

Fast Facts

Do microenterprises provide employment beyond the business owner?

The **Trendlines** series highlights findings drawn from FIELD, MicroTest, and other sources of data on the U.S. microenterprise industry. This issue examines employment generated by microenterprises both for the owner and for others. Paid workers include employees and contractors.

This fact sheet summarizes the experience of entrepreneurs in 2009 that were surveyed by 21 microenterprise programs in 2010. The mean and median time that these entrepreneurs received services from the programs was 1.5 and 1.0 years.

Methodological Summary

Through its members, MicroTest annually conducts a survey of the business, household and individual outcomes of microenterprise clients.

The analysis compares information about the client when entering the microenterprise development organization (MDO) to the client's status approximately one year after receiving services.

Only clients, those who received significant services from the MDO (training, loan, grant, etc.), are eligible to participate in the MicroTest Outcomes Survey.

Only clients who received services in 2008 were eligible to be surveyed about their outcomes in 2009. The survey was conducted in 2010 in person, by telephone, by mail, and on-line.

While this fact sheet presents longitudinal information on changes achieved by clients and businesses, there are no claims of causality or reporting of the net benefits of the microenterprise development organizations because there is no comparison group data. There is evidence, however, that clients found value in program participation, and that the information and skills they received were used to run their businesses. As a result, it is likely that at least some of the changes observed are attributable to the services they received.

Diagnostics:

- 53% survey response rate
- 1,172 completed interviews
- 21 participating MDOs

Major Indicators:

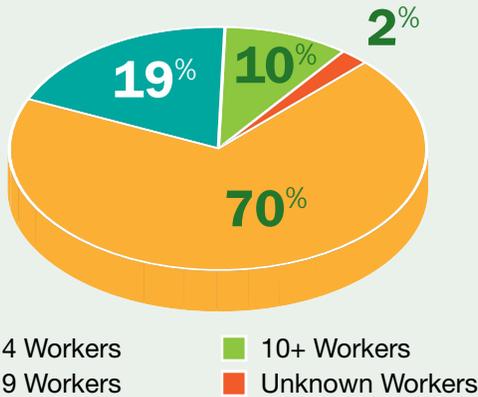
- Business start & survivability rates
- Business growth
- Job creation from business
- Contribution to household income

How Many Jobs?

2,509 Jobs
or **2.9** Jobs per business

879 clients had a business in 2009. 41% reported paying employees or contractors to work in their business. Including the owner, a total of:

Paid Workers per Business

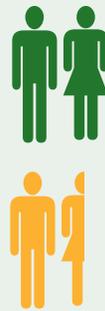


How Does Micro Compare?

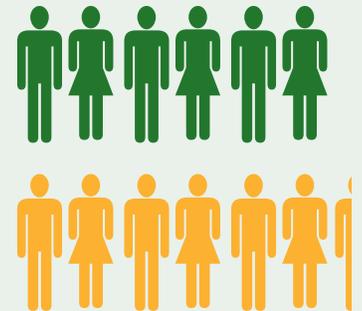
Excluding owners, there were 1,630 paid workers employed by 359 of 860 total businesses for a mean of 1.9 paid jobs per business.

Mean Number of Jobs

Businesses 1-4 Workers:



Businesses 5-9 Workers:

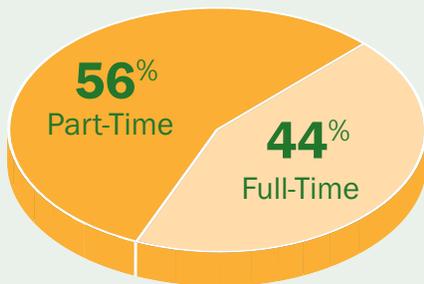


■ Micro Test ■ Census

Although U.S. Census data counts only employees as jobs and FIELD's data includes all paid work, both point to microenterprises' role in job creation. Microenterprise development organizations target those who have difficulty accessing mainstream business services. Despite this focus on the underserved, the businesses included in the MicroTest dataset report employment figures that compare strongly with all similarly-sized U.S. businesses.

Most Jobs Part-Time

Respondents reported the full-time/part-time status of only 51% of the 827 positions in their businesses.



While a microenterprise is generally defined as a business with five or fewer employees including the owner, this survey identified a number of businesses with more employees. Some of these businesses grew to this larger size since receiving program services. Others, even though larger at intake, were assisted by programs that offer services to a broader array of disadvantaged business owners.

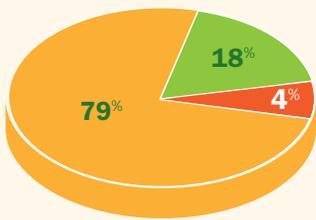
U.S. Census Bureau, *Annual Economic Survey, 2009 County Business Patterns: Geography Area Series: County Business Patterns by Employment Size Class*. Available from: <http://www.census.gov/econ/cbp/download/index.htm>

More detail on the characteristics of clients served by MDOs can be read in *Field-Wide Survey Data Highlights FY2008 Data* (Washington, D.C.: The Aspen Institute/ FIELD, 2010); available from <http://fieldus.org/Publications/HighlightsFY2008.pdf>

How Much in WAGES?

The \$11 median hourly wage reported for paid workers is 52% higher than the Federal minimum wage. 18% (161 paid workers) had hourly wages above the U.S. national hourly median wage.

Hourly Wages n=908



- Below Fed. Minimum Wage \$7.25
U.S. Department of Labor Wage and Hour Div.
- Between Minimum Wage and U.S. Nat'l Hourly Med. Wage
- Above U.S. Nat'l Hourly Med. Wage \$15.95.
Bureau of Labor Statistics: May 2009 National Occupational Employment & Wage Estimates

46% of paid workers had hourly wages that met or exceeded the federal poverty threshold for a household of four.

Poverty Threshold \$10.60/Hr.

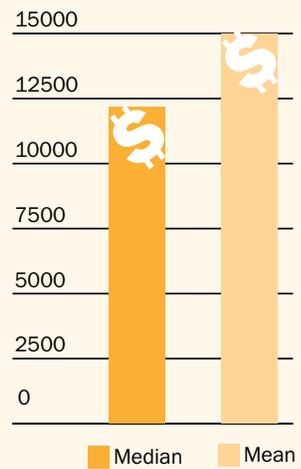


🏠 = 90.8 Four-Person Households

Because household size of paid workers is unknown, it is not possible to determine how many actually match the demographic used in this yardstick. Still, it suggests that for many individuals these jobs likely serve as one component of a household's income stream rather than as household-sustaining jobs in and of themselves.

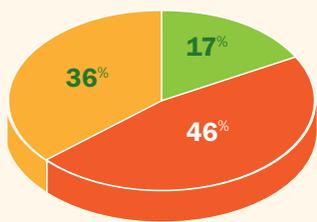
U.S. Dept. of Labor Wage & Hour Div. and U.S. Dept. of Hlth. & Human Services, 2009 Poverty Guidelines

Annual Wages n = 782



Depending on pay rate and actual hours worked, annual payments ranged from \$150 to \$88,320.

Hourly Owners Draw n=461

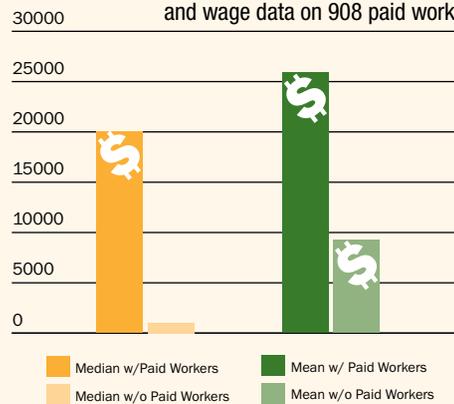


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53% of business owners were compensating themselves in the form of an owner's draw in 2009. For these owners, the median and mean owner's draw reported was \$18,000 and \$24,563. For 54% hourly wages were above the federal minimum wage and for 43% hourly wages met or exceeded the federal poverty threshold for a household of four.

Owners with paid workers report median owner's draws 20 times higher than businesses without paid workers.

Owner's Draw Data based on 299 businesses and wage data on 908 paid workers.



Businesses Increased Paid Workers by 86%

1153 Clients

59% With a Business at Intake

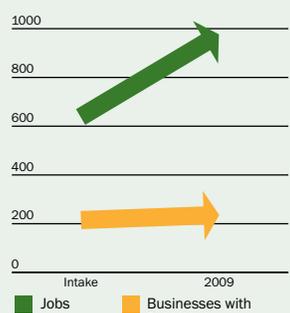
41% Without a Business at Intake

90% of Businesses Survive and add 338 Jobs — a 53% Increase



10% of Businesses Close
At intake, 51 businesses reported a total of 42 paid workers, 23 of whom were part-time and 19 who were full-time. On average, businesses that closed had 0.8 employees per business at intake compared to 1.3 employees per business among those that survived to 2009.

New Jobs: Intake to 2009

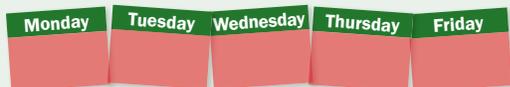


83% of business owners (508) reported data on paid workers at both program intake and 2009.

Part-Time Jobs Increased 25%



Full-Time Jobs Increased 66%



From intake to 2009, longitudinal data on full-time and part-time status of jobs was available for 423 businesses. The median time between intake and the end of the survey period, December 31, 2009, was 2.0 years (mean of 2.4 years) for these surviving businesses.

253 New Businesses Created

292
New Jobs
1.2 Jobs
per Business

The 292 new jobs excludes the owner. Three, or 1%, of new businesses did not report data on employees.

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SERIES

This fact sheet was prepared with data from MicroTest, a project of FIELD of the Aspen Institute.

For more information, visit www.fieldus.org