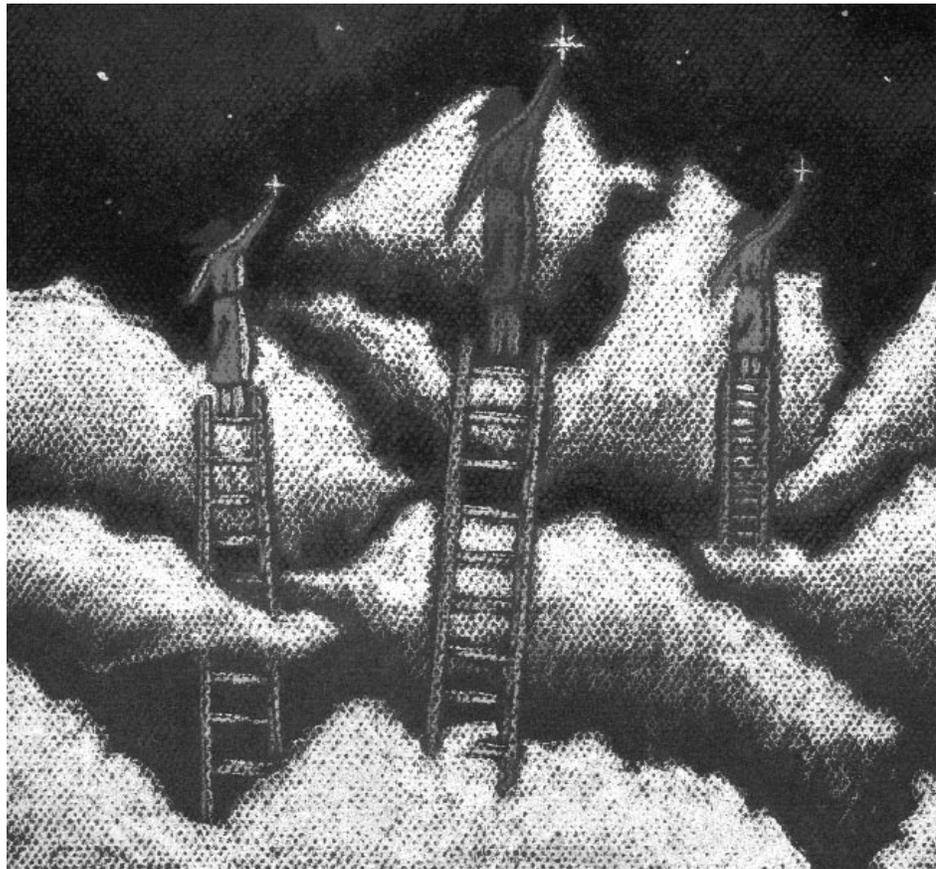


# Welfare to Work

## Microenterprise as a Welfare to Work Strategy: Client Characteristics



JULY 2001

The Aspen Institute  
**FIELD**  
Microenterprise  
Fund for Innovation,  
Effectiveness, Learning  
and Dissemination

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# Microenterprise as a Welfare to Work Strategy: **Client Characteristics**

RESEARCH REPORT NO. 1

By Amy Kays Blair and Joyce Klein

Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination  
The Aspen Institute  
July 2001

FIELD, a program of the Aspen Institute, was created in 1998 to identify, develop and disseminate best practices in the microenterprise field, and to broadly educate policymakers, funders and others about microenterprise as an anti-poverty intervention.

## Acknowledgments

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## Microenterprise and Welfare Reform

Microenterprise programs have been serving welfare recipients with training, technical assistance and loans to help them start, formalize or expand very small businesses for almost two decades. These programs recognize that for a portion of the welfare population, self-employment is a viable alternative to wage employment, and for some it may be the only work option available. Microenterprise agencies have established programs to serve welfare recipients for several reasons—clients seek additional ways to earn income while balancing family responsibilities and work; the type of work generally available to clients is low-wage, offers few benefits and is characterized by high turnover; and in many locations, particularly in rural areas, even low-wage jobs are unavailable. Clients with small children or others to care for, who usually cannot afford quality care, seek greater flexibility and opportunities to generate income that self-employment has the potential to provide. In fact, many welfare recipients are already operating small, informal businesses when they come into microenterprise programs. In these cases the purpose of the programs' efforts is to strengthen existing businesses so they can contribute more income toward family financial self-sufficiency.

Since 1996, when welfare reform legislation was enacted and the revised welfare program, Temporary Assistance for Needy Families (TANF), took the place of Aid to Families with Dependent Children (AFDC), the range of local and state policies that affect microenterprise programs and clients has changed significantly. The new legislation reduced some of the old barriers that made it difficult for welfare recipients to pursue self-employment by enabling states to liberalize rules that had formerly limited the amount of business assets that clients could accumulate and allowing states to clarify and improve the treatment of business income.<sup>1</sup> However, implementation of new policy has varied broadly across states, and new elements of the law, particularly time limits and work requirements, present new challenges.

Under the new welfare system, TANF recipients face limits on the total amount of time they are eligible for federally-funded public income support during their lifetime. Time limits are particularly troublesome for clients who decide to pursue self-employment instead of wage employment. Launching and building a business to the level where it provides income is a process that can take months, and it involves risks due to market factors that may be beyond the control of entrepreneurs. Welfare recipients also typically face barriers such as low levels of capital, lack of other income sources or financial support, and family care responsibilities that can serve to lengthen the amount of time it may take to develop a financially viable business. Thus, the additional risk that self-employment poses can be a significant issue for TANF recipients facing time limits.

TANF work requirements also present new challenges for clients wishing to become self-employed. Although, as with time limits, there is variance across locations in how policy is implemented, many areas have placed a strong emphasis on rapid attachment to the labor market or "work first." This means that welfare caseworkers encourage clients to enter wage employment as soon as possible. This affects the clients' ability to participate in microenterprise training and to devote time to developing businesses. Work requirements are also a problem for microenterprise programs because they make it difficult to recruit clients into their training classes.

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<sup>1</sup> Mark Greenberg, *Developing Policies to Support Microenterprise in the TANF Structure: A Guide to the Law*, A FIELD publication (Washington, D.C.: The Aspen Institute, 1999).

While self-employment is a work option permitted by the new TANF system, time limits and the work first orientation of policies of many regions create significant barriers. States are answering key methodological questions with varying policies that are detailed in the following box. Microenterprise programs serving TANF clients are working to craft microenterprise interventions that recognize the unique constraints these individuals face because of the policy context in which they operate. Given these barriers, it is increasingly important to learn more about whether and under what conditions microenterprise is a viable strategy for TANF recipients who seek ways to achieve family economic self-sufficiency.

### **Key State Policy Decisions**<sup>2</sup>

- *Use of TANF and state maintenance of effort (MOE) funds:* To what extent has the state earmarked or expressly identified some portion of TANF or TANF-related funds for microenterprise activities?
- *TANF work and participation requirements:* To what extent does the state count participation in microenterprise training or operation toward the state's work or participation requirements?
- *TANF time limits:* Does the state have a time limit, and if so, how is participation in microenterprise training or operation counted for the state's time limit?
- *Treatment of income:* When a family member is operating a microenterprise, how are the revenues and costs of the enterprise treated for determining TANF eligibility and assistance levels?
- *Treatment of resources:* When a family member is operating a microenterprise, how are the resources (or assets) of the enterprise treated for determining TANF eligibility and assistance levels? Has the state adopted policies to support asset formation?
- *Supportive services (childcare, health insurance and other services):* To what extent are childcare assistance, healthcare assistance and other supportive services available to TANF recipients participating in microenterprise training and those who are operating a microenterprise?

<sup>2</sup> Mark Greenberg and Lisa Plimpton, *TANF Policies in Nine States: Implications for Microenterprise Initiatives*, a FIELD publication (Washington, D.C.: The Aspen Institute, 2000).

## Welfare to Work Demonstration and Learning Assessment

Recognizing that welfare reform would pose new challenges to welfare recipients seeking to become self-employed and to the microenterprise organizations that serve them, in 1988 the Charles Stewart Mott Foundation launched a demonstration project to support ten microenterprise programs serving TANF clients. The ten microenterprise programs participating in this demonstration are listed below.

<b>Participants in the WTW Demonstration and Learning Assessment<sup>3</sup></b>	
<p><b>Detroit Entrepreneurship Institute, Inc. (DEI)</b> <i>Detroit, Mich.</i> Intensive training program targeted toward TANF recipients, combined with case management employment placement services.</p>	<p><b>West Company</b> <i>Ukiah, Calif.</i> TANF clients participate in basic business training courses, teamed with New Beginnings support groups and case management services.</p>
<p><b>Institute for Social and Economic Development (ISED)</b> <i>Iowa City, Iowa</i> Under contract with state TANF agency, TANF recipients are recruited and trained as part of ISED's self-employment classes for TANF and other low-income individuals.</p>	<p><b>Women's Initiative for Self Employment (WI)</b> <i>San Francisco, Calif.</i> TANF recipients receive case management services, in addition to participating in WI's business readiness and business training courses.</p>
<p><b>Little Sisters of the Assumption Family Health Services (Project Hope)</b> <i>Dorchester, Mass.</i> TANF recipients interested in becoming family day care providers receive business and child development training, along with placement in child care internships.</p>	<p><b>Women's Self-Employment Project (WSEP)</b> <i>Chicago, Ill.</i> In "On the Business Training" (OBT) project, clients were placed in jobs to stop TANF clock and participated in targeted self-employment training for welfare recipients.</p>
<p><b>MiCasa Resource Center for Women</b> <i>Denver, Colo.</i> TANF recipients participate in MiCasa's self-employment courses for low-income individuals and TANF recipients. Clients can also enroll in MiCasa's other employment readiness and job training courses.</p>	<p><b>WomenVenture (WV)</b> <i>St. Paul, Minn.</i> TANF recipients receive employment readiness and retention training with WomenVenture's nontraditional employment clients, and then participate in targeted self-employment training courses.</p>
<p><b>Southern Oregon Women's Access to Credit, Inc. (SOWAC)</b> <i>Medford, Ore.</i> TANF recipients participate in SOWAC's business training for low-income individuals, supplemented with case management services.</p>	<p><b>Worker Ownership Resource Center (WORC)</b> <i>Geneva, NY</i> TANF recipients participate in WORC's self-employment training courses for low-income individuals and TANF recipients.</p>

Each of these organizations had existing microenterprise programs targeting low-income individuals at the time the demonstration grants were made. Many also had years of experience in working with recipients of Aid to Families with Dependent Children. Their existing microenterprise

<sup>3</sup> For further information about the programs see *FIELD forum* Issue 3 and [www.fieldus.org](http://www.fieldus.org).

programs generally consisted of marketing and outreach activities (including program orientations), a structured microenterprise training program that included a focus on personal effectiveness skills, access to business credit, and individualized training and technical assistance, both prior to and after business start. The grantees also added new program elements designed to meet the needs of TANF participants. New elements included enhanced assessment and screening processes, case management services, employment services and policy education activities.

These new program elements and the more traditional components of the grantees' microenterprise programs were constructed to address the specific characteristics of TANF recipients and the constraints they faced due to their participation in the TANF program. The key elements of microenterprise programs for TANF recipients are as follows:

- **Marketing and recruitment:** Grantees have found that specialized techniques are often required to reach out to TANF recipients. For example, it is essential to implement marketing and education efforts aimed not only at potential clients, but also at caseworkers, who must approve a TANF recipient's participation.
- **Assessment and screening:** Programs use a variety of strategies to reach out to prospective clients and help them to assess their business' viability and their own readiness for self-employment. Many have added or enhanced an early assessment and screening process that is less likely to rely on a strategy of self-selection over one of staff selection, or joint staff and client selection. Grantees are seeking to minimize the number of clients who use valuable months of public assistance pursuing self-employment at a time when they may not be well positioned to succeed.
- **Training and/or technical assistance:** These services are designed to help entrepreneurs build the skills needed to start and operate businesses, and the interventions vary in intensity. This variation is driven in part by the policy environment. Some 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 toward participation requirements. The training programs of the grantees are also influenced by the overall philosophies about how much and what type of training to provide. Importantly, all grantees include some personal effectiveness training aimed at critical life management skills.
- **Employment services:** Each of the microenterprise programs in this demonstration also offers some type of employment services to its clients. Recognizing that TANF recipients have a limited time in which to make the transition to other sources of income, the programs seek to assist clients to focus on the most viable means of generating income. While the underlying rationale for employment components of microenterprise programs is generally the same, the approaches that the demonstration grantees have taken varies from job search and readiness assistance to placement assistance and even some job training services
- **Access to capital:** Several grantees have elements of their microenterprise credit or financing components that target specific needs of TANF recipients. These include smaller initial loans that can support pre-start-up needs, or special flexible underwriting criteria that reflect the lower asset levels of TANF recipients. At least two of the grantees offer small grants that can support some of a business' start-up expenses.

- **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, 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.
- **Policy education:** The grantees have taken on new efforts to understand, negotiate and affect how TANF policies influence the choices their clients face. They are educating caseworkers and others at the local level about state-level policies and the importance of supporting the self-employment option. They dedicate time and resources to resolving client-specific issues about how TANF policies are implemented. Some programs hope to influence how their states define TANF policies relating to microenterprise development.
- **Post-loan and post-training services:** While not universal, some programs are seeking to provide additional business assistance services or "aftercare" after the completion of core training or the extension of a loan. These services may take a sectoral or market focus and provide specialized information or aim to help entrepreneurs with typical management challenges.

Along with three-year demonstration grants<sup>4</sup> to the programs, the C.S. Mott Foundation commissioned the Microenterprise Fund for Innovation, Effectiveness, Learning and Effectiveness (FIELD) to conduct the Welfare to Work (WTW) Demonstration and Learning Assessment. The learning assessment will document client characteristics and outcomes and learn more about the policy issues and program strategies that emerged in working with TANF recipients. The assessment includes three components:

- a longitudinal survey of program participants that will follow their progress over a two-year period, following their participation in the microenterprise program;
- case studies that detail the policy environment and are conducted by the Center for Law and Social Policy (CLASP);
- program strategy documentation, describing the programmatic approaches that the microenterprise agencies used to meet the needs of TANF recipients and how these differ from interventions employed to serve other microenterprise clients.

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<sup>4</sup> Although the demonstration grants were for a three-year period, the longitudinal study only included participants who enrolled in the demonstration programs in the first two years.

## Objectives of the Welfare to Work Demonstration and Learning Assessment

- To facilitate exchange among and provide information to the welfare-to-work cluster grantees to help them strengthen their program designs and implementation.
- To document and evaluate the experiences and outcomes of the demonstration projects using both quantitative and qualitative information on the implementation of the demonstration projects and the experiences of the project participants.
- To provide information to program practitioners and policymakers regarding the value of microenterprise development as an option for TANF recipients.
- To produce and disseminate publications and other information summarizing the evaluation findings to microenterprise practitioners, funders and policymakers.

## Survey Methodology

This report summarizes findings from the first wave of the longitudinal survey of participants in the Welfare to Work (WTW) Demonstration and Learning Assessment. It details information collected at the point of the clients' enrollment or intake in the microenterprise program. Participants will be surveyed again twice: first, approximately twelve months after program enrollment and second, approximately twelve months later.

An exhaustive sample selection was used to enroll clients in the longitudinal survey. Clients who were either receiving TANF or had received TANF in the 12 months prior to enrollment were eligible, and information was collected from all clients who enrolled from the beginning of the grant period until June 30, 2000. In this way, 590 participants were included over the 18-month wave 1 period during 1999 and the first half of 2000. Data were collected by program staff for wave 1 and will subsequently be collected via telephone by interviewers employed by FIELD for waves 2 and 3.

To understand how this group compares to the national TANF caseload, wherever possible findings are presented from two national data sources: the U.S. Department of Health and Human Services (HHS) administrative data for federal fiscal year 1999<sup>5</sup> and the Urban Institute's National Survey of America's Families (NSAF)<sup>6</sup>, which was collected in 1997.<sup>7</sup> These two data sources describe the national TANF caseload. The goal of this comparison is to attempt to discern whether there are key differences between the microenterprise demonstration population for demographics, education, family size and composition, and where possible, barriers to employment such as disability, illness, low basic skills and work experience. Future waves of the WTW survey will address more of these issues.

<sup>5</sup> *Characteristics and Financial Circumstances of TANF Recipients: Fiscal Year 1999*. Temporary Assistance for Needy Families (TANF) Program. U.S. Department of Health & Human Services, Administration for Children and Families, Office of Planning, Research and Evaluation.

<sup>6</sup> The Urban Institute, *Assessing the New Federalism*, <http://newfederalism.urban.org/nsaf/index.html>; [www.urbaninstitute.org/nsaf](http://www.urbaninstitute.org/nsaf).

<sup>7</sup> The comparative discussion of demographics presented here draws from an internal memorandum prepared by Nisha Patel and Mark Greenberg of the Center for Law and Social Policy (CLASP), *Data Comparison for Microenterprise Initiatives for Welfare to Work Grantees' TANF Participants and the National TANF Caseload*, 2001, unpublished.

Findings from this study will also be compared with results from two other evaluations. The first evaluation is another demonstration project that documented the characteristics of AFDC recipients participating in the Self-Employment Investment Demonstration (SEID). The Manpower Demonstration Research Corporation (MDRC) conducted this research during the late 1980s and early 1990s.<sup>8</sup> The second evaluation, the Self-Employment Learning Project (SELP), was conducted by The Aspen Institute between 1992 and 1997. SELP included a longitudinal survey of microentrepreneurs, including a subsample whose household incomes were below 150 percent of the federal poverty threshold when they entered the programs.<sup>9</sup> The purpose of these comparisons is to expand our knowledge base about the characteristics of (and in future reports, the outcomes of) microenterprise program participants who are on public assistance and have very low income. Initial findings indicate that there are many similarities among participants of these three studies.

<b>Program Participation in the WTW Demonstration</b>	
DEI	100
ISED	156
Mi Casa	25
Project HOPE	35
SOWAC	22
West Co.	42
WI	25
WORC	64
WSEP	56
WV	65
<b>TOTAL</b>	<b>590</b>

Across programs, there was a wide variation in the number of TANF recipients who enrolled in the WTW demonstration programs. While several factors contributed to these differences, it became clear during the enrollment period that in areas where grantees had a strong relationship with a local welfare agency that was supportive of self-employment, recruitment was greatly facilitated. Two programs, DEI and ISED, have long histories of serving welfare recipients, and they have relationships with local welfare authorities that resulted in large numbers of referrals.<sup>10</sup> The second factor that contributed to differences in recruitment was the diversity in geographic regions—from rural counties with low population density to urban and statewide programs that had access to large client pools. The third factor was the varying levels of caseload reduction across locations that resulted in fewer potentially eligible clients in some locations.<sup>11</sup> Some programs served large numbers of clients during the study period, but they were not predominately welfare recipients and were, therefore, not included in the study.

<sup>8</sup> See Cynthia A. Guy and others, *Self-Employment for Welfare Recipients: Implementation of the SEID Program* (New York: Manpower Demonstration Research Corporation, 1991).

<sup>9</sup> Peggy Clark and Amy J. Kays, *Microenterprise and the Poor: Findings from the Self-Employment Learning Project Five-Year Survey of Microentrepreneurs* (Washington, D.C.: The Aspen Institute, 1999).

<sup>10</sup> For the purposes of this longitudinal study, it is important to note that although DEI and ISED clients make up a disproportionate share of the sample, except as noted, their demographic and income characteristics do not vary greatly from those of TANF clients from other demonstration programs.

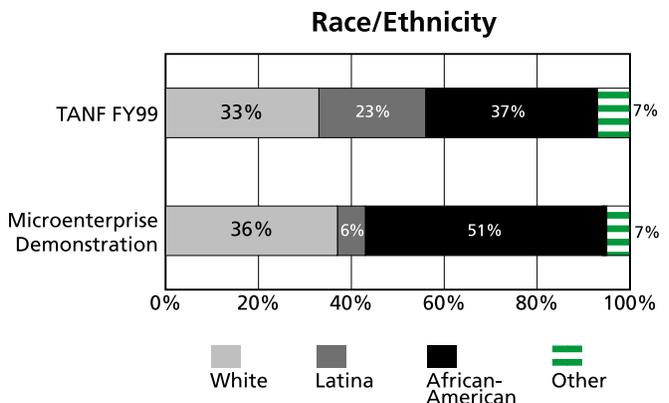
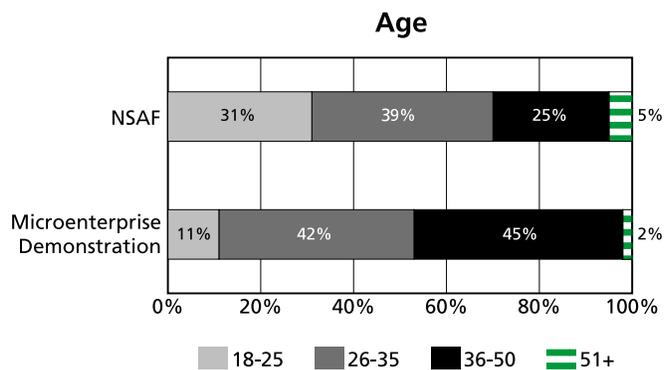
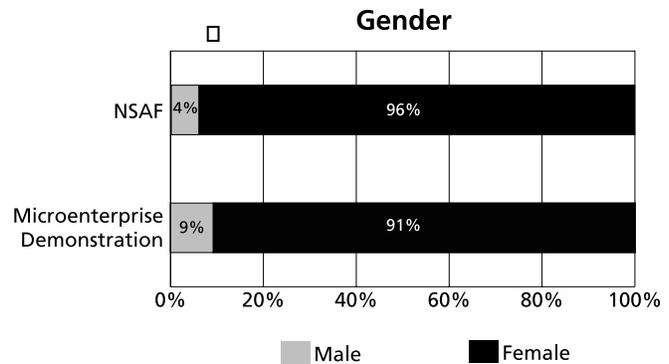
<sup>11</sup> Client recruitment is a challenge for microenterprise programs in the TANF environment. These issues are described in detail in *FIELD forum* Issue 7 on recruitment and assessment.

## Demographics

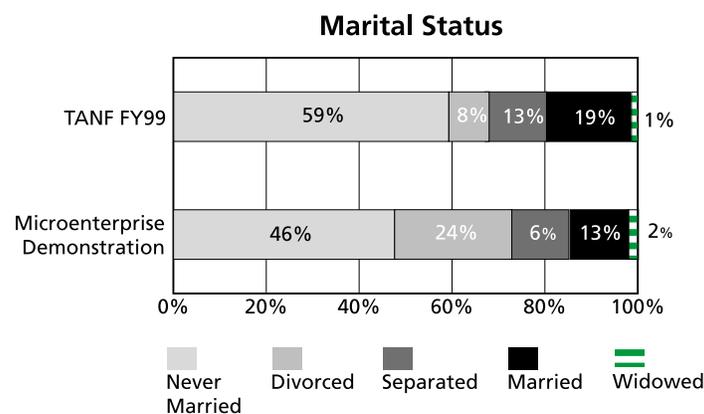
Generally, the microenterprise client in the WTW demonstration is likely to be older compared to clients in the national TANF caseload. She is a woman who has a median age of 35 years and is likely to belong to a minority racial or ethnic group. She has more than two children, and is a single head of household. She is likely to have at least one child younger than age 6, and she has a high school education.

Not surprisingly given TANF eligibility requirements, most of the participants in the microenterprise demonstration programs are women (91 percent). This compares to 96 percent in the Urban Institute’s NSAF national study. The microenterprise demonstration programs are serving women who are generally older than the national TANF caseload population and have a median age of 35 years. Forty-five percent of microenterprise participants are 36 to 50 years old, while only 25 percent of welfare recipients surveyed by the NSAF study fall in this age range. Over 30 percent of the NSAF population is 18-25 years old, while only 11 percent of microenterprise participants are this young.

Sixty-four percent of microenterprise participants are members of a minority racial or ethnic group. While this demographic characteristic varies greatly by geographic area in the United States and across the WTW survey population, overall it closely mirrors the national TANF caseload. Over 60 percent of the national TANF caseload are non-white. Reflecting the location and mission of the microenterprise programs in the WTW study, more study clients, compared to the national TANF caseload, are African-American (51 percent vs. 37 percent) and fewer are Latina (6 percent vs. 23 percent).

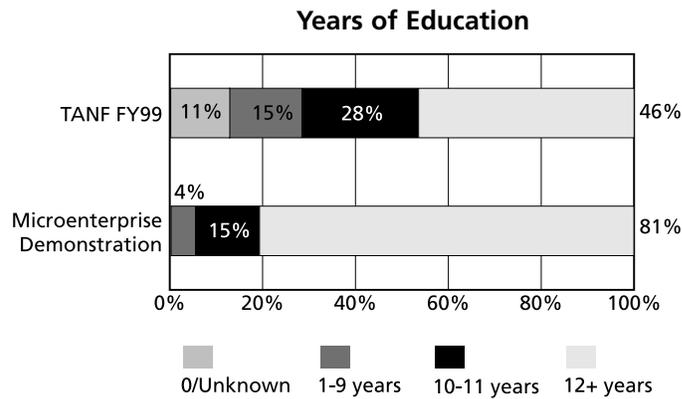


Microenterprise participants in the study were less likely to be married and living with a spouse than TANF recipients in the nation. Thirteen percent of microenterprise participants lived with their spouses at the time they entered the program, compared to 19 percent of the national caseload. Microenterprise participants were also less likely to be single or to have never been married. Forty-six percent of microenterprise participants versus 59 percent of TANF recipients nationally were single or had never been married. Microenterprise participants were also more likely to be divorced, which is not surprising since being divorced tends to be correlated with being older, and the microenterprise participants tend to be older than TANF recipients in the nation. Twenty-four percent of microenterprise participants were divorced compared to only 8 percent of the national caseload.



Microenterprise participants have more children per household on average when compared with the national TANF caseload (2.3 children vs. 2.0 children). They are less likely than TANF recipients as a whole to have one child. Thirty-three percent of the microenterprise participants have one child, compared to 42.3 percent of the TANF recipients as a whole. At the time of intake, many of the microenterprise participants' children were very young. More than half (54 percent) had children younger than age 6, a finding similar to that of the national TANF caseload (54.2 percent). Microenterprise participants were less likely than the national TANF caseload to have children under the age of 2 years old. Twenty percent of the microenterprise participants had children younger than age 2, compared to 32.3 percent of national caseload families. Having more children may be associated with being older on average, but it is important to consider that having more children or young children may also present a barrier to work. For low-income working families with young children, child care arrangements and other related work supports may be necessary. In addition, the more children in the household, the more income that is necessary for the family to be economically self-sufficient.

Eighty-one percent of microenterprise program clients completed at least 12 years of school. This level of educational attainment is much higher than that of the national TANF population, for which only 46 percent have completed at least 12 years. Most of the microenterprise participants (86 percent) had also completed high school or a general equivalency diploma (GED) at intake. In addition, 60 percent of microenterprise program clients have completed some type of post-secondary coursework. This could include job skills training, community or vocational college work, or a variety of other types of classes. Four percent of microenterprise participants have completed an undergraduate college degree.



The data indicate that most microenterprise program participants have a high rate of completing secondary education, which surprised the demonstration grantees. Their interactions with the participants of their programs suggest that many clients lack competency in basic academic skills such as reading, math and writing. Several program operators report that their in-house skills assessment tests confirm this conundrum. Thus, the educational attainment levels reported by survey participants may not reflect their actual skill levels.

**Demonstration Participants are Similar to  
Past Welfare Clients Attending Microenterprise Programs  
(Findings from the SELP and SEID Studies)**

Demonstration participants look different from the national TANF caseload in key ways, but their profile is very similar to that of other low-income individuals and welfare recipients who pursue self-employment. Past studies conducted by the Self-Employment Learning Project at the Aspen Institute<sup>12</sup> and by the Self-Employment Investment Demonstration of the Manpower Demonstration Research Corporation<sup>13</sup> found a similar demographic profile.

- The "average" low-income entrepreneur in SELP's sample of microenterprise clients whose household incomes were below 150 percent of HHS poverty guidelines was a minority woman over 35 years of age. She had a high school diploma or GED, was married or divorced and had children living at home, some of whom were under 6 years of age.
- The evaluation of SEID reported that the typical client was a woman with an average age of 34 years who had earned a high school diploma or GED. She had two or more children living at home, half of whom were under 6 years old, and she had been married but was divorced or separated.

## Public Assistance and Health Insurance

*Ninety-four percent of microenterprise participants were receiving TANF, 90 percent were receiving food stamps, and 83.7 percent were receiving Medicaid upon intake into the training program. The history of receiving TANF varied significantly across programs, but overall clients reported receiving TANF or AFDC benefits for a median of four years.*

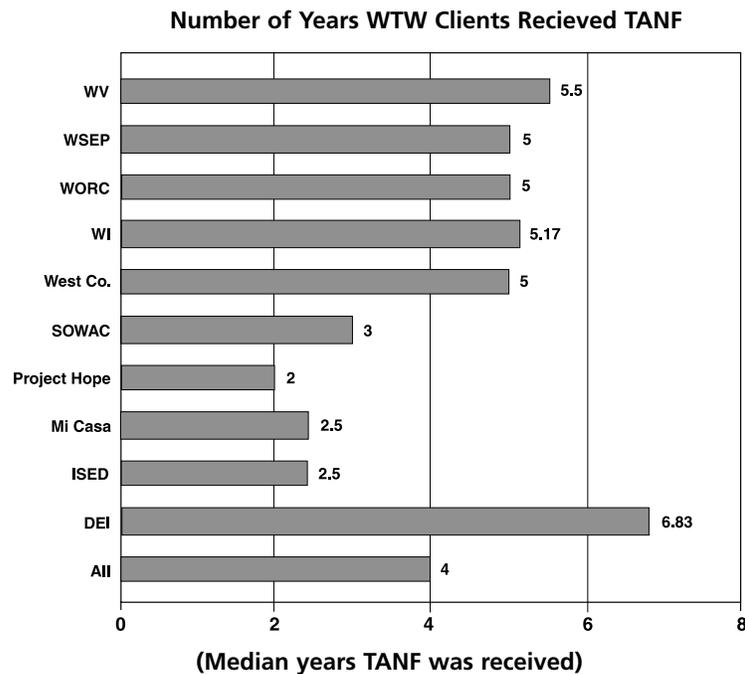
As stated earlier, clients eligible for the WTW demonstration study included those who were receiving TANF at intake or who had received TANF in the 12-month period prior to training enrollment. Only 6 percent of participants were not currently receiving TANF at the time data were collected. In addition, 90 percent of participants reported receiving food stamps, and 83.7 percent were receiving Medicaid. Among the national TANF caseload, 80.7 percent of the clients received food stamps, and 98.3 percent received Medicaid. Across the WTW study demonstration sites, 91 percent of the clients' children were receiving health care insurance through Medicaid at the time of enrollment in the program. Twenty-four percent of microenterprise participants were living in subsidized housing.

Despite generally having high school diplomas and demonstrated work experience, microenterprise program participants reported that they had received TANF/AFDC income support for a median of four years during their lifetimes. The history of receiving TANF varied significantly

<sup>12</sup> Peggy Clark and Amy J. Kays, *Microenterprise and the Poor: Findings from the Self-Employment Learning Project Five-Year Survey of Microentrepreneurs* (Washington, D.C.: The Aspen Institute, 1999).

<sup>13</sup> Cynthia A. Guy and others, *Self-Employment for Welfare Recipients: Implementation of the SEID Program* (New York: Manpower Demonstration Research Corporation, 1991).

across programs. Clients of DEI reported receiving TANF a median of 6.83 years while those attending Project Hope, Mi Casa and ISED all reported fewer than three years.



## Employment

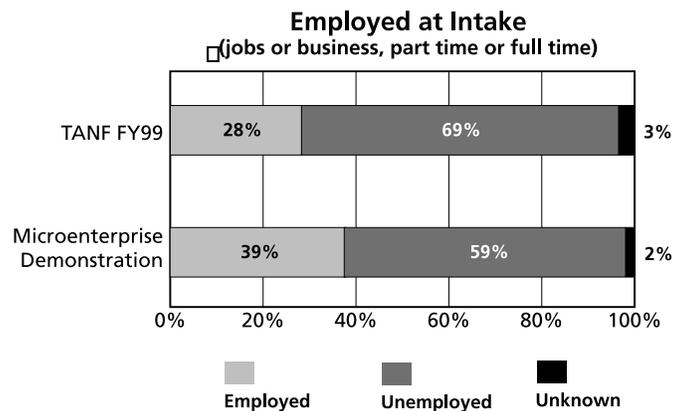
*Ninety-nine percent of microenterprise program clients reported that they had some type of work experience. At the time of enrollment in training, 39 percent were employed, and 59 percent were unemployed. Twenty-one percent reported that they were self-employed.*

Almost all of the microenterprise program clients (99 percent) reported that they had some type of work experience—either paid or volunteer. A comparable question was not asked of NSAF respondents, but forty-three percent of the NSAF population reported that they had never worked or that they had not worked in the past three years.

<b>Employment Status of Microenterprise Clients at Program Intake</b>	
Self-Employment Only	16%
Wage Employment Only	18%
Both Self-Employment and Wage Employment (Patchers) <sup>14</sup>	5%
<b>Total Employment</b>	<b>39%</b>
Unemployment	59%
Unknown	2%
<b>Total</b>	<b>100%</b>

<sup>14</sup> Income patchers depend on self-employment income and full- or part-time jobs to earn a living.

Despite having work experience, the microenterprise population did have large amounts of joblessness. At the time of enrollment in training, 44 percent had been unemployed longer than six months, and 15 percent had been unemployed less than six months. Yet, upon intake, the microenterprise group was more likely to report being employed than the national TANF caseload. At the time of program enrollment, 39 percent of microenterprise participants were employed at least part time in either their own business or a wage job or both. Twenty-three percent were employed in jobs, and about a fifth of the microenterprise program participants (21 percent) self-reported to program staff that they were operating a business either full time or part time when they enrolled in training. Of these, 5 percent were both employed in a wage job and self-employed. Among clients in the HHS fiscal year 1999 national welfare caseload, 28 percent were employed or self-employed. This included individuals who were employed in jobs or self-employed and did not distinguish between full-time or part-time employment. Twenty percent of the microenterprise participants reported that they had operated a business in the past, and 36 percent have family members who had been or were currently business owners.



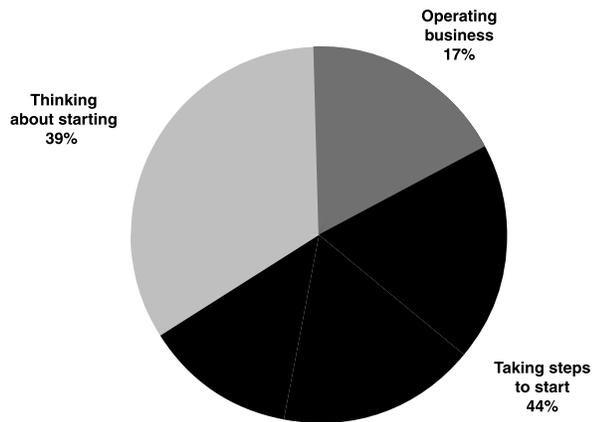
## Businesses

*In the WTW demonstration study, most businesses that were operated by TANF recipients when they entered a program were very small and young. Seventeen percent of the clients considered themselves "in business," but this percent varied significantly by program. The median age of a business was 1 year, median annual sales were \$5,000 and median business net worth was \$600. Only 20 percent of businesses had checking accounts, and the median value of assets was \$953, including equipment and inventory.*

When they enrolled in microenterprise training, 103 of the 590 WTW study microenterprise clients were operating businesses (17 percent of the sample). This figure compares to 21 percent who reported that they were self-employed at the time of program intake. The difference between those who were "in business" and "self-employed" may be because some individuals who were reporting self-employment income did not consider themselves to be operating a business yet. This may indicate the very informal nature of their income-generating activities. These respondents could not yet report on key business indicators such as sales and business assets and hours worked in the business.

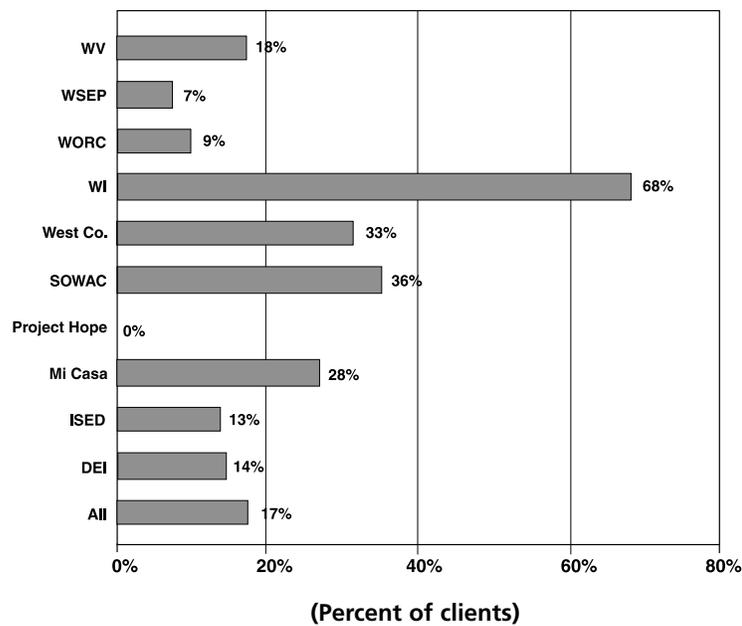
In addition to those who reported being in business, 259 (44 percent) reported that they were taking steps to start businesses, and 39 percent reported that they were thinking about starting a business. Of the 103 established businesses, the median age was 1 year old, although the age of a business ranged from just started to 17 years in operation. Despite the broad range of age, most of the businesses were very new, with 44 percent younger than six months old.

**Status of Operating a Business at Intake**



Across the entire sample, 17 percent of clients reported operating businesses at intake, but this is an area where there is substantial diversity across programs. These differences will likely be important in the future in understanding business outcomes. More than 30 percent of clients at Women’s Initiative, West Company and Southern Oregon Women’s Access to Credit had businesses operating at intake. Some programs, such as Women’s Initiative, have a screening process to assess a client’s readiness for self-employment that appears to lead to higher proportions of clients who are operating businesses. West Company and SOWAC are located in rural areas where there may be a higher incidence of self-employment in the general population due to lower availability of wage employment.

**Clients Operating a Business at Intake**



Almost all of the businesses operated by clients at intake were home-based (86 percent), with a higher percentage of WomenVenture businesses operating from locations outside the home (67 percent were home-based). Entrepreneurs operate a wide variety of businesses that run the gamut from business services such as word processing to childcare to crafts production to cleaning services. Most of the businesses were very small in terms of employment, sales and assets. Only six businesses employed workers in addition to the owner, and median annual sales were \$5,000 for businesses that were more than 12 months old. The monthly median sales figure was \$300 for younger businesses.

Business Characteristics at Time of Enrollment			
Number of businesses operating	103	Median monthly sales for businesses younger than 12 months	\$300
Median age of business	1 year	Median business assets	\$953
Median annual sales for businesses older than 12 months	\$5,000	Median business net worth	\$600

Most existing businesses were fairly informal at the time of intake into the program. For example, while 71 percent of businesses owned equipment or inventory, asset values were low, with a median value of \$953. And only 20 percent of respondents with businesses in operation had opened business checking accounts. At the same time, most business owners reported holding no business debt and, across programs, 71 percent of businesses had positive net worth with a median value of \$600.

## Earnings, Income and Other Household Financial Characteristics

*The average annual household income was \$11,689 for the WTW demonstration clients when they enrolled in the programs.*

- *Thirty-nine percent of the clients were working for wages or self-employment.*
- *Seventeen percent of the clients reported earning income from self-employment, with the largest portion coming from the business (27 percent), and their annual income was higher—averaging \$14,281—compared to clients working for wages.*
- *Thirty-five percent of the clients reported earning income from employment, and their annual income was \$13,160.*
- *The clients owned very few assets, and their median value at intake was \$300. Median liabilities were \$1,000. Only half owned a car, and 10 percent were home owners.*

The average and median annual household incomes reported by participants in the WTW study were very low—\$11,689 and \$9,867 respectively over the 12-month period prior to program enrollment.<sup>15</sup> Participants patched together income from a wide variety of sources, but generally from only one wage earner—the microenterprise client. Not surprisingly, the lion’s share of income came from TANF and other public assistance. Of the 219 clients who reported wages earned from a job and/or self-employment, 112 reported earning income from their own business, 208 reported earning income from a job, and 36 reported earnings from both. Over 550 participants received income from TANF, and it accounted for 30 percent of household income. The cash value of food stamps accounted for another 19 percent. Although most participants in the study were single mothers, very few received child support payments during the study period. The average amount received over the entire 12-month period was \$259 and accounted for only 2 percent of household income.

<b>Sources of Household Income for 541 WTW Clients Reporting Income (12 months prior to enrollment)</b>		
<b>Average Annual Household Income<sup>16</sup></b>	<b>\$11,689</b>	<b>100%</b>
TANF/AFDC	\$3,540	30%
Food stamps value	\$2,250	19%
Salary/wage from job	\$1,945	17%
Other household members	\$1,781	15%
Self-employment income	\$716	6%
Supplemental Security Income (SSI)	\$348	3%
Child support	\$259	2%
Help from family or friends	\$232	2%
WIC benefits value	\$155	1%
Unemployment benefits	\$130	1%
Social security/retirement	\$62	1%
General assistance from state	\$28	0%
Disability insurance	\$19	0%
Alimony	\$0	0%
Other	\$223	2%

Household income for 219 respondents who reported earning income from self-employment or wage employment at intake varied from the total WTW demonstration population as a whole. Average household income for the 17 percent of participants who reported self-employment income was \$14,281. An average of \$3,796 in annual income came from the business and accounted for 27 percent of total household income for the twelve months leading up to intake into the microenterprise program. Other differences in this subgroup of 219 respondents, compared to the total 541 who reported income, include a slightly lower percentage of income coming from wage

<sup>15</sup> 541 clients reported all components of household income.

<sup>16</sup> Numbers may not always total due to rounding.

employment (12 percent for the 219 vs. 17 percent for the 541) and a lower percentage coming from TANF payments (23 percent vs. 30 percent). Overall, average household income for the 102 self-employed participants was \$14,281—significantly higher than the whole group of 541 (\$11,689).

Sources of Household Income for 102 Participants Reporting Income from Self-Employment (12 months prior to enrollment)		
<b>Average Annual Household Income<sup>17</sup></b>	<b>\$14,281</b>	<b>100%</b>
TANF/AFDC	\$3,321	23%
Food stamps value	\$2,305	16%
Salary/wage from job	\$1,784	12%
Other household members	\$2,008	14%
<b>Self-employment income</b>	<b>\$3,796</b>	<b>27%</b>
Supplemental Security Income (SSI)	\$66	0%
Child support	\$416	3%
Help from family or friends	\$254	2%
WIC benefits value	\$104	1%
Unemployment benefits	\$73	1%
Social security/retirement	\$0	0%
General assistance from state	\$12	0%
Disability insurance	\$4	0%
Alimony	\$0	0%
Other	\$139	1%

For the 35 percent or 208 respondents who reported earning income from wage employment, household income was also higher—averaging \$13,160 and accounting for 38 percent of total household income compared to 17 percent for the 541 clients who reported income. Other differences in this group include a much lower proportion of income coming from TANF benefits (21 percent for 208 respondents vs. 30 percent for 541 respondents) and a lower proportion of income coming from food stamps

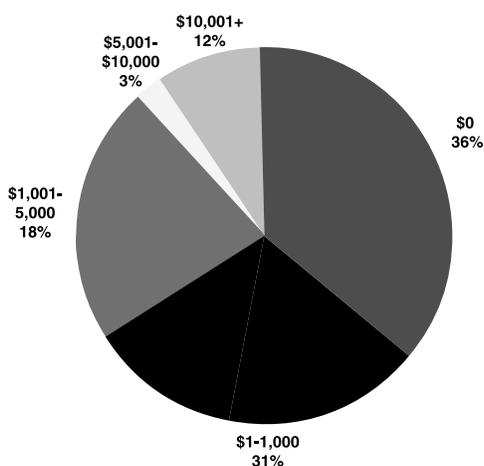
<sup>17</sup> Numbers may not always total due to rounding.

**Sources of Household Income for 208 Participants  
Reporting Income from Wage Employment  
(12 months prior to enrollment)**

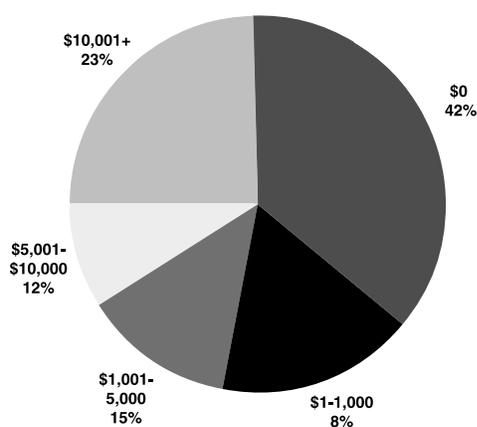
<b>Average Annual Household Income<sup>18</sup></b>	<b>\$13,160</b>	<b>100%</b>
TANF/AFDC	\$2,727	21%
Food stamps value	\$1,758	13%
<b>Salary/wage from job</b>	<b>\$5,059</b>	<b>38%</b>
Other household members	\$2,058	16%
Self-employment income	\$350	3%
Supplemental Security Income (SSI)	\$155	0%
Child support	\$278	2%
Help from family or friends	\$211	2%
WIC benefits value	\$170	1%
Unemployment benefits	\$200	2%
Social security/retirement	\$3	0%
General assistance from state	\$7	0%
Disability insurance	\$34	0%
Alimony	\$0	0%
Other	\$150	1%

The median value of assets owned by the respondents' households at intake was \$300 while median liabilities was \$1,000.<sup>19</sup> Only half of the 549 respondents who reported total household assets reported owning a car, and only 35 percent had a personal checking account. Ten percent of this group was homeowners, 27 percent had savings accounts and only 2 percent had retirement funds in any amount.

**Average Value of Household Assets**



**Average Value of Household Liabilities**



<sup>18</sup> Numbers may not always total due to rounding.

<sup>19</sup> 549 clients reported total household assets, and 573 reported total household liabilities

While 42 percent of participants reported having no household debt, the majority of clients did have this burden at intake. Thirty percent owed a balance on an educational loan, and 28 percent had credit card debt. Other common sources of debt included car notes and long-term debt such as to the Internal Revenue Service.

## Key Findings

This report details findings at a very early point in the Welfare to Work Demonstration and Learning Assessment longitudinal survey. It lays the baseline for further investigation of the experiences of TANF recipients and self-employment. What is seen at this stage is a very interesting picture of who participates in microenterprise programs and how participants differ in a number of ways from the national caseload of TANF recipients. The following are key findings from this early stage of the research.

***In areas where grantees had a strong relationship with a local welfare agency that was supportive of self-employment, recruitment was greatly facilitated*** There was wide variation in the number of TANF recipients who enrolled in the ten demonstration programs. Programs with a strong relationship with the local welfare agency were most successful in their recruitment efforts. Recruitment levels varied for other reasons as well: the geographic coverage of the grantee program (which varied from small rural counties to programs serving entire metropolitan areas and even statewide); the level of caseload reduction in the area served by the site; and the nature of the assessment and screening process employed by the grantee.

***TANF recipients who enrolled in the demonstration programs differ from the national TANF caseload in several important ways. They are older, have higher levels of education, are more likely to have been married and divorced, and have more employment experience.***

- Demonstration participants are generally older than the national TANF caseload—they are significantly more likely to be between the ages of 36 and 50 and far less likely to be between the ages of 18 and 25.
- Demonstration participants are significantly more likely to be divorced or separated, and less likely to be married or never married, than the national TANF caseload.
- Demonstration participants had a larger number of children (2.3 vs. 2.0 for the national caseload). Like the national caseload, about 54 percent of these children were under the age of six.
- Participants also have very strong educational attainment levels compared to the national caseload. Eighty-six percent have a high school degree or GED, and 81 percent have completed 12 or more years of education (compared to 46 percent of the national TANF caseload in FY 1999). However, it is important to note that program practitioners, many of whom tested for basic skill levels, found that actual skill levels were quite low among their TANF clients.
- Ninety-nine percent of demonstration participants have work experience. While comparable data is not available for the NSAF or the fiscal year 1999 national TANF caseload, 43 percent

of the NSAF population reported that they had never worked or that they had not worked in the past three years.

- Thirty-nine percent of demonstration participants were working at the time they enrolled in the microenterprise program, compared to 28 percent for the fiscal year 1999 national TANF caseload. The 39 percent who were employed comprised 18 percent who were solely engaged in wage employment, 16 percent who were solely self-employed and 5 percent who were engaged in both wage and self-employment.

***Despite their stronger educational and employment backgrounds relative to the national TANF population, WTW study participants have significant histories of receiving welfare assistance.***

Across the WTW study demonstration sites, participants had received AFDC or TANF support for a median of four years.

***Although demonstration participants may look different from the TANF caseload in key ways, their profile is very similar to that of other low-income individuals and welfare recipients who pursue self-employment.*** Past studies of low-income individuals and AFDC recipients conducted by the Self-Employment Learning Project of the Aspen Institute and the Self-Employment Investment Demonstration of Manpower Demonstration Research Corporation found similar demographic profiles.

***There were large differences across the demonstration sites in the percentage of clients who considered themselves in business at program enrollment.*** It is important to note, however, that all of the programs with high percentages of clients in business at enrollment had relatively low numbers of overall clients. Across the entire sample, 17 percent of clients were in business at enrollment.

***Demonstration participants who were self-employed had the highest household incomes in the population. Participants who were employed in jobs also had higher than average incomes at intake.*** Average household income for the 17 percent of participants who reported self-employment income at intake was \$14,281. For the 35 percent who reported employment income, average household income was \$13,160. Household income for the entire study population was much lower—averaging \$11,689.

***The clients' businesses that did exist at program enrollment were young, small and home-based.*** The median age of these businesses was 1 year, and 44 percent were less than 6 months old. The median annual sales for these businesses was \$5000, their business net worth was \$600, and only 20 percent had business checking accounts. Eighty-six percent of the businesses were home-based.

## Future Research Questions

Previous studies of microenterprise and the poor have shown that when a low-income person hits upon a business that is right for her and her local environment, she has the potential to earn income higher than she might in a job.<sup>20</sup> While the term of this study is only 24 more months, and building a successful business may require a longer time horizon, the study may reveal information about the circumstances under which TANF recipients may experience success with self-employment. At the same time, given the risk that microenterprise entails, this work may inform about factors that contribute to less successful outcomes.

The Welfare to Work Demonstration and Learning Assessment will collect follow-up information on the demonstration participants at two intervals: 12 months and 24 months after program enrollment. Findings from the follow-up data will be published in the fall of 2001 and 2002. The follow-up research will address questions such as:

- Did participants start and/or expand businesses? Did the businesses grow and survive over the 24-month follow-up period? How do business outcomes for those who had businesses upon entering the microenterprise program compare to outcomes for those who started businesses after training?
- To what extent do participants choose to blend wage and self-employment? Or choose wage employment over self-employment? How do the incomes and experiences of those who "patch" wage and self-employment differ from those who choose self-employment only? Did the microenterprise organizations play a role in helping participants to gain employment?
- How did participants' receipt of TANF benefits change over time? For those no longer receiving benefits, was loss of benefits due to increasing income or lack of compliance with TANF rules?
- To what extent were participants dealing with personal and family challenges such as mental or physical illness or disability, domestic abuse or substance abuse?
- Did the availability of child care affect the participants' abilities to operate and grow their business?

Follow-up interviews and future reporting will focus on the experiences of welfare recipients who are attempting to pursue self-employment in the new TANF environment. It will address the role of TANF income and other support services in the household and how this may change due to the addition of new income or changes in TANF support. Simultaneously, work documenting the TANF policy environment will be aimed at expanding information about which policies offer support and which present challenges to welfare recipients attempting to achieve family self-sufficiency through self-employment.

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<sup>20</sup> See Peggy Clark and Amy Kays, *Microenterprise and the Poor: Findings from the Self-Employment Learning Project Five-Year Survey of Microentrepreneurs* (Washington, D.C.: The Aspen Institute, 1999) and Raheim, Salome and Catherine Foster Alter, *Self-Employment Investment Demonstration Final Evaluation Report, Part I: Participant Survey*, (Iowa City: The University of Iowa, 1995).



This report summarizes findings from the first wave of a longitudinal survey of TANF recipients who participated in 10 microenterprise training programs funded by the Charles Stewart Mott Foundation. Publications detailing findings from two additional waves of this survey will be forthcoming in Fall 2001 and Fall 2002. A section of the FIELD Web site is devoted to the Welfare to Work Demonstration and Learning Assessment. Additional reports can be read or downloaded at [www.fieldus.org/li/welfare\\_news.html](http://www.fieldus.org/li/welfare_news.html). Visitors will find:

- *Research Brief No. 1, Microenterprise as a Welfare to Work Strategy: Client Characteristics.*
- Brief descriptions of the 10 projects in the WTW cluster and their approach to working with TANF recipients.
- A report on the most recent gathering of the WTW grantees, where they discussed the challenges inherent in working with TANF recipients.
- Brief publications covering WTW issues: *FIELD forum* Issue 3, *Designing Microenterprise Programs for Welfare Recipients* and Issue 7, *Recruiting, Assessing and Screening TANF Recipients.*
- Three publications written by the Center for Law and Social Policy that explore different aspects of TANF policy as it relates to microenterprise: *Developing Policies to Support Microenterprise in the TANF Structure: A Guide to the Law; Key State TANF Policies Affecting Microenterprise; and TANF Policies in Nine States: Implications for Microenterprise Initiatives.*

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