

DESIGNING MICROENTERPRISE PROGRAMS FOR WELFARE RECIPIENTS

Welfare reform at the federal level. . . has created both new challenges and new opportunities for microenterprise programs seeking to serve welfare recipients.

For more than a decade, microenterprise programs in the United States have worked to assist welfare recipients to use self-employment as a means to move toward self-sufficiency. Their efforts were driven by the belief that there were welfare recipients who had the skills and capacities to operate a business, and that these individuals should have the opportunity to create jobs for themselves.

Under the old welfare program, Aid to Families with Dependent Children (AFDC), individuals pursuing self-employment found themselves challenged—and often thwarted—by regulations that penalized recipients who acquired business assets and generated business income. However, several microenterprise organizations, working in demonstration projects that were able to waive these regulations, succeeded in assisting welfare recipients to start businesses and reduce their levels of welfare assistance.¹

Welfare reform at the federal level, which replaced AFDC with the new Temporary Assistance for Needy Families (TANF) program, has created both new challenges and opportunities for microenterprise programs seeking to serve welfare recipients. On one hand, the TANF program

provides states with the flexibility to reduce or eliminate the asset and income rules that previously posed the greatest challenges to self-employment. On the other hand, several provisions of the new law, such as the time limits and participation requirements described below, can create new barriers if state and local welfare officials are not supportive of microenterprise development.

The Mott Foundation's Microenterprise Initiatives for Welfare-to-Work

Concerned with the impact that welfare reform would have on the nature and success of microenterprise programs serving welfare recipients, the Charles Stewart Mott Foundation elected in 1998 to support 10 demonstration programs serving

1. See Robert E. Friedman, Brian Grossman, and Puchka Sahay, *Building Assets: Self-Employment for Welfare Recipients*. Corporation for Enterprise Development, Washington DC, 1995.

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TANF recipients.² The demonstration grants, selected using a Request for Proposals process, went to microenterprise organizations that proposed programs designed to address the specific barriers and needs facing TANF recipients. The goal of these grants was to learn about whether, and under what circumstances, self-employment could be a viable option for welfare recipients under the new TANF program. (The demonstration projects are described in the tables on page 4 and page 5.)

The Mott Foundation has also provided support to the Detroit Entrepreneurship Institute, a long-time grantee that serves TANF recipients, and to FIELD, the Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination. FIELD will conduct a learning assessment of the projects over a five-year period with three key components:

- A longitudinal survey that will track the TANF participants participating in the program at intake, after core training completion, and 12 and 24 months after the completion of core training.
- A series of policy case studies, to be conducted by the Center for Law and Social Policy, describing the state TANF policy environments in which the demonstration sites are operating.
- Documentation of the program strategies used by the grantees to serve TANF recipients.

Emerging Lessons Regarding Program Design for TANF Recipients

This FIELD forum presents some early lessons from FIELD's learning assessment. The grantees are now at the midpoint of their three-year demonstration projects. Although they are still learning

and refining their program designs, some lessons have begun to emerge regarding the special program needs of TANF recipients. Given the strong interest in serving this population on the part of both microenterprise practitioners and policy-makers, FIELD believes it is timely to begin to share the results of the grantees' learning.

What the grantees—many of whom worked with welfare recipients in the pre-TANF policy environment—are finding is that serving TANF recipients requires specialized programs that differ in design from microenterprise interventions serving a broader target population. This FIELD forum describes the key components of these targeted interventions, contrasting them to more typical microenterprise programs. Future FIELD forums will describe findings regarding the individual program components—such as approaches and strategies for client recruitment, and the design of core training programs for TANF recipients.

The Typical Microenterprise Intervention

Microenterprise programs in the United States vary dramatically in terms of their goals, intensities, institutional settings, economic contexts, and expected outcomes. However, in what is now more than a decade of practice in this country, some core program elements have emerged. Virtually every program includes the following components:

- **Marketing and Recruitment:** Programs use a range of strategies to reach out to prospective clients and inform them about the services they offer. These typically involve some sort of orientation session. The goal of these efforts is not only to recruit clients, but to provide potential clients with infor-

2. One of the ten original grantees, Project INVEST of the Northwest Michigan Council of Governments, is no longer participating in the FIELD learning assessment, as their program is focusing on disadvantaged individuals and dislocated workers, rather than TANF recipients.

mation that allows them to assess their own readiness for the program, and to thereby “self-select” into the microenterprise program.

- **Training and/or Technical Assistance:** Microenterprise programs provide their clients with some combination of training and technical assistance (t.a.), primarily in order to build the skills they will need to start and operate a business. Some programs may also include “personal effectiveness” components aimed at critical life management skills. The training and t.a. components of U.S. programs vary dramatically in length and intensity.
- **Access to Capital:** Virtually every microenterprise program recognizes that entrepreneurs need to access capital for their businesses. Most programs have internal loan funds, which may use either a peer (group) or individual lending model. Other programs partner with outside financing sources, sometimes extending loan guarantees. Increasingly, programs are offering savings or Individual Development Account programs to build the capacity of the entrepreneurs to invest in their own businesses.³
- **Post-Loan and Post-Training Services:** Although this program component is not universal, many programs now are seeking to provide additional business assistance services after the completion of core training or the extension of a loan. In many cases, these take a sectoral or market focus, providing the business owner with specialized information needed to grow their business. In other instances, the services aim to help the entrepreneur with typical management challenges.

How the TANF Program Influences Program Design

Each of the learning assessment participants funded by the Charles Stewart

Mott Foundation offers these basic program components. However, each of these grantees has also modified its program design to reflect the specific issues and challenges encountered in serving a TANF population. Although there are many challenges inherent in the new post-welfare reform environment, three features of the reform are particularly important in defining the program interventions that TANF recipients require. These are:

- **Time Limits.** The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) is the federal law that replaced the AFDC program with TANF. This law mandates that in most cases, individuals can receive assistance for a total of 60 months. States have the option of instituting a shorter time limit. In the face of time limits, microenterprise practitioners are seeking ways to ensure that TANF recipients who are seeking to start or stabilize a business minimize the receipt of TANF assistance that counts

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3. Individual Development Accounts are dedicated savings accounts that can only be used for purchasing a first home, education or job training expenses, or capitalizing a small business.

WELFARE TO WORK LEARNING ASSESSMENT PARTICIPANTS

Detroit Entrepreneurship Institute (DEI)
Detroit, MI

DEI has offered a comprehensive program of assistance -- including training, case management, one-on-one counseling, and access to a library and graphic design services -- to welfare recipients for over eight years.

Institute for Social and Economic Development (ISED)
Iowa City, IA

ISED will augment its long-term program for welfare recipients across Iowa with strong outreach to case-workers, revised training, access to employment services to those seeking to “income patch”, and efforts to further improve the state’s policy environment.

Little Sisters of the Assumption Family Health Services
Dorchester, MA

This project, a collaboration with the Women’s Institute for Housing and Economic Development and the Transition to Work Collaborative, seeks to enhance the viability and sustainability of family day care services provided by TANF recipients, and offer new, high-quality day care to welfare recipients pursuing employment.

Mi Casa Resource Center for Women
Denver, CO

This effort will expand Mi Casa’s successful program called Project SUCCESS, which provided entrepreneurial training, life-skills curriculum, individualized assessment, case management, access to capital and other assistance to women receiving public assistance.

Southern Oregon Women’s Access to Credit, Inc. (SOWAC)
Medford, OR

This project will provide business training, counseling, networking and financial services to single-parent females who are either receiving welfare or leaving the system.

towards the time limit.⁴ The strategies they are using include:

1. Seeking to “stop the clock” while their clients are in the training and/or business start-up phase;
2. Minimizing the length of the training and business start-up phase, so that clients can leave TANF as soon as possible;
3. Including an early assessment of the feasibility of the business and self-employment, so that clients do not use up months of TANF assistance pursuing a business that is not likely to succeed; and

4. Providing case management services, in order to strengthen the chance that the client and their business will succeed.

- **Work Requirements.** The federal law also requires that TANF recipients be engaged in work activities within 24 months, or earlier if the state chooses. For microenterprise to be an attractive option to clients and caseworkers, it must be considered a work activity. The Mott grantees have taken the following approaches to address this issue:

1. Seeking to get both microenterprise training, and the post-training business start-up period defined as activities that meet work requirements.

4. Federal regulations define which services and benefits provided with TANF dollars are considered “assistance” and which are considered “nonassistance.” Benefits and services that are considered “nonassistance” do not count toward the family’s lifetime limit of assistance. For additional information, see Mark Greenberg, *Developing Policies to Support Microenterprise in the TANF Structure: A Guide to the Law*. The Aspen Institute: Washington, D.C., 1999, pp. 4-6.



WELFARE TO WORK LEARNING ASSESSMENT PARTICIPANTS

West Company
Ukiah, CA

This project, in which West Company is collaborating with the Mendocino County Department of Social Services/Job Alliance, offers participants both employment training and microenterprise development services, with the goal of increasing income-generating options for women transitioning off welfare.

Women's Initiative for Self Employment (Women's Initiative)
San Francisco, CA

This project will provide a comprehensive program of microenterprise services to welfare recipients, with a strong focus on assessment and case management as critical factors for women seeking to pursue self-employment within a time-limited welfare system.

Women's Self-Employment Project (WSEP)
Chicago, IL

WSEP will develop a microenterprise assistance model for public assistance recipients that combines entrepreneurial training, mentoring, and on-the-job training to maximize the potential for self-sufficiency.

Women Venture
St. Paul, MN

In its BRIDGE project, Women Venture will offer a combination of short-term microenterprise training, other microenterprise services, job readiness training and job placement to assist welfare recipients to pursue an "income patching" strategy.

Worker Ownership Resource Center (WORC)
Geneva, NY

This project will develop a self-employment program for welfare recipients in a five-county area in central New York. As part of this effort, WORC will seek to expand the state's innovative Child Assistance Program (CAP) to four counties, in order to enable more favorable treatment of welfare recipients pursuing self-employment.

2. Building program models that blend employment with self-employment, so that clients can work on their business while meeting the work requirements.

- **Work First Orientation.** The PROWRA does not require that states implement a "work first" approach in their welfare reform efforts. However, most states and counties have placed a strong focus on getting TANF recipients into jobs, rather than on placing them in training that may lead to employment. In areas where the "work first" orientation is strong, it can be difficult to convince welfare administra-

tors to approve a TANF recipient's participation in a microenterprise program. In response, practitioners have:

1. Worked to educate caseworkers about the benefits of self-employment for some TANF recipients.
2. Developed strategies to blend employment with self-employment.
3. Structured microenterprise programs as an intervention for individuals who have left TANF, but for whom employment does not seem to be a long-term strategy for supporting their families.

Importantly, all grantees have included some personal effectiveness training, to help TANF clients address the many challenges they face, not only in starting businesses, but also in moving toward self-sufficiency.

Components of Welfare-to-Work Microenterprise Programs

To implement these strategies, the Mott Welfare-to-Work grantees have both modified their existing program components, and added new ones designed to meet the needs of TANF participants. As a result, we are beginning to see a set of microenterprise interventions that is more complex than those used with a broader, and often less disadvantaged population. These new program components address such issues as assessment and screening, employment services, case management, and policy education. Together with more typical microenterprise components, they create interventions with the following components:

- **Marketing and Recruitment.** Grantees are finding that specialized techniques are often required to reach out to TANF recipients. In addition, the grantees have also found that it is essential to implement marketing and education efforts aimed at caseworkers, who must approve a TANF participant's choice to enter a microenterprise program. Programs that have succeeded in providing this information to caseworkers appear to have a significantly easier time in recruiting TANF participants.
- **Assessment and Screening.** Many of the grantees have added or enhanced an early assessment and screening process, with the goal of making an initial determination about the feasibility of the business and the client's readiness for self-employment. In some instances, the screening process has been altered from one of self-

selection to one of staff selection, or joint staff and client selection. With these changes, the grantees are seeking to minimize the number of clients who use valuable months of assistance pursuing self-employment at a time when they are not well positioned to succeed.

- **Training and Technical Assistance.** The skill-building interventions of the grantees vary in intensity. This variation is driven in part by the policy environment: programs seeking to limit training periods that count against time limits have shortened their training programs; while others have intensified their training so it counts towards participation requirements. The training programs of the grantees are also influenced by their overall operating philosophies regarding how much and what type of training to provide. Importantly, all grantees have included some personal effectiveness training, to help TANF clients address the many challenges they face, not only in starting a business, but also in moving toward self-sufficiency.
- **Employment Services.** Several of the grantees have added employment services to help clients to meet work requirements and income needs—particularly in cases where a participant later elects not to start a business, or where the business cannot meet the family's income needs in the early years. Employment services take the form of job search and readiness assistance, placement assistance, and even some job training services. In one model, clients are placed in jobs prior to starting self-employment training; in other programs, clients access employment services if it appears that their business will not meet their families' income needs.
- **Access to Credit.** Several of the grantees have elements of their credit or financing components that target specific needs of



TANF recipients. These include smaller initial loans that can support pre-start up needs of TANF clients, or special flexible underwriting criteria that reflect the lower asset levels of these individuals. At least two of the grantees have access to small grants that can support some of the business start-up expenses of their TANF participants.

- **Case Management.** A few grantees have added case management services to address the personal challenges that TANF participants often confront when starting a business. These challenges can include low literacy levels (although some programs require certain literacy skills before accepting clients into their program), domestic abuse, substance abuse, mental illness, lack of adequate housing, and other factors. In most cases, these case management efforts link clients to other community resources that can provide assistance.
- **Policy Education.** Each of the grantees has taken on new efforts to understand, negotiate, and affect how TANF policies influence the choices their clients face. In some cases, the grantees are working at the state level to help define TANF policies relating to microenterprise development. In all cases, they are educating caseworkers and others at the local level about state-level policies, and the importance of supporting the self-employment option. Finally, programs also are dedicating time and resources to resolving client-specific issues regarding how TANF policies are implemented. This policy education role appears to involve significant resources; a few agencies have hired staff specifically to address these issues.
- **Post-Loan and Training Services.** A few grantees have added “aftercare” services aimed specifically at assisting

TANF participants, after they have completing core training and are launching or operating their business. These services are aimed at ensuring that the businesses get the assistance they need to maximize their chances of success.

It is important to note that although some grantees have elected to create specialized training programs for TANF participants, others are including these clients in their regular training courses. However, in seeking to meet the special needs of TANF clients, all programs are finding ways to address several, if not all, of the above components.

Key Issues in Serving TANF Recipients

Each of the Welfare-to-Work grantees will continue to refine and adjust its program as welfare caseloads continue to change and their collective learning grows. However, it appears clear that there are challenges in serving TANF participants that call for specialized program elements. Some of the alterations in program design reflect the characteristics of TANF participants—low-income women who face many personal and economic challenges in moving toward self-sufficiency. Others reflect the particular policy environment created by welfare reform: the biases toward work and away from training, the time-limited nature of assistance; and the pressure to achieve caseload reduction.

To date, perhaps the most important lesson to emerge is that serving TANF recipients requires that microenterprise practitioners focus on three critical areas:

- Program design that reflects the special needs of this

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clientele. It appears that those grantees with a strong history of serving public assistance recipients have advantages in program design, both in terms of their understanding of the special needs of the welfare population, and their willingness to invest the additional resources that are required to address these needs;

- The state welfare policy environment, particularly as it relates to self-employment and/or microenterprise development;⁵ and
- The program's relationship with the staff of the local welfare agency, both management and caseworkers. Early findings from the demonstration sites indicate that organizations that have longstanding relationships with their local welfare agencies, and that have invested significant resources in educating administrators, caseworkers, and other key players, have had much stronger success in recruiting clients.

It is only through careful attention to each of these factors that practitioners can help clients make informed choices about the viability of self-employment, and gain the skills and other resources needed to realize this option.

5. For information on the options that states have in choosing to support microenterprise in their TANF program, see Mark Greenberg, "Developing Policies to Support Microenterprise in the TANF Structure: A Guide to the Law" as on page 4.

About FIELD

The Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination (FIELD) is a research and development fund dedicated to the expansion and sustainability of microenterprise development efforts, particularly those aimed at poor Americans. Designed to make a significant, strategic investment in building the capacity of the microenterprise industry, FIELD makes targeted grants to practitioner organizations pioneering promising approaches to key challenges facing the field today. Its mission is to identify, develop, and disseminate best practices, and to broadly educate policy makers, funders and others about microenterprise as an antipoverty intervention.

How to Learn More

For more information about the learnings from the Mott Welfare-to-Work grant cluster, please contact:

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