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a project of FIELD at the Aspen Institute

## EntrepreneurTracker Client Outcomes Survey Highlights – 2015

This brief summarizes business-related outcomes reported by microenterprise and small business clients in 2015. It also details the changes clients reported between the time they entered a program and the 2015 survey period, an interval averaging approximately one year.

The data show that the participating organizations are serving entrepreneurs who traditionally lack access to business capital or assistance, including **female, minority, and low-income entrepreneurs**. The findings also show that there are strong business start-up rates, that businesses survive and grow over time, and that **more than half of the firms provide employment for others in addition to the owner**.

### EntrepreneurTracker client outcomes survey description and methodology

Each year, FIELD works with participating organizations to collect quantitative data on the outcomes experienced by their clients. In 2016, we expanded our work to include small business owners who received assistance. The data include information on clients' businesses and households.

Baseline data, or intake data reported by clients when they enter a microenterprise or small business program, are also submitted. By comparing baseline data to survey data, FIELD can analyze the changes clients report in their businesses and households.

The findings in this brief draw upon data from participating organizations that meet FIELD's survey protocols. The findings are derived from interviews with 852 microenterprise and small business clients who received a loan, significant training or technical assistance services, or both in FY2014 from one of the 15 participating organizations. In 2016, clients were interviewed about their experiences in 2015.

## 2015 EntrepreneurTracker sample in context

FIELD has been helping microenterprise development organizations conduct client outcomes surveys since 2004. Each year organizations self-select into the EntrepreneurTracker process, and aggregated survey findings are published annually. In examining the trends in the findings over time, it is important to recognize that both the cohort of participating organizations and the underlying client sample varies each year. Differences in the underlying sample may in turn influence differences in the findings from one year to the next.

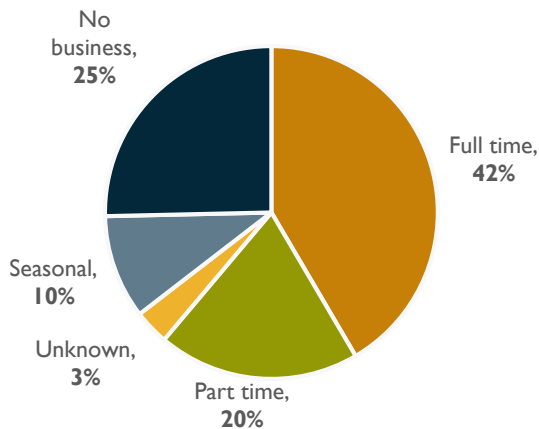
Compared with the 2013 and 2014 cohort of participating organizations, the set of organizations that participated in the 2015 outcomes survey were, as a group, more focused on providing technical assistance, training and business development services than on delivering credit. In addition, 2015 was the first year that FIELD explicitly encouraged organizations to include small business as well as microenterprise clients in the survey. (Microenterprises are defined as those with five or fewer employees including the owner, and small businesses are defined as those with more than five employees.) As such, the profile of the sample for which 2015 client outcomes were collected differs from the profiles of those surveyed in previous years in some key ways. In particular, the 2015 sample included:

- A smaller percentage of existing businesses and a larger percentage of pre-business clients. Among the clients surveyed about their experiences in 2015, 57 percent of clients owned a business, and 40 percent of clients did not own a business when they first entered a program. In 2014, 68 percent of clients owned a business, and 29 percent of clients did not own a business at intake.
- A larger percentage of clients receiving technical assistance, training, or business development services, and a smaller percentage of clients that received loans.
- A larger percentage of businesses with five or more paid workers at intake. In 2015, 10 percent of businesses had five or more paid workers when they first entered a program. In 2014, 6 percent of businesses had five or more paid workers at intake.

It is also important to note that the sample had a lower percentage of minority clients and a slightly higher percentage of women clients than in previous years.

## Business characteristics in 2015

**Figure 1: Business Operation**  
(n = 852)



In 2016, 15 programs collected data on the characteristics and experiences of their client businesses during 2015. What did these businesses look like in terms of full-time and part-time operation, revenues, owner's draw and employment?

### Business operation

Many clients (**42 percent**) operated their businesses full time, meaning they worked at their businesses at least 35 hours per week, year round. Twenty percent of business owners worked part time — 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 level of revenues ranged from \$0 (presumably for new firms) to businesses reporting more than \$1 million in revenue in 2015. The **median revenue for full-time businesses was \$128,499**, compared to **median revenue of \$20,000 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 2015, **57 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 operated full or part time. Part-time business owners reported a median draw of \$4,650. Full-time business owners reported a median draw of \$22,000. Across the entire sample, the level of owner's draw ranged from \$0 to more than \$100,000 in 2015. Table 1 shows median and mean business revenues and owner's draw for client businesses in 2015. The average (mean) revenues and owner's draw differ substantially from the median figures because of several businesses with very high revenues.

### Key terms

**Full-time (FT) business:** The business owner works at least 35 hours per week year round.

**Part-time (PT) business:** The business owner works less than 35 hours per week year round.

**Seasonal business:** The business owner works for nine months or less during the year, regardless of the number of hours worked per week.

**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.

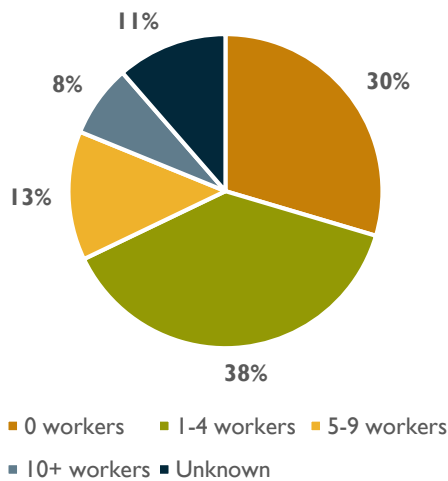
**Table 1: Revenues and draw for businesses**

	Full-time businesses	Part-time businesses
<b>Median revenues</b>	\$128,499	\$20,000
<b>Average (mean) revenues</b>	\$316,990	\$72,965
Number reporting	262	125
<b>Median owner's draw</b>	\$22,000	\$4,650
<b>Average (mean) owner's draw</b>	\$34,980	\$12,196
Number reporting	292	130

**Employment**

Micro and small businesses provided employment for the business owner. Fifty-nine percent of businesses surveyed also provided jobs for other paid workers — for an average of **3.9 jobs including the owner across all businesses in the sample**. Among paid workers, 70 percent were employees and 30 percent were contractors.<sup>1</sup>

**Figure 2: Number of Paid Workers at Survey, Not Including the Owner**  
(n = 632)



**Key terms**

**Employee:** A worker who receives a W-2 tax form from their employer and is hired for full-time, part-time, or seasonal work.

**Contractor:** A worker who receives a 1099 tax form from the company for which they work, who is paid hourly or by the job or project.

**Full-time employee:** An employee who works at least 35 hours per week year round.

**Part-time employee:** An employee who works less than 35 hours per week year round.

**Seasonal employee:** An employee who works nine months or fewer per year, regardless of the number of hours worked per week.

**Jobs:** FIELD’s definition of jobs includes part-time, full-time, and seasonal positions and encompasses both employees and contractors. This allows FIELD to fully capture the work opportunities that micro and small businesses are creating.

<sup>1</sup> In the 2016 survey, FIELD introduced new terminology and survey questions that further categorize paid workers as employees or contractors. This new terminology will allow FIELD to track trends in the types of paid workers hired by business owners surveyed through EntrepreneurTracker. Paid workers are now categorized as full-time employees, part-time employees, seasonal employees, and contractors.

At survey, **20 percent of the businesses reported that they had at least five paid workers**, and seven percent reported employing at least 10 paid workers (Figure 2).

Among jobs for paid workers, not including the owner, 38 percent were full time, 38 percent were part time, and work status was not reported for the remaining 24 percent of paid workers. Jobs for paid workers, not including the owner, paid:

- **\$13.00 median hourly wage for employees.**
- **\$18.50 median hourly wage for contractors.<sup>2</sup>**

	Employees	Contractors
<b>Median</b>	\$13.00	\$18.50
<b>Average (mean)</b>	\$15.00	\$27.00
<b>Minimum</b>	\$1.00	\$5.00
<b>Maximum</b>	\$70.00	\$160.00
<b>Number reporting</b>	861	143

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<sup>2</sup> Wage data for contractors only include information from business owners who paid contractors at an hourly rate. Business owners who paid contractors by a job or project were not included in this calculation. Among contractors paid hourly or by a job or project, 30 percent of contractors were paid on an hourly basis, and 70 percent were paid by a job or project.

## Business start, survival and growth

Micro and small business programs assist entrepreneurs already operating businesses and those seeking to start one.

### Growth and survival of existing businesses

Existing businesses are those that were operating at the time they first engaged with the micro or small business. In 2015, **93 percent of those in business at the time they entered a program were still operating their business.**

Additionally, 43 percent of businesses that survived from intake to survey reported that their 2015 revenues were higher than at the time they entered the micro or small business program. **The median business revenue increased 139 percent for the 246 “surviving” businesses that reported revenue information at intake and survey.**<sup>3</sup>

Twenty-eight percent of the surviving businesses reported increased owner’s draw. **The median draw increased 65 percent for the 208 owners who provided owner’s draw information at intake and survey.**<sup>4</sup>

Owners of surviving businesses reported a **76 percent increase in the number of paid workers**, growing from 684 at intake to 1,206 paid workers at survey. The number of businesses that provided jobs for people other than the owner grew from 174 at intake to 229 at survey.

### New business starts and growth

Among the 340 aspiring entrepreneurs who came to a micro or small business program seeking to start a business, **50 percent had started their businesses by 2015.**

These new businesses reported median revenues of \$25,000 and a median draw of \$2,500. **Sixty percent of the new businesses created jobs for workers other than the owner — a total of 356 jobs, or 2.4 jobs per new business.**

## Key terms

**Business survival rate:** The percentage of existing businesses at intake that were still in operation in 2015.

**Business start rate:** The percentage of clients without a business at intake that had started a business by 2015.

Figure 3: Business Survival (n = 484)

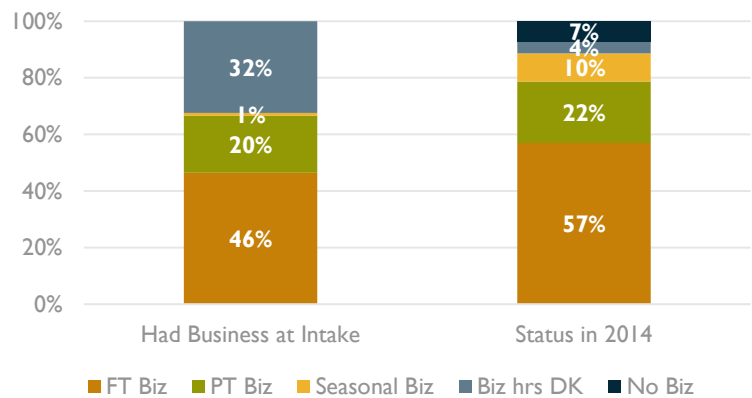
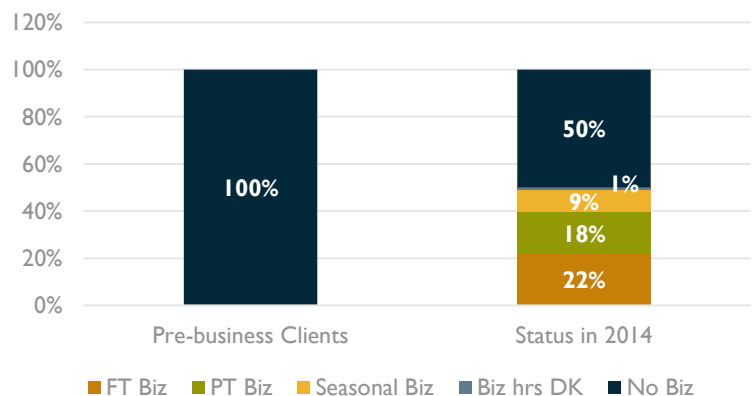


Figure 4: Business Start Rate (n = 340)



<sup>3</sup> Among surviving businesses, 246 of 449 businesses reported revenues at intake and at survey. Missing data from the remaining 45 percent of surviving businesses may have introduced a nonresponse bias in the change in revenues findings.

<sup>4</sup> Among surviving businesses, 208 of 449 businesses reported owner’s draw at intake and at survey. Missing data from the remaining 54 percent of surviving businesses may have introduced a nonresponse bias in the change in owner’s draw findings.

## Businesses by industry

In 2015, the five largest industries represented by businesses surveyed were retail trade; professional, scientific, and technical services; health care and social assistance; manufacturing; construction; and other services not including public administration (Table 3).

Business NAICS Code Categories	Percent of Businesses
<b>Retail Trade</b>	12%
<b>Professional, Scientific, and Technical Services</b>	12%
<b>Health Care and Social Assistance</b>	11%
<b>Manufacturing</b>	11%
<b>Construction</b>	8%
<b>Other Services (except Public Administration)</b>	8%
<b>Accommodation and Food Services</b>	6%
<b>Administrative and Support and Waste Management and Remediation Services</b>	4%
<b>Wholesale Trade</b>	4%
<b>Transportation and Warehousing</b>	3%

## Entrepreneurs and their households

### Client demographics

Among business clients surveyed, 62 percent were female. Thirty-nine percent of the clients surveyed classified themselves as belonging to a racial or ethnic minority group, and approximately 29 percent lived in low-income households at the time they entered a micro or small business program.

- **62% Female**
- **39% Minority**
- **29% Low-income at intake**

This client profile differs from the universe of US small business owners. According to data from the 2012 Census Bureau's Survey of Business Owners, 29 percent of all firms were owned by minorities, and 36 percent were owned by women.<sup>5</sup>

### Household incomes grow

**Thirty-five percent of respondents reported higher household income** in 2015 than at the time they entered the micro or small business program. Median household income increased by 28 percent and average (mean) household income increased by 22 percent (Table 4).

	Household income at intake	Household income in 2015	% Change in household income from intake to 2015
<b>Median</b>	\$40,680	\$51,950	28%
<b>Average (mean)</b>	\$52,308	\$63,622	22%
Number reporting	440		

### 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 issued annually by the Department of Health and Human Services.

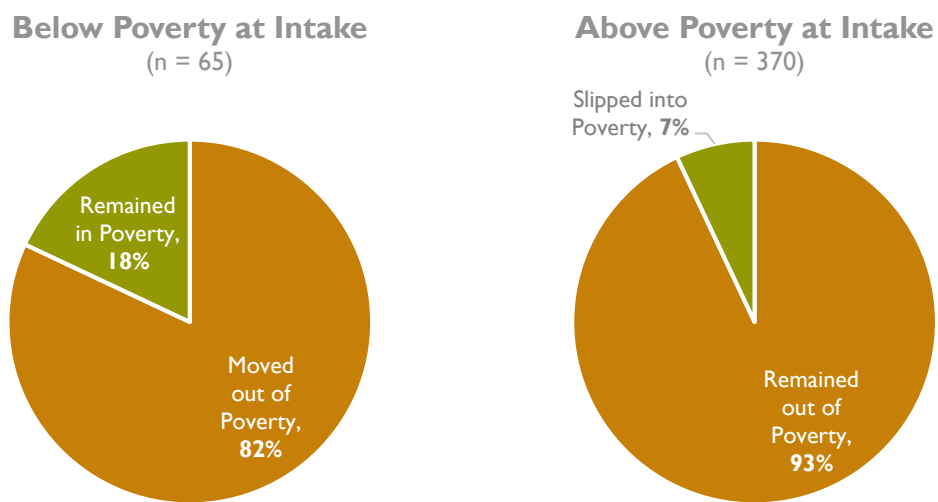
<sup>5</sup> Data from the US Census Bureau 2012 Survey of Business Owners. The 2012 data are the most recent federal data available on employer and nonemployer firms.



### Poverty status of business owners

A relatively small percentage of the individuals surveyed — 8 percent — had incomes below the poverty threshold when they entered the micro or small business program. At survey, the percentage of respondents with incomes below the poverty threshold declined to 4 percent. This change, however, masks a somewhat complicated picture of the movement in household incomes. Among individuals below the poverty threshold at intake, 18 percent of survey respondents remained below the poverty threshold at survey, and 82 percent of individuals moved above the poverty threshold by 2015. Among individuals above the poverty threshold at intake, 93 percent remained above the poverty threshold at survey, and 7 percent slipped below the poverty threshold in 2015 (Figure 5).

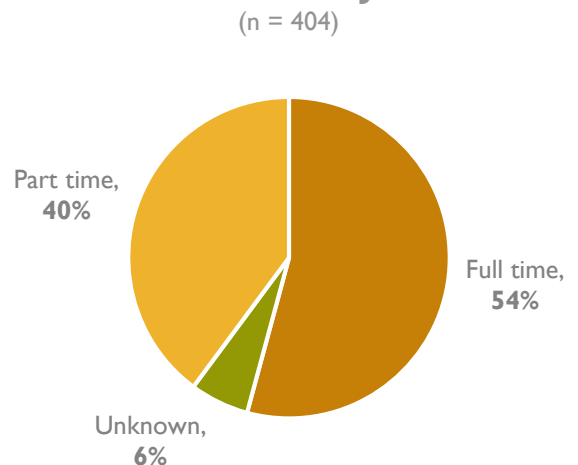
**Figure 5: Poverty Status – Intake to 2015**



### Balancing wage employment and business ownership

Forty-seven percent of 828 business owners balanced operating their business with working at another job in 2015. Among the 380 business owners that reported the frequency they worked at another job, 54 percent worked full time (Figure 6).

**Figure 6: Frequency of Work at Another Job**



**Most business owners have health insurance, but largely from sources other than their business**

**Eighty-four percent of survey respondents had health insurance.** The primary sources of coverage were from a job outside of the business (either from the business owner’s other job or from their spouse’s job), a private policy, Medicare, or a policy accessed through the state (Figure 7). FIELD asked business owners in 2014 about their health insurance coverage, however, the response rates were too low to report. In 2015, 95 percent of business owners surveyed reported on their health insurance coverage.

**Figure 7: Sources of Health Insurance**

(n = 743)

