



Performance Counts

Issue 5

# MicroTest

## Client Outcomes

February 2010

## Microenterprises and Employment: 2008 MicroTest Outcomes

### 2008 MicroTest Outcomes Survey

#### Methodological Summary:

- Through its members, MicroTest annually conducts a survey of the business, household and individual outcomes of microenterprise clients.
- The survey includes information about the client when entering the microenterprise development organization (MDO) and the client's status approximately one year after receiving services.
- Only clients, those who received significant services from the MDO (training, loan, grant, etc.), are eligible to participate in the MicroTest Outcomes Survey.
- Only clients who received services in 2006 were eligible to be surveyed about their outcomes in 2007. The survey was conducted in 2008.
- Surveys were conducted in person, by telephone, by mail, and on-line.
- While this fact sheet presents longitudinal information on changes achieved by clients and businesses, there are no claims of causality or reporting of the net benefits of the microenterprise development organizations because there is no comparison group data. There is evidence, however, that clients found value in program participation, and that the information and skills they received were used to run their businesses. As a result, it is likely that at least some of the changes observed are attributable to the services they received.

#### Diagnostics:

- 51% survey response rate
- 1,392 completed interviews
- 25 participating MDOs

#### Major Indicators:

- Business start and survivability rates
- Business growth
- Job creation from business
- Contribution to household income
- Health insurance status

The MicroTest (MT) fact sheet series profiles key data points from client outcomes surveys conducted by MicroTest members. This fifth issue explores data gathered in 2008. The fact sheet examines employment generated by microenterprises both for the owner of the business, as well as additional paid workers. Paid workers include employees and contractors.

#### ***Strong Employment Generated by Microenterprises, Most Part-Time***

In 2007, 1,087 clients reported operating a business. Five-hundred and two, or 46 percent of these clients reported paying employees or contractors to work in their business in 2007.<sup>1</sup> These businesses provided 3,793 jobs, including those of the owners. This translates to about 3.5 jobs per business. See Table 1.

**Table 1: Jobs Figures in 2008**

	<b>Jobs</b>	<b>Jobs Per Business</b>	<b>N=</b>
Including Owner	3793	3.5	1087
Excluding Owner	2706	2.5	1087

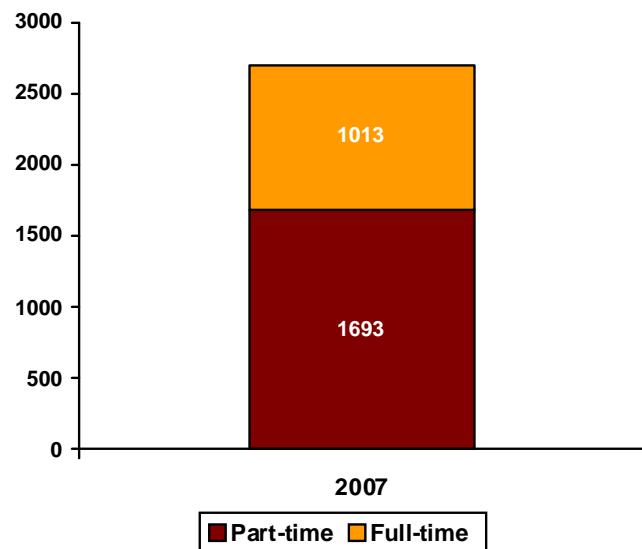
<sup>1</sup> Ten or 1 percent of clients did not report data on employees or contractors.

Not including the owner, there were 2,706 paid workers in these businesses, 63 percent of whom were working part-time and 37 percent working full-time. See Figure 1.

Two-thirds of the businesses with paid employees (67 percent employed up to four people; this group had a mean of two paid workers per business. Eighteen percent of the businesses employed between five and nine people, and the mean number of paid workers in this group was 6.3 per business.<sup>2,3</sup>

In comparison, in 2007, all U.S. businesses with 1 to 4 employees, not including the owner, had a mean of 1.7 employees per business, and businesses with 5 to 9 employees had a mean of 6.6 employees per business.<sup>4</sup> Microenterprise Development Organizations (MDOs) target women, minorities, low-income individuals, individuals with disabilities, and those who have difficulty accessing mainstream business services.<sup>5</sup> Despite this focus on the underserved, the businesses included in the MicroTest dataset report employment figures that compare strongly with all similarly-sized U.S. businesses.

**Figure 1: Number of Microenterprise Paid Workers (not counting owner)**



**Table 2: Employee Numbers by Employment Size of the Enterprise**

Employment Size of the Enterprise	1 - 4	5 - 9
Number of Employees per Business (MT data)	2	6.3
Number of Employees per Establishment <sup>6</sup> (U.S. total)	1.7	6.6

<sup>2</sup> While a microenterprise is generally defined as a business with five or fewer employees including the owner, this survey identified a number of businesses with more employees. Some of these businesses grew to this larger size since receiving program services. Others, even though larger at intake, were assisted by programs that offer services to a broader array of disadvantaged business owners.

<sup>3</sup> Fifteen percent of the businesses with paid workers employed an unknown number of people.

<sup>4</sup> U.S. Census Bureau: Annual Economic Survey, 2007 County Business Patterns. Available online at: [http://factfinder.census.gov/servlet/IBQTable?bm=y&-ds\\_name=CB0700A2](http://factfinder.census.gov/servlet/IBQTable?bm=y&-ds_name=CB0700A2)

<sup>5</sup> More detail on the characteristics of clients served by MDOs reporting outcomes data to MicroTest can be read in Issue 2 of the MicroTest Client Outcomes Fact Sheet Series;

<http://fieldus.org/Microtest/MTOutcomes08FactSheet.pdf>

<sup>6</sup> An establishment is a single physical location where business is conducted or where services or industrial operations are performed. The comparative data presented is the most comparable data MicroTest staff could identify.

The balance of this report will present MicroTest outcomes data in greater detail, considering various categories of businesses. The first section of this Fact Sheet discusses employment in new businesses, businesses that opened after the client entered the program. Section two explores employment supported by clients who enrolled in an MDO with a business already in operation and were still running their businesses in 2007. Section three focuses on clients who had businesses at enrollment, but either sold or closed them by 2007. In these subsequent sections, findings will focus on paid workers only, including employees and contractors.

### **New Businesses Created 630 New Jobs**

Sixty-four percent of the clients who entered an MDO pre-business had opened a business by 2007.<sup>7</sup> Thirty-five percent (128) of these 362 new businesses reported having paid workers (employees or contractors) in 2007.<sup>8</sup> In total, these new businesses created 630 jobs, not including those of the owners, for an average of 1.8 jobs per business.

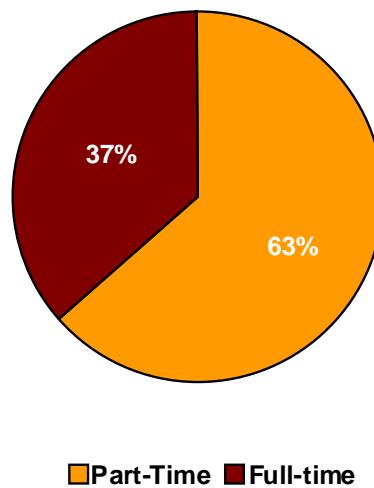
### **New Jobs More Likely to be Part-Time**

Of the 630 new jobs, 399 or 63 percent of these paid workers were part-time (less than 35 hours a week) and 231 or 37 percent were full-time. See Figure 2.

### **Strong Job Figures in Food and Accommodation and the Health Care Industries**

While job creation occurred across the sample, the majority of employment was concentrated in two sectors: food and accommodation, and health care. Among those industries that represented at least 5 percent of the cases in the sample, these were the only two that produced more than one full-time, and more than one part-time job per business other than for the owner. The health care sector produced almost 3 full-time workers and 1.5 part-time workers per business; and the food and accommodation sector produced 1.7 full-time workers, and more than 3 part-time workers, per business. Businesses in two other sectors, manufacturing, and art and entertainment, produced at least one part-time worker per business. The others produced fractional numbers of employees. See Figure 3. For the full breakdown of jobs created by NAICS codes, see Appendix.

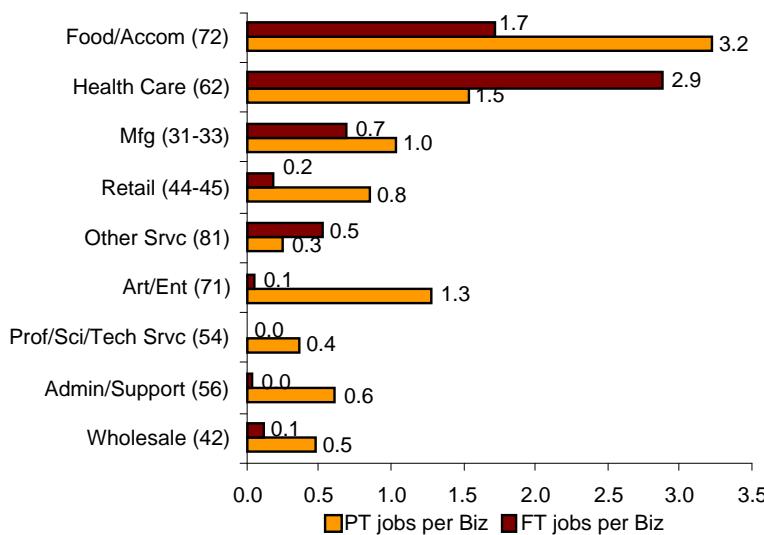
**Figure 2: New Jobs Created, Excluding Owner**



<sup>7</sup> Five hundred seventy clients entered an MDO without a business, 362 of these clients had started a business by 2007.

<sup>8</sup> Two or 0.6 percent of new businesses did not report data on employees.

**Figure 3: Jobs created by Business Started after Intake, by NAICS Codes**



### ***Surviving Businesses Add Over 615 jobs***

Seven hundred and thirty clients enrolled in MDOs were already operating a business. A striking 90 percent of these clients (656) were still in business in 2007. Four-hundred ninety-one clients reported data on their business' paid workers at both program intake and in 2007, enabling an analysis of the changes in employment their businesses experienced.

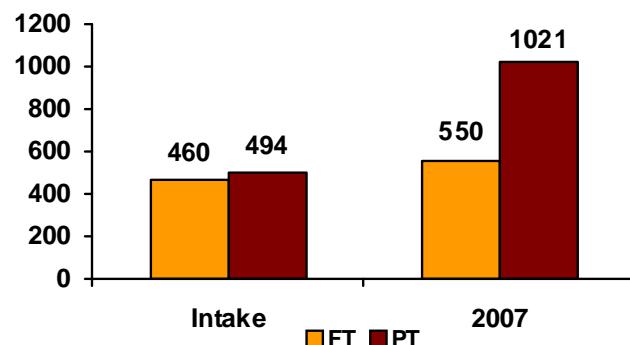
Not counting the owner, the total number of paid workers increased by 65 percent (from 954 jobs to 1,571). The number of full-time jobs increased 20 percent and the number of part-time jobs increased 107 percent (see Figure 4). The median time between intake and the end of the survey period, December 31, 2007 was 2.1 years (mean of 2.8 years).

### ***Most Industries Report Job Increases<sup>9</sup>***

Job growth was experienced by businesses in most industries as detailed in Figure 5.

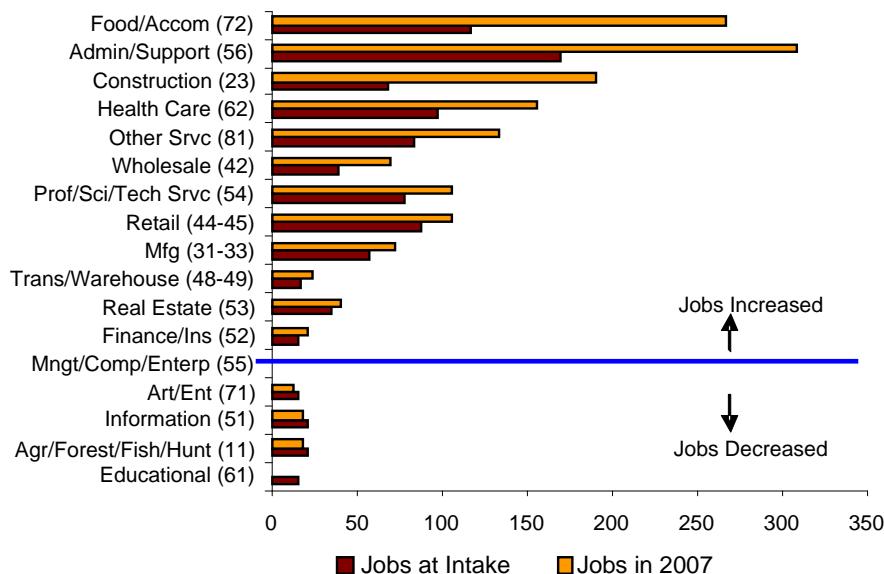
The strongest job growth was experienced in the Food and Accommodation and Administrative and Support categories. Businesses in these two categories alone reported 288 new jobs in 2007.

**Figure 4: Jobs at Intake and Survey**



<sup>9</sup> Four-hundred seventy-eight surviving businesses have data on employees and NAICS codes in 2007.

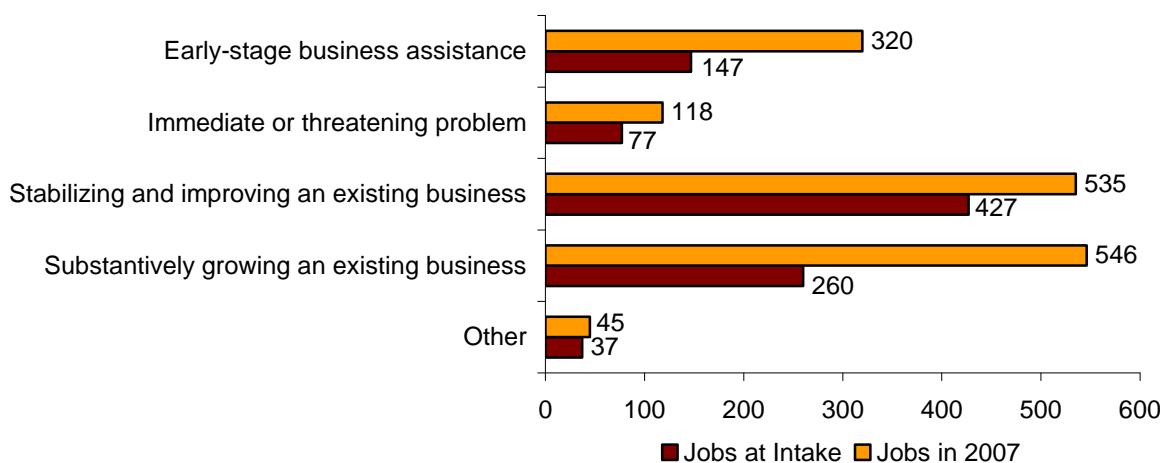
**Figure 5: Change in Employees of Surviving Businesses, by NAICS Codes**



#### **Largest Growth in Jobs Reported by Clients Looking to Substantially Grow their Business<sup>10</sup>**

When clients were surveyed in 2008, they were asked to reflect back on their highest priority for assistance when they first came to the microenterprise program. Figure 5 looks at the change in the aggregate number of jobs reported by business owners in categories based on their stated assistance priority. The data shows an increase in jobs in each category, but the greatest change is reported by two groups, those seeking early-stage business assistance, and those seeking to substantively grow their businesses. In each case, the change is over 100 percent. See Figure 6.

**Figure 6: Employees of Surviving Businesses by Assistance Priority at Intake**



<sup>10</sup> Four-hundred eighty-eight surviving businesses have data on employees and highest assistance priority.

### ***Businesses Open at Intake, Closed by 2007***

Of the 730 clients with a business at enrollment in a microenterprise program, 10 percent (74) had a business that had closed by 2007. At intake, 47 of these businesses reported information on paid workers. These 47 businesses reported a total of 36 paid workers, 15 of whom were part-time and 21 who were full-time. On average, businesses that closed had 0.8 employees per business at intake compared to 2 employees per business among those that survived to 2007.

### ***Microenterprises Create Net Jobs***

Despite the job losses reported by businesses that closed, the job creation represented by the microenterprises in this survey is still positive and substantial. Between intake and 2007, these businesses had added a net of 1,211 jobs to the number of jobs present at intake, a growth of 112 percent in total jobs.<sup>11</sup> Fifty-four percent of existing businesses had employees prior to receiving services, and post-service, 55 percent of these businesses reported having employees. In addition, 36 percent of new businesses had employees. In all, in 2007, 502 businesses were responsible for 2,706 paid jobs.

### ***Appendix***

Jobs Created by New Businesses, 2007, by NAICS codes					
NAICS Code	# of Biz	PT Jobs	PT Jobs per Biz	FT Jobs	FT Jobs per Biz
Agr/Forest/Fish/Hunt (11)	1	0	0.0	0	0.0
Mining (21)	1	55	55.0	4	4.0
Construction (23)	13	20	1.5	6	0.5
Mfg (31-33)	39	40	1.0	27	0.7
Wholesale (42)	17	8	0.5	2	0.1
Retail (44-45)	33	28	0.8	6	0.2
Trans/Warehouse (48-49)	6	3	0.5	3	0.5
Information (51)	6	0	0.0	0	0.0
Finance/Ins (52)	4	8	2.0	3	0.8
Real Estate (53)	12	0	0.0	1	0.1
Prof/Sci/Tech Srvc (54)	55	20	0.4	0	0.0
Admin/Support (56)	26	16	0.6	1	0.0
Educational (61)	14	10	0.7	0	0.0
Health Care (62)	35	54	1.5	101	2.9
Art/Ent (71)	18	23	1.3	1	0.1
Food/Accom (72)	32	103	3.2	55	1.7
Other Srvc (81)	40	10	0.3	21	0.5
Public Admin (92)	1	0	0.0	0	0.0
All	352	398	1.1	231	0.7

<sup>11</sup> Net jobs are calculated by adding the new jobs created at businesses that started after intake to the change in the number of jobs at surviving businesses and then subtracting the number of jobs lost at businesses that closed between intake and the end of 2006.

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The MicroTest Outcomes Fact Sheet Series reports findings from client outcomes data collected by a group of MicroTest member programs. The data include information on the changes clients have experienced related to their business, household income, wage employment, health insurance, and savings. The series provides a focused look at few major findings from this extensive annual data collection effort.

For additional information about MicroTest and data collected on the microenterprise field see:  
<http://fieldus.org/MicroTest/pubs.html>

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