HIDDEN ENTREPRENEURS

Unlocking the entrepreneurial talent of young people not in education, employment or training.

Public Life and Zinc Innovation Partners
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About this paper

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Public Life is a social business that finds hidden entrepreneurs and employs them, on a salary, to build businesses with their place behind them. It runs Citizen First, independently evaluated to deliver £10.43 of social and economic value for every £1 invested.

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INNOVATION PARTNERS

Zinc Innovation Partners is part of Zinc, a purpose-driven venture builder and investor founded in 2017. It designs and delivers venture building and talent programmes for philanthropy, research funders and government.

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Summary

Close to a million young people in the UK are not in education, employment or training. The Milburn Review has called for new ladders of opportunity for young people. Starting a business should be one of them. The Autumn Budget announced a Young Entrepreneurs Allowance (YEA) to cover a year of living costs for young founders while they start a business. The design of the pilot is still open. This paper sets out how to make it work, seizing this moment of challenge for the country to unlock a wave of ambition and support for our young people.

Our central argument is that more young people from ordinary backgrounds can build real businesses than the country expects, if they are found and backed in the places in which they live. The conventional story is that self-employment is a marginal route for young people. But that's what happens when young people try to start a business with nobody behind them. With serious backing, we believe they can build successful businesses, and the YEA pilot is the moment to test that.

The income the YEA unlocks is a critical condition for success. But income alone will not unlock hidden talent. Successful founders have contacts, advice and first customers within reach. Young people need those connections built for them. Drawing on the experience of Public Life and Zinc, we propose a place-led system in which mayoral strategic authorities commission approved providers to find young people with the drive to build something, and back each of them with a cohort of fellow founders, a coach who has built a business, a commercial curriculum and a place organised behind them.

We are asking government to do three things.

1. **First, design the YEA pilot around place-led partnerships** with mayoral strategic authorities, with places deciding who is backed, within national standards.

2. **Second, set ambitious targets for the pilot** and evaluate it independently, to inform a decision on national rollout from 2028.

3. **Third, create a route within the Jobs Guarantee, Build Next,** so that young people who have been looking for work for 18 months have the option of spending their six months building a business, employed by an approved programme.

Public Life and Zinc are ready to work with mayors to deliver the first pilots and to mobilise the businesses, institutions and investors in each place.

1. More hidden entrepreneurs than the UK expects

Close to a million young people in the UK are not in education, employment or training. That number contains two different groups. Some young people are NEET for a short time between school, college, university and work, and most of them find their own way into a job. Others are stuck: they have been out of work and education for a long time, and without help they are likely to stay there. But as the numbers increase, more and more of those who expected to be in the first category are finding themselves in the second. That is why policymakers and citizens alike must step up. The scarring effects of early unemployment are large. Now is the moment to mobilise behind our young people. We should improve skills training, increase access to treatment and support for those with health conditions, open up new jobs, and more. But in a vibrant economy, backing young people to create their own job by building a real business that can support them in the long term, must be part of the answer.

Government has already decided that it will. The Autumn Budget announced a Young Entrepreneurs Allowance, a pilot that will cover a year of living costs for young founders while they turn their ideas into businesses. Its age range, amount, application process and start date have not yet been published. This paper is a contribution to the design phase. It is grounded in our experience finding and supporting hidden and unexpected entrepreneurs. It is a call to action for government, and for citizens and communities to change not just how they behave but how they think about what young people are capable of.

Our argument is that the country expects too little of its young people. The conventional view is that self-employment is a marginal and mostly modest route for young people into work, and one that unemployed young people rarely want to pursue. We think that view reveals a poverty of ambition, and it is ours, not theirs.

The question we need to ask is what would be possible if we changed that context. Our experience tells us that with active scouting, well-structured support and a place organised behind them, far more young people could build real businesses than is assumed. The YEA is the moment to test that properly.

What the evidence shows

The most thorough recent analysis, by the University of Westminster and Aston University for the Youth Futures Foundation, sets out the conventional picture clearly:

- Self-employment is uncommon among young people and rises with age. Between 2010 and 2019, 4% of men aged 16 to 25 were self-employed, compared with 16% of those aged 36 to 40. For women the figures were 2% and 8%.

- Most unemployed young people have no interest in starting a business: nearly three quarters say so. But close to one in five has plans to start one, about the same share as among young employees.

- Young self-employed people earn more than employees at first, but employees catch up and overtake them by about age 24 or 25.

- Companies set up by young people do not survive as long as those with older directors. They survive much longer when a relative, especially an older relative, is a co-director.

Why we need to think differently about youth entrepreneurship

The data describes today's system.
The findings above describe young people who went into self-employment without scouting, backing or organised support. Low rates among disadvantaged young people tell us what happens when nobody backs them.

The ambition exists already.
Close to one in five unemployed young people plan to start a business, the same share as among young people in work. Being out of work doesn't limit their ambition.

Young people expect to work for themselves far more often than they do.
Asked at 16 to 21, young men put their chance of future self-employment at 37% and young women at 32%, far above the share who go on to do it. The researchers note that this may be frustrated demand, although tastes also change with age. The gap is widest for Black young people: among young Black men, the share who become self-employed is about a quarter of the share who expected to, and among young Black women about a sixth.

Interest grows with exposure.
Young people with no interest in starting a business are much less likely to know someone who has started one, which the researchers read as a possible sign of network effects. Fear of failure as a reason not to start has grown steadily, and it holds young people back more in the UK than in the Netherlands or Germany. If interest depends partly on who you know, a place that connects young people with founders, customers and backers can create demand as well as meet it.

The gap between rich and poor comes from experience.
A study following the whole population of Finland found that children from the richest families are much more likely to found businesses, and that the biggest single reason is that they get their first experience of running a business earlier. Experience is something a programme can provide.

Young people from low-income backgrounds already work for themselves.
Young men from low-income families are more likely than others to follow the self-employment path, and young self-employed people live in households with less other income than young employees. What they build tends to stay small and local, often subcontracting. There is an opportunity to help them build further.

Previous schemes tested something different.
The Enterprise Allowance Scheme of the 1980s required applicants to show they had £1,000 to invest, which in practice favoured those with family money. The New Enterprise Allowance (2011 to 2021) paired a mentor and a business plan with an allowance of £1,274 over 26 weeks, through a Jobcentre referral, and young people started only a small share of its businesses. These schemes don't show what serious backing could achieve.

The cost of trying is small and the cost of not trying is large.
A pilot in two or three places, with clear tests before it grows, costs little set against the cost of a generation stuck outside work. If government doesn't test a bolder approach, low expectations may go unchallenged.

2. The proposal: a place-led model

Government already has tools that pay for young people's time while they try something new. The Young Entrepreneurs Allowance will cover a year of living costs. The Jobs Guarantee funds a six-month job for young people who have been looking for work for 18 months, though every placement must be a job with an employer. Universal Credit lets a claimant who becomes self-employed for the first time spend up to a year building a business without being asked to look for other work.

What is missing is the kind of backing that makes sure a young founder can succeed. Selection matters too. Earlier schemes chose people by access to capital or by Jobcentre referral. Our joint experience finding and backing founders from unexpected places all the way to success tells us there is a different way.

We propose a place-led system. In each pilot area, the mayoral strategic authority commissions approved providers to find young people with the drive to build something, to back them with a cohort, a coach and a commercial curriculum, and to organise the area's businesses and institutions behind them.

Young people would come in through one of two routes, depending on their circumstances, and those whose businesses take off can move into a third. Both entry routes draw on money government has already committed: the Young Entrepreneurs Allowance and the Jobs Guarantee. Spending is scaled by need. The second route - Build Next, for young people who have been looking for work for 18 months - has the most support per person.

Route	For	Funded by	Programme
Build First	18 to 24 year olds outside work and education, selected by the place for barriers and potential	Young Entrepreneurs Allowance	Larger cohorts, lighter support per person, the place mobilised behind them
Build Next	18 to 24 year olds on Universal Credit and looking for work for 18 months	Jobs Guarantee wage, wraparound funding and mayoral top-up	More in-depth coaching and business support.
Accelerate	Founders with traction from either route, around six months in	Mayoral, philanthropic or investor funding	Venture-building intensity, small numbers

Three things set this approach apart from conventional enterprise support: how it finds talent, the place behind each founder, and the cohort each founder belongs to.

Finding the talent

The usual ways of finding entrepreneurs are designed to miss the young people we want to reach. An application that asks for a CV, qualifications or a business plan screens them out, and many of the most promising do not yet think of themselves as entrepreneurs at all. Open applications also favour people who would have started anyway.

These programmes should be selective, and selective in a different way. They should look for drive and for something to build on: a skill, an idea, or first-hand experience of a problem worth solving. And they should go out and find people, working with the mayor's office, youth services and community organisations to reach young people who would never see an advert, or have the confidence without a conversation.

This is how venture builders work. Zinc has assessed more than 7,000 would-be founders since 2022 and backed more than 60 teams, recruiting people around a mission before they have an idea and selecting on drive and experience rather than CVs. Public Life's Citizen First model recruits without CVs too, selecting for lived experience and entrepreneurial spirit. Its programme in the Liverpool City Region was 24 times oversubscribed, and 87% of applicants had direct experience of economic disadvantage.

A place that backs its young founders

The popular image of the entrepreneur is a lone founder with a good idea and a clear run. In practice founders depend on others. They need money to live on while they start, advice from people who have done it before, introductions, and a first customer willing to take a chance. Which young people get that help depends on their family and where they grow up. In Britain, only 18% of start-up founders come from working-class backgrounds, against 45% of the population. Well-off young people often have these connections without having to build them. They might have a parent's colleague who becomes a first customer, a family friend who explains how to price a contract, or an introduction that opens a door. These connections are a form of infrastructure. Where they are missing, everything is harder.

A place can build this kind of social infrastructure deliberately, but it needs effort and investment, like any other infrastructure.

Citizen First has shown what happens when they are asked. In the Liverpool City Region it mobilised more than fifty organisations around a single cohort of founders. They found applicants, opened doors and gave pro bono support, and by the end of the year were backing the ventures as investors, customers and delivery partners. Others are showing that places can invest in this kind of civic infrastructure, too - from Kindred's network of social economy organisations in Liverpool City Region to neighbourhood hubs such as Citizen Hub. Every place has institutions and businesses that want to do something for their young people. Not all can create jobs, but almost all can back a young founder: by offering advice, opening a door, testing a product or becoming a first customer

Once built, these connections grow. Every cohort adds to the network, and today's founders become tomorrow's mentors, suppliers and customers. Scaling the Citizen First approach means investing in the people and organisations who build and maintain a place's connections, so it can back far more young people than one cohort.

A cohort to belong to

Cohorts are central to this. Commercial venture builders and accelerators, from Y Combinator and Entrepreneur First to Zinc, almost all bring founders together in cohorts, because founders in a cohort behave like siblings. They support each other through setbacks and share what they learn, and they also compete, pushing each other to move faster and aim higher. Support and competition come together. The same pattern appears in higher education, where a sense of belonging among peers predicts whether students stay and do well. In one well-known study, a short exercise to strengthen first-year students' sense of belonging improved Black students' grades through university, and a follow-up years later found they had greater life and career satisfaction.

The independent evaluation of Citizen First by Brunel University of London and Northumbria University found that a small, close cohort helped founders overcome the low confidence and isolation they had described before the programme. For a young person without a network of their own, the cohort is where that network starts.

Each founder also has a coach. This is someone who has built a business and stays with them through the programme. This is more than hands-off mentoring. It is a backer who fights for that young person, the approach Zinc takes in its venture building, where each founder is paired with someone who has done it before.

Conventional enterprise support	Our approach
Recruits with a CV or business plan	Recruits for drive and something to build on
Attracts people who already see themselves as founders	Scouts hidden talent, including young people who do not yet see themselves as founders
Backs the business	Backs the person
Teaches business skills	Builds commercial capability by selling to real customers
Provides a mentor	Provides a coach who has built a business, and a cohort
Makes referrals	Mobilises a whole place
Defaults to consumer businesses	Organises local demand and finds first customers
Anchored to the individual	Anchored to the place

3. Design choices

This section sets out the main choices the YEA pilot faces. For each, we give the principle and why it matters, what government should set nationally, the options places could choose between to get the best value for money, and how success should be judged. We are not proposing a single programme design. Different choices in different pilot places are a strength because the evaluation can learn from them.

3.1 Eligibility and selection

The principle.
The YEA should not be something any young person can claim by ticking a box, and it should not depend on a Jobcentre referral. Places should decide who is backed, aiming at young people who face real barriers and have the drive to build something. This is how the pilot avoids paying for businesses that would have started anyway, and how it finds talent that conventional routes miss.

Set nationally:

- Aged 18 to 24, currently not in education, employment or training, and living in the pilot area, whether or not they claim benefits.
- Participants should be young people who have faced real barriers to work, education or starting a business, which the allowance and support can help them overcome. Government sets this principle; places decide how to apply it.
- A capped number of places in each area.

Options for places:

- Signs of disadvantage used to prioritise applicants, such as free school meals history, care experience, living in a deprived area, a health condition or caring responsibilities.
- A minimum time out of work and education, to focus on young people less likely to find their own way.
- Room for the selection panel to use judgement beyond formal criteria.
- How outreach is done, and who sits on the selection panel. Selection should not require a CV or a business plan. It should look for drive and something to build on, like a skill, an idea, or first-hand experience of a problem.

How success is judged:
whether places reach young people with weaker prospects without the programme, and how those young people do on the outcome measures in 3.4.

3.2 Support that comes with the allowance

The principle.
The allowance pays for a young person's time. What makes the difference whether they build a real business is the backing around them. Previous schemes paired an allowance with a mentor and a business plan, with modest results. The pilot should test something different.

Set nationally:

- Every YEA recipient in the pilot gets support covering four things: a cohort of founders building together, a coach who has built a business, a commercial curriculum centred on finding and selling to real customers, and access to the organisations the place has mobilised. Government sets the minimum each must include.
- Support is provided by organisations the mayoral strategic authority commissions, not by Jobcentres.
- A common approach to evaluation, so places can be compared.

Options for places:

- Cohort size, how often cohorts meet, and whether they are organised by area, sector or mission.
- How many founders each coach supports, and how support increases for those who need more.
- How the curriculum is delivered, from short intensive sessions to ongoing workshops.
- Which local institutions take part and what they commit, and how demand is organised. For example, a place could publish real problems its public bodies and publications would pay to solve, so that founders look beyond familiar consumer businesses.
- Practical help such as wellbeing support, childcare, equipment or workspace.
- One lead provider or several.

How success is judged:
the outcome measures in 3.4, plus evidence of what the place contributed: which organisations took part, how many introductions and first sales came through the network, and how founders experienced the support.

3.3 Build Next: building a business within the Jobs Guarantee

The principle.
From this autumn, the Jobs Guarantee offers a fully funded six-month job, at 25 hours a week at the relevant minimum wage, to 18 to 24 year olds who have been on Universal Credit and looking for work for 18 months. These are the young people the system expects the least of. It is also where spending most clearly follows need, so it should be the most intensive offer in the system.

The usual assumption is that young people who have been out of work for 18 months need the simplest possible route back, and that starting a business is too hard for them. We think that is often the wrong way round. Many of the reasons a young person struggles to get or keep a job, such as neurodivergence, experience of trauma, a long-term health condition or caring responsibilities, are about fitting into someone else's structure: fixed hours, a set way of working, a manager who may not understand. Building a business lets a young person shape work around what they can do and what they are good at, and gives them control over when, where and how they work. It also gives them the experience of acting on their own judgement and seeing it pay off.

The evidence points the same way. Among young people in work, self-employment is more common for those with a health problem that limits the work they can do, and self-employed people report higher job satisfaction and less job-related anxiety than employees. For some of the young people the system has written off, building their own business may be their best chance of thriving.

At present every Jobs Guarantee placement must be a job with an employer, and the rules prevent any single employer taking on young people at scale. An approved enterprise programme cannot employ a cohort of founders.

Set nationally, which needs a change to the rules:

- Building a business within an approved enterprise programme counts as a Jobs Guarantee job.
- An approved programme can employ a whole cohort of founders, with approval based on its track record, its capacity to employ and safeguard young people, and its finances, and numbers agreed with DWP.
- Wraparound funding for these placements can pay for coaching and the curriculum.
- The business belongs to the founder.
- Participants can continue on the Young Entrepreneurs Allowance or move up to Accelerate when the placement ends.

Options for places:

- Extending placements beyond six months or 25 hours a week, with mayoral or philanthropic top-ups.
- Smaller cohorts and more coaching than in Build First.
- Combining time on the venture with paid work at a partner organisation in the place.
- Health, wellbeing and practical support.
- How young people are found, through work coach referrals and community outreach.

How success is judged:
the outcome measures in 3.4, plus how many participants continue on the YEA, move up to Accelerate or move into a job. Similar young people on standard Jobs Guarantee placements is a useful comparison, andgives the clearest evidence in the pilot of whether more young people can build businesses

3.4 Measuring what young people can achieve

How the pilot measures success will shape what it achieves. If the only measure is whether young people move into any kind of work, the pilot will be designed for that.

We propose that the pilot sets ambitious targets openly and reports against them, even if it falls short. The specific measures should be set by the independent evaluator against a matched comparison group of similar young people. As an illustration of the ambition we have in mind, outcomes could be reported as a ladder:

1. Sustained work. Participants are in sustained work of any kind (employment, self-employment or both) a year after the programme. This is the floor that protects every young person who takes part.

2. A business. Participants earn a living from their own business at 18 months, at or above the level of the Universal Credit minimum income floor.

3. A growing business. Participants employ others within three years. Investment raised and contracts with institutional customers are early signs along the way.

The third rung shows the scale of ambition. Among self-employed 16 to 25 year olds today, only around one in twenty employs anyone. A pilot that aims for several times that rate among young people from disadvantaged backgrounds would be testing the claim at the centre of this paper. Two safeguards should go with these targets. Sales to organisations within the place's own network should be reported separately. They are a real achievement and a sign the place is doing its job, and reporting them separately shows both what the place contributes and how far businesses are winning customers beyond it. And targets should apply to every route, including Build Next, so that providers cannot hit them by choosing only the most promising applicants

4. Running the pilot

We propose that the first phase runs in two or three mayoral strategic authorities with different local economies, each committed to mobilising its businesses and institutions behind young founders. Each place should run both entry routes, Build First and Build Next, alongside a small Accelerate cohort, so that the pilot tests the system as a whole.
Each place should run at least two cohorts. The connections a place builds grow with each cohort, as founders from the first become mentors, suppliers and customers for the next.

Places will make different choices about selection, support and how they mobilise their area. A common evaluation framework lets government learn which choices work best, and for whom.

The pilot should be evaluated independently against a matched comparison group of similar young people, using linked administrative data on education, benefits, employment and self-employment. Build Next offers a particularly strong test, because its participants can be compared with similar young people on standard Jobs Guarantee placements. The evaluation should also look at how places mobilised their institutions and what that contributed. The Youth Futures Foundation, the national What Works Centre for youth employment, would be a natural partner.

Early results at 12 months, on reach, sustained work and businesses trading, should inform a decision on national rollout from 2028, against criteria agreed at the start. Longer-term outcomes, including businesses that go on to employ others, should be tracked for at least three years.

5. Recommendations to government

1. Design the Young Entrepreneurs Allowance pilot around place-led partnerships. Run it with two or three mayoral strategic authorities, each commissioning approved providers to find and back young founders. Places should decide who is backed, within national standards and a capped number of places. Every participant should have a cohort, a coach who has built a business, a commercial curriculum and access to a place mobilised behind them, funded through a mix of government, mayoral and philanthropic money.

2. Create Build Next within the Jobs Guarantee. Change the rules so that building a business within an approved enterprise programme counts as a Jobs Guarantee job, an approved programme can employ a whole cohort of founders, wraparound funding can pay for coaching and the curriculum, the founder owns the business, and participants can continue on the YEA or move up to Accelerate when the placement ends.

3. Set ambitious targets and evaluate independently. Report outcomes against a matched comparison group, including a comparison of Build Next with standard Jobs Guarantee placements, and use early results to decide on national rollout from 2028.

If government puts these foundations in place, we will help build the rest. Public Life and Zinc are ready to work with mayoral strategic authorities to deliver the first pilots, alongside other providers, and to lead the work of mobilising businesses, anchor institutions, investors and community organisations in each place.

Our aim is a national movement of places and people committed to backing Britain's hidden entrepreneurs.

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