

Supporting Self-Employment as a Reemployment Strategy: Impacts of a Pilot Program for Dislocated Workers After 18 Months

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Issue Brief

The Self-Employment Training (SET) program was a U.S. Department of Labor pilot initiative to support dislocated workers interested in starting a business. This brief summarizes results from an evaluation of SET's impacts using survey data collected 18 months after enrollees applied to the program.

Testing a New Self-Employment Program for Unemployed and Underemployed Workers

The Great Recession and its aftermath rekindled interest in self-employment as a reemployment strategy for unemployed workers struggling to find jobs. Building on a history of past initiatives in response to growing worker dislocation, the U.S. Department of Labor (DOL) commissioned the Self-Employment Training (SET) pilot program. Mathematica Policy Research developed and evaluated the SET program, which operated in Chicago, Cleveland, Los Angeles, and Portland (Oregon) between 2013 and 2017 (Figure 1).

SET served unemployed and underemployed workers who proposed businesses in their fields of expertise. Participants had access to 12 months of case management services, customized training

and technical assistance, and seed capital microgrants of up to \$1,000. In two sites, SET participants who received unemployment insurance (UI) benefits could also get waivers exempting them from work search requirements.

This brief summarizes findings from an impact study that assessed the extent to which SET delivered additional self-employment supports, increased self-employment activity, and led to better reemployment outcomes. We estimated impacts after randomly assigning half of the study's 1,981 eligible applicants to a control group that was not offered SET services and supports. We measured outcomes through a survey conducted about 18 months after each study enrollee applied to the program. Our results complement findings in a previous evaluation report by Amin et al. (2017) about how SET was implemented.

Evaluating the SET pilot program

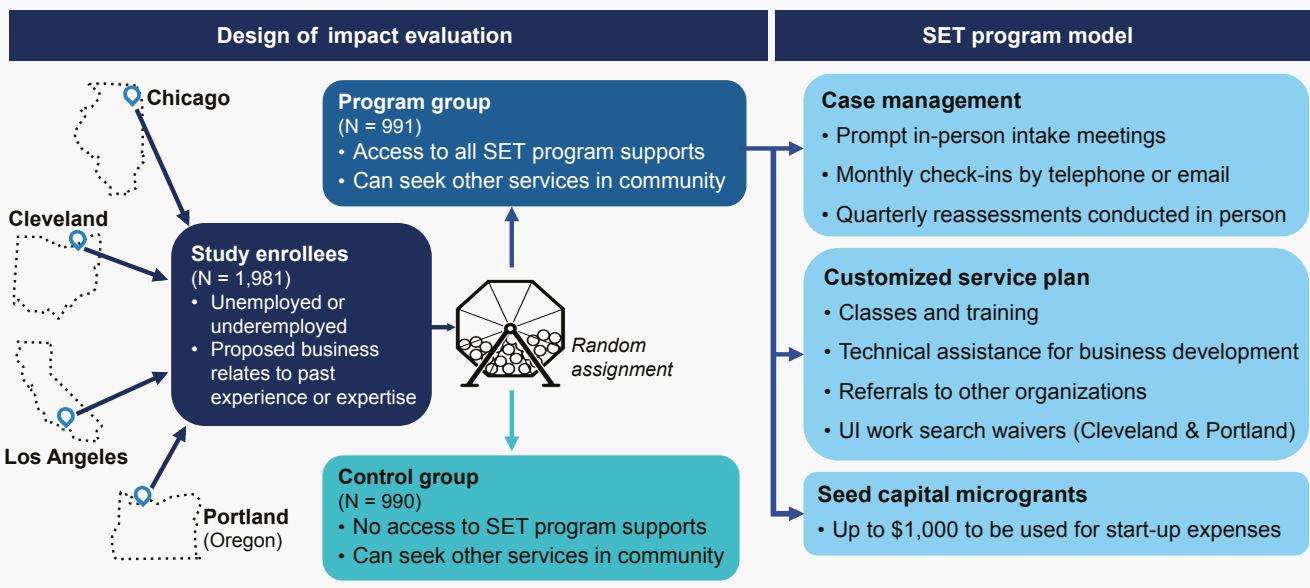


Figure 1

The study attracted enrollees from backgrounds that tended to be different from those of the national population of business start-up owners.



The distinctive population of study enrollees

Most study enrollees had an employment and experience profile that aligned with the pilot program’s goal of serving dislocated workers who could leverage existing skills (Figure 2). The study also attracted enrollees from backgrounds that tended to be different from those of the national population of business

start-up owners¹ Nearly 60 percent of the study enrollees were women, and a similar share indicated a nonwhite or Hispanic ethnicity. Among start-up owners nationwide, only one-third were women, and fewer than 40 percent were nonwhite or Hispanic. In addition, more than half of the study enrollees had a bachelor’s degree or higher, compared to about one-third of all the people starting a business around the same time.

Employment and experience of study enrollees

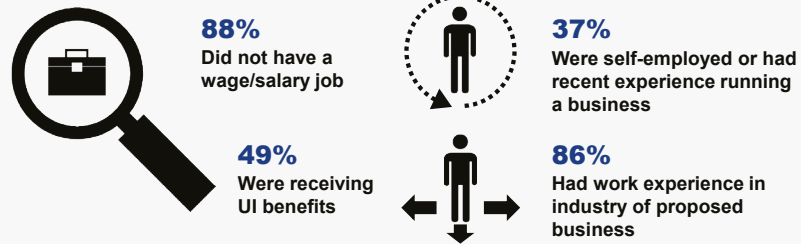


Figure 2

SET led to greater receipt of self-employment assistance, especially individualized supports.



Increases in key self-employment supports

Personalized services and microgrants were central to the SET program model. Comparing the program and control groups, we found that:

- **SET nearly tripled the average number of personalized contacts with self-employment assistance providers** between the time of enrollment and the 18-month survey—from 1.6 in the control group to 4.7

in the program group (Figure 3). The program also increased the share of people who attended in-person classes or training from 33 to 63 percent.

- **SET more than doubled the share of people who received nonborrowed funds** during that time—from 21 to nearly 49 percent. Our results suggest that this increase was related to SET seed capital microgrants being available to SET participants making satisfactory progress in the program.

Personalized contacts with self-employment assistance providers



Figure 3

¹ Statistics on the characteristics of business start-up owners cited in this section are national estimates for 2014 developed from DOL statistics by Fairlie et al. (2015).

SET increased the number of people who took active steps to develop their businesses.



Sustained self-employment activity

SET helped more people achieve potentially important business development milestones.

- **The program led to more people completing a business plan.** Two-thirds of the program group had done so by the time of the 18-month survey,

compared to fewer than half of the control group.

- **SET increased the number of people who formalized their business**—by registering it, incorporating it, and/or obtaining an employer or tax identification number—from 54 percent in the control group to 65 percent in the program group (Figure 4).

Formally establishing a business by 18 months after study enrollment

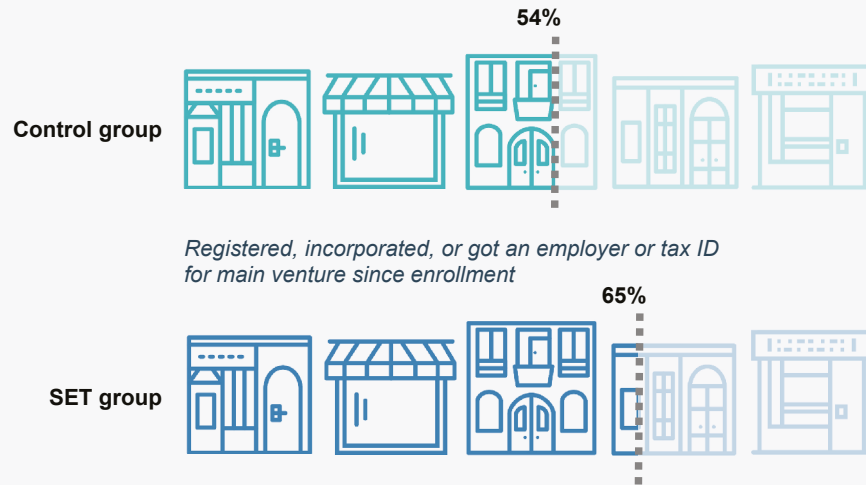


Figure 4

SET resulted in a persistent increase in self-employment and in the amount of time people committed to being self-employed.



SET led to a sustained increase in commitment to self-employment.² Specifically, the pilot program:

- **Resulted in more of the program group engaging in self-employment at the time of the survey**—68 percent were self-employed at that time, versus 56 percent of the control group (Figure 5). This suggests an increase in

persistence or patience, because all study members expressed an interest in self-employment when applying to SET.

- **Increased the share who committed at least 20 hours per week to self-employment** during the year before the survey, on average, from 25 to 31 percent.

Self-employment rates 18 months after study enrollment



Figure 5

² Measures of self-employment include both those who were self-employed only and those who worked on a small business while also holding a wage/salary job.

Maintained engagement with wage/salary work; modest reemployment impacts

SET increased self-employment activity without affecting the average level of engagement with wage/salary jobs (Figure 6):

- **About 60 percent of both the program and control groups held a wage/salary job at the time of the 18-month survey**, and the two groups both spent a similar amount of

time (between 900 and 1,000 hours) in wage/salary work during the year before the survey.

- **SET led to an increase in dual employment—that is, holding a wage/salary job while pursuing self-employment**—from 28 to 35 percent. This could reflect a strategic decision to maintain earnings or to keep the door open to the traditional job market while developing a business, among other factors.

Employment rates by type 18 months after study enrollment

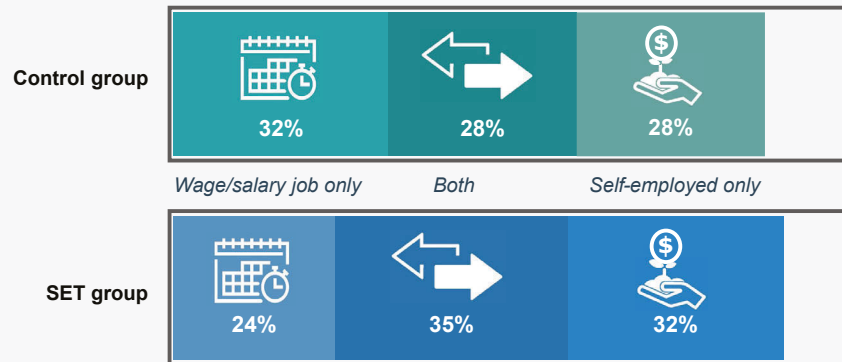


Figure 6

SET led to more reemployment—through self-employment and/or wage and salary work.



SET helped 3 to 4 percent of the program group become reemployed in any job—including both self-employment and wage/salary work—at the time of the 18-month survey.

A large share of all study enrollees, even those who did not have access to SET, had found jobs by the survey date. Just under 12 percent of the control group was jobless at the time of the 18-month survey. From this perspective, SET further reduced the joblessness rate to below 9 percent in the program group, a decrease of one-fourth.

No evidence of impacts on earnings over a relatively short horizon

The program and control groups earned similar amounts, on average, during the 12 months before the survey. We found negligible differences

between the two groups in their total earnings, self-employment earnings, and earnings from wage/salary jobs during that time. On the one hand, this implies that SET did not measurably increase earnings from self-employment or improve the financial position of dislocated workers. On the other hand, the program group did not lose a significant amount of wage/salary earnings.

However, all earnings outcomes were measured between 7 and 18 months after enrollment, whereas our main measures of self-employment and reemployment were based on work activity 18 months after enrollment. During the period that the survey's earnings questions covered, many enrollees likely were in their first year of operations and still actively building their businesses.

SET may have provided more distinctive support to new entrepreneurs.



Additional lessons learned and questions for future study

SET led to substantial increases in self-employment rates for a range of demographic groups. The size of these estimated impacts did not differ measurably by age, gender, or race/ethnicity. Further, in every demographic group we considered, the share employed in any job was higher for those assigned to the SET program group.

SET may have been particularly effective in promoting self-employment among those without recent small business experience. This difference suggests that SET might have provided more distinctive support to new entrepreneurs who might not know how to identify supports in their communities or use them effectively. However, this group also was less likely to have credit problems than those with recent self-employment experience. Additional testing could assess options for targeting services or adding an emphasis on credit repair.

We observed differences in site-level estimates of SET's effectiveness in improving business development and work outcomes, but it is not clear what these differences reflect. We found consistent evidence of effectiveness for these outcomes in the Cleveland and Portland sites, but not in the Chicago and Los Angeles sites. The design of this study does not allow us to establish whether this finding is related to differences in implementation; local economic conditions; the types of study enrollees in each site; or, in most cases, even chance, given the relatively small number of study enrollees in each site. Policymakers or practitioners who want to expand entrepreneurship training options should consider additional piloting to assess whether the SET model (or adaptations of it) are well suited to their clientele.

Evaluating impacts over a longer horizon could provide an improved understanding of SET's effectiveness. It could be beneficial to assess whether the higher rates of self-employment in the program group were maintained beyond the 18-month survey. Similarly, a longer horizon could provide a better understanding of how SET affected earnings after the program and control group members' businesses have had more time to mature. SET's impacts on key employment and earnings outcomes might increase or decrease over time for various reasons as businesses fail or are further developed. Based on the amount of time it takes successful start-ups to become profitable, it could be particularly informative to consider how SET affected earnings after several years.

For more information

Amin, Samia, Mary Anne Anderson, Christopher Jones, Kristen Joyce, Natasha Nicolai, Mikia Manley, and Irma Perez-Johnson. "Creating Jobs When You Can't Find Any: Lessons from a Self-Employment Pilot Program for the Unemployed." Report submitted to the U.S. Department of Labor. Washington, DC: Mathematica Policy Research, June 2017.

Fairlie, Robert W., Arnobio Morelix, E.J. Reedy, and Joshua Russell. *The 2015 Kauffman Index of Startup Activity: National Trends*. Kansas City, MO: Ewing Marion Kauffman Foundation, 2015.

Hock, Heinrich, Mary Anne Anderson, and Robert Santillano. "Supporting Self-Employment as a Reemployment Strategy: Impacts of a Pilot Program for Dislocated Workers After 18 Months." Report submitted to the U.S. Department of Labor. Washington, DC: Mathematica Policy Research, August 2018.