing and guidance on finding work.
- Business advice on negotiation of contracts, on problems with non-payment and other areas.
- Book-keeping, accountancy services and PAYE.
- Welfare benefit and tax credit intermediation.
- Access to working capital and microcredit.
- Legal advice and support services.
- Access to training and ways both to develop and maintain skills.
- Access to appropriate insurance (i.e. general, employer and sickness) and pension services.
- Bulk-buy co-operative services (e.g. stationery, office equipment, supplies, etc.).
- Networking and access to meeting space locally, regionally and nationally.
- Annual meeting and trade fairs in each region for membership promotion, networking and product and service marketing.
- Accreditation and quality mark development.
- Advocacy for lifestyle enterprises viz. Government and the banking and financial services industry.
- Childcare arrangements and service development.
- Personal finance through links to CDFIs and credit unions.

Many of the above services are offered by other organisations and could be brokered with the mutual acting as agent. Thus, rather than the mutual seeking to develop all its own products, agency agreements with other suppliers could be set up.

As with any co-operative, 'sweat equity' and the regular and reliable input of members' time on a voluntary basis, especially in the early years of development, is crucial to securing ultimate success in establishing a viable mutual enterprise with efficient transaction costs and lean overheads. To achieve economies of scale, an effective mutual model will require a) some form of coordinating hub operating across several regions; and b) some form of patient social investment until core operations can become self-financing through member subscriptions, commissions on discounted products and services and other sources of social enterprise revenue.

The market feasibility study tested demand for specific services like those in the above list..

Fieldwork findings:

three English subregions and Mid Wales

The initial focus of the research began with in-depth interviews of women in business in London, and Coventry and Warwickshire. In almost all cases participants had been in business for at least six months.

The London sample was engaged in the social enterprise sector but many from this sample were also operating privately as sole traders. Participants in Coventry and Warwickshire were self-employed, operating in the private sector. London Rebuilding Society and the Scarman Trust assisted with the sample selection in London. WBDA assisted the researchers to interview a sample selected from their client users. In rural Devon the sample selected were self-employed women; in rural Mid Wales the sample was split between self-employed women and women developing social enterprises. NACUW in Wales managed the research fieldwork in Powys County.

London: Summary of findings from in-depth interviews

Overview

The sample of interviewees was focused on first-generation women immigrants. The majority of respondents were single and were self-employed on a full-time or part-time basis. In some cases the respondents were progressing, or aiming to progress, towards full self-employment; in others, their trading activities were subsidiary to, or combined with formal employment. In some cases, formal employment was treated as a way of funding trading activities, many of which had a social or community purpose.

Income from self-employment thus played both a significant role within the household and in subsidising community activities.

It was not clear at the time the interviews were conducted how many of the enterprises reviewed would develop into fully-fledged social enterprises, with the exception of River Catering and Carole's business, which were in the process of registering as social enterprises. What was also not evident was whether the socially motivated entrepreneurs among them would apply their entrepreneurship within the voluntary sector, in which they were very active.

The main areas of need with regard to self-employment appeared to involve issues of financial security in terms of pension and insurance cover, lack of adequate premises and isolation from any professional support. None of the respondents were members of a professional association despite stating that they thought they would benefit from such an association.

With regard to enterprise development support, the main areas of need were given as financial (only three respondents had accessed bank loans), marketing, technical assistance and training. The main barriers appeared to be lack of information relating to suitable financing options (most of the respondents were not aware of CDFIs) and training opportunities.

All the respondents were favourably predisposed towards membership of a mutual for the self-employed and were prepared to make time for such activity. The three main services they felt would be of benefit to them were given as marketing networks, access to finance and contact with others in the same business

Demographics of interviewees

Difficulties were experienced in obtaining contact details of possible interviewees from support agencies because of data protection compliance. As a result, a representative sample of microsocial entrepreneurs could not be obtained and the researcher had to resort to referrals. The sample is thus biased towards women immigrants of African origin. Most of the interviewees had been resident in the UK for between 5 and 18 years but only a few had acquired British citizenship. All were either resident or working in London. Most fell in the 31–50 age group.

Only 4 of the respondents were either married or living with a partner and only 4 had dependent children. Thus in 75 per cent of the cases the respondents were the sole breadwinner. About half of the respondents had average household incomes of between £20,000 and £30,000.

More than 50 per cent of the respondents were either graduates or had a post-graduate qualification. All had some enterprise related experience.

Social enterprise activity

The enterprise activities reflected the needs of the communities from which the interviewees were drawn and were mainly in the areas of food, fashion, healthcare and housing. While some of the activities could clearly be identified as social enterprises, such as River Catering and the Care Home, others were more akin to lifestyle businesses undertaken either as the family's main source of income or to augment family income.

An interesting point emerging was that in most cases there was a clear demarcation between enterprise activity and social activity, although both were run by the same individual. In most instances, the enterprise lacked the usual characteristics of a social business yet some of the revenue generated was used to subsidise social activity. They appeared to be more philanthropists than social enterprises. Only River Catering had a community-ownership structure.

The majority of entrepreneurs were involved in more than one area of enterprise activity, suggesting either lack of business focus or a response to the urgency of the need to generate income. Most of the businesses operated at subsistence level, with five generating income of less than £10,000 per annum. Only one business had income of more than £30,000.

Juggling private enterprise and social enterprise

Melissa was 42 and worked as a volunteer Director for an African Women's Association (AWA). Since her position was unpaid, Melissa generated income from trading as a self-employed person. AWA is a registered charity that supports women refugees through offering re-training bursaries, information, health awareness and training in SAGE, an accounting programme. AWA is funded through grants and statutory sector contracts. However, funding is limited and project specific. With no grants to cover core costs, Melissa's role as director was unfunded despite working full-time.

In order to sustain herself and family, Melissa operated as a sole trader running her own fashion enterprise, Wings Enterprise. Wings Enterprise has been operating for the last four years, with Melissa being the only worker. While AWA is a charity and Wings Enterprise a private business, Melissa could be described as some form of social entrepreneur because she used the trading income from her private business to sustain her position as a full-time unpaid director.

Melissa had experience in running a fashion boutique from Kenya. However, the growth of Wings Enterprise is constrained by a limited market as well as human resources since Melissa held a full-time post. Additional constraints included inadequate premises, equipment and capital. Melissa did not receive any enterprise development support and the main reason given is that the support, if it existed, was invisible. Melissa did not have a pension or insurance cover. Even during the time when her post was funded, AWA, like many other small voluntary organisations, did not have the resources to pay for pension provision. Melissa's greatest anxiety, therefore, was financial security in the event she was unable to work.

Only two of the enterprises did not employ volunteers. The rest employed between one and six volunteers. Although most respondents indicated that they were operating as sole traders, the use of volunteers seems to make the enterprises lean more towards social enterprise than private enterprise. Seven of the enterprises employed part- or full-time staff and the number of staff ranged from one to three.

In all cases, the entrepreneurs reported generating little or no surplus, yet part of the income from their trading activities was being used for activities with some community benefit. This seems to suggest an overlap between the enterprise and social activities, with the expenses for the social activities being accounted for within the business rather than as from the surplus from the business.

Only four of the interviewees relied solely on the enterprise as a source of income. The rest could be classified as partly self-employed. Only two entrepreneurs did not draw any wages from the enterprise. The number of hours worked in the enterprise ranged from 11 to 30. Reasons for going into self-employment include flexibility, childcare, under-employment, to be their own boss and income augmentation.

None of the entrepreneurs had received any finance from a CDFI. Two had received bank loans and two had managed to access grants for their activities. The lack of grant-funding appears paradoxical given that most of the enterprises were run by people who are well-grounded within the voluntary sector and might therefore be expected to be used to fundraising. A possible explanation could be that at first glance the enterprises appeared to be private businesses and therefore not appropriate for grant funding. About 10 of the businesses were financed from the entrepreneur's own income from employment.

Social motivation

Most of the entrepreneurs were motivated by the need to improve conditions within their communities with most of the activities centring on HIV/Aids support, health promotion, employment and business promotion. The income contribution from the entrepreneurs appears to be critical for the activities to be undertaken since only two received grant support and in all the cases contributions from the service users accounted for less than 10 per cent of the funding required. The number of people benefiting from the community activities being offered by the respondents ranges from five to more than 150 per month.

A practice that seemed to be common among the entrepreneurs was the taking on of informal 'apprentices' who provide free services while acquiring a trade. This is a case in point for Mary's Beauty Therapy business.

Self-employment support needs

Only a few of the respondents had childcare needs. Almost all reported not having any financial security. While respondents in full-time employment had some pension and insurance cover, others did not. The majority were not happy with their working environment as they were operating from home or shared/inadequate premises and also had inadequate equipment.

None were members of a trade union or business association and almost all stated that they would benefit from professional accreditation. The main reason given for not belonging to a trade association was lack of awareness of the existence of such associations. This failure to take up membership of a trade association could be a reflection that trade associations are not marketing themselves to that sector and also that the entrepreneurs are unaware of the benefits to be derived from such association. By failing to integrate with the mainstream, these businesses continuously operate at the margins of the economy.

Most respondents had access to the phone and email and were familiar with using the internet.

Microsocial entrepreneur – creative industries

Kirsti was 27 and from Finland. She worked in the performing arts industry as a choreographer and camera operator. She had been self-employed for the last three years and ran her own performing arts business Kirsti MAPP. Kirsti worked as a sole trader. Her business however, had a double bottom line and could therefore be classified as a social enterprise.

Kirsti worked with youth to give them a voice through performing arts. Although she had been successful in securing grant funding for the social side of her business, she nonetheless used part of her trading income to subsidise her community activities. Her business income was derived from contracts with statutory agencies as well as the private sector. The growth of her business was constrained by lack of appropriate space and capital.

As a member of a professional dance association, Kirsti benefited from information, support, networking and social contact. She, however, was not a member of any trade union and as a self-employed person she had no pension or sickness cover. Kirsti felt that she did not have adequate business skills in the formulation of marketing strategies. She received some enterprise development training and support but thought that support should be provided on an ongoing basis as it was frustrating to have to turn to a broad range of support bodies for help from time to time. Kirsti also felt that more sector-specific business support would have been useful to people breaking into a particular market.

Enterprise development support

The main enterprise development support needs given were:

- 1. Loan finance:** (lack of collateral, time to prepare business proposals, not meeting bank's criteria, i.e. track records, accounts etc., not aware of alternative sources of finance were highlighted as barriers). Banks were seen as the main source of loan finance. Virtually none of the respondents mentioned CDFIs.
- 2. Grant finance:** Respondents were not aware of sources of grant finance for community enterprises. Two of the respondents had secured grants from the Scarman Trust to test their business ideas in the market.
- 3. Marketing:** All aspects of marketing.
- 4. Networking:** Highlighted in most instances as an area of need.
- 5. Premises:** Suitable and affordable workspace.

Most respondents stated that they were happy with their product quality although some said that they needed support in improving presentation. Many felt that they had the requisite skills to run their enterprises, but identified specific areas in which they needed support. Workforce development needs were not highlighted as a priority, but this could be because most of the businesses were very small, employing only one to three people.

Very few respondents identified specific needs relating to complying with regulatory requirements. This could be due to the fact that the level of operation was quite low. For those respondents with Management Committees, most felt that their committees were not skilled to support the development of the enterprise

Sources of enterprise support

Only two respondents had received any support in developing their enterprises. Regarding the support that they received, both rated most as either fair or poor. The main reason given by those who had not received enterprise development support was that they did not know where to find it and that there was a lack of information about support initiatives on offer. This finding could be pointing to some inefficiency in the market for business development support. Either there is insufficient supply or demand and supply are not meeting.

The picture relating to business training was better. All the training provided was free. Five of the respondents had attended some form of business training in the

UK. The training covered the essential aspects of business start-up and was mostly rated as good. In only one instance was the training rated as poor. Again the main reason given for not accessing training was lack of information.

Interest in a mutual for the self-employed

All participants indicated an interest in becoming part of a Mutual. The main services needed that were identified cover:

1. Marketing networks.
2. Access to finance.
3. Contact with others in the same business.
4. Personal advice and support.
5. Discounts on goods.
6. Legal advice.

Almost all the respondents mentioned the first three areas. All respondents stated that they would make time to participate in the activities of the Mutual and were prepared to pay some membership fee depending on the cost.

Coventry and Warwickshire: Summary of findings from in-depth interviews

Overview

Although almost all the self-employed interviewees came from a database list (women in business who had indicated to the WBDA that they were interested in principle in the idea of a mutual organisation for microbusinesses), most of those with well-established businesses (about half of those interviewed) said that they had good social and business networks and access to the services they needed. They were not looking for significant additional support, even if there was some scope for improvement.

The least-well-off among those interviewed expressed a need for small loans and a fairly extensive range of support services; they also said that they suffered acutely from social isolation. All in that category expressed strong interest in the idea of a mutual for the self-employed. In fact, of all those interviewed, participants in the sample on the lowest incomes expressed the strongest interest.

A number of women in business in the sample had the benefit of husbands' financial support and/or stronger social/family networks, so that even where the returns generated by their business were relatively low, they were not experiencing financial hardship (in one case, income from the business was negligible, despite steady volume and hard work – she operated her gardening business for the love of it; in another, income was low, but she viewed her business as 'pocket money').

Many commented that the training and advice they had received from different local agencies were not tailored to their specific needs – they were offered either things they 'knew already' or 'stock answers'. It was also noteworthy that almost all of those interviewed expressed considerable reservations about borrowing and indeed many were reluctant to borrow at all. The reasons given were worries about servicing the loan and the risk involved, which was associated with a sense of the generally precarious nature of small business and self-employment.

Demographics of interviewees

All interviewees were women. Their socio-economic range was considerable. Household income varied from very low (single parent in receipt of tax credit) to high (total household income in excess of £80,000 a year). Most had been born in the UK; only two were relatively recent immigrants (from Macau and Germany respectively). One interviewee was ethnic Chinese; one was African Caribbean, one was South Asian, the remainder were white European.

Similarly, levels of educational attainment differed widely, from leaving school at 15 with no qualifications to post-graduate degree-level. Employment experience and skills development also varied considerably, although most interviewees had made

Moonlighting – freelance secretary and DJ

This interviewee was single with no children and 38 years of age. She was born in Britain and is of African Caribbean ethnicity. Her business targets work for solicitors, providing sickness and maternity cover. She also runs a second business as an entertainer, appearing as a DJ at week-end functions.

She left school at 16 with the ambition of being a secretary, having her own business, wearing a suit to work and driving a smart car, as well as owning her own home. She has achieved all of those things and takes pride in having done so. She went to private typing and shorthand classes, worked as a receptionist and an office junior, eventually working up to being a PA for a managing director of a company. She became self-employed because she wanted independence and flexibility, because she can work from home and because she always wanted her own business. She worked from home at first, but missed the social side of work and now goes out to the offices which need her services.

Her average income was £1600 per month, plus DJ fees of about £100 every week-end. She described herself as pretty good with money and always puts a portion of her earnings aside. Her operating costs were minimal.

For a long time she found that she was working about 80 hours a week; it affected her health, so she cut back to 60 hours, often working through the night. She takes two weeks' 'holiday' in the summer and a week at Christmas, but devotes that time to the DJ work. She described her main problem as being the hours she works, feeling under constant pressure to work the hours she can while the opportunity is there. On the other hand, she said that she needed pressure to keep interested, becoming bored when there is not enough to do.

She identified her main needs as marketing (because of the cost of advertisements); social contact; training in tax and National Insurance; help with tax return and accountancy; and general business advice and support. At the beginning, she felt that legal help in drawing up terms and conditions would have been beneficial. She felt that an internet network would be useful, but that time for being involved would be a problem, although in principle she would be prepared to consider it.

Her greatest fear was becoming ill and unable to work, but she was in the process of taking out sickness insurance. She said that she had already achieved her greatest hope. Her greatest obstacle was being unable to switch off. At one time, she had scaled her business up and had had four employees, but she had found the responsibility too much.

a considerable effort to acquire the skills they needed to operate their business and to deliver their products and services. In some cases, setting up a business had been a natural career progression; in others, it represented a major achievement against considerable odds against a background of under-privilege and educational disadvantage.

Business activity

There was one rural business, based on a small farm just outside Coventry. A second group consisted of self-employed professionals, all but one of whom was educated to post-graduate level. One interviewee was an entertainer (a fire-dancer); there was a group providing personal and retail services: hairdressing, dog-grooming, supply and fit of soft furnishings, floristry and a gardening-and-hanging-basket service. One interviewee's business was in the 'alternative health' sector (osteomyology).

Only two of those interviewed had any employees; one had a full-time employee (a trainee hairdresser) and one had a part-time employee (also a trainee, in this instance a dog-groomer).

Three of the businesses were partnerships; two of the partnerships were with the interviewee's husband (an upholstery business and an alternative health practice respectively), the third was a family business in which the partners were sisters-in-law (a floristry). None was a limited company. All of those interviewed made a surplus, but not all generated sufficient income to live on, relying on their husband or partner's earnings as the principle source of income.

Motivation

Motivation presented a complex picture. The main objective of the rural business was continued occupation of the farm and maintenance of the animals, the farm being a tenancy and for which the rent consumes a large part of the household's income. In most cases, commitment to the service provided was a determining factor although, in some cases, that commitment could simply be expressed as professional pride, as opposed to some form of social motivation. Some of those interviewed had become self-employed as a result of redundancy or an intolerable employment situation; some sought flexibility in order to care for their children; but most also expressed a strong desire for independence.

Self-employment support needs

None of those interviewed was a trade union member. Only one was a member of the FSB; that interviewee said that she rarely used it but liked to know that it was there and that she could call upon it for advice and support when needed. Two others said that they belonged to a sectoral business association; two more were members of the Royal Horticultural Society and one relied on a specialist medical professional association.

The self-employed professionals interviewed all had access to networks, finance and business services, although they said that they could potentially benefit from improved advice and better targeted services. Nevertheless, all these businesses were relatively well-supported, but expressed themselves to be quite interested in a mutual for the self-employed, subject to a cost-benefit assessment of what the

Tenant farmer and making ends meet

This interviewee was 53 years old and married. Her children had grown up and were independent. Her husband was self-employed as a furniture restorer and his income was low. She was educated to A-level and had a City and Guilds qualification in interior design. She had also gained a stage 3 equine qualification from the British Horse Society. Her work experience, however, was mainly unskilled, her most relevant experience being as a freelance groom.

She and her husband moved to the farm where they now live 11 years ago. They had moved there so that they could keep horses and so that they could work from home. Their priority was to keep the farm. They were passionate about nature and dreamt of creating nature and woodland walks on the land. The farm formed part of a traditional 'landed' estate and consisted of 35 acres and a three-bedroom house in what appeared to be in quite poor, leaky condition. The rent was about £8000 a year. The farm was located in a very affluent commuter area; most of the neighbouring housing was very expensive indeed.

The business consisted of livery for horses and a plant nursery. The plants were sold from the farm and from stalls at shows run by organisations such as the Royal Horticultural Society. The plants turned over just enough to cover the rent, but were expressed to be a very fragile, seasonal source of income. The livery business (stables and grazing) was described as difficult to come by and also fragile. Overall, the family raised just enough income to make ends meet by working constantly from early in the morning until late at night. Cashflow from November to March was described as a recurring problem.

This interviewee said that she felt socially isolated and would welcome the opportunity to join an organisation of people in similar circumstances (she emphasised the specific nature of a farm-based business). Her only network and opportunity to gather ideas came from the shows at which she sold her plants. While she loved her working environment, she felt that she was working so hard that she had no opportunity to take stock and make the changes necessary to improve her situation. She said that she was badly in need of advice about any grants available to her and felt that she suffered because she lived in an area categorised as affluent for regeneration purposes. While she had 'huge ideas' about what she could do, and felt that the potential is there, she had no funds for investment and no time to plan. She felt that she could benefit from training in marketing and ongoing business advice and support; she also said that she would benefit from discounted goods and services, (rural) social networks, access to finance, accountancy help, personal advice and support. Her greatest anxiety was her own physical capacity to carry on (illness or accident would be catastrophic); her hope was expressed to be to make more money and carry on the business. Her greatest obstacle was time and lack of funds. She had no pension provision and her husband had made only limited contributions. She expected to be poor in her old age. She expressed an interest in an internet-based network, but felt that a little local group of people in similar circumstances, meeting on a monthly basis, would best meet her needs.

Grooming dogs for a living

This interviewee was 42 years of age, divorced with one teenage daughter. At the time of the interview, she was living with a partner. She was white European, born in Britain. She left school at 15 with no qualifications and went into an apprenticeship as a dog groomer. She later did NVQs in animal care and retail services and went on to lecture in animal care at a further education college. Over the years, she managed a vehicle hire business and a petrol station, she did an RSA in book-keeping and accounts, so she kept her own books up-to-date and an accountant did her end-of-year accounts.

She set her business up in May 2001; she said that she had always done dog-grooming, but during her marriage she had supplemented the family's income by working part-time in a supermarket. When her husband left, she decided that she 'wanted more'; she saw an advertisement for an owner of a dog kennel business, who had received a 'businesswoman of the year' award and took her lead from that. She entered into an agreement to pay rent for a workbench at the kennels; she also had space at a vet's surgery and paid the vet a percentage of her takings. She used her divorce settlement to set up the business and financed the business from the income it generated. She also had finance for the purchase of her car.

Her gross turnover was £28,000 a year. Out of that, she paid £7500 in rent to the kennels, commission to the vet, £4000 in wages to her part-time employee. She also paid for consumables and her car, and calculated that her residual household income amounted to about £12,000 a year. That figure included the maintenance she received for her daughter.

The work was heavy on her hands and she was at risk of arthritis; she worked 40 hours a week and described the work as very tiring. The business had grown over the years, but could not expand further unless she took on more staff. She felt she could get the work, but was concerned about the extra responsibility, preferring the hands-on work. Childcare was difficult when her daughter was younger and she had to rely on family. Generally, she described her network as strong and her relationship with customers as very good, because of her reputation. She was a member of the FSB, which she had only called once, but she was glad of the back-up it offers.

Services from which she felt she could benefit included discounted accountancy services, general advice and support, legal advice and contact with others in the same business. Her main anxiety was that if 'things went wrong', she had no time to be ill. She had no pension; she had started one, but she discontinued it because the returns were so poor and because she was unable to afford the payments. Her only pension provision was from her part-time work in the supermarket. Her mortgage debt was £60,000 and it would be paid off in a few years' time. She is relying on that asset to support her in her retirement (she lived in a small semi-detached house). Her hope was to be more successful and open a bigger salon, expanding the services she offered to holistic therapies and a boarding kennels.

She said that she would be interested in ani-based network, but that time was a problem. She would also be willing to pay a subscription, depending on what the network offered.

organisation might offer. All were conscious of the importance of networking and confidence-building. This group had the most secure pension provision, in most cases derived from contributions as employees topped up with some form of private scheme; this group was also the most conscious of the need for pension provision and the most vigilant to ensure that such provision was maintained.

Most of the remainder of those interviewed had little or no pension provision. Some (broadly those with higher household income) relied on the arrangements made by their husband or partner; those on lower incomes invariably said that they knew that they should be making provision but they could not afford to do so. Many also expressed scepticism about the reliability of pension schemes and felt that the value of their home represented more security for the future.

All of those interviewed had access to the internet and used both electronic and conventional forms of communication. Most had developed at least a simple website.

Only a few expressed a need for childcare or respite care; most relied on their own transport and only one (the entertainer) raised transport and childcare as major problems.

Dancing with fire

This interviewee was a fire-dancer; she was 32 years old, single, mother of a three-year-old boy. She was German, white European, and had lived in Britain for two years. She went to university but left before she completed her degree in civil engineering. She had worked in a nursery, a travel agency, a sweet factory, bars, pubs, and a circus.

Her household income was about £600 a month; she received child benefit and tax credit in addition, as well as housing benefit.

She needed to invest in her business; she regularly worked some distance away from home, mostly at night, so she needed a reliable car. She also needed computer equipment and was building up a range of costumes, for which she needed a sewing machine.

At the time she was interviewed, her business had been in operation for six months. She had received financial support in the form of the 'rehearsal scheme', which enabled her to receive income support for that period (which had just ended). She invested everything she could in her business, which was now growing slowly.

Her aim was to develop a two-hour stage show and employ a number of other performers. At present, she worked full-time on developing and promoting her business; she had created a website herself.

She said that she needed training in accounting and tax, as well as marketing. She had taught herself computer skills. She described her main barriers as her low level of confidence. She needed help with transport, especially car insurance, with marketing and with pricing negotiations. Childcare was a major problem. She felt that she would benefit from access to small loans (she relied on a credit card for emergencies). She would welcome general business advice and support, discounted tax and accountancy help, legal advice and personal support. She described herself as very isolated socially. She had no pension provision.

She identified her greatest anxiety as failure of her business either for financial reasons or loss of physical fitness; her greatest hope as to take her show to Las Vegas. Meanwhile, she would be willing to put time into developing a mutual network and she would be prepared to pay a subscription if it offered the services she needed.

Enterprise development support

The main enterprise development support needs expressed by interviewees were:

1. Training targeted to their specific business and level of expertise.
2. Accountancy and tax support.
3. Marketing help.
4. Networking and social contact.
5. Discounted financial services (predominantly insurance and pension).
6. A one-stop shop for advice and support.

Overall, the principal 'wish' was for easy access to targeted support, as opposed to generic, formulaic advice and training.

Interest in a mutual for the self-employed

Most of the professional women engaged in a consultancy business expressed interest in the idea of a mutual and a willingness to pay a financial contribution subject to a cost-benefit analysis of the services it offered. They saw it as a potentially valuable forum for networking and general support from like-minded people, and were interested in the prospect of discounted pension and insurance services.

The strongest interest in the widest range of potential services was expressed by women on a lower income whose businesses were less well-established and less secure.

Interestingly, most of those interviewed expressed an interest in an organisation for women, although the proposed mutual was not presented as intended for women only, and they were not asked whether they would favour a women-only organisation. Many women volunteered that they felt that women had a different approach to business and attached more value to mutual support; a recurrent comment was that women were much more risk-averse and cautious, and so were less likely to want to borrow.

Devon: Summary of findings from in-depth interviews

Overview

Three of the 14 interviewees were identified through a women's enterprise support organisation; three other referrals were obtained from Devon Community Council. Two further interviewees were referred by Transform in Ilfracombe, one referral was provided by North Devon Enterprise Agency and five interviewees were members of an independent women's business association in and around the Barnstaple area (Smartboots). All of those interviewed, therefore, were or had been in touch with a business development or support agency.

Income levels varied quite widely, but none of those interviewed fell within what might be described as a high-earning bracket. Only two of those interviewed drew an income in excess of £20,000 a year from their enterprise; none exceeded £25,000. Most of the remainder drew very low incomes (under £12,000) and were either in receipt of benefits (three) or reliant on their partner's income, or on income from salaried employment (one interviewee). One further interviewee refused to disclose those figures, but did say that the family relied on her husband's salary in addition to the income from the business.

Most of those interviewed were therefore experiencing financial hardship; some had clear business strategies and business growth seemed promising; others, however, were limited by the amount they personally could produce, their business being, for example, craft- or skill-based.

Eight interviewees were located in quite remote rural areas with few amenities and six were based in the coastal market towns of Barnstaple, Ilfracombe, Bideford and Dawlish.

Overwhelmingly, interviewees were enthusiastic about the prospect of networking and marketing opportunities and many said that they would welcome social and personal support services, not least because of their geographic isolation. While an internet network and access to economies of scale in the purchase of goods and services were generally of interest, most interviewees emphasised the wish for face-to-face contact. Many also mentioned their wish for a 'one-stop shop' as a source of advice on legal, computer, Internet, financial and other matters.

Not surprisingly, remote locations and problems arising from sheer distance from suppliers, training and markets emerged as a theme in one form or another. Equally, most of those interviewed attached enormous value to the place in which they lived and their local community and indeed many saw their business as a means to fund their continued ability to stay where they were, rather than an opportunity to maximise income. Although not part of the interview guide, the lack of availability of adequate housing nevertheless emerged as a theme with some regularity.

Those who had had training from the WBDA (three interviewees) expressed considerable enthusiasm about the quality of the training they had received, its relevance and usefulness (*'It decided me to start'*). Otherwise, provision was felt to be rather patchy and sometimes not directly relevant or targeted at their needs.

Overall, it was apparent that those in well-established businesses (even those on low income) felt that they had adequate networks and other resources; younger businesses tended to find the concept of the mutual of greater interest.

Mixed portfolio: survival in the countryside

This interviewee was a single parent with three children, aged 22, 17 and 10; only the youngest was still living with her. She had left school after gaining some CSEs and over the years had had a number of jobs, paid and voluntary. She had run play schemes, managed an Oxfam shop, run country fairs, set up farmers' markets. Her own business had started nine years ago with a pannier stall and had evolved into a café-stall at two farmers markets as well as outside catering for events and parties. She had been given a plot of land on which she grew strawberries and raspberries for sale, along with vegetables in two poly-tunnels.

She promoted organic foods and, as far as possible, used her own produce in her catering business. Her business was rooted in firm convictions about the importance of organic food and a holistic approach to health. 'I do it because it is what I can do, I can't give it up. I love the outside bit, the cooking less so.' Her aim was to move on to selling through farm shops. Her hope was to make something of her land, which she saw as her only resource for the future. She saw networking as key to her business, for which the farmers markets were 'fantastic', and her greatest deficit as book-keeping. She was not a member of any business association or trade union. She did not use email or the internet.

This interviewee was in receipt of tax credits, upon which she was completely reliant. The business was financed on a hand to mouth basis, 'I gamble the housekeeping, I just make a surplus'. She said that she had no sense of financial security; her tenancy was due to end the following year; she had no pension provision at all (she was 42). The main obstacle to development of her business was finance, but she did not wish to borrow because of the risk involved, and because of her lack of regular disposable income from which to make repayments, although she acknowledged that finance would enable her to buy equipment she needed. She also expressed anxiety about forthcoming EU catering legislation, which she felt may be fatal to her business.

She felt that a mutual would be of potential benefit to her, but wanted face-to-face contact rather than an internet-based network; in particular she said that she would welcome training, together with tax and accountancy support. She felt that contact with others in the same business (events organising) could be useful, because of the need for access to expensive items such as marquees and awnings, at present beyond her means.

Demographics of interviewees

Again, all of those interviewed were women. Only one was not of white British origin; she was German, living with a British citizen and resident in the UK since 2001.

Five interviewees were single; of them, four had dependent children. The remaining nine were either married or living with a partner, and of that group, six had no dependant children. The youngest interviewees were 26 (two); three interviewees were in their thirties, six were in their forties and three were in their fifties.

Income levels varied, but none was from a high-income group; the range was from low to moderate. Educational attainment, on the other hand, was relatively high. Nine of those interviewed had a tertiary educational qualification; all of the remainder had a number of 'O'-levels or CSEs. Many had previously acquired secretarial or administrative skills and almost all had undertaken computer or some other form of training relevant to their business. Half of the interviewees said that they had had no previous experience of running a business; the other half had been engaged in business before, at least in some form.

Three of those interviewed had no access to the internet.

Business activity

Only two of those interviewed ran farm-based businesses (a bed and breakfast and a farm shop); one other drew part of her income from the sale of soft fruit and vegetables grown on her own land.

This latter business and two others operated what may be described as a 'mixed portfolio' of more than one income-generating activity. Two interviewees were artists and one was in a partnership providing french polishing services to the antiques trade. One interviewee was a translator; one a mortgage advisor; one provided book-keeping services to small businesses. One provided personal services in the

form of fitness training. One interviewee had an interior design business, a limited company which was developing strongly; one was a social enterprise, a successful non-profit company specialising in arts-based events for disadvantaged young people in North Devon.

Motivation

As in the Midlands, the farm-based businesses were strongly motivated by the need to find a source of income to maintain the farm. The farm shop was conceived as a solution to the problems of keeping the family farm going, and the family as a whole was regularly involved in running it. It was also rooted in a strongly articulated desire to promote local produce and, with it, local identity and immense pride in the quality of the food sold (which included catering). This aspect was stressed repeatedly. This interviewee was heavily involved in the local church and committed to the promotion of fair-trade goods in her shop. While essentially a family-based, private business, it also has a clear social, community and ethical mission.

The bed and breakfast business had started when the interviewee gave up work to have children. It generated a modest income to supplement the low income from the farm. The mortgage had been paid off some years ago (this interviewee was 58) and the interviewee had what she felt was adequate pension provision, especially taking into account the value of the farm and the farmhouse. She said that they ran the business because they enjoyed the life; this interviewee was also heavily involved in the development of the parish hall and had chaired the committee since 1999. This work took up a considerable amount of her time. She relied on the National Farmers Union for support in the form of insurance and other services, and belonged to a network of bed and breakfast businesses in the Dartmoor and West Devon area. This interviewee felt that her support network needs were adequately covered.

Similarly, the catering business described above as a 'mixed portfolio' had been developed because of a love of land-based work. Her acute lack of financial security, however, left her seriously exposed in terms of housing and, further into the future, pension provision.

Practicing a craft and community engagement

This interviewee was 52 years old, living with a partner, with whom she was also in business, both working as french polishers, mostly for the antiques trade. They had no dependent children and lived in a static caravan on land owned by a car dealership; the land also housed their workshop and vegetable gardens. The interviewee said that she was dyslexic and had left school with limited qualifications. Over the years she had worked in theatre design and lighting, but had been introduced to french polishing by her now partner and 'I just took to it'. The income of the partnership was very low, although both worked very hard, and they relied on tax credit; income had been particularly low in the past year because of the extent of their involvement in a campaign to save the village community centre. She said that it was clear to them that there was little scope in the market to increase their charges to a level at which they could earn a 'living wage' from the business.

The social engagement through the community centre was motivated by their sense of the importance of the centre in combating social exclusion and by their commitment to a heritage project in the centre. Both were also actively interested in archaeology and had developed technical skills in that area which they were keen to offer to universities, where they felt there was a specific gap in the existing syllabus.

It was probably fair to say that this interviewee was living in conditions of outright poverty: low income, no pension, no insurance, reliant on help from relatives to keep a car on the road in an area where public transport is at best limited, very basic housing conditions. The land on which their caravan was sited was likely to be sold off in the near future, and the caravan itself was old and unlikely to last much longer, so housing was a major uncertainty (although the interviewee said that she felt that the local community would rally round and they would 'come up with something').

Despite such a precarious financial picture, this interviewee expressed complete contentment with her working and living environment; her main anxieties related to her housing and pension problems, but her main hopes were that she would be able to pass on her archaeological skills and to keep on doing what she was doing while picking and choosing the work she took on.

From teaching to graphic design

This interviewee lived with her husband in a remote part of Devon; they had no children and she was 36 years old. She had qualified as a teacher and gave up that profession after three years in a primary school. She had since done a variety of work, from setting up a jewellery business to mucking out horses and pruning apple trees. She had moved on to freelance journalism and communications work, but was now pursuing a qualification in graphic design. Her main ambition was to achieve an award for graphic design and her main anxiety was expressed to be her lack of pension provision. She said that she felt that the principal obstacle to progress had been her lack of self-esteem and the resulting stress and depression.

The two figurative artists knew and supported each other, living only a few miles apart. Both were keen to remain in their locality; both were determined to develop their business towards increased financial viability; and both had an ambition to achieve recognition for their work. Both, however, struggled to get their work to market because of their remote location and both expressed a need for and interest in social and marketing networks.

The non-profit business was driven by a perceived need in the community as well as a desire to work with previously acquired performance and youth work skills; other businesses, however, were also infused with a social aspect: the personal fitness trainer was strongly motivated by belief in the need for those services in the community and emphasised the sense of achievement and motivation derived from seeing beneficial results, to the point where she was committed to continuing group work where funding had run out; similarly the farm and horticultural/catering businesses described above all had intrinsic social or community aspects.

Other interviewees were more focused on business development as a source of income and career choice; however, all expressed the importance of achieving a balance between their business activity and private life. All were committed to remaining in the locality and all attached great importance to pride in what they did and the satisfaction they derived from recognition of their achievement. No-one said that their prime objective was to 'get rich'.

Self-employment support needs

The principal forms of support in which interviewees expressed interest were:

1. Marketing advice and networks.
2. Social networks.
3. Training targeted at their specific business needs.
4. Inter-trading opportunities.
5. A 'one-stop shop' for advice.
6. Pension advice.
7. Discounted financial services (insurance and pension).
8. Mentoring.

Interest in a mutual for the self-employed

In general terms, businesses which had been established over a long period of time tended to be well-networked already and their interest in a mutual was confined to discounted goods and services. The National Farmers Union Mutual was a major source of enterprise support and specifically of insurance and advice services for businesses with a typically rural character.

Interior design

This interviewee was one of two shareholders/directors of an interior design company in the Barnstaple area. Both shareholders were women; the woman interviewed had a diploma in hotel management and in interior design and soft furnishings. Her co-Director had graduated as an architect. The latter was 29; the interviewee was 37.

Turnover of the business had grown steadily since it was set up four years previously; the interviewee had carried on working for 2½ years to fund the start-up phase, and in the first year she had been working full-time. They had obtained a start-up loan of £1000 from the Prince's Trust, otherwise they had no borrowings; they draw minimum salaries and 'ploughed everything back in'. They had received little support in the form of training or other services in the formation of their business and relied on an accountant described as 'brilliant'.

Turnover had risen to £106,000. Their main clients were private housing developers (they laid out show homes), as well as some private homes.

They had no employees or volunteers, and each worked about 50 hours a week (less than before). Their motivation was said to be 'to create the job I wanted' and to do work they loved; they both said that they wanted security more than money, that they were very cautious in their approach to business. They both said that their greatest hope was to achieve stability and to work four days a week; their greatest fear was 'having no work'.

Both were active members of the FSB and both participated in the Smartboots network; they were keen to expand their networks, to find out about what other people in the same business were doing, to develop new ideas and approaches. This aspect was stated to be the most important to them; they were also keen to have access to somewhere to go 'to ask the questions', and both expressed an interest in mentoring. They said that shared transport in the form of a van would be helpful to them, as would discounts, insurance, legal advice, but not access to finance or small loans. In common with most other interviewees, they said that they were reluctant to take the risk of borrowings, preferring to reinvest revenue and manage on minimum pay until the business had been built up.

Neither had any significant pension provision. Both expressed scepticism about the security and advisability of investing in a pension scheme, in the belief that 'bricks and mortar' were a better bet. However, the interviewee said that she was living in rented accommodation; her co-director was getting married and intended to buy her first home.

Most interviewees were keen to expand their marketing networks and inter-trading opportunities, and said that they would welcome training if it met their specific needs. Some complained that training tended to be generic and very basic, or else too expensive and/or remote to be accessible to them. Few interviewees said that they had had a mentor (two), but several said that they 'would love one'.

Several also expressed frustration at not knowing where to turn for specific advice.

Finally, it was striking that so many of those interviewed said that they had no or little pension provision and this included women in their forties and fifties. The reasons they gave was the lack of clarity as to appropriate forms of pension investment and above all their lack of sufficient disposable income. This related clearly to the low income levels of many of those interviewed, a number of whom said that they would rely on their partner's pension or their 'bricks and mortar'. Some, however, had neither.

Social and private enterprise in the arts

This interviewee was a single parent with three children, two of whom still lived at home. She was 43 years old, and divorced. She trained as a hairdresser when she left school. She still offered hairdressing services, as well as domestic cleaning, as a way of obtaining some “cash in hand” to supplement her income. She relied on state benefits (tax credits and housing benefit), and was allowed to earn £20 a week before her benefits were affected. She described the biggest obstacle to the development of her business as the benefit system. She had no insurance and no pension provision.

In 1996, she obtained a GNVQ in art and design and ‘A’-level in art, and she operated as a freelance workshop artist. She specialised in mosaics; she volunteered in local schools and organised events and community arts projects, describing herself as a community business. “I’m not in it for the money, it’s my passion.” She also volunteered for the local organic vegetable shop.

Given the opportunity she said that she would train to develop her skills and to diversify and would like to work with someone on a project so that she could broaden her experience, develop other approaches and methods. She had had a mentor in the past and would very much like to have one again; she also said that she “would love a workshop”.

Powys: Summary of findings from in-depth interviews

Overview

Many of interviewees were identified through Llanidloes Resource Centre, which provides a range of serviced office facilities to local community, including businesses, not-for-profit organisations and individuals. It also provides desk-space for businesses and organisations with a part-time presence in the town (hot-desking) and private meeting/interview space. Its primary purpose is to contribute to the development of a more sustainable community. It is currently staffed and managed entirely by volunteers. Other interviewees were identified through organisations working to promote social enterprise and voluntary activity in Powys, or generally by word of mouth.

Broadly, the research strategy was to split the interviews equally between private and social enterprises. In practice, however, the distinction was not always clear-cut and most businesses interviewed could be said to have a social mission which stood at a high point on their priorities.

A total of 14 face-to-face interviews were carried out, and all interviewees were women. However, in contrast to those interviewed in Devon, London or Coventry, the referrals did not come from an organisation focusing specifically on women in business and none of the interviewees belonged to an organisation of women in business.

Seven interviewees were engaged in a business or non-profit enterprise related to the arts – either production or retail, or both. Two interviewees were involved in food retail; one interviewee operated an environmental charity; one was a partner in a retail business selling jewellery and crystals and promoting training and other events; one was an accountant specialising in charities and one had set up a non-profit company specialising in the production and exchange of seeds.

Most of those interviewed were very open to the prospect of a mutual organisation that could help meet their business needs and most showed a willingness to engage in discussion of how such an organisation might be developed. Several interviewees lived in relatively remote locations and welcomed opportunities to overcome the resulting isolation.

On the other hand, the town of Llanidloes itself is a strong community, although it presents limited opportunities for employment and many of its residents commute to work. As well as the resource centre referred to above, there is a local charity which provides affordable work and retail space, as well as small grants for arts

projects; these two organisations were both stated to be much valued by the local businesses interviewed.

Face-to-face contact, marketing and networking recurred as priorities. In general terms, less well-established enterprises expressed greater interest in the mutual than older businesses, which had developed their own networks over the years. However, some of those businesses also expressed a willingness to offer support such as mentoring or training.

Demographics of interviewees

All of those interviewed were women. All were British; five of those interviewed had been born or at least brought up in Powys and a further interviewee was born in South Wales. Two interviewees had lived in the area for five years or less; all of the rest were longstanding members of the community.

Ages ranged from 29 (one interviewee) to over sixty (two interviewees). Of the remainder, three were in their thirties, four in their forties and four were in their fifties. Three of those interviewed were single; two of them had dependent children. Of those living with a partner, three had dependant children.

Household incomes ranged from low to moderate; only four exceeded £25,000 a year. All of those four represented the combined income of two working adults. None could be described as “high earners”. Four interviewees were in receipt of state benefits (tax credit and/or housing benefit). All interviewees lived and worked in Powys, most in or near Llanidloes.

Income from individual businesses tended to be low, except for the accountant, who had earned about £25,000 in her first year of trading. One interviewee said that she drew an income of about £16,000 from her business; none of the other interviewees drew an income of more than £12,000 a year, and most drew considerably less.

Educational attainment was generally quite high; ten of those interviewed had attained a degree or other qualification at university or college, in some cases later in life as mature students. Many had gained administrative and general business skills in the course of their working life; only two said that they had received a significant amount of training in that area (one of whom was in business as an accountant and had acquired business skills as part of that qualification).

Three of those interviewed had no access to or chose not to use the Internet.

Business activity

Only one of those interviewed operated a business which was directly farm-based; she was an artist working with wool and willow, growing the willow herself on her smallholding, together with herbs and a tree nursery. Another business was a non-profit organic produce shop whose purpose was to source food as locally as possible and to encourage local horticulture. Another social business was seeking to acquire land in order to cultivate plants for seeds and to develop seed-swaps and other events locally. A further interviewee operated a private business retailing wholefoods and herbal remedies.

Four further interviewees were artists; another had a shop selling crafts and offering picture-framing and another was a retail business selling jewellery and crystals. A further interviewee ran a registered charity in the form of a gallery selling and exhibiting quilts and other arts and crafts, as well as selling her own art work.

Two interviewees offered professional services, one as an accountant specialising in charities and the other project management for a charitable trust. Finally, one interviewee was the sole employee of an environmental charity seeking to expand its activities into the area of hydro-electricity generation as part of an overall objective of achieving carbon neutrality for Llanidloes.

Environmental charity

This environmental charity was conducting a survey of energy use in Llanidloes with a view to recommending ways of reducing the carbon footprint of its households and businesses. The organisation also planned to develop a hydro-electricity scheme. The work was carried out by a team of local volunteers, many of whom were retired; the board was a strong one with high levels of relevant skills.

While this interviewee, the organisation's sole employee, considered that bulk purchases of goods and services could be of potential benefit, she felt that key areas which could be addressed by a mutual would be training in marketing and IT, and provision of a central information point. She also pointed out that there was a vast potential pool of skills among women which could be made available through a database.

Motivation

One interviewee had become self-employed as a result of an unhappy work situation and the absence of satisfactory alternatives in the locality. Another had consciously opted for self-employment because it enabled her to work close to where she lived and where her children attended school, and to have the flexibility to look after them (she was a single parent); that interviewee also stated that the work was something she was committed to and identified with (sale of organic wholefoods and herbal remedies).

While the practical advantages of self-employment and the lack of a range of options for employment were almost certainly a factor in some cases, all of those interviewed could be described as pursuing a vocation to which they were deeply committed. While the ability to earn a living certainly amounted to a motivating factor, none of those interviewed described themselves as pursuing a business venture whose primary purpose was to make money. Priorities emerging from the interviews combined a commitment to the local community and a vocational commitment.

Multitasking

This interviewee was single, the mother of four children, three of whom are now living independently. She was 55 and had been self-employed since 2002. She had been given a small inheritance which had enabled her to buy the farmhouse she had previously occupied as a sitting tenant, together with its five acres of land. She had acquired catering and secretarial skills over the years and had recently gained a PGCE.

She said that the income from her business was about £5,000 a year, which she supplemented with Tax Credits; she also did some teaching sessions on a PAYE basis for the local college. She had a small mortgage, no pension and no other assets or savings. She was a member of the credit union.

She was a weaver, making willow baskets and coffins from willow she grew herself; she grew herbs, wove rugs and clothing, had a tree nursery on her land, offered courses in willow sculpture and basket work, and from time to time did secretarial work for local businesses. She had no employees or volunteers. She said that she was working on developing a co-operative to develop a Welsh wool promotional event.

"My security is all tied up in this place. The best help I could have would be financial, to enable me to develop new products and training courses, otherwise I am on a treadmill all the time, juggling one thing and another...I also need help with website design and administration. I don't crave company, I just love to be here. I feel I must achieve something every day. My business is growing, but my greatest fear is that my health could give out. My greatest hope is that I could get some time for research and development of what I do."

Self-employment support needs

1. Business planning and general business advice.
2. Marketing networks and opportunities.
3. Training relevant to the specific needs of the business.
4. Help with website.
5. Small loans (most interviewees said that they finance their business activity from their own income and/or small grants from time to time).

Some interviewees expressed an interest in having a mentor; others said that they would be willing to offer mentoring support themselves. Several commented that training appropriate to their needs was too expensive and too far away to be feasible

While two interviewees were already in receipt of a pension (one a widow's pension and the other's husband was retired), six of those interviewed had no pension provision at all. Pension advice or pension products were not, however, high on the list of needs they identified; one interviewee said simply "I don't worry about the future", others said that they could not afford to save, their income was barely enough to meet their day-to-day needs.

Social capital in the Llanidloes area appears to be well-developed; an arts co-operative has been established to promote and market the town as a centre for the arts and to attract visitors. People tend to know and support each other and there is an evident sense of community spirit. People congregate in local cafes and shops. More than one interviewee commented that the community was helped by the absence of a major supermarket in the vicinity, but that the "footfall" in the town itself was dropping and making trade more difficult because of the construction of a by-pass, the existence of supermarkets in neighbouring Newtown, and the need of many residents to travel to Newtown and beyond to work.

Arts retail business in Llanidloes

This business was one of two related companies; the interviewee's husband ran the other. Her husband's business sold picture-framing materials wholesale, she ran a shop providing a picture-framing service and selling other art and craft products.

She had graduated from art college and also had a qualification in jewellery-making; she had office and secretarial qualifications and experience but no formal training in business skills. The business had one part-time and two full-time employees and the shop generated a net income of about £16,000 a year.

This interviewee described her motivation as a conscious choice; she said that she wanted to move to the area and her goal was to earn a living, and enough to enable her to pursue her own artistic aspirations. She explained that income had fallen over the past two years because of diminishing footfall in the town as a result of job losses locally and the town was not a prime tourist area. Her assessment was that the skills of local artists were not balanced with business skills, that local marketing initiatives needed a driving force for the business side. She felt that there was an urgent need to "market Llani" and that recent publicly-funded effort was not sufficiently responsive or focused. She identified marketing, training and small loans as potentially beneficial but, of those, marketing was the most pressing. While she was well-networked and had a good business skills-base, she said that she would be willing to support or mentor other businesses.

Arts Co-operative

This interviewee was an artist working in partnership with her husband; she specialised in bronze sculpture, he worked mainly with wood. She was 57 years old; they lived in a remote house, which they owned, some miles outside Llanidloes. They had no children.

She had an HND in engineering and worked as an engineering technician for many years before taking a decision to become a “starving artist”, her motivation being a desire for independence and the wish to put her artistic skills into practice. She had done some arts courses, but only a one-day “selling course” by way of business training.

The couple had lived and worked in the area for 2_ years, but had been self-employed as artists for a total of 14 years. They had no employees and between them generated an income of about £13,500 a year. They had obtained a business loan of £10,000 from Finance Wales, but had no mortgage. They were considering a move so that they could develop holiday lets or offer residential training courses.

Their pension provision was minimal and she expressed considerable worry about their financial insecurity, her greatest anxiety being the “flow of finance” and her greatest hope being “financial stability and recognition”. She felt that her greatest obstacle had been the confidence to promote her work fully. She described a general picture of vulnerability and explained how difficult she had found it to avoid exploitation; on one occasion she had invested very considerable time and money in a piece of public art for a small local authority in England, only to be confronted with a prolonged and unpleasant battle to secure payment because she did not have a written contract in place.

This interviewee had joined Llanidloes Arts Co-operative, whose objective was to promote Llanidloes as a centre for the arts in Wales and to attract visitors to the town. They had produced a DVD and a leaflet promoting members’ products and worked with bed and breakfast and hotel businesses in the area. The subscription to the co-operative was £50 a year.

Priority needs of self employed women in rural Powys

‘There is a need for women in Mid Wales who are thinking about starting in business to find out really what that will involve. A ‘suit’ from an urban based established company isn’t going to provide that. Especially for the type of enterprises which make up so much of our economy in rural Wales. What is needed are peers that people can identify with’.

Interviews were conducted with a number of organisations offering support for the voluntary and community sector, for social and co-operative enterprises and for women in small or micro business. They included:

- Powys Association of Voluntary Organisations
- Finance Wales
- Potentia
- Chwarae Teg
- Business Eye
- Powys Women’s Enterprise Network
- Wales Co-operative Centre.

Both Potentia and Chwarae Teg received support from Finance Wales. During 2004 Chwarae Teg set up a well-respected project that identified important areas of need for support for women in rural Wales when setting up and running new businesses. Potentia was focused upon supporting lone parents and women wanting to set up a business. They recognised the need to help with the ‘soft skills’ such as confidence-building and self-assessment of one’s own abilities. They helped with business plans and signposting where other support might exist. The programme was also about delivery of diversity training to other relevant support organisations, but this failed always to reach the right people – agencies would send junior staff

rather than managers with authority to change the range of their own programmes in order to be more sensitive to the needs of this sector.

The interviews with these organisations highlighted the following gaps arising specifically in relation to the needs of self-employed women, or women operating very small businesses:

- The need for support is intensive and, on the face of it, disproportionate in terms of cost of provision to the likely economic return of the business.
- Women often have a different attitude to risk and risk management strategies. This impacts upon investment plans and borrowing. Bank loans are more orientated towards male needs. Moreover, the majority of bank products are not designed to meet the needs of very small businesses and the self-employed.
- Business advisors are not trained in the needs of very small businesses, and specifically enterprises built around community or family needs, which are often not taken seriously.
- Women tend to make the change from employment to self-employment differently as their professional starting point is often different. This is not always understood by business advisers.
- Childcare pressures are not always understood. Decisions about self-employment are not only affected by the needs of pre-school children and childcare issues continue when children are at school. These are different but equally important.
- The competitive edge brought by marketing and advertising is often undervalued in rural areas. Many of the women in the Potentia programme did not appreciate that personal presentation is what sells a product. This can be a sensitive area and peer to peer support can be the most productive way of addressing this issue.
- There is also a need for coaching or mentoring on an ongoing basis to help women balance the personal and professional, and to build and maintain confidence.
- Women need better opportunities reflect on and identify their own needs and gaps. Peer assessment and the supportive environment it offers is often greatly valued by women in this context.

Valley Arts and Crafts

This venture demonstrated the need and potential for an organisation supporting the marketing of arts and crafts. The interviewee specialised in bead work, making jewellery, bags, boxes and other items. She lived with her husband on a smallholding in a remote location in Montgomeryshire; her husband was retired and in receipt of a pension.

Valley Arts and Crafts was formed on her initiative in February 2005; at the first meeting, 15 paid-up members joined. Membership had grown to 49, including both men and women. The only qualification for members was that they make their own goods.

The organisation sourced materials, obtains collective insurance through the NFU Mutual and promoted sales and joint marketing efforts. They were seriously considering taking a lease on a shop at Lake Vyrnwy, where members' products could be sold on a "sale or return" basis in order to tap into the tourist market. Each member paid £11.50 for insurance covering the whole organisation.

They had had help from Powys Association for Voluntary Organisations and the Welsh Co-operative Centre. The organisation still operated as an association, but they were conscious of the need to incorporate as they expand and grow.

- Internet networking is just beginning to become common practice among rural workers. It will play a crucial role in combating rural isolation for self-employed people.

Gaps in support services in rural Wales

The problems facing business start-ups in rural Wales are formidable. There are inevitably fewer clients and customers to sell to, higher overheads in terms of time and travel, planning restrictions in some areas, such as national parks, and difficulties in obtaining temporary staff cover. Despite this lack of critical mass, or perhaps because of it, there is a high proportion of self-employment among women.

While the economic profile of individual businesses is often weak, the number of women affected is significant and investment is needed to increase their status and profile, to raise expectations and standards, and to increase support to enable the sector better to fulfil its potential in terms of rural regeneration in Wales.

While the interviews with support organisations in the region revealed a number of networks and other business support activities, it was generally accepted that there is a need for better partnership working in order to address the gaps overall. These difficulties are compounded by the fact that business support programmes have found it difficult to recruit women and persuade them to take up the services available. Failure by some support services to recognise the significance of their potential contribution, dismissing them as lifestyle businesses, may be a factor in this, but equally important are the type of support needed and the means of its delivery.

Experience suggests that conventional business support methods are ineffective in this sector, as well as extremely costly. On the other hand, peer support and co-operative networks are, by their nature, much more cost-effective, because they work by mobilising the not inconsiderable resources of the target group itself. They are also better adapted to meet the needs identified above.

'There needs a lead from above. WAG would benefit from a proposal of how it could all be delivered in a much more holistic way. We really need people at the top to understand the potential and where best to spend resources. Otherwise we will continue to get less value for money. There needs to be a big shake up in how business support operates if we are to get micro-enterprise really humming. Resources aren't necessarily lacking but should be targeted in less tokenistic ways and over long sustained periods to build up trust and continuity.'

Focus group and survey findings

The business model developed for the mutual was market tested in two ways: first, through focus groups held in London, Coventry & Warwickshire, Devon and Mid Wales and secondly, through a wider survey questionnaire. The survey form was disseminated at group meetings or completed either through telephone interviews or face-to-face.

London focus group

Many of the women in the group had received advice and support from London Rebuilding Society (LRS) in the development of their social enterprises. It was therefore decided to hold the focus group at a venue close to the LRS office. The two-hour session was attended by seven women in business. The participants and a description of their businesses are set out in Table 1.

Table 1. Participants in the London focus group

Social entrepreneurs	Trading name of social enterprise
Melissa	African Women's Association
Mary	River Catering
Modesta	Women's Self Help Society
Helen	Care for African Women
Anne	City Fashion House
Severine	Ogunte
Rose	Succeed

After introductions of the participants, the research team explained the purpose and aims of the research project. The purpose of the focus group was clarified and a programme for the session circulated. All the participants had been involved in the interviews and thus were relatively well aware of the research goals.

The findings from the in-depth interviews were presented to the group. Of the 20 social enterprises consulted in London, they clustered into four main areas: catering, health care, childcare and job creation services. Few of the enterprises had borrowed funds to develop their businesses. Strikingly, about one in three of those interviewed were developing their social businesses whilst also self-employed. This finding was not surprising at all to those in the group.

Most of the social enterprises had limited access to premises. None of the interviewees were members of a business association and only one was a trade union member. The findings in summary identified indicative demand for the following services:

1. Discounts on office supplies and business services.
2. Access to different forms of finance – from grants to loans.
3. Personalised advice and support.

4. Guidance on sales and marketing.

5. Legal advice.

The participants agreed with the findings. They especially agreed that financial insecurity was a major concern, though few had mentioned tax credits and tax-related issues as an area. Perhaps this was because only a minority of the interviewees had dependent children.

Some of the participants felt that the methodology of the research needed to ensure broader scope to capture the views of the lowest-income group of women in enterprise like hairdressers, seamstresses and other homeworkers. They suggested surveying market traders in East London street markets. The group felt that the idea of a mutual for the self-employed was a 'powerful one'. Melissa felt the problem was one of widespread ignorance among women in business. This was re-enforced by the isolation of so many women working from home.

Modesta stressed that self-employment for immigrant women is a survival skill they know they can always return to. Many women she was in touch with have been trading from home for ten years or more. It was a form of subsistence but unfortunately not a stepping stone to a brighter future without real support. Others agreed. For women who are asylum seekers or staying in Britain illegally, self-employment was the key way to survive.

The research team asked why when so many in the group were effective in their self-employment role that they often struggled with overcoming grant dependency with their social enterprises. Melissa commented that the local authority and other funders held enterprise activity back. Grants had to be spent or they would be clawed back. Thus making a surplus was discouraged. Rose agreed and felt the situation presented a double-bind problem for social enterprises. 'We don't like grants, but we need them.' Severine felt that 'the grant providers needed their mindset changed'. Rose felt that the problem required training and education on both sides to overcome the barriers to social enterprise development.

Another problem was the complexity of funding. Many social enterprises are juggling diverse sources of funding, each with different rules and services to be provided. Melissa observed that financial insecurity is therefore inbuilt with such a difficult funding environment. She described the Kenyan Woman's Association as a typical example. They were running about ten different funded programmes. These programmes were, however, inadequately funded and did not cover their true costs, running frequently at a loss. She could not raise a salary for her role as Director and thus had to remain self-employed. To keep the organisation going, she had to pay the organisation's rent of £1000 every month out of her own pocket. As a consequence she found herself in financial difficulty, and could not afford a pension or insurance cover for ill-health should she not be able to work.

Modesta felt the existing private sector pensions on the market were not appropriate to low-income women in business. As far as she could see, the contributions paid in were consumed by financial institution fees and charges unless large contributions could be made monthly. Others agreed. Rose saw investing in property a more sound way to provide funds for retirement for that reason. Others raised questions about insurance. There was no guidance for self-employed people about what insurance was appropriate and what products were fairly priced. Once again, the advice and information for sole traders is a big gap.

For many women, their needs were not complex. Melissa felt a campaign around insurance issues and needs would help. A mutual or a trade union could lend assistance with this. Participants all felt strongly that there should be a trade union to help the unorganised and unrepresented self-employed. The participants in the group had no faith in financial institutions in designing an appropriate range of insurance and pension products for them.

Helen's own experience had recently confirmed this with a life assurance product that she later found to be both inappropriate and unaffordable.

Severine felt that tax advice and tax issues was a broad area where the need was widespread. Those on low income could get tax credits in theory but in practice this was not straightforward. Melissa reported that the African Women's Association had recently done some research among its members which highlighted the large grey market among self-employed African women. 'People know they should register with the Inland Revenue but they don't understand the tax system.'

The focus group participants were all strongly in favour of the mutual for the self-employed. The model presented to them made good sense. Most were attracted to the network membership category. To them, unless the mutual became large by recruiting in London far and wide, it would not have the political and financial clout needed to advocate on behalf of the self-employed and the community enterprise sector. Several felt that getting the trade union movement to support this project was vital. A specially designed pension product that was cost effective could attract a large number of women in business to join. As Helen summed up: 'We are really struggling. If a trade union can speak for us, so much the better.' Melissa added: 'So many African women in business are working 24/7 and have no pension, no sick leave. They need a collective voice.'

At the end of the focus group the participants each completed the survey form at Appendix 5.

Coventry and Warwickshire focus group

The focus group was hosted by WBDA. The two-hour session was well attended by ten women in business from a broad range of sectors. The participants and a description of their businesses are set out in Table 2.

After introductions, the purpose and aims of the research was presented by the research team. Questions were raised about the funding for the research and the reasons why the three different regions were selected.

Participants were given handouts with a summary of the main findings from the in-depth interviews carried out in Coventry & Warwickshire. None of the participants in the focus group had participated in these interviews. Participants found the findings credible and in line with much of their own experiences locally. The discussion of the findings helped trigger a wider discussion about support needs and issues which concerned them. The diversity of businesses in the group was broad.

Table 2. Participants in the Coventry & Warwickshire focus group

Traders	Type of business
Rahana	Bookkeeping service
Jan	Garden maintenance
Linda	Business consultancy for the voluntary sector
Alex	Language software distributor
Rebecca	Jewellery and tiaras
Leanne	Personal development/weight management
Manjinder	Interpreting services
Maggie	Strategic planning (cultural industries)
Michaela	Education services for the disabled
Baljeet	Nursery

Four of the ten businesses employed staff. Baljeet's community nursery has flourished in recent years as a social enterprise in Coventry and now employs 26. Michaela has also developed a social enterprise and has 7 employees. The other two employed only one member of staff. A fifth business, the interpreting and translation agency run by Manjinder uses self-employed freelancers.

All participants had benefited from WBDA training; some had had training from the Inland Revenue, some had had free broadband training. There was an initial discussion of the funding resources and where to get help. Only one of the participants had heard of CDFIs and were curious to learn more about what they are, what they do and how they might be able to assist them. However the local CDFI, the Coventry and Warwickshire Reinvestment Trust had only been set up in April 2005, so is very new.

As far as existing formalised enterprise networks in Coventry and Warwickshire are concerned, breakfast clubs promoted by the Chamber of Commerce and Business Link were simply beyond the means of the participants. Membership rates of £800 a year were mentioned. A few women in the group had, however, attended such events and said that they had gained useful information, contacts and good advice from other businesses or speakers they had met. So the networking links that such groups can offer was seen as valuable and potentially very helpful to business development.

Loan finance was touched on. There was a consensus that most self-employed women are resistant to loans. Repayment difficulties were a worry and debt seen as a danger. For most participants it was considered too risky. One summed up the experience as 'It is hard enough to keep afloat without having to service a loan as well.' Several women thought that men's attitudes towards borrowing might be different and that debt would worry them less.

Seed capital and grant help was discussed. This was seen as quite crucial for expansion. Baljeet commented that she simply couldn't have set up the nursery as a community-based enterprise without lottery funding. The nursery is located in a regeneration zone, which made it possible. She added that the expansion of the business has been very hard. A loan would have been an enormous worry to her.

Like participants in the London research, three of the women in the Coventry and Warwickshire group were continuing in paid work to fund the development of their businesses. The Princes Trust was known as a source of funding, but the age limit precluded most.

Most of the participants had no pension provision. Homeownership was seen as a key asset for future security by several participants. One commented that for her: the bottom line is 'husband and house' for financial security in retirement. The experience of several in the group with the financial services industry in relation to private pensions was one of disillusionment. They said that they had come to rely on their house or other forms of savings because they felt that private pension payments were unreliable, because the return was uncertain and the charges too high.

The business model for a mutual for the self-employed was presented to the group and the range of services was fully described. The participants liked the idea of a basic member rate and a network member rate. They particularly liked the training services and the networking opportunities. The charges seemed fair and reasonable.

Each woman was asked to comment on the mutual. They all indicated that they would be keen on joining. There was, however, a concern that, if the mutual were not set up well, it might not deliver the services on offer. So there was a consensus about the need for it to have proper start-up funding.

Linda wondered if participants had heard of academy.com. It is an online community. Another participant referred to Prowess – the women in business network. It was pointed out that Advantage West Midlands is also based in the same building as WBDA and that they should look at the idea.

Individual comments made in the final round up session were as follows:

- Baljeet:** The mutual would be a benefit, enable participants to meet people in the same situation, sharing the same concerns. She felt it should be specifically tailored for women. They would benefit from emotional support.
- Rahana:** Agreed. It would help build confidence.
- Jan:** Agreed. She also liked the idea of help with tax, bookkeeping, discounted goods, insurance.
- Linda:** Would be interested. The position was similar for social enterprises and micro social enterprises and both types of enterprise developers should be invited to join.
- Michaela:** Had reservations, liked the model, but wanted to play devil's advocate. In her experience, people don't keep going and enthusiasm wanes. She wants to do social enterprise, but realises she has to make a profit. Funding is a problem because you always have to be in the right category to fit the changing categories favoured by Government for support.
- Alex:** The benefit would be in networking, exchange of information. Time to input is always a problem. Emotional support is important, as is physical support. She agreed with Maggie that there is a need for advanced and specialist-level training courses. Currently these are difficult to afford where they are available. They are also only available at a distance in London or elsewhere, adding to the cost and time involved.
- Rebecca:** Discounted insurance, business advice, training, grants, marketing, networking, access to experts. All would be on her list of needs for support.
- Manjinder:** The mutual is a good idea. Black and minority ethnic women had been considering their own network in Coventry and Warwickshire, but they also need expertise. There is a need for a sound structure and a well-developed organisational format so that people feel that they are getting something out of it. Tax help is important.
- Maggie:** Social support, training, 'common purpose' building, and practical support would sum up her priorities.

Finally the focus group participants were asked to each complete a survey form.

Devon focus group

This focus group was held at Downrew House Hotel, near Barnstaple. Attendees were all members of Smartboots, a women's business network organisation, which meets monthly for lunch and organises talks and training events for its members. The organisation has been in existence for about a year.

There were 15 attendees. Their businesses included the following:

- Guest house.
- Business consultancy.
- Interior design (2).
- Personal fitness.
- Pyramid selling.
- Bed and breakfast.

- Farming.
- Social care consultancy.
- Artist (2).
- Personal care (hair and beauty).
- Business services.
- Marketing.
- Specialist clothing (manufacture and sale).

The background to the project and the findings from the face-to-face interviews and survey questionnaires were explained by the facilitators. Participants made the following comments:

- *There was general agreement that most would not want to borrow money and incur debt. They thought that men might take a different approach, but that women would be more cautious and worry more about their ability to repay the loan.*
- *Most felt that women often did not choose not to expand their business, that more often they are forced to limit themselves because of their additional responsibilities, and also that they might not feel that they were capable of it. A major problem was that women were limited in the amount of time they were able to spend on their business because of their family responsibilities; that said, there was general agreement that they also 'want a life'.*
- *There was consensus that they would like a 'one-stop shop' for business advice, somewhere they could turn to in order to find out where to go for technical assistance. Broadband packages were identified as a case in point. It took an enormous amount of time to work out what to do and they were then confronted with contracts which were difficult to understand or which bound them into something they might not want; 'It took me ages and I don't know what I've bought.'*
- *It was suggested that that role could be filled, at least to some extent, by a mentor.*
- *There was discussion of how Smartboots could address this problem. It was suggested that they could have a fixed agenda item of problems/services needed and solutions, referrals to someone they could turn to who was reliable, competent and reasonable. All felt that the local connection was crucial for this and that there were enough of them to be pretty sure of finding someone who could help and that this fixture would be especially helpful for newcomers. They felt that it was something that they could structure and include as a section on their own website, but that a link with national resources could contribute to this because it was agreed that everything did not need to be locally based (technical advice, for example).*
- *One attendee pointed out that many members do not spend much time on the internet, whereas it is an integral part of work for others. A number of members will only open emails every few days and are not in the way of using forums etc.*
- *All prefer personal contact; there was agreement that almost all feel isolated at work, including those whose business involves working with people. They value face-to-face relationships with people with whom they can share their anxieties, and in front of whom they do not have to seem to be on top of things or in charge, and through that process, one person's problem can be a trigger for other solutions.*
- *Participants agreed that affording professional advice can be a real problem.*

- *There was discussion of whether Smartboots would fund a resource pack for start-ups, something quite simple and basic containing contact names and information. There was agreement that this could be a large task and that it would need constant updating.*
- *There was further discussion of borrowing. Two participants had had dealings with a credit union, most felt that a credit union system of saving and borrowing would be secure and could be helpful for cashflow, but that new businesses have so little money they are not in a position to save. Participants agreed, however, that undercapitalisation is a huge problem.*
- *One participant suggested that a start-up loan could be structured like a student loan, with no payments for a period of, say, three years, and repayment at favourable interest rates thereafter.*
- *About two-thirds of those present had carried on working when they started up their business in order to maintain an income and deal with cashflow, provide working capital; only four had been able to invest their own capital.*
- *Most of those present would have liked workspace, finding it difficult to work from home, but said that they could not afford the overhead. They felt a business incubator system would benefit them.*
- *A number of those present would welcome Government grant support but complained that it was difficult to access because of constant changes in schemes and eligibility. It was suggested that some kind of directory or advice as to where to go to find it would be very valuable. One attendee had sent off for a directory which she thought had been published by government, but it cost £250. She said that she was unclear as to who had issued it but felt that it was worth the risk. Participants wondered whether the group could share it.*
- *All those present liked the idea of an annual business health check.*
- *All those present liked the idea of an award ceremony, and agreed that they should do more to celebrate achievements, even minor ones, 'like getting broadband sorted'.*
- *Only two attendees (both over 50) felt that they had an adequate pension. Some participants said that they had some small schemes, but that the amount they would get on retirement was 'laughable'. Most were saving for a house rather than a pension. 'Pensions go on the back burner'.*
- *Understanding the pensions system was a key point. Most felt that they did not have enough money even to think about saving for retirement. Most also felt that a pension fund wouldn't be worthwhile anyway because of all the recent scandals.*
- *One participant said that she traded through a company and the complexity of a pension scheme was too much for her to deal with.*
- *Most agreed that ideally they would not work on their own. There was concern about partnerships and whether they might fail, horror stories about how they might go wrong, so that was off-putting. Taking on employees in order to scale up was also a worry, because of the cost, employment law, administration. One attendee commented that some owners of businesses took home less than their employees.*
- *Childcare was identified as a substantial cost and unaffordable: 'Babysitting cost £700 a month, I was working for nothing.'*

To test interest in community development finance, the facilitators outlined the services developing of the CBP recently funded and set up to serve rural Devon. This new organisation is based in Okehampton and is trading as the Devon Pound. The general response of those present was very favourable as participants felt that there is need for linking some how, access to advice and support to finance that is enabling.

Several participants said that they had enjoyed the session and felt that it had been helpful in generating ideas about ways of taking forward Smartboots. There was general consensus that a mutual would be a good idea, a 'bridge' between Smartboots and an organisation like the FSB, which participants said tended to be 'men in suits' where they felt out of place. They agreed that they liked the idea of a union for the self-employed, but not the name, which was reminiscent of strikes. All agreed that there is a need for advocacy on behalf of the self-employed.

Mid Wales focus group

The focus group was held in Llanidloes, in a café in the centre of the town. There were six participants, and the businesses they operated were as follows:

- Quilt maker.
- Art shop and gallery.
- Shop selling crystals and jewellery.
- Arts project manager.
- Accountant.
- Café.

The facilitators presented the findings of the face-to-face research and outlined the proposed structure for the mutual. Participants made the following comments:

- *There was discussion and general agreement that it was very difficult to access support and to know where to go for it – grants, training. One participant said that she had missed out on a capital grant because no-one from the various agencies knew anything about it. Attendees all thought that the agencies tried to be helpful but even they did not know what was available and there is no central source of information about it. One thought that when people register as self-employed they should be sent the information as a matter of course.*
- *None of those present had childcare problems but two participants said that it was an issue for their employees, and most of them were working part-time to fit round childcare.*
- *Health was thought to be a serious issue, but insurance was unaffordable; One participant said that insurance was one of her biggest bills (public liability etc). Another said that she had a lot of statutory insurance cover to pay – public liability, employees, food – health for herself was too much to pay for.*
- *There was general agreement that there is an acute need for lobbying for the self-employed, as opposed to small business, which is generally on a much larger scale.*
- *Discussion of pensions – all present agreed it was an issue for them, but there is a general problem of affordability for people on low incomes, as well as lack of confidence in schemes available, concern over management fees and security of their investment. One participant referred to her parents' experience – they had paid in a lot of money and what they got back was less than what they had paid in. 'I wouldn't trust any private pension scheme; it would have to be holistic, compulsory and available to all, not means-tested... But it is an issue more of low income than status.'*

- One participant said 'It feels as if government is against self-employed people'. In Llanidloes they have lost services important to bringing in trade – public toilets, tourist information premises (they think the tourist information may be taken away). Tesco in Newtown has now been given planning permission, which they all felt would have a hugely negative effect on Llanidloes' businesses. People will all shop there for convenience, because they tend to commute there anyway.
- There was discussion about taking on employees. One person said that legislation imposed enormous financial burdens which were difficult for very small businesses to cope with. 'The issue of employing people is muddy.'
- Concerning motivation, one person commented that she works as an accountant but tries to keep that to a minimum so that she can do unpaid work, which she still considers work – committees, counseling, mentoring...
- Another said that she was only able to be self-employed because she had a (widow's) pension; there was general agreement that motivation was not financial, it was about doing something worthwhile, 'it gives meaning to life'. One said that it gave her a status, she was recognised as somebody.
- One person talked about the growing recognition of the importance of locally grown food and locally made artifacts.
- There was discussion of how a mutual would be constructed; there was consensus that men should be involved in the larger group, they had their own needs as well as something to contribute. But there are also specifically female approaches to life and work, which women can share in a group.
- One said that she would be wary if payment were involved, because of her low income, affordability would be a problem.
- A 'speed-dating' event organised by business eye was raised – it involved five minutes to talk to each person to see if they could answer your concern/meet your needs. She felt that it was a good idea because it brought all the organisations together. **It was critical that it was face-to-face**, because of the feedback. Internet communication is altogether different and much less helpful.
- Another thought that the social side is already there in Llanidloes; it is a close-knit, open, friendly sort of place with a lot going on. The most important thing is the access to information. Self-employed people are expected to be jacks of all trades, which is part of the reason why they have to work such long hours, trying to sort out things in which they have no expertise.
- It was asked whether concessions could be made available to those on lowest incomes.
- A further problem might be that people do not want yet more paper, things to read. Could information best be routed through existing routes?
- There was discussion of the idea of a union for the self-employed to provide advocacy, a pressure group. Everyone agreed that it was needed.

Survey findings

There were a total of 124 returns from all four subregions in England and Wales. In some cases canvassers were used to help obtain responses and not all respondents completed the forms fully.

Table 3. General information.

Number of respondents		Percentage	
Ethnic origin:	European	62	50.00%
	South Asian	2	1.50%
	Asian	4	3.00%
	African	51	41.00%
	Afro-Caribbean	2	1.50%
	Other (or wouldn't say)	3	3.00%
Business sector:	Training	9	7.25%
	Health	2	1.60%
	Personal services	8	6.50%
	Creative	19	15.00%
	Catering	18	14.00%
	Care	3	2.40%
	Retail	22	18.00%
	Housing	6	5.00%
	Marketing/sales	9	7.00%
	Security	1	0.80%
	Professional services	14	11.00%
	Education	1	0.80%
	Farm-based	4	3.00%
	Entertainment	1	0.80%
	Environment	2	1.60%
Status of business:	Sole trader	80	65.00%
	Partnership	8	7.00%
	Limited company	20	16.00%
	Co-operative	0	0.00%
	Voluntary org./charity	4	3.00%
	No reply	11	9.00%
Years trading:	new start-ups/< 1 year	10	8.00%
	1 year	14	11.00%
	1– years	22	18.00%
	2.5–5 years	38	31.00%
	5.5 +	26	21.00%
	No reply	14	11.00%
VAT registered:	Yes	13	10.50%
	No	111	89.50%
Annual turnover:	< £10K	27	22%
	£10–20K	15	12%
	£21–50K	8	6.5%
	£51–100K	9	7%
	£101–200K	5	4%
	£201K+	0	0%

Number of respondents		Percentage	
Employees:	1	15	12%
		11-9%	2
	3	9	4
		7%	
	5	0	6
		0%	
	7	1	8
		0.8%	
	9	0	10
		0%	
	11	1	12
		0.8%	
13	0	14	
	0%		
15	0	16	
	0%		
17	1	18	
	0.8%		
Volunteers	1	17	12%
	2	7	4
	3	5.6%	
			5
	6	6	4.8%
	7		
	8	1	0.8%
	9		
	10	4	3%
	11		
	12	0	0%
	13		
14	1	0.8%	
15			
19	1	0.8%	
20			
21	2	1.6%	
22			
Monthly income from business:			
	<£500	25	20.00%
	£500-1000	21	16.00%
	£1001-2000	6	5.00%
	£2001+	2	1.50%
(The remainder did not answer this question)			
Monthly household income	<£500	3	2.40%
	£500–1000	24	19.00%
	£1001–2000	11	9.00%
	£2001+	15	12.00%
FSB member:	Yes	11	9.00%
	No	111	90.00%
	No reply	2	1.00%
Member of another business organisation	Yes	23	19.00%
	No	96	77.00%
	No reply	5	4.00%
Monthly membership subscription (willingness to pay)			
	£8	22	18
	£6	11	9
	£4	18	15
	£2	56	45
	No reply	17	13

Business needs identified through the survey

Respondents scored services on a scale of 0 (not interested) to 3 (very interested).

Advice services

The following advice services were proposed:

- Tax liability and savings plan.
- Tax credit and other benefit advice.
- Pension advice and planning.
- General business advice.
- Specialist business advice.
- Information on regulation specific to the business.
- Legal advice.
- Sickness.
- Joint purchase of services.
- Marketing.
- Business planning.
- VAT, accounting and financial planning.

Specialist business advice and marketing advice were the most popular, scoring a total of 297 and 295 respectively, out of a maximum total of 372 points (calculated on the basis of 0 points for a 0 response, and 372 as the maximum if all respondents had given 3 points for the service in question). Benefits advice, sickness advice and joint purchase of services were the least popular, but still scored 171, 180 and 182 respectively, placing them between 'possibly interested' and 'interested' across the spectrum. In other words, all of these services were of real general interest to respondents.

Networking and inter-trading events

Respondents were asked whether they would like opportunities to meet up with other self-employed people in the same business, and whether they would like to meet up with other self-employed people for inter-trading opportunities.

Those questions received affirmative scores of 303 and 266 respectively; both, therefore, very high but the former of almost universally strong interest suggesting that most respondents seek contact with others in similar circumstances as a priority.

Discounted or best value services

The services proposed by the questionnaire were:

- General insurance.
- Banking services.
- Insurance specific for the needs of the business.
- Business supplies or equipment specific to your work.
- Shared transport or deliveries.
- Telephone and internet.

Of these, discounted services, insurance and business supplies and equipment

proved to be the most popular at 207 and 223 respectively, thus attracting a good level of interest. General insurance scored 195; banking services only 102; shared transport and telephone or Internet 114 and 94 respectively and not, accordingly of much active interest to those questioned.

Support services

The following support services were suggested to respondents:

- Access to loan finance.
- Holiday cover.
- Small serviced office or business premises nearby.
- Business networking.
- Joint marketing (e.g. shared website, small business trade fair, member directory).

Of these, loan finance was the most popular, with a score of 249, followed by joint marketing at 237. The other services scored relatively low, at 95 (holiday cover), 184 (serviced premises) and 132 (business networking).

Personal support services

Respondents were asked to rate the following:

- Personal advice and support, or mentoring.
- Training and education.
- Childcare services.
- Respite care for dependant relatives.
- Social events to meet other members.

Mentoring was very popular, at 284, as were social events at 252. The remaining services were less in demand; respite care had a score of only 35, training 98 and childcare 144.

Aggregated results

Respondents were asked to identify their priorities from the overall list; this appeared to cause some confusion: some respondents prioritised the category of service and some the individual service.

Marketing emerged as the most popular demand, followed by specialist business advice. Business planning, pension advice, mentoring and the item VAT, accounting and financial planning followed, in that order.

In terms of prioritisation from among the categories listed as headings above, access to advice was overwhelmingly the most popular. This result may, however, be somewhat distorted by an apparent misunderstanding in one batch of responses as to the question they were being asked (they all only selected from the first category of services on the survey questionnaire, not from all services proposed) and it significantly contradicts the consistent pattern emerging from responses to individual questions.

The results appear, therefore, somewhat contradictory, but from this survey it would appear that marketing, networking, meeting others in the same position are priorities, closely followed by advice services tailored to the needs of the specific business.

It may be conjectured that the process was self-selecting in some respects; the lack of apparent interest in childcare or respite care, for example, may be explained by the fact that virtually all respondents were in business already and had therefore

found a way of dealing with any problems of that nature. It does not address the question of whether or not these may be problems operating as barriers to women and preventing them from embarking on an enterprise initiative at all.

Respondents completed the questionnaire quickly, for the most part, and without clarification or explanation; this may explain why some replies appear inconsistent and perhaps based on a misunderstanding or misreading of the question.

Conclusion: Main findings and recommendations

The labour demographics of the twenty-first century based on a growing number of service sector workers who are not in salaried employment resembles in many ways a nineteenth century pattern rather than the large corporate employer pattern so characteristic of most of the twentieth century.

Reasons for becoming self-employed vary enormously and it is impossible to categorise 'the self-employed' by reference to anything other than their employment status. It follows that any organisation that aims to meet their needs and aspirations must be equally diverse and flexible in structure and operation.

In the UK under the Labour Government, strong support has been given to the development of credit unions and community development finance lenders. The development of a UK policy framework for enterprise has drawn upon international experience with microfinance institutions. The focus to date, however, has been on credit provision linked to some aspects of business advice. In developing countries the agenda has been moving on to more holistic models of microfinance that incorporate a broad range of non-credit services. Some of the more successful models are in India where mutual and co-operative structures are effective in mobilising self-help methodologies in effective ways.

Providing both credit and support services to micro-enterprises, self-employed people and community enterprises is well-known to be problematic. Lenders need to keep a distance from their borrowers and thus advice and support services should be provided by a different third party or at least at arm's length. CDFIs in recent years have found this co-ordination of support services with third party business agencies fraught and good practice in this field in Britain is patchy.

But perhaps the needs of the self-employed and community entrepreneurs are being approached in the wrong way and with the wrong set of assumptions. As recent research by **nef**) has shown, the take-up of microfinance by enterprises in the UK has been far less than anticipated when the Small Business Service set up the Phoenix Fund to support the development of CDFIs.¹⁰²

This research has sought an improved way forward by beginning with the identifiable needs of the self-employed and from this appraisal seeking to design and bring together a 'joined-up' service to meet the full spectrum of needs through a mutual aid system. This research has tested this approach in three subregional areas of England: London, Coventry and Warwickshire and rural Devon and one subregion of Mid Wales.

Current UK policy focus on credit and the primacy of credit is questioned by the findings in this research. The study has been qualitative involving in depth interviews with 62 women in self-employment. The model investigated by the research did not seek to make a clear differentiation between the self-employed and community enterprises (also known as microsocial enterprises) as from a holistic perspective, both appear to have similar areas of need. This was borne out by the research findings.

The overall average business size was at the lower end of the micro-enterprise scale of from zero to four employees. A large proportion of the businesswomen interviewed had either no employees or only a part-time member of staff. Some participants were involved in social enterprise and in some cases this involved higher staff levels, volunteers or both. Interestingly, among immigrant women developing social businesses in London, almost one in three were juggling self-employment on the one hand with a separate social enterprise on the other. In a number of these cases, the self-employment activity was cross-subsidising the social business development. It should be noted, however, that this phenomenon was not confined to this group.

The proposed mutual for the self-employed had widespread appeal both amongst the interviewees and among a larger survey sample undertaken either face to face or by telephone. The appeal of the mutual appeared to be higher for the lower-income group of women in business, although better-paid women often liked the idea and were willing in some cases to help to establish local networks to make it happen.

From the interviews and focus group discussions, the main business advice and support services needed were:

1. Marketing networks.
2. Access to finance.
3. Tax advice and tax credit guidance.
4. Pensions advice.
5. Contact with others in the same business.
6. Personal advice and support.
7. Discounts on goods.
8. Legal advice.

Participants also identified an overriding need for a national advocacy body to raise the needs of the self-employed up the political agenda. The idea of a trade union for the self-employed as is the practice in India and in other EU countries more recently had strong appeal in the two urban areas. In Devon there was strong support for an advocacy body to help change Government policy to address the neglected needs of this growing and largely invisible area of the labour force; but some women disliked the name 'trade union' on the basis that it suggested strikes. Overall and repeatedly, participants expressed a preference and need for face-to-face contact over internet-based services, although many said that they would value and use internet support.

The focus groups tested membership rates with participants for a new mutual. The basic rate level and higher cost network rate level were both accepted as sound by the focus group participants. For a mutual to be successful, the focus group participants could see the need for it to operate both at a national co-ordinating level and at regional levels. They felt that the mutual should cater both for the needs of the self-employed and those involved in setting up social enterprises.

The research confirms that a grass roots approach, not unlike that of SEWA or WWF, linked with microcredit provision through initiatives such as the CBP in England and Wales, is more likely to appeal to the lower-income self-employed market and to succeed in addressing their very diverse business and personal needs.

As European Commission and ILO investigations have highlighted, those in self-employment have limited social protection by comparison to those in waged or salaried jobs. The needs of the self-employed in this weak area of welfare state provision are not yet a focus of policy debate in Britain. This may change, however, and it is noteworthy that the Government agreed in May 2008 to equalise the legal

rights of temporary and agency staff (after 12 weeks in post) to those of full-time permanent staff. This research draws attention to the social protection policy gap for the self-employed and seeks as a first step to suggest some practical ways forward. In most countries in Western Europe, the trade union movement has over the past ten years supported the development of unions for the self-employed. With regard to freelancers who are self-employed, these trade union recruitment practices are now commonplace. In Italy and the Netherlands, there are efforts by trade unions to recruit a broad spectrum of self-employed workers.

Locally organised, autonomous networks have the advantage of being responsive to the needs of disadvantaged low-income women in business: such as the high proportion of such workers in rural areas and among a number of ethnic minority communities. Those groups in turn need the opportunity to network with a much wider community, and to access quality services delivered with the benefit of economies of scale. An organisational intervention like a mutual would appear to be critical in order to break down the social isolation and the fragmentation many experience in their respective silos of disadvantage.

Bringing the local/regional service dimension with a national advocacy voice appears to be essential and could offer an opportunity to address issues previously identified in research elsewhere as being of policy significance. These issues include for example:

- Lack of adequate pension provision among the self-employed.¹⁰³
- Difficulties for refugees in accessing the financial services needed for business start-up.¹⁰⁴
- The role of self-employment for ethnic minorities as a route out of low-paid employment.¹⁰⁵

A mutual offering support for the self-employed could therefore best be constituted by means of affiliation of a mixed local group or of a diverse range of existing self-help groups or niche interest groups (i.e. those based on trade, craft, profession, business sector or ethnic origin). This broad-based approach would appear from this research to be the best means of allowing for diversity while facilitating economies of scale and widening access to and participation in a bigger network.

It is envisaged that trade bodies like the CDFA, Prowess, the UK Social Enterprise Coalition and TUC, as well as existing mutual insurance companies, could potentially become sponsors and partners in the development of a new mutual. Additional agency relationships might be developed with, for example, the insurance industry and the banks.

One issue not investigated by this report but under investigation by Rebuilding Society Network in Wales is a mechanism to assist groups of self-employed people to access equity funds to develop formalised businesses that provide them with greater levels of social protection, more income and more job security. The Cigales network in France uses a micro-equity methodology to develop social enterprises this way. In Italy, social enterprises can access risk capital in similar ways through a framework of Social Co-operatives.¹⁰⁶ Appendix 4 describes the successful group self-employment financing model that the Caja Laboral Popular Bank and the Mondragon Co-operative Corporation have jointly developed.

The ten recommendations of the report are as follows:

Recommendations

1. Financial support from public, private and charitable funders to pilot a Mutual in subregional areas of England and Wales.
2. A lead role to be taken to set up the pilot testing of the mutual by a consortium of local support bodies involved with this research, including Rebuilding Society Network, London Rebuilding Society, WBDA and the CBPs in Mid Wales and Devon.
3. Provision of support for the mutual pilots by national trade bodies including NACUW, Prowess and the CDFA.
4. Government to work with **nef** to instigate an independent review of pension services for the self-employed and to consult on reforms to the both state pension and private sector provision to provide a 'just deal' for microbusiness workers.
5. Banks and third sector finance providers to work with NACUW, **nef**, Prowess and CDFA to identify improvements to their services for microbusinesses and to recognise and support this through new delivery organisations, such as a mutual.
6. A partnership to be established by Rebuilding Society Network between enterprise support and community finance organisations to co-develop improved training services for self-employed women in relation to the mutual.
7. The piloting of the mutual should include collaborative work with the TUC to identify how the existing best practices within the trade union movements in Europe can be adapted to deliver social protection services and support through a mutual approach to the self-employed sector in England and Wales.
8. Further research by **nef** and Rebuilding Society Network to assess demand among self-employed men and to identify which if any mutual services may need to be gender specific.
9. **nef** and Rebuilding Society Network to develop practical links between the development of the Mutual and interest from local authorities in different pilot areas that are seeking successful methods to implement the Sustainable Communities Act.
10. Work on the pilots for a mutual should test the group self-employment methodology used successfully by the Mondragon Co-operative Corporation in Spain.

In terms of approaches to establishing the mutual, there is a need to take account of the strength and near universality of the wish for face-to-face support, and a personalised approach to overcome social isolation and build confidence. Participants regularly emphasised aspects of mentoring and networking as of key importance. For that reason, an approach to building a mutual based on membership of localised or special interest groups would seem to be more likely to appeal and therefore succeed, and would have the advantage of speeding up the process of building membership.

The emphasis of these recommendations is inevitably determined by the fact that participants in the research were all women and it highlights key aspects which might make the mutual 'female-friendly', overcoming some of the problems of access to other business support services. The research also, not surprisingly, drew out more generalised problems such as low pay, the impact of family and community responsibilities and the lack of adequate pension provision which are known disproportionately to affect women in society as a whole.

There remains a need to investigate the potential such a structure may offer to men in self-employment, and whether and how the two might be brought together. A business plan model for a Self-employed Women's Mutual is set out in Part II.

Given the size of their contribution to employment and their community resilience, so called lifestyle businesses need to be given serious policy attention. This is

especially important as the threat of climate change underscores the growing public recognition of the need to relocalise economies for social and environmental reasons.

In this regard the report findings and recommendations should be of interest to local authorities in England and Wales as they are charged under the Sustainable Communities Act 2007 to find new ways to support local enterprises to develop their capacity to provide growth in respect to:

- Local jobs and production within a 30 mile area.
- More local and organic food.
- Green energy within a 50 mile regional radius.
- Provision of local services (e.g. health, housing, banking, public eating places, etc.).
- Measures to increase mutual aid and community projects.
- Measures to increase community health and well-being.

There could be scope for a mutual to link different self-employed trades together to assist local authorities in England and Wales to find creative solutions to the challenges posed by the sustainability agenda.

PART II: BUSINESS PLAN MODEL

The findings set out in Part I indicate demand for the services of a mutual and point to need areas where a mutual could seek to target its help. The services set out here in Part II are structured within a business model for a mutual. The model has been produced from the feasibility study findings and indications from interviewees and focus group participants about an attractive format for making services available and costs indicate are based on pricing levels that would appear to be attractive to those interviewed.

However what is not so clear from the fieldwork finding is precisely how a mutual can secure significant a size to achieve necessary economies of scale. An attempt has been made to cover this in the business plan to some degree but a number of questions remain about what active plans would work best for recruitment – including what campaigns and marketing messages. This is the hardest part of any new venture – how can the founders secure take-up and meet recruitment targets? Just because there seems to be a clear-cut set of needs, it doesn't mean people will automatically join, especially if there is a cost. For this reason, a graduated approach seems best that could build on a series of subregional pilots.



Business model for a self-employed women's mutual

Background

Part I confirmed that there is indicative demand for a mutual organisation to provide services cost effectively to the self-employed and to microbusinesses.

Part I also provides the background information for this business model: the number of self-employed people, their circumstances, the type of services they require, their interest in joining a mutual organisation and what they might be prepared to pay. It also draws comparisons with existing successful organisations.

The assumptions in this model are based on the research.

It is organised as follows:

1. Success factors: what the mutual must offer if it is to attract a mass membership.
2. Competition.
3. Proposed approach to pricing and services.
4. Legal entity.
5. Service delivery including staffing.
6. Membership fees and other sources of income.
7. Set-up and start-up costs.
8. Risks.
9. Next steps.

Success factors

The research has shown there is demand for the services a self-employed mutual might offer but also a very clear indication that demand will be highly price-sensitive, even if the services offered are seen as valuable.

The nature of the businesses identified is very diverse. Ways need to be found nevertheless of bringing together those with similar issues or experience in relation to the kind of business they are running: individuals can usefully be grouped into sectors with particular common needs. For example:

- 'entertainers' (which might include a wide range of activities): who would have in common marketing; child-protection issues; insurance related to visiting people's homes rather than professional venues;
- small-scale food producers: who need to have consumer protection insurance; access to advice on food regulations on sale of cold, chilled or hot food; links to farmers' markets and farm shops specialising in local food;
- bed-and-breakfast providers who might want links to joint marketing support and access to particular supplies including local food.

Those with common personal circumstances could also benefit from being brought together, for example, disabled people, those with young children or carers.

In rural areas, businesses are scattered and will want to access most support via telephone, email and internet. Childcare requirements may also reduce the mobility of self-employed people in urban situations.

The types of service offered and the ways the service is offered therefore need to be tailored to match these different profiles. Services need to be personal and supportive.

Competition

The only real alternative to the mutual is membership of the FSB. Trade union membership is generally not open to the self-employed.

FSB's joining fee is £30 and thereafter around £100pa (rising with size, e.g. £140 for up to three employees). With a membership of 190,000 businesses, FSB has developed a wide range of direct services and partnerships over a period of many years. Partnerships with named companies in banking and insurance provide the opportunities for discounts; and FSB has sought to identify telephone, electronic point-of-sale and broadband packages. FSB also provides its own services direct. FSB's size gives it significant lobbying power and it uses member surveys to underscore the representative nature of the views it puts forward.

The self-employed mutual will have a different profile and would need to appeal to smaller businesses: 80 per cent are 'one-person bands'. A high proportion work from home and high proportions, too, have low incomes and may be eligible for working families tax credit and other benefits.

Proposed approach to pricing and services

Pricing

Based on the success factors and the need to provide an alternative option to FSB if those not joining FSB are to be attracted it is proposed to design the service:

- with two tiers so there is a basic and higher level ('network') service; and
- with the option of group membership so that a group of people with common interests or circumstances could join on the basis of having a single network member and a number of group members.

Since feedback is that many find the FSB's fees too high, fees should be no more than £30 for a basic service and £80 for a higher level service with the further option of paying just £15 through group membership.

Keeping costs down

The business model will need use a number of approaches to keeping costs down and make sure where possible that they pay for services when they need them, rather than through a fixed membership fee. The model is therefore based on:

- Providing a core service.
- Using web-based information, including advice notes on particular topics.
- Running workshops where a number of members can receive similar advice.
- Allowing extra services to be purchased when required.
- Using charge-rate telephone services to provide specialist advice when required.
- Providing extra support through courses and workshops on specific topics.
- Playing an enabling role in bringing together members in the same sector or the same geographical area; and encouraging self-organised networks.

Services

The services provided need to meet generic needs but also to be responsive to specific needs.

The research shows that most self-employed people would value advice on taxes and benefits. Pension provision is clearly also a common issue but tight finances may make it a lower priority for self-employed people than it should be.

Member offers

There may be only limited scope for negotiating deals in areas which would be of interest to a large proportion of members, such as broadband, telecoms or car insurance, given the highly competitive nature of the markets concerned. Some retailers and various comparison websites already provide some sort of service covering these options, although they may be linked to a particular supplier. FSB similarly has the resources to research and provide advice (or to identify and do a deal with a particular supplier) on common needs such as telecom, broadband and energy. Prices and services in these sectors change rapidly and a consistently cheaper or better quality offering for members is likely to require a full-time member of staff to maintain.

On balance it is considered that the mutual would be better omitting this service. In a fast-changing market, rather than provide a 'members offer' which may be no cheaper, the mutual could play a useful role setting out on a website the potential technologies and options to assist members in making choice. It seems unlikely it would be able to negotiate any deal which will last long enough to be worthwhile. Another option might be access to a 'chat-room' where members can share experience of a particular service or product.

Proposals

Membership

Taking account of the above, it is proposed that the mutual offers two-tier membership.

Basic membership would provide:

- Access to the mutual members' website, providing guidance on a range of topics and useful links to sites providing a range of services.
- Inclusion on the website via mapping software, using similar methodology to sites such as www.bigbarn.co.uk. Members are located on a map via a shaped indicator which shows the type of business; the indicator opens up to show name and address and can link to a member's own website.
- Email advice service.
- Advocacy and the opportunity to determine the topics and issues via an annual consultation.
- Information about access to training through Business Links, RDA-supported services (SBS successor) etc.
- Input via an annual questionnaire into courses developed specifically to meet needs of self-employed (which will be promoted and delivered locally).

Network membership would provide an additional level of service and also connect members to local contacts in both the same sector and in others sectors for inter-trading opportunities.

It would achieve this by providing two regional/subregional workshops a year for each member (workshops would generally be run for 12 members):

1. *Non-sector specific tax/benefits/pension workshop.*

This would be run as a morning or afternoon 2-hour workshop and would aim to give a grounding in tax liability and qualification and claim procedures for working families tax credit and other benefits. The workshop would include a

self-assessment process which would be checked and returned at or after the workshop.

2. *Sector-specific workshop on business planning, marketing, local networking, joint buying/procurement*

This would be run on the same day, morning or afternoon as a 2-hour workshop. All the members would be drawn from the same sector and a questionnaire before the workshop would aim to identify the topics members most want to hear about. It would provide templates for the relevant topics; for example, marketing and business planning on which the workshop leader would provide a brief commentary.

Those attending the workshop would be encouraged to join a sector specific self-organised network through an email grouping and social or contact events organised by members themselves through website contact. The mutual will need to develop an area of the website to enable these sectors to communicate with each other and to have standard packages for the operation of local networks which will be made available to anyone interested in organising them.

Between these two events the lunch period would be an opportunity to make contact with self-employed people both in the same sector and in different sectors. This could include a 'speed inter-trading' session with businesses circulating on a short cycle and given a chance to explain what their business offers on a 1:1 basis, to 10 other self-employed people.

The aim of these events would be to:

- Give members confidence in their financial position.
- Provide a training opportunity to improve skills and confidence.
- Enable potentially isolated individuals to make contacts both with those working in similar ways to provide peer-support and with others with whom they might trade.

This fits with the intended philosophy of the mutual which would be focus on capacity and skill building.

Network group membership would provide a lower-cost route to access the services that network membership would offer through a self-help group. This would be intended to address the needs of those with very limited resources who would find it useful to be able to choose carefully when to draw on extra services for extra fees, and for whom contact with others in similar circumstances might be the most important aspect of the mutual.

A group might be formed by people in a similar area of employment or in similar personal circumstances e.g. disabled, or those living in remote rural areas.

The initial proposal is that a group would join through a designated person who would join as a network member which entitles this person to draw on the services outlined above. As a network group member they would have to co-register a minimum number of 6 (this minimum could be reconsidered) other people. The outcomes and information obtained through network membership could then be shared among the group. The charge would be based on one network rate plus £15/person (e.g. 11 people join as a group and pay not $11 \times £30 = £330$ but, say, $£80 + 10 \times £15 = £230$. The group could choose to pay £23 each ($£23 \times 10$) with the person who acts as the network member having free membership to compensate him or her from the work involved in disseminating information.

Each group member would get only

- access to the website via a password; and
- information about access to training,

but the group as a whole **not each individual** would receive:

- inclusion on the website. Whereas network members would be identified on the site in their geographical location, groups would have single a “virtual” identity with information about the common feature shared by group members and contact details for those wanting to join the group;
- email service for enquiry information and generic advice (via the network member's email address to provide a limiting constraint);
- annual consultation to identify issues for advocacy; and
- input (via a single joint group questionnaire) on courses required.

The group would be expected to be self-organised and to help them achieve this they would receive the mutual's *Guidance notes for groups* suggesting how they might do this – largely by dividing the work of dissemination and mutual support between the group members on a rotating basis.

For those who join as basic members, paying £30, they could also contribute £15 to group membership if they want this as well. They would be perceived the same way within the group but their basic membership would give them directly the services discussed above.

Those who have joined as basic members will have a web presence which would enable them to track down other members with similar businesses and circumstances. Some people might want to maintain confidentiality of their personal details or find out more about other members before signing up for a group. The mutual could offer a ‘dating service’ if this proved to be an issue which would allow members to seek people in the same business or personal circumstances and, for security reasons, exchange information by virtual means without getting each other's personal details until they both agree to do so. They would then have the option of joining or forming a group under the terms described above.

In relation to the targeted serviced discussed below, the guidance notes for groups would include information about:

- Chaired telephone conferences with an invited speaker who talks for 5 minutes and then answers questions for 55 minutes. Group members could self-organise this with the mutual having available suitable moderators and speakers to be employed if required; and a prior arrangement set up with BT or another provider for the conference, if possible at a reduced fee negotiated on the basis of significant business. The likely cost might be £200 per 1-hour conference (£100 for the expert, £50 for a staff chair, and £50 for the telecoms) and with 20 participants in the group costs would be £10 each.
- Courses organised at a national rather than local level for those with similar interests based on a group identifying enough people who want one and making a request to the mutual network members could opt for such a national, interest based event rather than going to a local one: others would have to pay. All would have to meet their own travel and subsistence costs.

Both of these could be requested as part of the feedback processes.

As well as providing a low-cost membership option, group membership could also make a significant contribution to the marketing of the mutual. This opportunity is discussed in more detail later (set-up and start-up costs) below.

Bespoke training

Training made available to members will be needed which are related to the specific needs and scale of small self-employed individuals, based on the outcome of consultations and feedback. Possible examples are:

- marketing and promotion;
- business planning; and
- bookkeeping courses organised in response to demand where gaps exist (charged for at rate which makes small surplus).

Some of these might be provided through local training organisations' existing programmes. Others, both because of location and the wish to have specific content related to individual self-employed people, might need to be designed and run using trainers appointed by the mutual. The proposed feedback mechanism would enable the demand for such courses to be determined so that they would be responsive to identified needs.

In all cases, though, these courses would be run on a break-even basis with an additional charge to members to cover the cost of the course.

Partner agencies

For all other services the proposed approach would be to identify partner agencies and work with them to enable them to offer a service to members, which meets their needs. The role of the mutual would be to collect and collate information from members and enter into an ongoing dialogue with partners to make sure their products meet the needs of the mutual; or if not to consider finding other partners.

It would help the mutual's finances if some commission were to be paid by partner agencies who are paid for commercial services (the mutual could declare such income so that members are aware of the arrangements) but rather than selecting a partner on the basis of commission, it is probably more important to find partners who can provide exactly what members need.

Legal entity

Probably the most suitable legal personality for the mutual is a members' co-operative using Industrial and Provident Society (I&PS) rules but an Industrial and Provident Society for community benefit with two electorates, the members and the stakeholders, may be the option which has to be selected initially as the membership will have to be recruited and engaged in the process of running the organisation. If there are significant partners and stakeholders an I&PS in this form could be a way of bringing the initial stakeholders together to secure their involvement and participation.

The rules will need to specify that in addition to purchasing a £1 share in the organisation, members are required to pay an annual fee otherwise their shareholding is annulled.

There will be additional tasks to be allowed for in the set-up process to recruit and support the organisation's first Board; and additional annual costs which could be significant when the membership expands in sending out nomination and voting papers for the AGM. Keeping members involved and continuing to explain and educate members in the mutual principles on which the organisation will operate will also be necessary.

A lump sum allowance has been made in the budgets for these costs.

Service delivery including staffing

Staffing

To deliver the proposals outlined above, the mutual would need to employ a minimum team of four staff:

Manager

- Consults members and advocates policies relevant to self-employed to Government in areas related to pensions, training, benefit payment, timing of tax payments etc.
- Identifies 'best value' suppliers or discounted services.

- Commissions or writes advice on a range of topics.
- Develops partnerships with an insurance company, bank and electronic point-of-sale provider.
- Develops new products with partners in response to identified member demand: e.g. insurance policies for particular purposes (local food producer; potter; bed and breakfast establishment).
- Organises annual conference.
- Commissions web design and contributes content.

Network managers (1.8 posts)

- Covers defined geographical area.
- Organises workshops for network members.
- Seeks to recruit regional and sector (volunteer) chairs, co-ordinators from membership.
- Sends out electronic newsletter.
- Arranges for member or group marketing/presence on web and commissions web design etc. linked to main site (but open).

Training manager

- Identifies need for courses.
- Prepares/commissions materials for required courses.
- Encourages trainers supported through SBS-successor to run relevant or specifically designed courses.
- Organises training for trainers and approves trainers completing courses.
- Gathers and posts on website information about training and skills development.

Administrators (2 posts – 1.5 in three regions; 0.5 centrally)

- Manage membership, issuing passwords and other information to new members.
- Organise regional network workshops.
- Update website.
- Support managers in other ways.
- The equivalent of one post would be needed for the administration of the group membership schemes: providing passwords and sending out group information packs.

The cost of this team is set out in Annex 2. As well as the cost of the core team the mutual would need to meet the cost of running the workshops described above: these would be delivered by locally trained and accredited providers in venues convenient to members.

Trainers

The delivery of the workshops for network members would be undertaken by locally recruited trainers using materials prepared by the training manager. Courses for trainers will need to be provided and accreditation which then allows them to deliver courses to members.

Partner organisations

Other services would be delivered by partner organisations selected by the staff team who would also seek to build relationships with them so that they provide what members need.

Training; enterprise support

There is already a national network providing training and enterprise support although generally success in recruiting micro-enterprises is limited. Where resources have been available for services have been taken out into communities, it has been the general experience that significant numbers of self-employed people take advantage of them who were not previously 'on the radar'.

These agencies are important partners first because they can meet some of the needs of the mutual's members especially if they have better intelligence about what is needed; and secondly because they could provide an effective route for recruitment into the mutual. Working closely with local partners who are also seeking to identify and support self-employed people could provide good opportunities for recruitment and for contact with regional agencies who might be interested in supporting the mutual during its initial period when revenue support is needed. Co-operation with such agencies might include an agreement for the mutual to locate its branch staff there (which could involve some in-kind support and equivalent cost savings). It is also proposed that an Affinity Scheme would be used to recognise training and enterprise partners' potential role in recruitment: where mutual members are recruited via an agency approved under the Affinity Scheme, 20 per cent of new member fees (ignoring any discount or free initial terms offered to members) would be paid to the agency.

Insurance

Members need independent information on the insurance they should have for their type of business (e.g. as a small food producer selling at a farmers market; as someone providing children's entertainment in people's homes).

The mutual would have a role in making sure the right policies exist and helping members to decide what they need, both in relation to specific products and general products such as ill-health insurance.

A partnership with an insurance company such as NFU Mutual which already provides such products in the food sector is likely to be beneficial.

Pension

Members would benefit from clear advice on a recommended pension route for low-income households which minimises charges, uses secure investments and is flexible, allowing sums contributed to vary over time depending on financial circumstances. There have been various Government initiatives which have rather added to the complexity of choice – 'citizen's pension'; SERPS; and National Savings pension – and advice which encompasses these is likely to be helpful.

The mutual will need to decide if a partnership with an Independent Finance Adviser could be useful so that a small group of schemes can be recommended as meeting needs rather than members being faced with a very wide and potentially daunting choice which means they end up with no pension at all. Alternatively the mutual could go further and design a specific scheme which it believes meets the needs and promote one scheme having obtained appropriate Financial Services Authority (FSA) approval.

Finance

A number of initiatives are in progress around the country to set up community development finance institutions to provide loan finance to assist businesses who have difficulty accessing bank lending – because they have not been trading long enough, or have no security, or are in a complex sector in which banks are not able to invest the necessary time to understand.

Both credit unions and reinvestment trusts are increasing including lending for enterprise development as an acceptable part of personal lending to help fill this gap. The CBP initiative has a number of live pilot projects which aim to bring the

services of credit unions, CDFIs and debt/lending advice services together into one-stop shops. Because of the close overlap between personal and business finance, CBPs are particularly well equipped to provide support for low-income self-employed people.

The mutual's approach will need to involve keeping a database of CDFIs and credit unions that are willing to provide individual self-employed people with small loans for business development, showing the geographical areas they cover and the terms of any borrowing. The role to be played is in providing up-to-date information and, potentially, running joint seminars with CDFIs about the conditions under which lending might be agreed; and how it should be managed.

It may be possible that network members could secure some status with lenders for completing courses offered by the mutual which are intended to provide financial management and business planning skills.

The mutual would also propose to recruit CDFIs and credit unions under the Affinity Scheme discussed above in relation to training and enterprise support providers.

[Advice on accounting, legal and human resources matters](#)

Potential members have outlined a number of topics on which they would find it useful to have advice from time to time. So that these are provided on a member-specific basis, it is proposed that partner advice organisations are appointed to whom queries are directed via 0900 numbers. For example, this might be a firm of accountants, solicitors, and human resources advisers whose costs would be met on the basis of a charge per minute. The aim would be to enable the advisers to cover costs rather than make a surplus and while the mutual might collect some commission, the intention is that this would make only a small contribution to costs as low costs are more important than revenue generation.

There may be scope for offering this service to non-members as well but at an enhanced rate in order to cross-subsidise members support; it is proposed that this is explored when the mutual is established rather than assumed as a source of income.

As the mutual develops, the scope will develop for the members themselves in these trades (rather than the initial professional partners) to market their professional services through the mutual at discounted rates on the expectation that they will pick up further custom from word of mouth recommendations.

[Banking and payment services](#)

There are advantages for quite small businesses, such as a bed-and-breakfast providers, in being able to agree to receive payment by credit card or electronic transfer. Others may want to have this facility on a temporary basis when selling at a market or show and this is likely to be a service which members will want the mutual to offer.

There are a number of providers in the market which enable payments to be made electronically. The mutual could either set up a partnership with one of these or provide its own service. PayPal, which is extensively used to make payments when purchasing via eBay, is increasingly used by individuals for other purposes and it might only be necessary to make available information on its availability and how any risks can be guarded against.

FSB has a relationship with Co-operative Bank through which its members can access a business bank account and Visa card.

NACUW has developed with Street UK and Barclays Bank a new Community Bank Account service that provides access to bill payment and money-management facilities suitable for self-employed people and microbusinesses. This new account will be trialed by the Robert Owen Community Banking Partnership in Mid Wales and the Coventry and Warwickshire Community Banking Partnership from summer 2008 and plans are underway for extending the service in 2009 through CBPs in four other subregions (including the Devon). The Community Bank Account also is linked to a credit facility and thus could offer a banking service similar to the FSB facility for members of the mutual.

Income

Membership

To emphasise the point again, research suggests that cost is critical. The mutual will not be successfully developed if membership costs £100 as this may be a significant barrier for the client group at which this proposal is aimed. The suggested level of charge is therefore:

- £30 for basic membership.
- £80 for network membership.
- £15 for group membership linked to a network member.

Based on the calculation that income of around £280,000 a year is needed for the mutual to be able to deliver the range of services outlined, which implies membership of 8250 members, 5000 of which have basic membership, 1250 network members and 2000 group members. Given the numbers of self-employed this seems a readily achievable target but the mutual would need to be able to offer the services and support proposed before membership can be recruited.

Other sources of funding will be as follows:

Revenue support from Government training agencies for the training function

The mutual will be positioned as a supportive organisation for people on relatively low incomes who need to develop their skills to make their self-employment increasingly successful. This should be of interest to Regional Development Agencies as part of their economic agendas and taking account of their control of learning and skills within their region. Department of Work and Pensions also has an interest.

It is proposed, therefore, that funding is sought for this post from public sources. The role, as described above, is both in ensuring the quality of the training offered through the mutual and in making members aware of the other training available in their area through a range of courses as well as through national schemes such as LearnDirect.

Training courses run by the mutual will generate income which will cover input from administration and Director posts and provide a small surplus.

Suppliers

The potential for commission from the supply to members of telecoms services or other requirements of members is discussed above. There are seen to be considerable difficulties in providing such support from a small organisation and no allowance has been made in the model, although in practice there may be some scope, for example passing members on to suppliers identified by FSB and retaining a proportion of the FSB commission.

Service commission

As discussed, members will be able to access a number of additional services for additional payments, including services from selected providers of insurance, payment services etc.

The mutual needs to provide transparent information to members about such commissions and margins. Their use can be justified to members as the necessary administrative overheads involved in negotiating and maintaining these service offerings so as to be good quality, good value and related to members' needs.

The potential for an overhead related to the issues discussed – insurance, pensions and finance services – will need further exploration. For the business model it is assumed that income per member might be £4 per annum.

Training courses

Training courses to meet member needs in addition to the network member workshops will be required to include a contribution to the mutual's overheads of £2/member.

Overall

Annex 2 summarises the running costs and income from the above sources once the Mutual reaches the point of having 9900 members (6000 basic, 1500 network and 2400 group members).

Compared to the anticipated costs of £369,833, it shows that the organisation could generate a surplus.

Expansion into new geographical areas and areas of interest is likely to continue to require investment which will become harder for the mutual to raise so that expansion will generally have to be self-financed. The balance between income and costs needs to be such that reasonably healthy surpluses are generated in this period, otherwise further growth will be prevented by the inability to take on staff who could develop in new geographical or employment areas.

Set-up and start-up costs

Development provides a 'catch 22': members won't join if good services are not in place but good services depend on a rising volume of member income. There is no alternative but to raise funding to support the mutual for an initial period so that the services are in place when members are recruited.

The process proposed is therefore:

1. Development of key products and establishment of partnership.
2. Pilot study.
3. Fundraising.
4. Initial recruitment.
5. Phased launch, focusing on three areas (which are likely to be three of the four used for the study in Part I of this report: Mid Wales; Coventry and Warwickshire; East London; Devon).
6. Final recruitment.
7. Set up.

This is likely to take 2–3 years at the end of which the mutual would be fully staffed with tested products in place and in a position to expand.

Promotion of the mutual will be through articles in local and specialist press but partner organisations and those concerned with providing training and support for small enterprises could have a significant part to play as well, for example:

- enterprise agencies;
- rural enterprise initiatives;
- credit unions;
- CBPs; and
- farmers markets.

The mutual could have an Affinity Scheme through which partner organisations of this kind are recognised. They might be a source of group membership in particular where they are working in a particular field. Under the Affinity Scheme recognised partner organisations would receive 20 per cent of standard new membership fees: since membership is also

In this early period, it is proposed that membership should be offered free for the first six months so that members would sign a standing order or direct debit mandate to begin six months hence which could still be cancelled if they have not found the mutual delivers what they need.

Growth to the point where the mutual has sufficient income to form a critical mass for further growth using its own reserves could take a further 3–4 years. Annexes 3 and 4 show the revenue required if growth over three years and over four years: the total required is:

	£
Two-year development and pilot	222,812
Three-year start-up	274,889
Total	497,701

or if it requires four years (the two-year development period should enable a better forecast to be made)

	£
Two-year development and pilot	222,812
Four-year start-up	327,738
Total	550,550

As discussed, it is proposed that the start-up should be undertaken in three areas each of which would have a part-time Network Manager for three days a week and a part-time administrator for two days a week. These funds would therefore be sought:

- from national charities and agencies to pay for the development of the mutual's services as a whole, including the training function for which the model assumes income of just over £50,000 a year from the launch even though membership and therefore training outcomes be low in the first years; and
- from regional (or in the case of Wales, national) development agencies for the locally based staff, with possible contributions also for in-kind contributions from the provision of office services and similar support.

For example, if each of three regional pilots secured £45,000 per annum for each of the first three years under the four-year start-up scenario, together with £50,000 per annum at national level, this would provide the £550,000 required to set up the mutual.

If this model can be shown to be successful, it can then be set up in other regions with suitable refinements. The experience of what works best in recruiting members – and the Affinity Scheme in particular – will also provide invaluable lessons when broadening out the service to new areas.

Risks

Set-up

The mutual is a relatively complex operation and significant research is needed in order to complete the design process. There is a risk that after the work to establish in more detail the method of working the scheme will not attract the level of membership it needs. The work which has led to this plan, to seek to identify demand and to design a scheme which is related to the needs, is obviously intended to mitigate the risk. Ongoing consultation with a group of potential members will be an effective of making sure, as the project goes forward, that there is a good prospect that it will be a service that is both in demand and viable.

This is a relatively high-risk period. It is difficult, however, to devise a way of reducing the risk as the only way of attracting members is to have a service in place that they want. It will be essential, therefore, to identify funders who recognise the need for the mutual and are prepared to finance the development and start-up

periods on the basis that the service is clearly needed and must therefore be put in place.

Start-up

The start-up process has been proposed as starting through consultancy with staff employed successively as the service moves towards launch.

Ensuring the service matches the expectation of the new members will be important. There have been many commercial examples of services launched over the internet where demand has exceeded the ability of the service provider to respond and it will be as important to avoid this problem as it will to avoid the problem of insufficient growth. Contingency plans will be needed around the use of temporary staff and consultants in the event of excess demand during the start-up period to avoid the risk of creating a bad reputation and poor satisfaction with the service during the initial period. Roll-out to defined post-code areas while promoting the availability of the scheme more widely might be one way of growing in a controlled way.

In operation

The principles behind the design of the mutual – to keep costs down through the use of websites, emails and virtual information with members only paying for the specific service or training they want – will need to be maintained although much of the detail set out in this plan may change.

There will be a risk that members become more demanding of the email advice or other services included in the membership fee so that costs exceed income and either fees have to be increased or services have to be reduced. In what is intended to be a mutual organisation, it will be important to make sure that there is good transparency in explaining the way fees are spent and income derived from services is used to employ staff and meet other costs. This approach ought to make it easier to adjust the service to bring cost and income into balance in a way which maintains member support.

Next steps

The next step will be, as discussed in relation to the risks, to find funders to provide the means to put this business model into effect.

Creating the legal entity could take place as soon as development funding has been found and the model is under development.

Setting up feedback mechanisms to groups of intended members as the design proceeds will also be important.

Financial projections for the mutual

Annex 1: Development period cost.

Development Stage	(Note: VAT in addition if applicable)									
	Personnel	Other costs	Q1 £	Q2 £	Q3 £	Q4 £	Q5 £	Q6 £	Q7 £	Q8 £
1. Development of key products and establishment of partnership	Consultancy (39 days @ £400)	Travel, meetings (£1000)	16,600							16,600
2. Pilot study	Consultancy (39 days @ £400)	Basic web design (£5000); travel, meetings (£1000)		21,600						21,600
3. Fundraising	Consultancy (26 days @ £400)	Travel, meetings (£1000)			10,900	10,900				21,800
4. Initial recruitment	Consultancy (6 days @ £400)	Advertising (£3000)					5,400			5,400
5. Phased launch	Manager, Network Managers, overheads, consultancy (13 days @ £400)	Promotional materials (£8000); IT consultancy (£12,000); travel						58,823		58,823
6. Final recruitment	Manager, Network managers, overheads, consultancy (13 days @ £400)	Advertising (£3000)							41,823	41,823
7. Set-up	All 5 staff in post									56,765
TOTAL	222,812									

Annex 2: Running costs once established (at year 1 prices).

Income		Members		
		Year 1	Year 2	Year 3
Basic members		1,000	3,250	6,000
Network members		250	813	1,500
Group members		400	1,300	2,400
		£	£	£
Basic membership	£30	30,000	97,500	180,000
Network membership	£80	20,000	65,000	120,000
Group members	£15	6,000	19,500	36,000
Potential membership income		56,000	182,000	336,000

Marketing and recruitment costs

6 months' free membership		28,000	63,000	38,500
	% via this route			
20% paid under Affinity Schemes	33%	3,696	20,790	25,410
Net membership income		24,304	98,210	272,090

Number per workshop	12			
Workshops per member	2			
Number of workshops required		41	135	250
Cost	£250	10,250	33,750	62,500

Costs in year 3	Salary	Nl/pension	Total	% fulltime	Total
	£	£	£	£	£
Manager	32,000	5,320	37,320	100%	37,320
Networks Development Officer	26,000	4,210	30,210	180%	54,378
Training Manager	26,000	4,210	30,210	100%	30,210
Administration	19,000	2,915	21,915	200%	43,830
					165,738
Travel					13,300
Office overheads	25%				41,435
Finance support	12%				24,861
Workshop costs					62,500
Marketing inc. leaflet etc.					20,000
Website maintenance					10,000
IT consultancy					12,000
Other consultancy					20,000
TOTAL COSTS					369,833

	Year 1	Year 2	Year 3
	£	£	£
Salaries	116,634	165,738	165,738
Travel	6,650	13,300	13,300
Office overheads	29,159	41,435	41,435
Finance support	0	12,430	24,861
Marketing inc. leaflet etc.	20,000	20,000	20,000
Website maintenance		10,000	10,000
IT consultancy		12,000	12,000
Other consultancy		20,000	20,000
Workshops - fin. health check	10,250	33,750	62,500
Start-up consultancy (e.g. design, website design)	30,000		
	212,693	328,653	369,833

Income	£	£	£	
Membership	24,304	98,210	272,090	
Training (DTI, DfES)	50,934	50,934	50,934	
Partner supplier contributions	£0	0	0	
Extra service fees	£4	6,600	21,450	39,600
Training course net income	£2	3,300	10,725	19,800
Start-up funding		127,555	147,334	0
		212,693	328,653	382,424
Surplus		0	0	12,591

START-UP COSTS
274,889

Income			
Basic members			6,000
Network members			1,500
Group members	20%		2,400
	@		£
Basic membership	£30		180,000
Network membership	£80		120,000
Group members	£15		36,000
Potential membership income			336,000
Affinity scheme payment			25,410
Net membership income			310,590
	Income per member		£
Tailored services			
Partner supplier contributions	£0		0
Extra service fees	£4		39,600
Training course net income	£2		19,800
			59,400
Government funding related to training outcomes (training manager + overheads + related management cost)			50,934
TOTAL INCOME			420,924

Expenditure

	Salary	NI/pension	Total	% fulltime	Total
	£	£	£	£	£
Manager	32,000	5,320	37,320	100%	37,320
Networks Development Officer	26,000	4,210	30,210	180%	54,378
Training Manager	26,000	4,210	30,210	100%	30,210
Administration	19,000	2,915	21,915	200%	43,830
					165,738
Travel					13,300
Office overheads	25%				41,435
Finance support	12%				24,861
Workshop costs+					62,500
Marketing inc. leaflet etc.					20,000
Website maintenance					10,000
IT consultancy					12,000
Other consultancy					20,000
TOTAL COSTS					369,833
Surplus/deficit					51,091

+workshop costs

No. membership per workshop	12
Workshops per member	2.0
Number of workshops required	250
Cost	£250
Total	£62,500

(Note: In year 3 and year 4 respectively in the start-up scenarios in Annexes 4 and 5, this surplus is substantially reduced as a result of discounts given to new members joining up to the end of the promotional period (the end of year 2 and end of year 3 respectively). In the figures above, the Affinity Scheme payments to partners who recruit members to the mutual continue as there will obviously continue to be membership turnover so that marketing and recruitment are important even if membership numbers in an area stabilise. However it is assumed that the six months' free membership – which reduces income by £38,500 in year 3 of the three-year start-up scenario in Annex 4 – would cease to be offered in established areas. In practice, promotional recruitment schemes are likely to continue in new areas: the surplus will provide the (essential) means to invest in the expansion of the membership – which also benefits existing members by enabling services to be improved and developed.)

Annex 3: Start-up costs (assuming three years to achieve Annex 3 turnover)

Income		Members		
		Year 1	Year 2	Year 3
Basic members		1,000	3,250	6,000
Network members		250	813	1,500
Group members		400	1,300	2,400
		£	£	£
Basic membership	£30	30,000	97,500	180,000
Network membership	£80	20,000	65,000	120,000
Group members	£15	6,000	19,500	36,000
Potential membership income		56,000	182,000	336,000

Marketing and recruitment costs

6 months free membership		28,000	63,000	38,500
	% via this route			
20% paid under Affinity Schemes	33%	3,696	20,790	25,410
Net membership income		24,304	98,210	272,090

No. per workshop	12			
Workshops per member	2			
Number of workshops required		41	135	250
Cost	£250	10,250	33,750	62,500

Costs in year 3

	Salary	NI/pension	Total	% fulltime	Total
	£	£	£	£	£
Manager	32,000	5,320	37,320	100%	37,320
Networks Development Officer	26,000	4,210	30,210	180%	54,378
Training Manager	26,000	4,210	30,210	100%	30,210
Administration	19,000	2,915	21,915	200%	43,830
					165,738
Travel					13,300
Office overheads	25%				41,435
Finance support	12%				24,861
Workshop costs					62,500
Marketing inc. leaflet etc.					20,000
Website maintenance					10,000
IT consultancy					12,000
Other consultancy					20,000
TOTAL COSTS					369,833

	Year 1	Year 2	Year 3	
	£	£	£	
Salaries	116,634	165,738	165,738	
Travel	6,650	13,300	13,300	
Office overheads	29,159	41,435	41,435	
Finance support	0	12,430	24,861	
Marketing inc. leaflet etc.	20,000	20,000	20,000	
Website maintenance		10,000	10,000	
IT consultancy		12,000	12,000	
Other consultancy		20,000	20,000	
Workshops - fin. health check	10,250	33,750	62,500	
Start-up consultancy (e.g. design, website design)	30,000			
TOTAL COSTS	212,693	328,653	369,833	

Income	£	£	£	
Membership	24,304	98,210	272,090	
Training (DTI, DfES)	50,934	50,934	50,934	
Partner supplier contributions £0	0	0	0	
Extra service fees £4	6,600	21,450	39,600	START-UP COSTS
Training course net income £2	3,300	10,725	19,800	
Start-up funding	127,555	147,334	0	274,889
	212,693	328,653	382,424	
Surplus	0	0	12,591	

Annex 4: Start-up costs (assuming four years to achieve Annex 3 turnover)

Income		Members			
		Year 1	Year 2	Year 3	Year 4
Basic members		800	2,000	4,000	6,000
Network members		200	500	1,000	1,500
Group members		20%	320	800	1,600
		£	£	£	£
Basic membership	£30	24,000	60,000	120,000	180,000
Network membership	£80	16,000	40,000	80,000	120,000
Group membership	£15	4,800	12,000	24,000	36,000
Potential membership income		44,800	112,000	224,000	336,000

Marketing and recruitment costs

6 months free membership		22,400	33,600	56,000	28,000
	% via this route				
20% paid under Affinity Schemes	33%	2,957	11,088	18,480	18,480
Net membership income		19,443	67,312	149,520	289,520

No. per workshop	12				
Workshops per member	2				
Number of workshops required		33	83	166	250
Cost	£250	8,250	20,750	41,500	62,500

Staff		Salary	NI/pension	Total	% fulltime	Total
		£	£	£	£	£
Manager		32,000	5,320	37,320	100%	37,320
Networks Development Officer		26,000	4,210	30,210	180%	54,378
Training Manager		26,000	4,210	30,210	100%	30,210
Administration		19,000	2,915	21,915	200%	43,830
						165,738
Travel						13,300
Office overheads	25%					41,435
Finance support	12%					24,861
Workshop costs						62,500
Marketing inc. leaflet etc.						20,000
Website maintenance						10,000
IT consultancy						12,000
Other consultancy						20,000
TOTAL COSTS						369,833

	Year 1	Year 2	Year 3	Year 4
	£	£	£	£
Salaries	116,634	165,738	165,738	165,738
Travel	6,650	13,300	13,300	13,300
Office overheads	29,159	41,435	41,435	41,435
Finance support	0	12,430	24,861	24,861
Marketing inc. leaflet etc.	20,000	20,000	20,000	20,000
Website maintenance		10,000	10,000	10,000
IT consultancy		12,000	12,000	6,000
Other consultancy		20,000	20,000	20,000
Workshops - fin. health check	8,250	20,750	41,500	62,500
Start-up consultancy (e.g. design, website design)	30,000			
TOTAL COSTS	210,693	315,653	348,833	363,833

Income	£	£	£	£	
Membership	19,443	67,312	149,520	289,520	
Training (DTI, DfES)	50,934	50,934	50,934	50,934	
Partner supplier contributions £0	0	0	0	0	
Extra service fees £4	4,000	10,000	20,000	30,000	START-UP COSTS
Training course net income £2	2,000	5,000	10,000	15,000	
Start-up funding	134,315	182,407	11,016	0	327,738
	210,693	315,653	241,470	385,454	
Surplus	0	0	0	15,621	

Appendix 1: Project terms of reference

Building a large and expanding membership is crucial for success of any viable mutual. Through this research there is a need to seek to identify the key groups and sectors of sole traders and community entrepreneurs where market demand may be strongest. To test the market for a new mutual for disadvantaged sole traders and community entrepreneurs, an in-depth market feasibility study and business planning exercise is proposed. The project would have the following ten objectives:

1. Review the successful aspects of other mutuals that have been developed for the self-employed – drawing lessons from India but looking in more detail at unions for the self-employed in the European Union (i.e. the Netherlands in particular) and microsocial enterprise consortia (i.e. the social co-operatives networks in Northern Italy).
2. Test out the market demand for such a mutual and the attractiveness of member-based governance structures, different combinations of product and services offerings and cost efficient delivery methods.
3. Examine how a 'new mutual' could deliver lower transaction costs through peer group systems that could be integrated with the CBP delivery systems under development in subregions of England and Wales.
4. Investigate the most cost-effective ways for the mutual to assist in providing ongoing advice and support for business growth and development in complementary ways that operate in partnership with those services presently delivered by Government-funded programmes for the self-employed.
5. Analyse which business advice, support services and social protection systems the 'new mutual' could a) broker with partners, b) be done via 'self-help' networking by members, c) be leveraged from Government-funded programmes and d) would need to be developed and provided in-house as core services.
6. Develop a set of integrated services that could be delivered by the new mutual and market test these for attractiveness with focus groups of disadvantaged entrepreneurs in the three regions and make adjustments accordingly.¹⁰⁷
7. Complete a market feasibility study for a 'self-employed and social enterprise' mutual with demand appraised in detail in the three regions.
8. Analyse all the data captured in the fieldwork and appraise the best ways to attract local groups of members to trial the development of a new mutual with the active support of the CBP projects in at least four of the targeted urban and rural areas of England and Wales.
9. Complete a five-year business plan for the operational development of the mutual.

Research team and roles

The research team will include:

- Pat Conaty, **nef**
- Polly Raymond, **nef**
- Rumbi Tarusenga, London Rebuilding Society consultant
- Rosemary Foggitt, Common Futures Ltd

- Steve Bendle, Wessex Reinvestment Trust
- Sally Arkley, Women's Business Development Agency

Pat Conaty will lead on the policy and literature review and gathering of international best practice. Polly Raymond will provide general project management and liaison with funders. Rosemary Foggitt, Pat Conaty and Rumbi Tarusenga will collaborate on research fieldwork in the four regions. Pat Conaty and Sally Arkley will be responsible for the third-party interviews. Pat Conaty, Steve Bendle and Rosemary Foggitt will work to develop the Social Enterprise design and business plan model for the mutual. Pat Conaty will lead the research team and ensure delivery of the final report.

The project will run for twelve months and be completed in two phases with an interim report completed for the SBS produced 31 March 2005. The in-depth research will focus on a qualitative sample of 50 disadvantaged entrepreneurs in the London, Coventry and Warwickshire, and rural Devon. The interviews in London will focus on a sample of microsocial entrepreneurs. There will be four main project phases as follows:

(i) Months 1–4: Phase 1

Research literature review and lessons from best practice internationally.

Interview sample development among target groups in four regions.

Research fieldwork in urban areas of London, and Coventry and Warwickshire.

Thirty-six interviews with women – developing micro-social enterprises in London or self-employed in Coventry & Warwickshire.

Research fieldwork with third parties (e.g. SBS, Business Link, Federation of Small Businesses, etc.).

(ii) Months 5–7: Phase 2

Additional research fieldwork interviews with 14 women in rural Devon.

Conducting of separate postal and telephone surveys in each of the three regions to obtain a broader market sample.

(iii) Months 8–11: Phase 3

Development of social enterprise design and business plan for the mutual.

Testing the same with three regional focus groups.

Production of the draft report for consultation with an expert panel to act as a fourth focus group.

(iv) Month 12: Phase 4

Completion of the final report and launch event.

The project research work is 126 days. **nef** will organise the launch event with the funders to ensure widespread dissemination of the report and the findings. The launch event will either be held in summer 2006. **nef** will also promote the publication through its think-tank channels to national policy-makers and civil servants.

Appendix 2: Benefits offered by the Federation of Small Businesses

LEGAL PROTECTION: – Legal advice, Insurance and Information

Access to legal information and document supply included in membership and features: sample contracts of employment, legal case studies, tax, VAT information and more. Members also receive a bi-monthly free national quality magazine devoted to business matters and a free bimonthly regional newsletter giving full information on local issues.

FSB LEGAL INFO: Legal and tax information

FINANCE FOR BUSINESS: Every business needs finance. But how you get it is the big question.

CREDIT CARD: With a credit card specially designed for FSB members, you'll enjoy great benefits and discounts associated with the FSB credit card.

FSB DELIVERY SERVICE: For all your distribution requirements.

DIAMOND ACCOUNT: Deposit account 0.5 per cent under base rate.

FACTORS: Preferential rates on business factoring for members.

FSB BUSINESS BANKING: A package of market-leading business banking benefits offering a number of unique features.

The Co-operative Bank, in partnership with the FSB, has developed a comprehensive new FSB Business Banking package, exclusively for FSB members.

FSB Business Current Account

- Free banking – no catches.
- Credit interest on all balances.
- A fee-free overdraft.
- A free change facility.
- Access via branch, post, 24-hour telephone, internet or Post Office.
- Cheque book and debit card issued automatically.
- Five unique customer service guarantees, with £25 compensation paid for mistakes.
- A unique £25 annual loyalty bonus.

FSB Business Visa Charge Card

- Unique Free-For-Life Business Visa Charge Card.
- Up to 38 days' interest-free credit.
- Free protection insurance.
- Balance automatically cleared each month by direct debit from the FSB Business current account.
- For every £100 spent on the FSB Business Visa Charge Card, the Bank donates 1.25p to our 'Customers Who Care' campaign.

An FSB Discounted Fixed Rate Loan

- Special discount off the Bank's standard flat rate
- Unsecured loans available between £2000 and £25,000.
- Loans above £25,000 considered.

FSB Direct Personal Loan

- A stand-alone product, available to FSB members and their employees.
- Unsecured loans available between £2000 and £25,000.
- Competitive interest rates.

Call 0800 14 14 15 to benefit from this exclusive, market leading package.

INDEPENDENT FINANCIAL SERVICES: Independent Finance Planning with minimum 10% commission rebate. Providing a national network of manned branches of highly motivated, fully qualified staff whose motto is 'Advice from people you can trust'. The range of services available to FSB members is set out below:

- Personal Protection
- Tax Planning
- Retirement Planning
- Investment Portfolio Planning
- Mortgages Company:
- Group Life
- Group Pensions
- Group Income Protection
- Business Protection, including 'keyman' cover and shareholder protection
- Corporate Financial Planning
- Tax Planning
- Branded Group Pension (Stakeholder)

INSURANCE SERVICES

Since 1993 the FSB has provided a one-stop shop, hassle-free insurance service to FSB members via a panel of the finest UK insurance companies. Integral to this, we offer a local-rate telephone helpline to guide FSB members through the commercial insurance minefield.

The FSB commands considerable collective buying power, which is why thousands of members already save substantial amounts of money on their business insurance.

- Free unlimited friendly advice
- Highly competitive commercial, professional and business policies
- Access to our unique Credit Management Service
- Traditionally expensive products brought within your reach
- Your own independent loss adjustor to help with bigger claims. Registration, no obligation to buy

The FSB Insurance Service is operated by Towergate Risk Solutions Warren Hill

INTERNET SERVICES: FSB Broadband. Work Smarter and Faster. FSB Members can save over £80 on a year's broadband line rental compared to BT. FSB Internet Services are offering FSB members the chance to save money on their email and connectivity needs.

Take control of your email and communicate effectively.

- Spam control – reduce unwanted mail
- Anti-virus protection – protect your business from catching and spreading viruses
- Online web access to email
- Mobile email – through Blackberry and Smartphone service
- Online collaboration – through shared calendars, tasks and SharePoint services

Work smarter and faster with FSB Business Broadband

- High-quality Broadband services from £19.99/month
- Free activation and modem for all Broadband Accelerate Services
- Business Broadband, web hosting and Microsoft Exchange email bundles from £29.99/month

FSB Internet Services also offer a wider range of web hosting, domain name registration, web design, email archival and mobile email services ideal for getting the most from the internet.

Every new member gets a voucher offering £100 of FREE services – absolutely no catch! The voucher can be redeemed for a whole range of services including broadband, web hosting, web design, email, domain names and online document management.

MERCHANT SERVICES: Exclusive rates on merchant services **A new card acquisition package for all Federation of Small Businesses members.**

Members will benefit from beneficial merchant service charges, which are subject to credit card turnover and average transaction value.

There are many benefits which include:-

- Competitive pricing.
- Dedicated merchant helpdesk available 365 days of the year, ensuring members have full support.
- Specialist in electronic processing.
- High-speed connection to an authorisation service which means that retail businesses can ensure their queues at the point of sale are kept to a minimum.

TELECOM: Save up to 70%* off fixed-line calls and save on mobile deals

VEHICLE SOLUTIONS: For all your motoring requirements

- Contract Hire/Contract Purchase
- Lease Purchase/VVariable Rate Hire Purchase
- Cash Purchase/Tax Advisory Service
- Maintenance (Standa alone)
- Mechanical Breakdown Insurance/GAP Insurance
- Life Disability Unemployment Insurance
- Vehicle Replacement Insurance
- Hire Purchase/Finance Lease
- Personal Vehicle Contracts
- Sale and Lease Back
- Variable Rate Lease Insurance
- Keycare Protection

MEDICAL: Comprehensive, cost-effective medical cover

- Medical Care Plan
 - Hospital Sickness and Injury Cash Care Plan
 - Term Life Care Plan
 - Personal Accident Care Plan
 - Vehicle Breakdown Recovery Club
 - Medical Travel Care Plan
 - Dental Plan
-

EPOS: Exclusive rates on mobile electronic point of sale. Providing a fully managed solution to merchants requiring MEPOS on a short- or long-term basis to take card payments at exhibitions, outdoor events or for permanent use. Using the Vodafone network, the transactions are authorised and processed live.

Benefits:

- Fully chip and PIN compliant
- Fixed, affordable monthly payments
- GPRS connectivity includes up to 1000 authorisation calls per terminal per month within your monthly rental fee
- Access to over 118 million credit cards in UK – average 3 cards per person
- Real-time authorisation and processing of transactions – significantly reducing chance of fraud
- Peace of mind regarding bounced cheques, and reduces the time spent at the bank, whilst aiding cash flow
- Faster authorisation using GPRS technology – increased opportunity of sales / higher turnover of customers
- Less errors and unpaid items
- Increased security – less cash to handle
- Queue busting

ONLINE: Members-only online directory and member-only website areas FSB members are eligible for a free entry in the FSB online directory which is open to all to read, but *only members* may have an entry. Members may update their details (which include the name and address of their business as well as contact details including email address and their website address where applicable).

Appendix 3: Profile of the London Rebuilding Society Mutual Aid Fund

Mutual Aid Fund

The Mutual Aid Fund (MAF) is a new financial product developed by London Rebuilding Society (LRS) to extend financial services to excluded communities through user-led Community Investment Intermediaries (CIIs). MAF provides wholesale loans to CIIs for on-lending to their members. The transfer of control over physical resources to communities and the resultant empowerment from making decisions over the allocation of credit is a feature that makes MAF particularly attractive to excluded communities in London. MAF has proved to be very popular with refugee and immigrant self-help groups and the following outcomes have been achieved.

Product Innovation and Diversification – LRS had anticipated that all CIIs would offer a standard loan product. However, the CIIs have been very innovative in customising MAF to meet the needs of their members. Thus, at community level, MAF has been diversified into more than six different loan products.

Increased Access to Financial Services – For the pilot phase, LRS projected each CII to lend an average of 8 loans per year. In the first year of lending, 5 CIIs exceeded the projection, making an average of 15 loans. If this trend is maintained, almost 700 people could benefit from lending operations of 15 CIIs during the pilot period.

Building Community Assets – 45 organisations and individuals from excluded communities have moved from having no assets to holding shares in LRS worth £60,000. This in turn, has levered in investment from LRS worth more than £200,000.

Generating a Multiplier Effect – As a result of LRS working through CIIs, a multiplier effect in generating deal flow has been achieved. For example, four loans to CIIs have led to a further 75 loans being made mainly to small community enterprises.

Achieving Outreach – By using self-help groups as intermediaries, LRS has been able to reach a diverse range of communities of interest and has also achieved depth in extending credit to hard to reach communities. To date 15 CIIs have joined the programme representing 15 different communities of interest.

Fostering Ownership – There is a strong sense of ownership of MAF by the groups that are participating as shown by the effective peer to peer recruitment as well as the fact that MAF members have now invested more than £50,000 into the Fund.

Reducing Transaction Costs – The cost of extending loans to excluded communities have been greatly reduced through the use of volunteers and the streamlining of the MAF loan application process.

Tackling Financial Exclusion – The table below shows the progress made by MAF in tackling financial exclusion.

Type of exclusion	Achievements
Access exclusion	<ul style="list-style-type: none"> ● 15 organisations have signed up to be Clls opening up financial services channels to 15 different communities of interest ● 45 organisations and individuals from disadvantaged have acquired shares worth more than £60,000 in LRS ● 7 Clls have used their share investment to lever in additional investment worth £200,000 from LRS. ● Based on the first year of Cll lending, 75 people accessed credit ranging between £250 and £3,000.
Condition exclusion	<ul style="list-style-type: none"> ● Clls have diversified MAF into 6 different loan products to suit their clients' needs and members set their own lending conditions
Price exclusion	<ul style="list-style-type: none"> ● By working with volunteers or part-time staff, Clls have kept costs low and interest rates charged by Clls are between 8% and 20%. Compared with unsecured lending rates of up to 35% and predatory rates of up to 400%, the interest rates charged by Clls make credit affordable
Marketing exclusion	<ul style="list-style-type: none"> ● MAF loans have managed to reach some of the most financially excluded communities, mostly women refugees. MAF loans represent first time borrowing for almost all the Clls and most of their clients.
Self-exclusion	<ul style="list-style-type: none"> ● 15 community groups are tackling self-exclusion by volunteering to work as financial intermediaries and thus act as financial inclusion champions for their communities. ● 75 people previously with poor credit prospects have now been able to access credit

Appendix 4: Mondragon Co-operatives and Group Self-employment System

Rebuilding Society Network: A potential model for rural Wales

'Those who opt to make history and change the course of events themselves have the advantage over those who decide to wait passively for the results of the change.'

Don Jose Maria Arizmendi,
founder of the Mondragon Co-operative Corporation

There are a number of similarities between the Basque country and Wales. Bilingualism for many citizens is a common denominator, devolved governance to regional Assemblies is similar and the population size is almost identical. There are 2.5 million Basques and 3 million Welsh. Both countries are mountainous with large rural areas and also ex-mining areas and declining industrial belts. Both countries also have access to the sea and a number of river systems.

The Mondragon methodology assisted a quite rural area to develop a vibrant industrial base. The Mondragon Co-operative Corporation is testimony to this success. Today it employs over 70,000 worker-owners and is the largest worker co-op in the world. Turnover annually is over €10 billion and Mondragon is now the seventh-largest corporation in Spain. The features that make Mondragon as a system of integrated co-operative enterprise is unique but it should be possible to replicate this success if its operational principles are understood well. So how does it work?

It is impossible to understand Mondragon as a business system without appreciating the ways and means that its operational elements fit together organically. In this way it is a dynamic business system and as a result, a highly productive one. The internal operational profitability is reported to be twice that of the average private sector corporation in Spain. The co-operative system is structured on two levels. The base level encompasses the 220 worker co-operatives that have comprised since the 1980s, the Mondragon Co-operative Corporation (MCC). The second level involves co-operative support corporations and one distribution corporation. These include:-

- (i) **The Caja Laboral Popular** (or Working People's Bank): established in 1959, this is a co-operative development bank and similar to a large credit union but not owned by its savers. Two-thirds of the votes are controlled by the 220 workers co-ops and one-third by the staff of the bank. The bank has 120 branch offices and operates in all the areas of the Basque country.
- (ii) **Mondragon University:** this began life in 1943 as a technical school for the children of rural farmers. It was the first co-operative institution in the system and set up Jose Maria Arizmendi. By the late 1940s it had developed into a Polytechnic college and in the early 1990s it achieved University status. Today it has 4000 students and three campuses in the different market towns of the Basque country.
- (iii) **Ikerlan:** this is the technical research institute for the co-operative system.
- (iv) **Lagun-Aro:** this is the social security and medical co-operative for the workforce. Under Spanish law, workers in co-operatives are all self-employed. Thus they were not covered under Franco by other forms of social insurance and needed to set up their own system to cover sickness and care services. This co-operative also manages the system's pension provision.

- (v) **Eroski:** this is the consumer co-op service of the Mondragon group. It operates a national supermarket which is the largest supermarket and the fourth largest retail business in Spain.

The hub of the Mondragon system is the Caja Laboral Popular (CLP). It invests in new co-ops in a 'social business angel' way. To form a new co-op, help is sought by the co-op workers from both the Mondragon Co-operative Corporation (MCC) and from the CLP. The MCC can provide both marketing expertise, help with business planning and help with business training. The CLP assists with the financing. The entire system is built on five fundamental social-economic principles:

- (i) **Social capital investment:** the experience of Mondragon is that businesses developed by friends are the ones that tend to succeed. So co-ops put forward by those with pre-existing social bonds are regarded as a prerequisite.
- (ii) **Strong financial capitalisation:** this is fundamental to the success of any business and protects a new business from market risks. The MCC and the CLP expect any new co-op backers to put up two-thirds of the start-up capital. As a rule, this works out at about one year's salary per worker. This can be borrowed from the CLP. The remaining third of capital is sought from friends, family and any missing portion can also be borrowed from the CLP.
- (iii) **Collective equity accounts:** profits after tax are allocated in three ways. Ten per cent is distributed to local charitable organisations and other non-profit services; 40 per cent is invested in the reserves of the MCC and utilised as well for R&D and product development; 50 per cent is held in the CLP which manages these funds for individual worker accounts to meet pension needs. These funds have no voting rights, they are assigned to each worker and they are only available as equity to workers when they retire. The retirement system is two-thirds final salary. These collective funds are also used as collateral by the MCC to raise loan funds from the CLP at very low rates.
- (iv) **Fair pay scales:** these have underpinned high rates of productivity and profitability. The pay system is based on minimum and maximum salaries. Originally this ratio was 3:1 between the highest-paid and lowest-paid worker in the co-op. Today the ratio is 10:1 which is vastly lower than the 500:1 ratios common in US corporations.
- (v) **Dynamic governance systems:** the worker members elect 650 representatives to attend the Mondragon Co-operative Congress. These delegates elect each year the Board of Directors for the MCC. The CLP Directors are elected separately by the worker co-ops and by the bank staff. The 650 representatives also elect a Watchdog or Audit Council to monitor the financial performance of the co-op businesses. They also elect a Social Council which monitors and manages personnel issues and make decisions on pay and social welfare provision for worker members.

The CLP itself is divided into two key arms:

- **Banking services:** this provides consumer banking services to its 500,000 customer base. It also provides enterprise banking services to the diversity of co-ops within the MCC.
- **Entrepreneurial services:** this is the 'collective intelligence' of the Mondragon system and includes specialist staff working on research and development in several areas of business including: industrial products, agriculture and food and service industries. Technical support is provided to agricultural co-ops, industrial and manufacturing co-ops, housing co-ops, service sector co-ops and co-operative schools. This division of the CLP also includes intervention teams to assist a co-op with trading problems. The CLP as it is owned by the workers themselves will make every effort to prevent a co-op from failing. Any interest on loans will be suspended, additional capital will be made available and managers will be brought in to turn businesses around. Over the past 50 years, only one co-op has failed: a fishing co-op.

The unique methodology of the Mondragon approach is based on an organic model for business growth. This methodology is known as 'group self-employment'. The Caja Laboral Popular and the Mondragon co-operative group historically used this approach as their engine for new business formation. They were well aware that to manage risk and to succeed, building social capital is critical to business success. Thus not surprisingly, microfinance for individuals in business, the conventional model internationally, has never been a method used by the Caja Laboral Popular.

The Mondragon movement has encouraged self-employed people to find other sole traders in the same or similar type of work and to work out ways to co-develop a business with growth potential and a business that could become more self-reliant. This message encouraged sole traders to begin to see the benefits of mutual aid and the potential beyond social reciprocity to develop worker owned co-operatives. The group self-employment approach goes way beyond the peer lending systems of microfinancing models as it focuses strategically and creatively on capital and balance sheet development, not just working capital and equipment capital needs which debt-based financing targets.

As a methodology for endogenous business growth, this system and the collective equity accounts held in the CLP has been a little understood core reason for the success of Mondragon. Unfortunately this model has not apparently been replicated as an approach elsewhere internationally.

With self-employment in Powys being the largest percentage of any county in Wales, this approach could work in Mid Wales and is certainly worth pilot testing. It could therefore feature as a novel approach for Rebuilding Society Network and the Robert Owen Community Banking Partnership to test through a regional pilot mutual for the self-employed..

Appendix 5: Survey questionnaire and interview topic guide

This is a survey to test the market for a national association designed specifically for self-employed people and community enterprises. The purpose of this questionnaire is to identify which needs are priorities and how best they should be met. It will only take a few minutes of your time. The information provided will be treated as strictly confidential.

1. General background

Name: _____

Address: _____

Telephone no: _____

Email: _____

Gender: M/F

Ethnic origin (please tick):

<input type="checkbox"/>	European
<input type="checkbox"/>	South Asian
<input type="checkbox"/>	Asian
<input type="checkbox"/>	African
<input type="checkbox"/>	Afro-Caribbean
<input type="checkbox"/>	Other

Name of business: _____

Main activity of business: _____

Status of business (please tick):

<input type="checkbox"/>	Sole trader
<input type="checkbox"/>	Partnership
<input type="checkbox"/>	Limited company
<input type="checkbox"/>	Co-operative

Number of years trading: _____

Are you VAT registered: Yes / No

Approximate annual turnover: _____

Number of employees: _____

Number of volunteers: _____

Approximate monthly income drawn from the business: _____

Approximate total monthly household income: _____

Are you a member of the Federation of Small Business? Yes / No

Are you a member of another business organisation? Yes / No

If yes, which? _____/PTO

Please circle according to importance

0=not interested; 1=possibly interested; 2=interested; 3=very interested

	Importance:			
1. Access to advice				
tax liability and savings plan	0	1	2	3
working families tax credit and other benefit advice	0	1	2	3
pension advice and planning	0	1	2	3
general business advice	0	1	2	3
specialist business advice related to your business	0	1	2	3
information on regulation specific to your business	0	1	2	3
legal advice (e.g. health and safety, employees	0	1	2	3
sickness (including sickness insurance)	0	1	2	3
joint buying or procurement of services	0	1	2	3
marketing your products and services	0	1	2	3
business planning	0	1	2	3
VAT, accounting and financial planning	0	1	2	3
2. Networking and inter-trading events				
meet up with other self-employed people in the same business	0	1	2	3
meet up with other self-employed people for inter-trading opportunities	0	1	2	3
3. Discounted or best value services				
general insurance	0	1	2	3
banking services	0	1	2	3
insurance for the specific needs of your business	0	1	2	3
business supplies or equipment specific to your work	0	1	2	3
shared transport or deliveries	0	1	2	3
telephone and Internet	0	1	2	3
4. Support services				
access to loan finance (for working capital or equipment)	0	1	2	3
holiday cover	0	1	2	3
small serviced office or business premises nearby	0	1	2	3
business networking	0	1	2	3
joint marketing (e.g. shared website, small business trade-fair, member Directory)	0	1	2	3
5. Personal support services				
Personal advice and support, or mentoring	0	1	2	3
Time management training	0	1	2	3
Childcare services	0	1	2	3
Respite care (for older or disable relatives)	0	1	2	3
Social events to meet other members	0	1	2	3
6. Other (please identify and rate)				
	0	1	2	3
	0	1	2	3

Which three services would be of most interest to you? Please list in order of priority:

.....

.....

.....

Are there any other services you would welcome? Please describe and suggest the form they could be provided in (telephone, web, face-to-face, etc.).

.....

If you were happy with the delivery of the services you wanted, would you be prepared to pay a membership subscription of:

- ☐ £8 a month
- ☐ £6 a month
- ☐ £4 a month
- ☐ £2 a month?

What is your greatest concern for the future?

What is your greatest hope for the future?

Do you have any further comments?

Signed

Date

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