RESEARCH REPORT NO. 3

Microenterprise as a Welfare to Work Strategy: Two-Year Findings

WelfaretoWork

November 2003

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

This publication is made possible by a grant from the Charles Stewart Mott Foundation

Published in the United States of America
2003 by the Aspen Institute

Printed in the United States of America

ISBN: 0-89843-391-6

Microenterprise as a Welfare to Work Strategy: **Two-Year Findings**

RESEARCH REPORT NO. 3

By Joyce A. Klein, Ilgar Alisultanov and Amy Kays Blair

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

November 2003

Acknowledgments

The Welfare to Work Learning Assessment is made possible through the support of the Charles Stewart Mott Foundation. The authors would like to extend very special thanks to Jack Litzenberg and Sue Peters of the Charles Stewart Mott Foundation for their ongoing support and guidance throughout the course of this project.

The authors also wish to recognize the microenterprise program staff who participated in the learning assessment: Vanessa Rush and Ken Williams of the Detroit Entrepreneurship Institute; Tola Levison and Sheilah Rogers of West Company; Arlene Ramos of Project Hope; Carol Harrison and Gayle Mickey of WomenVenture; Agnes Talamantez Carroll of MiCasa Resource Center for Women; Christine Pigsley and Angela Gravely-Smith of the Institute for Social and Economic Development; Marian Doub and Barbara Johnson of Women's Initiative for Self Employment; Marijana Ababovic, Linda Pancoast and April Case of Worker Opportunity Resource Center; Mary Costollo and Helen Wallace of Southern Oregon Women's Access to Credit; and Judith Nerette and Wanda White of Women's Self-Employment Project. Their efforts to support the data collection process, their insights into the evaluation findings, and their commitment to serving the lowest-income women have been remarkable.

We would also like to extend our thanks to our partners in the learning assessment process, Mark Greenberg and Nisha Patel of the Center for Law and Social Policy. Their wise counsel, insightful comments and deep knowledge of welfare policies and the issues faced by low-income families have been invaluable throughout this project.

Finally, the authors would like to thank our team of co-workers at the FIELD program of the Aspen Institute for their support of and commitment to this project; without their dedication this project would not have been possible. Jackie Orwick and Judy Maher of the survey research team expertly managed the data collection phases of the longitudinal survey. Sinin Young provided key support in our data analysis work. Lily Zandniapour played a key role in the design and analysis of the longitudinal study. Finally, Colleen Cunningham and Greg Landrigan managed the design, production and dissemination process for this and the many other publications that have resulted from the learning assessment.

Table of Contents

Executive Summary and Introduction

The Importance of Self-Employment to Welfare Recipients

The federal welfare reform legislation of 1996 ushered in a new era of welfare policy: one that combined new work requirements with the idea of time limited benefits. Seeking to meet the conditions of the federal law, state and local administrators have focused on how to enable recipients to secure private sector wage employment. For those who may not be able to obtain such employment, there has been talk of public jobs or community services programs. But, relatively little attention has been paid to another form of work for welfare recipients: self-employment.

While self-employment is not a work option that makes sense for most recipients of Temporary Assistance for Needy Families (TANF), there are reasons to believe that it should be part of an economic self-sufficiency strategy for some. Data from the National Survey of America's Families found that seven percent of the TANF leavers it sampled in 1997 were self-employed.[1] This is similar to the national rate of self-employment, which was 8.1 percent in 1997. It is also higher than the self-employment rate among women, which was 6.6 percent in 1997.[2] In rural areas, self-employment is an even more important source of employment – in 2002, 10.4 percent of workers in nonmetropolitan counties were self-employed, compared to 7.2 percent nationwide.[3] And, in some rural areas, the role of self-employment is even more pronounced. For example, a recent study by the Center for Rural Affairs found that nonfarm proprietors constituted 22 percent of employment in rural farm counties throughout the Great Plains states.[4]

Furthermore, individuals at the margins of the workforce have always engaged in self-employment – whether formal or informal – either as a substitute for or a supplement to traditional wage employment.[5] Studies have also found that women on welfare often use self-employment as a means to supplement their wage earnings.[6] And, while there has been little research on the scope of the underground economy on the national level, one study conducted in 1983 estimated that 27.1 percent of adult men and 13.5 percent of adult women were engaged in the informal economy.[7]

Another reason to consider self-employment as a work strategy for welfare recipients is that there are reasons to believe that it may be the best work strategy for some TANF recipients. Studies of self-employment have shown that women with children are significantly more likely to choose self-employment than those without.[8] Their motivation is to find a way to effectively balance their work and family responsibilities – even if this means earning less money. Research has also found that individuals with disabilities are 1.5 times more likely to engage in self-employment.[9] As many in the TANF population face clear barriers to work due to their need to tend to child-care responsibilities, or as they seek to deal with recurring health issues, it makes sense to consider self-employment as a solution.

---

[1] Pamela Loprest, *How are Families Who Left Welfare Doing Over Time: A Comparison of Two Cohorts of Welfare Leavers*, Federal Reserve Bank of New York: Economic Policy Review, Vol. 7, No. 2 (September 2001): 13; available from http://www.ny.frb.org.rmaghome/eco_pol/2001/801inds.html; Internet.

[2] These figures are from Bureau of Labor Statistics data on self-employment as a percent of total employment; available from http://www.bls.gov/webapps/legacy/cpsatab5.htm; Internet.

[3] Based on calculations conducted by the Economic Research Service of the U.S. Department of Agriculture provided in an interview with Robert Gibbs of the ERS, October 15, 2003.

[4] Jon M. Bailey and Kim Preston, *Swept Away: Chronic Hardship and Fresh Promise on the Rural Great Plains.* (Walthill, Neb: Center for Rural Affairs, June 2003).

[5] For more information on the informal economy, see FIELD *forum,* Issue 14, *The Informal Economy and Microenterprise in the United States.* (Washington, D.C.: The Aspen Institute, March 2003).

[6] See Kathryn Edin and L. Lane, *Making Ends Meet: How Single Mothers Survive Welfare and Low Wage Work* (New York: Russell Sage Foundation, 1991).

[7] D. O'Neill, *Growth of the underground economy, 1950 – 1981: Some evidence from the Current Population Survey.* Joint Economic Committee, Congress of the United States, Washington, DC: U.S. Government Printing Office, 1983.

[8] Jon C. Messenger and Andrew Stettner, *The Quality of Self-Employment Jobs in the United States* (Geneva: International Labour Office, 2001), 57.

[9] Jon C. Messenger and Andrew Stettner, 49.

Recognizing the importance of the self-employment option for some individuals, microenterprise programs in the United States have been helping welfare recipients to start and expand self-employment ventures for more than two decades. In some cases, they seek to assist individuals who may be engaged in informal economic activity to expand and transform their efforts into a formal business. In other instances, they assist individuals who have developed productive skills through wage employment or as a "hobby" to transform those skills into a business.

Under the previous federal welfare program, Aid to Families with Dependent Children (AFDC), the primary barriers that welfare recipients faced in becoming self-employed lay in the eligibility rules regarding the ownership of assets, and the treatment of business income and expenses in determining household income. With the advent of the TANF program, states had the option to create asset and income rules that were more supportive of self-employment. However, work requirements, time limits and the "work first" approach implemented in many states posed other potential barriers to recipients seeking to pursue self-employment.

The Microenterprise Welfare to Work Demonstration

Recognizing the challenges posed by this new federal structure, the Charles Stewart Mott Foundation initiated its Microenterprise Welfare to Work Demonstration and Evaluation in 1998, with the goal of examining whether, and under what circumstances, self-employment could be a route to self-sufficiency for TANF recipients. The initiative provided three-year demonstration funding to 10 microenterprise organizations that provided self-employment services to TANF recipients. In addition, the Foundation provided funding to FIELD, the Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination, to conduct an evaluation of the demonstration.

The 10 demonstration sites, profiled on the following page, each provided a core set of services to the TANF recipients enrolled in their programs.[10] Each grantee developed a set of outreach efforts targeted specifically at TANF recipients. Interested recipients then went through an assessment process in which they worked with the grantees to determine their readiness to engage in self-employment, by examining their business concept, their personal readiness and their entrepreneurial skills or aptitudes.[11] After completing the assessment process, individuals who enrolled in the programs received business training and technical assistance geared toward teaching basic business skills and the development of an initial business plan. Technical assistance was also provided to participants as they moved through the initial phases of business start-up and operations. All grantees also had business financing programs; all of them also provided some level of employment assistance to individuals who chose to pursue wage employment in addition to or instead of self-employment.

In designing their services for TANF recipients, the programs were mindful of the policy context in which these individuals operate, most particularly the work requirements and time limits that face recipients of assistance. Given that participants in the study would be required to engage in work activities for a substantial number of hours and to move quickly toward self-sufficiency, programs sought to support a range of outcomes for clients. Clearly, helping individuals who were currently unemployed to start businesses that could create full-time employment and support a family was one key outcome. However, programs also sought to work with clients who were already engaged in some level of self-employment to help them to grow those activities in order to increase the number of hours worked and level of income drawn from the business. In addition, programs sought to support "income patching," in which TANF recipients used self-employment as a complement to wage employment in order to increase their level of earned income. Finally, programs recognized that some participants, after some experience in training or operating a business, would realize that employment would be a better path to self-sufficiency. Thus, as noted above, all of the programs provided some form of assistance with wage employment.

---

[10] For more detail on the design of these microenterprise programs for TANF recipients, see FIELD *forum,* Issue 3: *Designing Microenterprise Programs for Welfare Recipients* (Washington, D.C.:The Aspen Institute, November 1999).

[11] See FIELD *forum*, Issue 7: *Recruiting, Assessment and Screening TANF Recipients* (Washington, D.C.: The Aspen Institute, October 2000).

In seeking to support these varying outcomes, the programs in demonstration used different approaches in providing the core sets of microenterprise services described above. Some of the grantees sought to explicitly support income patching by promoting the concept during orientations and recruitment sessions, and by offering clients other employment-related training courses. One grantee created a model to stop the clock on recipients' TANF benefits by placing individuals in jobs while they completed their self-employment training and business start-up efforts. Another grantee focused specifically on preparing clients to operate family day-care businesses; its program included coursework in child development and internships in day-care businesses. A number of its clients chose wage employment rather than self-employment in the day care sector.

Participants in the WTW Demonstration and Learning Assessment[12]

Detroit Entrepreneurship Institute, Inc. (DEI)

Detroit, Michigan
Intensive training program targeted toward TANF recipients, combined with case management employment placement services.

Institute for Social and Economic Development (ISED)

Iowa City, Iowa
Under contract with state TANF agency, TANF recipients were recruited and trained as part of ISED's self-employment classes for TANF and other low-income individuals.

Little Sisters of the Assumption Family Health Services (Project Hope)

Dorchester, Massachusetts
TANF recipients interested in becoming family day-care providers received business and child development training, along with placement in child-care internships.

MiCasa Resource Center for Women

Denver, Colorado
TANF recipients participated in MiCasa's self-employment courses for low-income individuals and TANF recipients. Clients could also enroll in MiCasa's other employment readiness and job training courses.

Southern Oregon Women's Access to Credit, Inc. (SOWAC)

Medford, Oregon
TANF recipients participated in SOWAC's business training for low-income individuals, supplemented with case management services.

West Company

Ukiah, California
TANF clients participated in "Building a Better Business" workshop series, teamed with "NEW Beginnings" support groups, case management and intensive education regarding income patching and the federal Earned Income Tax Credit.

Women's Initiative for Self-Employment (WI)

San Francisco, California
TANF recipients received case management services, in addition to participating in WI's business readiness and business training courses. WI also offers other support and business financing services.

Women's Self-Employment Project (WSEP)

Chicago, Illinois
In "On the Business Training" (OBT) project, clients were placed in jobs to stop the TANF clock and participated in targeted self-employment training for welfare recipients.

WomenVenture (WV)

St. Paul, Minnesota.
TANF recipients received employment readiness and retention training with WomenVenture's nontraditional employment clients, and then participated in targeted self-employment training courses.

Worker Ownership Resource Center (WORC)

Geneva, New York
TANF recipients participated in WORC's self-employment training courses for low-income individuals and TANF recipients.

[12] For further information about the programs, see FIELD *forum,* Issue 3; available at www.fieldus.org; Internet.

This report presents findings from a longitudinal study of TANF recipients who participated in the demonstration programs. It presents findings two years after enrolling in the microenterprise programs, and compares these to the participants' circumstances at the time of program enrollment. In examining client outcomes, the study looks at a range of factors: engagement in self-employment and wage employment; receipt of TANF cash and other assistance; changes in household income, assets and net worth; indicators of the quality of wage jobs held by employees; and the types and growth rates of businesses owned by the study participants.

Background on Survey Participants

To interpret the outcomes experienced by the welfare-to-work demonstration participants, it is important to begin with an understanding of the characteristics of the participants at the time they entered the microenterprise programs.[13] Although the study population shares many characteristics with the national TANF caseload – it is overwhelmingly female and predominantly non-white – there are also important differences. Notably, demonstration participants were, on average, older than the TANF caseload, were significantly more likely to be divorced or separated (as opposed to married or never married), had a slightly larger number of children (2.3 versus 2.0), had completed more education, and had more work experience. At the time of their enrollment in the microenterprise programs, 39 percent of demonstration participants were working; this compares to 28 percent for the fiscal year 1999 national TANF caseload.[14] 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 had significant histories of receiving welfare assistance. Across the demonstration sites, participants had received AFDC or TANF support for a median of four years. In addition, the demographic profile of demonstration participants is very similar to that of other low-income individuals and AFDC recipients who pursue self-employment: they tend to be older (in their 30s and 40s) and have substantial histories of welfare receipt despite their relatively strong education and work experience.[15]

Participant Outcomes Two Years after Enrollment

Two years after enrolling in self-employment programs, study participants showed strong increases in their engagement in work. For those who were working, the resulting increase in earned income led to very substantial increases in household income. As a result, the receipt of TANF assistance decreased dramatically, and the percentage of respondents whose families lived below the poverty line also declined. The changes in household income were strongest among the group of participants who drew income from both wage and self-employment – "earned income patchers" – followed by those who earned income from wage employment only, and then those who earned income solely from self-employment.

Study participants also showed increases in household assets, although these were accompanied by substantial increases in household liabilities. As a result, household net worth for most participants declined. However, individuals who owned businesses did build positive business net worth.

More than half of the study participants operated a business at some point after enrollment in the microenterprise program; this compares to 21 percent who were operating businesses at the time they entered the programs.[16] The businesses that operated throughout the two-year follow-up period showed strong survival rates and growth in monthly sales and business net worth. Many individuals also chose to move between self- and wage employment.

---

[13] For more information about the characteristics of the study population at baseline, see Amy Kays Blair and Joyce Klein, *Microenterprise as a Welfare to Work Strategy: Client Characteristics* (Washington, DC: The Aspen Institute, July 2001).

[14] U.S. Department of Health and Human Services, Administration for Children and Families, *Characteristics and Financial Circumstances of TANF Recipients* Table 19.1; available from http://www.acf.dhhs.gov/programs/opre/characteristics/fy99/tab191_99.htm; Internet.

[15] See Peggy Clark and Amy J. Kays, *Microenterprise and the Poor: Findings from the Self-Employment Learning Project Five-Year Survey of Microentrepreneurs* (Washington, DC: The Aspen Institute, 1999), and Cynthia A. Guy and others, *Self-Employment for Welfare Recipients: Implementation of the SEID Program* (New York: Manpower Demonstration Research Corporation, 1991).

[16] Twenty-three percent of the Wave 3 respondents stated that they were self-employed at the time of the enrollment in the microenterprise programs; however, only 21 percent noted that they were currently operating a business.

Employment and Welfare Receipt

Two years after program enrollment, 25 percent of the survey respondents were self-employed; 31 percent had wage jobs; and 12 percent were both working and operating a business. Thus, 37 percent of respondents were engaged in self-employment (either solely or in combination with wage employment); 43 percent were engaged in wage employment (again, either solely or in combination with self-employment); and 68 percent were engaged in one or both forms of employment. This compares to 40 percent of respondents who were working – either in self- or wage employment, or in both – at the time of the baseline survey.[17]

Almost half (47 percent) of participants reported having operated a business at some time during the second year following training; 54 percent of respondents reported they had operated a business at some point since enrolling in the microenterprise program. For the most part, respondents who were working were employed full time: those who worked solely in wage or self-employment worked a median of 40 hours per week, while employment-patchers worked a median of 47 hours per week. TANF receipt continued to decline dramatically among the survey sample. At the time of the Wave 3 interviews, 25 percent of respondents reported receiving TANF. This compares to 94 percent at program intake.

Household Income

Two years after enrolling in the microenterprise programs, the median household income of study participants had grown from $10,114 to $18,952, an increase of 87 percent. As a result, the percentage of respondents living above the poverty line increased: at baseline, 20 percent of respondents had incomes above the poverty line; this increased to 56 percent at the time of the two-year follow-up. Individuals who drew income from a business in tandem with income from a wage job had the highest household income in the sample, followed by those with income solely from a wage job, and those who earned income solely from self-employment. These findings are consistent with other studies of self-employed individuals. Generally, women who are solely self-employed in unincorporated businesses have lower earnings than those who work in wage employment.[18] However, evidence from various studies indicates that individuals who patch wage and self-employment have incomes equal to or greater than those who engage solely in wage employment.[19]

Growth in household income was driven in large part by substantial growth in the personal earnings of respondents, which grew from a median of $355 at the time of enrollment to $7,389 two years later. As a result, the contribution of personal earnings grew from 23 percent to 46 percent of average household income. Increases in earnings and household income led to a resulting decline in the importance of TANF and other forms of public assistance: TANF assistance dropped from 30 percent to 7 percent of household income over the two-year period, while the contribution of food stamps dropped from 19 percent to 6 percent.

Household Assets, Liabilities and Net Worth

Over time, survey participants experienced substantial percentage increases in the median value of their household assets, from $425 to $1500. The percent of respondents owning various types of assets grew, in some cases quite markedly. Interestingly, however, growth in the level of liabilities incurred by respondents outpaced the substantial growth in assets. As a result, median net worth declined from $0 to -$680. While much of the growth in liabilities was due to increases in mortgages, and education and vehicle loans – which are arguably used to purchase assets that can result in greater income and wealth over time – a large portion was also attributable to increases in credit card debt.

---

[17] As noted earlier in the executive summary, 39 percent of the full sample of 590 participants was employed (in self- or wage employment, or both) at the time of the baseline study. Forty percent of the 362 respondents to the Wave 3 survey were employed at the time of the baseline study.

[18] See Theresa J. Devine, "Characteristics of Self-Employed Women in the United States." *Monthly Labor Review,* March 1994, 20-33, as cited in Jon C. Messenger and Andrew Stettner, p. 23.

[19] See Jon C. Messenger and Andrew Stettner, pp. 30-31.

Interestingly, the subgroup of respondents with income solely from self-employment showed the strongest growth in both assets and liabilities. This seems to be due in part to the relatively high percentage of these respondents who owned real estate and vehicles. Overall, however, the net worth status of individuals with income solely from self-employment was not greatly different from that of the overall sample; they, too, saw net worth decline over the study period, from $0 to -$449.

Businesses and Business Growth

The types of businesses started by study participants varied widely: from child care to business services to construction. The businesses that were in existence at the time of the Wave 3 study had median monthly sales of $668, and median sales of $6500 in the 12 months prior to the interview. Their median business assets were $3,000; 88 percent had positive business net worth, and the median business net worth was $2,800. Eighty-two percent of the businesses had taken owners' draw in the previous year; the median owners' draw for all businesses (including those that did not take an owners' draw) was $4,050.

The subset of businesses that were at least two years old at the time of the follow-up interview – those that existed at the time of program enrollment and were still operating two years later – showed somewhat stronger performance. The surviving businesses had median monthly sales of $900, median assets of $4,800, and median net worth of $4,000. Eighty-one percent had taken owners' draw, and the median draw for all surviving businesses was $4,800.[20] As a group, this set of business "survivors" posted growth in all measures – sales, assets, net worth, employment and owners' draw – over the two-year study period. Generally, businesses in the services sector showed stronger levels of revenues and owners' draw than manufacturing or retail firms.

Job Quality

A number of study respondents worked in wage employment, either instead of or in addition to engaging in self-employment. At the time of the two-year follow-up, the average and median hourly wage earnings of the respondents working in wage jobs were $9.66 and $8.89, respectively. For those respondents who were working and were no longer receiving TANF assistance, median hourly wage earnings were $9. In comparison, the median wage of TANF leavers surveyed in 2002 through the National Survey of America's Families was $8.06.[21]

Wage employed study participants had access to the following benefits at their primary job: health insurance (58 percent), paid vacation days (58 percent), paid sick days (48 percent) and dental insurance (50 percent). Thirty-seven percent of the wage-employed respondents who had left TANF had employer-provided health insurance at the time of Wave 3 interviews. This number is higher than findings for TANF leavers surveyed through NSAF and in different state leaver studies.[22]

The majority of study participants in the WTW microenterprise study are single parents. At the time of the Wave 3 interviews, 93 percent had a dependent child under age 18 living in the household. Forty percent had at least one pre-school age child, and only 25 percent of the sample was living with a spouse or partner. Forty percent of respondents with children had their children in some form of child care during the year prior to the Wave 3 interview. Interestingly, individuals who were solely self-employed were about half as likely to have a child in child care as those who were solely wage employed or those who patched wage and self-employment. This suggests that some respondents may have chosen self-employment because it enables them to better balance their needs to work and to care for their children. While most respondents with children in

[20] This figure again includes businesses that did not take owners' draw.

[21] Pamela Loprest, "Fewer Welfare Leavers Employed in Weak Economy," *Snapshots of America's Families 3: No. 5* (Washington, D.C.: The Urban Institute, August 2003).

[22] See Pamela Loprest, "Fewer Welfare Leavers Employed in Weak Economy," *Snapshots of America's Families 3: No. 5* (Washington, D.C.: The Urban Institute, August 2003), and Elise Richer, Steve Savner, and Mark Greenberg, *Frequently Asked Questions About Working Welfare Leavers* (Washington, D.C.: Center for Law and Social Policy, November 2001).

care found their child care to be reliable, 44 percent of those with businesses said that their businesses could grow if they had better child care.

Seventy-nine percent of the study participants and 91 percent of their children had health insurance coverage at the time of the Wave 3 survey. Among the self-employed, 74 percent reported having health insurance. The percentage of the group obtaining coverage through their jobs was 1 percent at Wave 1 and 18 percent at Wave 3, but the study sample remained very dependent on the public sector for health insurance coverage. Respondents reported having a number of concerns with their current personal situation. Given the income status of recipients at the time they entered the study, it is not surprising that financial concerns were cited most frequently. Health-related concerns were also frequently cited as issues of concern.

Conclusion

Demonstration participants clearly progressed in a number of ways in the two years after enrolling in microenterprise programs. Most notably, they experienced strong growth in income and employment, and their reliance on TANF cash assistance was greatly reduced. Individuals who patched income from both self- and wage employment showed the strongest growth in income, and generally experienced lower levels of unemployment.

For welfare agencies considering supporting self-employment, the findings from the study suggest consideration of several factors. First, it is important to recognize that the employment outcomes experienced by individuals who participated in these microenterprise programs involved wage employment and employment patching, as well as self-employment – and that the program designs anticipated and supported this range of outcomes. Secondly, while study participants clearly increased their rates of business ownership, and while the businesses they operated grew over time, at the time of the two-year follow-up, the level of business draw was not sufficient to support the family's full income needs. Given that those who patched self- and wage employment showed the strongest incomes, policymakers may want to consider supporting income patching as a strategy for helping TANF recipients advance toward self-sufficiency. Such support might include orientation sessions that discuss income patching as an option, access to microenterprise training services structured to meet the needs of individuals engaged in wage employment, and access to child care assistance to support the high number of hours worked by income patchers. Finally, welfare agencies may want to look to create policies governing the treatment of business income and assets that allow individuals to reinvest business revenues, as well as to continue to receive some income support as they work to grow their businesses to the point at which they can become a larger source of income support.

For microenterprise practitioners, the study findings indicate a number of programmatic issues for consideration. As with welfare administrators, program staff may want to consider how they can promote and structure their services to support income patching on the part of their clients. The findings also suggest that programs re-examine their approaches to assessment and screening, business financing, and economic literacy, as well as the needs of low-income individuals with disabilities, as means to ensure that TANF recipients can best succeed in using self-employment as a tool for achieving greater self-sufficiency.

About this Study

The Microenterprise Welfare to Work Learning Assessment

This report is the third in a series of research reports that present findings from the participant study of the Microenterprise Welfare to Work (WTW) Learning Assessment. It presents findings on the outcomes experienced by the TANF recipients participating in the study two years after enrolling in microenterprise programs. These twenty-four month follow-up interviews represent the final wave of three rounds of surveys conducted with the study participants.

The Microenterprise Welfare to Work Learning Assessment was designed to gather and document information that addressed eight key learning questions, developed collaboratively through discussions with the donor (the Charles Stewart Mott Foundation), the directors of the 10 microenterprise agencies that participated in the Microenterprise Welfare to Work demonstration, and staff of the FIELD program. Bounded by the resource constraints that affect every research effort, these questions reflected the issues of greatest concern to the donor and practitioners. They are as follows:

- What happens to participant incomes over time?
- What happens to businesses over time? Do they survive? How many employees do they have? What types of businesses are created? Do they grow over time in terms of sales and owners' draw?
- What is the employment/work experience of participants over time?
- Did participants increase their wealth (both business and personal)?
- To what extent did the participants build skills and competencies that will facilitate their movement toward self-sufficiency?
- What happens to participants at training completion?
- What were the policy frameworks in the states (any provisions for self-employment or long-term training)? How did they change over time? How did they affect outcomes? How did participation in a self-employment program affect overall eligibility for public assistance?
- What are the program strategies that were used to address the challenges of the TANF policy environment? What common program elements emerged?

The participant study was designed to gather client-level data that could illuminate answers to the first six questions. Two other evaluation components were used to address the seventh and eighth questions. Policy research conducted by the Center for Law and Social Policy – consisting of surveys of formal TANF policies and case studies in selected sites – was used to document the policy frameworks that existed in the states where the demonstration sites were located and to determine how implementation of these policies affected the experiences and outcomes of study participants. In addition, interviews with program staff and facilitated exchange at meetings of staff from demonstration sites were used to document information on the program strategies used to provide microenterprise services tailored to the needs of TANF recipients.

Methodology of the Participant Study

The participant study involved a longitudinal study of TANF recipients[23] who enrolled in the microenterprise demonstration sites. The study uses a reflexive control design in which outcomes experienced by participants in the microenterprise programs are measured against their situation before they received program services. The primary drawback of any reflexive control or "before-after" design, where no specifically constructed comparison or control group is used, is that changes in the participants' status or experiences over time may reflect, in part, natural development or other factors that influence participants' lives. Thus, it is not possible to directly attribute changes in participants' economic situation to their participation in the microenterprise training program, or to isolate and capture the true net impact of program intervention. However, the study design can provide a valuable picture of the experience over time of this set of individuals who received services from microenterprise programs.

Exhaustive sample selection was used to develop the survey population, meaning that all TANF clients who entered the demonstration programs during the intake period, an 18-month period from the beginning of 1999 through the first half of 2000, were enrolled in the study on a sequential basis. In this way, 590 participants were included in the Wave 1 survey. The number of participants in the study varied across the demonstration sites, because the size and geographic coverage of the participating programs and the frequencies of their training classes differed across the 10 programs.

For two reasons, this study does not use an experimental design or a specifically constructed comparison group. First, resource constraints limited the ability to use a control or comparison group. The demonstration designers were interested in understanding the differing outcomes experienced by subgroups of respondents: namely, those who pursued self-employment versus wage employment, versus income patchers. This called for a sample size large enough to allow for meaningful numbers within each subgroup. Doubling, or at least substantially expanding the sample to include an additional control or comparison group was then beyond the resources available to this demonstration effort.

Secondly, experimental designs usually call for the program intervention being tested to remain constant over time. However, the designer of the demonstration recognized that the microenterprise organizations in the study might well need to adapt their program designs over time, as they learned more about the issues that arose in serving recipients of newly created TANF programs. Thus, the desire to allow for this flexibility was one reason for the choice not to use an experimental design.

In order to provide some context for the outcomes of participants in this study, wherever appropriate and possible, the profile and outcomes of WTW survey participants are compared with available data on TANF recipients and TANF leavers. In cases where comparisons are made to TANF leavers, the report provides findings on the subset of the study participants who were no longer receiving TANF assistance at the time of the Wave 3 study (this subset is termed the "WTW TANF leavers"). The purpose of these comparisons is to provide some indication of whether microenterprise program participants have benefited from microenterprise services and how their experiences in the labor market compare to the experiences of TANF recipients and leavers in general. It is important to note, however, that there are differences in study samples and methodology that limit the direct comparability of these studies to the WTW study. These differences are discussed in greater detail as the comparative data is presented.

Survey Sample, Response Rate and Data Collection Points

As noted above, the study sample comprised 590 individuals – TANF recipients and post-TANF clients – who received services from the 10 grantee programs in the period between January 1999 and June 2000. The baseline survey consisted of a detailed intake form, designed by FIELD staff and administered by staff at the demonstration programs. Program staff provided documentation at core training completion of each participant's employment (self- and/or wage) and TANF status. In-depth telephone interviews were conducted to collect follow-up information from clients at the time of their one- and two-year anniversaries of program enrollment.

[23] To qualify for enrollment in the study, individuals had to be current TANF recipients, or to have received TANF cash assistance within the last year. At the time of the baseline study, 94 percent of participants were receiving TANF, and 6 percent had received cash assistance within the last year.

For the one-year follow-up survey, in-depth interviews with clients were conducted using the Computer-Aided Telephone Interviewing (CATI) system. The Iowa Social Science Institute (ISSI) of the University of Iowa was contracted to conduct interviews with the participants and provide the data to FIELD for analysis. Participants were compensated for their participation and were assured that their identities would be kept completely confidential. Of the 590 respondents at baseline, 295 (50 percent) completed the one-year follow-up survey.

For the two-year survey, FIELD staff elected to bring the telephone survey in-house to allow for a smaller and more highly focused and tightly supervised set of interviewers. Participants were again compensated for their time and informed that their identities would be held confidential. FIELD staff and interviewers attempted to contact each of the 590 members of the sample (not just those that had responded to the Wave 2 survey). Of these, 362 individuals were interviewed for a 61 percent response rate.

The fact that all of the members of the original study were not interviewed in Wave 3 raises the prospect of respondent bias in the Wave 3 findings. To examine the extent of this potential bias, the characteristics of survey respondents who were interviewed at Wave 1 and those who completed the Wave 3 study were compared across a number of indicators collected as part of the Wave 1 survey. Results of this comparison can be found in Appendix A of this report. The results indicate that the two groups are very similar across most of these characteristics. However, there are some differences, notably that the set of respondents interviewed at Wave 3 (two years later) are slightly older; somewhat more highly educated; and had somewhat higher levels of household assets, liabilities and net worth at baseline. In addition, a somewhat smaller percentage of Wave 3 respondents were African-American. Finally, a slightly larger proportion of Wave 3 respondents were in business at the time of the baseline sample (21 percent of Wave 3 sample compared to 17 percent of full sample).

A Few Notes about the Data Presented in this Report

With the exception of a few noted instances, all figures reported in this report are expressed in nominal dollars and not in constant dollars or real terms. The three-and-a-half-year period of the study was a period of low inflation, during which prices rose by approximately 9.5 percent. Part of the increase in earnings and household income of participants documented in this report is offset by this general rise in prices. However, since income growth experienced by survey participants exceeds the annual inflation rate by a relatively large margin, adjustment to constant dollars would not have affected the main findings of the study.

The participant outcomes described in this report are based on snapshot and longitudinal analysis of Wave 1 and Wave 3 data. Snapshot analysis, which involves point-in-time information on all participants surveyed in each wave of data collection, is used to provide an overall picture of the status of the respondents at the time of each wave. Longitudinal analysis, which examines outcomes experienced by respondents who responded to the survey in both waves, is used in discussing changes experienced over time – such as the change in household income or in household liabilities.

Employment Status and Welfare Receipt

Key Findings

- Two years after program enrollment, participants showed strong gains in wage employment and self-employment. Sixty-eight percent of participants were working: 25 percent were self-employed; 31 percent had jobs; and 12 percent were both working and operating a business.
- Among respondents interviewed at both waves, employment increased by 28 percentage points, from 40 percent at enrollment to 68 percent two years later.
- Thirty-seven percent of participants were operating a business two years after enrolling in the training program. At enrollment, 23 percent of respondents reported that they were self-employed, and 21 percent responded that they were operating a business.[24]
- Almost half (47 percent) of participants reported having operated a business at some time during the second year following training; 54 percent of respondents reported they had operated a business at some point since enrolling in the microenterprise program.
- Most respondents who were working were employed full time: those who worked solely in wage or self-employment worked a median of 40 hours per week; employment-patchers worked a median of 47 hours per week.
- The majority of participants were employed or self-employed at the time of the Wave 3 interviews, and 45 percent were employed continuously during the year leading up to the interviews. Of the 55 percent of respondents who reported that they were unemployed at some point during the year, the median length of unemployment was 6 months.
- A large portion of the group who experienced a period of unemployment in the year prior to the Wave 3 interviews reported barriers to employment or self-employment. These included health problems, child-care issues and lack of funds to start a business, among other barriers.
- TANF receipt declined dramatically among the survey sample – from 94 percent at intake to 25 percent at Wave 3.
- Respondents who worked at a job in the year prior to the Wave 3 interviews reported that a number of the skills they learned in microenterprise training helped them in a job. These skills included customer service; budgeting; time, stress and cash management; marketing; and advertising.

Two years after enrolling in microenterprise training, participants continued to show increased levels of both employment and self-employment compared to their status at intake. A substantial portion of the sample was operating businesses. The percentage of training participants receiving TANF continued to decline. The majority of those who had recently left the welfare system (voluntarily or involuntarily) stated that they were earning too much money to be eligible for TANF, or they no longer needed the cash assistance. Respondents who were employed in jobs reported that a number of the skills they learned in microenterprise training, such as customer service and management skills, helped them in their jobs. And, among respondents who experienced unemployment, issues such as health problems and difficulty obtaining child care were reported as barriers.

[24] At Wave 1, 21 percent of the Wave 3 respondents (84 of 362 individuals) reported that they considered themselves to be self-employed. However, of the 84 individuals that reported they were self-employed, only 76 reported that they were operating a business. Thus, it appears that at Wave 1, a set of individuals distinguished between being self-employed and operating a business. This issue of interpretation by respondents did not re-occur at Wave 3.

Employment Status of Participants

Of participants who were interviewed two years after they enrolled in microenterprise training, 68 percent (247) were working. At enrollment, 39 percent of the entire sample was working – including respondents reporting that they had jobs, were running businesses, or were employment patching – meaning that they do both.[25] As Table 1 indicates, 18 percent of the group was solely employed in wage jobs at Wave 1, while 31 percent was solely employed in wage jobs at Wave 3. At Wave 1, 16 percent of the group was solely self-employed, and at Wave 3, 25 percent of the group reported being solely self-employed. Five percent of all respondents were employment patching when they enrolled in the program. By Wave 3, 12 percent reported that they were patching both a job and a business. Concomitant with larger portions of the two groups reporting employment and self-employment, smaller portions reported being unemployed. At Wave 1, 59 percent of respondents reported being unemployed. At Wave 3, the unemployed comprised 31 percent of the total group reporting.

Table 1: Employment Status of All Microenterprise Clients – Wave 1 and Wave 3

Employment Status of All Respondents	**Wave 1 sample n=590**	**Wave 3 sample n=362**
Self-employment only	94 (16%)	90 (25%)
Wage employment only	106 (18%)	114 (31%)
Both self-employment and wage employment (employment patchers)	29 (5%)	43 (12%)
Total Employment	**229 (39%)**	**247 (68%)**
Unemployment	348 (59%)	114 (31%)
Unknown	13 (2%)	1 (0%)
Total	590 (100%)	362 (100%)

Table 2 details the Wave 1 and Wave 3 employment findings for the sample of 362 microenterprise clients who responded to both the Wave 1 and Wave 3 surveys. Overall, employment increased by 28 percentage points for the Wave 3 sample – from 40 percent at intake to 68 percent two years later. Findings are also similar for increases in self-employment, wage employment, employment patching and unemployment.

[25] Employment patchers are individuals who report working in both wage and self-employment. This report also refers to earned-income patchers, defined here as individuals who earned income from both wage and self-employment in the year prior to the interview. The distinction between these two groups is that some individuals who engaged in self-employment did not draw income from their businesses; thus, not all employment patchers are also earned-income patchers.

Table 2: Employment Status of Wave 3 Respondents – Wave 1 and Wave 3

Employment Status of Wave 3 Respondents	Intake n=362	Two years later n=362	Change Wave 1 to Wave 3
Self-employment only	65 (18%)	90 (25%)	+7%
Wage employment only	60 (17%)	114 (31%)	+14%
Both self-employment and wage employment (employment patchers)	19 (5%)	43 (12%)	+7%
Total Employment	**144 (40%)**	**247 (68%)**	**+28%**
Unemployment	207 (57%)	114 (31%)	-26%
Unknown	11 (3%)	1 (0%)	N/A
Total	362 (100%)	362 (100%)	

It is interesting to note that the increase in employment – of all forms – among study participants came at a time when the overall U.S. economy was weak. The Wave 3 interviews were conducted in the second half of 2001 and the first half of 2002. Thus, all of the interviews were conducted after the onset of the recession in March 2001, [26] and many, shortly after the terrorist attacks of September 11, 2001.

In addition to current employment status, survey participants were also asked about their employment and self-employment experiences in the year prior to the Wave 3 interviews. Their responses reveal that the vast majority of study participants worked at some time during the year, and that many of them moved back and forth between wage employment, self-employment and employment patching. At the same time, however, respondents continued to face periods of unemployment, due in part to personal and family factors that presented barriers to work.

Eighty-eight percent of the participants interviewed at Wave 3 (319 respondents) worked at some point during the year leading up to that interview (Table 3). Twenty-two percent worked in their own business; 41 percent had jobs; and 25 percent did both at some point during the year. Thus, 47 percent of those interviewed were self-employed at some time during the year. The percentage of participants that engaged in self-employment at some point during the prior year varied across the demonstration sites, from a high of 67 percent to a low of 38 percent.

[26] National Bureau of Economic Research, Business Cycle Dating Committee, *The Business-Cycle Peak of March 2001*, 26 November 2001; available at www.nber.org/cycles/november2001; Internet.

Table 3: Employment of Microenterprise Clients – Year Prior to Wave 3 Interviews

Employment in Year Prior to Wave 3 Interviews	Respondents n=362
Self-employment only	79 (22%)
Wage employment only	149 (41%)
Both self-employment and wage employment (employment patchers)	91 (25%)
Employment status not known	1 (0%)
Total Employed (at any point during year)	**319 (88%)**
Total unemployed all year	42 (12%)

While a large portion of the sample reported working only at a job during the year leading up to the Wave 3 interviews, many indicated that they were still planning to establish businesses. The 150 respondents who were employed at jobs were asked if they expect to start a business or earn income from self-employment in the future.[27] More than three-quarters (77 percent) replied that they did plan to work in their own business.

The portion of the group that was unemployed at Wave 3 was 31 percent – a reduction of 26 percentage points since program intake when 57 percent of the Wave 3 group was unemployed (Table 2). The employment experiences of TANF and post-TANF recipients are frequently characterized by low wage jobs, poor working conditions and instability. TANF recipients experience bouts of unemployment not only due to the nature of these jobs, but also due to their own barriers and personal circumstances. To provide some context for understanding the employment experiences of these microenterprise demonstration participants, we reviewed other research on the employment status of TANF recipients and leavers. According to studies detailing post-TANF experiences of welfare leavers from seven different states reviewed by the Center for Law and Social Policy (CLASP), 40 percent to 60 percent of welfare leavers who were employed in the first quarter after they exited TANF were also employed during the following three quarters.[28] However, the 40-60 percent of leavers who were employed in all quarters may not have been employed continuously. Findings from the studies reviewed by CLASP do not reflect any "breaks" in employment – only whether a leaver was employed at any point in a quarter.[29]

Employment outcomes among the microenterprise demonstration sample appear strong relative to those reported in the seven studies reviewed by CLASP. In the year prior to the Wave 3 interviews, 45 percent of the survey sample reported being employed *continuously*. The remaining 55 percent experienced unemployment at some point, with the median length of unemployment lasting six months. Interestingly, among those who did experience unemployment, the median length of unemployment for income patchers,

[27] The 150 respondents who were asked about their future businesses included 149 individuals who reported holding a job and one individual who did not respond to the question about previous employment.

[28] Elise Richer, Steve Savner, and Mark Greenberg, *Frequently Asked Questions about Working Welfare Leavers* (Washington, DC: Center for Law and Social Policy, November 2001).

[29] Studies of TANF leavers from the following states were reviewed: Colorado; Cuyahoga County, Ohio; Iowa; Florida; New York; North Carolina; and South Carolina.

at three months, was half that for those engaged solely in wage or self-employment who were unemployed for a median of six months.

It is possible that both the skills acquired by going through microenterprise training and/or the experience of establishing a business may provide former TANF recipients an extra boost in the labor market. For those who operate businesses, self-employment provides them with a job. For others, the management skills and organizational and planning tools may make them more marketable or valuable to employers. Respondents who worked at a job in the year prior to the Wave 3 interviews reported that a number of the skills they learned in microenterprise training helped them in a job. These skills, ranging from customer service to time management, are listed in Table 4 below.

Table 4: Skills Learned in Microenterprise Training that Helped Participants in a Job

Skill Learned in Microenterprise Training	Percent Reporting the SkillHelped in a Job[30] n=240
Customer Service	154 (64%)
Time Management	148 (62%)
Budgeting	135 (56%)
Stress Management	128 (53%)
Marketing	116 (48%)
Cash Management	109 (45%)
Advertising	105 (44%)

Hours Worked

Most respondents who were working worked full time. Among those individuals who were working at the time of the Wave 3 interviews, the median hours worked was 40. Those who were only self-employed and only wage employed each worked a median of 40 hours per week. There is a slight difference between the two groups if hours worked is calculated on an average basis. The self-employed worked an average of 40 hours per week, and the wage employed worked an average of 36 hours per week. This finding is consistent with other studies that have found that, on average, self-employed individuals work somewhat more hours than those who are wage employed, but that there is greater variation in the number of hours worked by the self-employed.[31]

Employment patchers worked markedly more hours, putting in a median of 47 hours per week and an average of 49 hours per week. Thus, employment-patchers clearly showed strong engagement in the labor market. While their attachment to work clearly resonates with the goals of welfare reform, it is also important to note that these are significant hours for families with children – and that many of these families are headed by single parents.

[30] Does not total 100 percent because categories are not mutually exclusive.

[31] Jon C. Messenger and Andrew Stettner, p. 29.

Table 5: Hours Worked Per Week for Respondents Who Were Employed at the Time of the Wave 3 Survey

	Average hours worked per week	Median hours worked per week
Wage employed only (n=107)	36	40
Self-employed only (n=87)	40	40
Patchers (n=40)	49	47
All (n=234)	40	40

Barriers to Employment and Self-Employment

The survey sample is composed of individuals who were receiving TANF, or who had recently received TANF, at the time they enrolled in the microenterprise program. This group is largely composed of single parents, many of whom have health problems or who care for family members with health problems, the very poor, and individuals who may not possess adequate education or job skills to get good jobs. Among the 55 percent of the survey sample who experienced a period of unemployment in the year prior to the Wave 3 interviews, a large portion of the group reported experiencing a number of barriers to getting jobs or operating businesses. Table 6 details the barriers that were reported by at least 25 percent of the sample experiencing unemployment.

Table 6: Barriers to Employment and Self-Employment [32]

Barriers[33]	Respondents unemployed year-round in year prior to Wave 3 (n=42)	Respondents unemployed at some point in year prior to Wave 3 (n=200)
Lack of funds to start a business	33 (79%)	148 (75%)
Respondent's physical disability or illness	20 (48%)	81 (41%)
Low wage rates	17 (41%)	77 (39%)
Respondent was needed to care for a child	17 (41%)	76 (38%)
Transportation problem	17 (41%)	68 (34%)
Child care was too expensive	12 (29%)	56 (28%)
Child care was not available	10 (24%)	52 (26%)
Respondent's depression or mental health issues	17 (41%)	52 (26%)

[32] Numbers do not add to 100 percent because categories are not mutually exclusive.

[33] Only the barriers reported by at least 25 percent of the sample that experienced unemployment at some point in the year prior to Wave 3 are detailed in this table.

The most frequently cited barrier to self-employment was not having the funds to start a business. Seventy-five percent of those experiencing unemployment reported that lack of funds was a barrier to opening a business. Thirty-six percent of this group reported that they could not find a job, 39 percent said wage rates were too low to work, and 34 percent had transportation problems that were barriers to them working at some point.

Among the respondents who were unemployed for the entire year prior to the Wave 3 interviews, several additional barriers were cited frequently. Forty-one percent of this group reported suffering from depression or mental illness. This group also reported lacking the skills to get a job (31 percent) or run a business (26 percent) in higher numbers than the group who experienced more short-lived unemployment. Twenty-nine percent of the year-round unemployed were attending school.

Problems with physical and mental illness were prominent among those who experienced unemployment during the year prior to Wave 3. Forty-one percent reported that their own physical disability or illness had been a barrier to employment in the year prior to the interviews.[34] Two other health-related barriers are important to note in order to see a full picture of the serious nature that health issues pose to respondents' ability to work. Sixteen percent of respondents reported that a child's disability or illness was a barrier to work, and 11 percent reported that they were needed to care for another adult. Sixty percent of respondents who were unemployed at some point in the year prior to Wave 3 reported at least one of these health-related barriers. Among the group that was unemployed during the entire year, health-related barriers figured even more prominently. Almost three-quarters (74 percent) reported at least one health-related barrier relating to them or a member of their families (Table 7).

Table 7: Health Care Barriers to Employment and Self-Employment

	Unemployment Status		
	Unemployed at some point n=158	**Unemployed year-round n=42**	**All unemployed n=200**
Had AT LEAST ONE of the following health issues: own disability; child's disability; need to care for another adult; own depression or mental health; depression or mental health of a family member	95 (60%)	31 (74%)	126 (63%)

Issues associated with caring for children and child care were also frequently cited barriers to employment or self-employment. Thirty-eight percent of respondents reporting unemployment also reported being needed to care for a child, and more than a quarter of the sample reported that child care was not available and/or that it was too expensive. Fifty-one percent of the group who was unemployed at some point during the year prior to Wave 3 reported at least one child care-related barrier (Table 8).

[34] This does not include pregnancy.

Table 8: Child Care Barriers to Employment and Self-Employment

	Unemployment Status		
	Unemployed at some point n=158	**Unemployed year-round n=42**	**All unemployed n=200**
Had AT LEAST ONE of the following childcare issues: needed to care for a child; child care was too expensive; child care was not available	80 (51%)	22 (52%)	102 (51%)

Welfare Receipt

TANF receipt among Welfare-to-Work demonstration participants had declined dramatically two years after program enrollment. Ninety-four percent of the 362 individuals interviewed at Wave 3 were receiving TANF cash benefits at intake.[35] Two years later, at the time of the Wave 3 interviews, only 25 percent (92 individuals) were receiving cash assistance from TANF (Table 9). Thus, TANF receipt declined by 69 percentage points – from 94 percent at Wave 1 to 25 percent at Wave 3. Across all of the demonstration sites, smaller proportions of participants reported receiving TANF at Wave 3 than did at Wave 1.

Table 9: TANF Status of Wave 3 Respondents

TANF Status of Respondents	**Intake n=362**	**Two years later n=362**	**Change Wave 1 to Wave 3**
Receiving TANF Cash Assistance	339 (94%)	92 (25%)	-247 (-69%)

Some respondents also continued to receive TANF-related services. Of the 157 respondents who received TANF or TANF-related services in the year leading up to the Wave 3 interview, 82 (52 percent) stated that they were currently receiving a TANF-related service. Of these, 40 percent reported receiving child care assistance, and 11 percent reported receiving transportation assistance (Table 10). A large percentage of these individuals also reported receiving "other" TANF-related services; however, for the most part, these were other forms of public assistance or benefits – such as Medicaid or food stamps – that are not directly linked to the TANF program.[36]

[35] Exactly the same proportion (94 percent or 552 individuals) of the Wave 1 respondents reported receiving TANF cash benefits at intake.

[36] A more complete discussion of Medicaid use can be found in the section of this report on child care, health insurance and key concerns.

Table 10: Receipt of TANF-related Services by Microenterprise Clients

TANF-related service	Number of respondents[37] n=82
Child care	33 (40%)
Transportation	9 (11%)
Other	62 (76%)

Sixty-five respondents who were not receiving cash assistance from TANF at the time of the Wave 3 interviews did report receiving TANF benefits during the year prior to the interviews. Of these, 57 percent (37 respondents) reported that they were cut off from the program. The reason most frequently reported by this group was that they earned too much money. This was cited by 62 percent of respondents (Table 11). Other frequently named reasons included being sanctioned, reaching time limits, and not returning forms.

Table 11: Client-reported Reasons for Being Cut from TANF

Reasons	Number of respondents[38] n=37
Earned too much money	23 (62%)
Sanctioned	8 (22%)
Reached time limit	7 (19%)
Didn't return forms	4 (11%)

Other respondents in this group reported that they elected to stop receiving TANF benefits. Twenty percent of those who were no longer on TANF but who had received cash benefits in the year prior to Wave 3 indicated that their termination was voluntary. All of these respondents indicated that they thought they were no longer eligible for benefits (Table 12). Sixty-two percent also indicated that they no longer needed the cash assistance. Thirty-one percent did not want to use up time toward their time limits.

[37] Figures do not total 100 percent because respondents could report receiving multiple TANF-related services.

[38] Does not total 100 percent because respondents could report multiple reasons.

Table 12: Client-reported Reasons for Electing to Stop TANF Benefits

Reasons	Number of respondents[39] n=13
Thought they were no longer eligible	13 (100%)
No longer needed it	8 (62%)
Did not want to use up time toward time limits	4 (31%)

Overall, the majority of respondents reported that they left TANF, voluntarily or involuntarily, because either they or the TANF program guidelines determined that their earnings were too high. Among both TANF recipients and TANF leavers, child-care assistance continued to be an important service.

[39] Does not total 100 percent because respondents could report multiple reasons.

Household Income[40]

Key Findings

- On average, respondents' household income[41] increased by 85 percent over the two-year period, from $12,033 to $22,288; the median household income increased by 87 percent, from $10,114 to $18,952.
- During the year before program enrollment, only 20 percent of respondents lived above the poverty line; two years later the proportion of respondents living above the poverty line had increased to 56 percent.
- Two years after enrolling in programs, the median household income of earned-income patchers was $22,904.[42] Slightly lower household incomes were reported by respondents with earnings from wage employment only and those with earnings from self-employment only (with median incomes of $20,272 and $18,500, respectively).
- The contribution of TANF assistance to total household income dropped from 30 percent to 7 percent over the two-year period; contribution of food stamps dropped from 19 percent to 6 percent.
- At the same time, the share of personal earnings in the average household income increased from 23 percent to 46 percent.
- Those who had earned income solely from self-employment drew an average of $8,104 from their businesses to support their household income, while earned-income patchers drew an average of $4,591 in business earnings. Individuals who were solely wage employed averaged $12,267 in wage income, while earned-income patchers averaged about $10,740 in wage income.
- Seventy-three percent of the increase in household income of respondents was due to higher personal earnings.

To those interested in alleviating poverty, one of the key measures of a family's progress toward self-sufficiency is growth in household income. Thus, one of the key questions the longitudinal study sought to address was: What happens to participant incomes over time? This section presents the key findings regarding changes in the household incomes and personal earnings of participants in the demonstration.

Two years after enrolling in the microenterprise programs, the household income of study participants had increased. As a result, the percentage of respondents living below the poverty line decreased. Individuals who drew income from their businesses in tandem with income from a wage job had the highest household income in the sample. Earned income increased as a form of income for study participants, leading to a resulting decline in the importance of TANF and other forms of public assistance as sources of household income.

[40] Analysis in this section is based on the longitudinal data for 266 respondents who reported their total household income at both waves of the survey.

[41] Household income as defined in this study includes job earnings, self-employment income, federal and state cash assistance (TANF and GA), cash value of all in-kind public assistance (food stamps and WIC), Earned Income Tax Credit (EITC), child support and alimony, Supplemental Security Income (SSI), Social Security, unemployment benefits, disability insurance, help from family or friends, retirement benefits, total income of other household members, and "other" personal income.

[42] Earned-income patchers include respondents who combined earnings from a job with earnings from their businesses during the year before Wave 3 interviews; respondents with earned income from self-employment only are those who drew income from self-employment and did not have any wage earnings during the year before Wave 3 interviews; respondents with earnings from wage employment only are those who had wage earnings and did not have any self-employment earnings during the year before Wave 3 interviews.

Change in Household Income

Two years after enrolling in self-employment programs, demonstration participants (throughout the report, also referred to as respondents) reported substantial increases in their total household income. Compared to the year before training, the average household income grew by $10,255, or 85 percent (Table 13). Because a few respondents had exceptionally high household income gains, the average increase for the entire group is slightly skewed upwards. However, the analysis in terms of medians reveals that, even though the increase in absolute terms was slightly lower ($8,838) when compared to the average number, relative gains in median household income were even more impressive (87 percent). Thus, over the two-year period after enrolling in training programs, demonstration participants as a group experienced substantial and positive developments in terms of their total household income.[43]

Table 13: Longitudinal Change in Total Household Income

Wave 1		Wave 3		Change from Wave 1 to Wave 3	
Mean	**Median**	**Mean**	**Median**	**Mean**	**Median**
$12,033	$10,114	$22,288	$18,952	$10,255 (85%)	$8,838 (87%)

A closer look at the data reveals that the earned-income patchers[44] saw the highest growth in income: over the two-year period their median household income grew from $10,124 to $22,904, or 126 percent (Figure 1 and Figure 2).[45] Those with earned income from wage employment only experienced an impressive 96 percent growth in median household income (from $10,358 to $20,272). Compared to respondents with wage earnings only and earned-income patchers, slightly lower but still substantial (78 percent, or an increase from $10,400 to $18,500) gains in median household income were reported by respondents with earned income from self-employment only. The finding that respondents who were earned-income patchers and those with income from wage employment only had higher incomes than those with income solely from self-employment is consistent with other studies. Such studies have found that women who are self-employed have lower earnings than those that engage in wage employment or income patching. However, studies have also shown that women choose self-employment because it enables them to find a better balance between work and family.[46]

Defining Business Income

Throughout this report, several terms – income from self employment, self employment income, business earnings, and business draw – are used interchangeably to refer to monies derived from the self employment enterprise that are used to support household income. Although these different terms are used, they all refer to the same basic question posed to all respondents. Each was asked to identify the amount of funds taken during the past 12 months from any business they operated – whether in the form of a salary or owner's draw.

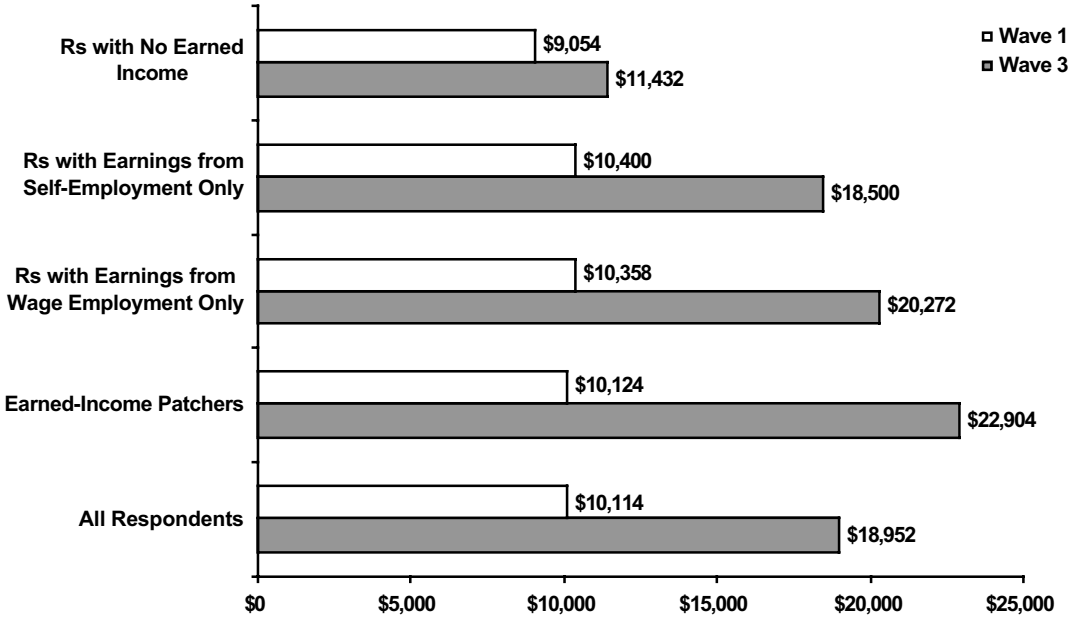
[43] This conclusion is not affected by the fact that part of the increase in household income of participants is offset by the general rise in prices over this period (the baseline and the two-year follow-up survey of participants covered the period from January 1999 through June 2002; the inflation rate during this period was approximately 9.5 percent. Source: Bureau of Labor Statistics; available at http://www.bls.gov/data; Internet.

[44] Earned-income patchers include respondents who combined earnings from a job with earnings from their businesses.

[45] Of 266 respondents who reported their total household income in both waves of the survey, 37 had no earned income, 128 had earnings from wage-employment only, 55 had earnings from self-employment only, and 46 had earnings from both.

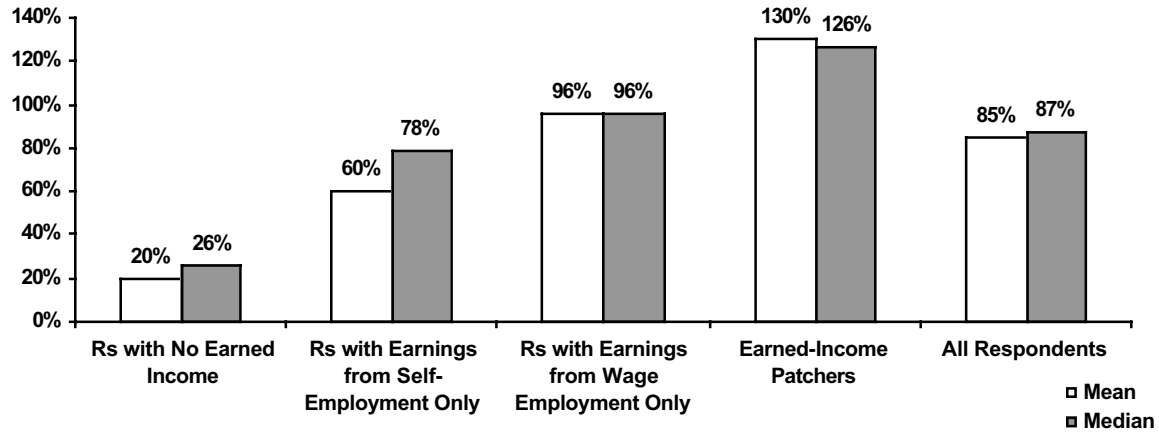
[46] See Theresa J. Devine, and Jon C. Messenger and Andrew Stettner.

FIGURE 1: Median Household Income[47] (Sub-groups of Respondents)



At both Waves 1 and 3, the average household incomes of sub-groups of clients were somewhat higher than the median numbers (Table B1 in Appendix B). Yet analysis in terms of the median gains shows that the positive improvements in average household income were the result of overall positive trends and not only due to a few respondents in the upper tail of the distribution. Over the two-year period, increases in median household income, in relative terms, were greater than or equal to average gains in most cases (Figure 2).

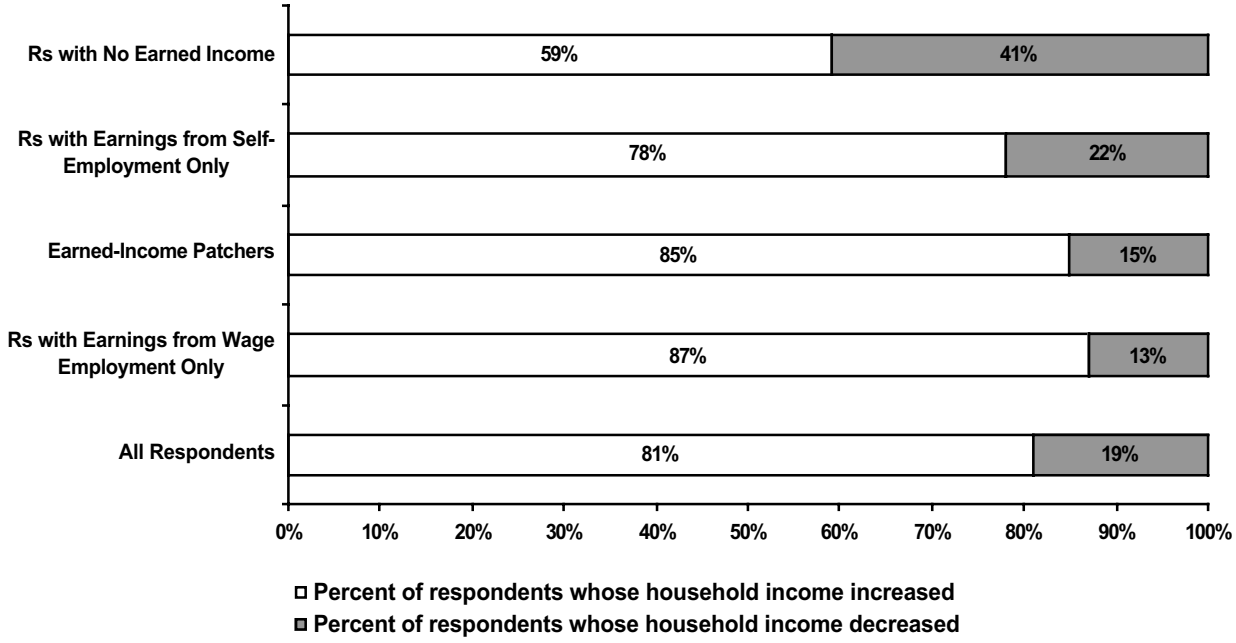
FIGURE 2: Percentage Increase in Household Income of Respondents (Sub-groups of Respondents)



[47] See Table B1 for more details.

Except for a small number of respondents, the overwhelming majority (81 percent) reported an increase in their total household income over the two-year period (Figure 3). Eighty-seven percent of respondents with earned income from wage employment only, 85 percent of earned income patchers, and 78 percent of those with self-employment earnings only experienced improvement in their household income. Despite the fact that growth in household income was more prevalent, and greater, among respondents with earned income, 59 percent of respondents who did not earn income during the year before Wave 3 interviews reported that their incomes had grown since Wave 1.

FIGURE 3: Proportion of Respondents with Increased versus Decreased Household Income (Sub-groups of Respondents)

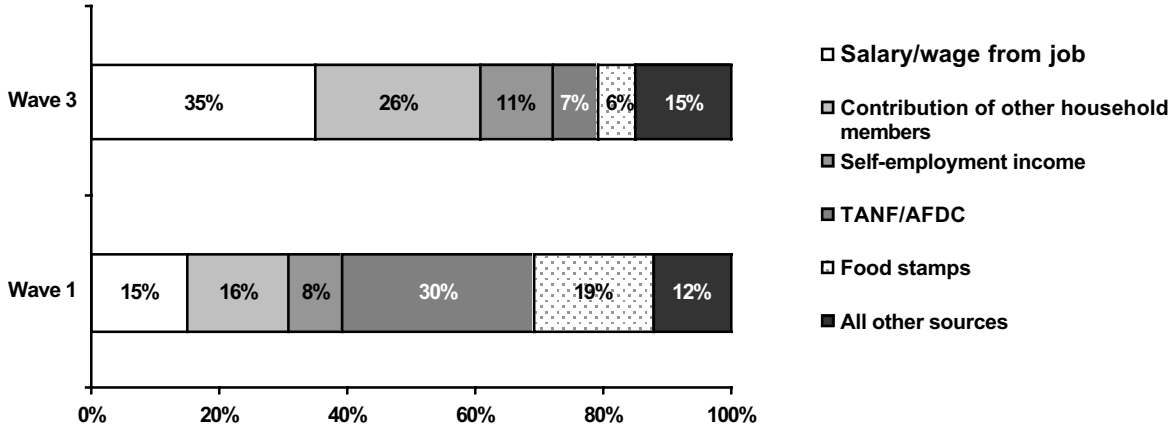


Sources of Household Income

Two years after enrolling in the training programs, the composition of the household income of respondents changed substantially (Figure 4).[48] At Wave 1, almost half of the household income of respondents was derived from TANF benefits and food stamps, whereas personal earnings comprised only 23 percent of the household income. By the time of Wave 3 interviews, the share of TANF benefits and food stamps dropped to 13 percent, and that of earned income increased to 46 percent. More specifically, the share of wage earnings in household income increased from 15 percent ($1,761) to 35 percent ($7,760); the share of self-employment income increased from 8 percent ($950) to 11 percent ($2,470). One interesting finding is the substantial increase over this period in the contributions of other household members to total household income: an increase from 16 percent ($1,913) to 26 percent ($5,811).

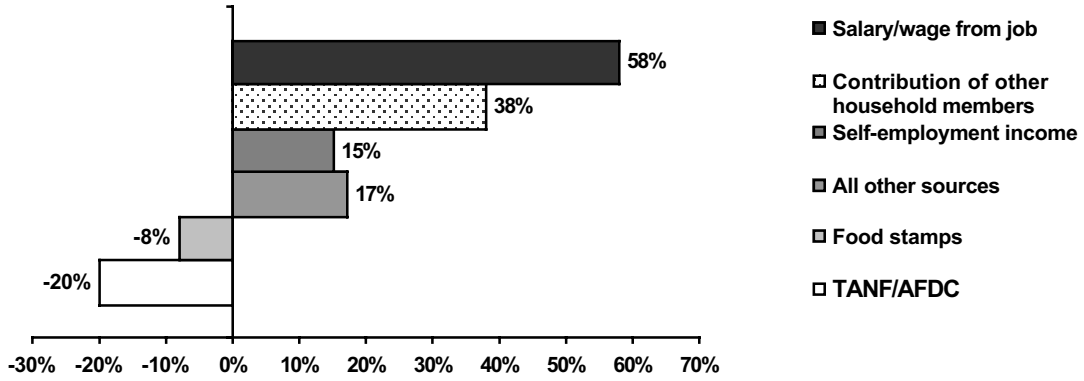
[48] The breakdown of the total household income by components is slightly different in Wave 3 compared to Wave 1. In Wave 1, the question on income tax credit was not asked; instead there was a variable "other" for all other sources of household income not captured by previous questions. Also in Wave 1, income from Social Security and retirement were combined under one question, whereas in Wave 3 they are asked separately. In order to be consistent in our analysis, we combined Wave 3 income from Social Security and retirement, and included Earned Income tax Credit in "Other" income category.

FIGURE 4: Sources of Household Income[49]



As we saw from Table 13, respondents experienced an increase of $10,255 in their average household income over the two-year period after enrolling in the microenterprise programs. Fifty-eight percent of this increase in household income was due to higher wage and salary earnings, whereas the contribution of self-employment earnings to the change in household income was 15 percent (Figure 5). Thirty eight percent of the increase in average household income was due to contributions of other household members.[50]

FIGURE 5: Contribution of Components to the Change in Household Income



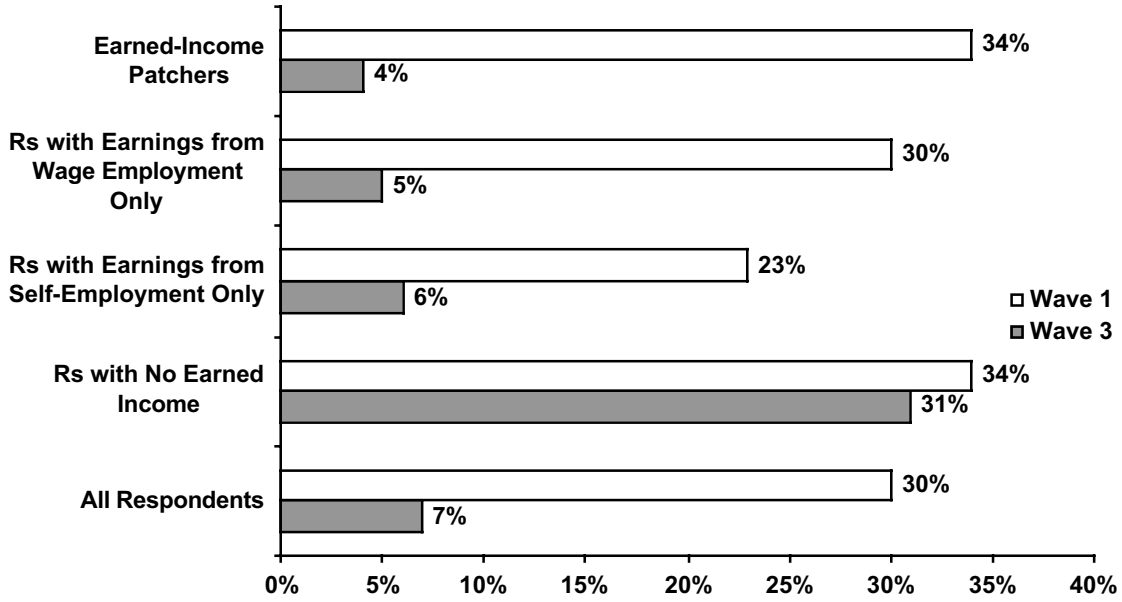
For all sub-groups of survey respondents with earned income, the contribution of TANF benefits to average household income declined dramatically during the two years after program enrollment (Figure 6).

[49] See Table B2 in Appendix B for more details.

[50] As Figure 5 indicates, these percentages add to more than 100 percent because of declines in other sources of income, namely TANF benefits and food stamps.

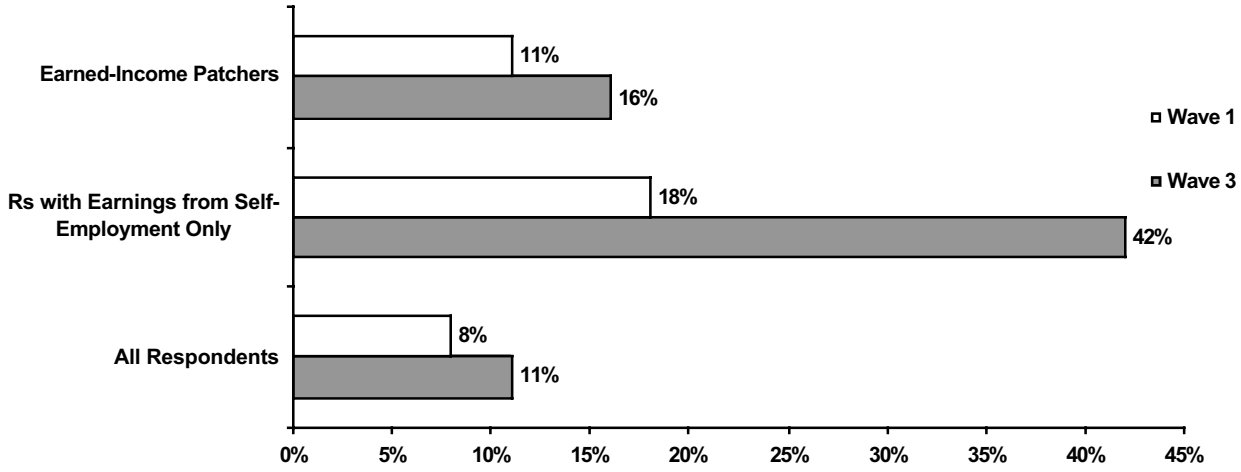
Respondents with no earned income still relied heavily on TANF benefits, which made up almost one-third of their total household income.

FIGURE 6: Share of TANF Benefits in Average Household Income[51] (Sub-groups of Respondents)



The share of business draw in household income of respondents who had earned income solely from self-employment increased from 18 percent ($2,225) at baseline to 42 percent ($8,104) at Wave 3 (Figure 7). Earned-income patchers, however, showed only a moderate increase in the share of household income from business draw, from 11 percent ($1,317) at Wave 1 to 16 percent ($4,591) at Wave 3.

FIGURE 7: Share of Business Draw in Average Household Income[52] (Sub-group of Respondents)

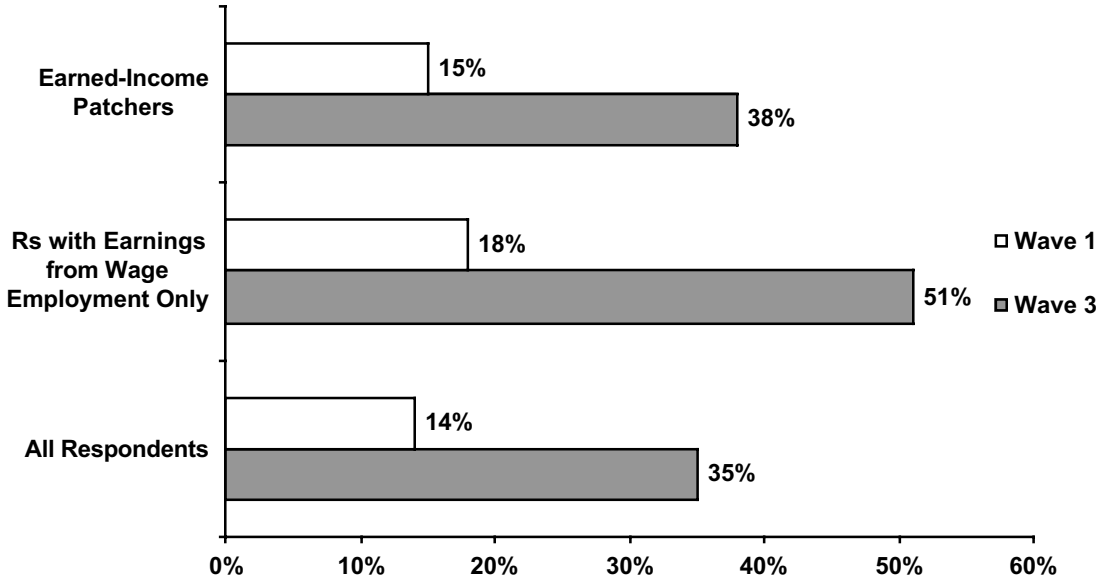


[51] See Table B3 in Appendix B for more details.

[52] See Table B3 in Appendix B for more details.

During the two years after program enrollment, participants experienced strong gains in job earnings (Figure 8). Over this period, the share of job earnings in the household income of respondents with earned income from wage employment only increased from 18 percent ($2,228) to 51 percent ($12,267). Very impressive gains were also observed for earned-income patchers. The share of income from job earnings for this group increased from 15 percent ($1,775) at baseline to 38 percent ($10,740) at Wave 3.

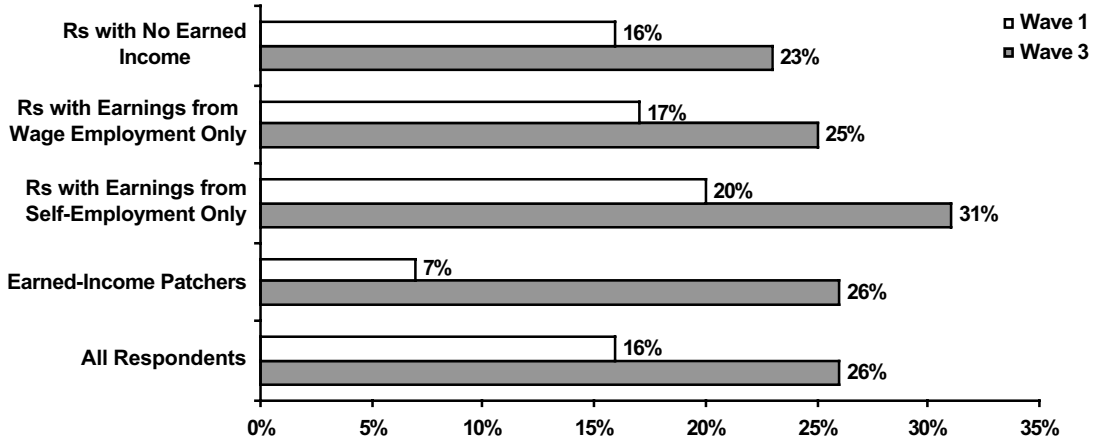
FIGURE 8: Share of Job Earnings in Average Household Income[53]
(Sub-groups of Respondents)



As we can see from Figure 9, over the two-year period after program enrollment, the contribution of other household members to the total household income increased for all sub-groups of respondents. The relative increase was especially noticeable for earned-income patchers, who saw an increase from $839, or 7 percent, to $7,740, or 26 percent of household income.

[53] See Table B3.

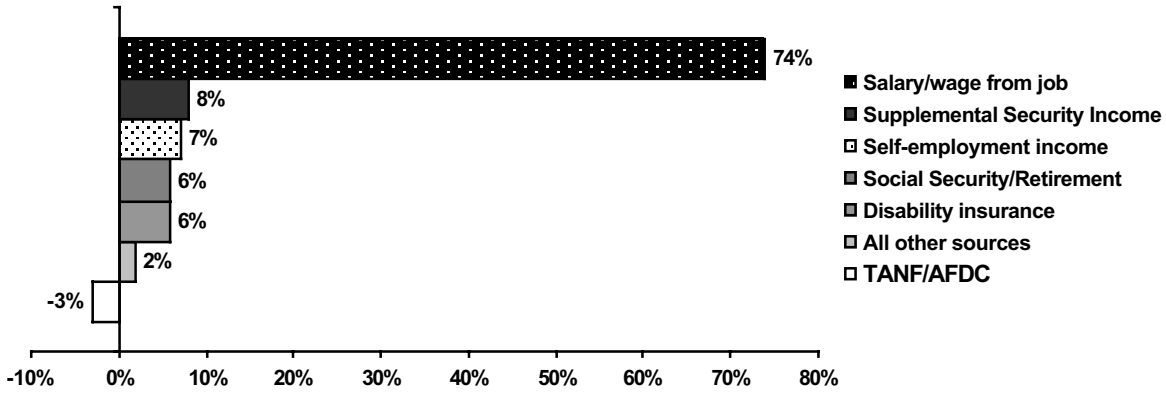
FIGURE 9: Share of Contributions of Other Household Members in Average Household Income[54] (Sub-groups of Respondents)



As we saw in Figure 5, 38 percent of the increase in household income was due to the contributions of other household members. This increase is likely due in part to the fact that the number of adults in these households grew. Over the two year study period, the proportion of families reporting at least one other adult in the household grew from 29 percent at Wave 1 to 37 percent at Wave 3.[55]

Figure 10 details the various sources of income that other household members received. Salary and wage earnings comprised the main component of other household members' income; these earnings accounted for 74 percent of the increased contribution by other household members. Self-employment income of other household members accounted for 7 percent of the increased contribution.

FIGURE 10: Contribution of Components to the Change in Other Household Members' Income[56]



[54] See Table B3 in Appendix B for more details.

[55] These figures are for the number of adults in the households of respondents that reported their total household income.

[56] See Table B4 in Appendix B for more detail.

Earned Income Tax Credit

The study also collected information on the amount of income received by respondents through the Earned Income Tax Credit (EITC). Overall, 38 percent of 362 survey respondents noted that they received income through the EITC in the year prior to the one-year follow-up. On average, respondents reported receiving $2,009 in income through the EITC; the median level of EITC payments was virtually identical, at $2000. Interestingly, receipt of the EITC varied substantially among the earned-income subgroups. While 43 percent of earned-income patchers and 42 percent of those who received earned income solely from wage employment received EITC payments, only 21 percent of those with earnings solely from self-employment did so.

This data is noteworthy in part because it indicates that respondents engaged in self-employment may be less likely to receive income through the EITC, despite the fact that self-employment earnings do qualify as earned income. This finding is of importance to both microenterprise practitioners and to welfare agency administrators. Program practitioners may want to consider how they can best assist their clients to submit EITC claims. For example, one of the demonstration sites (West Company) assists program clients to document their self-employment earnings (including the value of income received by bartering business services), and to prepare and submit their income tax returns. As a result, 53 percent of their clients received income from the EITC in the second year after program enrollment. Both microenterprise programs and welfare agency staff may also want to consider developing referrals to nonprofit organizations that can assist self-employed individuals to prepare and submit their income tax returns.

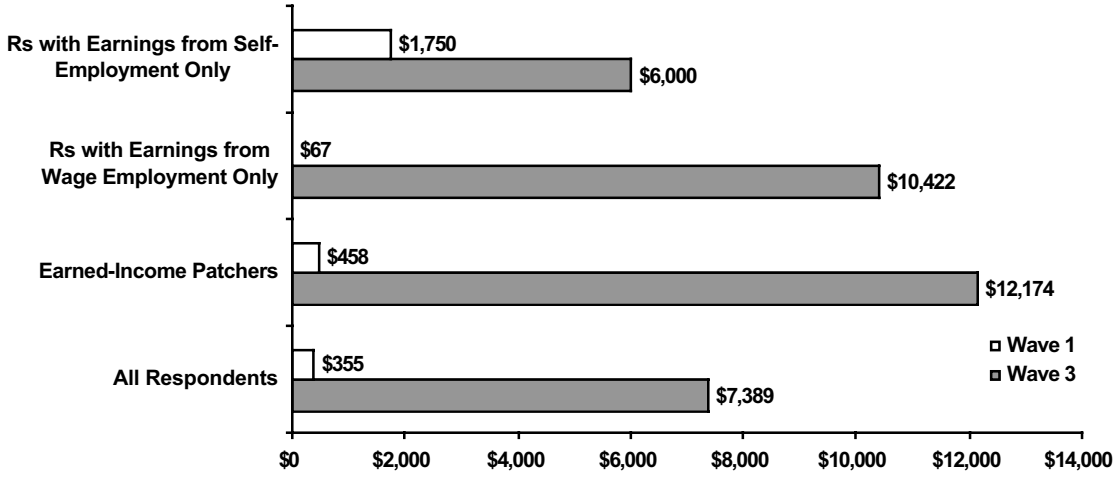
Change in Personal Earned Income

The respondents interviewed at Wave 3 had earned only $355 in median personal earnings in the year prior to enrolling in the microenterprise programs (Figure 11). Two years later, the median personal earnings of these respondents increased to $7,389. Substantial growth in personal earnings was observed across all earned income sub-groups. Those who earned income from wage employment and also drew income from a business during the year before the Wave 3 interviews (earned-income patchers) reported the highest growth in median personal earnings (an increase from $458 to $12,174). The median earnings of respondents with wage earnings only were $67 at intake; two years later their median earnings grew to $10,422. Gains in personal earnings were also high for respondents who earned income from self-employment only ($1,750 at Wave 1 and $6,000 at Wave 3).

Personal earned income also grew substantially in average terms over the two-year period. At Wave 1, personal earnings averaged $2,721; two years later this had grown to $10,230. Earned-income patchers showed the strongest growth in average personal earnings (from $3,092 to $15,331). Average personal earnings for those with wage earnings only grew by almost $10,000, from $2,694 to $12,267, while average personal earnings for those with earned income solely from self-employment grew from $3,248 to $8,104.

As we see from the discussion above, over the two-year period after enrolling in the microenterprise programs, demonstration participants experienced very impressive gains in personal earnings. These findings are very encouraging, because they imply that over time, program participants were relying more on earned income and appear to be firmly moving towards self-sufficiency.

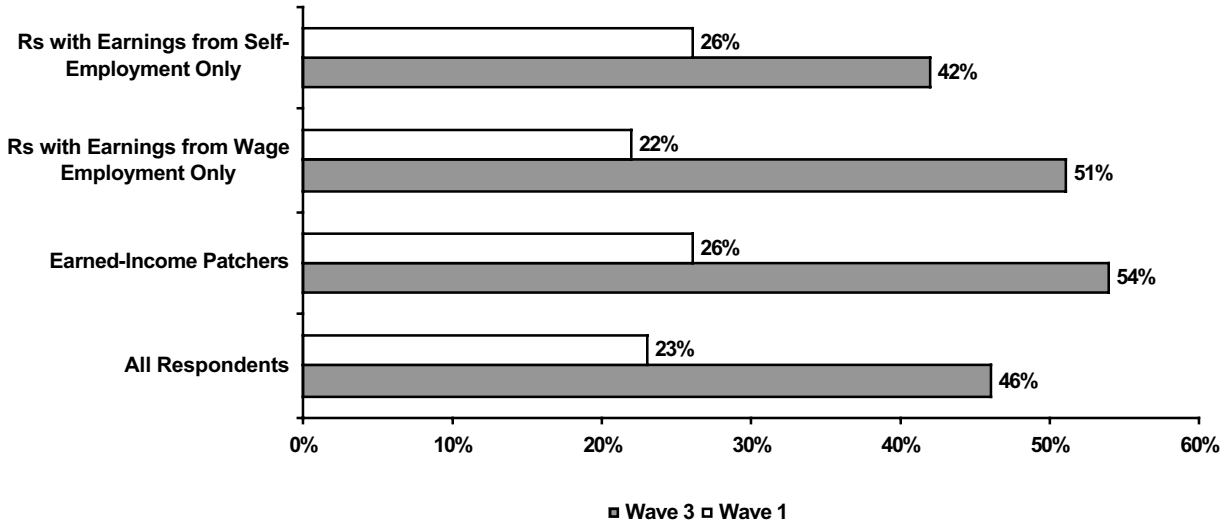
FIGURE 11: Median Personal Earnings (Sub-groups of Respondents)



Over the course of the survey, the share of personal earnings in the average household income doubled. At Wave 1, the personal earnings of respondents accounted for only 23 percent of the average household income (Figure 12). At Wave 3, this figure rose to 46 percent.

Two years after enrolling in the microenterprise programs, personal earnings of the respondents with earned income from wage employment only and earned-income patchers comprised slightly more than 50 percent of their average household incomes. Respondents with earned income from self-employment only relied slightly less on personal earnings: 42 percent of the total household income was due to self-employment earnings.

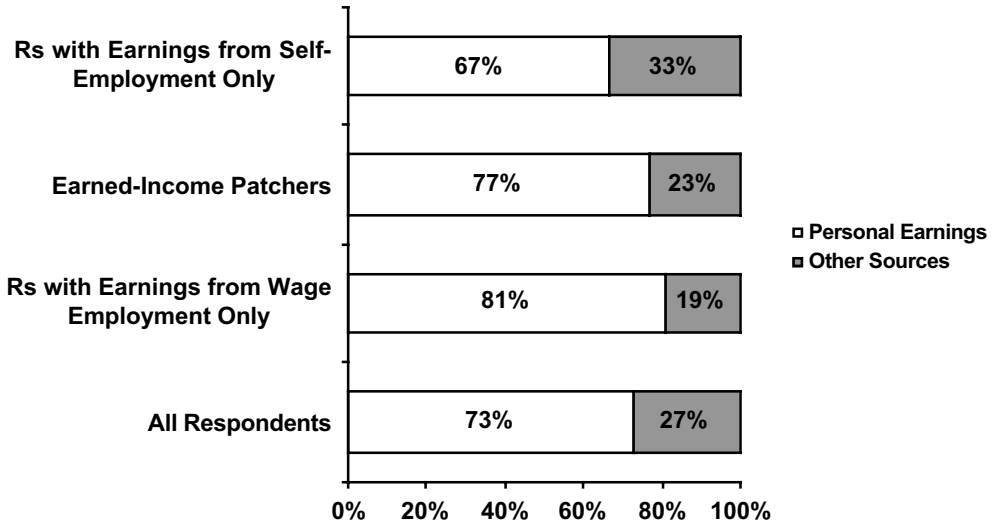
FIGURE 12: Share of Personal Earnings in Average Household Income[57] **(Sub-groups of Respondents)**



[57] See Table B3 in Appendix B for more details.

As we see from Figure 13, 73 percent of the increase in household income of respondents was due to higher personal earnings. Personal earnings were the largest contribution to household income growth among respondents with earned income from wage employment only. A slightly less, but still substantial, contribution of personal earnings to household income growth was reported by earned-income patchers. Sixty-seven percent of the growth in household income of respondents with earnings from self-employment only was due to gains in personal earnings.

FIGURE 13: Contribution of Personal Earned Income to Household Income Growth (By Sub-groups)



How Do These Earnings Compare:

Personal Earnings of WTW TANF leavers relative to leavers nationwide[58]

In considering the changes in personal earnings described above, most readers will ask the question: Compared to what? How can we place these earnings changes in context? Because this study did not involve a control or comparison group, it cannot address the question of whether participation in a microenterprise program led to the client outcomes described above and elsewhere in this report.

Comparisons to other research on the experience of TANF recipients may provide some insights into the relative outcomes of the WTW study participants. The bulk of the research conducted on TANF recipients has come in the form of "leaver studies," usually conducted at the state level, which describe the earnings and some other outcomes experienced by individuals who have exited (or "left") TANF.

The Center for Law and Social Policy's (CLASP) review of leaver studies reported that most employed leavers earn $2,500 or less in the first quarter after leaving assistance.[59] Fourth-quarter earnings of welfare leavers in most states were 10 to 15 percent (between $300 and $400) higher than their first quarter earnings during the first year after leaving assistance. CLASP reports that very few leaver studies have tracked the earnings of former welfare recipients beyond one year. Those that have generally show slow and unsteady growth. For example, the median earnings of welfare leavers in Colorado increased by only $703 two years after their exit; in Pennsylvania, the average earnings of welfare leavers increased by $759 over seven quarters; in Maryland, over twelve quarters, the increase in average earnings was only $966.

In comparison, WTW respondents who left TANF had average personal earnings of $7,434 in the year after enrolling in the microenterprise programs. In the second year .following enrollment in the program, their average personal earnings were $11,346, an increase of 53 percent.[60] On a median basis, the personal earnings of WTW leavers were $4,340 in the first year after enrolling in the microenterprise program; median earnings grew by 127 percent, to $9,846, in the second year after enrolling in the microenterprise program.

It must be noted, however, that the direct comparison between the findings of the WTW study and state leavers studies is limited by several key differences in research methodologies and data. First of all, the survey population in the WTW study differs significantly from the national TANF caseload (and likely state TANF caseloads) along several key characteristics (including age, marital status, educational attainment and work experience[61]). Secondly, participants in the WTW study all received services from a microenterprise program, while it is unclear what types of services (job search, vocational training, etc.) if any, were provided to participants in the TANF leavers studies. Thirdly, there are a number of methodological differences between the various state leavers studies and the WTW study that limit comparison. These include the fact that some state leavers studies use administrative rather than survey data, and differences in the time period after departure from TANF at which data is collected.[62]

[58] Since earnings numbers reported by CLASP were not adjusted for inflation, the earnings figures for the WTW study have not been adjusted for inflation.

[59] Elise Richer, Steve Savner, and Mark Greenberg, *Frequently Asked Questions about Working Welfare Leavers* (Washington, DC: Center for Law and Social Policy, November 2001), 11.

[60] These figures are for the WTW participants who reported their household income in all three waves of the longitudinal study, and who were no longer receiving TANF at the time of the Wave 3 interviews. Thus, some respondents may have still been receiving TANF one year after enrolling in the microenterprise program.

[61] For more information, see the discussion of findings from the baseline study in the executive summary of this report.

[62] Leavers' studies usually look at earnings for some time (in terms of quarters) after leaving TANF, whereas in the WTW study, waves of interviews are related to enrollment in the microenterprise program, rather than the exit from TANF. As a result, the earnings for WTW TANF leavers for the years prior to the Wave 1 and Wave 2 interviews may include earnings of individuals who were still on TANF at the time of those surveys (as WTW TANF leavers are defined as those individuals who had exited TANF by the time of the Wave 3 interview).

Change in Poverty Status of Respondents[63]

In the year prior to enrolling in the microenterprise programs, only 20 percent of respondents lived above the poverty line. By the time of Wave 3 interviews, the proportion of respondents living above the poverty line increased to 56 percent (Table 14).[64] These findings are not surprising, because, as was mentioned previously, 81 percent of respondents saw an increase in their total household income over this period (Figure 3). For many respondents, these gains were substantial (median household income increased by 87 percent; see Figure 2), and enough to move out of poverty.

Table 14: Change in Poverty Status

		Poverty Status at Wave 3		
		N & % living above poverty	N & % living below poverty	Total
Poverty Status at Wave 1	N & % living above poverty	41 (15%)	13 (5%)	54 (20%)
	N & % living below poverty	109 (41%)	103 (39%)	212 (80%)
	Total	149 (56%)	117 (44%)	266 (100%)

For the majority of respondents (57 of 109, or 52 percent) who managed to get out of poverty, personal job earnings were the primary source contributing to increases in their household income. Personal business earnings were the main contributor for 12 percent of respondents (13 of 109). For the rest of the respondents, the primary sources of growth in household income were as follows:

- Job earnings of other household members (18);
- Other personal income (6);
- Supplemental Security Income, cash assistance, and self-employment income of other household members (2 respondents each);
- Support from family or friends, child support, Social Security/ retirement, disability insurance, Social Security/retirement of household members, Supplemental Security Income of household members, disability of household members, and Earned Income Tax Credit (1 respondent each);
- For one respondent, the main reason was a smaller household size.

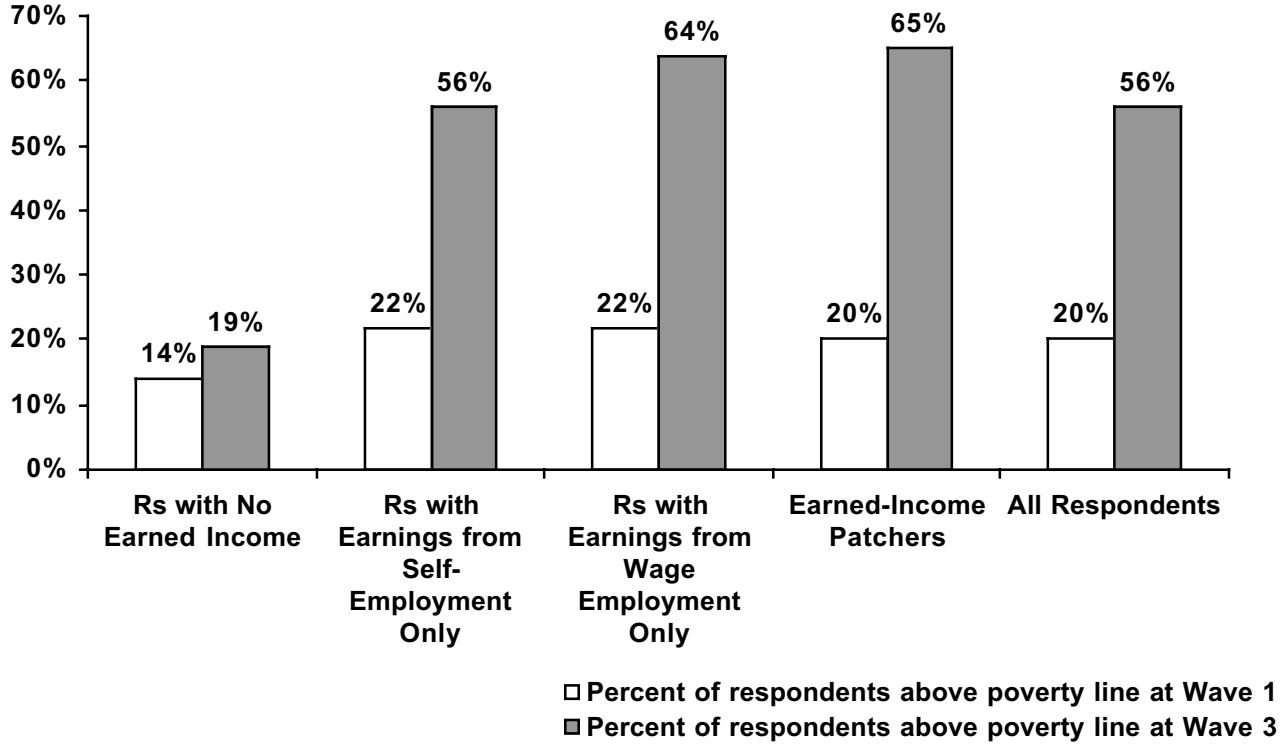
The substantial increases in total household income also translated into strong movements out of poverty within each of the earned income sub-groups. At Wave 1, across the sub-groups of earned income respondents,[65] approximately one person in five had sufficient household income to live above the poverty line (Figure 14). By the time of the Wave 3 interviews, more than 50 percent of respondents in each of these three groups were out of poverty. The sub-group of respondents with no earned income during the year before Wave 3 interviews did not experience such improvement; 81 percent of respondents in this group continued to live below the poverty line.

[63] Poverty status of households was determined based on the poverty thresholds reported by U.S. Census Bureau and adjusted for family size. Information on poverty thresholds is available at http://www.census.gov/hhes/poverty/threshld.html; Internet.

[64] It is important to note that the official poverty thresholds are generally very low and do not adequately measure the level of income that families need to achieve self-sufficiency in various parts of country. For alternative poverty measures see "Self-sufficiency Standards" developed by Wider Opportunities for Women; available at http://www.sixstrategies.org/sixstrategies/selfsufficiencystandard.cfm; Internet.

[65] The earned-income sub-groups are: respondents with earned income from wage employment only, respondents with earned income from self-employment only, and earned-income patchers.

FIGURE 14: Poverty Status of Respondents (Sub-groups of Respondents)



Household Assets, Liabilities and Net Worth[66]

Key Findings

- Over the two-year study period, the median household assets of respondents increased by $1,075, or 253 percent.[67]
- The percentage of respondents owning each category of assets increased; gains were most pronounced in the percentage of respondents owning vehicles and checking and savings accounts.
- While household assets increased over the study period, median household liabilities also increased by $3,200.
- The median net worth of respondents decreased by $680.
- Individuals who earned income solely from self-employment in the year prior to the two-year follow-up showed substantially stronger growth in household assets and liabilities than those with other sources of earned income. However, the net worth picture of those who were solely self-employed was not markedly different from the other sub-groups with earned income; their median net worth declined by $449 over the study period.

In recent years, researchers, policymakers, and community based organizations that serve the poor have become increasingly interested in the role that asset ownership can play in helping the poor to move toward economic independence. Because business ownership is a means of generating assets as well as income, and because of interest in asset-building among both the donors and the program operators participating in the demonstration, the longitudinal study sought to answer the question: To what extent did study participants increase their wealth (both business and personal)? Of course, understanding an individual's wealth status requires examination of not only their assets, but also their liabilities and the resulting net worth. Therefore, to address this question, in each wave of the study, participants were asked to report both their personal and business assets, liabilities and net worth. This section reports findings regarding household-related wealth, while the subsequent chapter on businesses and business growth relates findings on business-related assets and wealth.

Not surprisingly, the survey findings reveal that the TANF recipients possessed relatively few assets, and no net worth, at the time of entering the microenterprise program. Over time, they experienced substantial increases in the value of assets, and the percentage of respondents owning various types of assets grew, in some cases quite markedly. Interestingly, however, growth in the level of liabilities incurred by respondents outpaced the substantial growth in assets, so that median net worth declined over the study period. While much of the growth in liabilities was due to increases in mortgages and education and vehicle loans – which are arguably used to purchase assets that can result in greater income and wealth over time – a large portion was also attributable to increases in credit card debt. As a result, it appears that while some respondents did improve their wealth, the wealth status of most deteriorated slightly over the study period. Interestingly, the sub-group of respondents with income solely from self-employment showed the strongest growth in assets and liabilities; this seems to be due in part to the relatively high percentage of these respondents who owned real estate and vehicles.

[66] This section discusses the participants' ownership of assets, liabilities and net worth that are not related to their business enterprises. At Waves 2 and 3, data were collected on the *personal* assets and liabilities of respondents. However, at Wave 1, respondents were asked about the value of *household* assets and liabilities. As a result, the analysis – based on changes in the value of assets and liabilities from Wave 1 to Wave 3 – is biased. For purposes of simplicity in separating these non-business assets from the business assets discussed in a later section of this report, this section simply refers to them as household assets, liabilities and net worth.

[67] To get a sense of the magnitude of the bias, we analyzed the changes in personal assets and liabilities from Wave 2 to Wave 3. Median personal assets increased and median liabilities slightly decreased during the year before the last wave of interviews. Analysis of net worth in terms of medians shows that more than half of the respondents had fewer assets than debt in both waves, and over time the "gap" had widened (Table B14 in Appendix B).

Household Assets

At the time of their enrollment in the microenterprise programs, survey respondents possessed a minimal amount of assets. Median assets at Wave 1 were $425.[68] The average value of assets was substantially higher, at $7,850; this was due largely to the fact that a small percentage of study participants (11 percent) owned homes. Excluding the value of housing assets, average household assets at Wave 1 were $2,050.

Two years later, the value of median household assets had grown by 253 percent, to $1,500. Survey respondents also experienced substantial increases in the average level of assets – $9,250, or 118 percent. Again, both the level of and the change in average assets were heavily influenced by the relatively small number of respondents who owned housing assets. As Table 15 indicates, when housing assets are removed from the household figures, the levels drop; however, the percentage change in the value of non-housing assets was still substantial on both a median and average basis.

Table 15: Longitudinal Change in Assets[69]

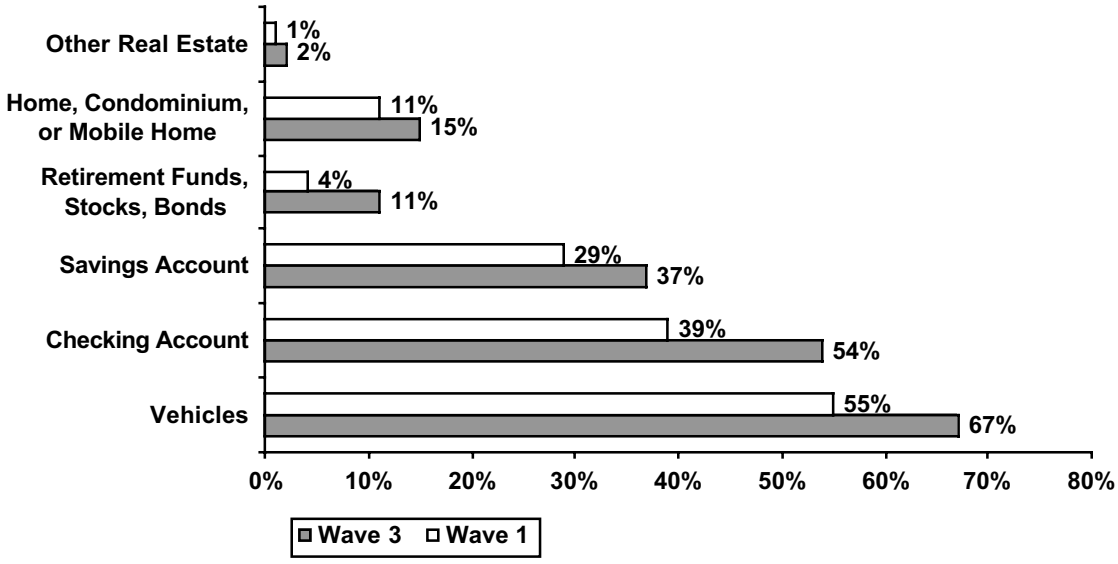
	Wave 1		Wave 3		Change From Wave 1 To Wave 3	
	Mean	**Median**	**Mean**	**Median**	**Mean**	**Median**
Total Assets	$7,850	$425	$17,100	$1,500	$9,250 **(118%)**	$1,075 **(253%)**
Total Assets Less the Value of Homes	$2,050	$307	$5,437	$1,025	$3,387 **(165%)**	$718 **(234%)**

In the two years after enrolling in the microenterprise programs, survey respondents increased their ownership of all categories of assets: homes, other real estate, retirement and investment funds, checking and savings accounts, and cars. The growth in the percentages of respondents owning checking accounts, savings accounts and vehicles was most pronounced; however the percentage of respondents owning homes also grew, from 11 percent to 15 percent.

[68] In this section, the analysis of changes in assets, liabilities and net worth is conducted longitudinally. Thus, all figures for Wave 1 represent the levels for all Wave 3 respondents at the time of their Wave 1 interview.

[69] Please note that the numbers are rounded.

FIGURE 15: Types of Assets Owned by Participants[70]



Household Liabilities

While the level of household or personal assets grew over the study period, it was more than outpaced by growth in liabilities. The median liabilities of Wave 3 respondents grew by $3,200 (from $1,500 to $4,700) compared to growth of $1,075 in median assets.[71] Even after excluding mortgage debt, the median liabilities of respondents increased by 256 percent, while median non-housing assets grew by 234 percent. In dollar terms, at the time of the Wave 3 interviews, median liabilities were three times higher than median assets. Perhaps substantial increases in household income over the same period convinced respondents that they could repay these debts in the future and encouraged them to take loans and accrue debts.[72]

Table 16: Longitudinal Change in Liabilities

	Wave 1		Wave 3		Change From Wave 1 To Wave 3	
	Mean	Median	Mean	Median	Mean	Median
Total Liabilities	$8,820	$1,500	$15,494	$4,700	$6,675 (76%)	$3,200 (213%)
Total Liabilities Less the Debt on Home Loans	$5,425	$900	$9,055	$3,200	$3,630 (67%)	$2,300 (256%)

[70] See Table B11 in Appendix B for more details.

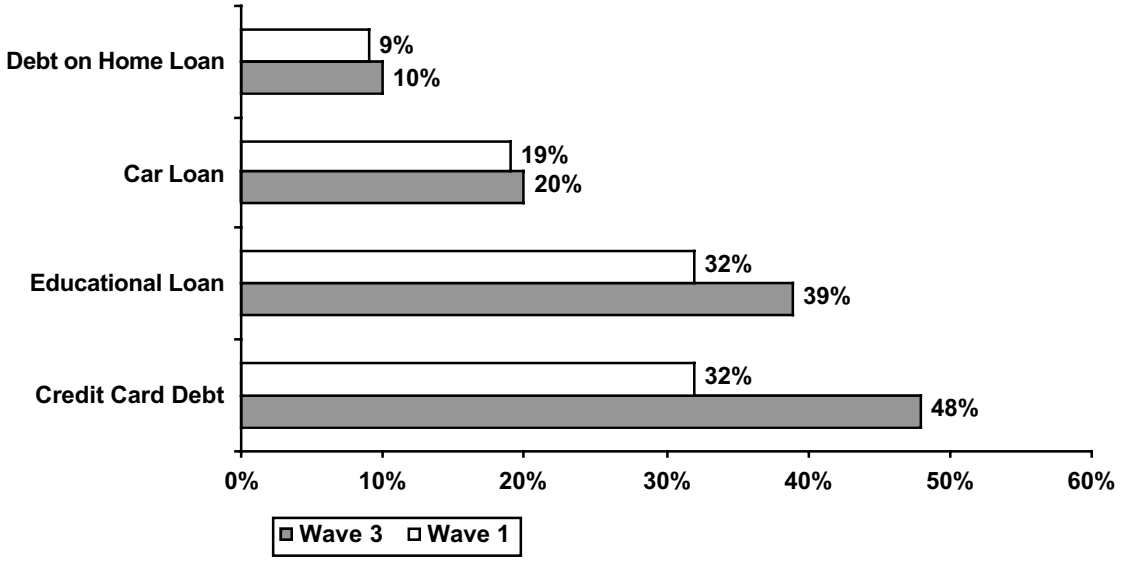
[71] Longitudinal change in liabilities was computed for 321 respondents.

[72] See Household Income Section.

Over the two-year period, the number of respondents with credit card debts increased by 16 percentage points (from 32 percent to 48 percent) and the number of respondents with educational loans increased by 7 percentage points (from 32 percent to 39 percent) (Figure 16). Interestingly, while the percentage of respondents owning vehicles grew from 55 percent to 67 percent, the number with car loans increased only by one percentage point, from 19 percent to 20 percent.

When the Wave 3 interviews were conducted, 20 respondents reported having new mortgages.[73] Forty percent of new mortgages were obtained by respondents who were solely wage employed, whereas 30 percent were obtained by those who were solely self-employed. Interestingly, 20 percent of new mortgages belonged to respondents who were unemployed for the entire year prior to the Wave 3 interview.

FIGURE 16: Types of Liabilities Owed by Participants



Household Net Worth

As a result of the above described trends in household assets and liabilities, by the time of the Wave 3 interviews, the majority of respondents experienced a decline in net worth. Over the two-year period, 47 percent of respondents reported an increase in their net worth, while 51 percent reported a decrease (Table B13). Thus, at the two-year point, more than half of the respondents had negative net worth (Table 17). Between Wave 1 and Wave 3, median net worth dropped from $0 to -$680. On the other hand, the average net worth of respondents increased by $4,103, again reflecting in part the experience of a few individuals who were able to purchase homes or build their net worth in other ways.[74] In fact, after excluding the value of housing assets and liabilities, the decrease in median net worth was even greater (-$1,071).

[73] There were also 16 respondents who had home mortgages at Wave 1, but by the time of the Wave 3 interviews, reported that they did not own homes. Based on the information available, we were unable to find out whether they sold/lost their homes or if the homes belonged to other household members at Wave 1 (please see footnote 52 for more details). Figure 16 and Table B12 reflect the net of four new mortgages.

[74] Longitudinal change in the net worth of respondents was computed for 279 respondents.

Table 17: Longitudinal Change in Net Worth

	Wave 1		Wave 3		Change From Wave 1 To Wave 3	
	Mean	**Median**	**Mean**	**Median**	**Mean**	**Median**
Net Worth	-$1,270	$0	$2,833	-$680	$4,103 (323%)	-$680 (N/A)

Changes in Household Assets, Liabilities and Net Worth by Earned-Income Sub-groups

Some interesting differences emerge when the change in the household asset, debt and wealth status are examined for the earned-income sub-groups.[75] Most notably, respondents who earned income solely from self-employment in the year prior to the Wave 3 interview showed substantially stronger growth in both assets and liabilities over the two-year study period (Tables 18 and 19).[76] This appears to stem in part from the types of assets they owned: individuals with earnings from self-employment only were substantially more likely than those from the other sub-groups to own real estate – either in the form of homes or other real estate – and to have savings accounts.[77] Furthermore, they were second only to patchers in the percentage who owned vehicles. Since acquiring homes and cars often requires debt financing, it is not surprising that as self-employed individuals acquired these assets, their liabilities grew as well.

Because the growth in personal liabilities among study participants raises some concerns, given that most are still low-income, the patterns of debt acquisition were examined in greater detail.[78] Relative to the group as a whole, those with wage earnings only showed the strongest growth in the percentage of respondents holding credit card debt and car loans. As noted above, those with business earnings only showed the strongest growth in the percentage of respondents with mortgage debt. Those with business earnings only, however, were most likely to hold all kinds of debt. In terms of the value of debt held, those with business earnings only held the highest average levels of mortgage debt and car loan debt. However, they held less credit card debt, on average, than those with business earnings only or earned-income patchers (although more than those without any earned income). Over the two year-study period, those with business earnings showed substantially lower growth in credit card debt (in percentage terms) than all other earned-income sub-groups. They showed the strongest growth in the average value of mortgage debt. In terms of the growth in the average value of car loan debt, those with business earnings only showed substantially lower growth than those with wage earnings only, although higher levels than patchers and those without earned income. Finally, while those with earnings solely from self-employment saw the value of their liabilities grow strongly compared to those of the other sub-groups, on a median basis, the net worth of these individuals declined less substantially (Table 20).

[75] It is important to recognize that the earned-income sub-groups are created by examining the sources of earned income in the year prior to the Wave 3 interview. However, the changes in assets, liabilities and net worth refer to changes over a two-year period after program enrollment, and respondents may have earned income from different sources in the first year after enrolling in the microenterprise program (for example, some individuals who earned income from self-employment in the year prior to the Wave 3 interview had no earned income in the previous year). We chose not to reconstruct the sub-groups to reflect the two-year period for two reasons: first, it would have reduced the number of cases on which we could report, and secondly, to allow for more clarity across the sections of this report.

[76] Individuals without earned income also show strong growth in assets and net worth on both a median and average basis; however, these figures are influenced in part by the case of one respondent who inherited a home during the second year of the study.

[77] One might hypothesize that it is because self-employed individuals were accumulating business as well as household assets. However, survey respondents were asked to report business and household assets separately, and the above discussion relates only to personal and/or household assets and liabilities. Findings regarding business assets, liabilities and net worth can be found in the section of this report on businesses and business growth. For detailed tables on the types of assets owned by survey respondents, by income sub-group, see Tables B15 and B16 in Appendix B.

[78] For detail on the types and value of liabilities owned by respondents, see tables B17 and B18 in Appendix B.

These data findings raise interesting questions as to whether the patterns of asset and debt acquisition do, in fact, vary according to the employment status of low-income individuals, and, if so, why this is the case. Given the recent interest among policymakers, donors and others in the role of assets in combating poverty, it would be interesting to consider further research that could shed additional light on these questions.

Table 18: Change in Household Assets by Earned-Income Sub-groups

	Wave 1		Wave 3		Change From Wave 1 To Wave 3	
	Mean	**Median**	**Mean**	**Median**	**Mean**	**Median**
Total Personal Assets (n=299)	$7,863	$425	$17,164	$1,500	$9,301 (118%)	$1,075 (253%)
No Earned Income (n=48)	$5,509	$353	$23,910	$750	$18,401 (334%)	$397 (112%)
Income from Wage employment only (n=145)	$8,764	$400	$16,282	$1,020	$7,518 (86%)	$620 (155%)
Income from Self-employment only (n=51)	$8,603	$400	$19,392	$5,275	$10,789 (125%)	$4,875 (1219%)
Patchers (n=55)	$6,858	$506	$11,535	$1,650	$4,677 (68%)	$1,144 (226%)

Table 19: Change in Household Liabilities by Earned Income Sub-groups

	Wave 1		Wave 3		Change From Wave 1 To Wave 3	
	Mean	**Median**	**Mean**	**Median**	**Mean**	**Median**
Total Personal Liabilities (n=319)	$8,852	$1,500	$15,563	$4,700	$6,711 (76%)	$3,200 (213%)
No Earned Income (n=45)	$6158	$1600	$7075	$3200	$917 (15%)	$1,600 (100%)
Income from Wage employment only (n=154)	$8591	$1400	$15297	$4924	$6,706 (78%)	$3,524 (252%)
Income from Self-employment only (n=62)	$11630	$1492	$22073	$9800	$10,443 (90%)	$8,308 (557%)
Patchers (n=58)	$8663	$3825	$15898	$4300	$7,235 (84%)	$475 (12%)

Table 20: Change in Household Net Worth by Earned-Income Sub-groups

	Wave 1		Wave 3		Change From Wave 1 To Wave 3	
	Mean	**Median**	**Mean**	**Median**	**Mean**	**Median**
Net Worth (n=277)	-$1,296	0	$2,832	-$700	$4,128 (319%)	-$700 (N/A)
No earned Income (n=44)	-$318	0	$18,172	-$600	$18,490 (5814%)	-$600 (N/A)
Income from Wage employment only (n=134)	$108	0	$2,509	-$524	$2,401 (2223%)	-$524 (N/A)
Income from Self-employment only (n=51)	-$4,428	0	-$4,246	-$449	$182 (4%)	-$449 (N/A)
Patchers (n=48)	-$2,783	0	-$2,807	-$1,550	-$24 (1%)	-$1,550 (N/A)

Businesses and Business Growth

Key Findings

- Thirty-seven percent of the group was operating a business at Wave 3. At the time of enrollment at Wave 1, 21 percent were operating businesses.
- More than half of respondents (54 percent) reported that they had operated a business at some point after completing training at the microenterprise program.
- Sixty-eight percent of the respondents who were in business when they enrolled in the microenterprise program were still in business two years later.
- There is wide diversity in the types of businesses operated by respondents. At Wave 3, the most common business types were child care; personal services, such as hair care, clothing, apparel and accessories; and building and vehicle repair and painting.
- Eighty-two percent of respondents operating a business at the time of the Wave 3 survey took a salary or owner's draw from their businesses. Average owner's draw during the year leading up to Wave 3 was $6,003 and median was $4,050.[79]
- Businesses operated at Wave 3 were larger and financially stronger than they were at Wave 1. For surviving businesses, median monthly sales grew by $600, from $300 to $900. Two-thirds of businesses in this group experienced a growth in business net worth. Average net worth grew by 43 percent (from $5,946 to $8,471), while median net worth grew by 264 percent (from $1,100 to $4,000).

This chapter reports findings about the businesses owned by participants in the Microenterprise Welfare to Work demonstration. These findings are presented to illuminate answers to two of the key questions that the evaluation sought to address, namely:[80]

- What happens to businesses over time? Do they survive? How many employees do they have? What types of businesses are created? Do they grow over time in terms of sales and owners' draw?
- Did participants increase their wealth (both business and personal)?

Thus, the section presents data on the types of business owned; business survival; financial characteristics such as sales, assets, debt and net worth, and owner's draw; and employment. It also describes the change over time in some of these indicators. The section also presents information about entrepreneurs' recent interaction with the microenterprise training programs, and their reflections about the skills they learned in training that have been helpful as they operate their businesses two years later.

The survey findings indicate that participants established a broad range of businesses. Sixty-eight percent of the businesses that existed at microenterprise program enrollment were still in existence two years later. The businesses were generally small, although there were some that showed impressive levels of sales. Importantly, however, the businesses showed growth over time in all measures: sales, assets, net worth, employment and owner's draw.

[79] These numbers include business operators who took $0 draw.

[80] This study did not attempt to measure the profitability or return on investment of these businesses. This was the case because FIELD's experience is that it is extremely difficult, given the differing ways in which these small businesses account for payments to the owner, to determine the business profits in a consistent manner. Thus, the study focused on measures of business performance – such as sales, assets, net worth, owners' draw, and employment, which are more easily and consistently measured.

Business Experience

Among the group of participants who responded at both Wave 1 and Wave 3, the percentage of respondents operating a business increased by 16 percentage points (Table 21). At the time of program enrollment at Wave 1, 21 percent of this group indicated that they were operating businesses. By Wave 3, this percentage had increased to 37 percent.

Table 21: Growth of Business Ownership among Wave 3 Respondents: Wave 1 to Wave 3

Business Status of Wave 3 Respondents	Intake n=362	Two years later n=362	Change Wave 1 to Wave 3
Operating a Business	76 (21%)	133 (37%)	+16%

At the beginning of the survey period, the Wave 3 group was somewhat more represented by business owners than was the overall Wave 1 sample. At the time of enrollment at Wave 1, 17 percent (103 businesses) of the overall Wave 1 group was engaged in business. Thirty-seven percent of the group (133 respondents) was operating a business at Wave 3 (Table 22).

Table 22: All Respondents Operating a Business: Wave 1 and Wave 3

	Wave 1 Sample	Wave 3 Sample
Number and percentage of business owners	103 (17%)	133 (37%)
All respondents	590 (100%)	362 (100%)

Among the 362 respondents interviewed at Wave 3, a much larger percentage reported that they had operated a business at some point since completing the training program than were engaged in business at the time of the interview. Fifty-four percent (194 respondents) reported that they had operated a business at some point during the two-year study period.

The percent of respondents who had operated a business at some point after enrollment varied fairly substantially across the demonstration sites – from a low of 39 percent at one site to a high of 77 percent at another. It is likely that several factors influence the variation across the program sites. Clearly, one factor may be the degree to which the program's services were effective in helping participants to prepare for and start their businesses. However, other factors include the state of the local economy – whether wage employment jobs are available as an alternative to self-employment – and the extent to which local TANF policies and administrators supported, or elected not to support, self-employment.

For the other 46 percent (168 respondents) who did not open businesses, there were a number of reasons cited. The most common reason was lack of funds, which was cited by 88 percent of this group. In addition, almost half (45 percent) reported that they had gotten a job or chosen employment over self-employment. Other frequently reported reasons were related to the perceived challenges of running a business – lack of space or adequate location, level of business skills, and the realization that respondents might not earn enough income from a business. Health concerns and TANF requirements, such as job search or work requirements, were also major factors cited for not opening businesses (Table 23).

Table 23: Reasons for Not Opening Businesses – Wave 3

Reasons for Not Opening Businesses	Number and Percentage Reporting[81] (n=168)
Lack of funds	147 (88%)
Got a job or chose employment	75 (45%)
Lack of adequate location or space	68 (41%)
Didn't feel prepared in terms of business skills	62 (37%)
Did not think could earn enough money	52 (31%)
Health reasons relating to respondent or someone else in the household	52 (31%)
TANF requirements, such as job search or employment	49 (29%)

As was noted above, the decision to choose wage employment over self-employment was anticipated; it is typical that in the course of exploring self-employment, individuals will determine that delaying their business start or choosing wage employment is a better option for them at the current time. However, several of the reasons cited above raise issues for microenterprise programs and welfare policymakers. Lack of funds is clearly a challenge that will face any TANF recipient seeking to start a business. All of the demonstration sites offered business loans as part of their services to TANF recipients. However, only 7 percent of study participants (25 of 362 respondents) reported receiving these loans.[82]

This lack of capital raises the question of whether programs may need to reconsider their business financing strategies. Program staff from the demonstration sites noted that many of the study participants had poor credit histories that made lending to them a challenge. Staff also noted that clients had difficulty completing the formal business plans required in the lending process.[83] To the extent that both these are true of TANF recipients, it raises the question of whether programs need to re-examine their lending products and processes to address the particular needs of this client base. It also raises the issue of whether other forms of business capital – such as grants or savings – may be more appropriate for this population. In fact, several of the programs did find sources of such capital for their clients. For example, DEI was able to access small amounts of start-up capital to fund the acquisition of equipment, uniforms, and sometimes vehicles through grants from the local welfare agency. Similarly, several of the demonstration programs offered Individual Development Accounts[84] to participants in the demonstration program.

The lack of adequate space was also cited as a barrier to some individuals; this again suggests that programs may want to address this issue as part of their initial assessment processes. Some grantees clearly do; for example, because it is focused on the family day care sector, Project Hope staff conducts a home visit that looks at whether the home is able to meet licensing requirements prior to enrolling candidates in

[81] Does not total 100 percent because respondents could report multiple reasons.

[82] Across the demonstration sites, the percentage of participants receiving a business loan from the program ranged from 0 percent to 19 percent.

[83] Many entrepreneurs can and do start businesses without a full, formal business plan, but such plans are typically required by microlenders as part of the loan application process.

[84] Individual Development Accounts (IDAs) are matched savings accounts that can be used to build funds to acquire specific types of assets, including homes, education and small businesses.

its programs. Because the majority of businesses started by participants are home-based, other programs may want to consider in their assessment processes the adequacy and availability of applicants' homes relative to their proposed business ideas.

Finally, a number of respondents noted that TANF requirements – in areas such as job search or work requirements – were barriers to their opening a business. The degree to which they cited these barriers varied across the demonstration sites. For example, while none of the respondents from one program cited TANF policies as a factor in their decision not to start a business, 50 percent of respondents from another demonstration site stated that TANF policies were a factor. Welfare administrators interested in supporting self-employment may want to examine whether their policies regarding self-employment – as it relates to work requirements – support or inhibit individuals from planning and starting their businesses.[85]

Business Survival and Closure

Among the survey participants there was a fair degree of fluidity to the operating status of their businesses. However, between Wave 1 and Wave 3, the majority of businesses (68 percent) that were operating at intake survived. This survival rate compares favorably with findings on small business survival reported by the Small Business Administration's Office of Advocacy. The SBA reports that "two-thirds of new employer firms survive at least two years, and about half survive at least four years."[86]

Forty-six businesses closed during the year between the Wave 2 and Wave 3 interviews. Among these, 50 percent were described as being "on-hold" – signaling intent by the respondent to re-open in the future. Most of the respondents cited both business and personal reasons for closing or putting their businesses on hold. Ninety-one percent stated a business circumstance, with the most common including lack of funds or poor cash flow, poor location, inadequate space, inadequate income, problems with transportation, and issues associated with regulations or costs such as taxes, zoning, insurance, etc.

Sixty-one percent of this group cited personal circumstances as contributing to their decision to close or put their businesses on hold. Common personal issues included problems with child care, illness of the entrepreneur or a family member, moving, divorce and death in the family.

Almost half of the group who closed their businesses was on TANF during the period that the Wave 3 survey covered. Among these 21 respondents (46 percent of the group), 39 percent noted that TANF requirements affected their decision to close the business. The TANF-related problems they cited included requirements to work at a job or participate in job search, that working on the business was not an approved work activity, and that they were concerned about their TANF lifetime limits being reached.

Characteristics of Businesses

At the time of the Wave 3 interviews, 133 respondents reported that they were currently operating businesses. Reflecting differences in local economies, participants' skills and interests, the focus of microenterprise training, as well as the amount and types of resources available to launch their enterprises, there is great diversity in the types of businesses that microentrepreneurs operate. Almost 18 percent of businesses were child care providers. Other prominent business types included those producing and selling clothing, apparel and accessories (13 percent of businesses), followed by personal services enterprises (9 percent), and entrepreneurs providing building construction or vehicle repair and painting services (9 percent). Table 24 details the wide variety of types of businesses operated at Wave 3.

[85] For more information on the TANF rules relating to business income in states where the demonstration sites are located, see *Key State TANF Policies Affecting Microenterprise,* available on the FIELD Web site at http://www.fieldus.org/li/welfare_policy.htm; Internet.

[86] Small Business Administration Office of Advocacy, *Small Business by the Numbers*, May 2003.

Table 24: Types of Businesses Operating at Wave 3

Type of Business	Number of Businesses	Percent of Total Businesses[87]
Child care	24	18%
Clothing, Apparel or Accessories	17	13%
Personal Service	12	9%
Construction, Home and Vehicle Repair and Painting	12	9%
Arts and Crafts	10	8%
Cleaning	8	6%
Food	8	6%
Gifts, Parties or Flowers	7	5%
Professional Services	5	4%
Business Services	5	4%
Health Services	5	4%
Music Industry Services	4	3%
Agriculture	4	3%
Photography	2	1%
Sales of Beauty and Health Care Products	2	1%
Other	8	6%
Total Businesses	133	100%

Table 25 details the financial characteristics of the businesses that existed at the time of the Wave 3 interview. Across all businesses reporting in Wave 3, the median monthly sales were $668 and average monthly business sales were $1,372. Businesses also reported sales over the 12-month period leading up to the interview. The range of business sales for that period was quite broad – from a business that was not yet generating sales ($0) to one reporting $90,000 over the 12 months. Average annual sales were $12,225, and reflecting the broad diversity of sales experience, median annual sales were $6,500.[88] Median business assets at Wave 3 were $3,000, and average business assets were $10,407. Median business debt was $0; however, the average business debt was $4,599. Eighty-eight percent of responding businesses reported positive net worth at Wave 3; the median net worth of Wave 3 businesses was $2,800, and the average was $6,953. The businesses that existed at Wave 3 employed a total of seven full-time and 57 part-time employees in addition to the owner.

[87] May not total to 100 percent due to rounding.

[88] It is important to note here that businesses reported their sales for the 12-month period prior to the Wave 3 interview; not all businesses operated for all of the 12 months during that period.

Table 25: Financial Characteristics of Businesses Operating at Wave 3 [89]	
Financial Characteristics	**Value**
Monthly Sales (n=128)	
Median	$668
Average	$1,372
Sales over past 12 months (n=128)	
Median	$6,500
Average	$12,225
Range	$0-$90,000
Business Assets (n=127)	
Median	$3,000
Average	$10,407
Business Liabilities (n=129)	
Median	$0
Average	$4,599
Business Net Worth (n=126)	
Median	$2,800
Average	$6,953
Employment in Addition to the Owner (n=133)	
Businesses with employees	16
Number of part-time employees	57
Number of full-time employees	7

Business Growth: Longitudinal Change in Sales, Assets, Net Worth and Employment

Among entrepreneurs who were operating a business at the time of the Wave 3 interviews, 52 respondents had been in business at Wave 1. This section examines the extent to which this sub-group of surviving businesses grew in terms of sales, assets, net worth and employment.

Across all financial measures, the surviving businesses showed growth between Wave 1 and Wave 3 (Table 26). Median monthly sales increased by $600, from $300 to $900. Median business assets and net worth showed similar growth. At Wave 1, these businesses had a median of $1,400 in assets. By Wave 3, this had increased by more than 200 percent to $4,800. Net worth also grew by more than 200 percent between Wave 1 and Wave 3. At Wave 1, median business net worth for businesses in this sub-group was $1,100; by Wave 3, their median net worth had grown to $4,000.

[89] Respondents were asked to report details about their main businesses. For cases where respondents were operating more than one business, the second business is not included in these findings.

The surviving businesses also showed growth in terms of employment generation. At Wave 1, two businesses in this group employed workers other than the owner; together they employed 13 part-time employees. By Wave 3, nine of the 52 businesses in the group employed additional workers, totaling 24 part-time or seasonal employees and four full-time employees.

Table 26: Growth of Businesses Operating at Both Wave 1 and Wave 3

Business Characteristics	Intake	Two Years Later	Percentage Change
Monthly Business Sales (n=49)			
Average	$835	$1,608	93%
Median	$300	$900	200%
Range	$0-$20,000	$0-$12,000	N/A
Business Assets (n=48)			
Average	$6,004	$12,500	108%
Median	$1,400	$4,800	243%
Range	$0-$100,000	$0-$150,000	N/A
Business Net Worth (n=45)			
Average	$5,946	$8,471	42%
Median	$1,100	$4,000	264%
Range	-$500-$100,000	$0-$95,000	N/A
Employment in Addition to the Owner (n=52)			
Businesses with employees	2	9	13 percentage points
Number of employees	13 part-time	24 part-time 4 full-time	N/A

Business Draw

Business draw is the income that entrepreneurs pay themselves from the earnings of their businesses – either in the form of a regular salary or more irregular lump sum payments. Among the 133 respondents who operated a business at the time of the Wave 3 survey, 82 percent reported that they took a salary or owner's draw from their businesses during the year.

Accounting for the amount of business draw by entrepreneurs is challenging for any business survey of this type. Microentrepreneurs, similar to other business owners, operate in a tax and business regulatory environment that provides financial incentives for minimizing profits and income by expensing as many business-related costs as possible, with the goal of reducing the tax burden on both the business and the individual. Thus especially for home-based businesses, such as those operated by microentrepreneurs, some home expenses, such as rent, utilities, communications and transportation, may be partially or fully expensed to the business. This results in a reduction in living expenses, but is not necessarily reported as income to the individual.

Entrepreneurs who are TANF recipients may face additional factors in determining how to report their business income. Caseworkers are often careful to scrutinize the recordkeeping of these individuals to verify that expenses are legitimate business expenses. At the same time, recipients may seek to limit the amount of income claimed in order to retain the access to TANF cash or non-cash assistance. Finally, it is important to note that across the demonstration sites, study participants faced different TANF rules regarding the treatment of business income and assets. In some states, such as Iowa, these rules facilitated reinvestment of business revenues in the business, allowing participants to retain access to TANF cash benefits while trying to grow their businesses. In other sites, such as Detroit, participants were required to quickly show that they could draw a minimum amount of income out of their businesses in order to continue to count self-employment as a work activity.[90]

For these reasons, very detailed and individualized financial documentation, beyond the scope of the survey methodology implemented in this demonstration study, would be required to determine the exact amount of personal financial benefit that respondents receive from their individual businesses. For the purposes of determining whether and to what extent microbusinesses provide income to the household, it is nevertheless essential to try to measure owner's draw. The survey respondents were asked to report the amount of salary or owner's draw they paid themselves from their businesses, and this is the amount that is detailed in this section. It is important to note that because of the incentives described above, business draw may understate the financial benefit accruing to a household from a business.

Among survey respondents who were in business at the time of the Wave 3 interviews, 82 percent reported taking an owner's draw, which ranged from $150 to $36,000. The average annual draw for all businesses (including those that did not take a draw) was $6,003, and median annual draw was $4,050.

Table 27: Owner's Draw for Respondents Operating Businesses at Wave 3

Number of Entrepreneurs	133
Percentage Taking Owner's Draw	82%
Percentage Reporting $0 Draw	18%
Average Annual Draw	$6,003
Median Annual Draw	$4,050
Range of Annual Draw	$0-$36,000

Among the 133 businesses that were operating at the time of the Wave 3 interviews, 52 existed at the time the individual enrolled in the microenterprise program. The other 81 respondents started their businesses after program enrollment. Table 28 shows that experience with owner's draw is similar for these two sub-groups. Among the 52 who were operating businesses at enrollment, 81 percent took an owner's draw two years later. Eighty-three percent of those who established businesses after program enrollment reported taking draws at Wave 3. The average annual draw for these sub-groups is similar – $6,114 for those operating at enrollment and $5,932 for those starting later in that survey year. Median owner's draw differs across these two sub-groups. The 52 entrepreneurs operating established businesses at enrollment reported median annual draws of $4,800, while the 81 respondents who started their businesses after enrollment reported a median annual draw of $3,840. These findings suggest that the amount of draw that these entrepreneurs took from their businesses increased as the business became older and better established.

[90] See *Key State TANF Policies Affecting Microenterprise*; available on the FIELD Web site at http://www.fieldus.org/li/welfare_policy.htm; Internet.

Table 28: Owner's Draw for Respondents Operating Businesses at Wave 3, by Time of Business Establishment [91]

	Operated Business at Program Enrollment	Started Business After Program Enrollment
Number of Entrepreneurs	52	81
Percentage Taking Owner's Draw	81%	83%
Percentage Reporting $0 Draw	19%	17%
Average Annual Draw	$6,114	$5,932
Median Annual Draw	$4,800	$3,840

Training Program Assistance

All of the participants in this study attended training at one of 10 microenterprise programs during the period from January 1999 to June 2000. Two years later, a surprising 45 percent had recently been in contact with or received assistance from the microenterprise program.[92] Viewed alongside the earlier finding that 77 percent of program graduates who were employed in jobs had plans to start businesses in the future, this may indicate that the relationship between training participants and program staff is more long-term. Programs may serve to provide ongoing support to participants who wish to establish businesses in the future. To get a full picture of the business outcomes of training graduates, it may be necessary to continue to question former participants over a number of years.

The Wave 3 survey asked the 170 respondents who were in business in the year prior to the interview whether or not the skills they learned at the microenterprise training program helped them to run their businesses. As is detailed in Table 29, a strong majority of clients found that specific skills learned in microenterprise training were helpful.

[91] Average and median include business operators who took $0 draw.

[92] Respondents were asked whether they had been in contact with or received assistance from the microenterprise program in the last 12 months.

Table 29: Skills Learned at the Microenterprise Program that Helped Respondents Run their Businesses

Skill Learned at the Program	Number and Percentage Reporting n=170	Skill Learned at the Program	Number and Percentage Reporting n=170
Understanding Costs	139 (82%)	Developing Marketing Strategies	129 (76%)
Identifying Markets	137 (81%)	Pricing Product	127 (75%)
Keeping Business Records	136 (80%)	Calculating Cash Flow	125 (74%)
Writing a Business Plan	132 (78%)	Personal Budget and Finance	124 (73%)
Instruction on Making Sales	133 (78%)	Making Presentations	112 (66%)
Time Management	132 (78%)	Financing the Business	102 (60%)

Understanding Business Success

The above findings reveal a set of study participants who have increased their engagement in business development, and who are operating businesses that are clearly growing over time across a number of measures: sales, assets, net worth, employment and owner's draw. However, these businesses remain fairly small in terms of their revenues and business draw. This fact raises two questions. First, how does the size of these businesses compare to that of small-scale enterprises generally? Are they successful in relative terms? Secondly, what is the growth potential of these businesses, and what is their ability to assist TANF recipients to become self-sufficient?

Interestingly, despite their relative youth and the very low-income status of their owners, the businesses in the WTW sample look fairly similar to other very small businesses. Two recently-published reports provide interesting points of comparison to the WTW data set. In one, the SBA examined tax returns from women-operated sole proprietorships.[93] For the most part, these businesses are very small: in 1998, 86.3 percent of women-operated sole proprietorships had total receipts less than $50,000, and 41.75 percent had receipts less than $5,000. Average gross receipts were $23,170. In addition, the average net income of women-operated sole proprietorships was $6,110 in 1998. In that year, 24.22 percent of businesses had net income of less than $0, and 80 percent had net income less than $10,000. Average receipts and sales varied according to the marital status of the operator; heads of households (unmarried individuals with households – those most similar to the majority of individuals in the WTW sample) averaged gross receipts of $20,240 and net income of $6,650.

By comparison, the women-operated businesses in the WTW sample averaged $12,092 in annual business sales and $5,597 in owner's draw.[94] The business sales and owner's draw for the WTW businesses also varied by marital status with those that had been married at some point showing much

[93] See SBA Office of Advocacy, *Dynamics of Women-Operated Sole Proprietorships, 1990-1998* (Washington, D.C.: Small Business Administration, March 2003).

[94] Male-operated businesses comprised just over 13 percent of the businesses in the WTW sample; when their figures are included, the WTW businesses had average sales of $12,225 and an average owner's draw of $6,500.

stronger levels of sales and owner's draw than those that had never been married. WTW respondents who were married but not living with their partners reported the highest level of average sales, at $17,745, followed by those who were married and living with their partner (average sales of $14,779). WTW respondents who were divorced reported the highest average level of owner's draw, at $6,881, followed by those who were married and living with their partner (average draw of $6,344). On both of these measures, the sub-groups of women who had never been married and those who were unmarried but living with a partner showed the lowest mean and median levels of business draw and sales.

The types of businesses operated by participants in the WTW study are also similar to those operated by women sole proprietors nationally. The top 10 major business activities of women-operated sole proprietors were day care; sales by door-to-door, etc.; other business services; miscellaneous personal services; beauty shops; real-estate agents and brokers; janitorial and related services to buildings; consulting and research; miscellaneous specialty trade contractors; and carpentering and floor contractors. With the exception of the real estate and consulting services, these business types closely mirror those operated by business owners in the WTW sample. Among women-owned sole proprietors, those in the real estate and consulting businesses show the highest average net income and among the highest levels of average sales. Thus, in terms of business types and net income, the businesses in the WTW sample look very similar to those of women-owned sole proprietors nationally. Average sales are lower, but this may be partially explained by the fact that WTW business owners generally did not have businesses in some of the industries which show the highest levels of sales.

Data from the Bureau of the Census on non-employer businesses – businesses of all forms (proprietorships, partnerships and corporations) that employ the owner only – shows a picture of businesses that are somewhat larger in terms of sales than those operated by women-owned sole proprietors or participants in the WTW sample. In 2001, all non-employer businesses averaged total receipts of $42,988.[95] Average sales varied across industries with those in the accommodations and food, construction, forestry, and retail industries being highest, and those in the administrative and support services, other services, health care and social assistance, and arts and entertainment industries being lowest (ranging between $22,660 and $27,744).

It is difficult to project whether the businesses in the WTW sample will continue to grow over time, as so many factors will influence the future path of the business – including the state of the local and national economies, and the owners' personal circumstances (such as their health and family situations). However, one factor that clearly influences the size and return from any business – not just those in this study – is the industry in which it is located. While it is important to note that in the WTW study sample, the number of businesses within each industry is relatively small, as Tables 30 and 31 indicate, there are differences across industries in the levels of sales and business earnings. Notably, businesses that are generally service-oriented (those in the child care, personal service, construction/home and vehicle repair and painting, health services, professional services, and business services) generally appear to be much stronger in sales and earnings than those in industries that center on the manufacturing and/or sales of goods (such as food, apparel and accessories, arts and crafts, and beauty and health care products).

[95] U.S. Bureau of the Census, EPCD Nonemployer Statistics, 2001; available at http://www.census.gov/epcd/nonemployer/2001/us/US000.HTM; Internet. It is important to note that the data from the Bureau of the Census includes data on male-owned and operated firms, which are larger than women-owned firms.

Table 30: Business Earnings by Business Type
(Earnings from all businesses during last year; includes 24 cases with zero earnings)

	Mean	Median	Range	N
Food	$2,195	$700	$0-$8,160	8
Child Care	$9,601	$6,000	$0-$36,000	24
Cleaning	$5,473	$3,420	$900-$13,200	8
Personal Service	$9,583	$7,200	$0-$24,000	12
Construction, Home and Vehicle Repair and Painting	$2,448	$5,900	$0-$30,000	12
Clothing, Apparel, Accessories	$2,679	$1,350	$0-$12,000	17
Gifts, Parties or Flowers	$3,114	$1,500	$0-$9,600	7
Arts & Crafts	$3,625	$1,725	$0-$14,400	10
Health Services	$6,510	$6,000	$450-$13,200	5
Other	$4,775	$4,200	$0-$10,800	8
Sales of Beauty and Health Care Products	$285		$150-$420	2
Business Services	$6,594	$6,000	$2,000-$13,200	5
Photography	$0			2
Music Industry Services	$2,400	$600	$0-$8,400	4
Professional Services	$10,845	$6,600	$300-$34,804	5
Agriculture	$3,840	$1,800	$0-$11,760	4
All Businesses	$6,003	$4,050	$0-$36,000	133

Table 31: Business Sales by Business Type
(Main business sales during last year; includes five cases with zero sales)

	Mean	Median	Range	N
Food	$4,906	$2,125	$300-$20,000	8
Child Care	$14,267	$15,500	$800-$32,000	23
Cleaning	$11,726	$10,350	$2,070-$36,000	8
Personal Service	$20,721	$16,000	$100-$90,000	12
Construction, Home and Vehicle Repair and Painting	$12,330	$9,500	$0-$30,000	10
Clothing, Apparel, Accessories	$5,341	$2,000	$500-$35,000	17
Gifts, Parties or Flowers	$13,308	$3,050	$750-$47,000	6
Arts & Crafts	$6,200	$4,500	$0-$14,400	10
Health Services	$23,018	$14,324	$1,500-$81,768	5
Other	$17,213	$5,700	$0-$64,000	8
Sales of Beauty and Health Care Products	$200			1
Business Services	$30,726	$24,000	$7,000-$66,630	5
Photography	$2,100		$1,200-$3,000	2
Music Industry Services	$5,050	$4,889	$0-$13,000	4
Professional Services	$8,468	$5,600	$600-$28,000	5
Agriculture	$6,425	$7,850	$0-$10,000	4
All businesses	$12,225	$6,500	$0-$90,000	128

There are a few reasons why service businesses may show higher levels of sales and earnings than those that are retail-oriented. First, services is a rapidly-growing sector in the U.S. economy, in which there is less competition from the types of large-scale, low-cost firms that exist in the manufacturing and retail sectors. Secondly, businesses in several of the services industries – notably the business and professional services – may be able to tap more upscale markets than those focused on the sales of items – particularly if the business is located in a low-income community. Thirdly, service businesses often involve lower non-labor costs, as they do not require the acquisition of significant inventory or materials. In many cases, the primary cost is that of the labor involved in providing the service. Thus, to the extent that the primary labor in the business is the owner, he or she can draw more income out of the business. For example, in the SBA's study of women-operated sole proprietorships, the top service-oriented businesses showed a ratio of net income to gross receipts that ranged between 35 percent and 54 percent. On the other hand, for businesses in the contracting, carpentry and door-to-door sales industries this percentage ranged from 3 percent to 15 percent.[96] Finally, for women without much access to business credit, it may be easier to grow a service business, as the level of financing required (again, to purchase inventory or materials) is reduced.

These findings do not necessarily suggest that firms that center on manufacturing or retail sales cannot be successful. This is indicated by the ranges of business sales noted above – in some cases, firms

[96] See SBA Office of Advocacy, *Dynamics of Women-Owned Sole Proprietorships, 1990-1998* (Washington, D.C.: Small Business Administration, March 2003), p. 20.

in sectors with low median and average levels of sales and draw were able to perform well on these indicators. However, the overall findings regarding industry sectors do have two potential implications for microenterprise programs and welfare agencies. First, microenterprise program staff may want to look carefully at the industry sector as part of the assessment of a business' feasibility that occurs early on in the training process. For businesses in industries with limited income or growth potential, it may be important for both program staff and welfare caseworkers to encourage the client to consider combining wage and self-employment. Secondly, it may be important to enhance the level of follow-up services provided after the business start-up phase. Many microenterprise programs are launching industry-focused assistance efforts aimed at helping clients to grow their businesses. These include, for example, efforts to assist artisans to tap more lucrative markets and to help those in the food industry to increase their sales by providing them with access to commercial kitchen facilities or to expertise in packaging and product placement.[97]

[97] For more information on these access to markets programs, see the FIELD Web site at http://www.fieldus.org/li/access.html; Internet.

Job Quality

Key Findings

- The average and median hourly wage earnings of the respondents working in wage jobs at the time of the Wave 3 interviews were $9.66 and $8.89, respectively.[98]
- The median hourly wage earnings of the respondents who were off TANF at the time of Wave 3 interviews were $9. In comparison, the median wage of 2002 NSAF TANF leavers was $8.06.
- Wage employed study participants had access to the following benefits at their primary job: health insurance (58 percent), paid vacation days (58 percent), paid sick days (48 percent) and dental insurance (50 percent).
- Thirty-seven percent of the wage employed respondents who had left TANF had employer-provided health insurance at the time of Wave 3 interviews. This number is higher than findings from the NSAF study and different state leaver studies.

The longitudinal study also examined the quality of jobs held by study respondents who were engaged in wage employment during the second year after program enrollment. As was noted in the introduction to this report, it is typical for some individuals who enroll in microenterprise programs to elect to engage in wage employment after engaging in some preliminary exploration of the viability of their business ideas and their readiness for self-employment. Because they anticipated that some participants would want or need to choose wage employment, either instead of or in addition to self-employment, each of the demonstration sites offered some type of employment assistance or services to its participants.

The services offered by the demonstration sites fell into six different categories: referrals to sources of job readiness/training/skills services; training about income patching; job readiness training; job placement services; job skills training; and post-employment follow-up. Fifty seven percent of the 295 respondents interviewed in the first year after program enrollment stated that the microenterprise program had provided them with some sort of employment assistance. For the most part, the types of assistance they received included training in how to look for a job, help in writing resumes and filling out job applications, and following up with the individual to determine their progress in findings and retaining a job.[99] In the second year after program enrollment, 56% of respondents (204 individuals) interviewed noted that they had looked for a job in the past year; among these 8% (17 respondents) stated that the program had provided assistance in obtaining that position.

Respondents who were working at the time of the Wave 3 interviews had median hourly earnings of $8.89. Among participants who worked at wage or salaried jobs, roughly half had access to health insurance, paid vacation, paid sick leave and dental insurance through their main jobs. The wage levels and benefits received by study participants who were no longer receiving TANF compare favorably to those of TANF leavers surveyed in national- and state-level leavers' studies.

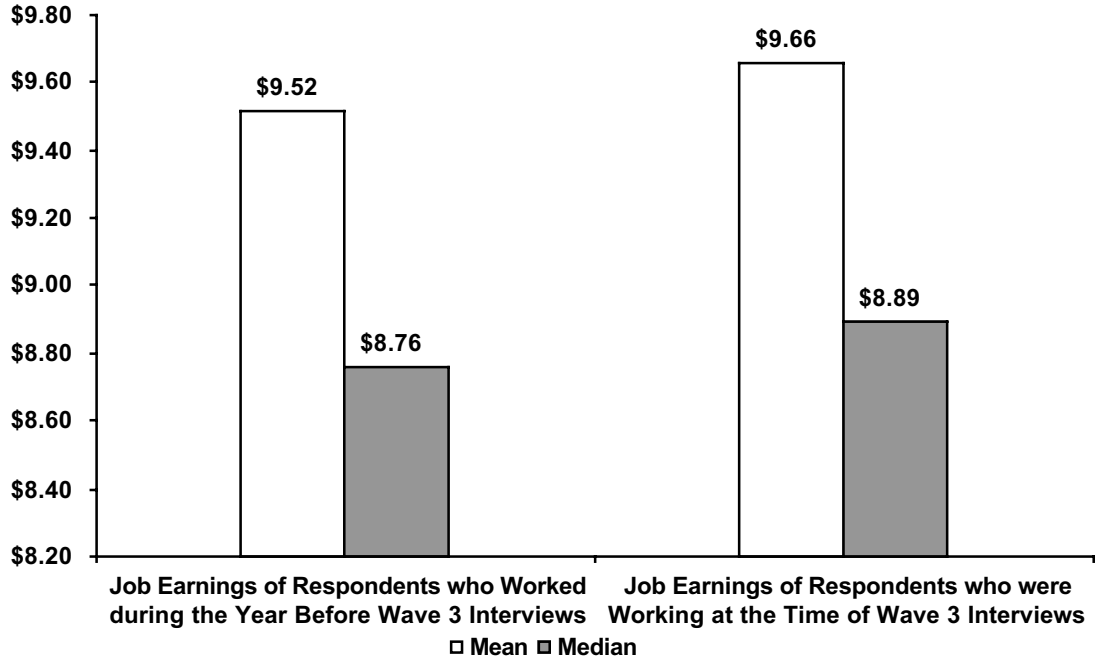
[98] Calculated for the respondents who were working in wage or salaried jobs at the time of Wave 3 interviews.

[99] See Table B19 in Appendix B for more detail.

Hourly Job Earnings

During the year before Wave 3 interviews, the hourly wage earnings of participants across jobs ranged from $1.25[100] to $29.81, with average and median hourly earnings of $9.52 and $8.76, respectively (Figure 17). As mentioned earlier, there was a set of respondents who worked at some point during the year before the Wave 3 interviews, but who were not working at the time of the interview. The hourly earnings of respondents who were working at the time of the Wave 3 interviews were slightly higher than those of respondents who worked at some point during the year (Figure 17).

FIGURE 17: Hourly Earnings[101]



For the nationally representative sample of NSAF 2002 TANF leavers, Loprest (2003) reports that the median hourly wage earnings were $8.06.[102] In comparison, during the second year after program enrollment, the mean and median hourly wage earnings of WTW respondents who left TANF were $9.92 and $9.00, respectively (Table 32).

Table 32: Hourly Job Earnings of TANF Leavers

	WTW TANF Leavers[103]	NSAF 2002 Leavers
Mean	$9.92	–
Median	$9.00	$8.06

[100] Hourly earnings below the minimum wage level are explained by the fact that not everyone was paid on an hourly basis and the hourly wage earnings were calculated as an average by dividing earnings over the number of hours worked.

[101] See Table B20 in Appendix B for more details.

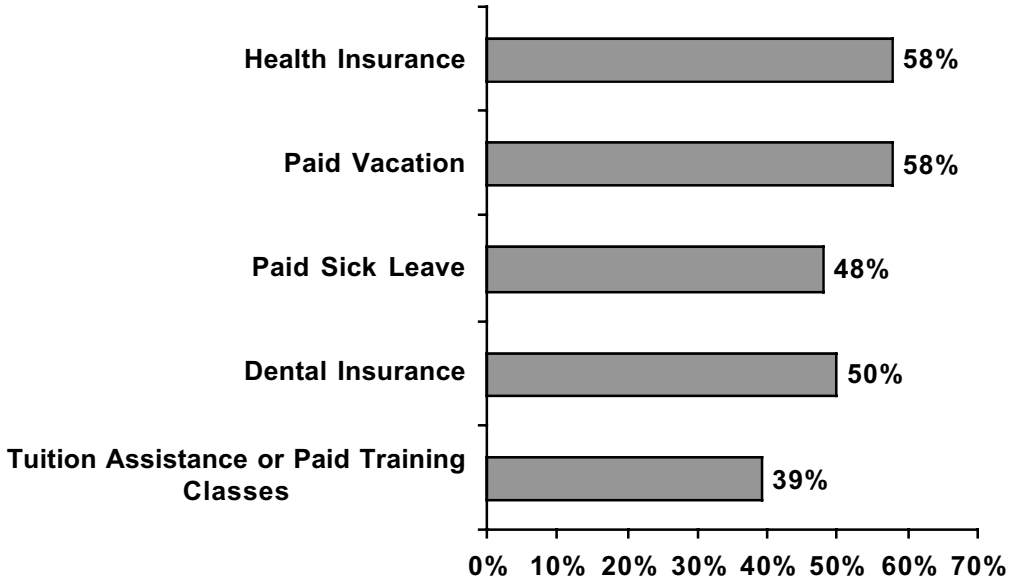
[102] Pamela Loprest, "Fewer Welfare Leavers Employed in Weak Economy," *Snapshots of America's Families* 3: No. 5 (Washington, D.C.: The Urban Institute, August 2003).

[103] Of all respondents who worked at wage jobs and were off TANF by the time of the Wave 3 interviews (193 respondents), average hourly earnings were reported by 188 respondents.

Access to Job Benefits

To assess the quality of jobs, respondents were asked a series of mutually exclusive questions regarding the benefits offered by their employers. The survey results reveal that 58 percent of the respondents employed during the year before Wave 3 interviews had access to health insurance through their main jobs (Figure 18).[104] The same proportion of respondents had access to paid vacation and one in two respondents had access to paid sick days and dental insurance. In addition, 39 percent of the respondents were offered tuition assistance or paid training classes through their employers.

FIGURE 18: Access to Benefits at the Main Job[105]



Job Benefits for TANF Leavers

Thirty-seven percent of WTW TANF leavers had health insurance through their main jobs (Table 33). In comparison, among TANF leavers in the nationally representative NSAF study, 33 percent had employer-provided health insurance. Among a set of state TANF leavers studies, the proportion of TANF leavers who had health insurance through their main jobs ranged from 19 percent to 33 percent. More than half of the employed WTW TANF leavers were also offered paid time-off benefits. Compared to TANF leavers from various state studies, a higher percentage of leavers in the WTW sample (65 percent) had paid vacation benefits. The proportion of respondents who had jobs with paid sick leave benefits was 54 percent, which falls above the range reported by leaver studies (28 percent to 50 percent).[106]

[104] Note that this is the percentage of respondents who had ***access*** to insurance through their jobs; not all respondents chose to take advantage of this insurance.

[105] Questions on benefits available through their main jobs were asked of 240 individuals who had wage jobs during the year before Wave 3 interviews.

[106] Study methodologies, sample sizes, exit dates from welfare, and the time gap between exit and follow-up surveys differ across TANF leaver studies. These differences could partially explain why the proportion of employers offering job benefits has such a wide range across states.

Table 33: Employer-Provided Job Benefits of TANF Leavers[107]

	NSAF 2002 Leavers Sample[108]	Ranges from State Leavers Studies[109]	WTW	
			All	Off TANF
Enrolled in Employer Health Insurance Plan	33%	19%-33%	33%	37%
Paid Vacations	–	31%-63%	58%	65%
Paid Sick Leave	–	28%-50%	48%	54%

Skills Used in Wage Jobs

Survey respondents who worked in wage jobs (240 respondents) were also asked whether any of the skills they learned at the program had helped them in their current jobs, or in jobs held in the last 12 months. Almost two-thirds of these respondents noted that customer service and time management helped them in their jobs (Table 34). More than half also noted that they used stress management and budgeting skills, and more than 40 percent of respondents noted that they used marketing, advertising and cash management skills in their employment over the last year.

Table 34: Microenterprise Program Skills Used in Wage Jobs n=240

	Yes	No	DK
Marketing	116 (48%)	119	5
Advertising	105 (44%)	130	5
Customer Service	154 (64%)	79	7
Cash Management	109 (45%)	126	5
Stress Management	128 (53%)	107	5
Budgeting	135 (56%)	99	6
Time Management	148 (62%)	87	5
Other	55 (23%)	182	3

[107] To make data comparable to other studies, we calculated the percent of WTW TANF leavers who had wage jobs at the time of Wave 3 interviews and actually received health insurance through their primary jobs. Please note that the numbers presented in Figure 18 represent the percentage of all survey respondents who worked during the year before Wave 3 interviews and had access to health insurance through their main jobs whether or not they actually chose to receive their health insurance from that source.

[108] Pamela Loprest, "Fewer Welfare Leavers Employed in Weak Economy," *Snapshots of America's Families* 3: No. 5 (Washington, D.C.: The Urban Institute, August 2003).

[109] Elise Richer, Steve Savner, and Mark Greenberg, *Frequently Asked Questions About Working Welfare Leavers* (Washington, D.C.: Center for Law and Social Policy, November 2001).

Child Care, Health Insurance and Key Issues of Concern

Key Findings

- The majority of participants in the WTW microenterprise study are single parents. At the time of the Wave 3 interviews, 93 percent had a dependent child under age 18 living in the household, and 40 percent had at least one pre-school age child. Only 25 percent of the sample was living with a spouse or partner.
- Forty-one percent of respondents with children had their children in some form of child care during the year prior to the Wave 3 interview. Individuals who were solely self-employed were about half as likely to have a child in child care as those who were solely wage employed or those who patched wage and self- employment.
- Eighty-nine percent of respondents said that their current child care was either always reliable or very reliable. However, 44 percent of business owners with children in care said that their businesses could grow if they had better child care or babysitting arrangements.
- Seventy-nine percent of the study participants, and 91 percent of their children, had health insurance coverage at the time of the Wave 3 survey. Among the self-employed, 74 percent reported having health insurance. Seventy-two percent of income patchers had coverage. Unemployed respondents reported having health insurance in the greatest numbers – 84 percent.
- Despite increases in employment, self-employment and earned income, the study sample remains very dependent on the public sector for health insurance coverage. Seventy-six percent of respondents with health insurance reported that coverage is provided by public sources. However, the percentage of the group obtaining coverage through their jobs increased – from 2 percent at Wave 1 to 18 percent at Wave 3.
- Respondents reported having a number of concerns with their current personal situation. Given that the majority of this group was recently on welfare (and some still receive assistance from TANF and other public assistance sources), it is not surprising that financial concerns were cited most frequently.
- Health-related concerns were also frequently cited as issues of concern. The respondents' own health and the health of other family members were cited as concerns by more than 20 percent of the group.

This chapter reports findings about a number of areas of potential concern for single parents moving from dependence on TANF into business and wage employment. The first section details findings about family composition and the use of child care by the study sample. Following this is a description of the experiences of study participants with health insurance coverage for themselves and their children. Findings from Wave 3 indicate that, while the proportion of the group that obtained health insurance from private sources such as jobs is larger, the group is still mainly dependent on transitional Medicaid assistance for coverage. Finally, the chapter reports on a number of concerns with respondents' personal circumstances. These concerns range from unstable living situations to chronic health concerns to the need to care for other family members. While fewer respondents reported in Wave 3 that these issues were concerns for them, sizable percentages of respondents with issues of concern remained.

Family Composition and Child Care

The majority of participants in the WTW microenterprise study were parents caring for at least one child younger than 18 years of age. Many participants were raising their children alone. While 93 percent of participants were parents of children under age 18, only 25 percent of the group lived with a spouse or partner. At the time of the Wave 3 interviews, 40 percent of respondents had children under five. Eighty-two percent had children between the ages of six and 17 years (Table 35).

Table 35: Household Composition of Survey Participants – Wave 3 Interview (two years after program intake)

Household Composition	Respondents n=362
Living with a spouse or partner	89 (25%)
Children under 18 years old in the household	338 (93%)
Children ages 6-17 years old in the household	298 (82%)
Children ages 0-5 years old in the household	146 (40%)
All Respondents	362 (100%)

There are some differences in family composition among the group of self-employed participants in the study. A slightly lower proportion of solely self-employed participants have children under five (Table 36).

Table 36: Family Composition by Employment Status – Wave 3 Interview (two years after program intake)

	Employment Status at Wave 3				
	Wage Employment Only n=114	**Self-Employment Only n=90**	**Both Self-Employment and Wage Employment (Patchers) n=43**	**Unemployed n=114**	**All[110] n=362**
Children under age 18 in Household	108 (95%)	82 (91%)	40 (93%)	107 (94%)	338 (93%)
Children ages 6-17 years in Household	96 (84%)	74 (82%)	35 (81%)	92 (81%)	298 (82%)
Children ages 0-5 years in Household	45 (40%)	33 (37%)	18 (42%)	49 (43%)	146 (40%)
Median Number of Children ages 6-17 years	2	1	2	2	2
Median Number of Children ages 0-5 years	1	1	1	1	1

As more welfare recipients move from TANF into work and business, affordable, reliable, quality child care is an increasingly important concern. Thus, finding and paying for child care are challenges faced by a large portion of the participants in this study. During the year leading up to the Wave 3 interviews, 41 percent of the respondents with children had at least one child in some type of care outside their homes. The numbers of children and the types of care they were in varied substantially by employment status.

Interestingly, individuals who were solely self-employed were about half as likely to have a child in outside care as those who were solely wage employed or those who patched self- and wage employment (Table 37). This may be due to several factors. First, respondents who were solely self-employed were slightly less likely to have children in the household and slightly less likely to have a child under the age of six in the household. The median number of children under age six was also lower for individuals who were solely self-employed. In addition, research has shown that the reason women choose self-employment is that it allows them to more easily accommodate their dual roles as parent and worker.[111] This data suggests that some self-employed participants may be finding ways to balance work and caretaking such that they do not require assistance with child care.

[110] Employment status of all respondents was not known.

[111] See Jon C. Messenger and Andrew Stettner, p. 57.

Table 37: Experience with Child Care by Employment Status of Respondents – Year Leading up to Wave 3 Interview (two years after program intake)

Employment Status	Number and Percent with Children in Child Care	All Respondents with Children
Wage employment only	62 (57%)	108 (100%)
Self-employment only	22 (27%)	82 (100%)
Both wage and self-employment (employment patchers)	21 (53%)	40 (100%)
Unemployed all year	32 (30%)	107 (100%)
All	137 (41%)	338 (100%)

Respondents reported using a wide range of child care arrangements during the year leading up to the Wave 3 interviews (Table 38). Approximately one-half (53 percent) reported that a relative or friend cared for their children. Twenty percent reported that they had used a home-based day-care center that was not operated by a friend or relative. Forty-five percent had used a day-care center.[112]

The types of child care that respondents used varied notably by employment status (Table 38). Parents who were both employed in jobs and operating microbusinesses at the time of the Wave 3 interviews (income patchers) used day-care centers to a lesser extent than did those with a job or business only. Only a third (33 percent) of this group used day-care centers, compared to 53 percent of those with jobs and 50 percent of those with businesses. And, income patchers relied on friends and relatives for care in greater numbers (62 percent of income patchers versus 45 percent of those with jobs only and 55 percent of those with businesses only).[113] This finding suggests that parents working long hours may require more flexibility than the typical day-care center offers, or conversely, that women with a supportive network of friends and relatives may be in a better position to pursue income patching.

[112] Respondents were asked to report on all sources of child care that they used during the year leading up to the Wave 3 surveys.

[113] The sums of cases reporting care provided by a relative and care provided by a friend are reported here.

Table 38: Types of Child Care Used by Employment Status of Respondents – Year Leading up to Wave 3 Interview (two years after program intake)

	Employment Status at Wave 3[114]				
Type of Care Used in Year Leading up to Wave 3 Interview	**Wage Employment Only**	**Self-Employment Only**	**Both Self-Employment and Wage Employment (Patchers)**	**Unemployed**	**All**
Day-Care Center	33 (53%)	11 (50%)	7 (33%)	11 (34%)	62 (45%)
Home-based care not provided by a friend or relative	14 (23%)	2 (9%)	6 (29%)	5 (16%)	27 (20%)
Care provided by a relative	22 (36%)	7 (32%)	9 (43%)	17 (53%)	55 (40%)
Care provided by a friend	6 (10%)	5 (23%)	4 (19%)	2 (6%)	17 (12%)
All Respondents with child-care arrangements	62 (100%)	22 (100%)	21 (100%)	32 (100%)	137 (100%)

Across the board, respondents reported that their child care was reliable. Two-thirds of respondents (66 percent) with children in care reported that it was always reliable, and another 23 percent reported that their care was very reliable. Only 10 percent indicated that their child care was somewhat reliable. Having stated this, it is important to note that later in this chapter, we will report on issues that respondents reported as being concerns for them. A third of the overall group (33 percent) reported that *finding* child care was either very much or a slight concern for them. And, although respondents reported that their child care was largely reliable, 44 percent of those who were self-employed also indicated that they thought their businesses would grow if they had better child care or babysitting arrangements.[115]

Health Insurance

Access to affordable health insurance is a primary concern both for the self-employed and for individuals working in low-wage, part-time and temporary jobs. As the participants in this study move away from public assistance and into the world of work and business, exhausting their transitional benefits – especially health insurance – is likely to be a growing concern for themselves and their children. The self-employed may be especially hard-hit. Private sector health insurance coverage for this group is notoriously difficult to obtain. A recent study conducted by the Aspen Institute reports that only 50 percent of low-income microentrepreneurs are covered by health insurance.[116]

At the time of the Wave 3 interviews, 79 percent of the respondents reported that they had health insurance for themselves (Table 39). At Wave 3, the employed sub-group with the most members reporting having health insurance coverage was the solely wage employed. Eighty percent of this group

[114] Does not total 100 percent because respondents could report multiple reasons.

[115] There were 41 respondents in this group.

[116] Steve Davidson and Jerry Black, *Bringing Access to Affordable Health Insurance to Low-Income Microentrepreneurs* (The Aspen Institute, unpublished).

had health insurance compared with 72 percent of patchers and 74 percent of those who were solely self-employed. Eighty-four percent of the unemployed reported having health insurance coverage.

Table 39: Access to Health Insurance by Respondent Sub-groups – Wave 3

	Employment Status at Wave 3 (n=362)[117]				
	Wage Employment Only n=114	**Self-Employment Only n=90**	**Both Self-Employment and Wage Employment (Patchers) n=43**	**Unemployed n=114**	**All n=362**
Respondents who had Health Insurance	91 (80%)	67 (74%)	31 (72%)	96 (84%)	286 (79%)
Respondents who did not have Health Insurance	23 (20%)	23 (26%)	12 (28%)	18 (16%)	76 (21%)

At Wave 3, participants in the study still largely received their health insurance from public sources. But, this dependence was declining. When they enrolled in the microenterprise program, 84 percent of those who had health insurance received their coverage through Medicaid. At the time of the Wave 3 interviews, 59 percent were covered through Medicaid or another public, state-level program.[118] By Wave 3, the proportion of the responding group who received coverage through their jobs or their spouses' jobs had increased to 14 percent, compared with 1 percent at Wave 1. One percent of the group obtained coverage from their spouses' jobs at Wave 1. By Wave 3 this figure was 4 percent (Table 40).

[117] The employment status of one respondent was not known.

[118] At Wave 1, participants were not given the option of reporting either Medicaid or a state-sponsored health insurance program. They were asked only whether they received Medicaid. The Wave 3 interviews added this distinction. Thus, for the purposes of comparing dependence on the public sector for health insurance between Wave 1 and Wave 3, these two categories are summed. For respondents: At Wave 3, 57 percent were covered by Medicaid and 19 percent were covered by a state-level health insurance program. For respondents' children: At Wave 3, 62 percent were covered by Medicaid and 20 percent were covered by a state-level health insurance program.

Table 40: Sources of Health Insurance – Wave 1 and Wave 3

Sources of Health Insurance	Wave 3 Respondents at Program Enrollment n=362 (100%)	Wave 3 Respondents Two Years after Program Enrollment n=362 (100%)
Medicaid or health insurance provided by the state	304 (84%)	214 (59%)
Respondent's employer	4 (1%)	52 (14%)
Respondent's spouse's employer	2 (1%)	16 (4%)
Policy the respondent purchased independently	1 (0%)	7 (2%)
Medicare	15 (4%)	4 (1%)
Other	1 (0%)	3 (1%)
Had health Insurance	327 (90%)	286 (79%)

Among the employment sub-groups in the sample, dependence on the public sector for health insurance was the lowest for those reporting they were wage employed in the year leading up to Wave 3 (Table 41). Forty-five percent of those who were solely wage employed and 44 percent of patchers reported that Medicaid or a state-sponsored program was the source of their coverage. Fifty-nine percent of respondents who were solely self-employed received their health insurance from public sources. Employment as the source of health insurance was most prominent among the sub-groups reporting they were solely wage employed or patchers. Thirty-five percent of those with jobs and 21 percent of patchers obtained their health insurance from their employers. Reflecting the experiences of the overall group, in Wave 3, a larger portion of the self-employed received coverage through their spouses' employers (9 percent).

Table 41: Sources of Health Insurance by Respondent Employment Sub-group – Wave 3 (for those with health insurance)

	Employment Status at Wave 3[119]				
Source of Health Insurance	**Wage Employment Only n=114**	**Self-Employment Only n=90**	**Both Self-Employment and Wage Employment (Patchers) n=43**	**Unemployed n=114**	**All n=361**[120]
Medicaid or health insurance provided by the state	51 (45%)	53 (59%)	19 (44%)	90 (79%)	214 (59%)
Respondent's employer	40 (35%)	1 (1%)	9 (21%)	2 (2%)	52 (14%)
Respondent's spouse's employer	4 (4%)	8 (9%)	1 (2%)	3 (3%)	16 (4%)
Policy the respondent purchased independently	2 (2%)	3 (3%)	2 (5%)	0 (0%)	7 (2%)
Medicare	0 (0%)	2 (2%)	0 (0%)	2 (2%)	4 (1%)
Other	0 (0%)	0 (0%)	2 (5%)	1 (1%)	3 (1%)

At Wave 3, the percentage of respondents' children who were covered by health insurance was lower than was the percentage reported at Wave 1 (Table 42). When participants enrolled in the microenterprise program, 95 percent of their children had health insurance – largely obtained from Medicaid. Two years after participating in the program, 91 percent of respondents' children were covered by a health insurance policy. And, while the source of this coverage was still largely public sources (73 percent through Medicaid or a state program), the portion of the group that had obtained health insurance from private sector sources was larger. By the time of the Wave 3 interviews, 8 percent of children were covered by insurance obtained through the respondents' jobs. Another 12 percent were covered by insurance obtained through the respondents' spouses' jobs. And, a small number (2 percent) were covered by policies purchased independently by the respondent.

[119] Percentages do not total 100 percent because respondents could report multiple sources. Twelve respondents chose more than one source.

[120] The employment status of all respondents was not known.

Table 42: Sources of Health Insurance for Respondents' Children – Wave 1 and Wave 3

Sources of Health Insurance	Wave 3 Respondents at Program Enrollment[121] n=353	Wave 3 Respondents Two Years after Program Enrollment[122] n=338
Had Health Insurance for Children	335 (95%)	306 (91%)
Medicaid or health insurance provided by the state	306 (87%)	241 (73%)
Respondent's employer	4 (1%)	28 (8%)
Respondent's spouse's employer	6 (2%)	41 (12%)
Policy the respondent purchased independently	2 (1%)	8 (2%)
Medicare	16 (5%)	2 (1%)
Other	1 (0.3%)	3 (1%)

Key Concerns Faced by Study Participants

The move from dependence on public assistance to work in jobs and businesses involves addressing myriad issues that range from chronic health concerns to the need to care for other family members. For the participants in this study to succeed, many must also address very basic problems, such as unreliable transportation or an unstable living arrangement. Negative experiences in any one of these areas can be enough to hinder the progress that an individual makes toward planning, establishing, and running a business or obtaining and maintaining employment. Positive changes are hypothesized to be associated with the ability to keep greater focus on work and business.

As part of the Wave 2 and Wave 3 interviews, respondents were asked to consider a number of issues and rate them according to how much of a concern they were at the time of the interviews – one and two years after they enrolled in the microenterprise program. The types of issues that respondents were queried about are varied and complex; thus, the limited responses we requested cannot fully illuminate the extent to which an issue may have affected participants. Nevertheless, we report these responses to "round out" the more readily quantifiable experiences, such as businesses started, jobs obtained, and income earned, and paint a fuller picture of respondents' experiences.

Table 43 provides a summary of responses given by study participants to a series of questions about financial, living situation, family care, skills and health-related concerns. Respondents were asked to rate a list of possible concerns as Not a Concern, a Slight Concern, or Very Much a Concern to them. As is detailed in the table, fewer respondents reported that issues were very much a concern at Wave 3 as compared to Wave 2, indicating some improvements over time. Having stated this, many issues continued to be of concern at Wave 3.

[121] Total is not 100 percent due to rounding.

[122] Percentages do not total 100 percent because respondents could report multiple sources. Twenty-seven respondents chose more than one source.

Given that most respondents had recently left the welfare system and some were still on public assistance, it is not surprising that financial concerns were reported to be very much a concern. Maintaining reliable transportation, keeping a working telephone and other utilities, and just paying the bills each month were all cited as very much a concern by more than 40 percent of the study sample. More than 40 percent also reported that having a place to live was very much a concern for them. While these findings indicate that respondents still have financial issues, it is important to note that findings show improvements over Wave 2, when larger percentages reported that these issues were very much a concern. These improvements may reflect the improved economic situation of study participants whose incomes from wage and self-employment have increased.[123]

Health-related concerns also figured prominently in terms of areas of concern to the study sample. A quarter of the group reported that their own health was very much a concern to them. They also reported that other family members' health issues were very much a concern (22 percent of the sample). Respondents reported that their mental health was an important issue. At the time of the Wave 3 survey, 14 percent cited depression or other mental health concerns as very much a concern. Almost a quarter of the study group also stated that depression and mental health was of slight concern to them.

As described earlier in this chapter, most of the study sample is made up of single parents. Approximately 20 percent cited finding child care as very much a concern for them. And another 11 percent indicated that being the primary caregiver for an adult family member was very much a concern. While these findings point out that study participants faced large family care responsibilities, they are an improvement over Wave 2. At that time, 30 percent reported that finding child care and 17 percent reported that caring for an adult family member were very much a concern.

Table 43: Issues of Concern to Respondents

Issues of Concern to Respondents		Wave 2 (n=295)			Wave 3 (n=362)		
		Not a concern	Slight concern	Very much concern	Not a concern	Slight concern	Very much concern
Financial Concerns	Having working utilities	37%	9%	52%	46%	12%	42%
	Keeping a working telephone	38%	10%	50%	41%	17%	42%
	Paying bills each month	18%	23%	57%	21%	25%	54%
	Maintaining reliable transportation	28%	13%	57%	29%	20%	51%
	Having a place to live	41%	5%	52%	49%	8%	43%

[123] Change is reported between Wave 2 and Wave 3 because this set of questions was not asked in Wave 1.

Table 43 continued

Health-related Concerns	Respondent's own health concerns	54%	19%	23%	53%	22%	25%
	Health concerns of other family members	54%	19%	25%	56%	23%	22%
	Depression or other mental health concerns	66%	19%	13%	63%	24%	14%
	Respondent's use of drugs or alcohol	94%	2%	1%	97%	1%	2%
	Use of drugs or alcohol by other family members	85%	7%	5%	88%	7%	5%
Family Care Concerns	Finding child care	54%	14%	30%	66%	13%	20%
	Being the primary caregiver for an adult family member	71%	10%	17%	78%	11%	11%
Skills Concerns	Reading skills	73%	12%	12%	79%	10%	11%
	Math skills	63%	20%	14%	69%	19%	12%
	Communication skills	67%	18%	13%	77%	13%	10%
	Writing skills	67%	17%	14%	77%	12%	11%
Other Concerns	Having an abusive or controlling person in respondent's life	86%	6%	5%	86%	6%	9%
	Having access to a computer	58%	12%	28%	57%	14%	29%
	Legal issues	68%	15%	15%	74%	12%	15%

Conclusions and Recommendations

What can we take away from the results of this microenterprise welfare-to-work demonstration? In terms of characteristics, the evaluation found that the TANF recipients who enrolled in the microenterprise program were generally in their 30s and 40s, had been divorced or separated, had two or more children, had a high school degree or above, had work experience, and had received public assistance for four years. These findings are highly similar to those of the Self-Employment Investment Demonstration, which tracked recipients of Aid to Families with Dependent Children (AFDC) who enrolled in microenterprise programs, suggesting that this may be a typical profile of welfare recipients who are likely to pursue self-employment.[124]

After enrolling in the microenterprise programs, participants clearly increased their engagement in work. Between self-employment and wage employment, most participants were working at the time of the two-year follow-up, and almost nine of 10 had worked at some point during the year. For the most part, those who were working worked full time, and income patchers worked more than full time. Although engagement in work increased, participants did experience ongoing challenges with employment. More than half were unemployed at some point during the previous year, and the median length of unemployment for those individuals was six months.

As individuals who participated in the self-employment demonstration programs increased their participation in work (in the form of both self- and wage employment), their earned incomes grew. As a result, the percentage of households living below the poverty line declined, and the percentage of households receiving TANF benefits declined substantially. Respondents who were able to "patch" together income from self-employment with income from a job worked the greatest number of hours and showed the highest and strongest growth in incomes.

As household incomes increased, so did household assets. Respondents increased their ownership of many types of assets: homes, other real estate, vehicles, and checking, savings, and investment and retirement accounts. Individuals who were solely self-employed showed the highest, and substantially stronger, growth in assets. However, households appeared to finance this asset growth by acquiring debt. As a result, the median net worth of respondents declined over the two-year study period. While some of the debt was incurred to purchase assets – such as homes, vehicles and advanced education – that further family well-being, respondents also increased their level of credit card debt. The increase in liabilities and declining net worth do raise concerns for the long-term economic health and stability of these families.

The study participants who earned income solely from self-employment showed substantial growth in income; however, these gains were less strong than those experienced by respondents who earned income solely from wage employment and those who engaged in earned-income patching. Yet, the study findings suggest that individuals who were self-employed may have received other economic benefits from their choice to pursue business ownership. First, respondents who were self-employed (both those who were solely self-employed and those who patched wage and self-employment income) accumulated a median of $3,000 in business assets and $2,800 in business net worth through business ownership. In addition, respondents who were solely self-employed showed significantly stronger growth in household assets than those in the other income sub-groups (as well as a significantly stronger growth in liabilities, although their resulting net worth status was similar). Finally, individuals who were self-employed were half as likely to have their children in some form of child care. These outcomes suggest that study participants may be similar to other self-employed individuals in two important ways:

- They see self-employment as offering a means of better balancing their care-giving and working roles, and

[124] See Cynthia Guy, Fred Doolittle, and Barbara L. Fink, *Self-Employment for Welfare Recipients: Implementation of the SEID Program.* (New York: Manpower Demonstration Research Corporation, August 1991).

- They can use self-employment as a means of generating assets and wealth, as well as income.

Fifty-four percent of respondents operated a business at some point during the two-year study period. The types of businesses operated were quite diverse. The businesses that existed at the two-year follow-up were small in terms of sales, assets and net worth. However, the businesses did grow over time by all of these measures. In addition, a large number (80 percent) of respondents who operated a business in the year prior to the two-year follow-up interview drew income from their businesses to support their families. Generally, young businesses are encouraged to re-invest in their businesses in order to grow, rather than to draw out profits. However, given that these families remain low-income, it is understandable that most will need to take an owner's draw. Therefore, it may be the case that these businesses could have grown more quickly had the owners been able to re-invest more of their earnings in the businesses, rather than drawing them out to support family needs.

Earned-income patching clearly provided for stronger household incomes for those who were able to pursue it. As we discuss below, microenterprise organizations and welfare agencies alike may want to consider supporting income patching as a strategy for moving TANF recipients towards self-sufficiency. Clearly, however, income patchers worked greater numbers of hours than respondents who were wage and self-employed. Therefore, welfare agencies that choose to support patching may need to be prepared to meet the additional child care needs of income patchers who require child care.

Finally, while most respondents continued to access health coverage through public sector programs, as they continue to transition toward self-sufficiency, it seems likely that the ability to acquire health insurance will be a critical issue. This challenge will likely be particularly great for those who are solely self-employed.

Issues and Considerations for Welfare Agencies

These outcomes may inform and affect the decisions of welfare administrators and caseworkers in several areas. First, they may consider whether to support some TANF recipients in pursuing self-employment as an option. In doing so, they may want to consider that there are some segments of the TANF population – those with disabilities and/or ongoing health challenges, those living in areas where wage jobs are particularly scarce, and those who may be able to best meet their child-care needs by working from home – for whom self-employment may be a particularly strong option. The experiences and outcomes of the participants in this demonstration may provide some context for making such decisions.

As welfare administrators weigh the decision as to whether to support self-employment, one factor to consider is the availability of microenterprise services that meet the specific needs of TANF recipients.[125] There are hundreds of microenterprise programs across the U.S.; many of these already target and provide services to very low-income individuals, using funds from a variety of public and private sources. In such cases, administrators may want to consider whether they can contract with these agencies to serve TANF clients, perhaps paying the incremental costs of the specialized services such clients may require.[126]

The above findings highlight a few areas where TANF policies affected the self-employment outcomes experienced by demonstration participants. It is important to note that the demonstration sites existed in areas where the TANF policies regarding these issues differed.[127] Because of issues with the size of the samples in varying sites and the overall evaluation design, it is not possible to determine the extent

[125] For more information on the specialized services that the demonstration sites provided to TANF recipients, see *FIELD forum,* Issue 3.

[126] The WTW learning assessment did not collect data on the costs associated with providing microenterprise services to TANF recipients. FIELD recognizes that this is an important consideration for welfare agencies seeking to support self-employment, and is hoping to conduct research on this issue in the future.

[127] For information on the TANF policies in the states where the sites were located and the implications of TANF policy for the experiences of demonstration participants, see Mark Greenberg and Nisha Patel, *Microenterprise Development and Self-Employment for TANF Recipients: State Experiences and Issues in TANF Reauthorization*, (Washington, D.C.: Center for Law and Social Policy, April 2002), and Mark Greenberg and Nisha Patel, *Key State TANF Policies Affecting Microenterprise*; available at www.fieldus.org/li/welfare_policy.htm; Internet.

to which differences in TANF policies across sites affected the outcomes experienced by participants. Among those individuals who did not start businesses, 29 percent stated that one of the reasons was that TANF required them to search for a job or work in wage employment. Another 17 percent stated that working on their businesses was not an approved work activity under TANF. In some sites, these percentages were much higher – ranging from 40 percent to 50 percent of respondents. Welfare agencies interested in supporting self-employment will need to examine their policies regarding job search and work requirements to ensure that these do not prevent, or inhibit, individuals from planning or starting their businesses.

These outcomes also have implications for TANF policies relating to the treatment of self-employment income and expenses, and the acquisition of assets. However, it is clear that TANF recipients who are self-employed will need to acquire business assets, and that they will face the issue of how to account for self-employment income and whether to draw income out of the business to support family needs or to re-invest it in order to grow the business. TANF administrators have the option to set policies regarding self-employment in order to support the acquisition of business assets and the re-investment of business income; those that seek to support self-employment will want to examine their policies in light of these issues.[128] Furthermore, given the challenges that TANF recipients face in securing debt to finance their businesses, welfare agencies may want to consider whether grant or assistance programs that provide resources that enable recipients to acquire transportation (such as cars) or tools necessary for work could also be used to support some of the start-up expenses for individuals who seek to become self-employed.

Finally, welfare agencies may want to consider supporting income patching as a strategy for moving TANF recipients towards self-sufficiency. Earned-income patching clearly provided for stronger household incomes for the demonstration participants who were able to pursue it. Support for income patching could take the form of workshops for TANF recipients on patching self- and wage employment,[129] in addition to self-employment training or business start-up efforts. Agencies might also consider funding microenterprise services as an advancement strategy or supportive service for TANF recipients who have found low-wage work. As agencies seek to support patching, however, they should keep in mind that income patchers worked greater numbers of hours than respondents who were wage and self-employed. Therefore, welfare agencies that choose to support patching may need to be prepared to meet the additional child care needs of income patchers who require child care.

Recommendations for Microenterprise Programs

The findings from the demonstration can also provide insights to microenterprise programs – both those that currently serve TANF recipients and those considering whether to do so. For programs that are looking to actively target TANF recipients, it is important to note that each of the sites in this demonstration developed additional or specialized services aimed at meeting the specific needs of the TANF population.[130] In addition, programs must also consider the time and costs involved in working with their state and local welfare agencies to create the policies and information and referral systems needed in order to ensure that clients can operate successfully within the requirements of the TANF system.

The experiences of the demonstration participants also suggest issues, or aspects of practice, which microenterprise programs already serving TANF recipients may want to consider. First, programs should examine whether they are effectively providing access to capital to their TANF clients. A high percentage of the demonstration participants stated that a lack of funds hindered the development of their businesses. And, a relatively low percentage of participants received loans from the microenterprise

[128] Mark Greenberg, Developing Policies to Support Microenterprise in the TANF Structure, A Guide to the Law. (Washington, D.C.: Center for Law and Social Policy, November 1999).

[129] West Company, one of the WTW grantee agencies, conducts such training for all new TANF recipients as part of an arrangement with the Mendocino County Department of Social Services.

[130] For more information on the design of the services offered by the demonstration sites, see FIELD forum 3 and 7, as well as additional materials on the FIELD Web site; available at www.fieldus.org/li/welfare; Internet.

program. While it is clearly a challenge to lend to the lowest-income entrepreneurs and to start-up enterprises, it also appears that the lack of access to financing may be hindering the start-up and growth of businesses. If the challenge facing microenterprise programs seeking to lend to TANF recipients is that many of these individuals have poor credit histories that raise concerns in the lending process, staff may need to focus more explicitly on an individual's personal financial and debt situation as part of the assessment and training process, in order to better understand their ability to meet the client's need for business capital. They may also want to explore developing financing instruments other than debt.

Secondly, the study findings suggest that participants with income solely from self-employment were less likely to receive income through the EITC. Microenterprise programs working with TANF recipients – and other low-income clients as well – should consider whether they need to be more active in informing clients about, and assisting them to claim, income through the EITC. In doing so, some programs might consider providing EITC information and tax preparation services directly; however, others might find it more efficient and effective to refer clients to reputable nonprofit tax preparation agencies, and to work with those agencies to ensure that they have a strong understanding of how self-employed individuals should document their income for EITC purposes.

The findings also suggest that microenterprise programs serving TANF recipients re-examine their approach to assessing business feasibility. First, programs may want to look carefully at the industry sector in which a prospective client's business is located. Identifying the potential for a business to generate sufficient income is important in helping a client to decide whether to pursue full-time self-employment versus income-patching – or whether to pursue self-employment at all. Second, in assessing feasibility, programs will want to be sure to consider whether the participant has access to sufficient and affordable space for their business.

Microenterprise programs may also want to consider how to support income patching on the part of their clients. Programmatically, this may mean introducing clients to the concept of income patching as part of the initial orientation and assessment process. It may also involve providing access to employment services – either directly or through referrals – to those who may require it. Microenterprise programs may also want to consider how to best structure their training and technical assistance programs, as well as other program service, in order to meet the needs of TANF recipients who are engaged in wage employment while seeking to start their businesses.

The study findings regarding household assets, liabilities and net worth raise the question of whether there a need to augment existing training to ensure a focus on the ongoing financial choices made by participants. Ownership of assets may be good, if these assets are cars, homes, or other assets that can be a source of future income and wealth. However, while demonstration participants did show strong increases in income, most were still low-income, and many faced periods of unemployment. Thus, the fact that these individuals were taking on additional debt is of concern. Furthermore, given their recent economic status of these individuals, one might assume that the terms of the debt they acquired was not favorable, and in some cases, could be predatory. Some of the demonstration grantees offered financial literacy training as part of their personal effectiveness training, or Individual Development Account (IDA) programs offered to their TANF clients.[131] It is worth considering whether microenterprise programs should add or augment such training in order to help their participants make smart choices about whether and how to acquire assets.

Finally, many of the respondents in the sample who had challenges in maintaining employment cited barriers stemming from their own disability. There is a growing recognition within the microenterprise community that self-employment may be the best employment option for many individuals with disabilities, and efforts are underway to better understand the specific needs of such individuals as they pursue self-employment. Microenterprise program staff may want to consider following this emerging learning, to determine whether some of the approaches being used with clients with disabilities might be effective in assisting welfare recipients who face such barriers.

[131] Individual Development Accounts are matched savings accounts that enable low-income individuals to save towards specific types of asset purchases. For more information on IDAs, see www.idanetwork.org; Internet.

Appendix A: Survey Response Rate and Characteristics of Respondents

Survey Response Rate

The Welfare to Work microenterprise participant survey was conducted longitudinally, over three data collection waves. At Wave 1, 590 respondents completed baseline surveys when they enrolled in core training at one of ten microenterprise training programs. Fifty percent (295) of Wave 1 respondents completed Wave 2, which was administered a year after program enrollment. And 61 percent (362) of Wave 1 respondents completed Wave 3, which was administered two years after enrollment. Thirty-nine percent of the 590 Wave 1 respondents completed all three waves of the survey (228 respondents). Across the ten participating microenterprise training programs, the response rate for Wave 3 was either the same or higher than the response rate for Wave 2 (Table A1). Wave 3 response rates ranged from 46 percent for the Women's Self-Employment Project (WSEP) to 81 percent for West Company.

Table A1: Response Rates, Overall and by Program (Wave 1, Wave 2, Wave 3)

Program	Wave 1	Wave 2	Wave 3
Number of Clients Interviewed (Overall Response Rate)	590 (100%)	295 (50%)	362 (61%)
Detroit Entrepreneurship Institute (DEI)	100 (100%)	49 (49%)	49 (49%)
Institute for Social and Economic Development (ISED)	156 (100%)	81 (52%)	102 (65%)
Mi Casa Resource Center for Women (MC)	25 (100%)	13 (52%)	14 (56%)
Project Hope (PH)	35 (100%)	20 (57%)	22 (63%)
Southern Oregon Women's Access to Credit, Inc. (SOWAC)	22 (100%)	13 (59%)	16 (73%)
West Company (WC)	42 (100%)	29 (69%)	34 (81%)
Women's Initiative for Self-Employment (WISE)	25 (100%)	10 (40%)	15 (60%)
Worker Ownership Resource Center (WORC)	64 (100%)	30 (47%)	47 (73%)
Women's Self-Employment Project (WSEP)	56 (100%)	22 (39%)	26 (46%)
Women Venture (WV)	65 (100%)	28 (43%)	37 (57%)

Wave 1 was conducted in-person by microenterprise program staff trained to administer data collection tools designed by the Aspen Institute. Wave 2 and Wave 3 were in-depth interviews conducted via telephone by a research contractor (Wave 2) and Aspen Institute research staff (Wave 3). For Wave 2 and Wave 3, respondents were paid $25 after participating, and they were assured both verbally and in writing that their identities would be kept confidential. For Wave 3, interviewers attempted to complete surveys with all 590 respondents to the Wave 1 survey, regardless of whether they responded to the Wave 2 survey.

The Iowa Social Science Institute (ISSI) of the University of Iowa conducted Wave 2 data collection. ISSI programmed the Wave 2 survey instrument (initially developed by the Aspen Institute) for use in a Computer Aided Telephone Interviewing (CATI) system. ISSI achieved a 50 percent response rate. Analysis of the reasons for non-response to the Wave 2 survey indicated that the predominant reason was inability to locate respondents.[132]

Based on an assessment of the Wave 2 survey process and response rate, Aspen Institute research staff elected to conduct the Wave 3 data collection effort in-house. A highly skilled team of interviewers who are sensitive to and experienced in tracking and interviewing low-income participants, and who had prior experience conducting interviews with disadvantaged populations for the Aspen Institute, were contracted to work on this project. The interview tool was paper-based to allow for greater flexibility in administering it (in terms of being able to do interviews at any time of the day or night and from any telephone versus following a limited schedule in a CATI center). This revised process allowed interviewers to focus on tracking specific respondents. As a result, more respondents were contacted and the response rate for the Wave 3 survey was much higher than the response rate for Wave 2.

Similar to Wave 2, the main reason for non-response to the Wave 3 survey was inability to locate respondents. In 218 of the 228 cases for which a survey was not completed, interviewers could not locate participants. In some cases, telephone numbers were disconnected, wrong or not working. In other cases, participants could not be reached even after more than 10 attempts were made to contact them. Some participants had moved and left no forwarding address or telephone number. Interviewers used personal and alternative contact information previously provided by the survey respondents. They also relied on telephone directory assistance and searched a number of Internet-based phone directories. Representatives from the 10 microenterprise programs were consulted for updated client contact information. In addition to the 218 participants who could not be contacted, five participants refused to complete the survey and five were unable to participate (two due to language barriers, two due to death, and one because he/she was serving a prison sentence).

Comparison of Respondent Characteristics, Wave 1 to Wave 3

In order to determine whether bias exists in the survey population because of the sample attrition described above, we analyzed descriptive statistics across a number of demographic, financial and business indicators (Table A2). This appendix reports the baseline characteristics of participants who responded at Wave 3 and compares these characteristics with the total sample that responded at Wave 1. Overall, although there are some differences in the characteristics of the two samples, these differences are slight and there appears to be a very minor possibility for bias due to sample attrition between Wave 1 and Wave 3.[133]

---

[132] ISSI interviewers attempted up to 10 calls to each participant in cases when there were no obvious issues with the participants' telephone numbers. In addition, a tracing company was used to track telephone numbers that were disconnected and to find respondents who had moved. In 99 of the 295 cases for which the survey was not completed, the reason was a disconnected telephone. In 109 cases telephone numbers were wrong or out of service, and in 57 cases the participant could not be reached even after more than 10 calls. In four cases the telephone numbers provided were for fax machines or pagers. In seven cases the client had moved and left no forwarding address or telephone number. Only 11 individuals refused to complete the survey. Finally, eight clients were unable to participate in the survey (two due to illness, one due to death, and five due to language barriers).

[133] We discuss findings only for the Wave 1 and Wave 3 samples in this appendix.

Table A2: Indicators Used to Compare Respondent Samples, Wave 1 and Wave 3

Demographic Characteristics	Employment and Financial Characteristics	Business Characteristics
Gender	Years of Work Experience	Business Status
Race	Employment Status	Business Type
Marital Status	Receipt of Public Assistance	Business Age
Age	Median Number of Years on AFDC/TANF	Business Sales
Education Level	Average Annual Personal Earnings	
Number of Children	Average Annual Household Income	
Household Size	Household Assets	
	Household Liabilities	
	Household Net Worth	

Comparison of the Wave 1 and Wave 3 respondents shows that the two samples closely resemble each other. The group of respondents interviewed at Wave 3 was slightly older and more educated, and had slightly higher levels of household assets, liabilities, and net worth than did the Wave 1 total sample. The Wave 3 group consisted of a slightly higher percentage of respondents who were operating a business at intake and a slightly lower percentage of African American clients than the overall Wave 1 sample. The average personal earnings and household income of Wave 3 respondents very closely resembles that of all baseline respondents. The Wave 3 group is also very similar to the baseline sample in terms of marital status, family composition, employment status, household income, experience with public assistance, and business type, age, and size measured by sales. Based on the indicators examined, it appears likely that over time, changes in employment and financial status of Wave 3 respondents would reflect the changes that all participants in the Wave 1 survey are likely to have experienced.

Comparison of Sample Populations Based on Individual Indicators

Table A3 shows the gender, race and marital status of survey participants. Much like the baseline sample participants, 90 percent of Wave 3 respondents are women (compared with 91 percent at Wave 1). The racial and ethnic composition of Wave 3 respondents is somewhat different from all Wave 1 respondents. African American sample members had a lower re-interview rate in Wave 3 than did other racial and ethnic groups. This is largely the result of lower than average response rates of DEI and WSEP participants, the majority of whom are African Americans. African Americans comprised 47 percent of the Wave 3 sample, compared to 51 percent for Wave 1. The two respondent groups are similar to each other with respect to marital status at the time of baseline survey; roughly the same percentage of Wave 3 participants were living with a spouse or partner at intake (14 percent), as was the case with all Wave 1 respondents (13 percent).

Table A3: Gender, Race and Marital Status

	Wave 1 Respondents At Wave 1	Wave 3 Respondents At Wave 1
Gender		
Women	91%	90%
Men	9%	10%
Race/Ethnicity		
White	36%	39%
African American	51%	47%
Hispanic	6%	7%
Other	7%	8%
Marital Status at Intake		
Never Married	46%	44%
Divorced	24%	25%
Separated	15%	15%
Married	13%	14%
Widowed	2%	2%

Table A4 shows the age distribution of Wave 3 participants compared to that of Wave 1 respondents. The median age of participants in the Wave 1 sample was 35 years, while the median age of participants in the Wave 3 sample was 36 years.

Table A4: Age Distribution

Respondent's Age at Intake	Wave 1 Respondents At Wave 1	Wave 3 Respondents At Wave 1
18-25	11%	9%
26-35	42%	40%
36-50	45%	49%
51+	2%	2%
Mean	34.8	35.7
Median	35.0	36.0

Table A5 details the educational attainment of survey participants. The portion of Wave 3 sample members with more than 12 years of education was slightly higher than that of the Wave 1 sample (86 percent versus 81 percent). The percentage of respondents in the Wave 3 group who have completed some college is also slightly higher than the percentage in the overall Wave 1 sample (57 percent versus 53 percent).

Table A5: Educational Attainment

Years of Education At Intake	Wave 1 Respondents At Wave 1	Wave 3 Respondents At Wave 1
1-9 years	4%	3%
10-11 years	15%	12%
12+ years	81%	86%
Mean	12.9	13.1
Education Level At Intake		
Less than high school	2%	1%
Some high school	12%	9%
High school graduate or GED	27%	25%
Some college/AA degree /vocational/technical certificate	53%	57%
Undergraduate degree	4%	4%
Post-college coursework or graduate degree	3%	4%

Table A6 shows that the average number of children and the household composition of Wave 3 respondents at baseline are almost identical to those for all Wave 1 survey respondents. The only marked difference is among women with multiple children. A slightly higher percentage of Wave 3 clients had two or three children and a somewhat lower percentage had more than three children at the time of program enrollment.

Table A6: Number of Children and Household Composition

Number of Children at Intake	Wave 1 Respondents At Wave 1	Wave 3 Respondents At Wave 1
0	2%	2%
1	33%	32%
2-3	49%	53%
>3	16%	13%
Mean	2.3	2.2
% with children under 6	53%	51%
% with children under 2	19%	18%
Number of People in Household at Intake	**Wave 1 Respondents At Wave 1**	**Wave 3 Respondents At Wave 1**
1	2%	2%
2	24%	24%
3-4	50%	53%
>4	24%	22%
Mean	3.6	3.5

The percentage of Wave 3 respondents who were running a microenterprise business at the time of enrollment in training was only slightly higher than what it was for all baseline survey respondents (Table A7). Seventeen percent (103 of 590) of the WTW study microenterprise clients were operating businesses at baseline. Among the 362 clients who completed the Wave 3 follow-up survey, 76 respondents (21 percent) were operating businesses at program enrollment.

Table A7: Business Status at Intake

Business Status at Intake	Wave 1 Respondents At Wave 1	Wave 3 Respondents At Wave 1
Thinking about starting	39%	38%
Taking steps to start	44%	41%
Operating business	17%	21%

Table A8 shows the number and percentage of respondents who were operating a business at intake on a program-by-program basis. It is important to note that program strategy is reflected in this data. For example, Women's Initiative performs extensive screening at intake – resulting in higher numbers of business operators enrolling. Project Hope trains women to be home day-care providers, and none of its clients are expected to be business owners upon intake.

Table A8: Respondents in Business at Intake, By Program

Program	Wave 1 Respondents At Wave 1	Wave 3 Respondents At Wave 1
Detroit Entrepreneurship Institute (DEI)	14 (14%)	8 (16%)
Institute for Social and Economic Development (ISED)	21 (14%)	17 (17%)
Mi Casa Resource Center for Women (MC)	7 (28%)	4 (29%)
Project Hope (PH)	0 (0%)	0 (0%)
Southern Oregon Women's Access to Credit, Inc. (SOWAC)	8 (36%)	6 (38%)
West Company (WC)	14 (33%)	12 (35%)
Women's Initiative for Self-Employment (WISE)	17 (68%)	11 (73%)
Worker Ownership Resource Center (WORC)	6 (9%)	6 (13%)
Women's Self-Employment Project (WSEP)	4 (7%)	3 (12%)
Women Venture (WV)	12 (18%)	9 (24%)
Total Number of Respondents	103 (17%)	76 (21%)

Table A9 shows that the profile of the microbusinesses operated by Wave 1 and Wave 3 survey participants at intake is very similar in terms of business type.

Table A9: Business Types at Intake

Business Type	Wave 1 Respondents At Wave 1	Wave 3 Respondents At Wave 1
Arts/Crafts	16 (16%)	13 (17%)
Business services	12 (12%)	11 (15%)
Child care	12 (12%)	9 (12%)
Cleaning services	6 (6%)	3 (4%)
Clothing accessories/textiles/home furnishings	7 (7%)	6 (8%)
Construction	5 (5%)	3 (4%)
Food	2 (2%)	2 (3%)
Health services	7 (7%)	3 (4%)
Personal service/beauty	12 (12%)	8 (11%)
Other	23 (23%)	18 (24%)
Total Number of Respondents	102 (100%)	76 (100%)

Table A10 shows additional characteristics of the microbusinesses, including business age and sales, for Wave 1 and Wave 3 respondents who were operating a business at program enrollment. The two groups are comparable on these indicators as well.

Table A10: Characteristics of Businesses at Intake

Respondents Who Were Operating a Business at Intake	Wave 1 Respondents At Wave 1	Wave 3 Respondents At Wave 1
Median age of business at intake	1 year	1 year
Median monthly sales of businesses that were less than 12 months old	$300	$300
Median annual sales of businesses that were more than 12 months old	$5,000	$5,000

Table A11 shows the employment status of clients at intake for participants in all waves of the survey. The Wave 1 and Wave 3 samples are closely matched. Among baseline survey participants, 39 percent of clients were employed and 59 percent were unemployed at the time of intake. Among respondents interviewed at Wave 3, 40 percent were employed and 57 percent were unemployed at the time of intake.

Table A11: Employment Status

Employment Status at Intake	Wave 1 Respondents At Wave 1	Wave 3 Respondents At Wave 1
Employed at the time of survey	39%	40%
Self-employed only	16%	18%
Wage employed only	18%	17%
Both self- and wage employed	5%	5%
Self-employed part-time	15%	17%
Self-employed full-time	6%	6%
Employed part-time	17%	17%
Employed full-time	6%	5%
Unemployed at the time of survey	59%	57%
Unemployed more than 6 months	44%	42%
Unemployed less than 6 months	15%	16%
Homemaker	30%	30%

As shown in Table A12, the percentages of Wave 1 and Wave 3 respondents who were receiving public assistance at intake are almost identical. Ninety-four percent of respondents in both waves of the study were receiving TANF benefits at the time of program enrollment; 84 percent of both groups were receiving Medicaid. And, the groups differed by only one percentage point in terms of receipt of food stamps, WIC, Section 8 and other public assistance.

Table A12: Public Assistance Receipt

Percentage Receiving Public Assistance at Intake	Wave 1 Respondents At Wave 1	Wave 3 Respondents At Wave 1
TANF/AFDC	94%	94%
Food stamps	90%	89%
WIC	26%	27%
General Assistance	2%	3%
Public or Section 8 Housing	24%	25%
Health insurance through Medicaid	84%	84%
No Public Assistance	2%	1%

At intake, microenterprise program participants who had been on AFDC or TANF at some point in their lives reported that they had received TANF/AFDC benefits for a median of four years during their lifetimes. The sub-group of clients who were interviewed two years later had also received TANF/AFDC income support for a median of four years during their lifetimes. The average number of years that respondents were in the labor force at baseline was 12.2 years for all Wave 1 respondents and 13.0 years for respondents who completed the Wave 3 follow-up survey.

Table A13 shows the similarities between the two groups in terms of personal earnings and household income. The average total annual personal earnings and household income of microenterprise program clients during the year before enrollment are comparable for Wave 1 and Wave 3 survey respondents. The difference in the average annual personal earnings of the two groups is $153. The average total household income of the sub-group of clients interviewed in Wave 3 is $146 higher than that of all Wave 1 survey participants.

Table A13: Personal Earnings

Personal Earnings in the Year before Enrollment	Wave 1 Respondents At Wave 1	Wave 3 Respondents At Wave 1
Average Earnings (includes $0 earners)	$2,626	$2,779
Number of Respondents	581	359
Total Household Income in the Year before Enrollment		
Average Household Income	$11,689	$11,835
Number of Respondents	541	335

Tables A14 and A15 show the average annual earnings and household incomes of respondents at intake on a program-by-program basis. There is some variation across programs. For example, the average personal earnings of Mi Casa, Women's Initiative for Self-Employment, SOWAC and WSEP clients who completed the Wave 3 survey are higher relative to that of all their clients who completed the baseline survey. On the other hand, DEI, West Company and ISED clients who participated in Wave 3 had lower earnings compared to the earnings of all their Wave 1 participants.

Table A14: Personal Earnings

Average Personal Earnings During the Year Before Intake (includes $0 earners)

Program	Wave 1 Respondents At Wave 1	Wave 3 Respondents At Wave 1
DEI	$1,929	$1,782
ISED	$2,819	$2,653
Mi Casa	$1,862	$2,405
Project Hope	$1,020	$1,056
SOWAC	$4,363	$4,797
West Co.	$2,967	$2,822
WI	$4,189	$5,429
WORC	$2,777	$2,885
WSEP	$1,398	$2,288
WV	$3,965	$3,935
Total	$2,626	$2,779

The average household incomes of clients at intake, detailed by program, are listed in Table A15. With the exception of Mi Casa clients, differences are slight. Mi Casa respondents interviewed at Wave 3 had somewhat higher average household incomes compared to all Mi Casa clients interviewed at Wave 1.

Table A15: Household Income

Average Household Income During the Year Before Intake

Program	Wave 1 Respondents At Wave 1	Wave 3 Respondents At Wave 1
DEI	$9,928	$8,738
ISED	$11,752	$12,156
Mi Casa	$14,415	$16,850
Project Hope	$9,763	$10,174
SOWAC	$15,875	$17,760
West Co.	$11,599	$11,617
WI	$15,925	$14,037
WORC	$12,253	$12,156
WSEP	$9,790	$9,347
WV	$12,550	$12,521
Total	$11,689	$11,835

Respondents interviewed at Wave 3 had higher levels of household assets, liabilities and net worth at the time of intake compared to all baseline survey respondents. Table A16 shows that Wave 3 respondents owned slightly more assets compared to clients interviewed at baseline. On average, the value of household assets of clients interviewed at Wave 3 was $1,594 higher than the average value of household assets of clients interviewed at baseline. The median value of household assets of Wave 3 respondents, however, was only $185 higher than the median value of household assets of all survey participants at baseline. The majority of sample members in both years of the survey owned less than $1,000 in assets. Homeowners made up 9 percent of baseline survey respondents and 11 percent of Wave 3 survey respondents. In addition, a slightly higher percentage of Wave 3 respondents owned cars and savings and checking accounts compared to all respondents at baseline.

Table A16: Household Assets

	Wave 1 Respondents At Wave 1	Wave 3 Respondents At Wave 1
Average Household Assets	$5,865 (n=549)	$7,459 (n=339)
Median Household Assets	$300 (n=549)	$485 (n=339)
Respondents with $0 in assets	36%	32%
Respondents with $1-$1,000 in assets	31%	30%
Respondents with $1,001-$5,000 in assets	18%	19%
Respondents with $5,001 -$10,000 in assets	4%	5%
Respondents with $10,001+ in assets	11%	13%
Respondents who owned homes	56 (9%)	41 (11%)
Respondents who owned vehicles	301 (51%)	197 (54%)
Respondents with savings accounts	157 (27%)	105 (29%)
Respondents with checking accounts	208 (35%)	140 (39%)
Respondents with retirement funds, stocks or bonds	19 (3%)	9 (3%)

Table A17 details the average household liabilities of participants in the two groups. On average, the household liabilities of clients interviewed at Wave 3 were $800 higher compared to the average household liabilities of clients at baseline. Median household liabilities of Wave 3 respondents, however, were only $302 higher than median household liabilities of all survey participants at baseline. A higher percentage of Wave 3 respondents reported having credit card debt (32 percent) compared with all Wave 1 respondents (28 percent), and a somewhat higher percentage of Wave 3 respondents reported having a car loan (17 percent) compared to all baseline survey participants (15 percent).

Table A17: Household Liabilities

	Wave 1 Respondents At Wave 1	Wave 3 Respondents At Wave 1
Average Household Liabilities	$7,779 (n=573)	$8,579 (n=352)
Median Household Liabilities	$1,000 (n=573)	$1,302 (n=352)
Respondents with $0 in liabilities	42%	42%
Respondents with $1-$1,000 in liabilities	8%	7%
Respondents with $1,001-$5,000 in liabilities	15%	16%
Respondents with $5,001 -$10,000 in liabilities	12%	11%
Respondents with $10,001+ in liabilities	22%	24%
Respondents with car loans	91 (15%)	62 (17%)
Respondents with home mortgages	40 (7%)	32 (9%)
Respondents with credit card debt	166 (28%)	115 (32%)
Respondents with educational loans	176 (30%)	115 (32%)
Respondents with other long term debt over 30 days	52 (9%)	35 (10%)

Table A18 shows the average and median household net worth of survey participants. On average, the household net worth of the sample of participants interviewed at Wave 3 was $531 higher than that of all participants interviewed at Wave 1. Median household net worth was the same for both groups of respondents – $0. A slightly higher proportion of Wave 3 respondents (35 percent) had positive household net worth at baseline compared with Wave 1 respondents (33 percent), and a slightly smaller percentage of Wave 3 respondents (23 percent) reported $0 in household net worth at baseline than Wave 1 respondents (25 percent).

Table A18: Household Net Worth

	Wave 1 Respondents At Wave 1	Wave 3 Respondents At Wave 1
Average Household Net Worth	-$2,016 (n=538)	-$1,485 (n=333)
Median Household Net Worth	$0 (n=538)	$0 (n=333)
Respondents with $0 Household Net Worth	25%	23%
Respondents with Positive Household Net Worth	33%	35%
Respondents with Negative Household Net Worth	43%	43%

Appendix B: Supplemental Data Tables[134]

Table B1: Longitudinal Change in Total Household Income

(Sub-groups of Respondents)

	Rs with Earnings from Wage Employment Only (n=128)	Rs with Earnings from Self-Employment Only (n=55)	Earned Income Patchers (n=46)	Rs with No Earned Income (n=37)	All Rs (n=266)
Wave 1					
Mean	$12,339	$12,097	$12,200	$10,672	$12,033
Median	$10,358	$10,400	$10,124	$9,054	$10,114
Wave 3					
Mean	$24,193	$19,392	$28,092	$12,786	$22,288
Median	$20,272	$18,500	$22,904	$11,432	$18,952
Change from Wave 1 to Wave 3					
Mean	$11,854 (96%)	$7,295 (60%)	$15,892 (130%)	$2,114 (20%)	$10,255 (85%)
Median	$9,914 (96%)	$8,100 (78%)	$12,780 (126%)	$2,378 (26%)	$8,838 (87%)

[134] Please note that because of rounding, numbers in tables might not add up.

Table B2: Sources of Household Income

(All respondents who reported their total household income)

	Wave 1 (n=266)	Wave 3 (n=266)	Contribution of Components of Household Income ($ and %) to change in average HH Income From Wave 1 to Wave 3 (n=266)
Average Annual Household Income	$12,033 (100%)	$22,288 (100%)	$10,255 (100%)
Salary/wage from job	$1,761 (15%)	$7,760 (35%)	$5,999 (58%)
Other household members	$1,913 (16%)	$5,811 (26%)	$3,898 (38%)
Self-employment income	$950 (8%)	$2,470 (11%)	$1,520 (15%)
Other	$261 (2%)	$1,261 (6%)	$1,000 (10%)
Child Support	$292 (2%)	$629 (3%)	$337 (3%)
General assistance from state (cash assistance)	$9 (0%)	$252 (1%)	$243 (2%)
Help from family or friends	$310 (3%)	$424 (2%)	$114 (1%)
Unemployment benefits	$159 (1%)	$234 (1%)	$75 (1%)
Disability insurance	$14 (0%)	$50 (0%)	$36 (0%)
Alimony	$0 (0%)	$0 (0%)	$0 (0%)
WIC benefits value	$141 (1.2%)	$115 (1%)	-$26 (-0%)
Supplemental Security Income (SSI)	$296 (2%)	$246 (1%)	-$50 (-0%)
Social Security/Retirement benefits	$107 (1%)	$48 (0%)	-$59 (-1%)
Food stamps value	$2,238 (19%)	$1,423 (6%)	-$815 (-8%)
TANF/AFDC	$3,580 (30%)	$1,564 (7 %)	-$2,016 (-20%)

Table B3: Sources of Household Income

(Sub-groups of respondents)

Sources of Income	All Respondents (n=266)		Rs with Earnings from Self-Employment Only (n=55)		Rs with Earnings from Wage Employment Only (n=128)		Earned Income Patchers (n=46)		No Earned Income (n=37)	
	Wave 1	**Wave 3**	**Wave 1**	**Wave 3**	**Wave 1**	**Wave 3**	**Wave 1**	**Wave 3**	**Wave 1**	**Wave 3**
Salary/wage from job	$1,761 (15%)	$7,760 (35%)	$1,023 (8%)	N/A	$2,228 (18%)	$12,267 (51%)	$1,775 (15%)	$10,740 (38%)	$1,224 (11%)	N/A
Other household members	$1,913 (16%)	$5,811 (26%)	$2,447 (20%)	$6,019 (31%)	$2,122 (17%)	$5,973 (25%)	$839 (7%)	$7,440 (26%)	$1,732 (16%)	$2,916 (23%)
Self-employment income	$950 (8%)	$2,470 (11%)	$2,225 (18%)	$8,104 (42%)	$466 (4%)	N/A	$1,317 (11%)	$4,591 (16%)	$273 (3%)	N/A
TANF/AFDC	$3,580 (30%)	$1,564 (7%)	$2,791 (23%)	$1,122 (6%)	$3,695 (30%)	$1,214 (5%)	$4,147 (34%)	$1,124 (4%)	$3,646 (34%)	$3,979 (31%)
All Other Sources	$3,829 (32%)	$4,683 (21%)	$3,611 (30%)	$4,147 (21%)	$3,828 (31%)	$4,739 (20%)	$4,122 (34%)	$4,197 (15%)	$3,797 (36%)	$5,891 (46%)
Total	$12,033 (100%)	$22,288 (100%)	$12,097 (100%)	$19,392 (100%)	$12,339 (100%)	$24,193 (100%)	$12,200 (100%)	$28,092 (100%)	$10,672 (100%)	$12,786 (100%)

Table B4: Sources of Income of Other Household Members

	Wave 1 (n=266)	Wave 3 (n=266)	Contribution of Components of Other Households Members' Income ($ and %) to change in average HH Income of Other Household Members From Wave 1 to Wave 3 (n=266)
Total Income of other household members	$1,913 (100%)	$5,811 (100%)	$3,898 (100%)
Salary/wage from job	$868 (45%)	$3,754 (65%)	$2,886 (74%)
TANF/AFDC	$127 (7%)	$21 (0%)	-$106 (-3%)
Self-employment income	$117 (6%)	$405 (7%)	$288 (7%)
Food stamps value	$65 (3%)	$17 (0%)	-$48 (-1%)
Child Support	$0 (0%)	$1 (0%)	$1 (0%)
Help from family or friends	$57 (3%)	$93 (2%)	$36 (0.9%)
Supplemental Security Income (SSI)	$448 (23%)	$765 (13%)	$317 (8%)
General assistance from state (cash assistance)	$0 (0%)	$14 (0.2%)	$14 (0%)
Social security/Retirement benefits	$107 (6%)	$334 (6%)	$227 (6%)
WIC benefits value	$7 (0%)	$12 (0%)	$5 (0%)
Unemployment benefits	$31 (2%)	$68 (1%)	$37 (1%)
Disability insurance	$78 (4%)	$300 (5%)	$222 (6%)
Alimony	$0 (0%)	$0 (0%)	$0 (0%)
Other	$8 (0%)	$29 (0%)	$21 (1%)

Table B5: Longitudinal Change in Personal Earned Income

(Sub-groups of Respondents)

	Rs with Earnings from Wage Employment Only (n=128)	Rs with Earnings from Self-Employment Only (n=55)	Earned Income Patchers (n=46)	Rs with No Earned Income (n=37)	All Rs (n=266)
Wave 1					
Mean	$2,694	$3,247	$3,092	$1,497	$2,711
Median	$67	$1,750	$458	$0	$355
Wave 3					
Mean	$12,267	$8,104	$15,332	$0	$10,230
Median	$10,422	$6,000	$12,174	$0	$7,389
Change from Wave 1 to Wave 3					
Mean	$9,573	$4,856	$12,239	-$1,497	$7,519
Median	$10,355	$4,250	$11,716	$0	$7,034

Table B6: Longitudinal Change in Personal Earned Income

(All Respondents)

	Wave 1 (n=266)	Wave 3 (n=266)	Contribution of Components of Household Income ($ and %) to change in average HH Income From Wave 1 to Wave 3 (n=266)
Average Annual Household Income	$12,033 (100%)	$22,288 (100%)	$10,255 (100%)
Salary/wage from job	$1,761 (15%)	$7,760 (35%)	$5,999 (58%)
Other household members	$1,913 (16%)	$5,811 (26%)	$3,898 (38%)
Self-employment income	$950 (8%)	$2,470 (11%)	$1,520 (15%)
TANF/AFDC	$3,580 (30%)	$1,564 (7%)	-$2,016 (-20%)
All Other Sources	$3,829 (32%)	$4,683 (21%)	$854 (8%)

Table B7: Longitudinal Change in Personal Earned Income (Respondents With Earned Income from Self-Employment Only)

	Wave 1 (n=55)	Wave 3 (n=55)	Contribution of Components of Household Income ($ and %) to change in average HH Income From Wave 1 to Wave 3 (n=55)
Average Annual Household Income	$12,097 (100%)	$19,392 (100%)	$7,295 (100%)
Salary/wage from job	$1,023 (8%)	$0 (0%)	$1,023 (-14%)
Other household members	$2,447 (20%)	$6,019 (31%)	$3,572 (49%)
Self-employment income	$2,225 (18%)	$8,104 (42%)	$5,879 (81%)
TANF/AFDC	$2,791 (23%)	$1,122 (6%)	$1,669 (-23%)
All Other Sources	$3,611 (30%)	$4,147 (21%)	$536 (7%)

Table B8: Longitudinal Change in Personal Earned Income (Respondents With Earned Income from Wage Employment Only)

	Wave 1 (n=128)	Wave 3 (n=128)	Contribution of Components of Household Income ($ and %) to change in average HH Income From Wave 1 to Wave 3 (n=128)
Average Annual Household Income	$12,339 (100%)	$24,193 (100%)	$11,854 (100%)
Salary/wage from job	$2,228 (18%)	$12,267 (51%)	$10,039 (85%)
Other household members	$2,122 (17%)	$5,973 (25%)	$3,851 (32%)
Self-employment income	$466 (4%)	$0 (0%)	-$466 (-4%)
TANF/AFDC	$3,695 (30%)	$1,214 (5%)	-$2,481 (-21%)
All Other Sources	$3,828 (31%)	$4,739 (20%)	$911 (8%)

Table B9: Longitudinal Change in Personal Earned Income (Earned-Income Patchers)

	Wave 1 (n=46)	Wave 3 (n=46)	Contribution of Components of Household Income ($ and %) to change in average HH Income From Wave 1 to Wave 3 (n=46)
Average Annual Household Income	$12,200 (100%)	$28,092 (100%)	$15,892 (100%)
Salary/wage from job	$1,775 (15%)	$10,740 (38%)	$8,965 (56%)
Other household members	$839 (7%)	$7,440 (26%)	$6,601 (42%)
Self-employment income	$1,317 (11%)	$4,591 (16%)	$3,274 (21%)
TANF/AFDC	$4,147 (34%)	$1,124 (4%)	-$3,023 (-19%)
All Other Sources	$4,122 (34%)	$4,197 (15%)	$75 (0%)

Table B10: Longitudinal Change in Personal Earned Income (Respondents With No Earned Income)

	Wave 1 (n=37)	Wave 3 (n=37)	Contribution of Components of Household Income ($ and %) to change in average HH Income From Wave 1 to Wave 3 (n=37)
Average Annual Household Income	$10,672 (100%)	$12,786 (100%)	$2,114 (100%)
Salary/wage from job	$1,224 (11%)	$0 (0%)	-$1,224 (-58%)
Other household members	$1,732 (16%)	$2,916 (23%)	$1,184 (56%)
Self-employment income	$273 (3%)	$0 (0%)	$273 (-13%)
TANF/AFDC	$3,646 (34%)	$3,979 (31%)	$333 (16%)
All Other Sources	$3,797 (36%)	$5,891 (46%)	$2,094 (99%)

Table B11: Types of Assets Owned by Participants

Assets	Wave 3 Respondents at Wave 1 n=362 (100%)	Wave 3 Respondents n=362 (100%)
Home, Condominium or Mobile Home	41 (11%)	54 (15%)
Other Real Estate	3 (1%)	8 (2%)
Vehicles	199 (55%)	244 (67%)
Checking Account	140 (39%)	194 (54%)
Savings Account	105 (29%)	133 (37%)
Retirement Fund, Stocks, Bonds	13 (4%)	40 (11%)
Other Assets	19 (5%)	55 (15%)

Table B12: Types of Liabilities Owed by Respondents

Liabilities	Wave 3 Respondents at Wave 1 n=362 (100%)	Wave 3 Respondents n=362 (100%)
Respondents with Credit Card Debt	115 (32%)	175 (48%)
Respondents with Home Mortgage	32 (9%)	36 (10%)
Respondents with Educational Loans	115 (32%)	140 (39%)
Respondents with Car Loans	67 (19%)	72 (20%)

Table B13: Longitudinal Change in Net Worth

	All Respondents n=279
Percent Whose Net Worth Increased from Wave 1 to Wave 3	47% (n=132)
Percent Whose Net Worth Decreased from Wave 1 to Wave 3	51% (n=143)
Percent Whose Net Worth Remained the Same between Wave 1 to Wave 3	1% (n=4)

Table B14: The Value of Assets and Liabilities

	Reported Valid Data in Wave 1 and Wave 3		Reported Valid data in Wave 2 and Wave 3	
	Wave 1 (Household)	Wave 3 (Personal)	Wave 2 (Personal)	Wave 3 (Personal)
Assets				
Mean	$7,851 (n=301)	$17,100 (n=301)	$13,943 (n=174)	$21,108 (n=174)
Median	$425 (n=301)	$1,500 (n=301)	$1,350 (n=174)	$1,800 (n=174)
Liabilities				
Mean	$8,820 (n=321)	$15,494 (n=321)	$11,430 (n=188)	$15,013 (n=188)
Median	$1,500 (n=321)	$4,700 (n=321)	$4,000 (n=188)	$3,940 (n=188)
Net Worth				
Mean	-$1,270 (n=279)	$2,833 (n=279)	$2,318 (n=153)	$6,719 (n=153)
Median	$0 (n=279)	-$680 (n=279)	-$111 (n=153)	-$450 (n=153)

Table B15: Types of Assets Owned, by Earned-Income Sub-group

Assets		All[135] n=362 (100%)	No earned Income n=52 (100%)	Wage Earnings Only n=171 (100%)	Business Earnings Only n=69 (100%)	Earned Income Patchers n=67 (100%)
Home, Condominium, or Mobile Home	Wave 3 Respondents	54 (15%)	7 (13%)	24 (14%)	15 (22%)	7 (10%)
	Wave 3 Respondents at Wave 1	41 (11%)	4 (8%)	20 (12%)	10 (14%)	6 (9%)
Other Real Estate	Wave 3 Respondents	8 (2%)	0 (0%)	3 (2%)	4 (6%)	1 (1%)
	Wave 3 Respondents at Wave 1	3 (1%)	0 (0%)	0 (0%)	2 (3%)	0 (0%)
Vehicles	Wave 3 Respondents	244 (67%)	34 (65%)	111 (65%)	48 (70%)	50 (75%)
	Wave 3 Respondents at Wave 1	199 (55%)	27 (52%)	91 (53%)	40 (58%)	39 (58%)
Checking Account	Wave 3 Respondents	194 (54%)	22 (42%)	86 (50%)	41 (59%)	44 (66%)
	Wave 3 Respondents at Wave 1	140 (39%)	19 (37%)	62 (36%)	31 (45%)	27 (40%)
Savings Account	Wave 3 Respondents	133 (37%)	15 (29%)	61 (36%)	32 (46%)	23 (34%)
	Wave 3 Respondents at Wave 1	105 (29%)	19 (37%)	42 (25%)	22 (32%)	22 (33%)
Retirement Fund, Stocks, Bonds	Wave 3 Respondents	40 (11%)	3 (6%)	22 (13%)	5 (7%)	10 (15%)
	Wave 3 Respondents at Wave 1	13 (4%)	2 (4%)	6 (4%)	1 (1%)	4 (6%)

[135] Employment status of all respondents was not known.

Table B16: Value of Assets Owned, by Earned-Income Sub-groups

Average Dollar Value of Assets		No earned Income	Wage Earnings Only	Business Earnings Only	Earned-Income Patchers
Home, Condominium, or Mobile Home	Wave 3 Respondents	$17,960	$11,988	$10,385	$13,351
	Wave 3 Respondents at Wave 1	$3,212	$6,681	$5,674	$3,855
Other Real Estate	Wave 3 Respondents	$0	$1,676	$1,176	$1,791
	Wave 3 Respondents at Wave 1	$0	$0	$290	$0
Vehicles	Wave 3 Respondents	$6,319	$5,107	$6,482	$6,405
	Wave 3 Respondents at Wave 1	$2,277	$1,250	$1,818	$1,339
Checking Account	Wave 3 Respondents	$47	$103	$305	$230
	Wave 3 Respondents at Wave 1	$38	$39	$73	$66
Savings Account	Wave 3 Respondents	$1,952	$2,989	$5,934	$3,105
	Wave 3 Respondents at Wave 1	$101	$33	$108	$78
Retirement Fund, Stocks, Bonds	Wave 3 Respondents	$1,953	$366	$279	$299
	Wave 3 Respondents at Wave 1	$8	$10	$0	$3

Table B17: Type of Liabilities Owed, by Earned-Income Sub-group

Liabilities		All[136] n=362 (100%)	No earned Income n=52 (100%)	Wage Earnings Only n=171 (100%)	Business Earnings Only n=69 (100%)	Earned-Income Patchers n=67 (100%)
Respondents with Credit Card Debt	Wave 3 Respondents	175 (48%)	22 (42%)	86 (50%)	35 (51%)	31 (46%)
	Wave 3 Respondents at Wave 1	115 (32%)	13 (25%)	55 (32%)	25 (36%)	21 (31%)
Respondents with Home Mortgages	Wave 3 Respondents	36 (10%)	4 (8%)	17 (10%)	11 (16%)	4 (6%)
	Wave 3 Respondents at Wave 1	32 (9%)	4 (8%)	16 (9%)	7 (10%)	5 (7%)
Respondents with Car Loans	Wave 3 Respondents	72 (20%)	7 (13%)	38 (22%)	17 (25%)	9 (13%)
	Wave 3 Respondents at Wave 1	67 (19%)	8 (15%)	29 (17%)	18 (26%)	11 (16%)

Table B18: Value of Liabilities Owed, by Earned-Income Sub-groups

Average Dollar Value of Liabilities		No earned Income	Wage Earnings Only	Business Earnings Only	Earned-Income Patchers
Mortgage	Wave 3 Respondents	$1,044	$6,965	$9,365	$5,287
	Wave 3 Respondents at Wave 1	$2,667	$4,069	$3,725	$2,377
Credit Card Debt	Wave 3 Respondents	$714	$1,608	$1,171	$1,705
	Wave 3 Respondents at Wave 1	$255	$706	$1,078	$1,097
Car Debt	Wave 3 Respondents	$773	1$,327	$1,775	$1,193
	Wave 3 Respondents at Wave 1	$713	$660	$1,422	$977

[136] Employment status of all respondents was not known.

Table B19: Types of Employment Assistance Received

(in the first year after program enrollment) Did Program…	Yes (n=295)
…help you get a job?	22% (n=66)
…contact potential employers and recommend you?	14% (n=40)
…teach you how to look for a job on your own?	34% (n=99)
…follow up with you over the phone to ask about your job search or any problems at work?	38% (n=113)
…work with you and your supervisor or boss to resolve any problems you might have had at work?	13% (n=38)
…help you write your resume?	29% (n=87)
…help you fill out job applications?	20% (n=60)
At least one of the above	57% (n=167)

Table B20: Hourly Earnings

	Mean	Median	Range
Job Earnings of Respondent. Who Worked During the Year Before Wave 3 Interviews (n=235) [137]	$9.52	$8.76	$1.25-$29.81
Job earnings of Respondents Who were Working at the time of Wave 3 Interviews (n=153) [138]	$9.66	$8.89	$1.25-$21.93

[137] Of 240 respondents with wage jobs at some point during the year before the Wave 3 interviews, 235 reported their hourly earnings.

[138] Of 157 respondents who were working at wage and salaried jobs at the time of the Wave 3 interviews, 153 reported their hourly earnings.

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.html. Visitors will find:

- *Research Report No. 2, Microenterprise as a Welfare to Work Strategy: One-Year Findings.*
- *Research Brief No. 2, Improving the Climate for Self-Employment: Recommendations for TANF Reauthorization.*
- *Research Report No. 1, Microenterprise as a Welfare to Work Strategy: Client Characteristics.*
- *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.
- Brief publications that describe the services and strategies used by the grantees to assist TANF recipients to become self-employed: FIELD *forum Issue 3*, *Designing Microenterprise Programs for Welfare Recipients* and *Issue 7, Recruiting, Assessing and Screening TANF Recipients; Business Skills Training for TANF Recipients; and Personal Effectiveness Components of Welfare to Work Microenterprise Programs.*
- Three publications written by the Center for Law and Social Policy that explore different aspects of TANF policy as it relates to microenterprise*: Microenterprise Development and Self-Employment for TANF Recipients: State Experiences and Issues in TANF Reauthorization; Key State TANF Policies Affecting Microenterprise; Developing Policies to Support Microenterprise in the TANF Structure: A Guide to the Law.*

We can be contacted at:

FIELD
Microenterprise Fund for Innovation,
Effectiveness, Learning and Dissemination

The Aspen Institute
One Dupont Circle, NW, Suite 700
Washington, DC 20036
Phone: (202) 736-1071
Fax: (202) 467-0790
Web site: www.fieldus.org
e-mail: fieldus@aspeninstitute.org

This report was written by Joyce Klein, a private consultant to FIELD based in Arlington, VA, who manages the Welfare to Work Learning Cluster, Ilgar Alisultanov, Research Associate with the Aspen Institute and Amy Kays Blair, former FIELD staff and now a private consultant based in Chevy Chase, MD.