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

WelfaretoWork

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

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Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination (FIELD)
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Executive Summary

Microenterprise programs in the United States have worked for over two decades to assist low-income individuals in the pursuit of economic self-sufficiency through self-employment. Welfare recipients were one of the earliest targets for these programs. The programs recognized early on that among the very poorest in our country there are women who have the productive skills and entrepreneurial attitudes that form the core of a successful business; what these individuals lack is basic business know-how, access to capital, and often a set of personal skills and support systems that can assist them as they travel the road out of poverty.

The federal welfare reform act of 1996 created new work requirements for the recipients of public assistance. It also provided strong incentives for states, which administer welfare programs, to move recipients into work. Self-employment is one form of work that recipients of Temporary Assistance for Needy Families (TANF) can use to fulfill work requirements, generate income and move off assistance. While the new federal law allows for self-employment, it creates challenges for TANF recipients pursuing business ownership and the microenterprise programs that seek to assist them. Time limits place new pressures on the business development process, and work requirements and the "Work First" approach adopted in many locations often make it difficult for TANF recipients to receive approval for participation in self-employment preparation activities.

The Microenterprise Welfare-to-Work Demonstration and Evaluation

Recognizing that the new federal structure for welfare posed potential challenges to microenterprise programs seeking to serve welfare recipients, the Charles Stewart Mott Foundation initiated its Microenterprise Welfare-to-Work Demonstration and Evaluation in 1998. The purpose of the demonstration was to determine whether, and under what circumstances, self-employment could be a route to self-sufficiency for TANF recipients. The demonstration provided three-year grant funding to ten microenterprise organizations to support their work in assisting TANF recipients to start businesses. In addition, the Charles Stewart Mott Foundation provided support to FIELD, the Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination, to conduct an evaluation of the demonstration.

The ten demonstration programs, profiled on the following page, used varying approaches to their work with TANF recipients. Some worked explicitly to support "income patching," a strategy in which individuals simultaneously pursue wage and self-employment in their efforts to maximize their income in the short term. One focused on a particular industry sector, child care. Another 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.

At their core, however, each of the demonstration sites provided a common set of services to TANF recipients interested in self-employment. These included detailed outreach and assessment efforts; in-depth training on business planning and management and individualized technical assistance during training and after business start-up; personal effectiveness services; and access to business capital. All programs also engaged in efforts to educate, and in some cases, collaborate with state and local welfare agencies to allow their clients to participate effectively in the microenterprise programs.

Participants in the WTW Demonstration and Learning Assessment[1]

Detroit Entrepreneurship Institute, Inc. (DEI)
Detroit, Michigan
Intensive training targeted toward TANF recipients, combined with case management and 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 daycare 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 basic business training courses, teamed with New Beginnings support groups and case management services.

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 supportive 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.

[1]For further information about the programs, see *FIELD forum* Issue 3 and www.fieldus.org.

The evaluation, called the Microenterprise Welfare to Work Learning Assessment, involves three basic components. The first is a longitudinal study of participants in the microenterprise programs. The second, a set of case studies and site visit research that documents the TANF policy context in which the demonstration sites operated, was conducted by the Center for Law and Social Policy (CLASP). The third is a documentation of program strategies used by the demonstration sites in assisting TANF recipients to engage in self-employment. This report presents findings from the longitudinal study on client outcomes one year after program enrollment.[2] The longitudinal study began with data collected at the time of the participants' enrollment in the microenterprise programs and will conclude with follow-up interviews conducted two-years after program enrollment.

Background on Survey Participants

The baseline study revealed that the majority of participants in the microenterprise welfare to work (WTW) demonstration programs were women, with a median age of 35 years, who belonged to a minority racial or ethnic group.[3] They were the single head of their household, had more than two children, on average, and were likely to have at least one child younger than age six. The vast majority of participants had completed at least 12 years of school. Relative to the national TANF caseload, study participants were older, had higher levels of education and were more likely to have been divorced and to have recent work experience. However, they had also received TANF or AFDC for a significant period — a median of four years. Seventeen percent of study participants were engaged in self-employment at the time of the baseline study. Demonstration participants reporting self-employment income at baseline had the highest average household incomes in the sample.

Participant Outcomes One Year after Training

One year after enrolling in the self-employment programs, participants showed substantial progress in their engagement in work and dramatically decreased their receipt of TANF assistance. Higher earnings from businesses and from wage employment led to growth in the household incomes of participants. Household assets and to a lesser extent, household net worth also grew over the period. Interestingly, the small group of participants who drew income from both wage and self-employment, "earned-income patchers," had the highest incomes in the sample.

The vast majority of participants who had businesses at the time they enrolled in the self-employment programs were still in business one year later. These enterprises posted strong gains in monthly sales and business net worth over the one-year period. New businesses were launched by other participants, so that over the course of the year almost half of the participants engaged in self-employment for some period of time. At the same time, however, only half of those who were engaged in self-employment drew income from their businesses to support their household. And it is clear from the data that participants move in and out of wage and self-employment: sometimes engaging in patching of both sources of employment, at other times choosing to focus on either self or wage employment and/or experiencing periods of unemployment. As the findings below indicate, self-employment shows promise as a tool for families seeking to move toward a stronger and more stable future, however the two-year follow-up data will provide additional insights about the strengths of this strategy.

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[2]FIELD has published reports documenting other components of the evaluation, including findings from the baseline year of the longitudinal study and copies of policy research conducted by the Center for Law and Social Policy. These can be obtained by contacting FIELD or by visiting our Web site at www.fieldus.org/li/welfare.html.

[3]At baseline, 91 percent of the participants were women, 64 percent belonged to racial or ethnic minorities, 13 percent were married and 19 percent had completed fewer than 12 years of education.

Employment and Welfare Receipt

In the year after program enrollment, study participants almost doubled their rate of employment. At baseline, 39 percent of the participants were engaged in some form of work; one-year later this rose to 71 percent of the participants. This work encompassed both self employment and wage employment: specifically, 29 percent of participants were solely self employed; 33 percent were engaged only in wage employment; and 9 percent were patching wage employment and self-employment.

While 38 percent of the participants were self-employed at the time of the follow-up interview, 49 percent reported that they were self-employed at some time during the year after enrolling in the self-employment program. This compares to 17 percent of the participants who were self-employed at baseline. And as participants showed strong growth in wage and self-employment, they showed correspondingly strong declines in receiving TANF, which dropped from 94 percent at program entry to 35 percent one year later.

Household Well-Being: Income, Assets and Net Worth

Increased employment activity on the part of participants paid off in terms of higher household incomes. In the year after program enrollment, the household income of participants grew by 29 percent, from $11,689 to $15,068 on average. The relatively small number of participants who were able to patch income from self and wage employment had the highest incomes in the sample, averaging $21,360. The subset of participants who had income from self-employment had average household incomes of $17,636, from which business earnings contributed $7,030 and were the largest source of household income.

While household income grew, TANF benefits became a less important source of income in both percentage and dollar terms. Across all participants, the share of TANF benefits in total household income declined from 30 percent to 13 percent in the year after program enrollment. The dollar value of TANF benefits received also dropped, from $3,540 to $1,888.

Looking beyond income to household wealth, the study participants also made gains in the year after program enrollment. On a longitudinal basis, the average household assets of respondents increased by $5,190.[4] However, much of these gains was due to the increase in the value of housing assets on the part of a relatively small group of participants who owned homes.[5] Once the change in the value of the housing stock of respondents is excluded, the average change in household assets of respondents drops to $818. While assets grew, however, for the most part the value of these assets was offset by household liabilities. The average net worth of respondents was $1,891 at the one-year follow up, while the median level of household net worth a negative $315, indicating that one year later the household debts of more than half of the respondents exceeded their household assets. Interestingly, the subgroup of participants who earned income from self-employment showed the strongest growth in household assets and net worth; their household assets grew by $11,609 and household net worth grew by $6,661 in the year after receiving self-employment training. Again, much of the growth in assets and net worth was driven by the increase in the value of housing owned by those drawing income from self-employment.

[4]The change in household assets of respondents is reported for 230 respondents who disclosed the value of all components of their household assets in both waves of the survey.

[5]At the time of the one-year follow up, 15 percent of the survey respondents owned a home.

Business Status and Growth

Just under half of the participants in the study operated a business at some time after enrolling in the training programs, and 38 percent were running one at the time of the follow-up interview. Most of these businesses were in service industries or craft and apparel production. Among the respondents operating businesses at the time of the follow-up survey, 51 percent reported drawing income from their business over the course of the previous year; the average draw from the businesses was $8,497.

While it is early to evaluate the success of the businesses formed in the few months after training completion, it is possible to get a sense of how the businesses owned by TANF recipients grew by looking at the cohort of businesses that existed at the time their owner entered self-employment training. Among this group, 81 percent of the respondents were still in business one year later. Three-quarters of these businesses experienced an increase in monthly sales over the course of the year, with the growth in monthly sales averaging $701. Business assets for these ventures also grew. Average assets grew from $7,475 to $14,219, while median business assets grew from $2,050 to $5,000.

Jobs and Job Quality

Wage employment was also an important outcome for study participants. Forty-two percent of the study participants were working in wage employment at the time of the follow-up study, compared to 23 percent at intake. Fully 68 percent worked in a wage job at some time during the year after the self-employment program. The hourly wages of those working at the time of the follow-up interview averaged $9.08, with a median of $8.25.

In terms of wage levels, the experiences of study participants compare favorably to those of other welfare leavers. When the wages of the study participants are adjusted to isolate those who had left welfare at the time of the interview, and to account for inflation, the median wage is $8.17. This compares to a median wage of $7.15 for TANF leavers studied as part of the National Survey of America's Families (NSAF).[6] Welfare leavers in the WTW study population also fared well relative to TANF leavers nationally in terms of job benefits, with slightly higher percentages of workers receiving health insurance and paid vacation and sick leave.

Study participants who were working in wage jobs had lower average hourly earnings than those engaged in self-employment, but significantly higher median hourly wages. This is not surprising given the greater variability of self-employment earnings. However, both groups worked an average of 34 hours per week, while employment patchers worked an average of 46 hours per week.

Quality of Life Factors: Health Insurance and Key Participant Concerns

While earnings, income and wealth are key measures of a family's well being, other factors play a role as well. One particular concern with the self-employment strategy is whether individuals who pursue business ownership will be less able to secure health insurance than will those who pursue wage employment. The rate of health insurance coverage among participants did drop in the year after program enrollment, from 90 percent to 75 percent. However, the drop in coverage for the participants' children was less dramatic, declining from 92 percent to 88 percent. Interestingly, participants who were engaged in self-employment were no less likely to have health insurance than others in the study at the time of the follow-up study.

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[6]Pamela Loprest, *How are Families That Left Welfare Doing? A Comparison of Early and Recent Welfare Leavers* (Washington, D.C.: The Urban Institute, April 2001), 3.

The importance of family health coverage becomes clear when participants reveal their ongoing concerns. At the time of the follow-up interview, participants were queried about their level of concern on a range of quality of life issues. Basic financial concerns — such as the ability to pay bills and maintain reliable transportation — were of highest concern, cited by about 80 percent of respondents. However, 44 percent of participants cited concerns with the health of family members, while 43 percent cited their own health, and 31 percent cited depression or other mental health issues as areas of concern.

Conclusion

The one-year findings from the microenterprise WTW demonstration provide evidence that self-employment is a viable source of work and earned income for TANF recipients. Study participants who enrolled in microenterprise programs doubled their rate of self-employment, and those who entered the programs already in business succeeded in increasing their sales, assets and net worth. Furthermore, individuals engaged in self-employment showed strong growth in household income, as well as in household assets and net worth.

There are also initial indications that participation in microenterprise programs may also benefit participants who do not initially choose to pursue self-employment. As a whole, study participants experienced an increase in household income, household assets and net worth one year after enrolling in the demonstration programs. Study participants also doubled their participation in wage employment one year after program enrollment.

The study findings also provide initial indications that patching self-employment and wage income may be a highly promising, albeit difficult path for at least some TANF recipients. Only a small percentage of study participants engaged in income patching. The number of hours required to engage in both forms of work appears to be but one of the challenges that individuals face in blending these strategies. However, the participants who engaged in patching had household incomes that were substantially larger than those of other study participants, due primarily to much higher levels of earned income.

In considering these findings, it is important to note that one year is too short a time to judge the success of these, or any, businesses. The two-year follow-up interviews that are currently being conducted will shed additional light on several of the key questions which the participant study seeks to address. Will the rates of self-employment and earned-income patching remain stable or, perhaps, continue to grow? Will the businesses continue to show growth, and will an increasing percentage of business owners draw income from their enterprises over time? Will these businesses survive? Will it continue to be the case that individuals who are self-employed show relatively higher household incomes than do those engaged in wage employment? Neither business development nor the journey out of poverty is a short-term endeavor. While two years is too short a time for all participants to achieve their business goals, the additional year of data will provide important insights about the progress that can be made.

Finally, as one considers the findings in this report, it is important to keep in mind that the TANF policy context varied widely across the demonstration sites.[7] A few of the demonstration programs were located in areas where self-employment was clearly identified and supported as an option for TANF recipients. In these sites, study participants were allowed to count participation in microenterprise training and self-employment start-up activities toward their work requirements. In some instances, individuals who started businesses

[7]For a more detailed discussion of the policy context in which the demonstration sites operated, see Nisha Patel and Mark Greenberg, *Microenterprise Development and Self-Employment for TANF Recipients: State Experiences and Issues in TANF Reauthorization* (Washington, D.C.: The Aspen Institute, May 2002). This and other publications produced by CLASP for the WTW learning assessment can be found at www.fieldus.org/li/welfare.html.

could take advantage of self-employment income and asset rules that were designed to allow reinvestment of income into the business so that it could be strengthened and stabilized. In other sites, however, participants were actively discouraged from engaging in self-employment training or business start-up, or were given only a limited time to pursue their business before being told to pursue other work activities. Given this situation, policy changes that create a clearly supportive environment for self-employment would further strengthen the ability of TANF recipients to use business development to move away from assistance and toward self-sufficiency.[8]

[8]For more information on policy changes to the TANF statute that could support self-employment, see *Research Brief No. 2: Improving the Climate for Self-Employment: Policy Recommendations for TANF Reauthorization* (Washington, D.C.: The Aspen Institute, April 2002), and Patel and Greenberg, as cited above.

Overview of Participant Study and this Report

The participant study component of the Microenterprise Welfare-to-Work Demonstration and Evaluation is a three-year longitudinal survey of TANF and post-TANF clients from the ten microenterprise programs that are part of the demonstration.[9] The survey documents their experiences in the labor market (with self-employment and wage employment), their receipt of public assistance and their progress toward self-sufficiency. This paper presents the findings at the mid point of the longitudinal study.

Methodology of the Participant Study

The study uses a reflexive control design in which the participants' employment, earnings and income outcomes after receiving services from the microenterprise programs are measured against their situation before they received program services. The difference in their status is used as an estimate of program effects.

The study collects information on participants at four different points in time:[10]

- Baseline — at intake or program enrollment (Wave 1)
- At core-training completion
- One year after baseline (Wave 2)
- Two years after baseline (Wave 3)

The baseline survey included completion by clients of a detailed intake form administered by staff at the demonstration programs. Program staff provided documentation of the participant's status for wage and self-employment and TANF receipt at core training completion. The one-year and two-year follow-ups involve in-depth telephone interviews with the participants.

An *exhaustive sample selection approach* was used to ensure that the cohort of participants selected for the study were representative of program participants. Eligible clients for the study were program enrollees who were either receiving TANF cash assistance or had received TANF benefits during the 12 months prior to their enrollment in the program. All eligible enrollees of the programs were selected on a sequential basis during the initial data collection period. The time frame for collecting baseline and follow-up data was set based on the overall project timeline. The total number of participants from each agency was not the same at baseline, because the size of the participating programs and the size and frequencies of the training classes were not the same across the ten programs.

This study does not use an experimental design or a specifically constructed comparison group. In order to provide context for the outcomes for participants of this study, however, wherever appropriate or possible, outcomes of WTW survey participants are compared with available data on TANF recipients and TANF leavers nationally. In cases where comparisons are made to data on TANF leavers nationally, the report provides findings on the subset of the study participants who were no longer receiving TANF at the time of the Wave 2 study (this subset is termed the "WTW 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 in general. In addition, findings from this study are also compared with results of two previous evaluations that documented

[9]For the purposes of the study, "TANF clients" were defined as individuals receiving TANF cash assistance; "post-TANF clients" were individuals who had received TANF cash assistance within the year prior to enrolling in the microenterprise programs.

[10]All data collection instruments used in the participant study were developed by the FIELD staff of The Aspen Institute.

economic outcomes of low-income clients of microenterprise programs over time: the Self-Employment Learning Project (SELP)[11] and the Self-Employment Investment Demonstration (SEID).[12]

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 a participants' economic situation to their participation in the microenterprise training program or to isolate and capture the true net impact of program intervention.[13] However, substantial and consistent before-after differences among participants, especially across programs that employ similar interventions in different locations, provide evidence that some true program effect is occurring. Moreover, repeated measurement of outcomes over time (at training completion, one year after baseline and two years after baseline) makes the findings more insightful and indicative of at least "gross effects" of program intervention.

A Few Notes about the Data Presented in This Report

The data collected through the survey were analyzed both on an aggregate and on a program-by-program level. However, since the number of Wave 2 survey respondents on a program-by-program basis varies, and in some cases the numbers for particular programs are small, this report focuses primarily on aggregate data from across the ten demonstration sites.

All figures reported in this report are expressed in nominal dollars and not in constant dollars or real terms. The baseline and the one-year follow-up survey of participants covered the period from 1998 to the first half of 2001, a period of general economic growth and low inflation. During this period prices rose only slightly, by an average of roughly 2.7 percent per year.[14] 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 to date.

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[11]The Self-Employment Learning Project (SELP) was conducted by The Aspen Institute between 1991 and 1997. SELP included a five-year longitudinal survey of 405 clients from seven different programs across the country. A subsample of survey participants included clients whose household incomes were below 150 percent of the poverty thresholds. Outcomes for these clients were reported in the following publications: Peggy Clark and Amy Kays, *Microenterprise and the Poor, Findings from the Self-Employment Learning Project Five-Year Survey of Microentrepreneurs* (Washington, D.C.: The Aspen Institute, 1999) and *SELP Longitudinal Survey of Microentrepreneurs: Major Findings Change Over Time* (Washington, D.C.: The Aspen Institute, April 1998).

[12]The Self-Employment Investment Demonstration was a multistate multiyear demonstration project conducted between 1988 and 1994 with the purpose of testing the extent to which self-employment could offer a feasible and promising route out of poverty for welfare recipients. For more information, see Cynthia A. Guy and others, *Self-Employment for Welfare Recipients: Implementation of the SEID Program* (New York: Manpower Demonstration Research Corporation, 1991), Salome Raheim and Catherine Foster Alter, *Self-Employment Investment Demonstration, Final Evaluation Report, Part 1: Participant Survey* (Iowa City: University of Iowa School of Social Work, April 1995) and Robert E. Friedman and others, *Building Assets: Self-Employment for Welfare Recipients* (Washington, D.C.: Corporation for Enterprise Development, 1995).

[13]This is referred to as the problem of "history."

[14]Source: Bureau of Labor Statistics: http://www.bls.gov/data. During the entire period from 1998 through the first half of 2002, prices rose by 8.3 percent.

Snapshot and Longitudinal Analysis

The participant outcomes discussed in this report are based on snapshot and longitudinal analysis of Wave 1 and Wave 2 data. Snapshot analysis involves point-in-time information on all participants surveyed in each wave of data collection. Because it relies upon data from the collective sample, rather than individual-level data, it can provide insights into changes over time in group summary measures (such as means and medians), based on a larger number of respondents. Longitudinal analysis of data involves tracking information on individuals, and is therefore indicative of the change that a given cohort of clients has experienced over time. Because longitudinal analysis requires that a respondent provided information in both waves of data collection, it is often based on a smaller sample. However, it does provide a sense of the changes that individuals in the sample experienced over time. Both types of analysis are used in interpreting outcomes for clients in this report. To the extent that the snapshot and longitudinal findings are similar in direction and magnitude, it provides additional evidence that the changes experienced by the survey sample are representative of those experienced by the total study population.

Overview of the Report

This report provides the major interim findings from a longitudinal study of participants in ten microenterprise welfare-to-work demonstration programs. The findings presented detail the outcomes experienced by the participants one year after enrolling in the microenterprise programs. Findings from the baseline study are detailed in a previous publication, but are referenced in this report as needed to provide context for the one-year findings. FIELD is analyzing data collected in the final round of interviews, conducted two years after program enrollment. These findings will be published in mid-2003.

This report is organized according to the major categories of findings. The section on employment status and welfare receipt looks at the extent to which study participants were working, both in self- and wage employment, and at their receipt of public assistance — two key issues of concern to policymakers who create and implement welfare programs. The following section examines the more fundamental question of whether study participants are moving toward self-sufficiency by looking at changes in household income, assets, liabilities and net worth in the one-year period after program enrollment. In the section on business status and growth, the report discusses the extent to which the subsample of businesses that existed at the time of program enrollment survived, and grew over time, in terms of sales, assets, net worth and employment. Because many program participants elect to pursue wage employment rather than, or in addition to, self-employment, and because work is such a fundamental premise of the TANF program, one section of the report describes the extent to which study participants were working in wage employment and the quality of those jobs. The next section focuses on health insurance coverage among study participants and their children, as well as on key concerns that participants face as they continue to move toward self-sufficiency. The report's concluding remarks are followed by a technical note that describes the survey response rate and analyzes the respondent characteristics for the two waves of the longitudinal survey.

Employment Status and Welfare Receipt

Key Findings

- Seventy-one percent of the survey participants were working a year after their enrollment in the microenterprise program, compared to the 39 percent who were employed at the time of enrollment.
- Thirty-eight percent of the participants were operating a business, either part- or full-time, one year after enrolling in the training program. Furthermore, forty-nine percent of the participants operated a business at some point during the year after program enrollment. This compares to 17 percent of the clients who were engaged in self-employment at the time of the baseline survey.
- Seventy-one percent of the participants were working: 33 percent were working at a wage or salaried job, 29 percent were self-employed only, and 9 percent were engaged in employment patching — combining both wage and self-employment.
- There was a dramatic decline in the percentage of respondents who were receiving TANF one year after program enrollment. At intake 94 percent of the respondents were receiving TANF benefits; this declined to only 35 percent one year later.

One year after enrolling in training, a markedly higher percentage of survey respondents were working, and a substantial percentage of respondents were engaged in self-employment. Welfare receipt declined dramatically during the same period, largely because participants were earning more money or no longer needed assistance for some other reason.

Employment Status of the Participants

Among participants who were interviewed one year after program enrollment, 71 percent (210 respondents) were working. This percentage is up from 39 percent at intake. As Table 1 indicates, the percentage of participants engaged in each form of employment — working at a wage or salaried job (wage-employed), operating a business (self-employed), or holding down a job and running a business (employment patching) — had grown relative to program enrollment. The proportion of wage-employed participants increased from 18 percent to 33 percent. The proportion of self-employed respondents increased from 16 percent to 29 percent. Employment patchers,[15] who made up 5 percent of all survey respondents at baseline, made up 9 percent of the survey participants one year later. Due to the increase in employment, the percent of participants who were unemployed declined from 59 percent at baseline to 29 percent one year later. Therefore, the proportion of unemployed participants decreased by 50 percent over this one-year period.

[15]Employment patchers are individuals who reported working in both wage and self-employment in the year prior to the interview (or administration of the intake form in the case of Wave 1). 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 1: Employment Status of Microenterprise Clients

Employment Status of Respondents	At intake	One year later
Self-employment only	94 (16%)	85 (29%)
Wage-employment only	106 (18%)	97 (33%)
Both self-employment and wage-employment (employment patchers)	29 (5%)	28 (9%)
Total Employment	229 (39%)	210 (71%)
Unemployment	348 (59%)	85 (29%)
Unknown	13 (2%)	N/A
Total	590 (100%)	295 (100%)

Demonstration participants experienced an immediate improvement in their employment after the end of training. Data collected using the Core Training Completion Tool indicated that 52 percent of the respondents (292 respondents) were working at the end of core training.[16] Twenty-six percent (145 respondents) of these respondents (565 respondents) had a wage job only, 19 percent (107 respondents) were working only in their business and 7 percent (40 respondents) reported patching wage-employment and self-employment.

Eighty-eight percent of the participants interviewed at Wave 2 (260 respondents) worked at some point during the year after program enrollment.[17] However, not all of them managed to stay employed, so that at the time the one-year follow-up survey was conducted, the percent of employed respondents was 71 percent.

The subset of study participants who were no longer receiving TANF at the time of the Wave 2 interviews (referred to in this report as the "WTW TANF leavers") reported an even higher employment rate; 77 percent of these individuals were working at Wave 2 compared to 71 percent for all survey participants.[18] The employment outcomes of the demonstration participants (both survey participants as a whole and the subset of WTW TANF leavers) were favorable compared to those of TANF leavers in general. As Table 2 below indicates The Urban Institute's National Survey of America's Families found that 61 percent of welfare recipients who left welfare between 1995 and 1997, and 64 percent of leavers who left the rolls between 1997 and 1999 were working.[19]

[16]Programs were asked to use the Core Training Completion Tool to provide updated information on the employment status of all 590 WTW survey participants at the end of the core-training course. However, updated information was provided on 565 clients at the time that core training was completed. Employment rates reported here are for the 565 participants for whom information on employment status was available.

[17]At the time of the Wave 2 interviews, there were 97 respondents who were wage-employed only and 113 business owners (out of which 85 were only self-employed), bringing the number of employed individuals to 210 respondents. Out of the 85 respondents who were unemployed at Wave 2, some had businesses or worked for wages or salary between the two waves.

[18]Among 295 respondents interviewed at Wave 2, 185 respondents were off TANF. Among them, 49 were only self-employed, 73 were only wage employed and 21 were patching wage and self-employment.

[19]Pamela Loprest, *How Are Families That Left Welfare Doing? A Comparison of Early and Recent Welfare Leavers* (Washington, D.C.: The Urban Institute, April 2001), 3.

Table 2: Comparison of WTW TANF Leavers to NSAF TANF Leavers

Employment Status of Respondents	1997 NSAF TANF Leavers Sample	1999 NSAF TANF Leavers Sample	WTW (One year after program enrollment)	
			All	Off TANF
Employed (self-employed or wage-employment)	61%	64%	71% (n=210)	77% (n=143)
Self-employed	7%	N/A	38% (n=113)	38% (n=70)
Total			100% (n=295)	100% (n=185)

Among the former TANF recipients in the WTW sample who were working at the time of the Wave 2 interviews (143 respondents), almost half (70 respondents) were operating their own businesses one year after enrolling in the program. Not surprisingly, business ownership is far more prevalent among TANF leavers in the WTW demonstration than among TANF leavers generally; only 7 percent of former recipients in the 1997 and 1999 NSAF were self-employed, whereas 38 percent of WTW TANF leavers were self-employed.[20]

Welfare Receipt

TANF receipt among WTW demonstration participants declined dramatically one year after program enrollment. At intake, 94 percent of respondents reported receiving TANF benefits; one year later, only 35 percent (104 respondents) were receiving TANF cash assistance. These substantial declines in TANF receipt occurred across all of the demonstration sites. At the one-year follow-up point, however, TANF receipt did not vary by whether or not the respondent was operating a business. Thirty-five percent of respondents who were operating a business one year after program enrollment were receiving TANF, the same as for the overall sample.

Of the 185 respondents who were not receiving TANF one year after program enrollment, 45 percent (83 respondents) reported that they were cut off from the program, and 54 percent (99 respondents) reported that they elected to stop receiving TANF benefits.[21]

Among those who reported being cut off from TANF (Table 3), the most common reason cited for loss of benefits was that the respondent was earning too much money. More specifically, 63 percent of the respondents who reported being cut off (52 respondents) said they lost their benefits because they were earning too much money. Another 12 percent of respondents (10 respondents) said that they were cut off because they reached the time limit. Only 2 percent (2 respondents) reported being sanctioned for not meeting requirements and 4 percent (3 respondents) said that they were cut off because they did not return forms.

[20]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. This document is available online at: http://www.ny.frb.org/rmaghome/eco_pol/2001/801indx.html.

[21]Two respondents answered that they did not know, and one respondent refused to answer.

Table 3: Client-reported Reasons for Being Cut from TANF	
Reasons	Number of respondents
Earned too much money	52 (63%)
Sanctioned	2 (2%)
Didn't return forms	3 (4%)
Reached limit time	10 (12%)
Other	13 (16%)
Don't know/ refused	3 (3%)
Total	83 (100%)

Among respondents who reported that they elected to stop receiving benefits (Table 4), 34 percent (34 respondents) said that they no longer needed it; another 34 percent indicated that they did not know why they elected to stop receiving benefits or refused to answer the question.

Table 4: Client-reported Reasons for Electing to Stop TANF Benefits	
Reasons	Number of Respondents
No longer needed it	34 (34%)
Participation requirement	1 (1%)
Too much paperwork	2 (2%)
No longer eligible	7 (7%)
Didn't want to be on TANF	5 (5%)
Deny having received TANF	9 (9%)
Other	7 (7%)
Don't Know/ Refused	34 (34%)
Total	99 (100%)

Household Income and Net Worth

Key Findings

- The demonstration participants' household income[22] increased from $11,689 to $15,068, on average. This represented an increase of 29 percent in their annual household income.[23]
- The study participants who drew income from a business and those who patched income from a business with income from a wage job had the highest household incomes in the sample, at $17,636 and $21,360, respectively. Individuals who earned wage income also show strong growth in earnings.
- Although earned-income patchers had the highest incomes in the sample, they were a relatively small number of participants. This may reflect the challenges that individuals, particularly TANF recipients (who are often single parents), can face in simultaneously engaging in wage employment and business ownership.
- The contribution of business draw to household income increased in the year after program enrollment, as did the contribution of wage earnings.
- TANF assistance dropped from 30 percent to 13 percent of household income in the year after program enrollment, while earned income (from wage and self-employment) increased from 23 percent to 45 percent of household income, on average.
- On a longitudinal basis, the household net worth of study participants increased by $2,313 in the year after program enrollment. Household assets grew by a more significant level, but these were offset in part by corresponding increases in household liabilities. Much of the change in asset levels was driven by increases in the housing assets of respondents, which were owned by relatively few participants.
- Study participants who drew income from self-employment showed substantially higher growth in assets and net worth than those who earned income from wage employment. The vast majority of these gains were due to increases in the value of their housing assets.

One year after enrolling in the microenterprise programs, the household earnings of study participants had increased. Individuals who drew income from their business, either as their sole form of employment or in tandem with a wage job, had the highest average incomes 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. Household assets and net worth also increased for study participants. The greatest increases in assets and wealth were experienced by those study participants who drew income from self-employment. Much of the growth in assets on the part of these self-employed individuals was fueled by a small number of participants who owned or acquired wealth in the form of homes.

Change in Household Income

Snapshot findings for the annual household income of participants show that average and median household income grew from the year before program enrollment to the year after. In the first year of the study, respondents reported an average household income of $11,689; their median household income was

[22]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.

[23]These findings are based on a snapshot analysis. The longitudinal analysis found that the participants' household income increased by $2,643, or 21 percent, in the year after program enrollment.

$9,867. One year later, the average and median household incomes of participants increased to $15,068 and $12,936, respectively.[24]

These snapshot figures reveal that participants experienced a 29 percent increase ($3,379) in average annual household income and a 31 percent increase ($3,069) in median annual household income during the one-year period. The baseline and one-year follow-up survey of the participants covered the period from 1998 through the first half of 2001. The average annual inflation rate during this period was 2.7 percent.[25] Even though part of the increase in household income of participants would be offset by the general rise in prices that occurred in the year between the Wave 1 and Wave 2 surveys, these figures show that the survey participants experienced a substantial improvement in their household income in a span of one year. On a national basis, data from the U.S. Bureau of the Census indicate that average household income grew by 3.5 percent, adjusted for inflation, while median household income grew by 0.1 percent, adjusted for inflation, over the period between 1998 and 2001.[26]

Not surprisingly, respondents who were working and reported some form of earned income in the two years of the survey, whether it was earnings from self-employment, a wage or salary job or both, on average, had higher total household incomes compared to the rest of the survey participants. The following figure shows that annual household income of all three groups of respondents with earned income (respondents with income from wage-employment, self-employment and income from both sources) grew between the first and second waves of the study.[27] In both years of the survey, respondents who earned income by patching from a job and self-employment had the highest average household incomes ($21,360 at year 2 and $17,333 at year 1). While this subgroup showed impressive household income levels relative to the overall sample, they comprise a very small percentage of the total sample.[28] Next to earned-income patchers,[29] self-employed respondents who drew income from their businesses had the highest average household income during both years of the survey.[30]

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[24]Out of 295 individuals interviewed at Wave 2, 177 reported all components of their total household income.

[25]Source: U.S. Bureau of Labor Statistics: http://www.bls.gov/data.

[26]The definition of household income used by the Census department differs from that used in this study, in that their definition includes worker's compensation, survivor benefits and dividends, but does not include EITC, food stamps, or WIC benefits. For more information on the Census Bureau data, see Table 52 in the Technical Note at the end of this report and http://www.census.gov/hhes/income/histinc/h08.html.

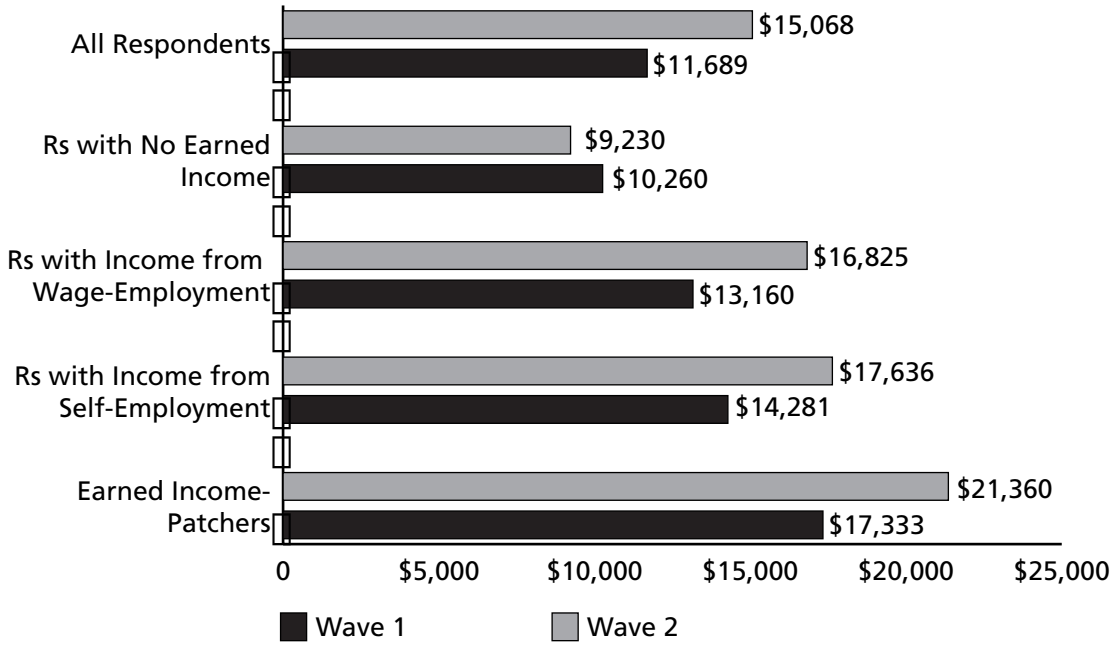
[27]Note that respondents who reported income from wage or salaried jobs include those who were patching wage employment with self-employment, and respondents who reported income from self-employment also include patchers. Also note that these subgroups of respondents differ somewhat from those reported above in the section on employment. In the above section, the self-employed group includes all individuals who reported working in self-employment, whether or not they drew income from their business. However, in these subgroups, only those drawing income from self-employment are included in the self-employed subgroup. One year after program enrollment, 51 percent of those engaging in self-employment drew income from their business to support household expenses.

[28]The number of respondents reporting income from both wage employment and self-employment were 34 at Wave 1 and 16 at Wave 2.

[29]Earned-income patchers include respondents who combined earnings from a job with earned income from their business.

[30]At Wave 1, 102 respondents reported income from self-employment and 43 respondents reported self-employment income at Wave 2. It is important to note that throughout this report, the subgroups reported in Figure 1 of "individuals with income from wage employment" and "individuals with income from self-employment" are defined to include earned-income patchers. If these groups are redefined to exclude earned-income patchers, so that the bottom three groups on the graph are mutually exclusive, then individuals with income from wage employment only reported household income of $12,346 in Wave 1 and $16,085 in Wave 2, while individuals with income from self-employment reported household income of $12,756 in Wave 1 and $15,430 in Wave 2. The definitions and data for the remaining three groups (all respondents, respondents with no earned income and earned-income patchers) remain the same.

FIGURE 1: Comparison of Average Household Income of Respondents (Snapshot)



The longitudinal analysis of changes in household income examines the change in income among those individuals who provided complete household information in both years of the survey.[31] This analysis shows that, on average, respondents experienced an increase of $2,643, or 21 percent, in their annual household income.[32] The longitudinal change in household income of participants is slightly lower than the snapshot findings on changes in household income, but it is generally positive and notable. The longitudinal analysis also indicates that the annual household income for 65 percent of the respondents (108 respondents) increased in the year following training, while 35 percent of the respondents (59 respondents) experienced a decline in their household income. Positive change in household income was more prevalent among survey participants with earned income. Ninety-three percent of earned-income patchers, 78 percent of respondents with income from self-employment and 72 percent of respondents earning income from wage or salaried jobs increased their total household income in the year after enrolling in training.[33]

[31]Longitudinal analysis of the change in household income is reported for 167 respondents who reported their total household income at both waves of the survey. These 167 respondents constitute 57 percent of Wave 2 respondents and 28 percent of Wave 1 respondents.

[32]During the year before program enrollment/intake, the average and median household income of participants were $12,323 and $10,288, respectively. In the year following program enrollment, the average and median household income of participants increased to $14,966 and $12,708, respectively.

[33]Out of 167 respondents, 40 reported earned income from self-employment, 105 reported earned income from wage employment, and 14 reported income from both.

Table 5: Longitudinal Change in Household Income

Program Name	Household income increased	Household income decreased	N
All respondents	108 (65%)	59 (35%)	167 (100%)
Respondents reporting income from self-employment	31 (77.5%)	9 (22.5%)	40 (100%)
Respondents reporting income from wage-employment	76 (72%)	29 (28%)	105 (100%)
Respondents reporting income from self-employment and wage-employment (earned-income patchers)	13 (93%)	1 (7%)	14 (100%)

The increase reported above in the program participants' household income is consistent with the results reported by the Self-Employment Learning Project, an earlier evaluation that documented outcomes of low-income clients of microenterprise programs over time. According to SELP, poor clients of microenterprise programs (those with household incomes below 150 percent of the poverty thresholds) realized average income gains of $8,484 over the five years of the survey.[34] Although the follow-up period in the SELP study is longer than the follow-up period in this demonstration, both studies have found positive changes in the household income of clients after enrollment in the program. This suggests that microenterprise program participants are likely to experience income gains over time.

Change in Components of Household Income

One year after program enrollment, the survey participants derived more household income from earnings and significantly less from public assistance, including TANF cash assistance. The share of wage earnings in the total household income of all survey participants doubled, from 17 percent at year 1 to 34 percent at year 2.[35] The share of self-employment income also increased, from 6 percent of household income in the year prior to enrollment, to 11 percent in the following year.

These changes were accompanied by declines in the percentage of household income that participants received from public assistance. TANF benefits contributed 30 percent of average household income in the year prior to program enrollment; this declined to 13 percent in the year following participation in the program.[36] The cash value of food stamps made up 19 percent of the average household income of participants at year 1. In the following year, food stamps comprised 11 percent of the average household income of survey respondents.

[34]Peggy Clark and Amy Kays, *Microenterprise and the Poor, Findings from the Self-Employment Learning Project Five Year Survey of Microentrepreneurs* (Washington, D.C.: The Aspen Institute, 1999), 16. SELP reports household income gains in real terms.

[35]The breakdown of the total household income by components is slightly different at Wave 2 compared to Wave 1. At Wave 1 the question on Earned Income Tax Credit was not asked. Instead, there was a variable "other" for all other sources of household income that were not included in the Wave 2 survey. In addition, in the baseline survey, income from Social Security and retirement were combined under one question, whereas in the one-year follow-up survey, they are asked separately.

[36]Out of 295 respondents interviewed at Wave 2, 91 respondents who were receiving TANF benefits reported their total household income during the year before the Wave 2 interviews. Among baseline respondents, 520 respondents who were receiving TANF benefits reported their total household income during the year before the Wave 1 interviews.

Table 6: Sources of Household Income (Snapshot)

All Respondents Who Reported Their Household Income	Wave 1 (n=541)	Wave 2 (n=177)
Average annual household income	$11,689 (100%)	$15,068 (100%)
Salary/wage from job	$1,945 (17%)	$5,178 (34%)
Other household members	$1,781 (15%)	$2,263 (15%)
TANF/AFDC	$3,540 (30%)	$1,888 (13%)
Self-employment income	$716 (6%)	$1,708 (11%)
Food stamps value	2,250 (19%)	$1,594 (11%)
Earned Income Tax credit	N/A	$672 (4%)
Child support	$259 (2%)	$619 (4%)
Help from family or friends	$232 (2%)	$333 (2%)
Supplemental Security Income (SSI)	$348 (3%)	$235 (2%)
General assistance from state (cash assistance)	$28 (0%)	$177 (1%)
Social Security	$62 (1%)	$160 (1%)
WIC benefits value	$155 (1%)	$75 (0.5%)
Unemployment benefits	$130 (1%)	$75 (0.5%)
Disability insurance	$19 (0%)	$62 (0.4%)
Alimony	$0 (0%)	$17 (0.1%)
Retirement	N/A	$10 (0.1%)
Other	$223 (2%)	N/A

The following table shows the dollar amount and the share of different components of household income for the subgroups of respondents in both waves. The table reveals that for all subgroups, the dollar value of income from business draw, wage income and all other sources rose, while the dollar value of TANF benefits declined. The picture for income from other household members was mixed, increasing for all respondents, but declining for those with earned income from self-employment, wage employment or both (indicating that the figure grew among those without earned income from any source). Those drawing

income from self-employment drew $7,030 for their household in the year after program enrollment; this compares to $3,796 in the year prior to program enrollment.

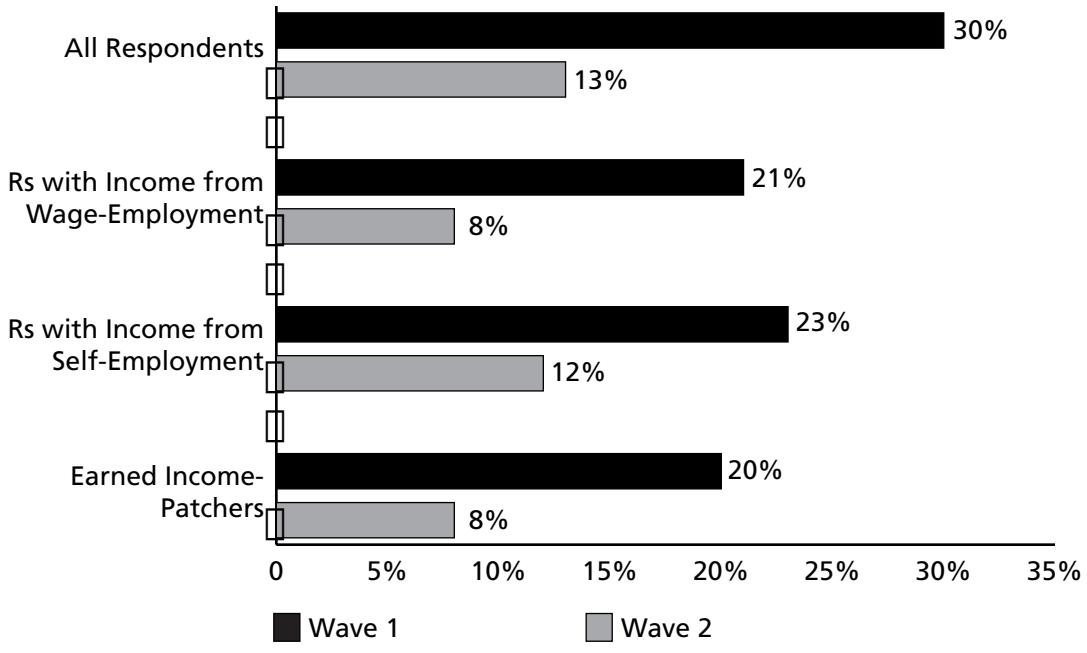
Table 7: Sources of Household Income – Subgroups (Snapshot)
(All respondents who reported their total household income)

Sources of Income	All Respondents		Income from Self-employment		Income from Wage-employment		Earned-Income Patchers	
	Wave1 (n=541)	Wave2 (n=177)	Wave1 (n=102)	Wave2 (n=43)	Wave1 (n=208)	Wave2 (n=114)	Wave1 (n=34)	Wave2 (n=16)
Business draw	$716 (6%)	$1,708 (11%)	$3,796 (27%)	$7,030 (40%)	$350 (3%)	$1,069 (6%)	$2,143 (12%)	$7,616 (36%)
Wage income	$1,945 (17%)	$5,178 (34%)	$1,784 (12%)	$2,122 (12%)	$5,059 (38%)	$8,039 (48%)	$5,351 (31%)	$5,703 (27%)
TANF/AFDC	$3,540 (30%)	$1,888 (13%)	$3,321 (23%)	$2,202 (12%)	$2,727 (21%)	$1,339 (8%)	$3,548 (20%)	$1,650 (8%)
Other household members	$1,781 (15%)	$2,263 (15%)	$2,008 (14%)	$565 (3%)	$2,058 (16%)	$273 (2%)	$2,358 (14%)	$844 (4%)
All other sources	$3,707 (32%)	$4,031 (27%)	$3,372 (24%)	$5,717 (32%)	$2,967 (23%)	$6,105 (36%)	$3,933 (23%)	$5,547 (26%)
Total	$11,689 (100%)	$15,068 (100%)	$14,281 (100%)	$17,636 (100%)	$13,161 (100%)	$16,825 (100%)	$17,333 (100%)	$21,360 (100%)

Note: Percentages may not always total 100 percent due to rounding.

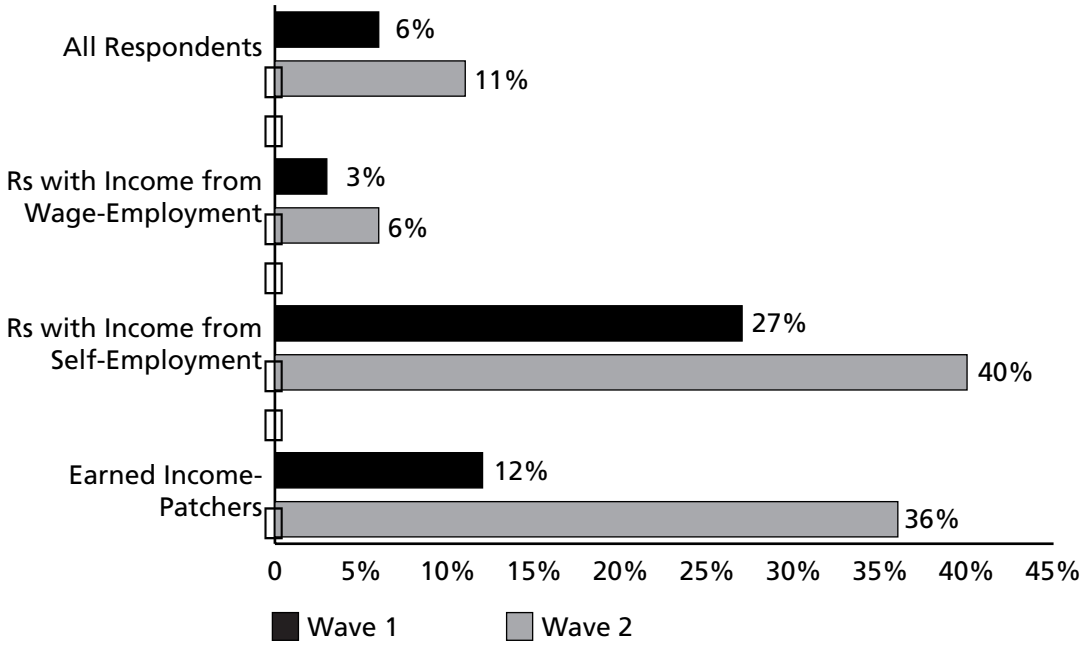
The contribution of TANF benefits to the average household income of respondents in all three subgroups of survey respondents (respondents with income from wage employment, self-employment and patching income from both) declined during the year after program enrollment.

FIGURE 2: Share of TANF Benefits in Average Household Income



Not surprisingly, in both years of the survey, the share of business draw in household income of participants was the largest for the subgroup of respondents with income from self-employment (27 percent at year 1, and 40 percent at year 2). What is interesting, however, is that over time, the contribution of business draw to the average household income of respondents has increased for all three subgroups of respondents with earned income.[37]

FIGURE 3: Share of Business Draw in Average Household Income

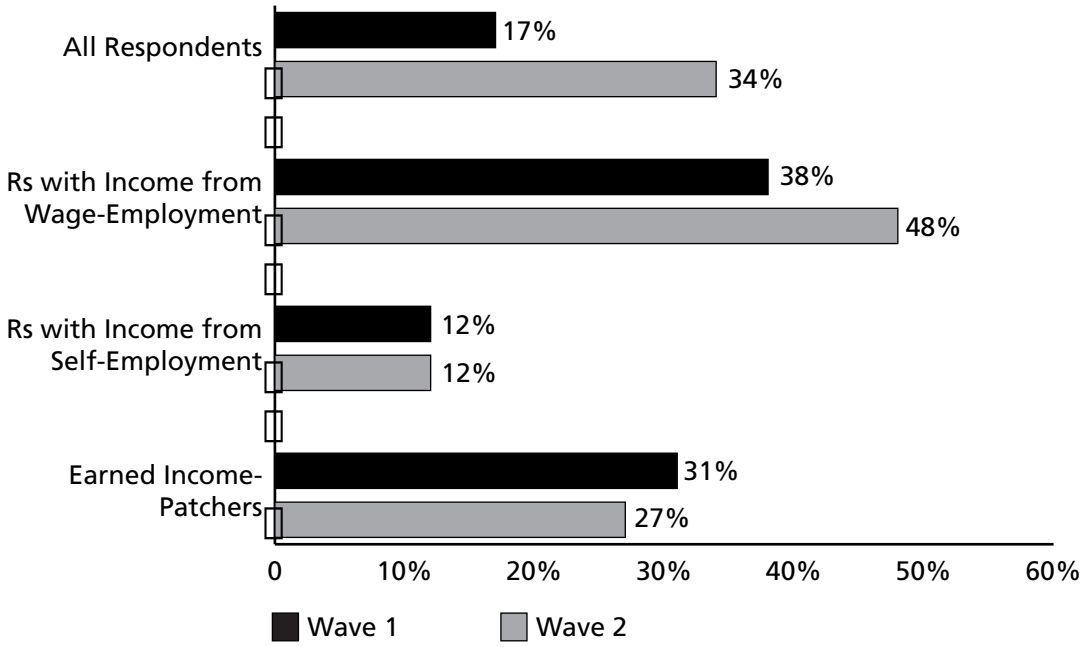


Overall, participants in the study also experienced strong gains in job earnings as a source of household income. However, the subgroup analysis identifies interesting trends. While individuals engaged in wage employment experienced an increase in the share of income from job earnings,[38] this was not the case for individuals who drew income from self-employment, or who were engaged in income patching. For respondents with income from self-employment, the share of household income derived from wage employment remained constant, and for those who patched income from a job and self-employment, the share of job income declined over this period. While this subgroup actually experienced a small growth in the dollar value of wage income, they experienced a much larger growth in income from business draw. This suggests that over time, earned-income patchers in the study relied more on earnings from their microbusinesses than from earnings from their jobs.

[37]In Wave 1, the subgroup of respondents with income from wage employment included 208 individuals, 34 of whom were earned-income patchers. In Wave 2, 16 of 114 individuals with income from wage employment were earned-income patchers.

[38]At Wave 2, 114 respondents reported receiving income from wage or salaried jobs and reported their total household incomes.

FIGURE 4: Share of Job Earnings in Average Household Income



Previous surveys of low-income participants of microenterprise programs also have shown similar changes in the composition of household income of clients over time.[39] Both the SELP and SEID studies reported declines in welfare dependency and greater reliance on business and wage income over time. AFDC receipt by SEID business owners decreased from 96.7 percent at the time of program enrollment to 46.7 percent at the time of the follow-up survey in 1994.[40] Food stamps receipt similarly decreased from 91.2 percent at the time of entry to 51.8 percent at the time of the follow-up survey.[41] Moreover, income from jobs constituted 5 percent of the participants' primary sources of income at the time of program enrollment and 15 percent of their income at the time of the follow-up survey.[42] Business income constituted 0 percent of the participants' primary sources of income at the time of program enrollment and 31.7 percent of their income at the time of the follow-up survey.[43] The SELP study found that 12 percent of poor clients were receiving AFDC benefits during the last year of the survey compared to 31 percent at year 1, and 21 percent of survey respondents were receiving food stamps, WIC and other food-related supplements during the last year of the survey compared to 43 percent during the baseline year.[44] Furthermore, SELP reported that the personal earnings of 64 percent of poor clients increased over the course of the survey[45] and that the business income of 33 percent of poor clients and the job income of 46 percent of poor clients increased during the five years of the survey.[46]

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[39]Note that the follow-up period of these studies is much longer compared to the WTW demonstration. The SELP study conducted follow-up interviews at yearly intervals over a five year period; much of the data presented in this report is from the five-year follow-up. The SEID study used a one-time follow-up, conducted in 1994, of individuals who entered the demonstration projects between 1988 and 1990; therefore, the follow-up period ranged between four and six years.

[40]Salome Raheim and Catherine Foster Alter, *Self-Employment Investment Demonstration, Final Evaluation Report, Part 1: Participant Survey* (Iowa City: University of Iowa School of Social Work, April 1995) 53.

[41]Ibid.

[42]Ibid. pp. 56-57.

[43]Ibid.

[44]Peggy Clark and Amy Kays, *Microenterprise and the Poor, Findings from the Self-Employment Learning Project Five-Year Survey of Microentrepreneurs* (Washington, D.C.: The Aspen Institute, 1999) 37.

[45]Ibid., p. 19.

[46]Ibid.

Household Income of Survey Respondents Compared to TANF Leavers

As was reported in the section on Employment Status and Welfare Receipt, 65 percent of the survey respondents were no longer receiving TANF at the time of the Wave 2 interviews. On average, these WTW TANF leavers had slightly higher household income ($15,766) compared to all respondents interviewed at Wave 2 ($15,068).[47] Not surprisingly, the WTW TANF leavers who reported receiving earned income during the year after program enrollment had substantially higher household incomes, on average, than the set of all TANF leavers in the study. Earned-income patchers had the highest average annual household income ($23,055) among TANF leavers in the sample. However, again it is important to note that there were few respondents who actually patched earnings from a job and a business during the year after program enrollment.

Table 8: Household Income of WTW TANF Leavers

	Average Total Household Income	Number of Respondents[48]	Percent Who Reported Receiving EITC
All respondents who were off TANF at the time of the W2 interviews	$15,766	112	45 (40%)
Respondents who reported earned income during the year after program enrollment from…			
Self-employment	$17,672	23	9 (39%)
Wage-employment	$17,380	82	38 (46%)
Patching	$23,055	10	4 (40%)

To assess how TANF leavers in the WTW demonstration fared relative to TANF leavers nationally, the household income of survey participants was compared with estimates of household income reported by The Urban Institute's study of TANF leavers, part of the 1999 National Survey of America's Families.[49] The Urban Institute reports two measures of household income: monthly cash pre-tax income and monthly post-tax expanded income.

Because of differences in the definition of household income, the WTW survey data must be adjusted to make comparisons to the NSAF TANF leavers' data.[50] The average household income of WTW sample members is based on the respondents' reported data for the entire year. It includes the cash value of in-kind

[47]Out of 185 respondents who were not receiving TANF benefits at the time of the Wave 2 interviews, 61 percent (112 respondents) reported their total household income.

[48]Out of 112 respondents who were off TANF at the time of the one-year follow-up survey and who reported their total household income, 23 reported income form self-employment, 82 reported income from job, and 10 respondents reported income from both during the year before Wave 2 interviews.

[49]Pamela Loprest, *How Are Families That Left Welfare Doing? A Comparison of Early and Recent Welfare Leavers* (Washington, D.C.: The Urban Institute, April 2001).

[50]Even with these adjustments, there are other factors that limit strict comparability of household income figures of TANF leavers in this study and the NSAF TANF leavers sample. For example, household income figures in this study were not adjusted for inflation. In addition, geographic distribution of survey participants in this study is not the same as that of NSAF TANF leavers. The ten sites in this demonstration are all located in northern states where earnings are relatively higher. Another factor that has a direct bearing on this comparison is that the NSAF calculates annual income by annualizing monthly income reported by TANF leavers in the national sample, which likely results in overestimating annual household income of leavers.

government transfers, and it is reported before taxes. The NSAF figures for annual income are created by annualizing monthly income reported by the respondent. To make the WTW household income figures comparable to the estimated annual cash pre-tax income reported by The Urban Institute, the annual household income of WTW participants was adjusted to exclude the value of food stamps, the Earned Income Tax Credit and WIC. After these adjustments, household income of WTW TANF leavers was $14,089 during the year after program enrollment; slightly higher than the $13,812 estimated household income of TANF leavers reported by the NSAF. Given the difficulties involved in adjusting the WTW sample data to include estimated rather than reported data on EITC receipt, data comparable to the NSAF post-tax expanded income figures are not provided.

Table 9: Comparison of Household Income of WTW respondents with NSAF 1999 TANF Leavers

NSAF 1999 TANF Leavers Sample: Cash, Pre-Tax Income	WTW TANF Leavers
$ 13,812*	$14,089** (n=112)

* Based on monthly pre-tax cash income of $1,151 that includes monthly earnings of the leaver and her spouse/partner, plus relatively permanent sources of income (child support, SSI, Social Security, pension and investment income) reported by The Urban Institute. Annual household income was calculated by annualizing the monthly figure.

** This figure is in nominal dollars. The interviews conducted for the Wave 2 survey were conducted between late 1999 and early 2001 and collected information on household income for the 12 months immediately preceding the interview.

Change in Poverty Status of Respondents

For most TANF recipients, as well as many practitioners and policymakers, the ultimate goal of welfare reform is not simply to reduce reliance on public assistance, but to enable families to achieve economic self-sufficiency. To shed light on how microenterprise can be a route to economic independence, it is useful to examine the extent to which the increases in household income experienced by WTW demonstration participants enabled them to move out of poverty. For that reason, a longitudinal analysis was conducted to determine how many survey respondents were able to move above the poverty level between Wave 1 and Wave 2 of the study.

Before presenting this data, however, it is important to present two caveats to the analysis. First, this analysis examines changes in household income over a one-year period. However, the journey from poverty to self-sufficiency is a fairly long one for most families; it would be unusual to see significant change over a one-year period, regardless of the services received by the family. Thus, the poverty analysis of the two-year follow-up data will be more indicative of a participant's movement toward self-sufficiency.

Second, the analysis uses the poverty thresholds determined by the U.S. Census Bureau to determine the poverty level for a given family size. It is important to note, however, that the official poverty thresholds are generally very low, and many analysts agree that they do not adequately measure the level of income that families need to achieve self-sufficiency in various parts of the country.[51] We use them here because they are still commonly used in assessing the poverty status of families.

The analysis reveals that among the 167 respondents who reported all components of their household income and their household size in both waves, a net of 17 percent were able to move above the poverty line

[51]Wider Opportunities for Women (WOW) has developed Self-Sufficiency Standards (SSS) which represent a more accurate cost of the basic needs of families in specific metropolitan areas. The SSS is also a standard of income adequacy. It differs from the official poverty measure in that it assumes that all adults in the household work full time, it includes costs associated with employment, assumes that costs may vary based on the age of children in the household, it incorporates regional and local variations in costs, and it includes the net effects of taxes and tax credits. For more information, see http://www.sixstrategies.org/sixstrategies/selfsufficiencystandard.cfm.

one year after enrolling in the self-employment programs.[52] Twenty-five percent (41 respondents) were in poverty at baseline and moved out of poverty during the year after their participation in the program, while 7 percent (12 respondents) lived above the poverty line at baseline and subsequently slipped into poverty.[53] Overall, among respondents reporting their total household income in both years of the survey, 24 percent of respondents (40 respondents) lived above the poverty line at year 1. By year 2, the proportion of respondents living above the poverty line reached 41 percent (69 respondents).

Table 10: Longitudinal Analysis of Change in Poverty Status

		Poverty Status at Wave 2		
		N & % Living Above Poverty	N & % Living Below Poverty	Total
Poverty Status at Wave 1	N & % living above poverty	28 (17%)	12 (7%)	40 (24%)
	N & % living below poverty	41 (25%)	86 (51%)	127 (76%)
	Total	69 (41%)	98 (59%)	167 (100%)

Increases in job earnings were clearly critical to the ability of individuals to move above the poverty line. For 24 of these 41 individuals, an increase in job earnings was the greatest contributor to their increase in household income. Among the other 17 individuals, the primary sources of growth in household income were as follows:

- Salary/wages from a job(s) of other household members (5 respondents)
- Self-employment income, Supplemental Security Income, child support, and TANF/AFDC (2 respondents each)
- Help from family or friends, food stamps, self-employment income of other household members, and Social Security (1 respondent each)

It is also useful to understand the key factors that led to a decline in household income for the 12 respondents who slipped into poverty between the two waves of the survey. In examining the trends in the sources of income received in these families, the key factors were as follows:

- Decline in job earnings (5 participants)
- Loss of support from family or friends (3 participants)
- Decline in business income (2 participants)
- Loss of TANF benefits (2 respondents)

Household Assets, Liabilities and Net Worth

Most welfare recipients are initially drawn to self-employment as a means of generating income to support their family. However, the development of a business also provides economic benefits to the family in the form of asset development. The process of building a business requires investment in assets, such as

[52]Among respondents who reported their total household incomes in both waves of the survey, 24.6 percent were in poverty at Wave 1 but moved above the poverty line by Wave 2; 7.2 percent were above the poverty line at Wave 1 but had slipped below by Wave 2. Thus the net change from Wave 1 to Wave 2 was 17.4 percent. Figures in Table 10 may differ slightly due to rounding.

[53]Poverty status of households was determined based on the poverty thresholds reported by the U.S. Census Bureau and adjusted for family size. For more information on poverty thresholds please see http://www.census.gov/hhes/poverty/threshld.html.

equipment, inventory or simply the cash required to meet business expenses. In addition, as they take income from the business to support their needs, families may make the choice to invest some of that income into assets, in addition to using it to support consumption.

Because of the role that assets can play in helping families to escape poverty and because business development is an asset-generating as well as an income-generating strategy, the study collected information on both the household and business assets of the WTW demonstration participants.[54] In this section, information is presented on the changes in household assets between Waves 1 and 2 of the study. The section on Businesses and Business Growth focuses on the businesses owned by study participants and business assets. The following analysis of the asset levels of survey participants examines not only assets but also their liabilities and net worth. Assets are important tools as families move toward self-sufficiency, but it is important to understand that families often acquire assets by taking on liabilities in the form of debt. Therefore, the best measure of a family's accumulated wealth is, in fact, their household net worth.

When reflecting on the findings in this section on assets and net worth, it is important to keep in mind that this is one area where differences emerged between the Wave 1 and Wave 2 respondents. As is described in detail in the Technical Note to this paper, Wave 2 survey respondents generally had higher levels of assets at baseline than the larger pool of Wave 1 respondents.[55] Wave 2 respondents also had higher levels of liabilities at baseline, so that while the Wave 2 sample had higher levels of net worth at intake than the Wave 1 group, this difference is somewhat smaller than the difference in total asset levels.[56]

Snapshot and longitudinal findings indicate that the study participants experienced some asset, liability and net worth growth during the year after program enrollment. The changes in assets, liabilities and net worth are all smaller on a longitudinal basis than on a snapshot basis. In both analyses, however, the growth in assets and net worth are driven largely by increases in the value of housing assets. Interestingly, the longitudinal analysis of changes in assets and net worth finds that individuals with earned income from self-employment show substantially higher growth than do those with earned income from wage employment.

Household Assets

Snapshot findings on the household assets of respondents show that both average and median household assets of participants increased over the 12-month period after program enrollment. At the time of program entry, the majority of participants owned virtually no or very few assets. The average and median value of total household assets of participants at year 1 were $5,865 and $300, respectively.[57] Perhaps more revealing, however, was that at intake 67 percent of the survey respondents indicated they owned less than $1,000 in assets. One year later, the average and median household assets of participants increased to $13,406 and $1,350, respectively.[58] Moreover, the percentage of respondents with assets valued at less than $1,000 declined to 47 percent of the respondents. The percentage of respondents with assets higher than $5,001 was correspondingly greater (26 percent at Wave 2 versus 15 percent at baseline).

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[54]For a discussion of the role of asset development in alleviating poverty, as well as the particular role of business development as an asset development strategy, see Michael Sherraden, *Assets and the Poor* (Armonk, NY: M.E. Sharpe, Inc., 1991).

[55]At intake, Wave 2 respondents had $1,513 more in average assets and $252 more in median assets than Wave 1 respondents.

[56]At intake, Wave 2 respondents had $670 more in average household net worth than did Wave 1 respondents. The median household net worth for both groups was the same, at $0.

[57]Out of 590 respondents interviewed at baseline, 549 reported all components of their total household assets. Household assets of these respondents ranged from $0 to $154,560.

[58]Out of 295 respondents interviewed at Wave 2, 83 percent (246 respondents) reported the value of their total household assets. Household assets of these respondents ranged from $0 to $205,500.

Table 11: Comparison of Household Assets at Waves 1 and 2 (Snapshot)

Categories	HH Assets at Wave 1	HH Assets at Wave 2
$0 in assets	36%	23%
$1-$1,000 in assets	31%	24%
$1,001-$5,000 in assets	18%	28%
$5,001 -$1,0000 in assets	4%	5%
$10,001+ in assets	11%	21%
Total	100% (n=549)	100% (n=246)

Within this snapshot analysis, most of the growth in the value of assets owned by survey participants was driven by changes in the value of their homes. The average value of assets grew by $7,541 between Wave 1 and Wave 2; of this $5,826, or 77.3 percent was due to increases in the value of housing assets owned by participants. As Table 12 indicates, while housing assets make up the vast majority of the value of assets owned by study participants, in fact, few of the participants in the study own homes.

Table 12: Value of Household Assets by Type of Asset (Snapshot)

	Wave 1			Wave 2		
	Average for 549 Respondents		Number of Nonzero Cases*	Average for 246 Respondents		Number of Nonzero Cases*
Total household assets	$5,865	100.0%	249	$13,406	100.0%	190
Value of home, condo or mobile home	$4,255	72.5%	51	$10,081	75.2%	37
Value of vehicles	$1,238	21.1%	277	$1,899	14.2%	148
Value of other real estate	$44	0.8%	5	$630	4.7%	5
Value of retirement funds, stocks and bonds	$13	0.2%	13	$279	2.1%	21
Value of other personal assets	$212	3.6%	22	$242	1.8%	9
Balance in checking account	$55	0.9%	157	$192	1.4%	94
Balance in savings account	$48	0.8%	129	$83	0.6%	73

*Some respondents reported zero value for one or more components of total household assets.

Although changes in the value of housing assets dominated the overall growth in assets, survey participants also experienced growth in other forms of assets as well. The total value of nonhousing assets owned by participants grew by $1,715 in the year after program enrollment. Most significant among these were the changes in investment assets, which grew from $13 on average at intake to $279 in the second year of the study. In fact, overall survey participants experienced growth across all types of assets. Between Wave 1 and Wave 2, the proportion of respondents owning homes, cars, checking and saving accounts, and investment funds grew.

As is discussed in the Technical Note at the end of this paper, one indicator on which the Wave 2 sample differs from the Wave 1 sample is the ownership of assets at the time of intake. Wave 2 respondents were somewhat more likely to own assets at the time of intake than were the Wave 1 respondents. However, as Table 13 indicates, the Wave 2 respondents do show increases in asset ownership relative to their status at intake.

Table 13: Types of Household Assets Owned by Participants (Snapshot)

Assets	Wave 1 Respondents	Wave 2 Respondents at Wave 1	Wave 2 Respondents
Home, condominium, or mobile home	56 (9%)	34 (12%)	43 (15%)
Vehicles	301 (51%)	170 (58%)	185 (63%)
Checking account	208 (35%)	130 (44%)	154 (52%)
Savings account	157 (27%)	100 (34%)	105 (36%)
Retirement fund, stocks, bonds	19 (3%)	12 (4%)	31 (11%)

Findings from the longitudinal analysis of change in household assets of participants are consistent with snapshot findings reported above in that participants showed higher levels of assets one year after program enrollment. As with the snapshot analysis, much of the increase in the value of respondents' assets is due to increased housing assets. Interestingly, however, the longitudinal analysis reveals that the increase in housing assets is partly due to the change in the value of respondents' homes (for those who owned homes at intake) and partly due to increased home ownership among survey respondents. Among the subgroup of clients interviewed a year after intake, 34 people reported owning a home (includes houses, condominiums or mobile homes) at baseline. This number grew to 43 a year later.

The longitudinal analysis reveals that on average, the total household assets of respondents increased by $5,190.[59] Once the change in the value of the housing stock of respondents is excluded, the average change in household assets of respondents drops to $818. This remaining increase in the value of household assets of clients is partly explained by the higher percentage of respondents who owned cars, checking accounts, retirement funds, stocks or bonds one year after program enrollment.[60]

[59]The change in household assets of respondents is reported for 230 respondents who disclosed the value of all components of their household assets in both waves of the survey.

[60]Among the subgroup of clients interviewed a year after program enrollment, 130 reported having a checking account at baseline and 154 reported having a checking account a year later. Among the same group of respondents 170 reported owning a car at intake and 12 reported owning retirement funds, stocks or bonds. A year later, 185 clients reported owning a car and 31 respondents reported owning retirement funds, stocks or bonds.

Table 14: Longitudinal Change in Household Assets	
	All Respondents
Change in total household assets from Wave 1 to Wave 2	$5,190
Change in household assets excluding the value of homes	$818
Change in the value of housing assets	$4,372
Number of respondents	230

The positive change in assets experienced by the study participants is similar to the change found among participants in the SELP and SEID studies. Both of those studies, which have follow-up periods longer than one year, found that low-income clients of microenterprise programs experience relatively strong asset growth over time. The AFDC recipients who participated in the SEID study accumulated $8,738 in personal assets over the course of the study, most often in the form of cars (41 percent), savings accounts (30 percent) and homes (15 percent).[61] The SELP study found that the average household assets of low-income entrepreneurs grew by $15,909 over five years, with the primary source of growth being an increase in housing assets.[62]

Liabilities

WTW participants reported a growth in household liabilities one year after enrolling in the microenterprise demonstration programs. At program intake, survey respondents reported average household liabilities of $7,779, and median household liabilities of $1,000.[63] One year later, average liabilities grew by $2,578, to $10,357, while median liabilities grew by $2,627 to $3,627. Furthermore, the percentage of respondents with liabilities of less than $1,000 declined in the second wave of the study, from 50 percent at enrollment to 34 percent one year later.[64]

Table 15: Comparison of Household Liabilities at Wave 1 and Wave 2 (Snapshot)		
Categories of Liabilities	HH Liabilities at Wave 1	HH Liabilities at Wave 2
$0	42%	17%
$1-$1,000	8%	17%
$1,001-$5,000	15%	24%
$5,001 -$10,000	12%	15%
$10,001 or more	22%	27%
Total	100% (n=573)	100% (n=252)

Mortgages on homes and educational loans constituted the bulk of the household debt in both waves of the survey, with each contributing just over 30 percent of total debt in both waves of the study. Furthermore, much of the change in household liabilities was derived from a rise in these two forms of debt. Together, increases in mortgage and education debt accounted for $1,754, or 68 percent of the total growth in household liabilities.

[61]Robert E. Friedman and others, *Building Assets: Self-Employment for Welfare Recipients* (Washington, D.C.: Corporation for Enterprise Development, 1995), 10.

[62]Peggy Clark and Amy Kays, *Microenterprise and the Poor, Findings from the Self-Employment Learning Project Five Year Survey of Microentrepreneurs* (Washington, D.C.: The Aspen Institute, 1999), viii.

[63]Out of 590 respondents interviewed at baseline, 573 reported their total household liabilities.

[64]Out of 295 respondents, 85 percent (252 respondents) reported the value of their total household liabilities. Household liabilities of these respondents ranged from $0 to $142,000.

Table 16: Value of Household Liabilities, by Type of Liability (Snapshot)

	Wave 1			Wave 2		
	Average for 573 respondents		Number of nonzero cases*	Average for 252 respondents		Number of nonzero cases*
Total household liabilities	$7,779	100%	332	$10,357	100%	210
Home, condo or mobile home	$2,416	31%	38	$3,232	31%	21
Personal vehicles	$689	9%	83	$904	9%	38
Other property mortgage	$3	0%	1	$126	1%	2
Credit cards	$700	9%	157	$847	8%	111
Education loans	$2,343	30%	167	$3,281	32%	97
Outstanding child support or alimony payments	$611	8%	26	N/A	-	-
Long-term debt over 30 days	$515	7%	44	N/A	-	-
Other	$502	6%	64	N/A	-	-
Personal loans	N/A	-	-	$884	9%	34
Utilities	N/A	-	-	$184	2%	83
Other personal liabilities	N/A	-	-	$769	7%	29
Owe on other personal assets	N/A	-	-	$15	0%	2
IRS taxes or liabilities	N/A	-	-	$115	1%	11

*Some respondents reported zero value for one or more components of total household liabilities.

While the percentage of survey respondents holding mortgage debt held fairly constant, at just under 10 percent, the percentage of respondents holding debt from credit cards and educational loans increased substantially in the year after program enrollment. At intake, 28 percent of all survey respondents and 34 percent of Wave 2 respondents reported owing a balance on their credit card(s). A year later this percentage rose to 42 percent (125 out of 295 respondents interviewed). Similarly, at the time of the one-year follow-up survey, 40 percent of respondents had outstanding educational loans, compared to 30 percent of all survey respondents and 31 percent of Wave 2 respondents at intake.

Table 17: Household Liabilities (Snapshot)

Liabilities	Wave 1 Respondents	Wave 2 Respondents at Wave 1	Wave 2 Respondents
Respondents with credit card debt	166 (28%)	99 (34%)	125 (42%)
Respondents with home mortgage	40 (7%)	24 (8%)	26 (9%)
Respondents with educational loans	176 (30%)	92 (31%)	117 (40%)

The longitudinal analysis of change in household debts of participants shows that respondents reported a rise in their household liabilities by about $2,500 one year after program enrollment. The increase in home mortgages and educational loans produced just over half of the growth in the total liabilities of respondents.

Table 18: Longitudinal Change in Household Liabilities

Change in:	All Respondents Reporting Liabilities (N = 243)
Total household liabilities from Wave 1 to Wave 2	$2,519
Balances on educational loans	$719
Home mortgages	$567
Credit card balances	$140
Loans on vehicles	$207

Net Worth

As Table 19 indicates, the snapshot analysis reveals that the average net worth of study participants was negative in Wave 1, while the median net worth was $0. One year later, the average net worth of participants had increased to $1,891; however, the median net worth declined to a negative $315, indicating that one year later the household debts of more than half of the respondents exceeded their household assets. As the table also indicates, this outcome results from the fact that while the percent of individuals reporting positive net worth increased from Wave 1 (33 percent) to Wave 2 (41 percent), there was also an increase in the percentage of respondents who indicated negative net worth (from 43 percent in Wave 1 to 53 percent in Wave 2). The percentage of respondents who indicated zero net worth declined, from 25 to 6 percent.

Table 19: Household Net Worth of Respondents (Snapshot)

Assets	Wave 1 Respondents	Wave 2 Respondents at Wave 1	Wave 2 Respondents
Average household net worth	-$2,016 (n=538)	-$1,346 (n=269)	$1,891 (n=216)
Median household net worth	$0 (n=538)	$0 (n=269)	-$315 (n=216)
Positive net worth	175 (33%)	102 (38%)	89 (41%)
Negative net worth	231 (43%)	119 (44%)	114 (53%)
Zero net worth	132 (25%)	48 (18%)	13 (6%)
Number of respondents	538 (100%)	269 (100%)	216 (100%)

The longitudinal analysis finds that on average the household net worth of respondents rose by $2,313.[65] The median change in household net worth of participants, however, was $0, suggesting that roughly half of the survey respondents experienced gains in net worth and the other half experienced a decline in net worth.

[65]There were 202 respondents who reported their household net worth at both waves of the survey.

More specifically, the net worth of 48 percent of the survey respondents (96 respondents) grew over the course of the year, four percent (9 respondents) did not experience any change in their net worth, and the net worth of 48 percent of the respondents (97 respondents) declined during the year after program enrollment.

The SELP survey of microentrepreneurs also showed positive change in the average household net worth of participants over time. On average, household net worth of poor clients in the SELP study rose by $8,854, in real terms, over the five years of the survey.[66] The household net worth of 48 percent of the poor clients in the SELP study increased over the course of the survey.[67]

Change in Household Assets, Liabilities and Net Worth by Earned-income Subgroups

Self-employment is considered by many to generate assets, as well as act as an income generating strategy for low-income, middle- and upper-income individuals. For that reason, the longitudinal analysis of change in household assets and net worth was also extended to look below the entire sample, to differences in the earned-income subgroups examined earlier in this section. This analysis reveals striking differences, because individuals with income from self-employment reported markedly higher levels of assets and net worth, compared to the subgroups with wage income or earned-income patchers. The differences between individuals with self-employment income and wage income were particularly striking.

As was the case for all participants, the vast majority of the change in assets experienced by self-employed individuals was due to the change in the value of their housing assets. However, while housing-based asset growth was very strong, as Table 20 reinforces, it was not totally offset by the growth in housing-related liabilities. As a result, the change in household net worth among this subgroup was also quite strong, although smaller than the overall growth in assets.

Table 20: Change in Household Assets and Net Worth, by Income Subgroup (Longitudinal)

Subgroups	Change in Household Assets	Change in the Value of Housing Assets	Change in Household Assets Excluding the Value of Homes	Change in Household Net Worth
Respondents with income from self-employment (n=60)	$11,609 (n=49)	$10,949 (n=49)	$660 (n=49)	$6,661 (n=43)
Respondents with income from wage employment (n=186)	$4,494 (n=143)	$3,210 (n=143)	$1,284 (n=143)	$1,139 (n=126)
Earned-income patchers (n=23)	$8,294 (n=18)	$6,889 (n=18)	$1,405 (n=18)	$3,197 (n=16)

It is interesting to consider the reasons that underlie these differences in asset growth. One potential hypothesis is certainly that individuals who are self-employed can grow their assets, without always resorting to debt, by expensing the purchase of personal assets as a cost of doing business. Most of the businesses in the sample are based in the homes of their owners; improvements in the house that are needed for business purposes may also enhance the value of the property, thereby contributing to the growth in assets. A second

[66] *SELP Longitudinal Survey of Microentrepreneurs: Major Findings Change Over Time* (Washington, D.C.: The Aspen Institute, April 1998), 10.

[67] Ibid.

hypothesis might be that study participants are taught about the value of assets as part of their self-employment training and may, therefore, have a greater appreciation for the value of assets, resulting in choosing more often to invest in (or simply enlarge the estimated value of) personal assets.

Table 21: Change in Household Liabilities by Income Subgroup (Longitudinal)

Subgroups	Change in Household Liabilities	Change in Home Mortgages	Change in Household Liabilities Excluding the Value of Home Mortgages
Respondents with income from self-employment (n=60)	$4,882 (n=51)	$2,810 (n=51)	$2,072 (n=51)
Respondents with income from wage employment (n=186)	$2,968 (n=154)	$366 (n=154)	$2,602 (154)
Earned-income patchers (n=23)	$5,706 (n=19)	$4,263 (n=19)	$1,443 (n=19)

Whatever the reason for the change in assets and net worth, these findings do reinforce trends identified by other studies of low-income entrepreneurs. As is noted above, both the SELP and SEID studies found that low-income entrepreneurs do experience growth in personal assets and that increases in housing assets are a key factor in this asset growth.

Business and Business Growth

Key Findings

- The percentage of respondents who were operating a business increased from 17 percent at intake to 38 percent one year after program enrollment.
- Almost half of the respondents (49 percent or 146 respondents) interviewed one year after program enrollment had operated a business at some point during the year after enrolling in the microenterprise program. However, not all of these businesses were still in operation a year after intake.
- Eighty-one percent of the respondents who had a business when they entered the demonstration program were still in business a year later.
- The most common business types were services (such as child care and hair care) and apparel and crafts production.
- Fifty-one percent of respondents who were operating a business at the one-year follow-up reported drawing income from the business in the previous year.
- Three out of four businesses that were in operation in both waves of the survey grew during the year following program enrollment. Respondents who were operating a business in both waves of the survey reported an increase in sales, business assets and net worth during this time period.

One of the key questions the WTW demonstration seeks to answer is whether TANF recipients engage in self-employment after participating in a microenterprise program and whether or not their businesses grow over time. Although one year is a relatively short time to measure the business development outcomes of a microenterprise program, the study results show a strong increase in self-employment among participants. Furthermore, the large majority of businesses that had been in existence for at least a year at the time of the follow-up study experienced growth in sales, assets and net worth.

Business Ownership

Seventeen percent of study participants (103 out of the 590 respondents) were operating businesses at the time they enrolled in the microenterprise program. One year later, 38 percent of the respondents interviewed (113 out of 295 respondents), reported being in business. Among the 295 respondents interviewed one year after intake, only 19 percent (57 respondents) were operating businesses at the start of training. This indicates that the percentage of business owners doubled over the one-year period.

Of the 113 respondents who were operating businesses 12 months after program enrollment, 41 percent (46 respondents) were already in business at intake and 59 percent (67 respondents) started operating their business in the year following the baseline survey. Among these 113 respondents, 85 were working only in their business, while 28 were both operating a business and holding wage or salaried jobs at the time of the one-year follow-up interviews. Interestingly, six respondents were operating more than one business at the time of the Wave 2 interviews.

The increase in the percentage of clients operating businesses happened gradually over the course of the period between program enrollment and the one-year follow-up. As is noted above, 17 percent of clients were operating a business at intake. At the time of training completion, this percentage increased to 26

percent (147 respondents).[68] Among participants who were interviewed at the one-year follow-up survey, 49 percent (146 respondents) had businesses at some point in the year after program enrollment.[69] However, by the time of the follow-up, 33 of these 146 businesses had closed or were put on hold, bringing the percentage of self-employed respondents to 38 percent (113 respondents).

The proportion of clients who were operating a business at enrollment varied greatly across the ten demonstration sites, ranging from 0 percent for Project Hope to 68 percent for Women's Initiative. Discussions with the demonstration sites indicate that several factors appear to contribute to these differences. These include:

- ***The role of caseworker referrals.*** In most cases, TANF or workforce agency caseworkers were critical in making referrals to, or approving participation in the self-employment programs. It appears that in some cases, their assessments of the client's readiness for self-employment affected the extent to which individuals not already engaged in self-employment were referred to the demonstration program.
- ***Program design and mission.*** Project Hope's program model is designed to help TANF recipients create family day care businesses; as such, it is clearly focused on start-up businesses. On the other hand, Women's Initiative's program goal is to help women achieve economic self-sufficiency through self-employment; as such it focuses on strengthening existing businesses as much as new business creation. In order to target its services to those women who are most likely to succeed in self-employment, Women's Initiative uses a relatively intensive assessment and screening process that includes a key focus on an applicant's readiness for self-employment. This process may be one factor that led to the relatively high percentage of program clients who were in business at the time of program enrollment.[70]
- ***Regional economic differences.*** Both SOWAC and West Company operate in rural areas; the scarcity of wage jobs in these areas is likely one reason why a relatively higher proportion of clients of these programs were already in business at intake.

At the one-year follow-up, there were also differences across programs in the percentage of clients operating a business, although they were less pronounced. The percentage of clients in business ranged from 28 percent at ISED to 60 percent at Women's Initiative. Again, it appears that a range of factors likely influence the rate of business ownership across programs, including several of the factors noted above. For example, Project Hope requires all of its clients to complete a child-care internship as part of its training program; several of its clients elected to remain employed in these positions rather than starting their own day care business. Local TANF policies may also play a role. For example, in some sites local rules only allowed participants a limited period of time in which to start their business before they were required to search for a job. In other areas, where grantees were required to be engaged in work activities in addition to self-employment, there was less pressure to start or formalize a business shortly after training completion. It also seems likely that the availability of other jobs in the local region, as well as the percentage of clients in business at intake, affected the level of business ownership among clients.

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[68]Programs were asked to provide updated information on the employment status of all 590 WTW survey participants at the end of the core-training course. However, updated information was provided on 565 clients at the time that core training was completed. Self-employment rates reported here are for the 565 participants for whom information on employment status was available.

[69]This constitutes 25 percent of all participants interviewed at program enrollment.

[70]It is also important to note that the sample of clients from Women's Initiative was very small. WI conducts outcomes tracking on its overall client base (not just TANF recipients). In that effort it found that 51 percent of clients were engaged in self-employment at training graduation, and 70 percent were in business one year later. Thus, it appears that the sample of TANF clients from Women's Initiative included more clients who came to the program with existing (although largely informal) businesses.

Table 22: Respondents Operating a Business

Program Name	WTW Sample (Wave 1) N (% within a program)	WTW Sample (Wave 2) N (% within a program)
Detroit Entrepreneurship Institute (DEI)	14 (14%)	25 (51%)
Institute for Social and Economic Development (ISED)	21 (14%)	23 (28%)
MiCasa Resource Center for Women (MC)	7 (28%)	5 (39%)
Project Hope (PH)	0 (0%)	7 (35%)
Southern Oregon Women's Access to Credit, Inc. (SOWAC)	8 (36%)	5 (39%)
West Company (WC)	14 (33%)	12 (41%)
Women's Initiative for Self Employment (WI)[71]	17 (68%)	6 (60%)
Worker Ownership Resource Center (WORC)	6 (9%)	12 (40%)
Women's Self-Employment Project (WSEP)	4 (7%)	8 (36%)
WomenVenture (WV)	12 (18%)	10 (36%)
Number of respondents	103 (17%)	113 (38%)

Types of Businesses

There is a great deal of diversity in the types of businesses operated by study participants. The most prevalent types of businesses were child care, apparel and accessories, food, and personal services (Table 23). These findings about business types mirror those found in other studies of low-income entrepreneurs, which found high concentrations of businesses in the services and retail trade sectors.

[71]It is important to note that at intake, 25 WI clients were surveyed for this study. Out of these respondents, 10 (or 40 percent of baseline participants) were interviewed at the one-year follow-up survey. Out of the 10 respondents interviewed at Wave 2, 7 were operating a business at program enrollment. The decline in the percentage of respondents operating a business at Wave 2 is caused by one person closing a business over this one-year period.

Table 23: Types of Businesses	
Business Categories	Wave 2
Child care	22 (19%)
Clothing, apparel or accessories	11 (10%)
Arts and crafts	9 (8%)
Food	8 (7%)
Personal service/beauty shop or salon	8 (7%)
Health services	6 (5%)
Gifts, parties or flowers	5 (4%)
Cleaning	5 (4%)
Construction or home repair	4 (4%)
Computers	3 (3%)
Business services	5 (4%)
Other[72]	27 (24%)
Number of respondents	113 (100%)

Business Survival and Closure

Research on low-income businesses shows a substantial level of volatility in the early years of business operations. Individuals will start their businesses, but may often elect to put their business "on hold" or even to close it as they deal with personal issues or move into wage employment. In some cases, businesses that are placed on hold, or even those that are closed, may reopen at a later point. In some of these instances the business idea or key products may be different from the original business. Participants in the WTW study demonstrated these patterns in business ownership. While the vast majority of businesses that were opened in the year following the survey were still operating one year later, there were a set of businesses that had closed or been placed on hold.

Eighty-one percent of the businesses that existed at program intake were still in business one year later.[73] On the other hand, 33 respondents who operated businesses in the year after program enrollment were not in business at the time of the one-year follow-up interviews. Among these, four respondents reported operating a business at program enrollment, and the rest opened and closed the business during the year after program enrollment. More than half of the respondents who were no longer in business at the time of the Wave 2 interview stated that their businesses were "on hold" rather than closed.

[72]Businesses in the "other" category include photography, transportation and desktop publishing businesses, as well as a recording studio.

[73]Out of 57 businesses that were in operation at the time of intake, 46 were still operating one year after the program enrollment.

Table 24: Status of Businesses No Longer Operating at Wave 2	
Business Closed, Sold, Never Opened, On Hold	Number & Percent of Respondents
Closed	9 (27%)
Sold	2 (6%)
Never opened	2 (6%)
On hold	18 (55%)
Don't know	2 (6%)
Number of respondents	33 (100%)

Respondents cited business problems and personal circumstances as reasons for closing their businesses. Out of 33 respondents who stopped operating their businesses during the year after program enrollment, 91 percent cited business problems as contributing to their decision, and 55 percent cited personal circumstances as a reason for no longer operating their business.[74] Eighteen of the individuals who closed their businesses were on TANF at the time of the Wave 2 interview; all of these individuals cited TANF requirements as contributing to their decision to leave self-employment. Although the follow-up interview did not collect detailed information about the specific TANF requirements that influenced the decision to close the business, such questions were posed to some study participants as part of the companion research into the policy context conducted by CLASP. Their research found instances in which individuals were told by caseworkers to pursue other work activities. This occurred because the state TANF regulations stated that after a stipulated period of time (90 days in the state of Michigan, e.g.), TANF recipients must be drawing at least minimum wage out of their business in order to count hours spent in self-employment toward their hourly work requirements.

Table 25: Reasons for Closing Businesses	
Problems That Contributed to Closing, Selling, Never Opening or Putting Business On Hold	Number & Percent of Respondents
Business problems	30 (91%)
Personal circumstances	18 (55%)
Number of respondents	33 (100%)

Business Draw

TANF recipients, like all other business owners, face the choice of reinvesting income generated by their business back into the business to support future growth and operations or taking it out to support family needs. Of the 113 respondents who were operating a business one year after program enrollment, 51 percent (58 respondents) reported receiving salary or owners draw from their business.[75] Those respondents who did take money out of their business drew an average of $8,497 and a median $3,600 from their business in the year after program enrollment.

[74]Respondents were given an option to report multiple reasons for leaving self-employment.

[75]Out of 58 respondents who said they had some income from their businesses, 86 percent (50 respondents) reported their business earnings.

Interviews with the grantees indicate that several factors may influence a business owner's decision to draw income from their business. These include:

- ***The consistency and level of business earnings.*** It typically takes several months, if not years, for young businesses to generate consistent levels of sales and profits that enable an owner to draw out income.
- ***Recommendations from microenterprise program staff.*** Most microenterprise training programs, as well as follow-up technical assistance services, encourage entrepreneurs to reinvest earnings from the early stages of business ownership to expand and stabilize the business.
- ***TANF policies for self-employment income and assets and work requirements.*** In some of the states where demonstration sites are located, TANF policies support the reinvestment of business income to strengthen the business over the long term. Other states have far less supportive policies; in fact, some states require that if self-employment is to count as a work activity, individuals must, after a specified period of time (e.g., ninety days), be drawing at least minimum wage out of their business.[76]

The SEID study of AFDC recipients who engaged in self-employment found similar outcomes about the extent to which business owners take income from their enterprises. Combining respondents who were taking an owner's draw and those paying themselves a regular wage, 36 percent of SEID business owners were receiving regular income from their businesses at the time of the follow-up survey.[77]

As shown in Table 26, the length of time that a business has been in operation is an important factor in explaining whether or not the participant draws income from the business. Among those respondents who reported the exact amount of income drawn from their business at Wave 2,[78] a higher percentage of those who were operating a business at program enrollment drew income from their business (57 percent), compared to those who started operating a business after program enrollment (48 percent).

Table 26: Business Earnings of Respondents Who Were Operating a Business One Year after Program Enrollment[79]

	Number of Respondents	Drawing Income from Business	Average Draw in the Past Year	Median Draw in the Past Year
Operated business at program enrollment	46 (100%)	26 (57%)	$7,521	$5,400
Started business after program enrollment	67 (100%)	32 (48%)	$9,328	$3,600
All respondents operating businesses at Wave 2	113 (100%)	58 (51%)	$8,497[80]	$3,600

[76]For more detailed information about TANF policies in the states where the demonstration sites are located, see Nisha Patel and Mark Greenberg, *Microenterprise Development and Self-Employment for TANF Recipients: State Experiences and Issues in TANF Reauthorization* (Washington, D.C.: The Aspen Institute, May 2002).

[77]Salome Raheim and Catherine Foster Alter, *Self-Employment Investment Demonstration, Final Evaluation Report, Part 1: Participant Survey* (Iowa City: University of Iowa School of Social Work, April 1995), xii.

[78]Among respondents who operated a business at program enrollment (46 respondents), 23 out of 26 respondents who said that they drew income from their business reported the amount of income that they drew in the past year. Among respondents who started to operate a business after program enrollment (67 respondents), 27 of 32 who said that they drew income from their business reported the amount of income drawn in the past year.

[79]The figures reported for business draw in this table are different from the amount of business draw reported in Table 7 for respondents with income from self-employment at Wave 2 ($7,030). In Table 7, all respondents who reported receiving income from self-employment in the past year and also reported all components of their household income are included (43 respondents). In Table 26 respondents who were operating a business one year after program enrollment and reported drawing income from their business in the past year are included (58 respondents). Among these 58 respondents, 50 respondents reported the total amount of income they drew from their business.

[80]Out of 58 respondents who reported drawing income from their business in the past year, 50 reported the amount of income they drew from their business. Among 26 respondents who operated a business at program enrollment and reported drawing income from their business in the past year, 23 reported the amount of income they drew from their business. Among 32 respondents who started operating a business after program enrollment and reported drawing income from their business in the past year, 27 reported the amount of income they drew from their business.

As Table 26 indicates, the average business draw was higher for businesses that were started after program enrollment than for those that existed at intake, due in part to the strong performance of three young businesses that each resulted in over $40,000 in business draw in the first year of operations. The opposite was true for the median business draw, which was greater for the older businesses. Table 27 shows a frequency distribution of the level of business draw by the age of the business; this illustrates that the level of business draw does not appear to differ dramatically according to the age of the business.

Table 27: Level of Business Draw by Age of Business

	Number of respondents	Less than $3,000	Between $3,000 and $10,000	Greater than $10,000
Operated business at program enrollment	23 (100%)	9 (39%)	9 (39%)	5 (23%)
Started business after program enrollment	27 (100%)	12 (44%)	9 (33%)	6 (22%)

Business Growth: Changes in Sales, Assets, Net Worth and Employment

One of the key questions that the longitudinal study seeks to address is whether the businesses started by TANF recipients grow over time, and if so, to what extent. At this point in the evaluation, it is difficult to address this question because many of the businesses started by survey participants were created after program enrollment and were very young at the time of the one-year follow-up. However, to get an initial sense of business growth, it is possible to look at the experiences of the set of businesses that were in operation at the time of the baseline study. To assess the extent to which this set of businesses grew, we examined the changes that they experienced in business sales, assets, net worth, and employment between the first and second waves of the study.

The survey findings show that three out of every four businesses that operated in both waves of the survey (46 businesses) experienced growth in sales over the one-year period after program enrollment. Overall, monthly sales of all businesses operating at both waves grew by $701 (130 percent), from an average of $540 at enrollment to $1,241 at the time of the follow-up interviews.[81]

Table 28: Monthly Business Sales

Monthly Business Sales	Intake	One year later
Average	$540	$1,241
Median	$425	$775
Range	$0-$2,917	$0-$10,000
Number of respondents	46	46

Among the respondents who were operating a business at both waves of the survey, 69 percent (24 respondents) showed an increase in their business assets over this one-year period.[82] The business assets of 3 percent (1 respondent) stayed the same, and the business assets of 29 percent (10 respondents) decreased over this period. On average, the respondents' business assets grew by $6,744.

[81]Note that at baseline, respondents whose businesses were in operation for less than 12 months reported their total sales during the month before the baseline survey (21 businesses), and respondents whose businesses were in operation for more than 12 months reported their total sales over the 12 months prior to the baseline interview (25 businesses). To compare business sales at intake and at the follow-up interviews, annual sales of businesses that were in operation for more than 12 months were divided by 12 to get the average monthly sales. At the follow-up interviews, respondents were asked to report the total sales of their business in a typical month, and these figures were compared to monthly sales at enrollment.

[82]Thirty-five out of 46 respondents who operated a business in both waves of the survey reported their business assets in both waves.

Table 29: Business Assets

Business Assets	Intake	One Year Later
Average	$7,475	$14,219
Median	$2,050	$5,000
Range	$0-$100,000	$0-$78,000
Number of respondents	35	35

The participants experienced similar changes in net worth. Overall, two-thirds of the participants showed an increase in their net worth, with one business owner experiencing no change and the remaining experiencing a decline. On average, the net worth of businesses increased by $4,549. These changes in net worth are consistent with those found in other studies. The net worth of businesses in the SEID demonstration showed a median increase of $4,867.[83] In the SELP study, microentrepreneurs whose businesses were still operating in the last year of the survey experienced an increase in business net worth of $8,808 in real terms.[84]

Table 30: Business Net Worth

Business Net Worth	Intake	One Year Later
Average	$7,688	$12,237
Median	$2,275	$4,873
Range	$0-$100,000	$0-$78,000
Number of respondents	32	32

While few of the businesses that operated at both waves of the study had employees, there was strong job growth in those few firms over the one-year period. In Wave 1, three of the 46 businesses had employees for a total of five jobs. One year later, eight of the firms employed a total of 25 employees (13 full-time and 12 part-time or seasonal), for an increase of 20 jobs.

In general, the one-year findings from the longitudinal study show promising growth in self-employment among demonstration participants. The findings also indicate strong growth among the businesses that were in existence for at least a year at the time of the one-year follow-up. These midpoint findings are consistent with those of other efforts to document the outcomes of low-income individuals and welfare recipients engaging in self-employment. The two-year follow-up, now under way, will provide additional insights into the extent to which TANF recipients create businesses that survive and grow over time.

[83]Robert E. Friedman and others, *Building Assets: Self-Employment for Welfare Recipients* (Washington, D.C.: Corporation for Enterprise Development, 1995), 10.

[84]*SELP Longitudinal Survey of Microentrepreneurs: Major Findings Change Over Time* (Washington, D.C.: The Aspen Institute, April 1998), 13.

Jobs and Job Quality

Key Findings

- Forty-two percent of the respondents (125 respondents) were working at wage or salaried jobs one year after program enrollment, an increase from 23 percent at intake.
- The average and median hourly wages of program participants who were working in wage or salaried jobs were $9.08 and $8.25, respectively. The average and median hourly earnings of respondents who drew income from their businesses were $9.67 and $4.00, respectively.
- On average, employed participants worked 34 hours per week (including hours spent in self-employment). Employment patchers reported working the greatest number of hours: an average of 46 hours and a median of 50 hours per week.
- The median wage in 1999 dollars of employed WTW TANF leavers was $8.17, compared to $7.15 for employed TANF leavers nationally.
- Over half (52 percent) of the survey participants engaged in wage employment report that they had access to health insurance at their primary job.
- A higher percentage of WTW TANF leavers report having health insurance, paid vacation and sick leave benefits through their employers, compared to data provided by other TANF leavers' studies.

Assisting individuals in self-employment is clearly the primary goal of microenterprise programs. However, individuals who enter such programs often ultimately choose to enter wage employment or to blend wage and self-employment as they build their business and move toward greater economic self-sufficiency. Because wage employment is often an outcome for participants in self-employment programs (and in fact, several of the demonstration programs provided employment services to their clients to assist them in securing employment if that was deemed to be a necessary choice), and because ultimately a key goal of the TANF program is to support work, the longitudinal study was designed to capture information about a study participant's experiences with employment for wages, as well as self-employment.

At the one-year follow-up, the percentage of participants engaged in wage employment and the percentage engaged in patching wage and self-employment had almost doubled. The average wages of those engaged in wage employment and self-employment were similar, although there was a greater range in the wage levels of those who were self-employed. Based on findings from various studies of TANF leavers, WTW TANF leavers who were engaged in wage employment had favorable wage levels, and a higher percentage were working in jobs in which they received health insurance, paid vacation, and paid sick leave.

Wage Employment

At program enrollment, 23 percent of the respondents (135 out of 590 respondents) were working in wage or salaried jobs. Eighteen percent of the respondents were working only at a wage job and 5 percent of the respondents were patching wage-employment with self-employment (See Table 1). A snapshot analysis of the data indicates that one year later, 42 percent of the survey respondents were working at wage or salaried jobs. Among these, 33 percent of the respondents were working solely at a wage job, and 9 percent were patching wage-employment with self-employment. Thus, both the percentage of respondents working at wage jobs and the percentage of patchers among survey respondents increased compared to the baseline.

Looking only at the Wave 2 respondents, again 23 percent (67 of 295 respondents) were working at a wage job at the time of program enrollment. Sixty-eight percent (200 respondents) of these 295 respondents reported that they held wage jobs at some point during the year after program enrollment. However, by the time of the Wave 2 interviews, 75 respondents were no longer working in wage or salaried jobs, bringing the number of respondents employed in wage jobs to 125 (or 42 percent of the sample). Among the 75 respondents who lost their wage jobs during the year, 33 were operating a business at the time of the Wave 2 interviews, and 42 were unemployed. These findings show that program participants were actively looking for and getting jobs, however, a number of these participants did not keep these jobs over the course of the year.

Patching of Wage and Self-Employment

As noted above, at program intake 5 percent of the survey respondents were combining wage and self-employment. At the Wave 2 survey, this percentage increased to 9 percent. However, the data on employment patterns during the year suggest that a higher percentage of survey respondents may have been patching during the course of the year after program enrollment. Among the 75 respondents who worked in a wage job at some time during the year, but who were not working at the time of the follow-up survey, 33 respondents were operating businesses at the time of the one-year follow-up survey.[85] It is likely that some of these respondents were patching at some time during the course of the year, yet, they eventually ended up working solely in their businesses.

There may be several reasons why the incidence of patching was greater during the course of the year after program enrollment than at the point of the Wave 2 survey. First, many participants may have elected initially to pursue patching, seeing it as a strategy to maximize their income as they moved to reduce their dependence on TANF. As single mothers it is often difficult for TANF recipients to make the transition to wage employment, let alone to the increased demands required to combine wage and self-employment. Some participants may simply have lacked the ability to continue these multiple roles, particularly if difficulties with child care or transportation emerged. Other participants may have elected initially to patch, seeking to supplement their low initial earnings from self-employment with more predictable wage income. Over time, however, as their business strengthened and produced greater income, they may have elected to forego wage employment. Finally, some respondents may simply have lost their job for the many reasons often experienced by TANF recipients entering the labor market. The two-year follow-up to this longitudinal study will also collect data on the extent to which participants are engaged in patching. This information may yield additional insights as to the choices that participants make over time to combine or to move between wage and self-employment.

Occupations

Almost a quarter of wage-employed study respondents (23 percent) were working in administrative support jobs at the time of the follow-up study.[86] The percentage of respondents in other occupations ranged from 14 percent in health care to 4 percent in janitorial occupations. The following figure shows the percentages of WTW respondents who were working in different occupations.[87]

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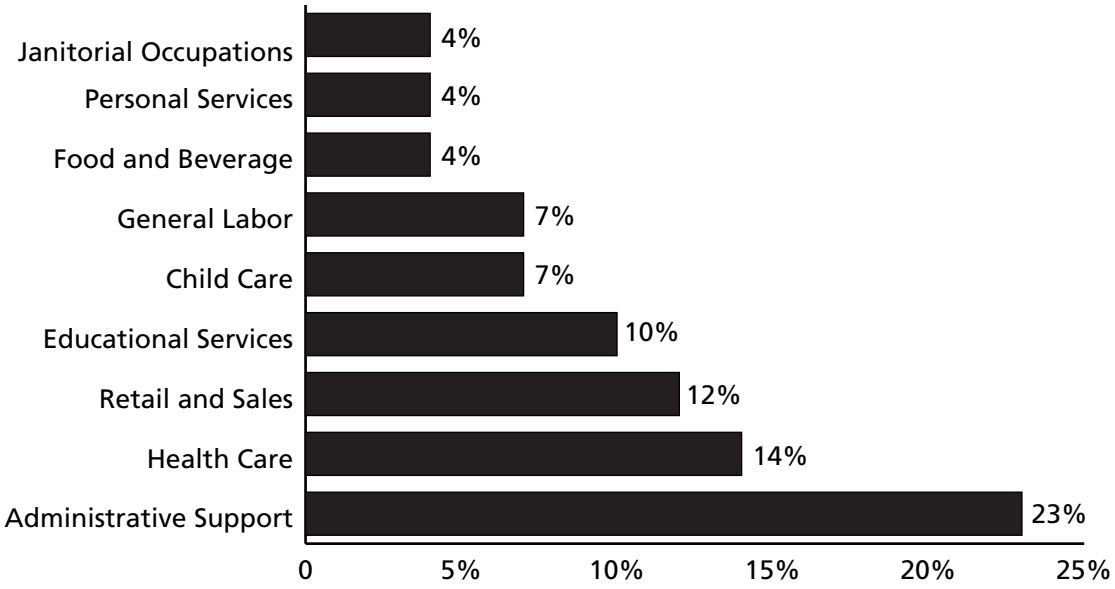
[85]Among these respondents, 13 were operating a business at intake.

[86]Out of 125 respondents holding wage or salary jobs, 12 were not asked questions about their current jobs due to an error in the skip pattern of the survey. The percentages reported here are from 113 valid cases.

[87]An additional 13 percent of the respondents were working in other occupations, and 2 percent refused to answer the question.

FIGURE 5: Occupations



Earnings per Hour and Number of Hours Worked at Jobs and Businesses

The hourly job earnings of program participants who were working at the time of the Wave 2 interviews ranged from $4.05[88] to $20.00, with an average and median hourly wage of $9.08 and $8.25, respectively.[89] The hourly earnings of business owners who took a salary or draw from their business had a wider range, from $0.14 to $92.31. Their average hourly earnings, at $9.67, were slightly higher than those of study participants engaged in wage employment. However, their median hourly earnings, at $4.00, were less than half that of wage earners in the sample. The substantial difference between the average and median hourly earnings of business owners shows that the distribution of hourly earnings of business owners was quite skewed, with many reporting low business earnings and a few respondents reporting high hourly earnings. Very low hourly earnings are not unusual in early-stage businesses, as owners must often put in many hours of work before revenues, and more important, profits are realized. Even when the business generates profits many business owners choose to reinvest that money back into the business.

Table 31: Earnings per Hour at Jobs and Businesses at the Time of the Wave 2 Interviews

	Mean	Median	Range
Job earnings per hour (n=100)	$9.08	$8.25	$4.05 - $20.00
Business earnings per hour (n=50)	$9.67	$4.00	$0.14 - $92.31

Respondents engaged in wage employment and those who were self-employed worked an average of 34 hours per week at their jobs or businesses at the time of the Wave 2 interviews. However, the median number of hours worked by these two groups was slightly different. Self-employed respondents worked 30 hours per

[88]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.

[89]Out of 125 respondents in wage or salaried jobs, 100 reported valid data on hourly job earnings.

week compared to 37 hours per week for the respondents employed in wage or salary jobs. Not surprisingly, respondents who were patching worked more hours than those engaged solely in self- or wage employment.

Table 32: Hours Worked per Week at Jobs and Businesses at the Time of the Wave 2 Interviews

	Average Hours Worked per Week	Median Hours Worked per Week
Wage-employed (n=124)	34	37
Self-employed (n=109)	34	30
Patchers (n=26)	46	50

Earnings per Hour Relative to TANF Leavers

The median hourly job earnings of all WTW participants, as well as the subset of WTW TANF leavers, were slightly higher than those reported by TANF leavers in the NSAF. To compare the hourly job earnings of WTW TANF leavers to those of NSAF leavers, the median hourly job earnings of WTW respondents were deflated.[90] The median hourly earnings of WTW TANF leavers was $8.46. In 1999 dollars, WTW TANF leavers earned $8.17 per hour, just over $1.00 an hour higher than the median earnings of TANF leavers in the NSAF at $7.15.[91]

Table 33: Median Earnings per Hour: TANF Leavers vs. WTW Participants

	WTW**			
NSAF 1999 Leavers*	All		Off TANF	
	At Jobs	At Businesses	At Jobs	At Businesses
$7.15	$8.25 (n=100)	$4.00 (n=50)	$8.46*** (n=76)	$4.62 (n=29)

*In 1999 dollars
**In 2000 dollars
***Equal to $8.17 in 1999 dollars

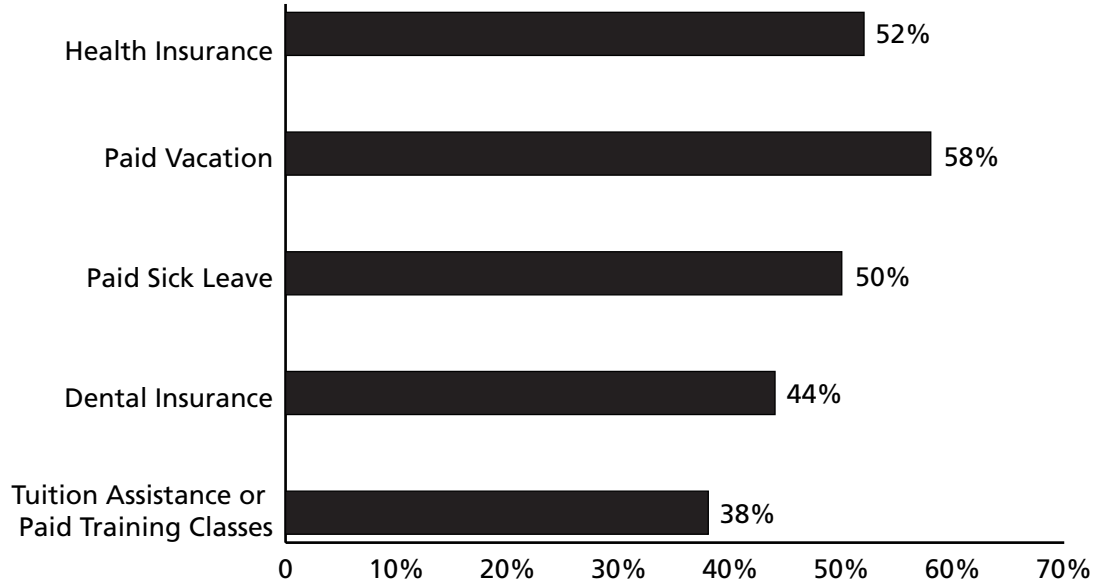
Job Benefits

The benefits offered to employees are another indicator of the quality of jobs held by study participants. Fifty-two percent of the participants working in wage or salaried jobs reported that their employers offered health insurance, and 44 percent reported having access to dental insurance through their employer. In addition, 58 percent of the wage jobs provided paid vacation, and 50 percent offered paid sick days.

[90]Consumer prices rose by 3.4 percent between 1999 and 2000. Information on the change in the Consumer Price Index is available at ftp://ftp.bls.gov/pub/special.requests/cpi/cpiai.txt.

[91]Pamela Loprest, *How are Families That Left Welfare Doing? A Comparison of Early and Recent Welfare Leavers,* (Washington, D.C.: The Urban Institute, April 2001), 3.

FIGURE 6: Percentage of Participants with Access to Benefits at Their Main Job



Job Benefits for TANF Leavers

The quality of jobs held by WTW TANF leavers working at wage or salaried jobs compare favorably to those of TANF leavers of other research efforts. Thirty percent of WTW TANF leavers with wage or salaried jobs had health insurance through their employers.[92] Among TANF leavers in the NSAF study, only 23 percent had health insurance. In addition, compared to TANF leavers in a range of state studies reviewed by the Center for Law and Social Policy, a higher percentage of TANF leavers in the WTW sample had paid vacation and paid sick leave benefits.

Table 34: Job Benefits: TANF Leavers vs. WTW Participants

	NSAF 1997 Leavers Sample[93]	Ranges from State Leavers Sample[94]	WTW	
			All	Off TANF
Health insurance	23%	----	25%*	30%**
Paid vacations	----	31-62%	58%	64%
Paid sick leave	----	28-50%	50%	54%

*Respondents with employer health insurance as a percentage of those who reported working for someone else (31 of 125 respondents)

**Respondents with employer health insurance as a percentage of those who reported working for someone else (28 of 94 respondents)

[92]This is the percent of WTW TANF leavers who received health insurance through their job. The numbers presented in Figure 6 represent the percentage of all working survey respondents who had access to health insurance in their jobs whether or not they actually chose to receive their health insurance from that source.

[93]Pamela Loprest, *Families Who Left Welfare: Who Are They and How Are They Doing?* (Washington, D.C.: The Urban Institute, 1999). Available at http://newfederalism.urban.org/pdf/discussion99-02.pdf.

[94]Gregory Acs and Pamela Loprest, *Initial Synthesis Report of the Findings from ASPE's "Leavers" Grants* (Washington, D.C.: The Urban Institute, January 4, 2001). Available at http://aspe.hhs.gov/hsp/leavers99/synthesis 01/index.htm.

Quality of Life Factors: Health Insurance and Key Concerns

Key Findings

- Seventy-five percent of the study participants had health insurance coverage one year after program enrollment, compared to 90 percent at program intake.
- Health insurance coverage among the participants' children dropped only slightly, from 92 percent to 88 percent.
- Among those with health insurance, the percentage whose coverage came from public sources dropped 20 percentage points, from 93 percent to 73 percent.
- Fully 80 percent of the respondents noted that paying their bills each month and maintaining reliable transportation were issue of concern; having working utilities and a place to live were also key concerns.
- Their own health — mental and physical — and that of family members were other key areas of concern to respondents.

As they move away from assistance, one of the primary concerns for TANF recipients centers around the availability of adequate health insurance for themselves and their children. While receiving assistance, most individuals qualify for Medicaid benefits. However, as they move into work and exhaust their transitional benefits, health insurance becomes a major concern. While the new State Children's Health Insurance Programs (S-CHIP) have provided low- or no-cost care for many poor children, former recipients must typically rely on their employers for coverage. This is a challenge for individuals moving into low-wage jobs, many of which do not include benefits. It is an even larger problem for self-employed individuals, who must seek to find coverage in a market that does not provide affordable coverage to individuals, including the self-employed.

To document the degree to which health insurance coverage was a challenge for study participants, the baseline and one-year follow-up interviews collected information on whether participants had health insurance coverage for themselves and their children, and the source(s) of that coverage. The findings indicate that most of the children of study participants continue to have coverage through Medicaid or state-provided sources. Coverage among participants themselves has dropped, however, although interestingly, participants who are self-employed have not yet experienced lower levels of coverage than do those who are engaged in wage employment. Coverage has dropped because fewer participants are covered by Medicaid. However a somewhat higher percentage of participants are receiving employer-provided coverage, and a very small percentage have purchased coverage on their own.

The interviews also attempted to identify other key areas of concern to respondents, in part to try to assess the key barriers to self-sufficiency that remain for these individuals. The most commonly cited areas of concern were those having to do with basic financial resources: paying the bills each month, maintaining reliable transportation, and having a place to live and working utilities. However, health and mental health issues were also concerns for a substantial percentage of respondents.

Health Insurance Coverage

At program intake, 90 percent of the respondents noted that they had health insurance coverage for themselves; 92 percent stated that their children had coverage. One year later, insurance coverage among participants themselves had declined to 75 percent. However, there was only a slight decline to 88 percent in coverage among participants' children.

The year after program enrollment also saw a significant shift in the sources of health insurance coverage among participants. In the baseline year, 93 percent of the survey respondents who had health insurance received their coverage from public sources. One year later, this percentage had dropped to 73 percent. In that same year, the percentage of respondents receiving coverage through their employer increased, from 2 percent at intake to 14 percent one year later. Two percent of the participants purchased their own insurance at the time of the follow-up study, compared to zero in the baseline year. There was a similar, although less pronounced shift, in the source of insurance coverage for the children of study participants. Publicly-supported coverage declined from 91 percent to 78 percent, while the percentage of children who had coverage through the respondent's employer grew from 2 percent to 6 percent. Seven percent of the children had coverage through their other parent (not the respondent).

Key Concerns

As another means of assessing the concerns and barriers that participants faced as they sought to move toward self-sufficiency, the one-year follow-up interview asked respondents to identify whether a set of key issues posed a concern to them. The list of issues included: basic financial needs, health issues, basic skill levels, and issues faced or created by family members. A few trends emerged from this line of questioning.

First, the major issues of concern among respondents related to basic financial needs. Paying bills each month and maintaining reliable transportation were identified as issues of concern by 80 percent of the participants. Having working utilities, a place to live and a working telephone followed fairly close behind, with each identified by around 60 percent of respondents. Given that all of the participants in the study were current or recent TANF recipients and, therefore, very low-income, at the time of the follow-up interviews, it is perhaps not surprising that financial issues were the most commonly-shared concerns.

The next largest set of concerns centered on the respondent's own health, or their roles as caretakers. Forty-four percent of the respondents mentioned finding child care as a concern; the same percentage noted concerns with the health of others. Forty-two percent of the respondents said that their own health was an area of concern. Perhaps most striking, 32 percent cited depression or other mental health issues as an item of concern.

About one-third of the respondents cited their mastery of various basic skills as areas of concern. These included math skills, writing skills and communication skills. Interestingly, very few respondents identified drug or alcohol abuse (for themselves or a family member) or domestic violence as areas of concern. However, 30 percent of respondents did identify legal issues as an area of concern for them.

Conclusion

The one-year findings from the microenterprise WTW demonstration provide evidence that self-employment is a viable source of work and earned income for TANF recipients. Study participants who enrolled in microenterprise programs doubled their rate of self-employment, and those who entered the programs already in business succeeded in increasing their sales, assets and net worth. Study participants who drew income from their self-employment activities had the highest household incomes in the sample, both at the time of program enrollment and one year later. Furthermore, individuals engaged in self-employment showed strong growth in assets and net worth, driven by a small set of individuals who experienced growth in the value of their homes.

There are also initial indications that participation in microenterprise programs may benefit participants who do not initially choose to pursue self-employment. As a whole, study participants experienced increases in household income, household assets and net worth one-year after enrolling in the demonstration programs. Study participants also doubled their participation in wage employment one year after program enrollment. Although some of this change was likely driven by TANF rules that require recipients to engage in work and limit the duration of cash assistance, it was also likely the result of efforts on the part of microenterprise programs to impart business skills of value in the workplace and to assist participants in securing wage employment as necessary.

The study findings also provide initial indications that patching self-employment and wage income may be a highly promising, albeit difficult path, for at least some TANF recipients. Only a small percentage of study participants engaged in income patching. The number of hours required in order to engage in both forms of work appear to be but one of the challenges that individuals face in blending these strategies. However, the participants who engaged in patching had household incomes that were substantially larger than those of other study participants, due primarily to much higher levels of earned income.

The two-year follow-up interviews that are currently being conducted will shed additional light on several of the key questions which the participant study seeks to address. Will the rates of self-employment and earned-income patching remain stable or perhaps continue to grow? Will the businesses continue to show growth, and will an increasing percentage of business owners draw income from their enterprises over time? Will these businesses survive over the longer period of time, and if so, will it continue to be the case that individuals who are self-employed show relatively higher household incomes than those engaged in wage employment? For the businesses that fail, what appear to be the primary factors that led to business closure? Neither business development nor the journey out of poverty are short-term endeavors; while two years is too short a time for all participants to achieve their business goals, the additional year of data will provide important insights about the progress that can be made. The two-year follow-up report will also present information on the program costs associated with serving TANF clients, which will be useful data to welfare administrators considering whether and how to support the self-employment option.[95]

Finally, as one considers the findings in this report, it is important to keep in mind that the TANF policy context varied widely across the demonstration sites.[96] A few of the demonstration programs were located in

[95]Although the design of the WTW learning assessment did not allow for a detailed study of program costs, reports provided by the grantees to the Mott Foundation do present information on the total program costs and the numbers of clients served by each grantee. These data, which gives a sense of the costs incurred per client, will be presented in the two-year follow-up report.

[96]For a more detailed discussion of the policy context in which the demonstration sites operated, see Nisha Patel and Mark Greenberg, *Microenterprise Development and Self-Employment for TANF Recipients: State Experiences and Issues in TANF Reauthorization.* (Washington, D.C.: The Aspen Institute, May 2002). This and other publications produced by CLASP for the WTW learning assessment can be found at www.fieldus.org/li/welfare.html.

areas where self-employment was clearly identified and supported as an option for TANF recipients. In these sites, study participants were allowed to count participation in microenterprise training and self-employment start-up activities toward their work requirements. In some instances, individuals who started businesses could take advantage of self-employment income and asset rules that were designed to allow reinvestment of income into the business so that it could be strengthened and stabilized. In other sites, however, participants were actively discouraged from engaging in self-employment training or business start-up or were given only a limited time to pursue their business before being told to pursue other work activities. Given this situation, policy changes that create a clearly supportive environment for self-employment would further strengthen the ability of TANF recipients to use business development to move away from assistance and toward self-sufficiency.[97]

[97]For more information on policy changes to the TANF statute that could support self-employment, see *Research Brief No.2: Improving the Climate for Self-Employment: Policy Recommendations for TANF Reauthorization* (Washington, D.C.: The Aspen Institute, April 2002), and Patel and Greenberg, as cited above.

Technical Note: Survey Response Rate and Comparison of Characteristics of Wave 2 and Wave 1 Respondents[98]

Survey Response Rate

The one-year follow-up of survey participants (Wave 2) involved in-depth telephone interview with clients 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 The Aspen Institute for analysis.[99] Participants in the one-year follow-up survey were compensated for their interview participation,[100] and they were assured that their identities would be kept completely confidential.[101] Of 590 survey respondents at baseline, 295 respondents (50 percent) completed the one-year follow-up survey. A comparison of the characteristics of respondents to the baseline and one-year follow-up surveys is provided in the second section of this technical note. Based on this analysis, there appears to be little bias introduced as a result of sample attrition over time.

The number of clients interviewed at baseline and in the one-year follow-up survey and the response rates by program are presented in the following table:

Table 35: Number and Percent of Clients Interviewed by Program

Program	Wave 1	Wave 2
Detroit Entrepreneurship Institute (DEI)	100 (100%)	49 (49%)
Institute for Social and Economic Development (ISED)	156 (100%)	81 (52%)
MiCasa Resource Center for Women (MC)	25 (100%)	13 (52%)
Project Hope (PH)	35 (100%)	20 (57%)
Southern Oregon Women's Access to Credit, Inc. (SOWAC)	22 (100%)	13 (59%)
West Company (WC)	42 (100%)	29 (69%)
Women's Initiative for Self Employment (WI)	25 (100%)	10 (40%)
Worker Ownership Resource Center (WORC)	64 (100%)	30 (47%)
Women's Self-Employment Project (WSEP)	56 (100%)	22 (39%)
WomenVenture (WV)	65 (100%)	28 (43%)
Number of respondents	590 (100%)	295 (50%)

As shown in Table 35, the response rate to the one-year follow-up survey on a program-by-program basis ranged from 39 percent for Women's Self-Employment Project (WSEP) clients to 69 percent for West Company clients.

[98]In this section we refer to the baseline survey, the survey that was conducted at the start of core training, as Wave 1, and the survey conducted one year following core training as Wave 2.

[99]ISSI converted the survey instrument that was designed by The Aspen Institute's FIELD staff to a CATI instrument and hired interviewers to conduct the Wave 2 survey.

[100]Respondents were paid $25 for their participation in the one-year follow-up survey.

[101]The contract had a provision that ISSI interviewers attempt at least up to 10 calls in cases when there were no obvious issues with the participants' phone numbers. In addition, a tracing company was used to track the phone numbers of clients if they were disconnected or if the person had moved.

An analysis of the reasons for not responding to the Wave 2 survey indicated that the predominant reason was the interviewer's inability to locate the respondent. In 99 of the 295 cases in which the survey was not completed, the phone number was disconnected. In 109 cases the phone numbers were wrong or not working, and in 57 cases the client could not be reached even after more than 10 attempts to contact them.[102] In others, the client had moved with no forwarding address or phone number.[103] Eleven individuals refused to complete the survey.[104] In another 8 cases, the client was unable to participate in the survey.[105]

The two-year follow-up survey (Wave 3), for which data collection has just been completed, also involves an in-depth telephone interview with the clients of the microenterprise programs.[106] Attempts were made to interview each of the 590 respondents from the baseline survey, regardless of whether the individual responded to the Wave 2 survey. Based on an assessment of the survey process and response rate in the Wave 2 data collection effort, FIELD elected to bring the survey process back in house, using a paper-based survey instrument. A highly skilled team of interviewers who are sensitive to and experienced in tracking and interviewing low-income participants, and had prior experience conducting interviews with disadvantaged populations for The Aspen Institute, were brought in to work on this project. This approach allowed for greater supervisory control by FIELD staff over individual interviewers, and also enabled interviewers to focus more carefully on tracking specific respondents. The revised process resulted in an improved response rate of 61 percent for the two-year follow-up survey. The results from that survey are scheduled to be published in the summer of 2003.

Comparison of Respondent Characteristics

The characteristics of survey respondents who were interviewed at Wave 1 and those who completed the Wave 2 survey were compared on a number of indicators collected in the Wave 1 survey. These indicators include:

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

Results of the comparison show that the two groups are very similar in most respects; however, there are some differences. Respondents interviewed one year later are slightly older, more educated and have higher levels of household assets and liabilities. A somewhat smaller percentage is African-American. The remaining

[102]In four other cases the phone numbers provided were for fax machines or pagers.

[103]This was the case for seven eligible clients.

[104]In eight cases the client was reached but refused the interview. In another three cases the household member reached on the phone refused the interview.

[105]In two cases the respondent was too ill, in one case the client had died, and in another five cases language barriers were cited as the reason why the interview did not take place.

[106]Wave 3 data collection is slated to be complete in June 2002.

indicators suggest that respondents interviewed in Wave 2 represent the original group quite well. It appears likely that changes over time in this group's employment and finances will reflect the changes that all participants in the Wave 1 survey are likely to have experienced.

Much like the baseline sample participants, over 90 percent of Wave 2 respondents are women. The racial and ethnic composition of Wave 2 respondents is somewhat different from all Wave 1 respondents since the African-American sample members have a lower interview rate in Wave 2 than do other racial and ethnic groups. This is largely the result of a lower than average response rate of participants from programs such as WSEP, WORC and DEI which served a large number of African-Americans. The two groups are similar to each other in marital status at the time of the baseline survey; roughly the same percentage of Wave 2 participants were living with a spouse or partner at intake (14 percent) as was the case with all Wave 1 respondents (13 percent).

Table 36: Gender, Race/Ethnicity and Marital Status

Gender (Wave 1)	WTW Sample (Wave 1)	WTW Sample (Wave 2)
Women	91%	92%
Men	9%	8%
Race/Ethnicity at Wave 1	**WTW Sample (Wave 1)**	**WTW Sample (Wave 2)**
White	36%	37%
African-American	51%	47%
Hispanic	6%	7%
Other	7%	9%
Marital Status at Wave 1	**WTW Sample (Wave 1)**	**WTW Sample (Wave 2)**
Never married	46%	42%
Divorced	24%	25%
Separated	15%	17%
Married	13%	14%
Widowed	2%	2%

The age distribution of Wave 2 participants compared to Wave 1 respondents shows that a somewhat larger proportion of younger respondents (those below 35 years of age) were not interviewed as part of the survey one year later.

Table 37: Age of Respondents

Respondent's Age at Intake	WTW Sample (Wave 1)	WTW Sample (Wave 2)
18-25	11%	9%
26-35	42%	41%
36-50	45%	49%
51+	2%	2%
Mean	34.8	35.7
Median	35.0	36.0

The proportion of sample members with more than 12 years of education who completed the one-year follow-up survey was slightly higher than for those who interviewed at baseline.

Table 38: Education

Years of Education at Intake	WTW Sample (Wave 1)	WTW Sample (Wave 2)
1-9 years	4%	2%
10-11 years	15%	13%
12+ years	81%	85%
Mean	12.9	13.0
Education Level at Intake	**WTW Sample (Wave 1)**	**WTW Sample (Wave 2)**
Less than high school	2%	2%
Some high school	12%	9%
High school graduate or GED	27%	29%
Some college/AA degree /vocational/ technical certificate	53%	53%
Undergraduate degree	4%	4%
Post college coursework or graduate degree	3%	3%

The average number of children and the household composition of Wave 2 respondents at baseline are almost identical to that of all baseline survey respondents.

Table 39: Household Composition

Number of Children at Wave 1	WTW Sample (Wave 1)	WTW Sample (Wave 2)
0	2%	2%
1	33%	34%
2-3	49%	50%
More than 3	16%	14%
Mean	2.3	2.2
% with children under 6	53%	51%
% with children under 2	19%	18%
Number of People in Household at Wave 1	**WTW Sample (Wave 1)**	**WTW Sample (Wave 2)**
1	2%	2%
2	24%	24%
3-4	50%	51%
More than 4	24%	24%
Mean	3.6	3.6

The average number of years that respondents were in the labor force at baseline was 12.2 for all Wave 1 respondents; it was 12.9 for respondents who completed the one-year follow-up survey.

One particular concern about the Wave 2 sample was whether or not the Wave 1 respondents with businesses at program enrollment were more likely to respond to the Wave 2 survey, compared to those who were not operating a business at program enrollment. Findings from Wave 2 show that the percentage of respondents who were running a microenterprise at the time of enrollment in the program was only slightly higher than what it was for all baseline survey respondents. Seventeen percent (103 of 590) of the WTW study microenterprise clients were operating businesses at baseline. Among the 295 clients who completed the one-year follow up survey, 57 respondents (19 percent) were operating businesses at program enrollment.

Table 40: Business Status

Business Status at Intake	WTW Sample (Wave 1)	WTW Sample (Wave 2)
Thinking about starting	39%	39%
Taking steps to start	44%	42%
Operating a business	17%	19%

The next table shows the number and percentage of respondents who were operating a business at intake on a program-by-program basis for the two waves.

Table 41: Respondents Who Were Operating a Business at Intake

Program	WTW Sample (Wave 1)	WTW Sample (Wave 2)
Detroit Entrepreneurship Institute (DEI)	14 (14%)	9 (18%)
Institute for Social and Economic Development (ISED)	21 (14%)	9 (11%)
MiCasa Resource Center for Women (MC)	7 (28%)	5 (39%)
Project Hope (PH)	0 (0%)	0 (0%)
Southern Oregon Women's Access to Credit, Inc. (SOWAC)	8 (36%)	5 (39%)
West Company (WC)	14 (33%)	10 (34%)
Women's Initiative for Self Employment (WI)	17 (68%)	7 (70%)
Worker Ownership Resource Center (WORC)	6 (9%)	3 (10%)
Women's Self-Employment Project (WSEP)	4 (7%)	3 (14%)
WomenVenture (WV)	12 (18%)	6 (21%)
Total number of respondents	103 (17%)	57 (19%)

The profile of the microbusinesses operated by Wave 1 and Wave 2 survey participants at intake is very similar. The only difference is that a somewhat higher percentage of respondents who were providing business services and a somewhat smaller percentage of respondents with arts and crafts businesses and those providing personal services completed the Wave 2 survey.

Table 42: Respondents Who Were Operating a Business at Intake

Business Type	WTW Sample (Wave 1)	WTW Sample (Wave 2)
Arts/Crafts	16 (16%)	8 (14%)
Business services	12 (12%)	10 (18%)
Child care	12 (12%)	7 (12%)
Cleaning services	6 (6%)	3 (5%)
Clothing accessories/textiles/ home furnishings	7 (7%)	4 (7%)
Construction	5 (5%)	3 (5%)
Food	2 (2%)	1 (2%)
Health services	7 (7%)	3 (5%)
Personal service/beauty	12 (12%)	4 (7%)
Travel/tourism	0 (0%)	0 (0%)
Other	23 (23%)	14 (25%)
Total number of respondents	102 (100%)	57 (100%)

Business age and sales are similar for Wave 1 and Wave 2 respondents who were operating a business at program enrollment.

Table 43: Business Age and Sales

Respondents Who Were Operating a Business at Intake	WTW Sample (Wave 1)	WTW Sample (Wave 2)
Median age of business at intake (year)	1	1
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	$5,200

The next table shows the employment status of clients at intake for participants in the two waves of the survey. Results show the two groups closely match each other in that 39 percent of the clients were employed, and 59 percent were unemployed at the time of intake.

Table 44: Employment Status at Intake

Employment Status at Intake	WTW Sample (Wave 1)	WTW Sample (Wave 2)
Self-employed part-time	15%	15%
Self-employed full-time	6%	6%
Employed part-time	17%	18%
Employed full-time	6%	5%
Unemployed more than 6 months	44%	44%
Unemployed less than 6 months	15%	15%
Homemaker	30%	31%
Employed at the Time of Survey	**39%**	**39%**
Self-employed only	16%	17%
Wage employment only	18%	18%
Both	5%	4%
Unemployed at the Time of Survey	**59%**	**59%**
Unemployed more than 6 months	44%	44%
Unemployed less than 6 months	15%	15%

As shown in the next table, the percentage of Wave 1 and Wave 2 respondents who were receiving public assistance at the time of intake are almost identical. For example, 94 percent of the respondents in both waves of the study were receiving TANF benefits at the time of program intake.

Table 45: Public Assistance

Percent Receiving Public Assistance at Intake	WTW Sample (Wave 1)	WTW Sample (Wave 2)
Receiving TANF/AFDC	94%	94%
Receiving food stamps	90%	90%
Receiving WIC	26%	27%
Receiving general assistance	2%	2%
Living in public or section 8 Housing	24%	24%
Receiving no public assistance	2%	1%
Receiving health insurance through Medicaid	84%	84%

Microenterprise program participants, who had been on AFDC or TANF at some point in their lives, reported at intake that they had received TANF/AFDC benefits for a median of four years during their lifetime. The subgroup of clients who were interviewed a year later also received TANF/AFDC income support for a median of four years during their lifetime.

The average total annual personal earnings and household income of microenterprise program clients during the year before enrollment are similar for Wave 1 and Wave 2 survey respondents. The difference in the annual earnings of the two groups is $245, and the average total household income of the subgroup of clients interviewed in Wave 2 is $256 higher than that of the Wave 1 survey participants.

Table 46: Personal Earnings and Household Income		
Personal Earnings in the Year before Intake	WTW Sample (Wave 1)	WTW Sample (Wave 2)
Average earnings (including those with 0 earnings)	$2,626	$2,871
Number of respondents	581	293
Total Household Income During the Year before Intake	WTW Sample (Wave 1)	WTW Sample (Wave 2)
Average household income	$11,689	$11,945
Number of respondents	541	279

Tables 47 and 48 show the average personal earnings and household income, during the year before enrollment, for respondents interviewed at Wave 1 (column 1) and respondents interviewed at Wave 2 (column 2). Despite some variations on a program-by-program basis, during the year before enrollment, on average, neither earnings nor total household income of all the respondents interviewed at Wave 1 were substantially different from those of the subgroup who were also interviewed one year later.

Table 47: Respondents' Average Personal Earnings during the Year before Intake (Includes Those with $0 Earnings)		
Program	WTW Sample (Wave 1)	WTW Sample (Wave 2)
DEI	$1,929	$2,435
ISED	$2,819	$2,740
MiCasa	$1,862	$2,171
Project Hope	$1,020	$936
SOWAC	$4,363	$4,291
West Co.	$2,967	$2,466
WI	$4,189	$6,384
WORC	$2,777	$3,006
WSEP	$1,398	$916
WV	$3,965	$5,852
Total	$2,626	$2,871

Table 48: Respondents' Average Household Income during the Year before Intake		
Program	WTW Sample (Wave 1)	WTW Sample (Wave 2)
DEI	$9,928	$10,093
ISED	$11,752	$11,844
MiCasa	$14,415	$13,865
Project Hope	$9,763	$9,980
SOWAC	$15,875	$17,963
West Co.	$11,599	$11,956
WI	$15,925	$14,441
WORC	$12,253	$12,197
WSEP	$9,790	$8,250
WV	$12,550	$15,256
Total	$11,689	$11,945

The respondents interviewed a year after program enrollment reported higher levels of household assets and liabilities at the time of intake, compared to all baseline survey respondents. The next table shows the average household assets of participants at the time of program enrollment. Respondents to the one-year follow-up survey owned somewhat more in assets compared to clients interviewed at baseline. On average, the household assets of clients interviewed one year after baseline were $1,513 higher compared to the average household assets of clients at baseline. The median household assets of Wave 2 respondents, however, were only $252 higher than the median household assets of all survey participants at baseline. The majority of the sample members in both years of the survey owned less than $1,000 in assets. Homeowners made up 9 percent of the baseline survey respondents and 12 percent of the Wave 2 survey respondents. In addition, a higher percentage of Wave 2 respondents owned cars and savings and checking accounts compared to all respondents at baseline.

Table 49: Household Assets		
	Wave 1 Respondents At Wave 1 (n=590)	Wave 2 Respondents At Wave 1 (n=295)
Average Household Assets	$5,865 (n=549)	$7,378 (n=276)
Median Household Assets	$300 (n=549)	$552 (n=276)
Respondents with/who:		
$0 in assets	36%	26%
$1-$1,000 in assets	31%	36%
$1,001-$5,000 in assets	18%	21%
$5,001 -$10,000 in assets	4%	4%
$10,001+ in assets	11%	13%
Owned homes	56 (9%)	34 (12%)
Owned vehicles	301 (51%)	170 (58%)
Savings account	157 (27%)	100 (34%)
Checking account	208 (35%)	130 (44%)
Retirement funds, stocks or bonds	19 (3%)	12 (4%)

Table 50 shows the average household liabilities at Wave 1 for participants who were interviewed at Wave 1, as well as those interviewed at Wave 2. On average, the household debt of clients interviewed one year after baseline was $587 higher compared to the average household liabilities of clients at baseline. The median household debt of Wave 2 respondents was $533 higher than was the median household debts of all survey participants at baseline. A higher proportion of Wave 2 respondents reported having credit card debt (34 percent) compared with all Wave 1 respondents (28 percent), and a somewhat higher percentage of Wave 2 respondents reported having a car loan (18 percent) compared to all baseline survey participants (15 percent).

Table 50: Household Liabilities

	Wave 1 Respondents At Wave 1 (n=590)	Wave 2 Respondents At Wave 1 (n=295)
Average Household Liabilities	$7,779 (n=573)	$8,366 (n=284)
Median Household Liabilities	$1,000 (n=573)	$1,533 (n=284)
Respondents with:		
$0 in liabilities	42%	37%
$1-$1,000 in liabilities	8%	10%
$1,001-$5,000 in liabilities	15%	17%
$5,001 -$10,000 in liabilities	12%	14%
$10,001+ in liabilities	22%	22%
Car loan	91 (15%)	53 (18%)
Home mortgage	40 (7%)	24 (8%)
Credit card debt	166 (28%)	99 (34%)
Educational loans	176 (30%)	92 (31%)
Other long term debt over 30 days	52 (9%)	25 (8%)

Table 51 shows the average household net worth of participants in each wave of the survey at Wave 1. On average, the household net worth of participants interviewed at Wave 2 was $670 higher at baseline than that of participants interviewed at Wave 1, although the net worth was still negative. The median household net worth of Wave 1 and Wave 2 respondents was the same for both groups of respondents, at $0. A higher proportion of Wave 2 respondents (38 percent) reported a positive household net worth at baseline compared with Wave 1 respondents (33 percent), and a smaller percentage of Wave 2 respondents (18 percent) reported $0 in household net worth at baseline than did Wave 1 respondents (25 percent).

Table 51: Household Net Worth

	Wave 1 Respondents At Wave 1 (n=590)	Wave 2 Respondents At wave 1 (n=295)
Average Household Net Worth	-$2,016 (n=538)	-$1,346 (n=269)
Median Household Net Worth	$0 (n=538)	$0 (n=269)
Respondents with:		
$0 household net worth	25%	18%
Positive household net worth	33%	38%
Negative household net worth	43%	44%

Definition of Household Income

As is noted on page 20 of this report, this study uses a definition of household income that differs from that used by the U.S. Census Bureau. In this study, household income includes income in the form of Earned Income Tax Credit payments, as well as the value of food stamp and WIC benefits received by the family. The definition used by the U.S. Census Bureau does not include these three items, but does include income received in the form of worker's compensation, survivor benefits and dividends. Table 52 below shows the median and mean household income for the United States for the years 1998 through 2001 and calculates the annual change in income for those years. Additional information is available from the Bureau's Web site, as cited in footnote 26.

Table 52: U.S. Median and Mean Income

Year	Median Income			Mean Income		
	Current Dollars	2001 Dollars	% Change from previous year (2001 dollars)	Current Dollars	2001 dollars	% Change from previous year (2001 dollars)
2001	$42,228	$42,228	-2.2%	$58,208	$58,208	-0.9%
2000	$41,990	$43,162	-0.4%	$57,135	$58,730	0.8%
1999	$40,816	$43,355	2.8%	$54,842	$58,254	3.6%
1998	$38,885	$42,173		$51,855	$56,240	
Percent change (1998 –2000)		2.3%			4.4%	
Percent change (1998 –2001)		0.1%			3.5%	

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 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 design of microenterprise programs for TANF recipients, including Business Skills Training for TANF recipients, and *FIELD forum* Issue 3, *Designing Microenterprise Programs for Welfare Recipients.*
- 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 for Reauthorization; Key State TANF Policies Affecting Microenterprise;* and *Developing Policies to Support Microenterprise in the TANF Structure: A Guide to the Law.*

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