

Microenterprises and Employment: 2009 Client Outcomes

The Trendlines fact sheet series highlights findings drawn from FIELD, MicroTest, and other sources of data on the U.S. microenterprise industry. This second issue examines employment generated by microenterprises both for the owner and for others. Paid workers include employees and contractors.

The publication draws on two data sets. The first looks at the experience of entrepreneurs in 2008 that were surveyed by 24 microenterprise programs in 2009. The mean and median time that these entrepreneurs received services from the programs was 1.6 and 1.08 years. The second data set compiles responses from entrepreneurs with five years of either periodic or continuous engagement with microenterprise programs at the time that they were surveyed. Survey data was collected in 2004, 2005, 2006, 2007, 2008, and 2009. This second data set provides a longer-term look at job creation by microenterprises. More detail on these sources is in the box below.

Box 1: Data Sources

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. Surveys were conducted in person, by telephone, by mail, and on-line.

This fact sheet examines data from MicroTest on the paid employment generated by clients' businesses. Two sets of data are included in this analysis. The primary data discussed in this fact sheet is drawn from surveys that members conducted in 2009 about the experiences of clients in 2008 that received services from MDOs in FY2007. Additionally, an analysis of clients who reported on their outcomes approximately five years after program entry is included. These clients were included in the samples drawn by each participating MDO between the years of 2004 and 2009 because they had received some significant service in a given study year. Within each organization's sample, then, clients varied in their length of time with the program, and longer-term clients were often those who remained connected to the programs because they were borrowers. It is important to emphasize that the survey and the sample were not originally designed to examine client experiences after five years of service, but rather to capture the experience of all clients served in a given year.

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.

- Five-Year Group Analysis: 240 completed interviews (60 percent response rate); 36 participating MDOs
- 2008 Survey Data: 1,379 completed interviews (50 percent response rate); 24 participating MDOs

Strong Employment Generated by Microenterprises, Most Part-Time

Among clients surveyed, 1,046 reported operating a business in 2008. Forty-five percent, or 469, of these clients reported paying employees or contractors to work in their business in 2008¹. These businesses provided 3,285 jobs, including those of the owners.

This translates to about 3.1 jobs per business. Not including the owner, there were 2,239 paid workers employed by these businesses for a total of 2.2 paid jobs per business. See Table 1.

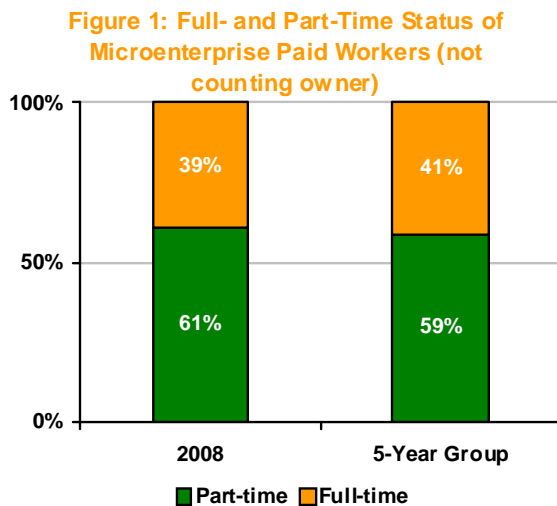
	Jobs	Jobs Per Business	N=
Including Owner	3285	3.1	1046
Excluding Owner	2239	2.2	1046

The data on the experience of clients with five years of program experience was similar. Out of 202 clients with businesses in the survey period, 106 or 52 percent² reported

	Jobs	Jobs Per Business	n=
Including Owner	694	3.5	196
Excluding Owner	498	2.5	196

employing others. Including the owner a total of 694 jobs were provided, or 3.5 jobs per business. Not including the owner, there were 498 paid workers for a total of 2.5 jobs per business. See Table 2.

Only partial data is available on the status of these positions with respect to hours worked. 51 percent of the respondents surveyed in 2008 reported the full- or part-time status of the 1,151 positions in their businesses. Sixty-one percent of these were part-time and 39 percent were full-time positions. See Figure 1.



A similar part-time/full-time breakdown was observed in the data from clients with five years of program experience. Out of 202 businesses that indicated they employed others, 196 reported the full- or part-time status of the 498 positions in their business. 59 percent were part-time and 41 percent were full-time positions. See Figure 1.

The majority of the 2008-surveyed microbusinesses employed four or fewer people (73 percent of all businesses, n = 343). The mean was two paid workers per business. Sixteen

¹ Thirty-five or 3 percent of clients did not report data on employees or contractors.

² A total of 202 businesses were reported during the survey period; 196 of them reported data on paid workers and six, or three percent, did not provide this information.

percent of the businesses employed between five and nine people, and the mean number of paid workers in this group was six per business.³ In addition, 11 percent of the businesses had 10 or more employees (mean of 21.8 employees).

The size of these businesses is similar to others in the United States. In 2007, all U.S. businesses with one to four employees, not including the owner, had a mean of 1.7 employees per business, and businesses with five to nine employees had a mean of 6.6 employees per business.⁴ Although this data provided through the U.S. Census Bureau counts only employees as jobs and FIELD’s data includes all paid work, both point to the role that microenterprises play in job creation. Microenterprise development organizations (MDOs) target women, minorities, low-income individuals, individuals with disabilities and those who have difficulty accessing mainstream business services.⁵ 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. See Table 3.

Table 3: Mean 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
Number of Employees per Establishment ⁶ (U.S. total, 2007 Data)	1.7	6.6

Data on payments made to the workers by client businesses were reported for about half of the paid positions (1,128 out of 2,239) in 2008. For that group the median hourly wage was \$10.00, and the mean was \$13.00. The median is 53 percent higher than the Federal minimum wage of \$6.55, although 36 percent below the median hourly wage of \$15.57. Total payments to these employees in 2008 were also reported. Depending on pay rate and actual hours worked, total payments ranged from \$33 to \$96,000 with a mean and median total pay of \$11,589 and \$8,974, respectively.⁷

³ 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.

⁴ U.S. Census Bureau, *Annual Economic Survey, 2007 County Business Patterns*. Available from: http://factfinder.census.gov/servlet/IBQTable?_bm=y&-ds_name=CB0700A2; Internet. At the time this report was prepared, 2008 was not yet available.

⁵ More detail on the characteristics of clients served by MDOs can be read in *Field-Wide Survey Data Highlights FY2008 Data* (Washington, D.C.: The Aspen Institute/FIELD, 2010); available from <http://fieldus.org/Publications/HighlightsFY2008.pdf>; Internet.

⁶ 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.

⁷ The paid worker who received a total annual wage of \$33 was paid \$11 an hour but only worked a total of three hours for the business.

Table 4: Hourly and Annual Wages for Paid Workers						
Paid Workers	Median	Mean	n	MD	% MD	N
Hourly Wages	\$10	\$13	1128	1,111	50%	2,239
Annual Wages	\$8,974	\$11,589	1010	1,229	55%	2,239

Forty-one percent, or 465 paid workers had hourly wages that met or exceeded the federal poverty threshold for a household of four, which was \$10.19 in 2007.⁸ Because the household size of workers paid by surveyed microentrepreneurs is unknown, it is not possible to determine how many actually match the demographic used in this yardstick. Still, it suggests that for many individuals these jobs likely serve as one component of a household's income stream rather than as household-sustaining jobs in and of themselves.

Two hundred sixteen paid workers, or 19 percent, received hourly wage rates above the U.S. national hourly median wage of \$15.57 per hour. Industry classification was known for 199 of these jobs. The industries with the largest portion of jobs paying more than the national hourly median wage were clustered in the education services (18 percent), construction (17 percent), professional, scientific and technical services (14 percent), and manufacturing sectors (13 percent). Descriptions for businesses reported in these categories are excerpted in Table 3 of the Appendix.

Fifty-one percent of business owners were compensating themselves in the form of an owner's draw in 2008. The median and mean total owner's draw payments were \$17,000 and \$23,319. The median and mean hourly rates calculated based on owner's reported work schedules, were \$10.77 and \$14.06.⁹ Three hundred nine business owners or 41 percent reported taking an owner's draw above the federal minimum wage. The majority of them — 248 or 37 percent of all respondents — reported taking an hourly draw that met or exceeded the federal poverty threshold for a household of four. As Table 5 shows, businesses that had paid workers had owners who reported taking a higher mean and median owner's draw than those business owners without paid workers.

⁸ Working Poor Families Project, *Still Working Hard, Still Falling Short: New Findings on the Challenges Confronting America's Working Families* (2008), 4. Available from <http://www.aecf.org/~media/PublicationFiles/NationalDataBriefFINAL.pdf>; Internet.

⁹ Respondents who indicated they work part-time at their business (less than 35 hours a week), provided the average number of hours they worked in a week. Respondents working full-time were estimated to have worked 40 hours a week, for 52 weeks.

Table 5: Business Owner's Draw

No Paid Workers			
Hours at Business	N	Mean	Median
FULL YEAR, FT	167	\$17,233	\$13,500
FULL YEAR, PT	142	\$5,885	\$1,800
Total*	394	\$10,168	\$2,640
Paid Workers			
Hours at Business	N	Mean	Median
FULL YEAR, FT	249	\$30,256	\$24,000
FULL YEAR, PT	59	\$6,618	\$1,500
Total*	351	\$23,511	\$16,500

*Includes all business owners: full year PT, FT; part year; hours DK.

Although information on the benefits provided to paid workers of microenterprises is not collected, information is available on whether business owners have health insurance and whether coverage is provided through their business. While 665 or 66 percent of 1,010 business owners reported having health insurance in 2008, only 10 percent or 66 owners, reported coverage through their business. While it is hard to say with certainty, it is assumed that these businesses, therefore, would be providing health insurance to a very small percent of their workers.

The balance of this report will present MicroTest outcomes data in greater detail, considering on employment in various categories of businesses. The first category is employment in new businesses, that is, businesses that opened after the client entered the program. The second category is employment supported by clients who were business owners when they enrolled in an MDO and were still running their businesses at the time of survey. And the final category is about clients who had businesses at enrollment, but either sold or closed them by 2008. In these subsequent sections, findings will focus on paid workers only, not including the owner.

New Businesses Created 420 New Jobs by 2008

Fifty-six percent of the 2008-surveyed clients who entered an MDO pre-business had opened a business by 2008.¹⁰ Thirty-four percent (104) of these 309 new businesses reported having paid workers (employees or contractors) in 2008.¹¹ In total, these new businesses created 420 jobs, not including those of the owners, for an average of 1.4 jobs per business.

Respondents from the five-year data set reported employing more. After five-years of service with the program, 50 percent of those businesses that had started after program

¹⁰ Five hundred fifty-five clients entered an MDO without a business; 309 of these clients had started a business by 2008.

¹¹ Nine, or 2.9 percent, of new businesses did not report data on employees.

intake were paying people to work for them. There was an average of two paid workers per business, not including the owner.

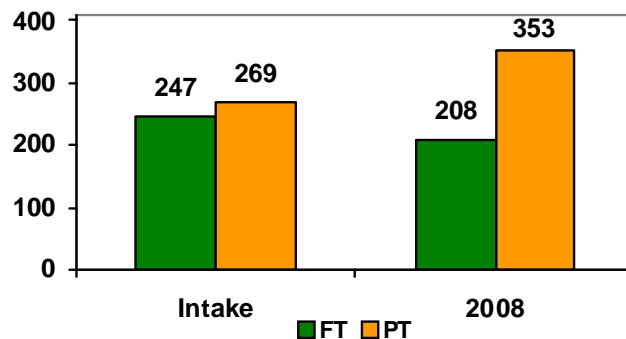
Surviving Businesses Add 480 Jobs by 2008

Seven hundred and ninety-one clients enrolled in MDOs were already operating a business. Ninety percent of these clients (710) were still in business in 2008. Five-hundred thirty-six clients (or 75 percent of business owners) reported data on their businesses' paid workers at both program intake and in 2008, 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 742 jobs to 1,222).

Data from the five-year respondents shows an even stronger growth in employment. Although the percent of those employing others remained stable (43 percent at intake, 41 percent at survey), the number of paid jobs supported by these businesses increased considerably. At intake there were 119 paid workers not including the owner (or 2.1 paid workers per business), and at survey there were 303 paid workers (or 5.6 paid workers per business.) This represents a 155 percent increase (from 119 to 303 jobs).

From intake to 2008, longitudinal data on full-time and part-time status of jobs was available for 451 businesses. Over this time there was a shift from full-time jobs towards part-time jobs. The number of full-time jobs decreased by 16 percent and the number of part-time jobs increased 31 percent (see Figure 2). The median time between intake and the end of the survey period, December 31, 2008, was 2.2 years (mean of 2.7 years) for these surviving businesses.

Figure 2: Jobs at Intake and Survey



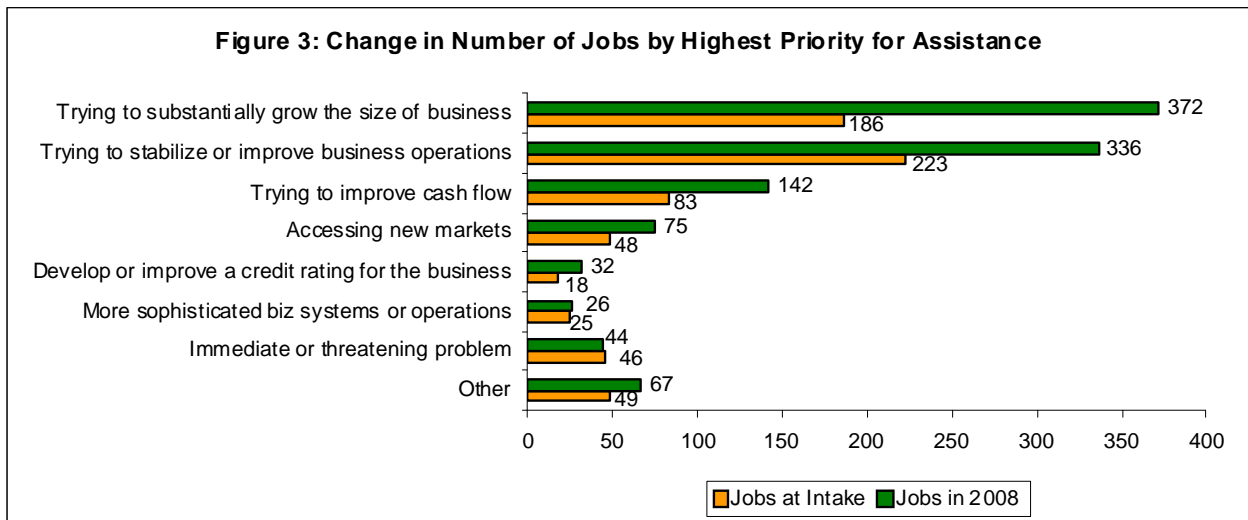
Most Industries Report Job Increases¹²

In 2008, job growth was experienced by businesses in most industries. The strongest job growth was experienced in the Food and Accommodation, Real Estate and Rental, and Leasing, and Professional, Scientific, and Technical Services categories. Businesses in these three categories alone reported 229 new jobs in 2008. For full detail on the number of jobs by NAICS codes, see Appendix 1, Table 2.

¹² Five hundred two of the surviving businesses have data on employees and NAICS codes in 2008.

Largest Growth in Jobs Reported by Clients Looking to Substantially Grow their Business¹³

Clients surveyed in 2009 were asked to reflect back on their highest priority for assistance when they first came to the microenterprise program. Figure 3 looks at the



change in the aggregate number of jobs reported by business owners in categories based on their stated assistance priority. The data show an increase in jobs in almost every category, but the greatest change is reported by two groups, those trying to substantially grow the size of their business, and those trying to stabilize or improve business operations. See Figure 3.

Businesses Open at Intake, Closed by 2008

Of the 791 clients with a business at enrollment in a microenterprise program, 10 percent (80) had a business that had closed by 2008. At intake, 51 of these businesses reported information on paid workers. These 51 businesses reported a total of 68 paid workers, 14 of whom were part-time and 54 who were full-time. On average, businesses that closed had 1.3 employees per business at intake compared to 1.4 employees per business among those that survived to 2008.

Microenterprises Create Net Jobs

Despite the job losses reported by businesses that closed, the job creation represented by the microenterprises in the 2008 survey is still positive and substantial. Between intake and 2008, these businesses had added a net of 832 jobs to the number of jobs present at intake, a growth of 103 percent in total jobs.¹⁴ 51.7 percent of existing businesses had

¹³ Four hundred ninety-eight surviving businesses have data on employees and highest assistance priority.

¹⁴ 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 2008.

employees prior to receiving services, and post-service, 51.9 percent of these businesses reported having employees. In addition, 34 percent of new businesses had employees. In all, in 2008, 469 businesses were responsible for 2,239 paid jobs.

Looking at the outcomes of the five-year group between intake and survey year, 151 businesses had added a net of 255 jobs to the number of jobs present at intake, a growth of 193 percent in total jobs. Forty-three percent of existing businesses had employees prior to receiving services, and post-service, 41 percent of these businesses reported having employees. In addition, 50 percent of new businesses had employees.

Appendix 1

Table 1: Jobs Created by New Businesses, 2008 by NAICS Codes								
Industry	N	PT		FT		All Jobs		% of Industries in total count
		Total Jobs	PT Jobs per Biz	Total Jobs	FT Jobs per Biz	Total Jobs	Total Jobs per Biz	
Art/Ent (71)	7	3	0.4	0	0.0	3	0.4	3%
Agr/Forest/Fish/Hunt (11)	3	2	0.7	1	0.3	3	1.0	1%
Public Admin (92)	2	1	0.5	2	1.0	3	1.5	1%
Information (51)	2	2	1.0	0	0.0	4	2.0	1%
Real Estate (53)	5	0	0.0	2	0.4	5	1.0	2%
Wholesale (42)	6	2	0.3	3	0.5	8	1.3	2%
Finance/Ins (52)	5	1	0.2	3	0.6	9	1.8	2%
Health Care (62)	33	9	0.3	3	0.1	14	0.4	13%
Trans/Warehouse (48-49)	7	13	1.9	0	0.0	14	2.0	3%
Educational (61)	12	21	1.8	0	0.0	26	2.2	5%
Other Srvc (81)	37	15	0.4	6	0.2	27	0.7	14%
Prof/Sci/Tech Srvc (54)	20	2	0.1	2	0.1	28	1.4	8%
Admin/Support (56)	20	19	1.0	12	0.6	34	1.7	8%
Retail (44-45)	33	19	0.6	5	0.2	35	1.1	13%
Construction (23)	11	1	0.1	24	2.2	48	4.4	4%
Mfg (31-33)	31	12	0.4	7	0.2	61	2.0	12%
Food/Accom (72)	24	17	0.7	17	0.7	63	2.6	9%
TOTAL	258	139	0.5	87	0.3	385	1.5	100%

Table 2: Increase in Jobs Varied by Sector					
NAICS	N	%	Jobs at Intake	Jobs in 2008	Change
Retail (44-45)	74	15%	109	107	-2
Admin/Support (56)	38	8%	42	40	-2
Agr/Forest/Fish/Hunt (11)	5	1%	13	13	0
Mngt/Comp/Enterp (55)	1	0%	0	1	1
Other Srvc (81)	55	11%	63	65	2
Educational (61)	11	2%	20	25	5
Finance/Ins (52)	8	2%	3	9	6
Information (51)	10	2%	32	39	7
Wholesale (42)	19	4%	25	33	8
Art/Ent (71)	10	2%	6	15	9
Pub/Admin (92)	2	0%	1	16	15
Trans/Warehouse (48-49)	12	2%	9	26	17
Health Care (62)	87	17%	74	97	23
Mfg (31-33)	50	10%	86	130	44
Construction(23)	18	4%	30	81	51
Prof/Sci/Tech Srvc (54)	66	13%	63	135	72
Real Estate (53)	13	3%	21	95	74
Food/Accom (72)	23	5%	64	147	83
Total	502		661	1074	

Table 3: Business Descriptions for Industries with Workers Compensated Above National Hourly Median Wage	
Industry Classification (NAICS Code)	Business Descriptions
Educational Services (61)	Productivity Training Commercial Drivers License Training Dance Studio
Construction (23)	Roofing and Remodeling General Contractor — Commercial and Residential Demolition and Rehabbing Homes Solar Electric System - Design and Install Plumbing Masonry, Excavation, Utility
Professional, Scientific, and Technical Services (54)	Architectural Design Industrial Controls Engineering Web Development Computer/AV Service Marketing, Advertising and Design Firm Photography and AV Transfer Service
Manufacturing (31-33)	Bakery Custom Cabinetry Women's Handbag Designer and Manufacturer