

## APPENDIX E

# Description of Studies Cited in Chapter 2

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### INTRODUCTION

**T**he *Self-Employment Learning Project (SELP)* was established at the Aspen Institute in 1991 with funding from the Charles Stewart Mott and Ford Foundations. SELP initially focused on five well-established programs. The Ms. Foundation joined SELP the following year, adding two programs from its Collaborative for Women's Economic Development. The SELP effort is currently studying the operations of these seven programs during a five-year period (ending in December 1996), generating and analyzing several data sources, including an interview-based study of 405 of the entrepreneurs served by the programs, a Program Profile that aggregates data on all program clients from each of the participating programs, and two sets of case studies of each agency completed in 1992 and 1994. SELP is important because it is the only longitudinal study of the microenterprise strategy; it is also noteworthy for its comprehensive look at programs, entrepreneurs, and businesses.

***Self-Employment Investment Demonstration (SEID) evaluation.*** Beginning in 1986, the Corporation for Enterprise Development (CFED)<sup>1</sup>, along with five states (Iowa, Maryland<sup>2</sup>, Michigan, Minnesota, and Mississippi) cosponsored the Self-Employment Investment Demonstration (SEID), which allowed welfare recipients to continue to receive benefits for one year while they established businesses. SEID focuses on the entrepreneurs rather than the programs<sup>3</sup>. The purpose of the demonstration was to: 1) determine if self-employment could be a route to self-sufficiency for welfare recipients; and 2) identify policy barriers to economic self-sufficiency for this population (Raheim and Alter 1995). The primary evaluation of SEID consists of a post-program follow-up study conducted in 1994 to identify outcomes for a random sample

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1. CFED is a national, nonprofit, economic development policy research, consulting, and demonstration organization. Its focus is on the development of innovative enterprise development strategies that simultaneously expand opportunity and competitiveness.
  2. Maryland joined SEID in 1990, and is therefore not included in the studies cited here.
  3. An additional report analyzing program costs is anticipated but has not yet been published.

of SEID participants who started businesses. A total of 1,316 people participated in SEID; 408 of those, or 31 percent, started businesses during the course of the program. The evaluation is based on a telephone survey of 114 of these individuals. Unfortunately, the evaluation fails to account for those who did not start businesses. The design of the demonstration and the follow-up study also severely limit the applicability of the findings. The authors of the evaluation acknowledge that SEID “did not permit random assignment. Individuals self-selected to participate in SEID. Consequently, findings from the demonstration cannot be generalized to the AFDC populations in participating states” (Raheim and Alter 1995: 3). In addition, SEID did not employ a control group, which makes it impossible to confirm the link between program participation and reported changes, such as exiting welfare.

***Small Steps Toward Big Dreams series.*** The series is based on annual surveys of the programs funded by the Charles Stewart Mott Foundation.<sup>4</sup> The Mott Foundation published the first report in this series in 1990; subsequent updates have been published annually from 1991 through 1994. The Mott Foundation is also one of the earliest and largest private funders of the U.S. microenterprise movement. The original 1990 report surveyed 21 microenterprise programs; that number had grown to 31 by 1994, the year of the most recent Update. Four of our case study programs—ISED, NEF, and Working Capital, and WESST—were included in this study. The survey collected information in the following four areas: the financial status of each organization; their management practices or business strategies; the impact of each program on individual customers or the community; and the issues that each program has faced in developing its program. The Mott studies focus on program data, although some data on entrepreneurs was also collected.

***Micro-Enterprise and Women report.*** Recognizing the significance of microenterprise programs’ overwhelming focus on and use by women, the Institute for Women’s Policy Research (IWPR) recently conducted a study using data from the Survey of Income and Program Participation (SIPP), a national sample survey, and from in-depth interviews and focus groups. This study “investigates the impact of self-employment and micro-enterprise as strategies to enhance the income package of AFDC recipients and other low-income women” (Spalter-Roth et al. 1994, 3). The goals of this study bear a striking resemblance to those of the SEID project: 1) “to investigate whether there is a pool of current welfare recipients with self-employment experience and, if such a pool exists, to investigate their characteristics and the characteristics of their businesses;” and 2) “to examine program changes and policy alternatives that could increase the use of micro-enterprises and the success of these enterprises as part of an income package” (Spalter-Roth et al. 1994, 14). The research design of the IWPR study is more sound than that of the SEID study, however, making the results of the former more reliable<sup>5</sup>. During the period in which data were collected, very few microenterprise programs existed, making it unlikely that the women included in this study had participated in microenterprise programs. Therefore, while the study provides some very useful information on self-employment and the women who pursue it, it sheds little light on the effectiveness of microenterprise programs. The IWPR study focuses on women entrepreneurs and their businesses.

4. The actual research and writing have been contracted out to the Corporation for Enterprise Development.

5. The primary target group of the IWPR study was women with some self-employment experience who receive means-tested transfer payments. In order to investigate the likelihood that this group can successfully pursue self-employment as an income-generating strategy, IWPR compared this target group (self-employed current welfare recipients) with three other sample populations: self-employed former welfare recipients; wage or salary packagers; nonemployed welfare recipients (Spalter-Roth et al. 1994, 16).