

MicroTracker client outcomes highlights - 2012

These highlights summarize the outcomes of microenterprise clients during 2012, and detail the changes clients reported between the time they began working with a microenterprise program and the 2012 survey period, an interval averaging approximately one year.

The data show that microenterprise development organizations (MDOs) are serving entrepreneurs who traditionally lack access to business capital or assistance, as most are **female, minority, and/or low-income**. The findings also show that these **microbusiness owners start, survive, and grow their businesses and provide employment for themselves and others** in their community.

MicroTracker client outcomes survey description and methodology

Each year, FIELD works with approximately 25 microenterprise development organizations (MDOs) to collect quantitative data on the outcomes experienced by their clients. The data include information on clients' businesses and households.

Baseline data, or data reported by clients when they begin receiving services from a program, is also submitted. Comparing baseline data to survey data allows FIELD to analyze the changes clients report in their businesses and households.

The findings in this brief are drawn from interviews with 1,757 microenterprise clients who received a loan and/or significant training or technical assistance service from the microenterprise program in FY2011. In 2013, they were interviewed about their experiences in 2012.

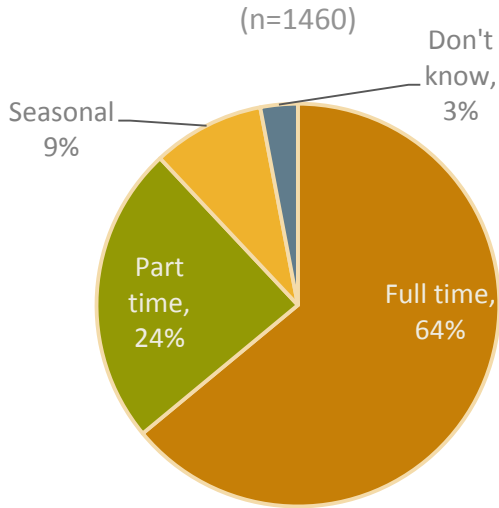
Participating MDOs self-select into the process and therefore are not necessarily a representative sample of the field overall. The outcomes groups offer similar products and services to others in the industry, and a majority of their clients are women and minorities, as are those of the other practitioner organizations on which FIELD has data. On the other hand, the client outcomes programs are more likely to serve urban (as opposed to rural) areas, and have larger operating budgets than the industry overall.

Business characteristics in 2012

In 2013, 24 microenterprise development programs collected data on the characteristics of their client

businesses in 2012. What did these businesses look like in terms of full-time/part-time operation, revenues, owner's draw and employment?

Figure 1: Business operation



Business operation

The majority of clients (**64 percent**) operated their businesses full time, meaning they worked at their businesses at least 35 hours a week, year round. One quarter of business owners worked part time or fewer than 35 hours per week, year round (Figure 1).

Business revenue and compensation

Businesses reported stark differences in revenue and owner's draw, depending on whether they operated their businesses full or part time. The **median revenue for full-time businesses was \$96,000**, compared to **median revenue of \$10,000 for part-time businesses**.

Business owners face a complicated decision when deciding whether and how much to compensate themselves, weighing the strength of the business, their personal or household income needs, and future plans. In 2012, **59 percent of business owners compensated themselves from their business**, drawing money to cover personal or household expenses. The level of compensation, or owner's draw, varied greatly depending on whether the business was full or part time. Part-time business owners reported a median draw of \$1,000. Full-time business owners reported a median draw of \$20,000 (Table 1).

Table 1: Revenue and draw for businesses

	Full-time businesses	Part-time businesses
Median revenues	\$96,000	\$10,164
Average (mean) revenues	\$191,684	\$48,688
Median owner's draw	\$20,000	\$1,000
Average (mean) owner's draw	\$24,071	\$7,278
Number reporting	760	263

Key terms

Full time: Working at least 35 hours per week year round.

Part time: Working less than 35 hours per week year round.

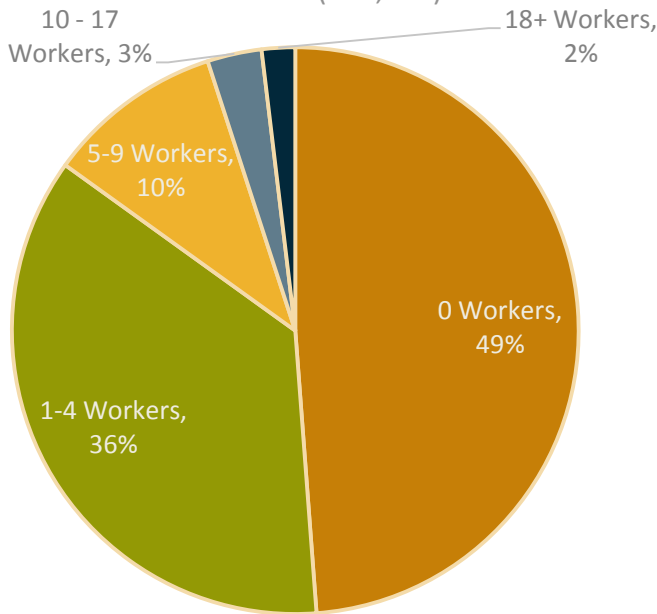
Revenue: The gross sales generated by a business by selling its product or services.

Owner's draw (draw): Money taken out of business revenues to cover the owner's personal or household expenses.

Employment

Microbusinesses provided employment for the business owner. Half of the businesses surveyed also provided jobs for other paid workers – an average of **1.8 jobs per business in addition to the owner**.

Figure 2: Number of workers, not including the owner (n=1,420)



Key terms

Jobs: FIELD’s definition of jobs includes both part-time and full-time positions and encompasses both formal W-2 employees and 1099 workers. This allows FIELD to fully capture microenterprise employment.

Although all of these businesses started with fewer than five paid workers and with less than \$50,000 in start-up capital, at survey 15 percent of the businesses reported at least five paid workers, and five percent reported employing at least 10 paid workers (Figure 2).

Jobs for other workers were almost evenly split between part time (53 percent) and full time (46 percent).

These jobs paid:

- \$12 median hourly wage
- \$11,520 in median annual wages

Table 2: Wages for paid workers

	Hourly wage	Annual wages
Median	\$12.00	\$11,520
Average (mean)	\$18.50	\$16,792
Minimum	\$1.40	\$43
Maximum	\$250.00	\$153,600
Number reporting	1045	988

Business start, survival and growth

Microenterprise programs assist entrepreneurs already operating businesses, and those seeking to start one.

Growth and survival of existing businesses

Approximately a year after entering the program, **95 percent of business owners reported they were still operating their business** in 2012.

Sixty percent of businesses had increased their revenues since they had entered the microenterprise program. The median business revenue for these 592 businesses increased 30 percent.

Forty percent of these “surviving” businesses **increased their owners’ draw**. The median draw increased 25 percent for the 487 owners who provided draw information.

Business owners reported a **68 percent increase in the number of**

paid workers employed by the business, from 1,006 at baseline to 1,695 at survey. However, there was a slight decrease in the number of businesses that provided jobs for others – from 459 at intake, to 453 at survey.

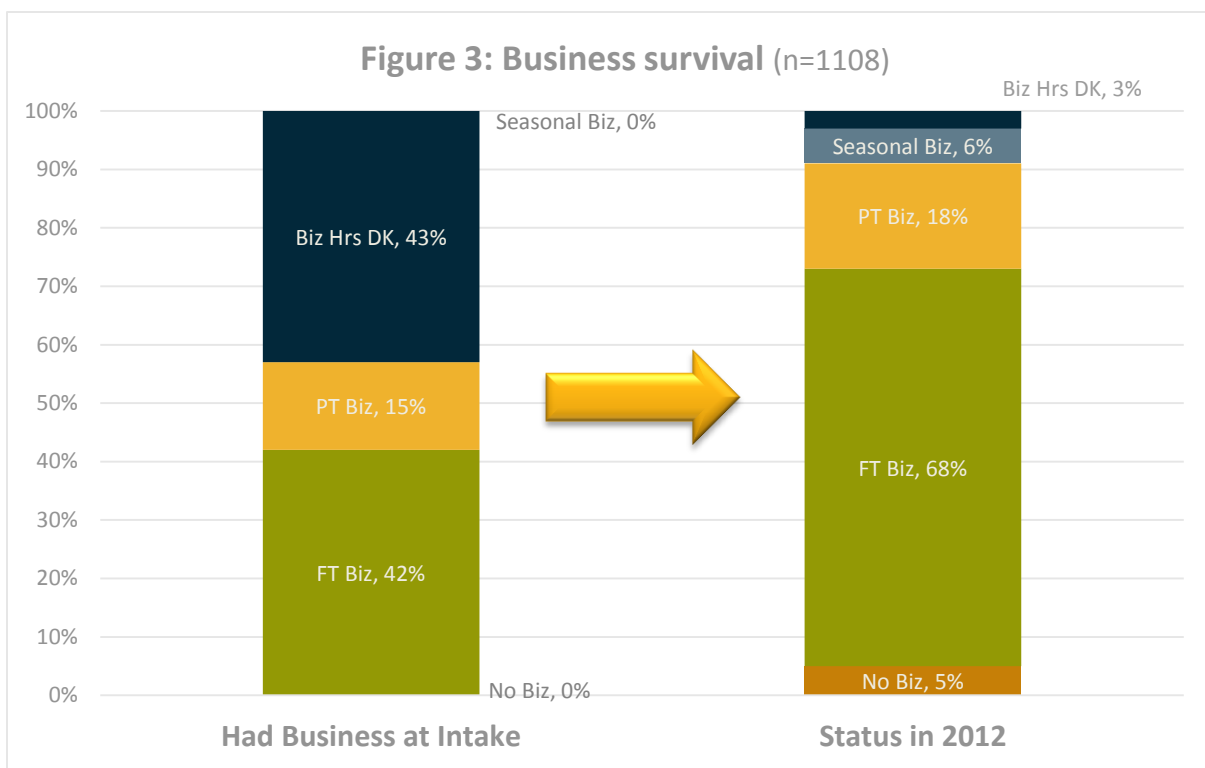
New business starts and growth

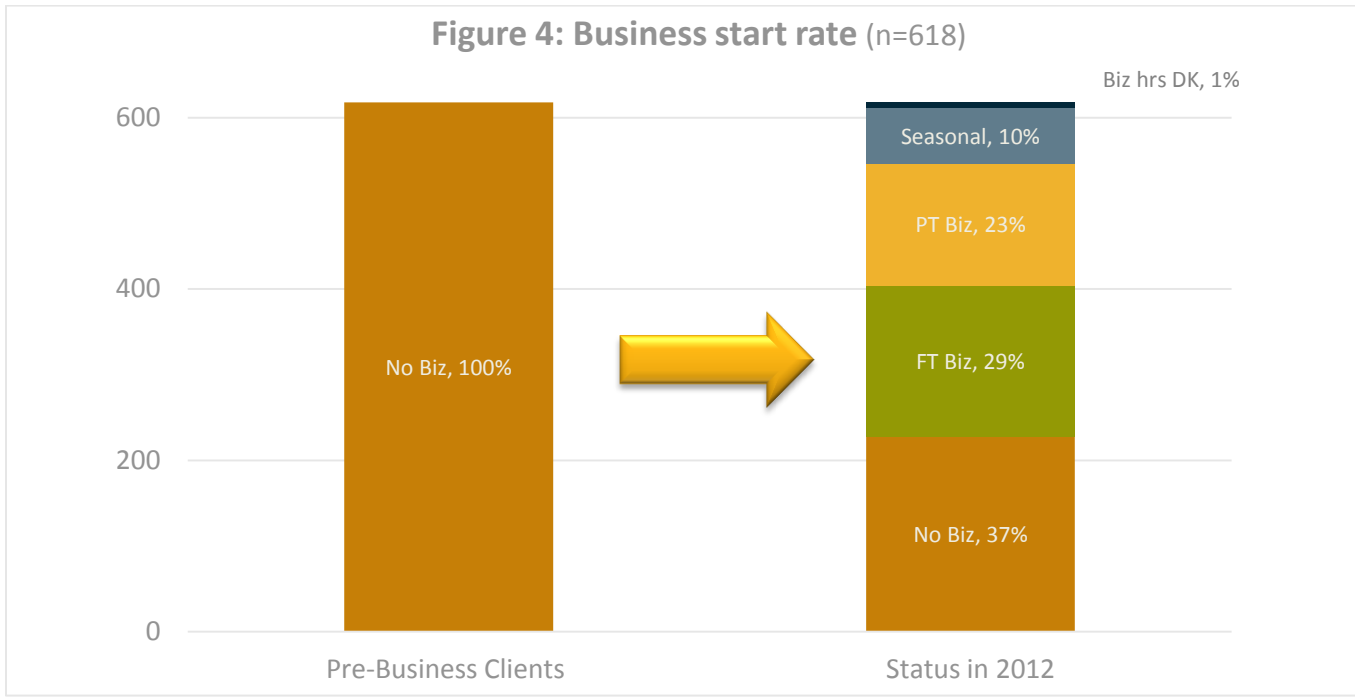
Among the 618 aspiring entrepreneurs who came to the microenterprise program seeking start a business, by 2012 **63 percent had started their business**.

Key terms

Business survival rate: The percent of existing businesses at intake that were still in operation in 2012.

Business start rate: The percent of clients without a business at intake that had started a business by 2012.





These new businesses reported median revenues of \$14,000 and a median draw of \$1,000. Forty percent of the new businesses created jobs for workers other than themselves, a total of 471 jobs for an average of 1.3 jobs per business.

Hiring rates

Hiring rates across all types of firms (new and existing) were quite similar, at around 40 percent (Figure 5).

Key terms
Hiring rate: The percent of businesses in the sample that added workers between baseline and survey.

Figure 5: Hiring rates for businesses



Entrepreneurs and their households

Client demographics

A majority of microbusiness clients surveyed were female. More than half were minority, and a third were from low-income households.

- **56% Female**
- **59% Minority**
- **31% Low-income at intake**

This client profile differs dramatically from the universe of U.S. business owners. According to data from the 2007 Census Bureau's Survey of Business Owners, only 14 percent of all firms with up to nine employees were owned by minorities, and the same percentage (14 percent) were owned by women.¹

Household incomes remained unchanged

Although the business outcomes achieved during 2012 show promise in terms of growth in start-up and survival rates, and growth in revenues and employment, the household situations of the entrepreneurs remained challenging and fairly static. While slightly more than half (51 percent) of respondents experienced growth in their household income, about the same amount (49 percent) saw a decline. Median household income declined by four percent, while average household income increased by the same percentage (Table 3).

Key terms

Low income: Individuals in families with household incomes at or below 150 percent of the federal poverty guidelines issued annually by the Department of Health and Human Services.

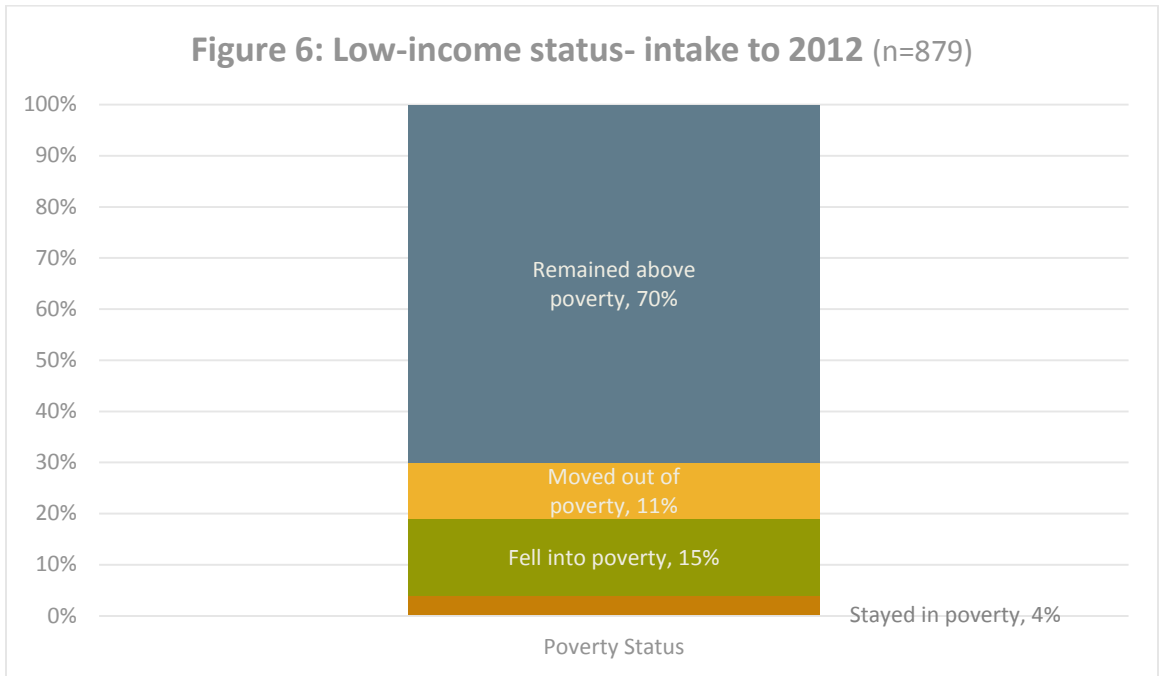
Poverty: Individuals in families with households at or below 100 percent of the federal poverty guidelines issues annually by the Department of Health and Human Services.

Table 3: Household income changes for microenterprise clients

	Household income at intake	Household income in 2012	% Change in household income intake to 2012	Change in household income
Median	\$41,484	\$40,000	-4%	\$276
Average (mean)	\$48,745	\$50,503	4%	\$1,758
Number reporting			892	

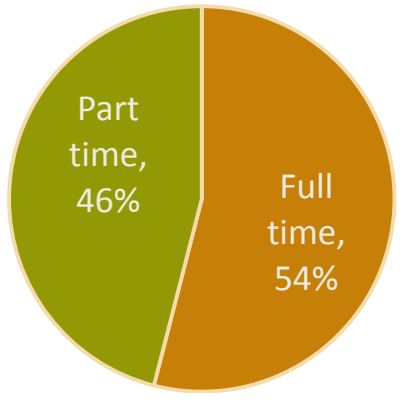
The poverty status of clients worsened slightly during the survey period. Seventy percent of the survey respondents had household incomes above the poverty threshold at both intake and survey. Although 11 percent of surveyed clients with incomes below the threshold at baseline were able to move above it in 2012, another 15 percent slipped below the poverty threshold.

¹ <http://www.census.gov/econ/sbo/07menu.html>



Balancing wage employment and business ownership

Figure 7: Frequency of work at another job (n=738)



Forty-two percent of 1,661 entrepreneurs **balanced operating their business with working at another job**. More than half worked full time at their other job.

Benefits and costs

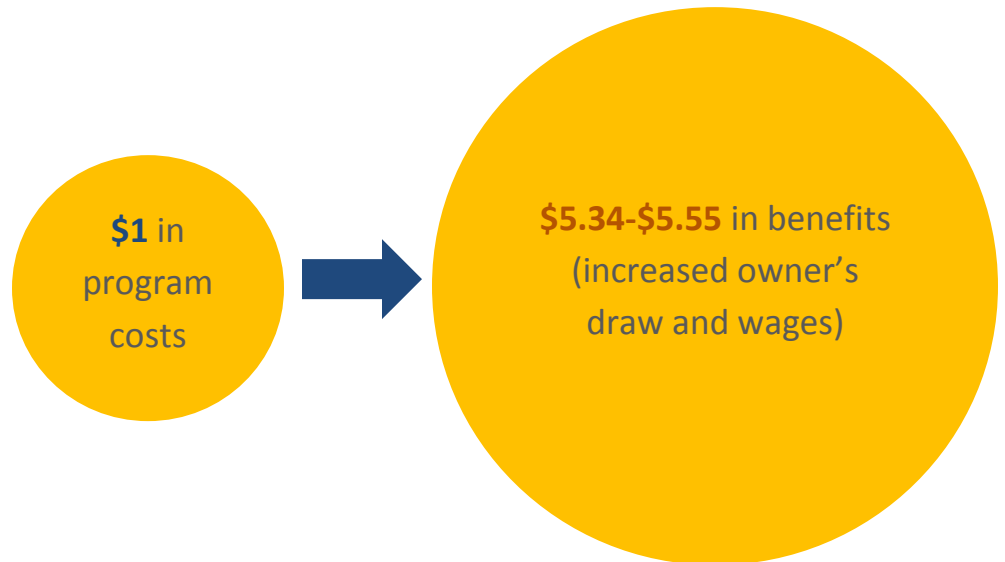
Microenterprise development organizations serve high numbers of women, minorities, and low-income clients, populations under-represented in American businesses. MDOs help these business owners start, grow, expand and hire workers at their businesses. How do these outcomes match up with the costs to produce them?

FIELD's analysis compares the benefits in terms of increases in owner's draw and wages paid to workers, as documented through the outcomes survey, to the costs reported by the 24 microenterprise programs that participated in the client outcomes process. Our analysis shows that **each dollar of program costs generated between \$5.34 and \$5.55 in benefits.**

What does it cost to assist a business?

The cost to assist a business was calculated by dividing the total costs of the participating microenterprise programs in 2014, by an estimate of the total number of businesses assisted by the organizations. The estimate of assisted businesses is determined by extrapolating from the results

(in terms of the percent of clients in business) documented through the outcomes survey, to the full client population served by participating programs during that year. Because the analysis yields a range within a confidence level of 95 percent, the estimated costs also appear as a range. The results of the analysis yielded a cost per business served that ranged between \$3,826 and \$3,977.



What benefits are reported after businesses receive assistance?

The benefits represent the changes that accrued to businesses in increased draw for business owners and increased wages paid to workers. The mean increase in owner's draw was \$4,822, and the mean increase in wages paid to workers was \$16,396, for mean total benefits of \$21,218. This is a conservative estimate of benefits, as it does not take into account any multiplier effects of increased spending, nor does it value any additional benefits that might accrue in future years, if the business continues.

What is the benefit-to-cost ratio for microbusiness assistance?

Relating the costs of serving a business to the benefits reported after assistance yields between \$5.34 and \$5.55 in benefits for each \$1 in program expenses.