Lessons from the Entrepreneurship Experiments

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October 9, 2009
Overview

- Massachusetts self-employment assistance (SEA) experiment and its findings
- Self-Employment Assistance program
- Project GATE & early findings
- Lessons for Auto workers
Self-Employment Projects & Programs

- 1970s and 1980s: Industrial nations develop SEA programs (17 EU countries)
- 1990: Massachusetts SEA experiment begins
- 1993 & 1998: SEA enacted, first temporarily, then permanently
- 2003: Project GATE project begins
- 2009: Seven states operate SEA programs.
MA SEA Experiment Design

- UI recipients, likely to exhaust
- Random assignment experiment
- Treatments received counseling, training and self-employment allowances
- Periodic SEA in lieu of UI benefits
- Full-time work on business startup – waive UI work search requirement
MA SEA Experiment Findings

- Take up rate – 4%
- Increased business start up – 58% vs 47%
- Increased earnings +$5,940 (SE + W&S)
- Net benefits to Labor Department, government sector & society
- SEA shown to be viable option for unemployed through public workforce system
- Net benefits to USDOL – SEA enacted in 1993 with budget neutrality
<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>69%</td>
</tr>
<tr>
<td>Age 25-54</td>
<td>90%</td>
</tr>
<tr>
<td>Caucasian</td>
<td>89%</td>
</tr>
<tr>
<td>High school</td>
<td>55%</td>
</tr>
<tr>
<td>Some college</td>
<td>42%</td>
</tr>
<tr>
<td>Professional</td>
<td>52%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>26%</td>
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</tbody>
</table>
The SEA Program

- SEA eligible workers are UI recipients
- Found likely to exhaust their benefits, using a “worker profiling” model
- SEA provides self-employment allowances in lieu of UI benefits
- Entrepreneurial counseling and training
- State join SEA by enacting conforming legislation
Only seven (7) states have active programs: DE MD ME NJ NY OR PA

Small: Less than 2,000 participants/year

States pay for counseling and training (not WIA or SBDC)

SEA experience showed SEA would work for dislocated workers. Project GATE asked: would it work for all workforce clients?
Project GATE

- Sites in ME, MN, PA – urban & rural
- Eligible: All workers who want to start or expand small businesses. Not have to be unemployed or collecting UI
- Services: assessment, training, one-on-one technical assistance
- No seed capital
Early Project GATE Findings

- Effective only for unemployed not employed (“desperation” vs “inspiration”)
- Participants
  - More education than auto workers
  - Lower earnings than auto workers (but rural ME and Philadelphia lowered)
  - Less older workers than auto workers
Education: GATE and Auto Workers

![Education Distribution Chart]

- **GATE_applicants**
  - Less than High School: 30%
  - High School Diploma: 25%
  - Some College: 30%
  - College Degree and Above: 25%

- **Auto workers from census data**
  - Less than High School: 40%
  - High School Diploma: 20%
  - Some College: 10%
  - College Degree and Above: 10%
Earnings: GATE and Auto Workers

Household Income

- Gate applicants
- Auto workers from census data

- <25K
- 25-50K
- 50K+

Bar chart showing income distribution.
Age: GATE and Auto Workers

Age Distribution

- Gate_applicants
- Auto workers from census data
Self-employment services are a promising intervention for permanent displaced unemployed workers

Auto workers meet the SEA profile

Manufacturing workers – about 25%

Age – concentration in the 35-55 group

Advantages for auto workers
  - Work experience and transferrable skills
  - Credit histories/collateral/assets
  - Stable family situation
Selected References

- Project GATE evaluation. Forthcoming early 2010.