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FINAL REPORT

**COMPREHENSIVE ASSESSMENT OF
SELF-EMPLOYMENT ASSISTANCE PROGRAMS**

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FINAL REPORT

**COMPREHENSIVE ASSESSMENT
OF SELF-EMPLOYMENT ASSISTANCE (SEA) PROGRAMS**

EXECUTIVE SUMMARY

This report on Self-Employment Assistance (SEA) Programs catalogs the eight state programs that were established between 1995 and 1999 and presents participant outcomes that were collected through a survey of former participants.

Congress authorized SEA programs for five years as part of the NAFTA legislation in 1993. Between 1995 and 1999, eight states passed enabling legislation and implemented SEA programs. The seven continuing SEA programs are located in Delaware, Maine, Maryland, New Jersey, New York, Oregon, and Pennsylvania. In 1999 SEA programs were permanently authorized by Congress; however, no additional states have established programs.

In SEA programs, states are permitted to assist Unemployment Insurance (UI) claimants in establishing themselves in self-employment. Claimants are permitted to receive SEA allowances in lieu of unemployment compensation while being required to devote themselves full time to activities supporting their self-employment in lieu of the regular UI work search requirements.

Previous studies, in particular the study of self-employment demonstrations in 1995, found self employment assistance to be a cost-effective intervention when operated according to the framework that was established in the Massachusetts Enterprise Project. A 1998 Report to Congress on the subsequently implemented programs, while finding that there was insufficient data to complete a benefit-cost analysis, recommended continuing the program.

This study, in addition to cataloging the details of program operation in each of the states, reports participant outcomes as well as differences in participant outcomes from those of a comparison group that did not participate in SEA, even though they had been eligible. The study found that participants in large numbers engage in self-employment and many remain self-employed up to three years following program participation. However the data was insufficient to allow conclusions regarding the program's cost effectiveness. The findings that are reported are accompanied with suggestions for a number of modifications to improve the operation of SEA programs.

SEA Program Background

To participate in an SEA program, UI claimants must pass through a profiling process that has been designed to assess the likelihood of their reemployment within the 26 weeks of UI benefit eligibility or, conversely, the likelihood of their exhaustion of benefits prior to reemployment. By statute, SEA programs may not serve more than 5% of a state's UI claimants. Only New York has ever included more than 1% of its UI claimants in its SEA program.

States are required to provide entrepreneurial training, business counseling, and technical assistance to SEA participants. At the same time, states are given significant latitude in the design and operation of their programs. In general, the state agency or office overseeing unemployment insurance benefits has secured the cooperation of the state agency or office that is responsible for employment and training programs to design a training process that satisfies all of the UI requirements. Program services have been managed at the service delivery level. In some states contractors have provided program management. In most states service providers have been contracted to deliver the training, business counseling, and technical assistance that are required by the federal legislation.

A significant restriction of the authorizing legislation requires that the SEA program be budget neutral. Budget neutrality for SEA requires that the program not cause the incurring of any additional expense to the UI trust fund than would have been experienced without the program.

Study Methodology

This study was designed around the goal of obtaining longer-term outcomes experienced by participants compared to others who did not participate in SEA. Though not a control group, which would have been created through random assignment at the beginning of the intervention, the comparison group was sought in order to gain some sense of how SEA program participant outcomes were like or unlike the experience of a similar group of individuals. The comparison group was constructed using a simple random sample of individuals who profiled as likely benefit exhaustees, were offered enrollment in SEA, but pursued regular unemployment compensation instead.

Data sources included a telephone survey supplemented with wage record and administrative data provided by state UI information specialists for each of the 1176 survey respondents. Approximately 600 former program participants (200 each from the states of Maine, New Jersey, and New York) were randomly sampled from the pool of participants enrolled in their state's SEA program between 1995 and 1999. From the same time period, approximately 600 individuals (again, 200 from each of the three states) of eligible non-participants were randomly sampled for the telephone interview.

In assessing outcomes, multiple regression analysis was used to control for observable difference between the groups. However, since the groups are not identical and may be

subject to omitted variable bias, care should be taken in interpreting the results of the comparisons.

Principal Findings

The full report presents a discussion of the variety of state programs that exist and examines their unique program operations. Participant outcomes are reported and compared to the outcomes of the non-participant comparison group. The text below summarizes the study's findings and presents recommendations for program improvement.

Service Delivery

States have undertaken unique and inventive means to deliver services that are required for participants but are not funded through the statute. Most states have devised strategies for partnering in the operation of their SEA programs between the state UI office and the state office responsible for Employment and Training. Small Business Development Centers (SBDCs) have been a third partner in many locations, providing more SEA training than any other entity at relatively low cost.

Characteristics of SEA Participants

Demographic characteristics of SEA program participants differ significantly from those of other UI claimants who similarly profile as likely to exhaust their benefits. It is suspected that the interplay of self-selection into the program and the SEA program's "cold shower" introduction may affect who chooses to pursue the program. The main observable differences are:

- Participants are likely to have higher levels of education; higher pre-unemployment wages; a previous professional, technical, or managerial occupation; and to have been male in comparison to non-participants.
- Participants express much higher levels of interest in business ownership than non-participants, which may contribute to their decision to enroll in the SEA program.

Self-Employment Outcomes

Participants in the SEA programs in the states of Maine, New Jersey and New York achieved high rates of self-employment. Compared to eligible non-participants, individuals who participated in the SEA program in these states were 19 times more likely to have been self-employed at any time post-unemployment. At the date of the survey in December 2000, program participants were 16 times more likely to be self-employed than non-participants. For participants 25-36 months from initial program enrollment, 58% in New York and 60% in New Jersey were either self-employed or both self-employed and wage/salary employed. In Maine, over 40% of participants were either self-employed or both self-employed and wage/salary employed at 25-36 months since their program enrollment.

Overall Employment Outcomes

Participants in the SEA programs in Maine, New Jersey and New York experienced higher rates of reemployment in any position, whether self-employed or wage/salary employed, than non-participants. The study found that program participants were four times more likely than non-participants to have obtained employment of any kind (either wage/salary or self-employment).

Satisfaction

Program participants expressed high levels of satisfaction with self-employment and found the entrepreneurial training and business plan development to be the most helpful components of the SEA programs. In Maine and New Jersey, 90% of the participant self-employed are very satisfied or somewhat satisfied with their businesses. In New York, 87% are satisfied with their businesses.

UI Benefit Receipt

Program participants in the states of Maine, New Jersey, and New York on average collected \$950-\$2,000 more in UI benefits than the non-participants. A number of reasons may account for this differential, including:

- the differences between the participant and comparison groups that could not be controlled through regression analysis,
- the implicit incentive given to SEA participants to collect their maximum benefits,
- the administrative delay between participants' filing of UI claims and commencement of services while non-participants commence an immediate job search,
- the lowering of eligibility thresholds that may allow enrollment of some with lower likelihood of exhausting their benefits,
- possible imprecision of the states' profiling models,
- and the strength of the economy (record low unemployment) during the study period.

Benefit-Cost Analysis

Available self-employment earnings data are insufficient to measure the total earnings gains of program participants compared to non-participants. This limitation precludes an effective benefit-cost analysis. A comparison of costs among SEA program states shows wide variation. Specifically, program administration costs range from \$300 to \$600 per participant. Some states have implemented their programs through the utilization of existing personnel capacity and do not track the cost of additional SEA-related duties as there is not a specific budget line item. In addition, the cost of program services (training, business counseling, technical assistance) ranges from \$200 to \$2,000 per participant, corresponding to the extensiveness of the training provided within each state and the ability of some state programs to utilize in-kind contributions of training services. This amount may actually be less than overall JTPA Title III training programs, which averaged \$2,050 in PY 1995.

Recommendations

Given the findings that participants have achieved significant levels of self-employment, labor market attachment, and overall work satisfaction, and given the inconclusive benefit-cost analysis, there is no reason to suggest any major modifications to the program. To the extent that the goal of SEA programs is to create other options for reemployment for dislocated workers, it appears to succeed in enabling self-employment.

Within the context of the Workforce Investment Act, SEA could be implemented in any state as a relatively inexpensive program. The most significant administrative challenge of the program, providing and funding the program services, may have a ready solution for any state within the One-Stop environment that includes the use of Individual Training Accounts (ITAs) to pay for participant services. Integration of SEA into WIA will require the development of performance measures that are more appropriate to self-employment training.

The findings point to a possible violation of the requirement of cost-neutrality. If participants are receiving greater amounts of benefits, it may be the result of the conflicting priorities of maintaining the critical mass necessary for efficient operation and operating in a budget-neutral fashion. If the higher priority is to maintain sufficient enrollment, the recommendation is that the authorizing legislation be amended to relax the profiling requirement and the budget-neutral constraint. If the priority is cost neutrality, the recommendation is for DOL to encourage the states to further investigate whether or not their profiling models and eligibility thresholds are adequately identifying likely exhaustees and maintaining cost neutrality.

Other Recommendations

Other recommendations include aligning reporting requirements for SEA programs with other federal reporting and appropriations calendars and developing a structure for collecting participant self-employment earnings information to permit follow-up assessment of program impacts for five years following program participation. Also, the report recommends that SEA be studied within the broader context of individualized intensive services that are part of the structure that has been created under the Workforce Investment Act of 1998. Another recommendation is to provide technical assistance to the state programs that are expected to provide program statistics and annual reports.

Finally, if the Department of Labor desires to pursue further quantification of the net benefits of SEA programs, a vehicle for collecting self-employment earnings data needs to be created. Clear definitions of what should be counted as self-employment earnings as opposed to net profits or gross business earnings need to be integrated into the collection system and incentives may be considered for program participants to report this information. Both the model that has been developed in Maryland for tracking participant outcomes for five years following program participation, and the Washington State data collection system that identifies business activity represent approaches that could be adopted elsewhere.

INTRODUCTION

This study of Self-Employment Assistance (SEA) Programs was undertaken on behalf of the U.S. Department of Labor Office of Workforce Security in order to catalogue the administrative structures and service packages that the states have created for delivering SEA and to assess outcomes of the program as it operated between 1995 and 1999.

Study Objectives

In commissioning the present study, the DOL Office of Workforce Security proposed four objectives:

- Determine the net benefits of SEA programs. Obtain the necessary SESA [State Employment Security Agency] and SEA participant cost information associated with these programs.
- Perform an analysis of program-to-program variation in service provision and other program variables.
- Develop a complete demographic profile of current SEA participants and identify the short-and longer-term impacts of this relatively new reemployment strategy on labor market outcomes for these participants with regard to their total employment in wage and salary and self-employment (weeks worked), total earnings, and any subsequent claims for unemployment benefits. [Describe] outcomes contributing to economic development, such as job creation resulting from new business creation.
- Inventory the different administrative configurations and service packages offered within the participating states to provide information to other participating states on cost-effective strategies and to assist states wishing to implement an SEA program.¹

While directed by these objectives, the present study also represents a follow-up to the 1998 Report to Congress that was prepared by Wayne Vroman of the Urban Institute.² Vroman recognized the limitations to his study due to incomplete or missing data from the states, low response rates to voluntary mail surveys from some states, lack of a sufficiently long interval following participation to enable a fuller assessment of the impact of SEA programs, and the lack specific data and a control group that precluded a true benefit-cost analysis.³ The present study had three principal aims: 1) to collect longer-term data in order to more completely assess the impact of SEA programs, 2) to prepare a complete inventory of the existing programs, demographic characteristics of their participants, along with program to program comparisons, and 3) to provide a fuller assessment of program impacts, benefits and costs.

¹ Statement of Work

² Wayne Vroman, Self-Employment Assistance (SEA) Program: Report to Congress (Washington, D.C.: U.S. Department of Labor, 1998).

³ Vroman, 1998, p. 2.

Organization of the Report

The report is organized into seven chapters. Chapter 1 presents an overview of the Self-Employment Assistance Program, including legislative history, program implementation, and a description of significant elements of the program design and structure. Chapter 2 presents the study design and the methods undertaken. Included is information describing the telephone survey that was conducted for the study, the construction of a comparison group, and other sources of data that were utilized. Included in Chapter 3 are individual profiles of the eight state SEA programs. The profiles catalog administrative and operational features, distinctive elements by state, variation in training approaches, funding methods, and individual program statistics.

Chapter 4 introduces the descriptive analysis of SEA participant post-training experiences in Maine, New Jersey, and New York. It includes a report of self-employment experiences, wage/salary employment, subsequent spells of unemployment, as well as participant opinions regarding the services they received and the SEA program itself. Chapter 5 continues the data analysis by comparing participant outcomes with the post-unemployment experiences of a comparison group of non-participants. The chapter begins with a comparison of the characteristics of the participant and non-participant groups. Following this, it lays out the differences in outcomes in the areas of employment, earnings, UI benefit receipt, and satisfaction. Limitations of the comparisons, particularly with regard to earnings, are noted. Chapter 6 concludes the analysis by discussing the benefits and costs of the SEA program. Included is financial data on program costs in all seven states that currently offer SEA programs. The chapter also outlines the difficulties that were encountered in gathering complete benefits information.

Chapter 7 discusses the overall findings of the study and outlines recommendations derived from these. Recommendations range from adapting SEA to the new framework of the Workforce Investment Act of 1998 to particular suggestions for program improvement.

CHAPTER 1. OVERVIEW OF THE SELF-EMPLOYMENT ASSISTANCE (SEA) PROGRAM

Background

Unemployment Insurance and the Office of Workforce Security

The Self-Employment Assistance (SEA) Program was created in the last decade as an outgrowth of the mission of the Division of Income Support (formerly the Unemployment Insurance Service) within the Office of Workforce Security in the U.S. Department of Labor (DOL). Charged with the task of assisting American citizens through the difficult transition between job loss and reemployment, DOL and the Unemployment Insurance (UI) Program it administers are essential components of the social safety net for American individuals and families. Originally conceived as temporary short-term assistance, the UI program has required re-evaluation in the past two decades as entire industries have disappeared from the employment landscape and reemployment has become much more complicated than simply sending people out to interview for the same job at a new company. With the emergence of the "new economy," a premium has been placed on skilled labor and technological proficiency, and reemployment has frequently come to require significant retraining. In short, DOL has continued to seek to provide the stabilization of income support over a period of sufficient length to ensure reemployment under the new market conditions of the U.S. economy.

Government Encouragement of Small Business

Historically, the government has viewed small business as an important component of the nation's economy. Small businesses have been recognized as an engine for innovation. They have long been a steady source of new job creation. New small businesses are often seen as "providing the dynamic new force that leads to change in an industry."⁴

The Small Business Administration (SBA) was created as an agency of the Department of Commerce in 1953 "to aid, counsel, assist, and protect, insofar as possible, the interests of small business concerns."⁵ Small business was recognized as a critical element of urban revitalization strategies of the 1960s and 70s when the Department of Housing and Urban Development supported the creation of small business advocacy organizations throughout the nation. In the same period, the SBA created the Equal Opportunity Loan Program to assist low-income individuals with the acquisition of business loans.

Small Business Development Centers (SBDCs), whose operation in every state is supported by the SBA, provide technical assistance and counseling to entrepreneurs. In FY 2000, they provided counseling and training to 600,000 people.⁶ According to a

⁴ The State of Small Business: A Report of the President (Washington, D.C.: Government Printing Office, 1999), p. 88.

⁵ Small Business Administration.

⁶ www.sbaonline.sba.gov/sbdc.

recent study, they estimate that about 54% of their clients started new businesses in 1998 or 1999.⁷

These initiatives reflect the government's commitment to support the creation and sustaining of small businesses as cost-effective means for promoting economic development. Given the government's commitments to small business and to easing labor market and other barriers faced by disadvantaged populations, it seems a natural progression that the government would come to promote self-employment among those unemployed who could benefit from it.

Searching for More Effective Approaches to Meet New Economy Challenges

Recognizing the changing reality of the economy and the difficulties of reemployment for many of the newly unemployed, the U.S. Department of Labor began during the late 1980s to experiment with innovations in programming and supplementing the options available for reentry into the workforce. New approaches included experimentation with different forms of retraining and reemployment services. One such experiment, the New Jersey Unemployment Insurance Reemployment Demonstration Project, sought to identify those among the unemployed who were likely to experience a prolonged unemployment spell and to intervene providing early intervention services.⁸ Lacking good predictors of who would be likely to experience long-term unemployment, the demonstration project utilized a series of characteristic screens to aid in selecting the individuals for the treatment and comparison groups. The demonstration studied the impact of providing three alternative packages of services: 1) job-search assistance only, 2) a combination of job-search and training or relocation assistance, and 3) job-search assistance combined with a cash bonus for early reemployment. The researchers found that all three interventions contributed to a reduction in UI receipt and some increases in earnings.

The Washington and Massachusetts Demonstrations

The U.S. Department of Labor sponsored other experiments in its search for innovative and effective approaches to assisting dislocated workers, including the Unemployment Insurance Self-Employment Demonstrations in the early 1990's. The two demonstrations, the Washington State Self-Employment and Enterprise Development (SEED) Project and the Massachusetts Enterprise Project, were the first federally sponsored efforts that provided self-employment training to the unemployed. The impact analyses of these demonstrations are reported in a 1994 Abt Associates study.⁹

Using a classical experimental design with treatment and control groups in order to evaluate the impact of self-employment training as a reemployment strategy, the two

⁷ "The Economic Impact of Small Business Development Center Counseling Activities in the United States: 1998-1999" (Washington, D.C.: Association of Small Business Development Centers, 2000), p. 2.

⁸ Walter Corson, Paul Decker, Shari Miller Dunstan, Anne R. Gordon, The New Jersey Unemployment Insurance Reemployment Demonstration Project: Final Evaluation Report, Unemployment Insurance Occasional Paper 89-3 (Washington, D.C.: U.S. Department of Labor, 1989).

⁹ Jacob M. Benus et al., Self-Employment Programs: A New Reemployment Strategy: Final Impact Analysis of the Washington and Massachusetts Self-Employment Demonstrations, Unemployment Insurance Paper 95-4 (Washington, D.C.: U.S. Department of Labor, 1994).

demonstration projects used different strategies for providing self-employment services. In Washington, demonstration participants were selected by targeting the newly unemployed and using a set of characteristic screens to exclude those most likely to find reemployment (e.g. claimants with employer-attachment). In Massachusetts, participants most likely to exhaust benefits were targeted by using an algorithm to predict each claimant's likelihood of benefit exhaustion.

The Massachusetts demonstration required the treatment group to attend a one-day intensive business training session supplemented by six sessions over a nine to twelve week period. The curriculum included instruction on marketing, business plan development, the business mindset, and other relevant topics. The program also required individual counseling sessions. While undergoing the training, participants received regular UI benefit payments for up to 30 weeks.

The Washington demonstration differed in both its training requirements and financial assistance. The curriculum covered four topic areas – business feasibility, marketing, finance and accounting, and organization and management – for 20 hours during a one-week period. The training also included assistance in developing individualized business plans and monthly Entrepreneur Club meetings. Participants received regular UI benefits payments until they completed five milestones: completion of training sessions, a business plan, business bank account, satisfaction of licensing requirements, and attainment of adequate financing. Participants were then eligible to receive a lump-sum payment equal to the amount of their remaining UI benefits.

The Abt Associates' study concluded that both demonstration projects contributed to an increased likelihood of self-employment, increased the total time participants spent engaged in any type of employment and reduced the length of unemployment. The researchers further concluded that the Massachusetts program provided a cost-effective approach to promoting reemployment.¹⁰ The success of the demonstrations was a factor that influenced Congress to pass legislation initially authorizing the option for states to offer Self-Employment Assistance Programs.

Subsequently, Self-Employment Assistance Programs have become part of the Office of Workforce Security's endeavor to offer services that will be of greatest benefit to unemployed individuals. The state programs offer an additional option and opportunity for early reemployment to those UI claimants identified as likely to exhaust their benefits. SEA programs are designed to encourage and enable likely benefit exhaustees, who are so inclined, to create their own jobs by starting their own businesses. A secondary goal is to promote the generation of additional jobs by the newly formed businesses. Currently, SEA programs operate in seven states, providing periodic UI benefits, entrepreneurial training, and business counseling services to individuals while they prepare and start their businesses.

¹⁰ Benus et al., 1994.

Legislative History

NAFTA Implementation Act of 1993

The SEA program was authorized in Section 507 of the North American Free Trade Agreement Implementation Act (PL 103-182) on December 8, 1993. The intent behind this portion of the legislation was to ease concerns that some workers would be permanently displaced from jobs due to NAFTA. It sought to give “states the ability to add the tool of self-employment training and support to the options available to help speed the transition of dislocated workers back into the work force.”¹¹ The federal legislation authorized the SEA program as an option for states for five years, and stipulated requirements of enabling legislation for those states wishing to provide SEA. The authorization established the option to participate in self-employment assistance activities for persons who were otherwise eligible to receive unemployment compensation and profiled as likely benefit exhaustees (i.e. not likely to secure reemployment within the 26 week period of their eligibility for UI benefits). It also provided necessary exemptions from certain aspects of state unemployment law, which would otherwise have prevented the SEA option.

Specifically, Section 507 exempted SEA participants from the regular UI requirements of being available and actively searching for work, and from accepting any reasonable employment offer that might be extended to them. In addition, SEA participants are exempted from a portion of the regular UI provision relating to disqualifying income: they are permitted to earn self-employment income without a subsequent reduction in unemployment compensation. Income from wages or salary, however (i.e., not from self-employment), continues to disqualify recipients from all or part of their SEA payment. Additional provisions specify that to be eligible for participation in the self-employment programs, a claimant must qualify for regular unemployment compensation; and one’s total SEA allowance may not exceed the maximum unemployment benefit amount. The legislation requires that SEA participants must be profiled as likely to exhaust benefits by the state worker profiling system. Furthermore, participants must be engaged in activities approved by the state agency offering entrepreneurial training, business counseling, and technical assistance either privately or through public entities. A final requirement is that participants must be engaged full-time in activities related to starting a business, although disqualification criteria are not specified.

The legislation limits the number of participants in the program to five percent of the state’s regular unemployment compensation recipients. In addition, costs to the UI Trust Fund may not exceed what the Fund would have paid in the absence of a self-employment program, making it a budget-neutral program from the perspective of the UI Trust.

States opting to operate a self-employment program are required by the legislation to file an annual report to the U.S. Secretary of Labor. The reports are instructed to include participation numbers, numbers indicating business starts and sustained businesses,

¹¹ H.R. Rep. No. 361, Part 1, 103rd Cong. 1st Sess. 94 (1993)

operating costs, and assurance of compliance with program requirements. The Secretary may request any other relevant information regarding program operations. Even among the small number of eight states that have at one time or another operated an SEA program, many have not complied with this reporting provision for each year; consequently, program data is incomplete.

Noncitizen Benefit Clarification and Other Technical Amendments Act of 1998

The original legislation also included a sunset provision, terminating the program's authorization five years following its enactment. However, in October 1998, the SEA program received permanent authorization in Section 3 of the Noncitizen Benefit Clarification and Other Technical Amendments Act of 1998. The requirements of the original legislation remain unchanged except that states are no longer required to submit a plan for approval by the U.S. Department of Labor prior to implementing an SEA program.

Department of Labor Implementation

The Department of Labor issued three directives to state employment security agencies between 1994 and 1999 to implement the SEA program. Unemployment Insurance Program Letter (UIPL) 14-94 advised states of the modifications to their unemployment compensation programs permitted under NAFTA Section 507 that would allow individuals in Self-Employment Assistance Programs to receive SEA allowances in lieu of unemployment compensation. The program letter outlined the conditions for receiving such payments and explained the exemptions from regular unemployment compensation regulations that were to apply to SEA participants. The letter explained each requirement of the program, as has been reported above.

Program Letter 14-94 was written for state program administrators, to ensure that their establishment of SEA programs would be fully in accord with all of the provisions of the NAFTA legislation. It included detailed specifications for the state plans that were to be submitted and approved by the Secretary of Labor prior to state program implementation. It also explained allowable and disallowed costs from UI grant funds. Specifically, costs of administering SEA allowances were to be "payable from grants received for the administration of State's UC law under Title III of the SSA." Costs of providing program services, including entrepreneurial training, business counseling, or technical assistance, were not payable from these Title III funds.

The second program letter, UIPL 11-98, was issued by DOL early in 1998 to remind states of the original program expiration date of December 8, 1998, and to advise them to conduct an orderly phase-out, enrolling new participants only up to the date that they could be certain to complete their training prior to program termination. The third program letter, UIPL 11-99, was issued on December 17, 1998, advising states of Section 3 of the Noncitizen Benefit Clarification and Other Technical Amendments Act of 1998 that rescinded the expiration date and authorized SEA programs on a permanent basis.

Though not of the same status as these UI Program Letters, a template intended to guide the states through the preparation of their annual reports was prepared by the DOL National Office in 1996 and distributed to states that had implemented SEA programs. The guide is fairly comprehensive, outlining a report format and detailing the data that the department wished to receive, divided into the following sections: description of the program, program operational data, demographic characteristics of enrollees, and program outcomes. A number of the states have followed this guide closely in preparing their annual reports.

Current Status of SEA Programs

Seven states are currently operating Self-Employment Assistance Programs, including: Delaware, Maine, Maryland, New Jersey, New York, Oregon, and Pennsylvania. California operated a program for a brief period, but terminated it due to lack of participants.¹² SEA programs remain fairly small in each state, with most serving much less than 1% of the unemployed population. New York operates the largest program, both in number served and percent of the unemployed population, with 2.5% of its UI population participating in SEA. The legislation intended to keep the program small and open to a limited number of individuals; the unusually strong labor market in recent years has ensured that participation numbers have been low. Consequently, many states have lowered their profiling thresholds or eased program participation requirements in other ways.

Most programs offer services throughout the state, with just Pennsylvania offering it at select locations. The state SEA programs universally offer entrepreneurial training, counseling, and technical assistance. Peer support is available in New York, Delaware and Maryland. No program offers financial support other than the periodic UI (technically, they become SEA allowances) benefit payments.¹³

Program Design and Administrative Structure

Program Administration

Although each of the programs is distinct and uniquely created according to the needs and constraints of the individual states, there are common patterns. All programs are ultimately accountable to their state Departments of Labor. In most states (California, Delaware, New Jersey, New York, Oregon, Pennsylvania), a department of labor manager serves(ed) as overall director of the program. In the remaining states (Maine, Maryland), a private or semi-private entity has been contracted to administer the

¹² The California program was unique at the time of its operation for having established SEA as an optional program that could be selected on a Service Delivery Area by Area basis. Only six out of 52 SDAs within the state ever offered the program and only a handful of participants were ever enrolled over the two years of the life of the program. It was discontinued. However, the Pennsylvania program has subsequently been established along a similar local-option basis. It has been embraced by 8 out of 28 SDAs and has had a significant enrollment. It is discussed in greater detail in chapter 3 of the present study.

¹³ Jon C Messenger, Carolyn Peterson Vaccaro, and Wayne Vroman, "Profiling in Self-Employment Assistance Programs," Targeting Employment Services Conference Paper (Kalamazoo, Michigan, 1999), table 1.

program, with a manager from the entity serving as program coordinator. In Maine, the SEA (Maine Enterprise Option) coordinator is also the Associate Executive Director of the Maine Centers for Women, Work, and Community, one of the partnering organizations that shared in the original design of the Maine Enterprise Option (MEO). In Maryland, the SEA coordinator is also the Director of the Women Entrepreneurs of Baltimore (WEB), which manages the program for the state.

Relation to State Unemployment Insurance Service

SEA is a program that exists because individuals receiving unemployment compensation have been permitted to pursue self-employment training. The unemployment insurance service (UIS) determines their eligibility, provides their benefit payments, monitors their compliance with program requirements, and maintains records on participants within its information system. Yet the program requires services that are outside the customary activity of UIS, namely training, business counseling, and technical assistance. To secure these services for its clients, the UIS has had to create partnerships with the workforce training agencies that are also part of the larger structure of state departments of labor.

Table 1-1. SEA Program Administration

| | Management | Financing | Training Provider(s) |
|---|---------------------|---|----------------------------------|
| NY | NYDOL | Title III; SBDC; JTPA Governor's Monies | Approved Vendors |
| NJ | NJDOL | State Budget; SBDC | NOTE (Community Colleges) & SBDC |
| OR | OR Employment Dept. | Title III; SBDC | Community Colleges & SBDC |
| ME | Contractor (MCWWC) | UI Special Admin. Fund | Videos* & SBDC |
| DE | DE DOL | Title III; SBDC | SBDC & Approved Vendors |
| MD | Contractor (WEB) | JTPA Governor's Monies | Contractor (WEB) |
| PA | PA DOLI; 7 SDAs | JTPA Governor's Monies; State Budget | Approved Vendors |
| *Approved Vendor List replaced videos in 2000 | | | |

Because of these partnering arrangements, in many cases, participants have been more cognizant of the workforce training agencies that provide their training than the unemployment insurance agencies that sponsor the SEA programs.

Collaborating Agencies

In addition to those states that have established partnerships with other agencies for administrative or management services, all states have developed partnerships with a variety of organizations and entities for the delivery of training services. In some cases these are through fixed contractual arrangements whereby a single service provider or a consortium provides services to all SEA participants. In other cases the state workforce agency has established a list of approved service providers/training vendors, whom participants may utilize for training. Most of these are at low- or no-cost to participants, though in some cases participants pay their own training costs. In no states are any training services funded from the UI trust fund. Collaborating agencies typically include a state's university or community college system, Small Business Development Centers (SBDCs), the Senior Corps of Retired Executives (SCORE), nonprofit organizations specializing in business and other services for women or minorities, and training organizations that specialize in business and entrepreneurship skills development.

Profiling for Eligibility Determination

Eligibility for participation in SEA training is determined in part by the profiling that is conducted as part of Worker Profiling and Reemployment Services (WPRS). In an effort to differentiate between claimants whom the market favors for quick reemployment and those who face a more difficult reemployment challenge, the Department of Labor has developed predictive profiling methods. Profiling enables the UI system to identify and predict which claimants are most likely to exhaust their 26 weeks of UI benefits for reasons of outdated skills, education, or other labor market factors. Being able to make such identifications allows the larger workforce development system to focus more intensive reemployment services on those who face more significant obstacles to reemployment.

In addition to the primary function of identifying those who may require more intensive services, the authorizing legislation required profiling in the SEA program as a means of insuring the cost neutrality of the program; that is, that no additional costs are incurred to the UI trust fund “in excess of the cost that would be incurred by such State and charged to such [UI trust] Fund if the State had not participated in” the SEA program.¹⁴ Beyond prohibiting expenditures from the UI trust fund for training, the cost neutrality provision requires that recipients of SEA allowances receive no more of this benefit than they would otherwise have received in regular unemployment compensation (UC). Profiling is used to identify those who would be most likely to collect their full benefit amount under any circumstance, and thus for whom 26 weeks of SEA allowance receipt would not represent an additional burden.

Profiling is thus an important element of the SEA eligibility requirements. A description of the profiling system that a state will use to identify SEA participants is a required element of a state SEA plan.

The first step in the profiling process is to screen claimants, separating individuals who will likely be reemployed quickly. The screening criteria include: definite recall date, attachment to a union hiring hall, part-time employment (4 states only), an interstate claim (4 states). A few states use additional screens for individuals involved in labor-management disputes.¹⁵

The second step of profiling employs a statistical model developed by the U.S. Department of Labor in 1993 and adapted by individual states to suit their particular needs. Though the variables that are factored into the profiling equations differ from state to state, the most universally employed variables include industry (in growth or decline), occupational (in growth or decline), education, job tenure, and local unemployment conditions.¹⁶

¹⁴ Section 3306(t)(5), Federal Unemployment Tax Act (FUTA) as cited in Unemployment Insurance Program Letter (UIPL) 14-94, 4.d.

¹⁵ Messenger et al., 1999, table 4.

¹⁶ Paul T. Decker, Marisa Kelso, and Rob Olson, “Predicting the Exhaustion of Unemployment Compensation,” Targeting Employment Services Conference Paper (Kalamazoo, Michigan, 1999), p. 3.

Along with discretion in determining which variables to incorporate into their profiling models, states also have discretion in setting the threshold levels where the probability of benefit exhaustion triggers SEA eligibility. Profiling scores indicate the percent likelihood that individuals will exhaust their unemployment benefits. For example, the individual who receives a profiling score of 70 faces a 70% likelihood of exhausting their benefits. The point where exhaustion probability triggers SEA eligibility ranges from 33% likelihood to exhaust in Oregon to 70% likelihood to exhaust in New York.

While most states do use both the screens and the statistical model, a few rely solely on the screens to determine eligibility. Jon Messenger, Carolyn Vaccaro, and Wayne Vroman prepared a paper on “Profiling in Self Employment Assistance Programs” in 1999 that included a summary table of profiling variables employed in SEA states.¹⁷ Portions of it are reproduced here. Table 1-2 has been modified to depict the profiling factors that were employed in the states during the calendar year 1999.

Table 1-2. Profiling Variables in Six State SEA Programs in 1999

| | NY | NJ | OR | ME | MD | PA |
|--------------------------------------|----|----|----|----|----|----|
| Initial Disqualifying Screens | | | | | | |
| Definite Recall Date | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Exclusive Hiring Hall | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Labor-Mgmt Dispute | ✓ | | | | | ✓ |
| Part Time Employment | | ✓ | ✓ | | ✓ | ✓ |
| Interstate Claim | ✓ | ✓ | | ✓ | ✓ | |
| Potential Duration | | | | ✓ | | |
| No First Pay w/i 35 days | | ✓ | | | | |
| Variables in Profiling Model | | | | | | |
| Industry, Industry Growth | ✓ | ✓ | | ✓✓ | ✓✓ | ✓ |
| Industry Exhaustion Rate | | | ✓ | ✓✓ | ✓ | ✓ |
| Occupation, Occ. Growth | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Education | | | ✓✓ | ✓ | ✓ | ✓✓ |
| Wage Replacement Rate | | | ✓ | ✓ | | ✓✓ |
| Base Period Earnings | | | ✓ | | | |
| Potential Duration | | ✓ | | | | |
| BP Wages for 26 Weeks | | | ✓ | | | |
| HQtr. Earn./BP Earnings | | | | ✓ | | |
| Filing Delay | | | ✓ | ✓ | | |
| Job Tenure | ✓ | | | | ✓ | ✓ |
| Mass Layoff Status | ✓ | | | | | |
| Indefinite Recall | | ✓ | | | | |
| Reason for Separation | | | ✓ | ✓ | | |
| Local Unemployment | | ✓ | ✓ | | ✓ | ✓ |
| SEA Profiling Threshold - % | 70 | 42 | 33 | 40 | 40 | 1 |

✓ s indicate variables that are employed in a state's statistical profiling model. Number of ✓ s indicates the number of variables assigned within a particular area.

SEA Training and/or Technical Assistance

While many participation factors are constant across all programs, (participants are UI-eligible, profiled as likely exhaustees, exemption from UI readiness and search requirements, engaged full-time in activities related to small business start-up), the most variable factor among the programs is the provision of training. As stated above, the SEA legislation required programs to provide to participants: entrepreneurial training, business counseling, and technical assistance. There is considerable variation among the programs regarding the content of this training, the means of delivery, and the source of funding. These are the most significant program variables. While each program begins with some form of orientation that includes the “cold shower,” highlighting all of the difficulties of succeeding in small business, there is great variety to the remainder of the instruction. Though the required elements are present in all states, the intensity or extent of the provision varies greatly. The New Jersey program requires 60 hours of classroom

¹⁷ Messenger et al., 1999, table 4.

instruction over a period of 6 weeks by means of a curriculum that is uniform throughout the state and conducted by the community college system. By contrast, the required core curriculum in Maine consists of six videotapes that can be viewed according to the participant's schedule at any of the State One-Stop Career Centers.¹⁸ In New York, a listing of approved service providers is supplied to SEA participants, who must make their own arrangements to participate.

Funding

Funding for both program administration and training and technical assistance also varies considerably among the state programs. In addition to their UI administrative expenses that only cover the costs of administering SEA allowances, many states have relied upon JTPA grants to fund program services and their administration. New Jersey has made a significant commitment of state revenue dollars to finance its extensive training program. Most states have leveraged business counseling through state Small Business Development Centers (SBDCs) that are funded through the Small Business Administration (SBA). In many cases, participants must secure their own individual eligibility for participation in available appropriate training programs. The programs and states have been creative and resourceful, given the strict requirement of UI budget neutrality imposed by the legislation. For example, Maine used a JTPA Title III discretionary grant to fund its preparation of training videos and has utilized the state UI penalty and interest account to fund program administration.

Participation Rates

According to data collected by the state programs, participation rates vary considerably. By far, New York has had the highest number, with over 5000 SEA participants between

1996 and 1999. In contrast, Delaware served just 24 people within the same period. These numbers reflect, in addition to differences in population among the states, also distinct differences in interest or demand for SEA programs as well as state enrollment procedures that make participation comparatively easier or more difficult.

Table 1-3. Participants in the State SEA Programs

| | 1999 | 1998 | 1997 | 1996 | 1995 | Total |
|--------------|------|------|------|------|------|-------|
| New York | 896 | 1038 | 1865 | 1408 | | 5207 |
| Oregon | 19 | 41 | 42 | 111 | | 213 |
| Maine | 58 | 99 | 101 | 129 | 44 | 431 |
| Delaware | 3 | 4 | | 17 | | 24 |
| New Jersey | | 358 | 832 | 156 | n/a | |
| California | n/a | | 3 | | n/a | 3 |
| Maryland | 125 | 107 | n/a | n/a | n/a | 232 |
| Pennsylvania | 392 | 566 | | | n/a | 958 |

Previous Research

The research published by Abt Associates that reported on the demonstration projects has been described above. Subsequent to the demonstrations, there has been limited research regarding the SEA program and its impacts. In 1998 Wayne Vroman of the Urban Institute prepared a report for the U.S. Department of Labor for delivery to Congress. It provided a descriptive analysis of the various state SEA programs as well as a history of

¹⁸ In 2000 the Maine program was significantly modified and now includes participants securing training from a list of approved vendors, similar to the New York program.

developments in the legislation. Vroman's findings, although limited by high non-response rate to state-administered surveys, indicate that SEA participants "differ systematically from other UI claimants."¹⁹ Participants tend to be White and older, strongly representative of professional or managerial occupations, and possessing higher levels of education than typical UI claimants.²⁰ Vroman found that in four programs, approximately two-thirds of SEA participants had started businesses, yet reports of gross sales were fairly low. He also discovered that many participants were reemployed in wage and salary positions.²¹ Finally, he concluded that a proper benefit-cost analysis of SEA programs could not be conducted due to inadequate data regarding program costs, the lack of a control group, survey response bias, and the need for a longer follow-up period.²²

An additional study that is of note is the paper mentioned above that was prepared for a 1999 conference on targeting employment services by Jon Messenger, Carolyn Vaccaro, and Wayne Vroman. Entitled "Profiling in Self-Employment Assistance Programs," the paper raised a number of provocative questions. First, the authors note an emerging trend in unemployment that may increase the relevance of having an SEA option. They note that "an increasing proportion of all dislocated workers [is] now coming from professional, technical, and managerial occupations—occupations which require knowledge and skills that may be particularly applicable for self-employment."²³

In addition, they note problems that have arisen around the use of profiling. As the paper states, "*The first major problem is that profiling has restricted the access of some UI claimants to the SEA program who might otherwise be good candidates for self-employment. This should not be surprising, since individuals identified by profiling as likely to exhaust their UI benefits are likely to be individuals who have more barriers to reemployment than UI claimants in general. Thus, although there are obviously exceptions, profiling will identify a group of the unemployed who—on average—are less likely to have the knowledge and skills necessary for self-employment.*"²⁴ However, they go on to identify the "self-selection" factor as more than countering this negative impact. Though many likely candidates for self-employment are eliminated as unlikely to exhaust their benefits, others who lack the necessary knowledge or skills for self-employment are eliminated by the application process and the introductory seminar that presents a sobering portrait of the difficulty of starting and succeeding in small business. Those who do enroll tend to be highly motivated and better qualified by experience, education, or other factors. As the authors summarize, "*while the use of profiling in SEA targets the program on dislocated UI claimants, the self-selection process used for SEA appears to be further targeting SEA participation on a subset of dislocated claimants who have the knowledge and skills necessary for self-employment.*"²⁵

¹⁹ Vroman, 1998, p. 47.

²⁰ Vroman, 1998, pp. 29-36.

²¹ Vroman, 1998, pp. 37-42.

²² Vroman, 1998, pp. 44-46.

²³ Messenger et al., 1999, p. 9.

²⁴ Messenger et al., 1999, p. 28.

²⁵ Messenger et al., 1999, p. 29.

CHAPTER 2: STUDY DESIGN AND METHODOLOGY

Construction of a Comparison Group

Given the study focus on short- and longer-term outcomes of SEA as well as benefit-cost analysis, the construction of some comparison group was necessary. The study of SEA demonstrations utilized control and treatment groups in a classic experimental design. Due to the post-facto nature of this research project, a comparison group that would control for observable differences was deemed the best available design. While not a control group, a comparison group allows the assessment of participant outcomes against the experiences of others who did not participate in the program. When utilizing a comparison group methodology, it is important to take great care when drawing findings or conclusions about groups that, while sharing some similarities, are not identical.

From the outset, the comparison group methodology faced challenges brought about by the nature of a training-centered program, where individual choice to participate is a critical differentiating factor. In particular, it appeared that there were two treatment effects: 1) that of individuals evaluating their own ability to benefit from SEA services and enrolling in the program (self-selection), and 2) that of the training and other program services that they received. Inherent to the SEA process is the “cold shower” orientation that serves to present the extremely difficult realities of starting a small business. Would-be participants who are uncertain or not fully committed very often do not proceed beyond this stage.

As a result of the self-selection process and the cold shower orientation, those who enroll in the program are likely motivated to become self-employed, whereas the comparison group may lack these motivational factors. The comparison is between a simple random sample of those who both self-selected the program and received services, and a simple random sample of those who were profiled as eligible and informed of the program, but did not enroll in it. In general, the non-participants pursued regular work-search activities; although some may have pursued other training programs.²⁶ Given this composition of participant and comparison groups, the effects of the program treatment itself and those of selection into the program are mixed.

In the comparisons, we control for observable differences through multiple regression analysis. However, regression analysis cannot control for variables that are not observable. Therefore, any interpretation of the data must always keep in mind the differences between the two groups.

Data Collection

Development of the Survey

Both the 1995 Abt Associates Study of the SEA demonstrations and the *Report to Congress* prepared by Wayne Vroman of the Urban Institute in 1998 pointed out the need

²⁶ It is unclear from the data the extent to which non-participants engaged in alternative training programs.

to track program outcomes over an extended time interval.²⁷ In addition, though surveys that were conducted as part of the demonstration projects yielded 60% and 80% response rates, follow-up surveys in implementing states in 1996 and 1997 averaged only in the 30% to 40% range.²⁸ In short, when the last comprehensive study of SEA programs was completed in 1997, there was insufficient data from which to draw very convincing conclusions. The low response rates to post-program surveys suggested that the outcomes for all participants were most likely worse than those reported. Moreover, at 6 months or 12 months, it was premature to draw conclusions about business success rates or wage recovery through either self-employment or new wage and salary employment.

In light of these issues, the present study was designed around the central activity of gathering data from a more representative sampling of program participants and to include longer-term follow-up data from some who had completed the program at least 24 months prior to the study. A survey was deemed necessary since administrative records on self-employment – including earnings and entry into business – are not kept in the same way as wage records.²⁹ The study opted to conduct a telephone survey as the best means for data collection, seeking the higher response rates yielded by telephone survey as opposed to a mail survey.

The limitations of a survey include depending on respondents to recall their earnings over a long span of time without having reference to their own tax documents or business records. A further limitation is the willingness of individuals to be completely forthright about personal financial data in a survey context. Moreover, self-employment earnings are difficult to define and to separate from business revenues, business profits, and self-assigned wages. There is an inherent barrier to equating earnings from self-employment with wage/salary earnings. Ultimately, the data on self-employment earnings proved inconclusive, as will be discussed in chapters 5 and 6. Recommendations are made in the concluding chapter for improving the collection of this type of data.

Selection of States for Survey Administration

In order to maximize the value of the survey within the constraints of the overall study budget, the research team made the decision to conduct the survey in only the three states of Maine, New Jersey, and New York. They were selected as representing the full range of the various funding and service delivery models; and, they were among the oldest programs, allowing the follow-up of individuals who had completed the program up to 2 or 3 years earlier. Moreover, these three were believed to operate large enough programs to permit a statistically significant survey of former participants. The California program was not surveyed, due to the extremely limited extent to which it operated. The Delaware and Oregon programs, though also among the older programs, have had so few participants that it seemed unlikely to secure a statistically significant sampling of their

²⁷ Wayne Vroman concluded, “SEA program benefits accrue mainly as increased earnings realized over several years. The earnings histories of participants need to be followed for two to three years to derive accurate estimates of post-program earnings.”

²⁸ Vroman, 1998, p. 47.

²⁹ Only in Washington State is there a system through the Department of Revenue that, through business identifiers, collects such information on self employment as: business income, dates of operation, gross business receipts, and taxes paid. None of the states in this study had a similar system.

participant outcomes. The Maryland and Pennsylvania programs, though having had larger numbers of participants, are the newest programs, and would not have yielded data on longer-term impacts.

In addition, it was recognized that the Maine, New Jersey, and New York programs included different types of administrative structures, service packages, and financing arrangements. As will be discussed in the chapter 3, the Maine program is administered through a contractor, the Maine Centers for Women, Work, and Community (MCWWC), with minimal financial outlay for training or program management. Training and business counseling are provided through a self-directed video series and a contract with the state's Small Business Development Centers (SBDC)s.³⁰ The New Jersey program is jointly administered by the state DOL and the Network for Occupational Training and Education (NOTE), a consortium of the state's community colleges. The community college system is the sole source of training and has developed a comprehensive 60-hour/6-week training program that is funded by the state budget at the rate of \$800 per participant. It is supplemented with 6 hours of SBDC counseling and a \$300 voucher for computer training. The New York program is administered through the state DOL and over half of participants secure the required instruction through JTPA-funded training by SBDCs on State University of New York (SUNY) campuses.

Sample Design

A simple random sample of SEA participants and SEA eligible UI claimants was drawn for UI claimants from the states of New York, New Jersey, and Maine for the years 1995 to 1999. Simple random samples of 1,000 were drawn for each strata with the exception of Maine MEO participants; all 436 Maine MEO participants were included in the sample. Given the large number of eligibles, New Jersey and New York drew their own simple random samples for the comparison groups.

Administration of the Survey

The survey consisted of 58 questions that were asked of approximately 600 former SEA program participants, 200 each from the states of Maine, New Jersey, and New York; and approximately 600 individuals who had been originally unemployed during the same time period, who also profiled as likely benefit exhaustees and thus eligible for the program, but who did not elect to participate in it.³¹ Eleven of the questions were specific to the SEA programs and were asked only of the group of former participants. The survey was administered from October through early December 2000.

In order to increase survey response, each randomly selected participant was mailed a pre-notification letter before a telephone contact was made.³² In some instances, respondents called the toll-free telephone number included in the cover letter to complete the survey. Telephone interviewing began one week after the pre-notification letters were mailed for those who did not respond to the use of the toll-free number.

³⁰ The video series was replaced in 2000 by an approved training vendor list, similar to the New York model.

³¹ The survey instrument appears in Appendix C.

³² The text of the pre-notification letter appears in Appendix B.

The initial telephone contact was designed to seek an appropriate time to schedule an appointment to complete the survey. In some cases, respondents completed the interviews during the initial contact. In other cases multiple contacts were required to complete the survey. To increase the likelihood of reaching a designated sampling unit, interviewers attempted as many as 11 phone contacts with each number in the sample. Follow-up calls for non-contacts (i.e., numbers that produce no answers, busy signals, or answering machines) were rescheduled for varying times, including mornings and afternoons, dependant upon the times that previous contacts were attempted.

Non-response stemming from a sampling unit’s refusal to participate was countered through the use of specially trained refusal conversion interviewers. These interviewers use information gathered during the first contact to develop a strategy for re-contacting the sampling unit and gaining cooperation. Sampling units that refuse participation a second time were not contacted again. The bulk of the interviewing for the survey took place weekday evenings (between 5 p.m. and 9 p.m.), Saturday afternoons (between 12 noon and 6 p.m.), and on Sunday afternoons and evenings (between 1 p.m. and 9 p.m.).

Interviewers used standardized survey interviewing procedures to complete each survey. Standardized survey interviewing takes place when interviewers are consistently providing the same information and asking the same questions in the same way to all respondents. Standardized interviewing is accomplished through a combination of training and monitoring processes. Each interviewer is trained in data collection techniques. Call monitoring by supervisory staff is used to provide continuing feedback to interviewers.

| | Total | Maine | | New Jersey | | New York | |
|-------------------|-------|-------------|---------|-------------|---------|-------------|---------|
| | | SEA partic. | Non-SEA | SEA partic. | Non-SEA | SEA partic. | Non-SEA |
| Completed surveys | 1176 | 176 | 202 | 203 | 201 | 197 | 197 |

The survey gathered information on type of work (self-employment, wage/salary employment, retirement, unemployment), income, and satisfaction since completing the SEA program

and/or concluding one’s spell of unemployment. In all, 1,176 surveys were completed. A summary of completed surveys is presented in table 2-1.

Supplementary Wage Record Data

Following the completion of the survey, information specialists in the state departments of labor provided additional data from the wage records and administrative data of those individuals who had participated in the survey. The wage record data included industry and occupation codes, profiling score, beginning dates for unemployment or SEA program participation, end dates for benefit collection, base wages for all individuals, and post-unemployment wages for those who returned to UI-covered wage/salary employment. The additional demographic variable of race/ethnicity was secured from the administrative records.

Other Data Collection

The research team set out to collect all annual report information that had been prepared by the states, including that information that was “missing” at the time of the previous study. Members of the research team visited the sites of state program offices and program operators in Maine, New Jersey, and New York. The visits were conducted early in the study to provide the researchers an orientation to some of the programs and program variables that were represented among the states. In conjunction with each of these state visits, a focus group with former program participants was conducted. The research team sought to track the sources of in-kind services that were leveraged by the programs in the various states and to determine the value of these services as a means of strengthening the analysis of benefits and costs.

CHAPTER 3: INVENTORY OF STATE SEA PROGRAMS

This chapter addresses the second principal aim of the study as outlined in the previous chapter: to prepare a complete inventory of the existing SEA programs, demographic characteristics of their participants, along with program to program comparisons. In so doing, it completes a number of the objectives specified in the OWS statement of work:

- Perform an analysis of program-to-program variation in service provision and other program variables.
- Develop a complete demographic profile of current SEA participants.
- Inventory the different administrative configurations and service packages offered within the participating states to provide information to other participating states on cost-effective strategies and to assist states wishing to implement an SEA program.³³

Individual profiles of the state SEA programs are presented in alphabetical order by state. Each profile includes background on the economic and demographic characteristics of the state along with a synopsis of the history of its SEA program. Each profile includes “distinctive elements” of a state’s SEA program. As indicated in the previous chapter, there have been numerous points of variation among the state programs. It is in the “distinctive elements” section of each individual profile that these factors are presented. Among the significant program elements where the states have created or adopted different models and strategies are:

- Program administration
- Self-employment training and other services
- Funding of both program administration and services
- Profiling/determining eligibility/enrollment

Varying approaches to these elements are presented state-by-state. At the conclusion of the chapter, the various state strategies for administering SEA programs, providing services, and funding their programs are gathered into table format.

³³ Statement of Work.

PROFILE OF THE CALIFORNIA SELF-EMPLOYMENT ASSISTANCE PROGRAM

Economic and Demographic Profile of California

California is the most populous state in the nation. The 2000 Census calculates the population at 33,871,648. Geographically it falls only behind Alaska and Texas ranking as the third largest state. According to the U.S. Census Bureau there are 217 people per square mile in the State of California.³⁴

Economically, California ranks high on the earnings scale compared to the other states. The per capita personal income of \$29,910 is 14th among all the states. The median household income is \$39,595. The leading industries are services, accounting for 32.1% of employment; state and local government, comprising 11.5%; and durable goods manufacturing, consisting of 10.8% of the workforce.³⁵ The unemployment rate averaged 5.9% in 1998.³⁶

According to the Small Business Administration, in 1998, 88% of firms in California employed fewer than 20 people; more than half of those (n=296,251) employed 1 to 4 people. However, only 19% of the state's workers were employed by firms with fewer than 20 employees, while 47% of workers were employed by businesses with more than 500 employees.³⁷

History of the Program

The California Self-Employment Assistance Program operated between November 1996 and June 1998. The program was closed in California, effective July 1, 1998. The final report from the Job Training Partnership Division indicated a number of problems (enumerated later) that were encountered and never fully overcome.

Initially only five of the state's 52 Service Delivery Areas (SDAs) agreed to operate the training courses required for the program; however within 8 months this number had been reduced to two. The original areas were: Carson/Lomita/ Torrance, Contra Costa, Fresno, Sonoma, and Ventura. In the twenty months of the program's operation only 24 UI claimants attended an SEA program orientation; of these only 13 applied to participate in the program; only 3 were enrolled and completed entrepreneurial training; none of these appear to have been successful in a small business start-up.³⁸

Distinctive Elements of the California Program

The California program resembled many of the other state programs, with similar services (entrepreneurial training including: business plan development, marketing

³⁴ U.S. Census Bureau, 2000.

³⁵ Bureau of Economic Analysis.

³⁶ Bureau of Labor Statistics.

³⁷ Small Business Administration.

³⁸ Final Report, 1998.

strategies, basic accounting system, business financing, and information regarding permits, licenses, and other government regulations; one-on-one business counseling; and technical assistance in developing a business plan and securing capital) and a collection of partnering organizations to assist in program administration and service delivery. Partners included: the Employment Development Department (EDD) Unemployment Insurance Division, the EDD Job Training Partnership Division, SBDC, Community Development Block Grants, and Pacific Career Center.

As mentioned above, the most distinctive element of the California program was the voluntary participation of SDAs. However, with other entrepreneurial programs available through most SDAs, few were inclined to add SEA to their service options. Moreover, the final report estimated that the operating costs for 18 months had been \$14,120 for this program that never really took off.

Lessons Learned

Though the program was terminated, some of the problems that were enumerated in the state's reports could prove helpful to other states preparing to offer SEA. Identified problems included:

1. Though 710 claimants were referred over the 20 months of the program, the profiling threshold of 64% was regarded as a significant limiting factor, diminishing the usefulness of the program.
2. Referral to SEA occurred several weeks into the benefit claim, depleting claimant resources before training and business start-up activities could be accomplished.
3. The reporting requirements that accompanied the program without an identified funding stream proved to be a disincentive for SDAs to offer the program.
4. Administrative and operational costs had to be absorbed into existing or planned budgets.
5. The uncertainties and risk factors associated with self-employment were accentuated against the background of a strong economy with an abundance of available jobs in California.

Though SEA did not continue in California, the final report expressed confidence that entrepreneurial training operated through other resources would continue to be a viable program in California.

PROFILE OF THE DELAWARE SELF-EMPLOYMENT ASSISTANCE PROGRAM

Economic and Demographic Profile of Delaware

Delaware is one of the smallest states in the nation, both in terms of geographic size and population. Its 1998 population of 744,066 placed it 45th in the nation, yet it is somewhat densely populated.³⁹ According to the U.S. Census Bureau, there are 340 people per square mile in the state.⁴⁰

Economically, Delaware is well off in comparison to other states. In 1998, it had a per capita personal income of \$29,383, the tenth highest in the nation.⁴¹ The 1996-1997 median household income in the state was \$41,622; the median income for the United States was \$36,656.⁴² Services comprise the greatest share of Delaware's economy, accounting for 23% of earnings. Nondurable goods manufacturing contributes 21% of earnings; and finance, insurance, and real estate comprise about 14% of Delaware's earnings.⁴³ In addition, Delaware's unemployment rate remains low, averaging 4.1% during 1996 through 1999.⁴⁴

According to the Small Business Administration small business constitutes 94% of Delaware's 23,500 businesses with employees. In 1998, there were 3300 new businesses formed and 23,000 people in Delaware who were self-employed.⁴⁵

History of the Program

The Delaware Self-Employment Assistance Program (DSEA) was one of the earliest programs to be established; yet it has remained one of the smallest programs, with just 24 participants between the implementation in November 1995 and the end of 1999. Of these, 17 completed the program through 1997 while just 7 individuals participated in DSEA during 1998 and 1999.

Distinctive Elements of the Delaware Program

Profiling

Profiling in the DSEA program employs six variables in a three-tiered characteristic screening process. The first tier takes account of whether individuals have qualified for their first UI payment; the second tier screens for recall status and checks for any union hiring hall agreement; the third tier looks at the factors of job tenure, previous industry, and primary occupation. Individuals must meet the screening criteria for all six variables.

³⁹ Bureau of Economic Analysis.

⁴⁰ U.S. Census Bureau.

⁴¹ Bureau of Economic Analysis.

⁴² US Census Bureau.

⁴³ Bureau of Economic Analysis.

⁴⁴ Bureau of Labor Statistics.

⁴⁵ Small Business Administration.

Those who are eligible for SEA receive a notification letter; they must contact their local office of the Division of Employment and Training in order to participate.

Delaware initially coupled its SEA program, which was considered to be primarily a training option under the auspices of the Division of Employment and Training (E&T), with UI profiling. UI sent the letter of notification for an “orientation to profiling” session at the local office where UI and E&T were co-located. At this initial orientation to profiling session, individuals received their first literature and information about SEA. Those who were interested were instructed to return to view the SEA video on an individual basis. This could have been done immediately following the orientation at the local office (One-Stop) or at a return visit.

The SEA video that was produced by Delaware Department of Labor emphasizes the difficulty of starting and succeeding in small business. The video, which has also been used during SEA orientation sessions in New Jersey (where training staff refer to it as the “cold shower”) emphasizes the requirements of time and money, and stresses a small business start-up brings to a family system. The video features interviews with Delaware small business owners. Ten or twelve individuals’ responses to a set of questions are grouped by topic. Members of the research team viewed the video during an orientation session in New Jersey and were impressed with the professional quality of the production and the sobering detail about the difficulty of small business that it presented.

Enrollment

An application packet distributed during the orientation session includes an outline of program requirements, a detailed questionnaire for applicants to outline an initial business plan, and a financial worksheet. The questionnaire is used to assess the business ideas and the businesses that individuals intend to start, their business background, their previous occupation and education or training, to whom they intend to market their product or service, how much money they anticipate requiring, and where they intend to get that money. The listing of program requirements is straightforward, outlining what participants will be required to do to remain in the SEA program and what regular UI requirements will be waived while they are in DSEA. The bulleted list includes:

- Receive an SEA allowance equal to and in lieu of regular UI benefits
- Receive business development counseling and technical training assistance
- Waiver of work search requirements during DSEA participation
- Small business income not deducted from benefit; other earnings subject to state law
- Requirement to work full time at starting business and participation in structured training and technical assistance activities
- Option to self-select out of the program and return to UI benefits at any time
- Subject to being dropped from program for failure to comply with its requirements
- Unexcused absences from required activities will result in loss of benefits for the week of non-compliance

Individuals who completed the group orientation were assigned to an individual case manager who assisted each one with the development of an employability plan. SEA could be the center of an employability plan. Though their numbers were few, any individual who sought to pursue SEA in Delaware could have been assisted through the case management process to begin the program. The overwhelming majority of those who both profiled as eligible and expressed interest in SEA were dislocated workers, eligible for JTPA funded training. In those very few cases where interested individuals were not eligible for JTPA funds, the state of Delaware offered State Skills Grants, in effect, a voucher for purchase of training.

Small Business Training

Once accepted as an SEA participant, services began with a referral to the SBDC for training and business counseling. All participants are required to seek SBDC counseling or other technical assistance with their business start-up. In Delaware, the Senior Core of Retired Executives (SCORE) conducts free seminars and business counseling for the SBDCs. Participants were advised of other available training programs, including those of the Minority and Small Business Entrepreneurial Center (MASBEC). Topics and services of the various training providers include: business counseling, training in business related topics, information regarding available financing, and information regarding peer support groups.

Program Costs

Costs have been absolutely minimal, with many free services coming through SCORE volunteers and those that were not provided free through the SBDC were provided at very low cost. JTPA dislocated worker funds expended through the end of 1999 were only \$1,054.00, which averages about \$44.00 per SEA participant. The SBDC coursework established the content and required hours of instruction. The Division of Employment and Training provided individual case management, particularly in the event of a problem.

At the conclusion of coursework, individuals would return to meet with a case manager to develop a subsequent plan or to close the case. Since most individuals received training under JTPA, there would be a required 30-day follow-up contact from the case worker.

Being such a small program, there are no full-time staff assigned and detailed administrative or program cost records are not maintained.

Program Statistics

The most detailed description of Delaware participants came in a 1997 report on the first year of the program and the first 17 participants. Participants tended to be male, over 35 years of age, White, with a high school diploma or some college beyond high school, and unemployed from professional, technical, or managerial occupations. Demographic characteristics of this small group are presented in table 3-1.

Program Outcomes

According to summary data from the DE DOL from May 2000, of the 24 participants served through the life of the program, at least 18 were employed, and at least 12 of these had at one time started a business. Businesses ranged from specialized product sales, construction, plumbing, auto detailing to a variety of services (computer services, vending services, billing services, day care, business consultants) and other highly specialized businesses: herb farmer, sculptured glass, and airline pilot consultant.

Adapting SEA under WIA

The Delaware SEA program has found itself significantly impacted by the implementation of the Workforce Investment Act of 1998 (WIA).

Under the WIA framework, services are consolidated within the One-Stop and there are no longer group orientations to profiling and services. Instead, individuals self-register for ALL programs through a computer terminal and complete their own self-intake process. A self-assessment is given by computer to aid in determining eligibility for intensive services. Initial attention is given to whether individuals have the ability to use the resource room of the One-Stop to conduct a structured independent job search or if they require one-on-one service. Through the self-assessment software, individuals may receive messages indicating that they may be eligible for intensive services and instructing them to set up an appointment with a case manager to complete additional assessment. Though there are some conditions under which it may be waived, in general Delaware requires a four-week job search prior to eligibility for intensive services.

Under the new sequence, it is only with the beginning of case worker involvement (ordinarily at the conclusion of the mandatory four-week job search) that training becomes an option. Though SEA is still advertised as a program of the DE DOL, the impact of the WIA sequence has been to push back the dissemination of information about SEA and to delay enrollment for several weeks, an anomaly that is at odds with one of the original goals of SEA, namely *early* intervention and engagement of likely benefit exhaustees in self-employment training and activities to improve their likelihood of success.

Another complicating factor that Delaware has faced for SEA under WIA has been that the E&T Division can no longer contract for training programs/classes with adult or dislocated worker funds. Instead, claimants must select training options individually from a list of approved vendors. Initially the department recognized the challenge to get familiar programs and providers onto its list. Subsequently it experienced the challenge

| | | 1995-1997 |
|--------------|----------------------|-----------|
| Participants | | 17 |
| Gender | male | 12 |
| | female | 5 |
| Race | White | 14 |
| | Black | 3 |
| Age | 25-34 | 2 |
| | 35-44 | 9 |
| | 45-54 | 4 |
| | 55-59 | 2 |
| Educa. | < high school | 2 |
| | High school graduate | 6 |
| | Some College | 5 |
| | College/Adv. Degree | 4 |
| Occupation: | Prof., Tech., Manag. | 10 |
| | Clerical | 1 |
| | Sales | 1 |

to get providers to collect and maintain participant follow-up information that is required under WIA.

State officials from Delaware report that the initial transition to WIA has seemed somewhat complicated and bumpy. Previously, E&T staff could send an individual to a program operated by a recognized trainer or one of the state's Community Colleges. Now, individuals may enroll only in those specific courses that have been approved from selected approved vendors. In the first year, the list of training options (the combination of both providers and particular course offerings) actually shrunk. In their second year, the E&T Division has been able to recruit appropriate vendors and expand the list of available options on its training list.

In addition, Delaware has blended its own services and funding into the WIA One-Stop structure. All individuals go through the same assessment process for either federally- or state-funded programs. Funding for SEA may now come from both WIA adult and dislocated worker sources, as well as state funded skills grants; however, the assessment and qualifying process is identical, regardless of the source of training funds. Essentially, the same kind of training services remain available for SEA; however, now they are administered only on an individual basis and they tend to be available later in the process.

PROFILE OF MAINE'S SELF-EMPLOYMENT ASSISTANCE PROGRAM: MAINE ENTERPRISE OPTION PROGRAM

Economic and Demographic Profile of Maine

Though incorporating the largest land area of the New England states, Maine's few urban centers and one million residents dispersed at the rate of 40 people per square mile make it the least densely populated state in the northeast.⁴⁶ The majority of the population is located in the coastal cities and towns and in the southern part of the state, near the New Hampshire border. Timber and tourism are the largest industries. Like the rest of New England, many of Maine's former smokestack industries have long since left the state, though the Bath Iron Works is still a major ship builder for the U.S. Navy. According to the Bureau of Economic Analysis, in 1998 services accounted for 27% of individual earnings in Maine, with retailing and state and local government each accounting for 12% of earnings.⁴⁷ Maine's per capita personal income of \$23, 499 places it 38th among U.S. states, 86% of the national average. The average median household income for 1996-1997 was \$34,132.⁴⁸

Small business plays a vital role in Maine's economy, with 36,000 small businesses and 73,000 self-employed persons in 1998.⁴⁹ According to the Maine Department of Labor, the state's 12% self-employment rate places it higher than the national average,⁵⁰ and the state nets approximately 600 new businesses annually.⁵¹ Moreover, Maine identifies itself as a "small business state," with over 80% of businesses having fewer than ten employees.⁵²

Maine has witnessed a fairly low unemployment rate during the years it has operated its SEA program. In January 1995, Maine's unemployment rate was 6.3%. From there it steadily declined to an average of 4.1% during 1999.

History of the Program

Maine's SEA program, known as the Maine Enterprise Option (MEO), was one of the first programs to be enacted into state law in April 1994. Between implementation in 1995 and the end of 1999, 431 people participated in the MEO.

⁴⁶ U.S. Census Bureau.

⁴⁷ Bureau of Economic Analysis, 2000.

⁴⁸ U.S. Census Bureau.

⁴⁹ Small Business Administration, 1999.

⁵⁰ Maine Enterprise Option, 1995.

⁵¹ Maine Dept of Economic and Community Development, 1997.

⁵² Maine Dept. of Labor, 1997.

Distinctive Elements of MEO Program

Profiling and Enrollment

The profiling procedure used in Maine to predict benefit exhaustion employs a statistical model that was developed by the state unemployment program agency within the Maine Department of Labor. The profiling factors include:

- Industry – claimants from increasing industries are assigned progressively lower probability scores; agriculture and construction receive the lowest scores and government and manufacturing receive the highest scores.
- Occupation – claimants from increasing occupations such as machine trades are assigned lower scores and decreasing occupations are assigned higher scores.
- Filing Delay – claimants who file for UI prior to their separation date are assigned the highest score; claimants who file within two months of separation are assigned a lower score.
- Wage Replacement Rate – a higher score is assigned to claimants whose benefit amount is closer to their average weekly wage while employed, since the smaller disruption to income is disincentive to rapid reemployment.
- Job Tenure – the length of job tenure is categorized into four groups, with higher scores assigned to those with the longest tenure, hence most likely to experience difficulty in making a change.

Table 3-2. Participation in the Maine Enterprise Option

| | 1999 | 1998 | 1997 | 1996 | 1995 (3mo.) | Total |
|------------------------|-------|-------|-------|-------|----------------|--------|
| Eligible UI Recipients | 3,572 | 3,639 | 4,144 | 2,475 | 706 | 14,536 |
| Applicants | 109 | 139 | 168 | 177 | 47 | 640 |
| Participants | 58 | 99 | 101 | 129 | 44 | 431 |

threshold are sent a letter that outlines the option and invites those with an interest in small business and more than 18 weeks of remaining unemployment benefits to apply. Between 1995 and 1999, 14,536 individuals received invitation letters. Of these, 640 applied to participate in the MEO, and 431 were accepted into the program.

Table 3-3. Components of the Maine Enterprise Option

- Attend MEO-approved “Introduction to Business” and “Business Planning” Seminar
- Devote 40 hours per week to business development activities
- Complete Six Videotaped MEO Seminars with accompanying workbook material
- Meet at least two times with qualified SBDC business counselor
- Provide midpoint progress report

Until recently, Maine required a UI claimant to score at least a 40% probability of likely benefit exhaustion in order to be eligible for the MEO program, but as of January 2000 the threshold was lowered to 36%. Individuals whose profiling score is above the

Small Business Training and Technical Assistance

Due to the limited size of Maine’s program and the state’s broadly dispersed population, program designers recognized that it would be inefficient to try to hold “live” training. Instead, a group of partnering organizations that included the Maine Small Business Development Centers (MSBDCs),

the Maine Centers for Women, Work, and Community (MCWWC), the Education Network of Maine, the University of Maine System, and the Maine Public Broadcasting Network produced an orientation video and a six-part video training program. The training tapes along with accompanying workbooks were made available through the state Job Service and Job Training Offices (these were subsequently incorporated into the 17 state One Stop Career Centers), the 13 centers of the MCWWC, and the 8 MSBDC sub-centers located throughout the state.

Program Management

Coordination, technical assistance, and management of the program were contracted to the MCWWC, and a second contract to conduct the seminars and business counseling was negotiated with the MSBDC. Though self-paced videotaped instruction was a major element of the program, live components included a four hour introductory seminar on “Introduction to Business” and “Business Planning,” along with at least two individual sessions with an SBDC counselor. In addition to the involvement of a range of organizations in the production of the video series and in providing training, coordination, or technical assistance, a 15-member Advisory Council was appointed by the Commissioner of the Department of Labor to review program activities and outcomes and to recommend changes to the Commissioner. The Advisory Council included representatives from public, private, and nonprofit sectors, including the Maine State Chamber of Commerce and Industry, Maine AFL-CIO, Coastal Enterprises, Inc., Key Bank, Women’s Business Development Corporation, and the Department of Economic and Community Development.

Program Costs

Funding for program administration, technical assistance, and management, as well as the introductory seminars and business counseling was provided through the Special Administrative Expense Fund of the Maine DOL. This fund resulted from the collection of penalties and interest on late payments to the state UI fund. JTPA Title III discretionary grants were used to develop the videotape series, and to provide training for employment service staff throughout the state in orientation

| | Coordination, Technical Assistance, and Management | Seminars and Counseling | Source of Funds | Total |
|------|--|-------------------------|-------------------------------------|----------|
| 1996 | \$20,000 | \$18,454 | Special Administrative Expense Fund | \$38,454 |
| 1997 | \$12,500 | \$23,596 | Special Administrative Expense Fund | \$36,096 |
| 1998 | \$6,250 | \$22,932 | Special Administrative Expense Fund | \$29,182 |
| 1999 | \$6,750 | \$19,823 | Special Administrative Expense Fund | \$26,573 |

to micro-enterprise and business development. The cost of coordination and program management decreased from \$20,000 in 1996 to \$6,750 in 1999. The annual cost of SBDC counseling and training remained fairly constant at around \$20,000 during the period of the present study. The SBDC bills for up to 2 hours per MEO client at the SBDC hourly rate. In addition, the contract with SBDC purchases accelerated delivery of

services: eligible MEO participants are, in effect, advanced to the top of the list of those awaiting business counseling services. In 1999, the SBDC payment included the purchase of field guides that replaced the video instructional series in 2000 (see below for a description of major program revisions that were implemented January 1, 2000).

Program Statistics

Table 3-5. Demographic Characteristics of MEO Participants

| | 1999 | 1998 | 1997 | 1996 | 1995 (3mo.) | Total |
|---------------------------------|------|------|------|------|----------------|-------|
| Participants | 58 | 99 | 101 | 134 | 44 | 436 |
| Gender | | | | | | |
| male | 28 | 47 | 54 | 62 | | 201 |
| female | 30 | 52 | 47 | 72 | | 201 |
| Race | | | | | | |
| White | 58 | 96 | 99 | 130 | | 383 |
| Nat.Amer. | | 3 | 1 | 2 | | 6 |
| Black | | | | 2 | | 2 |
| Asian | | | 1 | | | 1 |
| Education | | | | | | |
| < high school | 4 | 2 | 7 | 6 | | 19 |
| H.S. graduate | 24 | 48 | 74 | 57 | | 203 |
| H.S. + certif. | 7 | 13 | 6 | | | 26 |
| Some college | 12 | 19 | | 46 | | 59 |
| ≥4 yr. college | 11 | 17 | 14 | 25 | | 67 |
| Occupation | | | | | | |
| Prof./tech./man. | 15 | 35 | 27 | 50 | | 127 |
| Industrial | 17 | 19 | 31 | 22 | | 89 |
| Clerical | 10 | 28 | 19 | 39 | | 96 |
| Sales | 5 | 9 | 15 | 10 | | 39 |
| Service | 11 | 8 | 6 | 12 | | 37 |
| Farming, Fisheries, Forestry | | | 2 | 1 | | 3 |

Annual Demographic Reports

As required under the NAFTA legislation, Maine has prepared and submitted annual reports on the MEO program to the U.S. Department of Labor. The reports have included demographic detail on program participants. That data is summarized in table 3-5.

SBDC Statistics

As is the case in many of the SEA states and as reported above, the MEO relies heavily upon the partnered services of the SBDCs. The Maine SBDC has furnished the following breakdown of services delivered and their cost for MEO participants.

The Maine SBDC tracks clients as “MEO clients” for the first two business counseling sessions only. Though many continue their work with the SBDC beyond these initial

sessions, they are no longer tracked as “MEO” within the SBDC’s MIS system. In addition, though the SBDC does retain workshop attendee records, it does not track individual MEO clients who participate in the *Introduction to Business* workshops.

The SBDC estimates the direct cost per hour of one-on-one counseling (1999) at \$50.00. Each *Introduction to Business* workshop is approximately three hours in length plus two hours for preparation for a \$250.00 direct cost. Indirect costs have varied between 24%

Table 3-6. Maine SBDC Service Costs (FY 2000)

| | Counseling | Workshops |
|-----------------------|--------------|----------------|
| Direct Cost | \$50.00 | \$250.00 |
| Indirect Cost @ 27.9% | \$23.95 | \$ 69.75 |
| Total Costs | \$63.95/hour | \$319.75/wkshp |

and 27.9% as negotiated with Health and Human Services. During FY 2000, counseling cost the SBDCs \$63.95 per hour and introductory workshops cost \$319.75 each, as reflected in table 3-6.

Though acknowledging that its records likely understate the participation of SEA participants in SBDC counseling and *Introduction to Business* workshops, the SBDC has offered the statistics on SEA participation that are reported in table 3-7.⁵³

| | 5/1/95 – 6/30/96 | 7/1/96 – 6/30/97 | 7/1/97 – 6/30/98 | 7/1/98 – 6/30/99 | 7/1/99 – 6/30/00 | Totals |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|--------|
| Number of MEO clients who received one-on-one SBDC counseling | 76 | 26 | 18 | 26 | 39 | 185 |
| Number of <i>Introduction to Business</i> Workshops | 41 | 54 | 60 | 37 | 21 | |
| Number of MEO workshop attendees | 75 | 85 | 41 | 20 | 5 | 226 |

Additionally, the Maine SBDC has estimated its program costs for MEO services. They appear in table 3-8 with the following interpretations: In the first years of the program, SBDC services also included work with MDOL’s Job Service Local Enterprise Coordinators in addition to the business counseling and *Introduction to Business* workshops. The payments received from DOL through 1999 included payment for the workshops. Beginning in 1999-2000, SBDC conducted the workshops as an in-kind/match contribution to the MEO program. Finally, the financial information in the table includes only *funds* received through the MDOL, including the University of Southern Maine’s indirect cost-sharing contribution applicable to contract funds. It does not include in-kind or match provided through SBDC staff administrative time nor the university’s indirect cost-sharing contribution applicable to the match.

| | FY 1995-96 & 1996-97 | FY 1997-98 | FY 1998-99 | FY 1999- 2000 | Totals |
|---|-------------------------|------------|------------|-----------------------------|-----------|
| SBDC Administrative Staff Salaries and Fringe Benefits | | \$ 4,483 | \$ 4,409 | \$ 3,794 | \$12,686 |
| One-on-one counseling and <i>Introduction to Business</i> workshops | | \$14,805 | \$11,340 | \$ 5,810 counseling only | \$31,955 |
| Supplies and other direct expenses | | \$ 855 | \$ 263 | \$ 4,425 | \$5,543 |
| Total Salaries and Direct Costs | \$27,323 | \$20,144 | \$16,012 | \$14,029 | \$78,129 |
| Indirect Costs | \$ 3,462 | \$ 2,417 | \$ 1,921 | \$ 1,683 | \$9,483 |
| Univ. of So. ME Indirect Cost Sharing | \$ 7,296 | \$ 2,417 | \$ 1,921 | \$ 1,683 | \$13,317 |
| Totals | \$38,081 | \$24,978 | \$19,855 | \$17,398 | \$100,312 |

MEO 2000

Though it falls outside the period of the present study, it is important to note the significant redesign of the MEO program that was implemented in program year 2000. With the redesigned program, a new resource, *The Real World Entrepreneur Field Guide*, is to be provided to each MEO participant through the SBDC. The “Business Planning”

⁵³ Numbers in the table likely understate MEO participants because SBDC workshops are open to ALL Maine entrepreneurs and many MEO participants do not identify themselves as such on attendance sheets. Conversely, some workshop attendees have indicated that they were MEO clients when that was not the case. In addition, as reported in the text, SBDC counselors only track the first two hours with an MEO client as MEO expenses. Additional hours are not tracked separately.

component has been removed from the initial seminar, leaving a four-hour “Introduction to Business” Seminar. The content of the restructured introductory seminar is specified to include:

- Developing a Business Mindset – personal qualities required for business, personal financial requirements, setting long and short term goals for business;
- Forms of Business Organization – sole proprietorship, partnership, corporation;
- Overview and Review of the Business Plan – concepts and purpose;
- Resources and Information on getting started – next steps.⁵⁴

The business planning component has been transferred to the individual SBDC counseling sessions, whose function was expanded to include “to guide the participant in developing a written business plan that includes at a minimum: Statement of purpose or mission; Business description; Marketing plan; One year cash flow projections; Operations plan.”⁵⁵

Perhaps the most significant change, however, has been the replacement of the six part video series with the requirement that MEO participants attend an *approved training program*. The change was prompted by the deteriorating condition of the instructional tapes and by the increase in the number of live entrepreneurial training options available in Maine. Where live training had not been considered a viable option in 1995, an increase in the number and availability of programs made it the preferred choice in 1999. The Commissioner of Labor compiled a list of approved training programs and vendors that includes: FASTRAC, offered in partnership with the University of Southern Maine’s Center for Entrepreneurship and Small Business; NxLevelL, coordinated through Eastern Maine Development Corporation; New Ventures, offered by the Maine Centers for Women, Work, and Community (MCWWC); Women’s Business Center workshops, offered through Coastal Enterprises, Inc. (CEI); The Basics of Starting a Business, co-sponsored by MCWWC and CEI; training on *The Real World Entrepreneur*, through the SBDCs; Service Corps of Retired Executives (SCORE) seminars or workshops; University of Maine Cooperative Extension Service workshops or seminars; or other business courses or classes offered at accredited public and private post-secondary institutions.⁵⁶ There is a significant number and variety to the training programs that have been approved by the Commissioner; though some of them require an application process, most are offered free of charge. A notable exception is the FASTRAC program that charges a fee; however scholarship assistance is available through the training provider. The MEO program does not pay for any registration or training expenses.

In addition to the other new or redesigned elements, a program exit form was developed to be used by persons withdrawing from or leaving the program for any reason. Lastly, the 15-member Advisory Group has been eliminated from the program design.

⁵⁴ Maine Department of Labor, 1999.

⁵⁵ Maine Department of Labor, 1999.

⁵⁶ Maine Department of Labor, 1999.

PROFILE OF MARYLAND'S SELF-EMPLOYMENT ASSISTANCE PROGRAM

Economic and Demographic Profile of Maryland

Though one of the smaller states in land area, Maryland ranks in the larger half of the states in terms of population. With a total of 5,296,486 residents, Maryland ranks 19th in total population⁵⁷. There are 542 people per square mile of this somewhat densely-packed state.⁵⁸ However, the largest portion of the population resides within the Baltimore-Washington Corridor and many parts of the state are truly rural and sparsely populated. Maryland enjoys a rather high personal income. According to the Bureau of Economic Analysis, the per capita income is \$32,465. This positions Maryland sixth highest in the nation in per capita income.⁵⁹

In 1999, Services compiled nearly one-third (32.5%) of the Maryland's earnings. State and local government accounted for 11.2% of earnings and federal and civil government 10.1% of earnings.⁶⁰ The high rate of earnings due to federal and civil employment coincides with Maryland's proximity to the nation's Capital, Washington, D.C. The average unemployment rate for the three years 1996 – 1999 was 4.5%.⁶¹

According to the Small Business Administration, in 1998, 86% of firms in Maryland employed fewer than 20 people; more than half of those (n=46,284) employed 1 to 4 people. However, only 19% of the state's workers were employed by firms with fewer than 20 employees, while 53% of workers were employed by businesses with more than 500 employees.⁶²

History of the Program

Though among the earliest to enact the necessary legislation (October 1, 1995), Maryland did not have an operating SEA program in place for several years. As in Maine, the Maryland Office of Unemployment Insurance sought to contract an organization to operate and manage all aspects of its SEA program. In Maryland, the Office of Unemployment Insurance was interested in finding an organization that had the capacity, and the experience, to operate a year round entrepreneurial training program.⁶³ The Department of Labor, Licensing and Regulation (DLLR) advertised a Request for Proposals and ultimately awarded the SEA contract in 1998 to the Women Entrepreneurs of Baltimore (WEB).

⁵⁷ U.S. Census Bureau.

⁵⁸ U.S. Census Bureau.

⁵⁹ Bureau of Economic Analysis, 2000.

⁶⁰ Bureau of Economic Analysis, 2000.

⁶¹ Bureau of Labor Statistics.

⁶² Office of Advocacy, U.S. Small Business Administration, based on data provided by the U.S. Department of Commerce, Bureau of the Census.

⁶³ DLLR reported that the initial SEA plan had assumed that the SBDCs would serve as program operator. The initial conversations with the SBDCs that proved unfruitful, followed by the need to create a revised plan and go through the RFP process account for the delay in having an operational program in Maryland.

WEB was chosen for their extensive experience in offering entrepreneurial training. In addition, their location near the interstates in South Baltimore makes them convenient for the majority of claimants, who reside in the Baltimore/Washington corridor. Trainees from all parts of the state travel to participate in the program, which meets two full days per week for ten weeks.

The first class was enrolled in July 1998. Every two or three months thereafter, a new class was begun. Between July 1998 and the end of 1999, 232 persons participated in the program.

Distinctive Elements of Maryland's SEA Program.

Similarities to Other Programs

The Maryland program includes features that were employed in the earlier programs, particularly those of Maine and New Jersey. Like the Maine program, administration and management have been contracted by the Maryland DLLR to WEB. Like the New Jersey program, the training curriculum is delivered by a single provider in a format that is uniform across the state. Unlike those former programs, however, the administrative entity and the training provider in Maryland are the same organization, WEB.

Performance-Based Contract

Perhaps the most distinctive element of the SEA program in Maryland has been the "performance-based" element that is part of the WEB contract. DLLR payment to WEB is based on the percentages of participants who complete the course, start a business, and who remain in business after six months. Required performance levels include 80% to complete the training program, 64% to start a business, and 50% to remain in business for six months. Payment is released incrementally, based on meeting each benchmark; if the overall standard is met, WEB receives \$2,500 per student. However, if any of the intermediate markers is not met, entire payment for that segment for that group of students is withheld. Given the performance-based aspect of contractor compensation, the contractor (WEB) has been given complete control over which of the profiled and eligible SEA applicants are actually accepted into their program.

Profiling, Application, and Enrollment

In Maryland, the UI profiling threshold is 40% likelihood of benefit exhaustion. Initial characteristic screens include: interstate claimants, those with a union hiring hall, those on temporary layoff or with recall, and those claimants who are on a worksharing plan. Claimant-specific variables in the statistical model include: education, tenure, industry, and occupation. In addition, the model factors in labor market data on growing/declining industries and substate unemployment rates. Those UI claimants who are profiled as likely exhaustees are mailed a letter notifying them of their option to apply to the SEA program. If they return a brief initial application, they are invited to an informational session, hosted by WEB. The informational session includes the familiar "cold shower" approach employed in many of the programs, demonstrating the difficulties and harsh realities of starting a business in an effort to weed-out less committed candidates.

Those UI claimants who show continued interest in the program are invited to complete a more extensive written application, giving detail of their educational background, work experience, business background and plans, financial plan, motivation, and family or other primary commitments. After second round applications are reviewed by WEB, finalists are chosen and invited to attend a group interactive session with other prospective participants. If the prospective SEA participants perform well in the small group exercises, they are asked to return for an individual interview. After all interviews have taken place, WEB determines who may participate in the SEA program.

The training offered by WEB requires 2 days of participation per week over 10 weeks. Included are 10 classroom hours per week with a total of 108 hours per program, one-on-one counseling, technical assistance, access to a computer lab, and assistance from volunteer professionals. An SEA participant must demonstrate progress by developing a marketing plan, a financial plan, and subsequently have a fully developed business plan to be classified as a graduate of the WEB training program.

Program Funding

The program was originally budgeted for \$250,000 (\$2,500 x 100 students) annually for the first two years. However, it was soon determined that the target should be increased to 140 persons. Funding was thus increased to \$350,000 for the first two years of operation to provide training for approximately 140 people annually. All training funds have been part of JTPA Title III Dislocated Worker funds. The administrative costs for the SEA program are part of the basic unemployment insurance program grants and are not recorded separately under the Maryland cost accounting system.

A Training Model

The training model that has been developed by WEB for SEA participants in Maryland is among the newest models that are being employed, and having the advantage of learning from other models and from the experience of

| Week # | Topics |
|--------|---|
| 1 | Introduction; Personal Assessment, Mentoring |
| | Goal/vision setting; Business Plan outline & definition |
| 2 | Products and Services |
| | Concept Paper Development; Target Market Identification |
| 3 | Target Market/Market Segments; Financial Planning |
| | Advertising/Promotion Strategies; Proposal Development |
| 4 | Relationship Dynamics/Mapping; Community Outreach & Marketing Plan Development |
| | Sales Process; Lead Prospecting; Customer Service; Market Research |
| 5 | Library Research Methods; Individual Research |
| | Web Research; Individual Research |
| 6 | One-on-One Technical Assistance |
| | Pricing Determinations; Financial Plan – projections; Financial Plan – balance sheet, income & cash flow stmts. |
| 7 | Entity formation, overall tax implications; Contracts, copyright, Leasing |
| | Accounting Principles, Small Business Needs, Resources, Determinations; Loan Process |
| 8 | Business Dress and Acumen; Business Plan Review (in class group evaluations); Financing Vehicles |
| | DLLR presentation; panel of former students; Investment Strategies for Business |
| 9 | One-on-One Technical Assistance |
| | One-on-One Technical Assistance |
| 10 | Business Plan Review; Final Drafts of Business Plan |
| | WEB Staff Panel: Continuing Services & Access; Needs Analysis and Scheduling for Tech. Asst.; Evaluation |
| 11 | |

WEB in offering entrepreneurial training. The overall training format and sequence of topics is as follows: The program is conducted over 10 weeks, with 6-hour training sessions conducted twice each week. This structure generally includes two modules in the morning and a single module in the afternoon. While most of the sessions are conducted by WEB personnel, many sessions do feature an outside expert in the field of the given topic. One-on-one Technical Assistance meetings are scheduled during weeks 6, 9, and 10. Library/resource center time is scheduled during week 5. The overall sequence of the training appears to follow a logical progression, beginning with the business idea and plan; refining it; studying the market and developing a marketing strategy for one's products or services; and then focusing on the financial implications, ranging from a financial plan to legal aspects, accounting, and investment strategies. The sequence is outlined in table 3-9.

Program Statistics and Outcomes

Table 3-10. Participant Demographics and Outcomes for Maryland's SEA Program

| | 1999 | 1998 | Total | % |
|---------------------------|------|------|-------|------|
| Participants | 125 | 107 | 232 | |
| Training Completers | 85 | 82 | 167 | 72% |
| Business Starts | 73 | 72 | 145 | 63% |
| Cont. in Bus. after 6 mo. | 61 | 58 | 119 | 51% |
| Gender male | 42 | 43 | 85 | 37% |
| female | 83 | 64 | 147 | 63% |
| Race Non-Minority | 66 | 50 | 116 | 50% |
| Minority | 56 | 52 | 108 | 47% |
| INA | 3 | 5 | 8 | 3% |
| Age ≤24 | | 1 | 1 | >.5% |
| 25-34 | 27 | 23 | 50 | 22% |
| 35-44 | 48 | 38 | 86 | 37% |
| 45-54 | 38 | 29 | 67 | 29% |
| 55-59 | 8 | 11 | 19 | 8% |
| 60+ | 4 | 4 | 8 | 3% |
| INA | | 1 | 1 | >.5% |

The data in table 3-10 is taken from summary statistics furnished by WEB that cover their first 7 training cohorts. Three cohorts, totaling 107 individuals began SEA training between June and December 1998. Though group 2 was barely finished with training by the end of 1998 and group 3's training continued into 1999, they are included in the 1998 column of the table. Likewise, the 1999 column includes 4 training cohorts, the last whose training overlapped into 2000. WEB reports that of the three benchmarks they must meet under their performance-based contract (80% completed training, 64% started businesses, 50% remaining in business after 6 months), the most difficult has been the 80% completed training mark.

Training is not considered complete until a participant submits a business plan. A number of participants complete the entire training program but do not prepare the business plan. This means that they technically remain non-completers. In spite of missing the first benchmark, a number of these do go on to start a business and remain in business for the 6 month period required for WEB to count them as a success against the second and/or third benchmarks.

The Maryland program also reported that participants agree at enrollment to submit annually for five years following their participation in the program a document that is similar to their program application. Included on these annual reports is financial and family information that is not available from other sources nor in most other SEA states. The existence of this detailed material – especially the financial and income data – should be regarded as an important resource for future study of the impacts of SEA.

PROFILE OF NEW JERSEY'S SELF-EMPLOYMENT ASSISTANCE PROGRAM

Economic and Demographic Profile of New Jersey

New Jersey is a uniquely suburban state, wedged between two major cities, New York and Philadelphia. It is the 9th most populous state in the nation and one of the most densely populated states, with 1,134 residents per square mile. Though there remain traces of the agriculture that gave New Jersey the nickname, the Garden State, the state has become classified entirely as metropolitan.⁶⁴

Historically, New Jersey was a manufacturing-based economy, but that has substantially eroded since the 1960s. The state has become an attractive location for such industries as pharmaceuticals and high-technology firms. Presently, the largest industries in the state are services, comprising nearly 31% of employment earnings; state and local government accounts for 12% of earnings, while nondurable goods manufacturing make up 10% of New Jersey's earnings.⁶⁵ According to the Bureau of Labor Statistics, New Jersey's unemployment rate has averaged 4.7% during the period of time that the SEA program has operated. There were 230,860 private non-farm establishments with paid employees as of 1998.⁶⁶

Comparatively, New Jerseyans receive high incomes, the state ranking the 3rd highest in personal per capita income in the country. According to the Bureau of Economic Analysis, the state's 1998 per capita personal income was \$34,383 compared to \$27,203 for the national average.⁶⁷ The 1996-1997 median household income in the state was \$48,289.⁶⁸

According to the Small Business Administration, in 1998, 88% of all firms in New Jersey employed fewer than 20 people.⁶⁹

History of the New Jersey Program

The New Jersey Self-Employment Assistance and Entrepreneurial Training (SEA) Act, Chapter 394, P.L. 1995, amended the New Jersey Unemployment Compensation (UI) Law to allow SEA program participants to waive the "work search" requirement while receiving SEA payments in lieu of regular UI benefits. The SEA Act also modified the Workforce Development Partnership Act to provide SEA program participants with counseling, technical assistance and entrepreneurial training grants. The New Jersey SEA program was enacted into law in January 1996 and implementation began in July 1996. The program allows that the aggregate number of individuals receiving self-

⁶⁴ Bureau of Labor Statistics.

⁶⁵ Bureau of Economic Analysis.

⁶⁶ U.S. Census Bureau.

⁶⁷ Bureau of Economic Analysis.

⁶⁸ U.S. Census Bureau.

⁶⁹ Office of Advocacy, U.S. Small Business Administration, based on data provided by the U.S. Department of Commerce, Bureau of the Census.

employment assistance allowance can not exceed one percent of the number of individuals receiving regular UI benefits. It was originally estimated that between 750 and 1,000 claimants would participate in the SEA program each year. Between program implementation and the end of 1999, 1946 people participated in the NJ SEA program. In 1997, the first full year of the program's operation, 832 UI recipients participated and 591 completed SEA training. Subsequent years have witnessed lower numbers of

Table 3-11. Participation in the New Jersey SEA Program

| | 1999 | 1998 | 1997 | 1996 | Total |
|----------|------|------|------|------|-------|
| Enrolled | 600 | 358 | 832* | 156 | 1946 |

*Even though 832 enrollees are reported for 1997, cost data for program training suggests that there were 788 program training participants.

program participants and completers, as reported in table 3-11. The sharp drop in participation in 1998 is explained by the fact that the program was temporarily closed for 6 months, in anticipation of the sunset date specified in the

original NAFTA legislation. The only partially recovered numbers in 1999 reflect some lapse of time before returning to full operating capacity after the shut-down, and also the strong economy that witnessed historic lows in unemployment and brought reduced SEA enrollment in all states.

When individuals are enrolled into SEA, they must devote at least 35 hours weekly to starting a business, as a substitute for the regular UI requirement of actively seeking work. Development of a business plan, product development, market research, equipment purchases and classroom training all count toward the 35-hour minimum requirement. As in the other states, SEA participants in New Jersey are not required to be available in the event they are offered other employment.

Distinctive Elements of NJ SEA Program

Profiling in New Jersey

As in other state programs, a UI claimant in New Jersey must meet particular profiling requirements in order to participate in SEA. During their UI intake interview, claimants who are perceived as likely to exhaust benefits are profiled. Initial screens that would disqualify one from SEA participation include:

- Membership with a union hall hiring
- Working part-time with a former employer
- Temporary layoff, with or without a date of recall
- Layoff from seasonal employment
- Fewer than 18 weeks of UI benefits remaining

Factors used to profile a claimant are similar to those used in many other states, including level of education, job tenure, industry, and county labor market conditions. What distinguishes the New Jersey use of profiling from the other states is that the cutoff score is permitted to rise or fall according to the number of individuals participating in the program in a given month. If the program approaches the set limit for participation (1% of UI claimants), the profiling cutoff becomes effective; if the program is well below the set limit, individuals with any measure of likely benefit exhaustion and interest in self-

employment are permitted to enroll. In practice, the New Jersey program has functioned according to the latter limit of this continuum: the monthly ceiling of 1% of UI claimants has never been reached, allowing anyone to participate in SEA who passes the initial screens and scores at least 1% likely to exhaust UI benefits. Individuals who pass the initial profiling screens are alerted to the availability of the SEA program during their benefits rights interview. If serious interest is expressed in starting a business and a candidate has the financial means to do so, then a claimant is usually accepted into the program.

Partners and Operators

The New Jersey SEA program involves partner agencies that assist in program administration and the delivery of services. Organizations acting as administrative partners include Employment Security and Job Training, the Division of Unemployment Insurance, Workforce New Jersey, the Bureau of Program Services and Standards, and the Network for Occupational Training and Education (NOTE). Agencies involved in the delivery of self-employment services include Employment Security and Job Training, NOTE, Workforce New Jersey, SBDC, and SCORE.

NOTE is a consortium of the state's community colleges that work across the state to provide a variety of occupational training opportunities independent of the regular community college curriculum. SEA training is offered at nine of the state's 19 community colleges under the auspices of NOTE. The nine community colleges that offer SEA training are: Atlantic County, Bergen County, Brookdale County, Camden College, Essex County, Mercer County, Middlesex County, Morris County, and Warren County. Overall administration and coordination of the SEA training among the NOTE partners is exercised through Mercer County Community College, near the state capital of Trenton and geographically near the center of the state.

Uniform Training Curriculum

New Jersey differs from other SEA programs in that all training is provided through this community college network (NOTE) and through one-on-one business counseling sessions provided by Small Business Development Centers (SBDCs). The training includes 60 hours of instruction over a six-week period. The wide geographic distribution of the training sites makes the program fairly accessible to SEA participants. Instructors are professionals in fields such as law, accounting, and banking, who provide program participants with practical expertise in how to start and maintain a business. The SBDC counselors provide up to 6 hours of one-on-one counseling, reviewing business plans and providing advice particular to each participant's business start-up challenges. Many SBDCs are located on-site at the community colleges where classes are offered and are conveniently accessible to SEA participants.

The classroom instruction generally takes place during the daytime, but some workshops occur in the evening. Program participants must conduct outside research and assignments. As a supplement to the classroom training, in-depth counseling sessions are required. Participants must spend a minimum of 6 hours with an SBDC counselor who assists with planning, problem solving, and any area that a participant needs for starting

their business. Additionally, program participants all receive a diskette about creating a business plan. Topics covered through the classroom instruction include:

- Pre-business Workshop- A one session, six-hour class providing an overview of the purpose and development of a business plan and the pitfalls to avoid in starting a business.
- Developing a Business Plan- Fifteen classroom hours and three hours of one-on-one counseling devoted to researching business ideas, various types of business structures, financing, costs and cash flows, taxes, insurance, and employee hiring.
- Marketing- Fifteen classroom hours and one counseling hour directed toward marketing your business.
- Recordkeeping- Twelve classroom hours and one counseling hour covering financial statements, recordkeeping systems and various accounting methods.
- Taxes- Nine classroom hours and one hour of counseling devoted to what business owners need to know regarding NJ state taxes and federal taxes.
- Legal Formation- Three classroom hours taught by lawyers regarding necessary paperwork needed to start a business and legal considerations for small businesses.

In addition to business training, the New Jersey SEA program includes an allotment for each participant to enroll in computer courses. These courses may be purchased through the local community college or another computer training vendor. The computer instruction represents an innovation and adaptation of the program in 1999 to better suit the needs of participants. Formerly the SBDC counseling allotment had included more hours than were typically billed while assistance with business software topped the list of participants' requests for additional technical assistance. The SBDC allotment was reduced, freeing \$300 per participant to be used in the form of vouchers for purchase of the computer instruction appropriate to each participant's need. In many cases, the selection was instruction in a business software such as Quick Books. However, the need for either simpler or more specialized instruction was accommodated through the voucher structure.

Table 3-12. Funding SEA Program Administration in New Jersey

| | 7/1/96- 12/31/96 | 1/1/97- 12/31/97 | 1998 (6 mo.) | 1/1/99- 12/31/99 |
|--------------------------------------|---------------------|---------------------|-----------------|---------------------|
| Programming Changes | 215,000 | 15,000 | | |
| Reports and Program Design | 46,500 | 7,500 | | |
| Ongoing Reporting Costs | 45,000 | | | |
| Program Administration & Operation | 45,342 | 59,678 | 59,600 | 26,800 |
| NOTE Coordination | 37,500 | 37,500 | 37,500 | 75,000 |
| Training Grants | | | | |
| 60 hours of training/student (\$800) | 124,800 | 630,400 | 286,400 | 480,000 |
| 12 hours counseling (up to \$600) | 93,600 | 107,700 | | 19,500* |
| Administration (\$100) | 15,600 | 78,800 | 35,800 | 60,000 |
| TOTAL | \$623,342 | \$936,578 | \$419,300 | \$661,300 |

*This sum in 1999 purchased computer training, rather than the SBDC counseling it had purchased in previous years.

Funding and Program Costs

New Jersey SEA program services are funded at the state level through the New Jersey Workforce Development Partnership Act. The SBDCs receive federal funding through the Small Business Administration and provide in-kind services to the SEA program. SEA recipients continue to receive their

regular UI benefits for the 26-week period; SEA benefits are not reduced if participants earn income through self-employment.

The New Jersey SEA program provides a maximum of \$1500 toward training for each participant in the program. The community colleges that provide training receive \$100 per participant to cover administrative costs and \$800 per participant for classroom training. The training amount may be reduced for participants who are already knowledgeable in a particular subject and may not require the full amount of training. Program participants also receive up to \$300 for computer classes that may be taken through any vendor offering approved computer courses.

In the past, the SBDC counseling received by participants was purchased at the rate of \$50 per hour, or up to \$300 per participant. However, since SBDCs receive federal Small Business Administration funding to counsel a specific number of clients, the SBDCs have opted to provide SEA participant counseling at no cost to the SEA program. The SEA program is now saving \$300 per participant on what have become in-kind services from the perspective of the program.

Program Statistics

Annual Reports submitted from New Jersey in 1996 and 1997 reveal that characteristics of program participants are similar to those in other states. SEA participants tend to be in their 30s and 40s, more men than women, more whites than all other racial groups combined, and many with 4-year college degrees or some college education. One characteristic of New Jersey SEA participants in these two years that is different from many other states is the proportion of individuals coming from industrial occupations. Not only is the number large, it is the majority in New Jersey, unlike any other SEA program state.

Table 3-13. Demographic Characteristics of SEA Participants in New Jersey

| | 1996 | 1997 | Total |
|----------------------------|------|------|-------|
| Participants | 156 | 832 | 988 |
| Gender Male | 93 | 513 | 606 |
| Female | 63 | 319 | 382 |
| Race White | 134 | 680 | 814 |
| Black | 13 | 105 | 118 |
| Hispanic | 4 | 22 | 26 |
| Asian | 5 | 25 | 30 |
| Native American | 0 | 0 | 0 |
| Other | 0 | 0 | 0 |
| Age <22 | 1 | 1 | 2 |
| 22-24 | 2 | 2 | 4 |
| 25-34 | 30 | 155 | 185 |
| 35-44 | 56 | 287 | 343 |
| 45-54 | 44 | 241 | 285 |
| 55-59 | 15 | 86 | 101 |
| 60-64 | 5 | 44 | 49 |
| 65+ | 3 | 17 | 20 |
| Educa. < high school | 8 | 29 | 37 |
| High school | 32 | 229 | 261 |
| > high school | 50 | 256 | 306 |
| College Graduate | 55 | 279 | 334 |
| Postgraduate | 11 | 39 | 50 |
| Occupa. Prof./Tech./Manag. | 21 | 141 | 162 |
| Industrial | 75 | 564 | 639 |
| Clerical | 17 | 49 | 66 |
| Sales | 9 | 11 | 20 |
| Service | 12 | 24 | 36 |
| Farming/fisheries | 22 | 1 | 23 |
| INA | 0 | 42 | 42 |

PROFILE OF NEW YORK'S SELF-EMPLOYMENT ASSISTANCE PROGRAM

Economic and Demographic Profile of New York

New York State varies dramatically in its regional characteristics, containing one of the most populous and cosmopolitan cities in the world, numerous other urban and suburban areas, as well as vast areas of the state that are rural with significant agricultural product. Nearly 18 million people reside in the state, giving it the 3rd largest population in the nation. The population density is 381 people per square mile.⁷⁰

The New York State economy is now dominated by services, many of these concentrated in New York City, the chief financial center of the United States. Besides, services, the New York economy relies on wholesale and retail trade, printing and publishing, advertising, government, education, insurance, television production, and tourism. Livestock, poultry, and dairy products are the major components of New York State's farm income.⁷¹

Services account for 31% of New York's earnings, while finance, insurance and real estate make up 20% of earnings.⁷² The state ranks 5th nationally in per capita personal income is \$32,108.⁷³ Median household income in the state for 1996-1997 averaged \$36,010.⁷⁴

Approximately 85% of New York's businesses have ten or fewer employees. Small businesses have become the primary source of job growth in the state.⁷⁵ During the SEA program years, New York's unemployment rate ranged from an average of 6.3% in 1995 to an average of 5.2% in 1999.⁷⁶ In 1998 there were 522,000 self-employed persons in the state.⁷⁷

History of the New York SEA Program

The legislation enabling New York's SEA program was enacted in July 1994, making it the first state to establish such a program. The program began operating in May 1995. Provisions in the legislation permitted the New York State Department of Labor to partner with the Department of Economic Development and the State University of New York Small Business Development Centers for assistance with the management and operation of the program. The legislation includes the required provisions: allowing participants to continue receiving benefits in the amount permitted under UI, while exempting them from the work-search requirement so long as they work full time on

⁷⁰ US Census Bureau.

⁷¹ *Encyclopaedia Britannica*.

⁷² Bureau of Economic Analysis.

⁷³ Bureau of Economic Analysis.

⁷⁴ U.S. Census Bureau.

⁷⁵ NY DOL.

⁷⁶ Bureau of Labor Statistics.

⁷⁷ Small Business Administration.

starting a business. Participants may earn self-employment income without benefit reductions. The legislation also requires SEA participants to be profiled as likely to exhaust benefits and defines the UI profiling system. Individuals may not participate in SEA more than once.

To date, New York has had the greatest number of participants in its program compared to other states. Between 1996 and October 1999, approximately 5200 people enrolled in SEA, with approximately 3280 completing the program. As a percentage of the unemployed population, SEA

| | 1999 Jan-Oct | 1998 | 1997 | 1996 | Total |
|------------------------|-----------------|---------|---------|---------|-----------|
| UI Claimants | 376,961 | 499,427 | 512,913 | 576,912 | 1,966,213 |
| Eligible UI Recipients | 82,921 | 99,435 | 105,578 | 118,127 | 406,061 |
| Enrolled | 896 | 1,038 | 1,865 | 1,408 | 5,207 |
| Completed | 171 | 649 | 1,384 | 1,080 | 3,284 |

enrollees comprise roughly 2.5%. One explanation for New York’s much higher participation rates may be because the program provides participants with a great deal of flexibility and participants find few obstacles impeding their entry to the program.

Profiling Factors

Eligibility for New York’s SEA program requires a profiling score of at least 70% likely to exhaust benefits. This is the highest required score among the states. The statistical model New York uses to determine benefit exhaustion includes five factors gathered at the time an individual files for UI. The factors are:

- The industry of the most recent employer
- Length of time the individual worked for that employer
- The individual’s occupation with that employer
- The individual’s years of education
- Whether the individual was involved in a mass layoff or plant closing

A claimant automatically receives a score of zero if they are attached to a union hall or have been temporarily laid off. Otherwise, the statistical model compares the characteristics listed above against characteristics of others who have exhausted UI benefits, and predicts the individual’s likelihood of using the full 26 weeks of benefits. Those who are eligible receive promotional literature describing the program. If they have further questions, they can use a toll-free telephone number that was established to provide individuals with additional information about the program.

Distinctive Elements of New York SEAP Program

Enrollment and Individual Service Plans

New York’s Self-Employment Assistance Program (SEAP) is organized according to a sequence of steps. First, all participants are evaluated to determine their eligibility. In order to be eligible for SEA, they must qualify to receive regular UI benefits and be at least 18 years old. Would-be participants must be profiled as likely to exhaust benefits and not yet have received 13 full weeks of UI benefits. Finally, participants must attend

the Self-Employment Program Workshop and be planning to start a business within the state of New York.

Each month, the New York Department of Labor's administrative regions offer workshops for inquirers. These four-hour workshops provide information on the process of starting a business. Staff from the Department of Labor, the SBDCs as principal partner, and other partner agencies, such as SCORE and ESD, conduct the presentation to familiarize participants with the options available to them. Individuals interested in starting a business must submit a completed application within two weeks.

In the screening process that follows, a team at the Central Office Self-Employment Program Unit reviews each application for a clear and concise business idea, a New York base, and to ensure that the business is legal. Once approved, the applicant receives an acceptance package.

To be fully enrolled into the program, participants must customize their own training and services to fit their individual needs. Four benchmarks measure participant progress in the training and entrepreneurial process and must be submitted to the SEAP office. The four benchmarks include an Individual Services Plan, The Business Strategy, Individual Services Verification Form, and an Individual Progress Report. The Individual Services Plan represents the participants' projection regarding how they intend to fulfill the training and other program requirements. Most participants rely solely on the courses or counseling offered through the coordinating partners.

Partners and Operators

The SEAP program has specific commitments from partner agencies to provide training/counseling services to program participants. The New York State Department of Economic Development provides entrepreneurial assistance programs through a number of centers across the state. The SEAP program also includes integrated training and counseling services. Among the training options available to participants are the Cornell Cooperative Extension Program, IRS courses for new business owners, Small Business Development Center (SBDC) seminars and counseling, and services from the Senior Core of Retired Executives (SCORE) organization. The Cornell Cooperative Extension Program offers a one day Business Start Up workshop for \$20. Cornell is able to provide these seven hours of instruction at a low cost because the speakers donate their time and expertise at no charge. In New York, local Chambers of Commerce offer a series of workshops on how to start a small business. Many SEAP participants attend the Chamber of Commerce workshops to meet the SEAP training requirement. A number of SEAP participants, ten to fifteen percent, opt to obtain their training hours from Service Delivery Area (SDA) training courses. Although many participants pay for at least part of their training courses, the SEAP program is *not* permitted to *require* participants to pay for their own training.

SBDCs provide the SEAP training that is selected by the largest number of program participants. In New York, SBDCs are located on every state university campus and they provide priority service to SEAP participants. SBDCs conduct 3-4 hour business

workshops several times a month and SEAP participants are encouraged to attend. SEAP participants may elect to receive SBDC counseling at one of the centers; however, the New York SEAP program does not require a minimum number of hours of individual counseling with an SBDC counselor. The New York SBDC has provided the financial information included in table 3-15 to summarize its significant investment as the

principal partner in the SEAP enterprise in New York. The following interpretive notes are provided by the SBDC to aid in interpreting the table: “**Direct Costs** refer to one-to-one Business Advisor service costs. **Total Costs** include an indirect allocation at 12%, training costs of 10%, and administrative/research costs of 8%. Training time is not included in **Contact Time** and reflects Introductory group sessions ranging from 10 to 50 attendees. Approximately one-half of the eligible participants withdraw from the program following the introductory Training. Program participants may accumulate additional training time from other SBDC programs or outside offerings.”⁷⁸

| Year | 2000 | 1999 | 1998 | 1997 | 1996 | Total |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-------------|
| Parti- pants | 1,074 | 976 | 873 | 1,286 | 716 | 4,925 |
| Contact Time | 9,552 | 9,941 | 7,660 | 13,742 | 8,589 | 49,484 |
| Direct Costs | \$200,592 | \$208,761 | \$160,860 | \$288,582 | \$180,369 | \$1,039,164 |
| Training Attendees | 2,285 | 2,077 | 1,857 | 2,736 | 1,523 | 10,476 |
| Total Costs | \$279,874 | \$291,271 | \$224,614 | \$402,641 | \$251,658 | \$1,450,058 |

Training Curriculum

While SEAP participants may select their own training agenda, certain requirements must be met. The Department of Labor and the Department of Economic Development maintain a list of approved classroom training providers who offer courses in such areas as starting a business, accounting, business planning, sales techniques, marketing, financing, and other business-related areas. A participant must take at least 20 hours of classroom training. Furthermore, SEAP participants must meet twice with an approved Business Counselor to discuss individual questions and challenges in starting the business. The participants’ choice of training and counselor must be specified in their Individual Service Plans.

For those who pursue training or counseling through the SBDCs, there is access to the National SBDC Research Network, hosted by the NYS SBDC and gathering and disseminating business information and research nationwide. Each enrollee receives an individualized folio/kit that contains helpful information for assessing the feasibility of a venture. In addition, folios often include basic start-up information, business list of potential buyers and sellers, list of catalogs, economic/demographic data, franchising information, market trends, trade shows, trade associations, financial operating information, bibliography of suggested readings. The SBDC also maintains a database on revolving loan funds and has assisted SEAP clients with securing \$6 million in new enterprise development funding.⁷⁹

⁷⁸ NY SBDC.

⁷⁹ NY SBDC.

Program Costs and Funding

Costs of New York’s SEAP program include the salaries of five full-time staff persons who administer the program, and training costs for participants, primarily in the form of assistance for the SBDCs. As in other states, locating funding streams for the otherwise

unfunded SEAP program has presented a challenge to the NY DOL. Staff charge their time directly to various programs according to the activities they perform. The three programs that have been billed for SEAP are: Unemployment Insurance (UI), Wagner-Peyser, and EDWAA

Table 3-16. Funding SEAP Program Administration in New York

| Full-Time Employees (FTEs) | Program Funding Source | Amount |
|----------------------------|------------------------|-----------|
| 2.6 | Unemployment Insurance | \$201,637 |
| 1.4 | Wagner-Peyser | \$77,903 |
| 1.0 | EDWAA Rapid Response | \$57,597 |
| | Total | \$337,137 |

Rapid Response. For the 12-month period, October 1998 through September 1999, the costs were apportioned: 2.6 FTEs (\$201,637) to UI, 1.4 FTEs (\$77,903) to Wagner-Peyser, and 1 FTE (\$57,597) to EDWAA. This data is summarized in table 3-16.

Table 3-17. SEAP Contracts in New York State

| | Amount | Fund Source | Organization | Purpose |
|-------------------|-----------|--------------------------------|---|---|
| 10/1/96 – 6/30/98 | \$525,000 | State JTPA Demonstration Grant | SUNY Small Business Development Center (SBDC) | Assist dislocated workers to start SE enterprises; target 5 SBDCs |
| 6/1/99 – 8/31/00 | \$600,000 | JTPA | SUNY Small Business Development Center (SBDC) | Assist dislocated workers . . . SE enterprises; target 10 SBDCs |
| 9/1/00 – 8/31/01 | \$998,000 | WIA | SUNY Small Business Development Center (SBDC) | Program expanded to 18 SBDC offices throughout state |

In addition, because the program is cost neutral – prohibiting expenditure of UI trust funds in the provision of training – the New York State Department of Labor does not track the costs of the training that participants receive. Participants most often receive counseling and/or training from an SBDC and the state Department of Labor pays the SBDC in advance to provide the services to any program participant who requests

counseling. The state Department of Labor allots funding to the SBDCs, although the allocation is subject to fluctuation. A summary of the contracts between the NY DOL and SBDCs appears in table 3-17.

SEA enrollees may also participate in workshops offered by the Chambers of Commerce or through other partners. In many cases, a participant may enroll in a class through the local One-Stop office using funding allocated to a dislocated worker program. However, the state Department of Labor does not monitor the frequency of pursuing this funding method.

Program Statistics

While the data that has been reported from New York has taken varying forms and has been gathered at different intervals than that of other states, there are two periods of at least 12 months that can be presented in summary form. The first annual report from New York covered the period through June 1996. Subsequent to that, data was collected

for the 1997 Report to Congress, which summarizes program statistics from startup in 1995 through the end of 1996. Data from that report appears in one of the columns of table 3-18. The other column contains data that was reported for the period June 1, 1997 through May 31, 1998. This report included the number of enrollees during the 12 month period along with the number of male and female enrollees. However, percentages only of enrollees were reported within the various age ranges and racial ethnic groups. These have been converted back to the numbers that appear in the table. Summarizing the data from its 1996 annual report, New York reported, “The typical profile of a Self-Employment Program participant would be a 43 year-old, white male with a college degree who was formerly in a professional, technical or managerial field.”⁸⁰

Program Outcomes

The SBDC reports that of over 3,750 individuals in New York who have participated in the SEAP program offered in partnership between DOL and SBDC, 78% have started their own enterprise while 12% have found new employment, totaling an overall success rate of nearly 90%.⁸¹ Moreover they report that program enrollees who have started new enterprises create, on average, 1.7 new jobs per venture.⁸² Finally, they report that 31% of enrollees who start a business have income that exceeds their pre-layoff income, although it is not specified at what interval this measurement is taken.⁸³

| | 6/1/1997-5/31/1998* | 1995-1996** |
|------------------------------|---------------------|-------------|
| Participants | 2266 | 2195 |
| Gender male | 1131 | 1231 |
| female | 1135 | 957 |
| Race White | 1269* | 1503 |
| Black | 544* | 292 |
| Hispanic | 159* | 68 |
| Asian | 45* | |
| Native American | 23* | |
| Other | 226* | 18 |
| INA | | 304 |
| Age ≤24 | | 45 |
| 25-34 | 605* | 460 |
| 35-44 | 777* | 788 |
| 45-54 | 587* | 654 |
| 55-59 | 297* | 137 |
| 60+ | | 93 |
| education < high school | | 122 |
| High school grad. | | 638 |
| > high school | | 1314 |
| Occ. Prof., tech., manag. | | 1029 |
| Industrial | | 308 |
| Clerical or Sales | | 707 |
| Service | | |
| Farming, Fisheries, Forestry | | |

* Statistics regarding age and racial/ethnicity for NY enrollees between 6/97 and 5/98 were furnished in percentages, which have been converted to raw numbers in the present table. In addition, the age ranges that were actually reported for this period were 25-35, 36-45, 46-55, and 56-79. These have been inserted into the nearest row of the table.

**Source: Vroman, Report to Congress, 1997.

⁸⁰ “Taking Care of Business: The Self-Employment Program Annual Report,” 1996, p.11.

⁸¹ NY SBDC.

⁸² NY SBDC.

⁸³ NY SBDC.

PROFILE OF OREGON'S SELF-EMPLOYMENT ASSISTANCE PROGRAM

Economic and Demographic Profile of Oregon

The land of Oregon is geographically diverse, including mountains, valleys and plains, and high desert. Moderate climate and abundant rainfall account for the timber industry that was prominent in the state for most of the 20th century; although this industry has been in decline for a number of years. Agriculture plays an important role in the western part of the state that is delivered ample rain by coastal currents and the flow of rivers from east to west. Four-fifths of the population lies in the western third of the state. The mountains and eastern part of the state are sparsely populated, with ranching and mineral industries predominating in the much more arid eastern third of the state. By population and income, Oregon falls around the middle among states. In 1998 3,282,055 persons resided in the state, ranking it 28th in the nation.⁸⁴ At just 29 persons per square mile, Oregon's overall population density is very low compared to other states.⁸⁵

Oregon's economy relies on services and durable goods manufacturing. According to the Bureau of Economic Analysis, services comprised 25% of the state's 1998 earnings, with an additional 15% of earnings arising from manufacturing.⁸⁶ Median household income for 1996-1997 averaged \$36,777, slightly higher than the national average.⁸⁷ Oregon ranks 25th in per capita personal income at \$25,912 per person.⁸⁸ In comparison to other states, Oregon has experienced a slightly higher unemployment rate since 1996, averaging 5.8 percent between 1996 and 1999.⁸⁹

Self-employment is an attractive option in the state that continues to seek to transition workers who have been displaced from the timber industry. In 1998, there were 181,000 self-employed persons in the state.⁹⁰ In addition, Oregon shares many characteristics with Maine: the cities are relatively small and there are not large manufacturing operations. Intel's operations in the Portland area are a notable exception, similar to the Bath Iron Works in Maine. In 1998, 87% of the 84,387 firms in Oregon were small businesses with fewer than 20 employees, while just 2% (n=1,955) of firms employed more than 500.⁹¹

History of the Program

Oregon's SEA program was established in September 1995. Between 1996 and 1999, 213 persons participated in the SEA program. Oregon's program offers a unique

⁸⁴ Bureau of Economic Analysis.

⁸⁵ US Census Bureau.

⁸⁶ Bureau of Economic Analysis.

⁸⁷ US Census Bureau.

⁸⁸ Bureau of Economic Analysis.

⁸⁹ Bureau of Labor Statistics.

⁹⁰ Small Business Administration.

⁹¹ Office of Advocacy, U.S. Small Business Administration, based on data provided by the U.S. Department of Commerce, Bureau of the Census.

collaboration among the Employment Department, JTPA, and the Small Business Development Center Network. Like other state SEA programs, Oregon pays SEA benefits in lieu of regular UI benefits and permits participants to work full-time on starting a business rather than conduct an employment search. Income earned from self-employment is not deducted from the SEA benefit during the program participation period.

Distinctive Elements of Oregon's SEA Program

Link to JTPA or WIA Funding of Services

Perhaps the most distinctive element of the Oregon SEA program is the way in which the funding of entrepreneurial training and business counseling services – prohibited UI expenses – has been integrated into the very intake procedures of the Oregon Worker Profiling and Reemployment Services (WPRS) system. Essentially, the availability of training funding through Title III of JTPA (now Title I of WIA) has been imposed as an enrollment criterion, prior even to profiling applicants to determine likely benefit exhaustion. Whenever JTPA training funding is available, individuals may apply to participate in SEA; in the event that such funding is not available, enrollment into SEA ceases to be an option for Oregon's unemployed.

The program intake process in Oregon, therefore begins with the determination that JTPA Title III (WIA dislocated worker) funding is available. When the funding is available, individuals who profile as likely benefit exhaustees are informed by Worker Profiling staff of the SEA option. Eligible claimants may apply for SEA and may elect either to secure the available JTPA funding for entrepreneurial training or to pay for the training on their own. When individuals are seeking the funding, the intake process begins with a referral to JTPA for assessment and approval of entrepreneurial training. Once approved by JTPA for training, individuals are referred to the SBDC to complete SEA enrollment with the assistance of a business counselor. For those not seeking the JTPA funding (many of the training programs available through the SBDC or the community colleges are low- or no-cost), the intake process begins with the referral to the SBDC counselor for assistance in completing the SEA enrollment forms.

Program Partners and Operators

As in most of the state programs, SEA in Oregon is operated through partnering among a variety of organizations and agencies. As stated above, the three principal partners are the Oregon Employment Department, various JTPA organizations throughout the state (subsequently incorporated into the state Workforce Investment Act structure of Workforce Partnerships and One-Stop Career Centers), and the Small Business Development Centers (SBDCs) located at 16 community colleges and 3 state colleges. The JTPA partners include: the state JTPA Administration, Workforce Development Board of Multnomah and Washington Counties, Employment Training and Business Services of Clackamas County, the Jobs Council, Mid Willamette Jobs Council, the Oregon Consortium, and the Southern Willamette Private Industry Council.

The profiling cutoff in Oregon has been adjusted a number of times since the program's inception. Originally set in 1995 at 60%, it was lowered to 55% and then 33% in 1998. In 2001 it was lowered again to 29%.

Primary SBDC Role

The SBDCs are more integral to the Oregon program than in some other states. SBDC counseling is a part of program enrollment. SBDC counselors also assist SEA participants with market analysis and business feasibility studies. They lead the participants to:

- Identify their products or services
- Assess the market for demand for their products or services
- Determine price and business profitability
- Analyze business feasibility and competition

As fuller business plans are developed with the assistance of the SBDC counselors and in conjunction with the business training received through the community or state colleges, participants are assisted with assembling the following components of their business plans:

- Business purpose and background
- Management and key personnel
- Product/service and customer descriptions
- Business location and occupancy expenses
- Market strategy
- Advertising budget
- Personal financial statement
- Capital equipment
- Projected income and cash flow
- Sources and uses of financing
- Balance sheet and break even analysis
- Timetable

| Table 3-19. Financing SEA in Oregon | | | | | | | | |
|--|---------------------|----------|---------------------|----------|---------------------|----------|---------------------|----------|
| | 1999 | | 1998 | | 1997 | | 1996 | |
| | Salary and Benefits | Supplies | Salary and Benefits | Supplies | Salary and Benefits | Supplies | Salary and Benefits | Supplies |
| UI Claims Examiner | \$1,055 | \$535 | \$1,005 | \$525 | \$957 | \$500 | \$845 | \$500 |
| Technical Assistant | \$1,340 | \$102 | \$1,276 | \$105 | \$1,215 | \$100 | \$1,180 | \$100 |
| Totals | \$2,395 | \$637 | \$2,281 | \$630 | \$2,172 | \$600 | \$2,025 | \$600 |
| Total Monthly | \$3,032 | | \$2,911 | | \$2,772 | | \$2,625 | |
| Total Annual | \$36,384 | | \$34,932 | | \$33,264 | | \$31,500 | |

Costs and Financing

Program administration costs at the point of service delivery are regarded to be negligible, since SEA enrollment is monitored as part of the Worker Profiling Program (WPRS Services). At the state level, SEA program administration is accomplished through ¼ time effort on the part of two employees: a claims examiner and a

technical/executive assistant. The cost of this administration has been catalogued in the Oregon annual reports and is represented in table 3-19. It has averaged around \$34,000 per year.

Program Statistics

As required under the NAFTA legislation, Oregon has prepared and submitted annual reports on the SEA program to the U.S. Department of Labor. The reports have included demographic detail on program participants. That data is summarized in table 3-20. Participants in Oregon tend to be white males, somewhat older (between 35 and 55 years), with at least a high school education and many with college and graduate study, who have previously been employed in the professional, technical, managerial sector of the workforce.

Program Outcomes

As is the case in other programs, the rate of follow-up survey completion has been quite low among Oregon's SEA participants, tending to lie in the range of 35% to 40%.⁹² Consequently information regarding program outcomes is severely limited. Of those who returned surveys in 1997, 1998, and 1999, the following was reported with regard to their return to employment or start of a business. Of 15 surveys returned in 1997, 10 indicated that participants had undertaken a business start and 9 indicated that participants had entered wage and salary employment. Of 15 surveys returned in 1998, 14 indicated a business start and 3 indicated entering wage and salary employment. Of 7 surveys returned in 1999, 6 reported a business start while 4 reported entering wage and salary employment. Perhaps the most that can be concluded from these reports is that many SEA participants are following through with their ideas and plans for starting their own businesses.

| | 1999 | 1998 | 1997 | 1996 | Total |
|-------------------------------|------|------|------|------|-------|
| Participants | 19 | 41 | 42 | 111 | 213 |
| Program Completers | 17 | 25 | 29 | | |
| Gender male | 12 | 17 | 19 | 61 | 109 |
| female | 7 | 21 | 19 | 50 | 97 |
| Race White | 18 | 33 | 34 | 106 | 191 |
| Hispanic | | 1 | 2 | | 3 |
| Black | | 1 | | 3 | 4 |
| Asian/Pac. Isl. | | 2 | 2 | | 4 |
| Other | 1 | 1 | | 2 | 4 |
| Age 22-24 | | | | 1 | 1 |
| 25-34 | 1 | 4 | 6 | 18 | 28 |
| 35-44 | 6 | 14 | 13 | 42 | 75 |
| 45-54 | 12 | 12 | 9 | 40 | 73 |
| 55-59 | | 5 | 8 | 7 | 20 |
| 60+ | | 3 | 2 | 3 | 8 |
| Education < high school | 0 | 2 | 1 | 5 | 8 |
| High school grad. | 7 | 14 | 16 | 38 | 75 |
| Some College | 7 | 12 | 9 | 29 | 57 |
| College grad. | 5 | 6 | 7 | 29 | 47 |
| Postgrad. studies | 0 | 4 | 5 | 19 | 28 |
| Occ. Prof., tech., manag. | 12 | 21 | 22 | 71 | 126 |
| Industrial | 2 | 0 | 3 | 14 | 19 |
| Clerical | 2 | 17 | 8 | 15 | 42 |
| Sales | 1 | 0 | 4 | 7 | 12 |
| Service | 2 | 0 | 0 | 3 | 5 |
| Farming, Fish-eries, Forestry | 0 | 0 | 1 | 1 | 2 |

⁹² Response rates have been: 1997, 39% or 15/38 surveys mailed; 1998, 37% or 15/41 surveys mailed; 1999, 37% or 7/19 surveys mailed.

PROFILE OF PENNSYLVANIA'S SELF-EMPLOYMENT ASSISTANCE PROGRAM

Economic and Demographic Profile of Pennsylvania

Pennsylvania is a large state both geographically and by population. It also possesses great diversity in its geography, containing large stretches of farmland, mountains, and the urban centers of Philadelphia and Pittsburgh. Many residents in eastern Pennsylvania commute to jobs in other states such as Delaware, New Jersey and New York. Pennsylvania is the sixth most populous state, with a 1998 population of 12,002,329. Per square mile, there are 265 people.⁹³

Historically, Pennsylvania's economy relied on manufacturing and agriculture. The past few decades, however, have witnessed a decline in these industries, replaced by services. In 1998 the largest industries were services, comprising 30% of earnings, durable goods manufacturing at 12%, and state and local government making up 10% of Pennsylvania's worker earnings.⁹⁴ The number of business establishments in the services area in 1997 was 85,488. These businesses employed 978,912 persons in the state of Pennsylvania. Reflecting close to the national average, Pennsylvania's per capita income is \$27,469. Median household income for 1996-1997 also paralleled the national average at \$36,609.⁹⁵ The unemployment rate between 1996 and 1999 averaged 4.9 percent.⁹⁶

According to the Small Business Administration, in 1998, 86% of firms in Pennsylvania employed fewer than 20 people; more than half of those (n=110,264) employed 1 to 4 people. However, only 18% of the state's workers were employed by firms with fewer than 20 employees, while 50% of workers were employed by businesses with more than 500 employees.⁹⁷

History of the Pennsylvania SEA Program

The SEA program was conceived as an integral part of the Governor's Project for Community Building (GPFGB), an initiative that draws upon individual innovation and energy and directs these toward the betterment of the community. The philosophy behind the GPFGB is to ensure that people, not government, are the builders of communities.

On November 26, 1997, Pennsylvania HR Bill No. 1475 was signed into law. By the middle of January 1998, the state of Pennsylvania had been granted federal approval to conduct an SEA program, designed to offer those most likely to exhaust their unemployment compensation benefits an opportunity to establish their own business. For the first year of the program, eight Service Delivery Areas of the 28 within the state submitted proposals to operate SEA programs in conjunction with local resources and/or subcontractors. All eight SDA proposals were accepted. The initial enrollment goal was

⁹³ U.S. Census Bureau.

⁹⁴ Bureau of Economic Analysis.

⁹⁵ U.S. Census Bureau.

⁹⁶ Bureau of Labor Statistics.

⁹⁷ Small Business Administration.

1,000 claimants for the first state fiscal year (July 1997 through June 1998). Because the program did not start until over half way through the fiscal year, the anticipated number of SEA participants was decreased to 280. By the end of 1998, at least twice that number (560) had enrolled.⁹⁸

Distinctive Elements of the Pennsylvania SEA Program

A Local Option

Compared to other SEA programs, Pennsylvania's program is unique in that the program is not operated statewide, rather by individual SDAs (Local Areas under WIA). Another unique aspect allows local areas to design their own individual training program in accordance with specific guidelines. As a result, the program for each SEA contractor has varied in length, curriculum and cost per participant.

As an initiative of the Governor's Project for Community Building, the Self-Employment Assistance (SEA) Program combines the expertise of the Bureaus of Workforce Investment, Unemployment Compensation (UC) Benefits and Allowances, Center for Workforce Information and Analysis, and Team Pennsylvania (Team PA) *CareerLink*. Their mission is to expand SEA to a statewide program and to transition to the Commonwealth's new system of service delivery.

In Pennsylvania, SEA is envisioned as one of the programs under an entrepreneurial enhancement umbrella at the local level and is considered a link between workforce and economic development. The SEA program presents Local Workforce Investment Boards (LWIB) with the opportunity to coordinate both workforce and economic strategies at the local level.

Currently local areas receive state funds and procure services through their Small Business Development Centers (SBDC), local micro-enterprises, a private for-profit corporation, or they may choose to provide the training themselves. This policy is not likely to change with statewide expansion. Of seven area SEA programs, two use training providers from private industry. They include the Southcentral Area with Ventures Inc. as the training provider, and the Philadelphia Area with the Woman's Opportunity Resource Network providing training. An additional four areas utilize their Small Business Development Centers in various degrees. The Pittsburgh area uses the Duquesne University SBDC, the Northcentral area uses the Clarion University SBDC, the Tricounty area uses the Indiana University of Pennsylvania SBDC, and the Westmoreland Fayette area uses the St. Vincents SBDC (for the most part). The Southwest Corner employs a private individual to provide SEA services.⁹⁹

Profiling Factors

All Unemployment Compensation claimants who were profiled with any likelihood to exhaust their benefits (profiling score >0) and placed in the Pennsylvania Reemployment Program (PREP) selection pool receive a letter of invitation to attend an SEA orientation

⁹⁸ Annual Report.

⁹⁹ PA. Dept. of Labor and Industry.

session. After an SEA application is approved and the claimant enrolled, a claimant's benefits are reflected as SEA allowances. Enrollment information is provided by the contractors to the Local Area's SEA staff.¹⁰⁰

Training Curriculum

With Local Areas designing their own programs, there are several different curriculum and training options in Pennsylvania, each with its own course schedule. At the Women's Opportunities Resource Center (WORC) in Philadelphia, participants attend an orientation session to learn about the SEA program, Unemployment Compensation eligibility, eligibility for SEA allowances, and WORC programs. WORC requires that a participant meet a few additional criteria for participation in the SEA program. These criteria are:

- product knowledge or transferable skills,
- 20 percent equity in the business, and
- able to start the business with \$10,000 or less.

Once participants begin the program, they take classes in the areas of business training, marketing topics, management topics, and financial topics. Participants also have access to individual business counseling. If a participant needs other services, WORC refers clients to Community Accountants, Small Business Development Centers (SBDCs), the Pennsylvania Minority Business Development Center, the Consumer Credit Council, and the Senior Core of Retired Executives (SCORE).

A synopsis of the WORC self-employment program is as follows:

- Outreach and Recruitment plus Referrals from other Organizations
 - Orientation
 - Assessment
 - Selection/Screening for Self-Employment Program
- In-Class Training
 - Individualized Business Plan Development
 - Technical Assistance for Launching a Business (Financial Assistance is offered)
 - Business Start-Up (including Post Start-Up Assistance)

The Southcentral Workforce Administration Entrepreneurial Development Training Program provides SEA training to participants residing in that part of the state surrounding Harrisburg, the Pennsylvania capital. The training outline includes:

- I. Going into Business
 - a. How to Investigate Business Opportunities
 - b. How to Finance Your Business
 - c. How to Find the Right Form for Your Business
 - d. How to Buy an Established Business
 - e. Licenses You May Need

¹⁰⁰ Annual Report.

- II. Managing and Operating Your Business
 - a. How Good Accounting and Records Can Help Control and Direct a Business
 - b. How Tax Management Can Help Your Business Grow
 - c. Your Guide to Federal Employer and Excise Taxes
 - d. How to Hire, Train, Compensate & Get the Most Out of Your Employees
 - e. How to Avoid Frauds By Employees, Customers and Others
 - f. How to Plan the Best Insurance Program for Your Business
 - g. Marketing
- III. Management of Special Business Phases
 - a. How to Operate a Retail Business
 - b. Purchases
 - c. Selling Your Project
 - d. Dealing with the Federal Government

The Washington-Greene County Job Training Agency, Inc. is the Workforce Investment Board serving the southwest corner of the state, adjacent to West Virginia. The program links with the Washington County Council on Economic Development, the University Small Business Development Center, and the Director of the Center for Entrepreneurial Studies at Washington and Jefferson College. The Self-Employment Assistance Program is directly linked to the Washington County Council's Community Development Bank. The Council provides up to \$750,000 to finance graduates of SEA and provides loans of up to \$25,000 for eligible participants.

The classroom training for the Washington-Greene County SEA program provides 10 weeks of instruction at a minimum of four hours each and approximately 15 hours of individualized business counseling sessions. The series is offered four times per year and approximately 20-25 participants are enrolled in each class. The topics include:

- A. The Realities of Enterprise
- B. Identifying Real Opportunities
- C. Developing and Evaluating the Concept
- D. Testing Theories Against Reality
- E. Understanding the Planning Process
- F. Integrating Information Systems
- G. Developing the Entrepreneurial Management
- H. Understanding and Evaluating the Resource Markets
- I. Business Financing Program
- J. Accounting and Control
- K. Mechanics of Starting a Small Business
- L. Management Science
- M. Articulating the Concept Clearly
- N. Writing and Refining the Plan
- O. Plan Presentations, Evaluation and Critique
- P. Technical Assistance
- Q. Spousal/Family Support
- R. Follow-Up Services

Program Costs and Funding

For State Fiscal Year 1998, \$580,800 in state funding was allocated to the SEA program, combined with \$616,000 in Federal Job Training Partnership Act (JTPA) funding. Based on the funding and the number of participants, the average cost per participant was \$3,085. For 1999, \$824,824 in state funding was allocated to the SEA program, combined with \$634,480 in Federal JTPA funding. The average cost per participant was approximately \$2,947.¹⁰¹

| | 1998 | 1999 |
|----------------------|--------------------|--------------------|
| State Funding | \$580,800 | \$824,824 |
| JTPA | \$616,000 | \$634,480 |
| Total Funding | \$1,196,800 | \$1,459,304 |
| Cost Per Participant | \$3,085 | \$2,947 |

Program Statistics

The typical UI claimant who responded to the letter of invitation to SEA in Pennsylvania was a white male in his thirties or forties with an educational level beyond high school. He/she was also likely to have either no dependents or a working spouse, and tenure of two to four years in his/her job.

| | 1999 | 1998 | Total | % |
|--|------|------|-------|-------|
| Attended SEA Orientation | 1032 | 1280 | 2312 | |
| Enrolled in SEA | 392 | 566 | 958 | |
| Disenrolled from SEA | 55 | 107 | 162 | |
| Current Enrollees | 337 | 459 | 796 | |
| The following describe enrollees, both "current" and those who disenrolled | | | | |
| Gender male | 232 | 333 | 565 | 59.0% |
| female | 160 | 233 | 393 | 41.0% |
| Race White | 330 | 459 | 789 | 82.4% |
| Black | 44 | 83 | 127 | 13.3% |
| Hispanic | 1 | 3 | 4 | 0.4% |
| Pacific Isl. | 1 | 0 | 1 | 0.1% |
| Native Amer. | 0 | 2 | 2 | 0.2% |
| INA | 13 | 17 | 30 | 3.1% |
| Age ≤19 | 2 | 2 | 4 | 0.4% |
| 20-29 | 38 | 67 | 105 | 11.0% |
| 30-39 | 107 | 177 | 284 | 29.6% |
| 40-49 | 151 | 210 | 361 | 37.7% |
| 50-59 | 81 | 95 | 176 | 18.4% |
| 60+ | 13 | 14 | 27 | 2.8% |
| Education < High School | 8 | 15 | 23 | 2.4% |
| High School Grad. | 149 | 214 | 363 | 37.9% |
| Post-Secondary Edu. | 234 | 336 | 570 | 59.5% |

While the greatest number of participants who disenrolled from the program were also white males, of those who remained enrolled in the SEA program 43.8 percent were women and 17.9 were minorities. The majority of participants were from the Services, Manufacturing and Retail Trade sectors.¹⁰² Summary statistics of participant gender, race or ethnicity, age, and level of education for calendar years 1998 and 1999 are included in table 3-22.¹⁰³

¹⁰¹ Annual Report.

¹⁰² Annual Report.

¹⁰³ Annual Report.

Program Outcomes

According to the Annual Report of the Pennsylvania SEA Program, there were nearly 500 businesses in the state in 1999 that were the result of the SEA program. The vast majority of these were not yet generating very large earnings. Only 166 businesses, or 34% of the total were earning over \$10,000. 1999 Business earnings are summarized in table 3-23.

Impact of the Workforce Investment Act on SEA Services

A major influence on the SEA program's expansion effort in Pennsylvania is the implementation of the Workforce Investment Act (WIA) of 1998. In the spirit of the Workforce Investment Act, Pennsylvania's SEA program and services will be applied through the employment and training systems, which support those principles and strategies that were established in Pennsylvania's Strategic State Workforce Investment Plan for Title I of the Workforce Investment Act of 1998. Although the SEA program adds a new dimension to the employment and training services currently provided to unemployed individuals in Pennsylvania, the methods of service delivery will be coordinated through Pennsylvania's One-Stop *CareerLink* sites by the WIA Title I partner.

Section 134 (d)(4)(D)(vi) of the WIA allows Local Areas to provide entrepreneurial training with WIA Title I formula funds. Any use of allocated WIA Title I formula funds will require compliance with WIA regulations including WIA performance requirements for Local Areas, WIA performance requirements and certification of service providers, and Individual Training Accounts (ITAs).

The SEA Annual Report for 1998 and 1999 includes a section that speaks of obstacles that the program has begun to encounter in conjunction with the implementation of WIA. The SEA program office within the Pennsylvania Department of Labor and Industry has found that "WIA performance measures seem to be an obstacle to SEA programs operated with WIA Title I Dislocated Worker funds. SEA programs which require federal financial support may find themselves unduly challenged to meet WIA Performance Standards [since] individuals attempting to become self-employed face additional barriers. . .¹⁰⁴ The remedy recommended by Pennsylvania is to develop performance measures particular to entrepreneurial training for Local Areas, and not

| Earnings in Dollars | State Total | SDA | | | | | | | |
|------------------------|----------------|-----|----|----|----|----|----|-----|----|
| | | 2 | 3 | 6 | 7 | 8 | 9 | 17 | 24 |
| Less than \$0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 211 | 14 | 32 | 31 | 10 | 31 | 20 | 36 | 37 |
| 1-500 | 14 | 1 | 2 | 0 | 2 | 0 | 0 | 2 | 7 |
| 501-1000 | 13 | 2 | 2 | 0 | 2 | 1 | 0 | 2 | 4 |
| 1,001-1,500 | 5 | 0 | 3 | 0 | 0 | 0 | 0 | 2 | 0 |
| 1,501-2,500 | 14 | 1 | 2 | 0 | 2 | 2 | 0 | 4 | 3 |
| 2,501-5,000 | 24 | 0 | 6 | 1 | 4 | 1 | 0 | 6 | 6 |
| 5,001-7,500 | 21 | 0 | 2 | 0 | 2 | 1 | 1 | 12 | 3 |
| 7,501-10,000 | 24 | 1 | 2 | 1 | 1 | 2 | 3 | 12 | 2 |
| 10,001-25,000 | 77 | 2 | 7 | 2 | 1 | 2 | 5 | 48 | 10 |
| 25,001-50,000 | 47 | 0 | 6 | 1 | 0 | 1 | 4 | 30 | 5 |
| 50,000-100,000 | 34 | 0 | 1 | 0 | 2 | 1 | 1 | 21 | 8 |
| 100,001 & up | 8 | 0 | 1 | 2 | 0 | 2 | 0 | 1 | 2 |
| Total Reported | 493 | 21 | 67 | 38 | 26 | 44 | 34 | 176 | 87 |

¹⁰⁴Annual Report.

apply the same standards to individuals seeking self-employment as standards applied to persons seeking wage and salary employment.¹⁰⁵ The Pennsylvania report continues, “Essentially state and local areas in Pennsylvania are quite apprehensive about supporting entrepreneurial training with federal funds that come with the [stipulation] of performance measures.”¹⁰⁶

Though wary of the imposition of performance measures on assisting individuals seeking self-employment under WIA, Pennsylvania suggests adopting reporting requirements for SEA that mirror WIA and other federal reporting requirements in place of the calendar year reporting that has been required for SEA since the NAFTA legislation. They suggest such a shift in order to more accurately represent annual program performance in relation to specific fiscal year or program year funding. Suggests the report, “Reporting on a fiscal or program year basis, as it relates to how funds are granted or appropriated, would provide better program and return on investment information.”¹⁰⁷

¹⁰⁵ Annual Report.

¹⁰⁶ Annual Report.

¹⁰⁷ Annual Report.

OPERATIONAL DISTINCTIONS AMONG THE STATE PROGRAMS

The individual state program profiles have shown significant variation in their features, while serving the same overall objective of providing self-employment assistance and training to a portion of their Unemployment Insurance claimants who face some likelihood of exhausting their unemployment benefits without successfully securing reemployment, and who are interested in the alternative of launching their own business. Among the most significant aspects of program variation are the way the states have provided for program administration at both the state and local level, the approaches the states have taken to providing business counseling, technical assistance, and training, which are not regular UI services and which are prohibited UI trust fund expenditures, and the means the states have used to fund both program administration and services.

In nearly all cases, the states have devised strategies for partnering in the operation of their SEA programs between the state Unemployment Insurance agency and the state agency responsible for Employment and Training. It is UI that provides the profiling and must qualify individuals for enrollment in an SEA program, but training has been the purview of a state agency charged with administration of JTPA and/or other state employment programs and subsequently with administration under the Workforce Investment Act, whose implementation was begun at the conclusion of the study period. While individuals must file weekly unemployment reports in order to insure continued eligibility for program benefits, they have also become customers of the employment and training agency through which they have received training and technical assistance. In some cases, coordinating these aspects has been fairly easy, as both agencies were part of a state Department of Labor and responsible individuals had routine interaction with one another. In other cases, structures had to be created for passing information back and forth and ensuring quality services to individuals. Some states have opted to work through a contractor to administer training and other client services.

The varying solutions to these matters of coordinating program administration, funding SEA, and providing services have been described in the individual state profiles. Table 3-24 that follows contains a summary of the variables: administration and management of the program at the state level, administration and operation of the program at the local level, provision of counseling, training, and technical assistance at the local level, and sources of funding for both state-level administration and management and local level administration and services.

In many cases, it has been difficult to make clear-cut distinctions as the programs have truly become cooperative ventures among the various state agencies and partnering entities. Moreover, the SEA programs are quite small in most states and states consciously embarked on SEA with the idea *not* to set up additional administrative structure, but to operate this new and small program from existing capacity. Roles and responsibilities were adapted among the state agencies according to available capacity and ability to effectively provide client services. Nonetheless, the following table is presented in an effort to depict the varying strategies that the states have devised for administering and operating SEA programs.

Table 3-24. Operational Distinctions Among State SEA Programs

| | Delaware | Maine | Maryland | New Jersey | New York | Oregon | Pennsylv.* |
|---|--|--|---|--|--|---|---|
| State Administration | DE DOL | ME DOL | MD Dept of Labor, Licensing, and Regulation (DLLR) | NJDOL | NYS DOL | Oregon Employment Department | PA Dept. of Labor & Industry |
| State Program Management | Divisions of Employment & Training and Unemployment Insurance | Maine Centers for Women, Work, and Community (MCWWC) | Women Entrepreneurs of Baltimore (WEB) | NJDOL | NYS DOL | Oregon Employment Department | PA Dept. of Labor & Industry |
| Local Program Administration/ Operation | SDAs; now One Stops | One-Stop Career Centers | WEB | Community Colleges | SBDCs on SUNY campuses | Partnership betw. SDAs and SBDCs | SDAs/One Stops |
| Funding Source for Program Administration and Management | Absorbed w/i UI and ETA admin. at state level | UI Special Administrative Expense Fund | MD DLLR | NJ DOL | UI; Wagner-Peyser; EDWAA at state level | Absorbed within UI admin. at state level | PA Dept. of Labor & Industry |
| Service Area | Statewide | Statewide | Statewide, but chiefly in Baltimore-Washington corridor | Statewide | Statewide, though targeted to particular areas | Primarily in metropolitan areas of the western third of the state | 7 of 28 Service delivery areas in more populous areas of state |
| Means of Training | Business Seminars and Counseling offered by partner organizations | Formerly video series augmented by SBDC counseling; Currently Menu of Training Providers | 10-week (120 hours) course offered bi-monthly at trainer's facility | 6-week (60 hours) course offered monthly on community college campuses | Minimum 20 hours classroom training required from Menu of Training Providers | Entrepreneurial classes available to broader public | Set courses of varying length and curriculum, developed by the SDAs subject to state guidelines |
| Training and Business Counseling Provider(s) | SBDCs; also DE DOL Employment & Training Programs; Minority & Small Business Entrepreneurial Center; SCORE | SBDCs provide required counseling and some courses; other approved | Women Entrepreneurs of Baltimore (WEB) | NOTE: a consortium of the NJ community colleges; SBDCs; various vendors of computer training | SBDCs are primary; also Chambers of Commerce, SCORE | Chiefly SBDCs through state college and community college system | SBDCs through community colleges and, universities, and private vendors |
| Funding Sources for Training and Business Counseling | SBDCs | UI Special Administrative Expense Fund to SBDCs | MD DLLR | State DOL; SBDCs | JTPA grants to SBDCs | JTPA (EDWAA) or participant-funded | JTPA |

* The California SEA program that operated between 1996 and 97 most closely resembled the Pennsylvania program.

CHAPTER 4. DESCRIPTIVE ANALYSIS OF PARTICIPANT POST-TRAINING EXPERIENCES FOR SEA PROGRAMS IN MAINE, NEW JERSEY, AND NEW YORK

The Present Chapter

The previous chapter presented the inventory of state administrative structures, service packages, and funding arrangements. It included analysis of program to program variation and the demographic profiles of SEA participants by state as collected by state programs and presented in annual reports. For many states, however, this information is incomplete. This chapter describes the post-training employment experiences of the SEA participants and also their assessment of their respective state SEA programs, based on the survey and wage record data from Maine, New Jersey and New York. After first reviewing the demographic characteristics of the sample of SEA participants who were surveyed in the three states, the section goes on to describe the self-employment outcomes and characteristics of those participants who opened a business. It similarly describes the experiences of program participants who may have become reemployed in a wage/salary position. Spells of unemployment for participants are also covered, identifying the number and length of subsequent spells of unemployment since the initial unemployment period. The purpose of this chapter is to provide an objective description of SEA participant experiences. Later chapters explore the outcome differences between the SEA participants when compared to a group of similar UI claimants who did not participate in the training.

Descriptive Analysis of Participant Post-training Experiences

Demographic Characteristics of SEA Participants

As would be expected, the survey sample of participants mirrored the demographic characteristics of SEA participants that have been captured in the narrative and statistical summaries of state annual reports. The mean age of SEA participants in the survey at the time of their initial unemployment was just over 43 years. There were nearly even numbers of men and women and they were overwhelmingly white (83%). Sixty nine percent of SEA participants had some education beyond high school; 29% had a four year college degree or postgraduate education. The largest percentage of this survey group held occupations in either the professional/technical/ managerial or clerical & sales sectors. The mean base period wage, upon which unemployment benefits were calculated for this group was \$29,478.¹⁰⁸ An additional demographic factor that the survey collected was the number of individuals requiring caregiving within the households of SEA participants. Sixty seven percent reported having no one who required caregiving; just over 13% reported having 1 person who required caregiving and another 14% reported having 2. Only six percent had 3 or more individuals within their households who required caregiving.

¹⁰⁸ The calculation of base period wages is based upon the earliest four of the five quarters of earnings preceding unemployment.

| | N | % All States | % ME | % NJ | % NY |
|--|-----|--------------|--------|--------|--------|
| Gender: | | N=570 | N=173 | N=200 | N=197 |
| Male | 280 | 49% | 44% | 59% | 44% |
| Female | 290 | 51% | 56% | 41% | 56% |
| Race: | | N=571 | N=173 | N=201 | N=197 |
| White | 472 | 83% | 98% | 86% | 66% |
| Black | 36 | 6% | | 7% | 12% |
| Hispanic | 5 | 1% | | 2% | 1% |
| Native Amer. | 1 | .2% | 1% | | |
| Asian | 10 | 2% | | 5% | 1% |
| missing | 45 | 8% | 1% | 2% | 21% |
| Age at unemployment | | N=531 | N=171 | N=199 | N=161 |
| Mean age in years | | 43.47 | 42.84 | 44.5 | 42.88 |
| Base Period Wages | | N=554 | N=171 | N=191 | N=192 |
| Mean Base Wage | | \$29,478 | 20,503 | 36,225 | 30,760 |
| Educational Attainment: | | N=575 | N=176 | N=203 | N=196 |
| < high school | 16 | 3% | 3% | 2% | 3% |
| High school grad | 158 | 28% | 40% | 26% | 18% |
| Some College | 178 | 31% | 30% | 30% | 33% |
| 2-year Degree | 54 | 9% | 9% | 6% | 13% |
| 4-year Degree | 100 | 17% | 10% | 25% | 16% |
| Postgraduate | 67 | 12% | 7% | 11% | 17% |
| Occupation prior to unemployment: | | N=560 | N=166 | N=197 | N=197 |
| Prof., Tech., Manag. | 221 | 34% | 24% | 46% | 47% |
| Clerical & Sales | 178 | 32% | 42% | 20% | 35% |
| Blue Collar | 74 | 13% | 17% | 15% | 8% |
| Farming & Related | 11 | 2% | 2% | 4% | 1% |
| Services | 46 | 8% | 7% | 9% | 9% |
| Other | 30 | 5% | 10% | 7% | |

Subsamples from the three states showed overall similarities to the total group. Notable divergences included New Jersey's much larger proportion of men than women in its SEA program (59%), in contrast both to the overall group proportions and the other two states, where women outnumbered men. New York had a much higher percentage of non-white program participants (up to 34%) than the other two states. The Maine sample was distinguished by a much lower mean wage than in either New York or New Jersey, yet it seemed consistent with the larger picture of wage levels among these states. And Maine participants demonstrated much lower percentages of post high school education; yet once again, this seemed consistent with the broader pattern where Maine had the highest high school graduation rate among the states in 1999 combined with one of the lowest college matriculation rates.

Overall, the demographic characteristics of the survey sample confirm the findings of earlier studies of SEA participants,

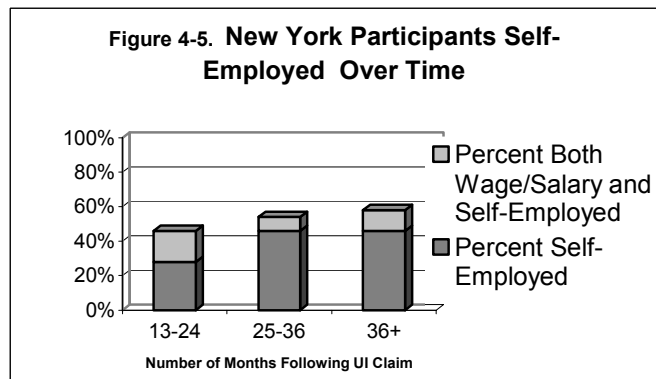
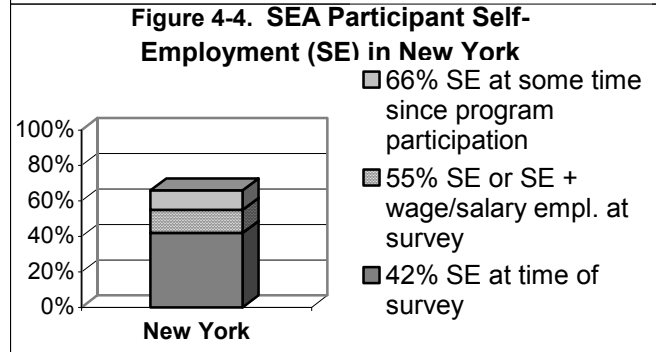
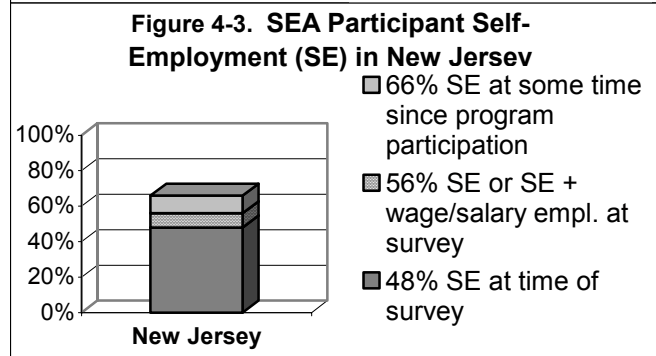
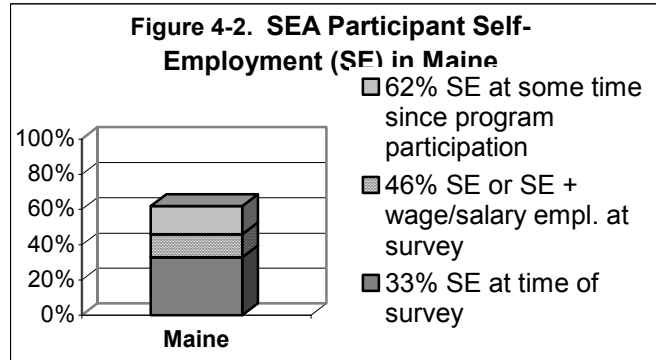
who were shown to be older, with higher levels of education, and much more highly representative of professional, technical, and managerial occupations than the overall population of unemployment insurance claimants.

Participant Post-Training Self-Employment

In each of the three states, many participants indicate that they experienced at least one spell of self-employment; moreover, a large number of these were self-employed at the time of survey administration. Two thirds of participants in both New York and New Jersey said they had experienced self-employment since completing the program. Nearly as many participants in Maine (62%) also operated businesses post-program. Despite the state programs' diverse structures and training models, these numbers show very little difference in participant business start-ups.

The sustainability of self-employment also appears to be quite good for program participants. On average, participants from the three states have spent 32 months in self-employment.¹⁰⁹ At the time of the survey in Fall 2000, forty-two percent of New York participants said they were self-employed and an additional 13% said they were both self-employed and wage/salary employed. New Jersey participants had even higher rates of sustained self-employment, with 48% currently self-employed and 8% both self and wage/salary employed. Participants in Maine had only somewhat lower rates of self-employment at the date of the survey, but still substantial. A third of Maine participants indicated that they were currently self-employed and an additional 13% were both self and wage/salary employed.

An analysis of participant self-employment by the length of time since initial enrollment in an SEA program reveals substantial self-employment rates for those two and three years out of the program.¹¹⁰ In New York, for participants

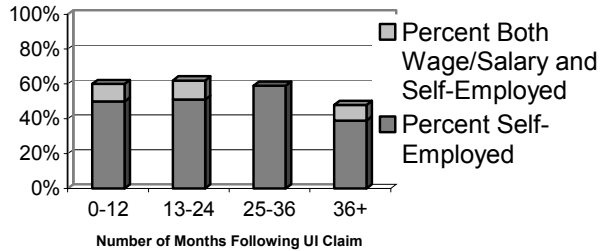


¹⁰⁹ This average includes participants who received training between Winter 1995 through December 1999.

¹¹⁰ Care should be taken when interpreting the results of self-employment at different time intervals. For many time periods, n-sizes are quite small and a larger sample size could have yielded different results.

13-24 months following their initial enrollment 46% identified themselves as either self-employed or both self-employed and wage/salary employed. For both those 25-36 months from SEA enrollment and those more than 36 months following, 46% of participants reported they were self-employed. An additional 12% of participants at this longest time interval identified themselves as both self and wage/salary employed.

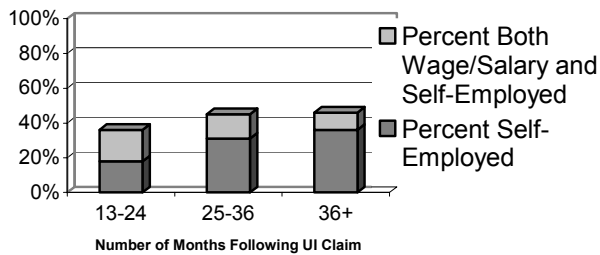
Figure 4-6. New Jersey Participants Self-Employed Over Time



New Jersey participants experienced very high rates of self-employment at each time interval as well. However, after 3 years self-employment seems to decline. For those 12 months or less since first enrolling in the SEA program and for those at 13-24 months since initial participation, self-employment rates were above 50%. An additional 10% identified themselves as being both self and wage/salary employed. For those at 25-36 months

since entering training, self-employment approached 60%, but then dropped below 40% for those with more than 3 years elapsed time since entering the SEA program. New Jersey participants appear to be able to sustain self-employment long after they exit training, but begin to leave self-employment and enter wage/salary employment after 3 years.

Figure 4-7. Maine Participants Self-Employed Over Time



In Maine, longer-term self-employment was also substantial. For those participants 13-24 months since initial enrollment, participant self-employment and those with both self and wage/salary employment accounted for over a third of the participant group. For participants 25-36 months out of training and for those more than 36 months out of participation, self-employment rates alone were nearly at that level. In addition, at each of these

longer intervals, 10-14% of participants were both self-employed and wage/salary employed.

Although the extent of self-employment differs somewhat among the three states for the recipients of self-employment assistance and training, a clear pattern of sustainability is evident in each state. Self-employment rates are quite similar for those who enrolled in their state's SEA program one to two years earlier; again, rates are similar for those who are between two and three years post-enrollment. While rates remain high for those who are more than 36 months post-training, the data suggests that this period may bring a return to wage/salary employment for a number who had been self-employed at some time following their participation in an SEA program.

The survey captured information regarding the type and operation of the businesses that program participants began. Mirroring trends in the United States economy toward more high-technology occupations, many participants in all three states started businesses in the computer and consulting fields.

Construction and retail were also common businesses across the three states.

Occurring in smaller but still high numbers were businesses in art, child care, and floral shops. New Jersey saw a fairly high number of medical service oriented businesses. In general, these businesses

tended to be sole proprietorships, with over 80% in both New York and Maine citing it as their business structure. In New Jersey, 60% of participant businesses were sole proprietorships, while 30% were established as corporations.

Table 4-8. Common Businesses Started by SEA Program Participants

- Computer-related
- Consulting
- Construction
- Retail Sales
- Medical-related
- Art-related
- Child-care
- Floral Shop

Participant business owners among the three states financed their businesses in nearly identical ways. Without exception, participants used personal savings, business revenue, and the assistance of family for start-up and the continuing financing of their enterprises. In New York and New Jersey, approximately 85% of the participant self-employed used

personal savings to finance their business; in Maine 78% used this source of financing. Almost half in each state also used business revenue to reinvest and grow their businesses. Family was another resource; nearly 90% of all participant businesses in each of the states relied on the investment and financial support of family members. Conversely, relatively small numbers of participants used

commercial and private sources of funding. In general, fewer than 6% of the businesses were financed using commercial loans, a credit union loan, or a Small Business Administration loan. From the survey data, it remains unclear whether participants applied for this type of financing and were denied, or if very few pursued this resource.

Table 4-9. Methods of Business Financing by SEA Program Participants

| | ME N=102 | NJ N=124 | NY N=121 |
|----------------------------|-------------|-------------|-------------|
| Personal Savings | 78% | 86% | 85% |
| Business Revenue | 51% | 47% | 42% |
| Family Financial Resources | 89% | 88% | 91% |
| Commercial Loan | 9% | 5% | 6% |
| Credit Union | 6% | 1% | 2% |
| SBA Loan | 1% | 3% | 3% |

The presence of a second household income and access to health benefits appears to be an important factor in the self-employment experiences of program participants. Nearly two thirds of the participants self-employed in New York and Maine say that there was a second wage earner in their household when they decided to start a business. In New Jersey, nearly three quarters had a second income present.

Over half of those who started small businesses in each state indicate that they probably would not have pursued a business in the absence of this second source of

Table 4-10. Impacts of Second Wage-Earners and Health Benefits on Small Business Starts

| | ME | NJ | NY |
|---|--------------|--------------|--------------|
| Second Wage Earner in Household of SEA Participant | N=103 65% | N=130 72% | N=131 62% |
| Would not have started business without second wage earner source of household income. | N=67 63% | N=93 60% | N=80 51% |
| Would not have started business without second wage earner's health benefits. | N=67 58% | N=92 64% | N=79 56% |

household income. Access to the wage earner’s health benefits also may play a role in whether a program participant decided to pursue self-employment. In both Maine and New York, over 55% say that they would not have started their business without the health benefits, and nearly two-thirds of New Jersey participants indicate that it would not have been possible. This may also have been a factor in determining whether or not people even decided to enter the SEA program.

Table 4-11. Gross Business Earnings of Former SEA Program Participants in 1999

| | ME N=86 | NJ N=111 | NY N=114 |
|----------------------|------------|-------------|-------------|
| Less than \$10,000 | 37% | 30% | 48% |
| \$10,001 - \$20,000 | 17% | 10% | 10% |
| \$20,001 - \$30,000 | 5% | 5% | 3% |
| \$30,001 - \$40,000 | 5% | 6% | 3% |
| \$40,001 - \$60,000 | 6% | 8% | 5% |
| \$60,001 - \$80,000 | 2% | 2% | 6% |
| \$80,001 - \$100,000 | 5% | 4% | 5% |
| \$100,001 + | 4% | 7% | 6% |
| Don't Know | 21% | 27% | 15% |

While participant self-employment rates are impressive, the financial health of these businesses is uncertain.¹¹¹ When surveyed, about 2 of every 10 participants reported that they “didn’t know” what their gross business earnings had been in 1999. Of those who could recall their business earnings, participants reported that the earnings of these businesses are generally low. Of those participants who operated businesses in the three survey states in 1999, the largest segment indicated gross business earnings of less

than \$10,000; this was nearly half of New York’s self-employed participants and around a third in New Jersey and Maine. Approximately another one of every ten of the New York and New Jersey participants who operated businesses in 1999 say they had gross business earnings between \$10,000 and \$20,000. Nearly one fifth fell within this range in Maine. The total reporting more than \$30,000 was about 25%; moreover each of the three states experienced about 10% of their self-employed SEA participants earning more than \$80,000 in gross business earnings in 1999. However, these figures may or may not reflect the personal income derived from the businesses. In many instances, payroll and other operating expenses have not been deducted, suggesting that personal income may be lower than the reported gross earnings.¹¹²

Table 4-12. Job Creation Resulting from SEA Participant Business Ventures

| | ME N=102 | NJ N=130 | NY N=128 |
|-----------------------------------|-------------|-------------|-------------|
| Business Owner as sole employee | 76% | 68% | 77% |
| At least one additional employee | 15% | 17% | 13% |
| Employ 3-5 people | 5% | 10% | 2% |
| Employ more than 5 people | 4% | 4% | 7% |
| Monthly payroll < \$1,000 | 71% | 48% | 66% |
| Monthly payroll \$1,000 - \$5,000 | 25% | 37% | 22% |
| Monthly payroll > \$5,000 | 5% | 14% | 11% |
| Monthly payroll > \$15,000 | N/A | 5% | 6% |

Although this evidence implies that SEA participants’ business earnings may be somewhat low, many of the businesses have generated positive economic benefits beyond the business owner. A number of the businesses operated by program participants have created jobs for others. While three-quarters of the businesses in New York and Maine and about 68% in New Jersey list the owner as the sole employee at the time of the survey, between 13% and 17% also employ an

¹¹¹ Care should be taken when interpreting the results of gross business earnings; n-sizes for several response categories are small and a larger sample could have yielded different results.

¹¹² Self-reported income figures also suffer from the potentially faulty recall of respondents.

additional person. Over 10% of program participant businesses in New Jersey employ 3-5 people. A small percentage in each state list more than 10 employees, with a handful of New York and New Jersey business owners indicating that they employ as many as 30.

The jobs generated by the participants' businesses add several thousand dollars monthly to local economies. Approximately one quarter of SEA participant business owners in New York and Maine say they have a monthly payroll between \$1,000 and \$5,000. In New Jersey, over one-third of the participant businesses have payrolls between \$1,000 and \$5,000. The vast majority pay out less than \$1,000 monthly to employees, but at least 10% in both New York and New Jersey have monthly payrolls greater than \$5,000. About 5% of the participant businesses in New Jersey and New York have payrolls exceeding \$15,000 per month.¹¹³ Although limited in scope, these payroll figures suggest that many of the participant businesses are performing well enough to support the employment of others and are able to generate positive economic activity.¹¹⁴

The survey data also indicate that many of the program participants who have started businesses are quite satisfied with their employment situation. In each of the three states, well over 50% of those participants who started businesses identify themselves as being very satisfied with their business; over two thirds in New Jersey. Once those who say they are somewhat satisfied are included, 90% of the New Jersey and Maine participants who started businesses indicated some measure of business satisfaction. In New York, the number is only slightly lower (86%). Although satisfaction cannot be attributed exclusively to participation in the SEA training program, it is clear that by a wide margin the program participants report high levels of satisfaction in their business endeavors.

Table 4-13. Satisfaction Levels Among SEA Participant Small Business Owners

| Q18. Overall, how satisfied are/were you with your business? Are you. . . | ME N=102 | NJ N=133 | NY N=131 |
|---|-------------|-------------|-------------|
| very satisfied | 59% | 67% | 53% |
| somewhat satisfied | 31% | 26% | 34% |
| somewhat dissatisfied | 4% | 7% | 9% |
| very dissatisfied | 4% | N/A | 4% |

Overall, the survey disclosed that very large numbers of SEA program participants are successful in launching a small business and that a majority of these are also engaged in the operation of their business full-time or in conjunction with other wage and salary employment three years following their initial UI claim. Family appears to be a critical factor facilitating many of these entrepreneurs, with a second family income, access to health insurance through a family member, and family financial resources being cited by large majorities as factors contributing to their small business start-ups. These factors may also contribute to sustaining many of the business ventures, a majority of which continue to yield low levels of income. A small number of the businesses that have been started by SEA program participants have employed more than 15 individuals, have

¹¹³ An answer of “Don’t Know” occurred in ninety cases out of 355 in response to the question about monthly payroll. These responses were excluded from the analysis.

¹¹⁴ Payroll figures may include wages employers pay to themselves. The survey questionnaire did not differentiate between payments to self and payments to others. While it is common for business owners to pay themselves solely from business profits, it could not be determined in this analysis the manner by which owners are choosing to compensate themselves.

monthly payrolls over \$5,000, and/or yield gross business earnings in excess of \$80,000. In spite of their low incomes and necessary dependence upon various family resources, overwhelming majorities of these small business owners report moderate or high satisfaction with their business ventures. The three states are fairly similar in all of these respects, with participants from Maine starting and sustaining businesses in slightly lower numbers and participants from New Jersey establishing a higher percentage of corporations and realizing somewhat higher business earnings.

Participant Post-Training Wage/Salary Employment

The majority of SEA program participants became self-employed post-training, but a substantial number also returned to employment in a wage or salary position either exclusively or in addition to their business venture. When asked if they had been employed in a wage or salary position since their program participation, just over 45% of

| | ME N=175 | NJ N=201 | NY N=197 |
|--|-------------|-------------|-------------|
| Percent with wage/salary employment since enrolling in SEA | 60% | 46% | 57% |
| Percent with wage/salary employment at time of survey | 42% | 30% | 33% |
| Percent with both SE and wage/salary employment at survey date | 13% | 8% | 13% |

the New Jersey participants indicated they had. The percentage approached or equaled 60% in New York and Maine. On the surface, these numbers seem to represent a low reemployment rate; however, after taking into account that two-thirds of participants experienced self-employment, the numbers reflect a strong return to the labor market overall.

At the date of the survey, somewhat fewer numbers of participants in New York and New Jersey (30%) were wage or salary employed compared to the overall numbers. In contrast, over 40% of program participants in Maine were wage/salary employed at the survey date. Approximately one in ten more in each state also said they were both wage/salary and self-employed.

Of the SEA participants who became wage or salary employed, the majority indicate that they have held one job. Nearly 80% of this group in New Jersey have had one job, while just over half in New York and Maine have held one job since the end of their program participation. Approximately 30% of the participant wage/salary employed in New York and Maine say they have had 2 jobs since finishing the training program. Program participants across states report that the average length of their most recent spell of wage/salary employment was 21 months at the survey date; for those holding a single position the average time in that job is 23 months.¹¹⁵ These averages differ minimally among the three states.

For participants 13-24 months since initial claim, who have held a single wage/salary position, the average length of time in that position is 23 months in New York, and 20 months in New Jersey and Maine. At 25-36 months since filing, the average duration of employment is 16 months in New York, 25 months in New Jersey and 27 months in Maine.

¹¹⁵ The average spell of wage/salary employment is calculated from data for participants who entered training at different points in time between fall 1995 and December 1999.

For those program participants who indicated that they have held two jobs since their spell of unemployment, the most recent spell averaged 18 months and the prior spell of wage/salary employment averaged 14 months across states.

For those training participants who were employed in a wage or salary position at the date of the survey, three-quarters in New York and New Jersey were working 35 hours or more weekly. Slightly fewer of Maine’s participant group (65%) were working in a job 35 hours or more. In Maine, approximately 20% were working between 20 and 35 hours weekly and 15% in New York and New Jersey were working hours within this range. While some differences exist among the three states, most of the program participants who are employed in a wage/salary position appear to be working full-time. For those who are not working full-time, nearly 40% identified themselves as being self-employed, also. A fair number of SEA program participants appear to be supplementing their business income with outside income.

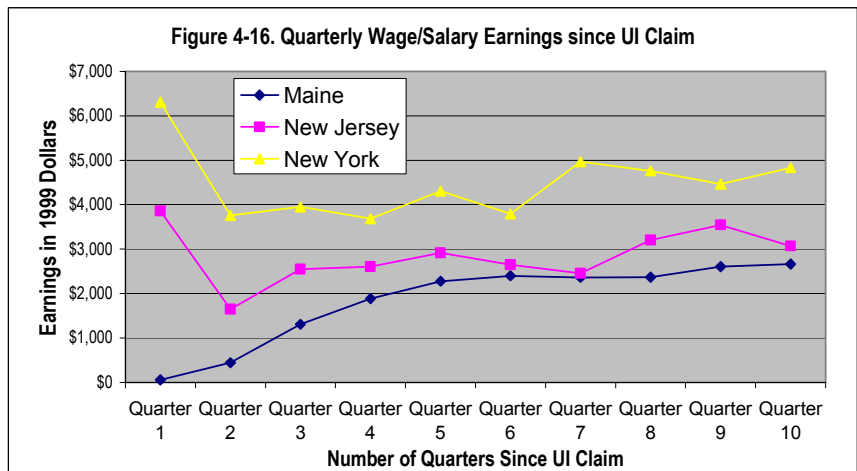
Table 4-15. Hours of Wage/Salary Employment Among SEA Participants at Survey Date

| | All States | ME N=99 | NJ N=85 | NY N=104 |
|--|------------|------------|------------|-------------|
| Working at least 35 hours/week | | 65% | 72% | 74% |
| Working 20-35 hours/week | | 21% | 13% | 16% |
| Of those working part time, also self-employed | 40% | | | |

Program participants have obtained employment in diverse industries, although the most popular are the same as those in which participants became self-employed. In New York and New Jersey the most popular field of employment is in medical services, with 12-16% of participants employed in that field. While not quite as common in Maine, a fair number of participants are employed in medical services. Also common among the three states are jobs in computers, education, and retail occupations. In Maine, retail and education oriented employment account for 16% and 13% respectively of participant employment.

Wage record data indicate that inflation adjusted earnings (base year 1999) since the initial UI filing date average \$3,135 per quarter through the 10th quarter since filing – across the three states.¹¹⁶ Except for the first quarter of post-UI earnings, which are unusually high in New York and New Jersey, wages for participants in each state increased over

Figure 4-16. Quarterly Wage/Salary Earnings since UI Claim



¹¹⁶ N-sizes in later quarters are small and this should be taken into account when interpreting results.

time.¹¹⁷ For the New York participants who were wage or salary employed, earnings increased 22% between the 2nd quarter following their UI claim through the 10th quarter following their claim, from \$3757 to \$4833. In New Jersey, participant wages grew from \$1646 in the second quarter post-UI filing to \$3070 in the tenth quarter, a 46% increase. Over the same period of time in Maine, wages increased 83 percent, from \$441 in the 2nd quarter to \$2661 in the 10th quarter following the initial filing date.¹¹⁸

Table 4-17. Satisfaction Levels Among SEA Participant Wage/Salary Employees

| | ME N=99 | NJ N=85 | NY N=104 |
|---|------------|------------|-------------|
| % very satisfied with their w/s employment | 58% | 54% | 39% |
| % somewhat satisfied w/ their w/s employment | 31% | 24% | 36% |
| % somewhat dissatisfied w/ their w/s employment | 6% | 8% | 15% |
| % very dissatisfied w/ their w/s employment | 3% | 14% | 8% |

Program participants who have become employed in a wage or salary position indicate fairly high levels of satisfaction, although the numbers are somewhat lower in comparison to satisfaction among their self-employed counterparts. In New York about 40% of participants who are employed in

wage or salary position say they are very satisfied, while over half report this in New Jersey and Maine. Over three-quarters are at least somewhat satisfied in New York and New Jersey; the number approaches 90% in Maine. In general, even though they may not be self-employed, SEA program participants seem to be fairly satisfied in their employment. While it cannot be concluded from the data that their SEA training and business counseling permitted participants to obtain more fulfilling employment, it may have provided participants with additional knowledge and/or skills that are important to the workplace.

Participant Post-Training Unemployment

In general, Self-Employment Program training recipients have experienced great success in achieving reemployment either through starting their own businesses or in a wage/salary position. However, a small percentage have experienced additional spells of unemployment post-training.¹¹⁹ In New York and Maine about a quarter of all program participants say they have been unemployed at least once since they completed the program. Slightly fewer participants in New Jersey (17%) indicate that they had an additional spell of unemployment. At the date of the survey administration approximately 10% of previous program participants in the three states reported that they were unemployed.

In examining participant unemployment rates at one, two and three year intervals from program participation, few differences exist in unemployment rates in New York and New Jersey. For participants out of the program 13-24 months, 25-36 months and 36+ months, unemployment rates are about 10% of the participant groups. This rate is

¹¹⁷ The higher earnings reported in the first quarter may reflect reporting of both pre-unemployment and post-unemployment wages within the same quarter, thus inflating the figure with pre-unemployment earnings.

¹¹⁸ A portion of the increase in earnings over time may be attributable to the reentry of self-employed participants into wage/salary employment.

¹¹⁹ In each state, the n-size of the participant unemployed population is less than twenty-five of the overall sample for that state. These small n-sizes should be taken into account when interpreting the data.

consistent in Maine for the 25-36 month and 36+ time interval; however, for the group 13-24 months since program participation, about 18% say they are unemployed. This higher rate could represent an anomaly due to a smaller sample size for participants in this time interval. Overall, among the three states participant unemployment tended to hover around 10% at the date of the survey.

On average, those participants who have experienced an additional spell of unemployment since their original UI filing have experienced a single additional spell. The average duration of this single spell was 4.5 months. Fewer than 1% from all three states report two or more additional spells of unemployment.

Of those program participants who were unemployed at the time of the survey, the majority did file for unemployment benefits. However, while around three-quarters of New York's and New Jersey's unemployed participants filed, just one-third of Maine's did so. It is unclear why the group from Maine had such a low filing rate. One possible explanation: there may have been a larger proportion of small business owners close their businesses in Maine. Since self-employment is not covered by Unemployment Insurance, the Maine participants may have been unable to obtain UI benefits.

The reason most commonly cited for their post-SEA program spell of unemployment by the participant group differed across states. In New York and Maine, disability was the primary explanation for 35%-40% of respondents. In New Jersey, being laid off and being fired were common reasons. About a quarter of the group from Maine also said they had been laid off.

Of those SEA training recipients who were unemployed at the date of the survey, more than half in New York and Maine indicated that they had not looked for work in the past week. In New Jersey, this proportion was somewhat lower, at 30%, and at least 40% reported spending more than 10 hours looking for work in the previous week. In New York and Maine, the most popular resource used in a job search is the newspaper, while in New Jersey the Internet is also a popular tool.

Participant Satisfaction with Program Services and Training

In addition to measuring satisfaction among former SEA program participants with either their self-employment enterprises or the wage/salary employment to which they have returned, the survey collected data on participant satisfaction with the various services and training provided by their state SEA programs.

When given a set of possible reasons for enrolling in SEA, half of participants selected the free services and training offered. Another 9% identified the time frame of the assistance that was offered. Smaller percentages

| Q40. What made you interested in enrolling in the SEA program? | All States | ME | NJ | NY |
|--|------------|-----|-----|-----|
| Free services/training offered | 50% | 40% | 58% | 51% |
| Location of SEA services | 1% | 2% | 1% | 1% |
| Timing of class start dates | 3% | 1% | 4% | 4% |
| Time frame of assistance offered | 9% | 10% | 10% | 8% |
| Something else | 34% | 45% | 26% | 33% |
| Don't Know | 2% | 2% | 2% | 4% |

identified the location or start date of a class; while 34% offered their own explanation of “something else.” These data are summarized in table 4-18.

Table 4-19. Most Helpful SEA Program Elements

| Q41. . . . while enrolled in the SEA program . . . what one thing was most helpful? | All States N=567 | ME N=175 | NJ N=199 | NY N=193 |
|---|---------------------|-------------|-------------|-------------|
| SBDC Counseling | 24% | 29% | 13% | 31% |
| Financial Training | 15% | 13% | 20% | 11% |
| Entrepreneurial Training | 26% | 18% | 33% | 25% |
| Something else | 28% | 31% | 30% | 24% |
| Don't Know | 8% | 9% | 5% | 9% |

When asked to identify the most helpful from a given list of program components, participants tended to identify those components that were most prominent in their state programs. In Maine and New York nearly a third identified SBDC counseling, while in New Jersey a third

identified their entrepreneurial training in comparison with 13% who identified the SBDC counseling. “Other” was once again the most selected option from the list (28% from all states). These data are summarized in table 4-19.

Participants’ most frequently cited most helpful program components were: everything (26%); assistance in creating a business plan (14%); counseling, advising (8%) and encouragement (6%); acquisition of financial skills (7%); and smaller percentages naming such factors as tax information, technical information, marketing skills, clear instructions, providing a focus, practical experience, and building confidence.

When given the same list and asked what had been *least* helpful, much smaller numbers reported. Besides “other” (37%) and “don’t know” (29%), the only items to be selected by more than 15% of respondents were the SBDC counseling in New Jersey (20%) and the financial training in New York (16%).

Table 4-20. Most Important Job Skill Developed Through SEA Program

| Q43. What was the most important job skill you developed by participating in the SEA program? | All States | ME | NJ | NY |
|---|------------|-----|-----|-----|
| Business plan | 22% | 17% | 21% | 25% |
| Financial services | 12% | 6% | 20% | 8% |
| Marketing | 9% | 8% | 14% | 6% |
| More assertive | 7% | 8% | 8% | 6% |
| People skills | 4% | 6% | 3% | 5% |
| Computer skills | 3% | 2% | 4% | 3% |
| Organizational skills | 2% | 3% | 2% | 2% |

When asked to identify the most important job skill they had developed through their SEA participation and without a list of options, participants reported common responses: business plan (22%), financial services (12%), marketing (9%), more assertive (7%), people skills (4%), computer skills (3%), and organizational skills (2%).

When asked to suggest additional services that could be added to improve the SEA program in their state, respondents suggested: financial support (14%), mentors/ counseling (7%), extend the program (4%), networking/marketing (8%), technical assistance (3%), individualized training (3%), follow-up (3%), and more courses (3%). However, the largest number suggested “nothing” (42%).

There was some variation among the three states in these assessments and recommendations, as seen in the tables. Much of the variation may be interpreted as most likely arising from differences in the services provided by the respective programs. For example, 20% of New Jersey participants identified a most important developed skill in the area of financial services, compared with 6-8% in the other states. When suggesting why program components were identified as most helpful, New Jersey participants indicated “financial skills” 10% of the time, compared to around 4% in the other states. This pair of responses suggests that the area of business finance may have factored more prominently in the New Jersey training curriculum or that the financial experts were perceived as imparting a great deal of valuable information to New Jersey program participants. Another item that brought divergence was the recommendation to provide financial support – 14% overall, but 18% among New York participants, compared with 12% and 10% in New Jersey and Maine respectively.

Though large percentages of SEA participants have been successful in starting small businesses and report very high levels of satisfaction with their self-employment endeavors; and though they identify many positive factors and skills that were developed in the course of their

Table 4-21. Likelihood of SEA Participants Starting Businesses Without the Program

Q20. How likely is it that you would have started your own business had you not been in the SEA program?

| | All States | ME | NJ | NY |
|-------------------|------------|-----|-----|-----|
| Very likely | 34% | 30% | 35% | 37% |
| Somewhat likely | 32% | 26% | 35% | 35% |
| Somewhat unlikely | 14% | 21% | 17% | 17% |
| Very unlikely | 18% | 21% | 17% | 17% |

SEA program participation, they do not name the program as the decisive element in launching their enterprise. When asked how likely they would have been to start a business without the SEA program, over two thirds report that they would have been very likely or somewhat likely to do so, while less than a third report that they would have been somewhat unlikely or very unlikely.

Of those who have never started a small business since their participation in an SEA program, the principal reason stated for not having done so was lack of sufficient finances. This reason was cited by 62% in Maine, 57% in New Jersey, and 40% in New York of those who completed the SEA program but did not start a business.

CHAPTER 5: ANALYSIS OF SELF EMPLOYMENT ASSISTANCE OUTCOMES

The Present Chapter

The previous chapter provided a description of SEA participant post-training employment experiences, making no conclusions about the role the business training programs played in the achievement of certain outcomes. This chapter compares SEA participant outcomes to those of a comparison group of individuals who received regular UI services during the same period and assesses differences in outcomes between the Self-Employment Assistance Program participants in New York, New Jersey and Maine and non-participants. Outcomes examined include measures of employment, earnings, UI benefit receipt, and satisfaction. For each measure, differences in participant outcomes are compared to those of the non-program participant group.

The comparison group was drawn by simple random sampling of those whose profiling scores had made them eligible for SEA. These individuals had been notified of the program and their eligibility, but chose not to enroll in the program. In general, the non-participants pursued regular work-search activities; although some may have pursued other training programs.¹²⁰ As was described in chapter 2, the participant and comparison groups are similar but not identical. Motivational factors associated with participants who selected the program may not be present among those of the comparison group.

Outcomes are reported both separately by state and aggregated for the three states. Each outcome measure is presented in terms of simple differences in means and regression-adjusted differences where possible.¹²¹ For each state, outcomes are drawn from the survey data, administrative program data and wage records supplied by the states.¹²² The New York sample includes 197 individuals in the participant group and an equal number in the comparison group. New Jersey's sample includes 203 in the participant group and 201 in the non-participant group.¹²³ The sample from Maine is comprised of 176 participants and 202 non-participants. Administrative and wage records were drawn for each survey respondent.

¹²⁰ It is unclear from the data the extent to which non-participants engaged in alternative training programs.

¹²¹ Regression analysis is a statistical method that can be used to simultaneously control for multiple factors that could influence a particular outcome. It holds other variables constant in order to isolate the effect that a single variable may have on outcomes.

¹²² See Appendix A for fuller description of the data sources and Appendix C for a copy of the survey instrument that was used with SEA participants and with non-participants.

¹²³ The non-participant sample in New Jersey contains 80 cases in which the initial unemployment spell occurred in the year 2000, decreasing the comparability of the participant and non-participant groups.

This chapter begins with a presentation of participant and non-participant characteristics, noting any statistically significant differences between the groups. Then it discusses the program outcomes of SEA using the following measures:

- likelihood of one spell of self-employment,
- likelihood of self-employment at the date of the survey,
- likelihood of employment of any type (self and wage/salary),
- 1999 gross business earnings,
- post-training wage and salary earnings,
- self-reported earnings at the date of the survey,
- amount of unemployment/SEA benefits collected, and
- satisfaction in employment.

Characteristics of Participant and Non-participant Groups

Table 5-1 displays differences in characteristics of the participant and non-participant groups for each of the three states. Statistically significant results are indicated with footnotes. The overall pattern in differences that emerges when combining the states is that participants are approximately one year younger than non-participants;¹²⁴ participants are more predominantly white than their counterpart non-participants; participants include 10% fewer females than non-participants; and participants demonstrate higher levels of educational achievement. The two groups have similar numbers of dependants in the household. On average, the participant group earned \$6,750 more in the year prior to unemployment than the non-participant group. About 40% of the participant group had prior employment in a professional, technical or managerial profession compared to 26% of the non-participant group.¹²⁵ Participants also expressed much higher levels of interest in business ownership, by about 30 percentage points.¹²⁶ In short, the participant and comparison groups differ significantly in nearly every demographic characteristic. Controlling for these differences through multiple regression analysis should minimize their differential effects on the outcomes.¹²⁷ However, since the groups are not identical, care should be taken when making comparisons and interpreting results.

¹²⁴ The New York sample lacked information on age for 68 individuals.

¹²⁵ The occupational composition differs in Maine. Participant and non-participant groups have more equivalent occupational concentrations than in New Jersey and New York and are not dominated by the professional and technical fields.

¹²⁶ To measure interest, an index was created from three questions on the survey. Each question was scored so that a higher score denoted more interest. The combined scores were averaged to create the index.

¹²⁷ Regression analysis is a statistical method that can be used to simultaneously control for multiple factors that could influence a particular outcome. It holds other variables constant in order to isolate the effect that a single variable may have on outcomes.

Table 5-1. Demographic Characteristics of Sample SEA Participant and Comparison Groups

| | % All States | | % Maine | | % New Jersey | | % New York | |
|---|--------------|----------|----------|----------|--------------|----------|------------|----------|
| | SEA | Non-SEA | SEA | Non-SEA | SEA | Non-SEA | SEA | Non-SEA |
| Gender^a | N=570 | N=595 | N=173 | N=202 | N=200 | N=199 | N=197 | N=194 |
| Male | 49% | 39% | 44% | 41% | 59% | 38% | 44% | 39% |
| Female | 51% | 61% | 56% | 59% | 41% | 62% | 56% | 61% |
| Race^b | N=571 | N=595 | N=173 | N=202 | N=201 | N=199 | N=197 | N=194 |
| White | 83% | 76% | 98% | 98% | 86% | 71% | 66% | 59% |
| Black | 6% | 12% | | .5% | 7% | 19% | 12% | 18% |
| Hispanic | .9% | 4% | | 1% | 2% | 9% | 1% | 3% |
| Native Amer. | .2% | .3% | .6% | .5% | | | | |
| Asian | 2% | .2% | | | 5% | .5% | .5% | |
| missing | 8% | 7% | 1% | | 2% | 1% | 21% | 20% |
| Age at unemployment^c | N=531 | N=554 | N=171 | N=201 | N=199 | N=198 | N=161 | N=155 |
| Mean age in years | 43.47 | 44.96 | 42.84 | 41.03 | 44.5 | 50.17 | 42.88 | 43.42 |
| Base Period Wages^d | N=554 | N=590 | N=171 | N=202 | N=191 | N=198 | N=192 | N=190 |
| Mean Base Wage | \$29,478 | \$22,726 | \$20,503 | \$18,669 | \$36,225 | \$25,537 | \$30,760 | \$24,110 |
| Educational Attainment^e | N=575 | N=599 | N=176 | N=201 | N=203 | N=201 | N=196 | N=197 |
| < high school | 3% | 6% | 3% | 6% | 2% | 6% | 3% | 6% |
| High school grad | 28% | 48% | 40% | 53% | 26% | 55% | 18% | 35% |
| Some College | 31% | 25% | 30% | 19% | 30% | 21% | 33% | 37% |
| 2-year Degree | 9% | 10% | 9% | 13% | 6% | 8% | 13% | 9% |
| 4-year Degree | 17% | 7% | 10% | 5% | 25% | 8% | 16% | 10% |
| Postgraduate | 12% | 4% | 7% | 4% | 11% | 3% | 17% | 4% |
| Occupation prior to unemployment^f | N=560 | N=580 | N=166 | N=190 | N=197 | N=196 | N=197 | N=194 |
| Prof., Tech., Manag. | 40% | 26% | 24% | 17% | 46% | 28% | 47% | 34% |
| Clerical & Sales | 32% | 37% | 42% | 43% | 20% | 28% | 35% | 40% |
| Blue Collar | 13% | 18% | 17% | 17% | 15% | 21% | 8% | 15% |
| Farming & Related | 2% | 1% | 2% | 1% | 4% | 1% | 1% | |
| Services | 8% | 11% | 7% | 14% | 9% | 10% | 9% | 10% |
| Other | 5% | 7% | 10% | 8% | 7% | 13% | | 1% |
| Interest in owning a business^g | N= 569 | N=592 | N=176 | N=198 | N=201 | N=200 | N=192 | N=194 |
| Highly interested | 64% | 35% | 66% | 35% | 65% | 33% | 60% | 36% |
| Somewhat interested | 26% | 24% | 24% | 26% | 24% | 25% | 30% | 20% |
| Somewhat uninterested | 8% | 20% | 9% | 20% | 8% | 22% | 7% | 19% |
| Not interested | 2% | 22% | 1% | 19% | 3% | 21% | 3% | 25% |

^a p<.05 comparing participants to non-participants for the factor gender, all states only; not significant in individual states.

^b p<.05 comparing participants to non-participants for the factor race, all states and NJ; not significant in ME and NY.

^c p<.05 comparing participants to non-participants for the factor age at unemployment, all states and NJ; not significant in ME and NY.

^d p<.05 comparing participants to non-participants for the factor base period wage, all states, NJ, NY; not significant in ME.

^e p<.05 comparing participants to non-participants for the factor educational attainment, all states and each individual state.

^f p<.05 comparing participants to non-participants for the factor occupation, all states, NJ, NY; not significant in ME.

^g p<.001 comparing participants to non-participants for the factor interest in owning a business, all states and each individual state.

Employment Differences

Likelihood of One Self-Employment Spell

The self-employment programs in New York, New Jersey, and Maine all provided entrepreneurial training and access to business counselors along with ongoing benefit payments and a waiver of work search requirements. The comparison groups did not

have access to these training services and had to comply with UI work search requirements.

Therefore, one would expect the participant group in each state to achieve greater levels of self-employment post-training than the non-participant group. This expectation was confirmed by the analysis; the results are displayed in table 5-2 with aggregate as well as state-by-state data for the simple differences.

| | Total | | Maine | | New Jersey | | New York | |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | SEA partic. | Non-partic. | SEA partic. | Non-partic. | SEA partic. | Non-partic. | SEA partic. | Non-partic. |
| Became Self-Employed | 65% | 8% | 62% | 10% | 67% | 6% | 66% | 8% |
| Difference | +57%* | | +52%* | | +61%* | | +58%* | |
| *p < .001 | | | | | | | | |

| Variable | Coefficient | (Standard Error) |
|---|-------------|------------------|
| State program: New York | .037 | (.261) |
| State program: New Jersey | .115 | (.400) |
| Participated in SEA Program | 2.929*** | (.218) |
| Months from initial unemployment | .007 | (.006) |
| Sex, male | .445* | (.178) |
| Age in years | -.017 | (.009) |
| Race, white | -.150 | (.266) |
| Education, four-year degree | .374 | (.206) |
| Location of residence, urban | -.102 | (.177) |
| Presence of householder needing care giving | -.160 | (.183) |
| Previous occupation, professional/technical | -.195 | (.196) |
| Base wage | .000 | (.000) |
| Unemployment rate in county, 1996 | -.922 | (26.598) |
| Unemployment rate in county, 1997 | -18.897 | (30.058) |
| Unemployment rate in county, 1998 | 32.108 | (32.642) |
| Unemployment rate in county, 1999 | -19.270 | (22.589) |
| Interest in starting business | -.073 | (.102) |
| Constant | -1.299 | (.767) |
| Model chi-square (degrees of freedom) | 388.8 | (17) |
| Pseudo – R squared | .456 | |
| Percent predicted correctly | 78.1 | |
| *p < .05 | | |
| **p < .01 | | |
| ***p < .001 | | |

Across states, nearly two-thirds of SEA training recipients experienced at least one spell of self-employment compared to just one in twelve non-participants. This difference is statistically significant at the .001 level. The regression-adjusted difference suggests that program participants are far more likely to have experienced self-employment compared to the non-participants. Since ever being self-employed is a dichotomous variable (equal to 1 if ever self-employed and 0 otherwise), a logistic regression model is used to estimate the factors that influence one's likelihood of having ever been self-employed. Table 5-3 presents the results of this logistic regression analysis.¹²⁸

¹²⁸ Appendix D provides a definition of each independent variable and the summary statistics for each.

These results indicate that participation in the SEA program is an important predictor of ever being self-employed. The odds ratio of the SEA coefficient is 18.702.¹²⁹ This means that those who received SEA training were nearly 19 times more likely to have ever been self-employed than those who were not enrolled in the program. One other coefficient was also a significant predictor of ever being self-employed: gender. Men were about one and a half times more likely than women to have ever been self-employed. The overall model is significant at the .001 level according to the model chi-square statistic. The model predicts 78 percent of the responses correctly. The odds ratios differ little by state.

Likelihood of Self-Employment at the Survey Date

The results depicted in table 5-3 indicate that program participants were far more likely to have started a business at any time since their initial unemployment spell compared to the non-participants. However, these differences do not indicate whether the self-employed were able to sustain their businesses or if they may have closed businesses shortly after opening them. By analyzing who is self-employed at the time of the survey, one can obtain a better sense of the proportion of self-employed from the participant and non-participant groups who were able to remain in self-employment for a longer period of time. Given the previous findings, one would expect that SEA training participants are more likely to have been self-employed at the survey date than the comparison group. Table 5-4 presents these findings across states and individually for each of the three states being studied.

At the time of the survey, 53% of the participant group from all states were either self-employed or both self-employed and wage/salary employed compared to just 6% of the non-participant group. This forty-seven percentage point difference in self-employment at the survey date is statistically significant.

| | Total | | Maine | | New Jersey | | New York | |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | SEA partic. | Non-partic. | SEA partic. | Non-partic. | SEA partic. | Non-partic. | SEA partic. | Non-partic. |
| Self-Employed at Survey | 53% | 6% | 46% | 9% | 56% | 4% | 56% | 6% |
| Difference | +47%* | | +37%* | | +52%* | | +50%* | |
| *p<.001 | | | | | | | | |

After controlling for other characteristics and factors, the differences remain quite dramatic. As before, a logistic regression analysis was conducted to discover the primary determinants of being self-employed at the time of the survey interview. Table 5-5 presents the results from this analysis.

¹²⁹ The odds ratio is estimated by exponentiating the difference between parameter estimates for any two levels of a predictor.

Table 5-5. Determinants of Being Self-Employed at Date of Survey (Logistic Coefficients and Standard Errors).

| Variable | Coefficient | (Standard Error) |
|---|-------------|------------------|
| State program: New York | -.064 | (.261) |
| State program: New Jersey | -.313 | (.399) |
| Participated in SEA Program | 2.803*** | (.238) |
| Months from initial unemployment | .004 | (.006) |
| Sex, male | .141 | (.177) |
| Age in years | -.011 | (.009) |
| Race, white | -.494 | (.266) |
| Education, four-year degree | .376 | (.200) |
| Location of residence, urban | -.047 | (.176) |
| Presence of householder needing care giving | -.029 | (.182) |
| Previous occupation, professional/technical | -.047 | (.194) |
| Base wage | .000 | (.000) |
| Unemployment rate in county, 1996 | 25.826 | (27.028) |
| Unemployment rate in county, 1997 | -63.875* | (30.926) |
| Unemployment rate in county, 1998 | 90.028 * | (33.443) |
| Unemployment rate in county, 1999 | -57.648* | (23.436) |
| Interest in starting business | -.073 | (.102) |
| Constant | -1.299 | (.767) |
| Model chi-square (degrees of freedom) | 303.5 | (17) |
| Pseudo – R squared | .386 | |
| Percent predicted correctly | 76.5 | |

*p < .05
 **p < .01
 ***p < .001

These results indicate that participation in the SEA program was an important predictor of being self-employed at the time of the survey. The odds ratio of the SEA variable is 16.489. Therefore, the odds of being self-employed are 16 times greater for someone who participated in the SEA program. In addition, the regression reveals that the unemployment rates in 1997, 1998, and 1999 are associated with one's chances of being self-employed, but because these variables are continuous, interpretation of their odds ratios has little meaning. The overall model is significant at the .001 level according to the model chi-square statistic. The model correctly classifies 76.5 percent of cases.

Total Employment since Unemployment Spell

The previous findings point to a significant positive relationship between self-employment and participation in the Self-Employment Assistance Programs in each of the three states. However, many of the training recipients returned to wage and salary employment, along with the comparison group who expressed much less interest in self-employment. Since the ultimate goal of any unemployment training program is to ensure reemployment, it is important to also assess the extent of labor market attachment of any type for the two groups.

There are several reasons to expect that the participant group may have achieved higher rates of employment overall compared to the non-participant group. The type of training provided in each of the states exposed participants to accounting methods, computer training, and other areas that could enhance the marketable skills of recipients. In addition, as outlined in the previous chapter, participants reported such program benefits as improving their people skills and becoming more assertive. Participants who opted not to pursue a business may have found themselves more employable post-training for employers looking to hire individuals with these skills and attributes.

Table 5-6 displays the combined employment outcomes for participants and non-participants across states and by individual state. The results indicate that the combined labor market attachment since the initial spell of unemployment is greater for program participants than non-participants. For program participants in the three states, 92% have experienced some type of employment since their spell of unemployment compared to 75% of the non-participant group. A chi-square test indicates that these differences are statistically significant at the .001 level.

| | Total | | Maine | | New Jersey | | New York | |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | SEA partic. | Non-partic. | SEA partic. | Non-partic. | SEA partic. | Non-partic. | SEA partic. | Non-partic. |
| Became SE or Wage/Salary Employed | 92% | 75% | 94% | 78% | 90% | 56% | 93% | 91% |
| Difference | +17%* | | +16%* | | +34%* | | +2% | |
| *p<.001 | | | | | | | | |

The results of the logistic regression analysis appear in table 5-7. The data indicate that SEA participants have greater likelihood of achieving either wage/salary or self-employment. The odds ratio for the SEA variable is 3.967, which can be interpreted to mean that the odds of experiencing any type of employment since initial unemployment are four times greater for SEA program participants than for non-participants. The analysis also reveals that those from New York were more likely to have been employed, with an odds ratio of 4.288. Age also is related to employment, although interpretation of the magnitude of its effect has little meaning since the variable is continuous.

| Variable | Coefficient | (Standard Error) |
|---|-------------|------------------|
| State program: New York | 1.456 ** | (.430) |
| State program: Maine | .584 | (.489) |
| Participated in SEA Program | 1.378*** | (.234) |
| Months from initial unemployment | .011 | (.006) |
| Sex, male | .327 | (.195) |
| Age in years | -.018 * | (.008) |
| Race, white | .059 | (.273) |
| Education, four-year degree | .398 | (.286) |
| Location of residence, urban | -.296 | (.190) |
| Presence of householder needing care giving | -.079 | (.195) |
| Previous occupation, professional/technical | -.081 | (.214) |
| Base wage | .000 | (.000) |
| Unemployment rate in county, 1996 | 17.538 | (31.999) |
| Unemployment rate in county, 1997 | -15. | 489 (34.929) |
| Unemployment rate in county, 1998 | 12.363 | (39.219) |
| Unemployment rate in county, 1999 | -12.572 | (26.971) |
| Interest in starting business | .006 | (.088) |
| Constant | .805 | (.830) |
| Model chi-square (degrees of freedom) | 125.2 | (17) |
| Pseudo – R squared | | |
| Percent predicted correctly | 98.1 | |
| *p < .05 | | |
| **p < .01 | | |
| ***p < .001 | | |

Earnings Differences

Gross Business Earnings in 1999

Aside from considering employment differences, another important area to consider is the influence the program may have had on self-employment earnings. An analysis of gross business earnings can yield a better sense of how successful the participant and non-

participant groups are in their enterprises and whether differences exist in the generation of income.¹³⁰ This analysis focuses on the earnings period of a single year, 1999.

One would expect businesses operated by the SEA program participants to yield greater gross business earnings than their self-employed non-participant counterparts due to the acquisition of entrepreneurial skills gained through the training. Since each of the programs required participants to submit a well-researched business plan, one would expect participants to have a known market for their products and services.

Table 5-8 displays the non-adjusted differences in 1999 gross business earnings between SEA program participants and non-participants, as well as results for individual states. The simple differences suggest minimal differences in earnings, but the results are not statistically significant and, therefore, inconclusive. Forty-nine percent of the participant self-employed earned less than \$10,000 in 1999 compared to 52% of the non-participant self-employed. Approximately 15% of participant business owners earned \$10,001-\$20,000 compared to 19% of non-participants. The only indication that participant businesses may be earning more than those of non-participants, is that a greater percentage of participants report earnings above \$60,000 in 1999 compared to the non-participants. About 16% of participants earned above \$60,000 (with half of this group earning over \$100,000) compared to about 5% in the non-participant group.¹³¹ Again, these results are not statistically significant. Regression analysis for gross business earnings could not be conducted due to extremely small n-sizes for self-employment in the non-participant group.

| | % All States | | % Maine | | % New Jersey | | % New York | |
|----------------------|--------------|--------------|----------|-------------|--------------|-------------|------------|-------------|
| | SEA N=246 | Non-SEA N=21 | SEA N=68 | Non-SEA N=7 | SEA N=81 | Non-SEA N=5 | SEA N=97 | Non-SEA N=9 |
| Less than \$10,000 | 49% | 52% | 47% | 43% | 42% | 40% | 58% | 67% |
| \$10,001 - \$20,000 | 15% | 19% | 22% | 29% | 13% | 20% | 11% | 11% |
| \$20,001 - \$30,000 | 5% | | 6% | | 7% | | 3% | |
| \$30,001 - \$40,000 | 6% | 5% | 6% | | 9% | 20% | 3% | |
| \$40,001 - \$60,000 | 8% | 19% | 8% | 28% | 11% | 20% | 5% | |
| \$60,001 - \$80,000 | 4% | | 2% | | 2% | | 7% | |
| \$80,001 - \$100,000 | 5% | | 6% | | 5% | | 5% | |
| \$100,001 + | 7% | 5% | 4% | | 10% | | 7% | 11% |

¹³⁰ Due to limitations with the data set and faulty respondent recall for multiple years' self-employment earnings, personal income derived from self-employment over the entire post-training period was not calculable. Since the data are relying on self-reported earnings information, the business earnings reported here may suffer from inaccuracies. Response categories of earnings ranges were provided to respondents to minimize responses of "Don't Know." Range data does compromise the richness of the analysis and precise differences in business earnings between the participant and non-participant groups cannot be estimated. A further limitation is the extremely small n-size for non-participant business owners that precludes a reasonable comparison of self-employment earnings.

¹³¹ Responses of "Don't Know" were removed from this analysis. This accounted for 20% of the participant self-employed and 30% of the non-participant self-employed.

Wage and Salary Earnings

Wage and salary earnings are also an important factor to consider in evaluating the success of the SEA program. One would expect program participants to overtake the wage/salary earnings of non-participants over time due to the increased skills and expertise gained from the training and the willingness of employers to pay a premium for their knowledge. On the other hand, one might expect these earnings to be lower from participants than non-participants in the early quarters due to their higher self-employment rates and lower reemployment or part-time employment in wage/salary positions. Over time though, one would expect participant wages to grow relative to non-participants as a result of attrition of their businesses and re-entry full-time into employment.

Table 5-9 displays the average wage/salary earnings in constant 1999 dollars for each quarter following the initial UI claim date, along with simple differences and the regression-adjusted differences.¹³² Tables for each regression for each quarter appear in Appendix E. In several quarters, program participation is a statistically significant predictor of differences in wage/salary earnings; participants tend to earn less than non-participants. While somewhat erratic, these differences lessen over time; however, participants do not overtake non-

| | Participants | Non-Participants | Difference in Means | Regression-adjusted differences |
|------------|--------------|------------------|---------------------|---------------------------------|
| Quarter 1 | \$3,554 | \$2,614 | +\$940 | -\$1,110 |
| Quarter 2 | \$2,031 | \$2,908 | -\$877* | -\$1,690** |
| Quarter 3 | \$2,669 | \$2,792 | -\$122 | -\$847** |
| Quarter 4 | \$2,772 | \$3,121 | -\$348 | -\$947* |
| Quarter 5 | \$3,225 | \$3,216 | +\$8 | -\$760* |
| Quarter 6 | \$3,014 | \$3,533 | -\$518 | -\$1,222*** |
| Quarter 7 | \$3,398 | \$3,586 | -\$188 | -\$1,237** |
| Quarter 8 | \$3,544 | \$3,698 | -\$154 | -\$819 |
| Quarter 9 | \$3,555 | \$3,489 | +\$65 | -\$580 |
| Quarter 10 | \$3,589 | \$3,874 | -\$284 | -\$909 |

*p<.05
**p<.01
***p<.001

participants in wage/salary earnings even by the 10th quarter following the initial unemployment spell. However, given the fact that income from self-employment is not recorded in wage records, a greater number of program participants show “zero” in their quarterly wage records for wage or salary earnings compared to non-participants. Inclusion of this data may produce an understating of actual wage and salary earnings of participants who are exclusively employed in wage or salary positions.

Self-Reported Earnings at Survey Date

Neither gross business earnings for 1999 nor the wage and salary earnings comparison between SEA program participants and non-participants provided an unambiguous indication of differences in earnings. While it would be ideal to capture the total earnings (self-employment income combined with wage/salary earnings) of the two groups over the entire post-unemployment period, the limitations of the data preclude such a calculation. An alternative measure of earnings differences that may provide a better indication of differences in post-unemployment earnings is self-reported income at the

¹³² N-sizes are small in later quarters. This should be taken into account when interpreting results.

date of the survey. Survey respondents of both the participant and non-participant groups were asked to provide their current annual earnings.¹³³

Table 5-10. Self-Reported Income at Time of Survey

| | Total | Maine | New Jersey | New York |
|---------------------------|------------|----------|-------------|----------|
| Self-report Annual Income | | | | |
| SEA Participants | \$27,315 | \$20,126 | \$32,952 | \$28,460 |
| Non-Participants | \$21,158 | \$19,088 | \$15,216 | \$29,555 |
| Difference | +\$6,157** | +\$1,038 | +\$17,736** | -\$1,095 |

*p<.05
 **p<.01
 ***p<.001

Table 5-10 displays the simple differences in self-reported income at the survey. Results are reported for the two groups across the three states along with state-by-state figures. The average income reported by the participant group is \$27,315 annually compared to \$21,811 reported by non-participants. On average,

participants report that they are earning \$6,157 more than non-participants. This result is statistically significant at the .05 level. Results for the individual states differ substantially for this measure. In New York the simple difference in means indicates that the participant group earned \$1,095 less than non-participants at the survey date, although this result is not statistically significant. In New Jersey, program participants report that they earned on average \$17,736 more than the non-participants at the date of the survey.¹³⁴ On average, Maine’s participant group reported that their annual income at the survey date was \$1,038 greater than the earnings of non-participants; however, this result is not statistically significant.

Table 5-11. Determinants of Self-Reported Annual Earnings at Survey Date

| Variable | Unstandardized B | Beta | Significance |
|-------------------------------|------------------|------|--------------|
| 4-year college degree or more | 25,729.10 | .343 | .000 |
| State of Residence NY | 6,151.64 | .129 | .038 |
| Constant | 21,445.00 | | |

R-squared = .14

A multiple regression analysis found only two variables related to income at the survey date, as table 5-11 shows. Participation in the SEA program did not prove to be a statistically significant predictor of income at the survey date. The equation shows that having a four-

year college degree or more increases earnings over those without a college degree by \$25,729.10. Being a resident of New York increased earnings by \$6,151.64. Analysis of residuals indicated heteroskedasticity¹³⁵ and a logarithmic transformation helped remedy the problem, although no improvements were made to the proportion of variance explained by the model. For that reason, the non-transformed variables have been used since their interpretation is simpler.

¹³³ The survey question asked for current wage, but was interpreted to respondents as requesting annual earnings. Self-reported income may be limited by faulty respondent recall and inaccurate projections of income.

¹³⁴ As mentioned previously, the non-participant sample from New Jersey included approximately 80 individuals whose spells of unemployment occurred in 2000. This group has had much less time to reestablish a presence in the labor market and earn income.

¹³⁵ Heteroskedasticity exists when the variances for all cases in the sample population are not the same. Under such conditions, the least squares estimator is no longer the best.

Earnings Data Limitations

The previous findings regarding earnings are inconclusive. Despite survey respondents' reporting of both their gross business earnings for 1999 and their net profit from business, this study has come to question whether there is sufficient data from which to calculate an earnings differential in self-employment. To begin, the number of non-participants who responded to the question on gross business earnings was so small (total n=21) as to prevent valid comparison. Beyond this, the study has identified several factors that have led it to a pessimistic appraisal of earnings data:

- Definitions of self-employment earnings are ambiguous. For example, some entrepreneurs pay themselves a salary similar to any other employee. Others treat either gross business earnings or the profits from their business as income. Still others reinvest their profits into their businesses. This study encountered difficulty in defining "earnings" in a manner that would gather equivalent information from all.
- Gross business earnings for 1999 and net profits from business were reported in \$10,000 ranges. Yet post-survey analysis, as discussed in chapter 4, has shown that business earnings were generally quite low. The ranges do not give a sufficiently precise report of self-employment earnings.
- Even though a letter had been sent to survey respondents in advance of the phone interview to help them prepare for the types of questions that would be asked, many still were not able or willing to respond to all areas of the survey. Twenty percent of participant and 30% of non-participant survey respondents did not know their 1999 financial information. This calls into question the accuracy of recall of this data for all respondents, 11 months later and without the aid of income tax or other financial records.
- There is no data available that has captured earnings of those who are reemployed in wage/salary employment that is not covered by UI (e.g. state employees, people who find employment in neighboring states).
- The self-employment financial data that has been collected does not cover the entire post-program earnings period.

In short, it is the estimation of this study that there is insufficient data to allow the calculation of total earnings gains. The study will speak at greater length of the difficulties in obtaining self-employment earnings data in the next chapters and make recommendations for obtaining this type of data.

UI Benefit Receipt

A key provision of the legislation authorizing the Self-Employment Assistance Program was the intent to keep it as a budget neutral program and not to incur costs to the UI trust fund beyond what it would have paid to program recipients in the absence of an SEA program. Thus, the use of profiling was required to limit program acceptance to those who had been profiled as "likely to exhaust" UI benefits. Given the fact that the comparison groups were selected on the basis of also being profiled as likely to exhaust, one would expect the program participants and non-participants to collect similar UI/SEA benefits.

| | Total | Maine | New Jersey | New York |
|-----------------------|----------|----------|------------|----------|
| UI/SEA Benefit Amount | | | | |
| SEA Participants | \$6,113 | \$4,360 | \$8,327 | \$5,421 |
| Non-Participants | \$4,242 | \$2,393 | \$6,139 | \$4,241 |
| Difference | \$1,871* | \$1,967* | \$2,188* | \$1,170* |
| *p<.001 | | | | |

than did non-participants before controlling for other factors.¹³⁶ This difference is statistically significant at the .001 level.

| Variable | Coefficient | (Standard Error) |
|---|-------------|------------------|
| State program: New York | -2493.23*** | (329.05) |
| State program: Maine | -3243.60*** | (409.18) |
| Participated in SEA Program | 1493.02*** | (163.53) |
| Sex, male | 381.73* | (162.47) |
| Age in years | 18.60* | (7.31) |
| Race, white | -178.26 | (232.94) |
| Education, four-year degree | -151.47 | (204.31) |
| Location of residence, urban | 85.37 | (161.47) |
| Presence of householder needing care giving | 202.04 | (165.74) |
| Previous occupation, professional/technical | 160.27 | (180.61) |
| Base wage | .061*** | (.005) |
| Unemployment rate in county, 1996 | -50.19 | (264.90) |
| Unemployment rate in county, 1997 | -85.47 | (298.56) |
| Unemployment rate in county, 1998 | 323.51 | (312.87) |
| Unemployment rate in county, 1999 | -277.89 | (209.47) |
| Constant | 4145.91*** | (644.63) |
| R squared | .483 | |
| *p < .05 | | |
| **p < .01 | | |
| ***p < .001 | | |

Table 5-12 displays the non-adjusted differences in UI/SEA benefits received between the participants and non-participant groups across states and for individual states in constant 1999 dollars. Across states, participants collected \$1,871 more in benefits

Linear regression analysis reveals that, after controlling for other factors, program participants do collect more in benefits than non-participants. Across states participants collect \$1,493 more in benefits. These results are reported in table 5-13. In New York participant benefits exceed those of non-participants by \$953; in New Jersey by \$1,214; and in Maine by \$2,003. Program participation is a statistically significant predictor of benefit receipt for each regression. Other significant predictors for the combined states regression include base period wages, age, being male, and state of residency. In other words, each of these factors is a likely predictor of receiving greater UI benefit payments.

Tables for each individual state regression appear in Appendix F.

Although the analyses indicate a large differential in benefit receipt, it should be kept in mind that the groups do have dissimilar characteristics as reported earlier in this chapter. Multivariate regression, while minimizing differences, does not make the groups identical. Moreover, the omitted variable bias recognizes that there may be factors that are not measured and not controlled by the regression. Therefore, while the analysis points to a tendency for SEA participants to receive more UI benefits than non-participants, the numbers that were presented in the previous paragraph should not be regarded as precise estimates. Possible reasons for the disparity in UI benefit receipt are discussed in chapter 7.

¹³⁶ One individual showed a benefit amount of \$100,000+. This was assumed to be a data entry error and excluded it from the analysis.

Job Satisfaction

Satisfaction in Self-Employment

A final outcome measure that is important in assessing the relative value of Self-Employment Assistance Programs is the level of satisfaction attained by former participants. Of interest is whether or not program participation facilitated the achievement of goals that would lead to greater personal fulfillment. One would expect business owners who participated in SEA training to have higher levels of satisfaction in their self-employment because the training required them to assess employment goals and provided them the opportunity to set their own course of action. Non-participants, however, did not access the same structured approach to self-employment, and therefore, may have a more difficult experience in establishing their businesses.

Table 5-14 displays the simple differences in self-employment satisfaction. Few differences emerge in comparing participants and non-participants. Across states, about 90% of participants say they are very satisfied or somewhat satisfied with their business compared to 92% of non-participants; these results, however, are not statistically significant. Results do not improve through regression analysis.

| | Total | | Maine | | New Jersey | | New York | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | SEA partic. | Non-partic. | SEA partic. | Non-partic. | SEA partic. | Non-partic. | SEA partic. | Non-partic. |
| Very Satisfied | 60% | 63% | 59% | 69% | 67% | 63% | 53% | 57% |
| Somewhat Satisfied | 30% | 29% | 31% | 31% | 26% | 25% | 34% | 29% |
| Somewhat Dissatisfied | 7% | 5% | 4% | | 8% | | 9% | 14% |
| Not at all Satisfied | 3% | 3% | 4% | | | 12% | 4% | |
| Differences are not statistically significant | | | | | | | | |

The state-by-state results differ minimally from the overall analysis. In New York and New Jersey, both participants and non-participants experience similarly high levels of satisfaction. In Maine, 100% of the non-participant business owners say they are satisfied compared to 90% of the participant group self-employed. Program participation seems to matter little in achieving satisfaction. Self-employed persons in both groups appear to be fulfilled by their positions.

Satisfaction in Wage or Salary Employment

The previous results, while inconclusive, point to few differences in satisfaction between the participant self-employed and the non-participant self-employed. This lack of difference may not be surprising given that respondents from both the participant and non-participant groups achieved goals of owning a business. One would, however, expect SEA participants in wage/salary employment to be less satisfied than their non-participant counterparts since the participant group entered training to become self-employed. Employment in a wage/salary position may be regarded as a less than desirable situation given their previous plans to become self-employed.

Table 5-15. Satisfaction With Wage/Salary Employment

| | Total*** | | Maine | | New Jersey** | | New York | |
|-----------------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|
| | SEA partic. | Non-partic. | SEA partic. | Non-partic. | SEA partic. | Non-partic. | SEA partic. | Non-partic. |
| Very Satisfied | 50% | 66% | 58% | 67% | 54% | 69% | 38% | 64% |
| Somewhat Satisfied | 31% | 25% | 31% | 25% | 24% | 20% | 37% | 29% |
| Somewhat Dissatisfied | 10% | 4% | 6% | 6% | 8% | 4% | 15% | 2% |
| Not at all Satisfied | 8% | 5% | 3% | 3% | 14% | 7% | 8% | 5% |
| **p<.01 ***p<.001 | | | | | | | | |

The comparison of participant and non-participant satisfaction with wage/salary employment does, in fact, reveal some differences in satisfaction. Table 5-15 displays the results of the states overall and a state-by-state breakdown of the simple means. In general, the SEA participant group seems less satisfied with their wage/salary position than the non-participant group; about 80% of participant wage/salary employed are satisfied compared to over 90% of the non-participant group. Participants are much less likely to regard

themselves as “very satisfied” with their wage/salary position by about 16 percentage points. These differences are statistically significant at the .05 level.

The analysis of wage/salary employment satisfaction by state mirrors the results of the aggregate comparison. In New York, participants are about 20 percentage points less likely to feel satisfied compared to their non-participant counterparts. Approximately 77% of New Jersey participants in a wage/salary position say they are satisfied compared to 89% of the non-participant group. Only in Maine are the satisfaction numbers between the groups similar. Once again, results did not improve through regression analysis.

CHAPTER 6: ANALYSIS OF SEA PROGRAM BENEFITS AND COSTS

Having examined program outcomes in the previous two chapters, the present chapter sets forth the work that was conducted to complete a benefit-cost analysis of the SEA programs. The goal of a benefit-cost study is to identify whether the benefits of a program equal or exceed the costs of operating it. The chapter acknowledges at the outset that it does not represent a complete benefit-cost analysis of SEA due to insufficient data. Nonetheless, the chapter outlines the process that was undertaken, reports those benefit and cost data that could be identified, and points out where the gaps in data were found.

A Framework for Benefit-Cost Analysis

In preparing to conduct a benefit-cost analysis of SEA programs, this study sought to follow the approach that was used in the 1994 analysis of the Massachusetts and Washington State Demonstrations, with some modifications.¹³⁷ The present approach set out to measure the benefits and costs of the SEA programs in Maine, New Jersey, and New York from the four perspectives of SEA program participants, non-participant tax payers, federal and state government, and society as a whole. Benefits are financial and other positive effects that would not have occurred without the SEA program; costs include the resources that were necessary to supply program services as well as any negative impacts on program participants or others who were affected by the program; transfers are those effects where the benefit experienced by one group is equal to an offsetting cost to another group.

Anticipated benefits to participants included: net income gain from self-employment and wage/salary employment, professional development resulting from the self-employment training, work satisfaction, and community economic development in the form of jobs added as a result of participant businesses. Anticipated costs include the financial costs of program administration and providing training and business counseling, as well as the opportunity cost borne by participants who forego work search and possible reemployment opportunities while pursuing self-employment. Anticipated transfers include the Unemployment Insurance benefits, which are a benefit to participants but a cost to non-participants; increased tax payments, which are a cost to participants but a benefit to non-participants; and any reduction in long-term welfare or UI payments that is achieved through program participation, which is a benefit to non-participants but a cost to participants.

A summary of the anticipated benefits, costs, and transfers from the perspectives of SEA participants, non-participants, and society as a whole is presented in table 6-1. In the table, benefits are represented by a plus (+), costs are represented by a minus (-), and transfers are represented by a zero (0). The benefits of income gain, professional development, and work satisfaction are shown to accrue to participants and,

¹³⁷ The benefit cost methodology and report of implementation for the Massachusetts and Washington demonstrations are laid out in Benus et al., pp. 176ff.

Table 6-1. Participant, Non-participant, and Social Benefits and Costs of Self Employment Assistance Programs

| | Perspectives | | |
|--|----------------|--------------------|---------|
| | Participants + | Non-participants = | Society |
| Benefits | | | |
| Income gain from self-employment or wage/salary employment | + | 0 | + |
| Professional development | + | 0 | + |
| Work satisfaction | + | 0 | + |
| Community economic development | + | + | + |
| Costs | | | |
| SEA Program administration | 0 | - | - |
| SEA training & counseling | 0 | - | - |
| Participant opportunity cost | - | 0 | 0 |
| Transfers | | | |
| UI benefits | + | - | 0 |
| Increased tax payments | - | + | 0 |
| Reduced government assistance | - | + | 0 |

consequently, to society as a whole, while not imposing any cost on non-participants. Community economic development is shown to benefit both participants and non-participants, as well as society as a whole. Costs of program administration and services are subtracted from society and non-participants, while participants are shown to bear their own opportunity costs. The transfers, show offsetting pluses and minuses as participants and non-participants receive the benefits and bear the costs of tax payments, unemployment benefits, and other government benefits.

The governmental perspective on benefits and costs differs from the three perspectives represented in table 6-1. Costs are borne by the UI trust fund, the USDOL in the form of dislocated worker funds used to support SEA training and overall federal administration

of the program, and by state departments and agencies that administer the individual programs. Likewise, all of these benefit from increased tax payments and whenever the program results in a reduction or savings of transfer payments that would have gone to the unemployed participants. The various governmental perspectives on benefits and costs are summarized in table 6-2.

Table 6-2. Governmental Benefits and Costs of Self Employment Assistance Programs

| | Perspectives | | | |
|--------------------------------|--------------|-----------------|--------------------|------------|
| | USDOL + | UI Trust Fund + | State Government = | Government |
| Benefits | | | | |
| Increased tax revenue | + | + | + | + |
| Reduction in welfare transfers | 0 | + | + | + |
| Costs | | | | |
| UI (SEA) payments | 0 | - | 0 | - |
| Program Administration | - | 0 | - | - |
| Training and Counseling | - | 0 | - | - |

Benefit-cost analysis seeks to assign values to each of the variables mentioned and to set up the equation of benefits against costs to determine the net benefit or cost to society for the program under consideration. Yet some of the variables are not easily measurable (work satisfaction, professional development, participant opportunity costs) and not given to quantification in financial terms. The approach taken in the study of the demonstration projects was to weigh the monetary costs against benefits; anticipating net positive benefits, it was suggested there was no need to value non-monetary benefits since these would only increase the value of the net positive benefit. Alternatively, where monetary costs were found to exceed monetary benefits, the differential would represent how

valuable the non-monetary benefits would have to be in order for the program to be of net positive benefit.¹³⁸

SEA Benefits and Costs in Maine

Program Benefits

As set forth in the previous section, the measurable and quantifiable benefits of the SEA program in Maine as in the other states lie in the following areas:

- Total income gains resulting from self-employment income and/or wage/salary employment compared to program non-participants, and
- Net increase in jobs created by participant businesses.

As was reported in the previous chapter, data was collected to assess differences in wage/salary earnings between the participant and comparison groups up to 10 quarters following the initial UI claim dates by using wage record data. The comparison of wage/salary earnings revealed that participants earned less on average in covered employment than their non-participant counterparts. Yet to assess the true earnings differences between the groups, self-employment income and wage/salary earnings should be combined over the entire post-program period. However, based on the available data, a point estimate of self-employment earnings was not calculable, and therefore, total net earnings for participants cannot be estimated.

The previous chapter laid out this study's pessimism regarding the limitations of the earnings data. The factors underlying this pessimism are laid out on page 85. The limited data does not allow the calculation of total earnings gains. This is the case in Maine; it is the case in the other states as well. The study will speak at greater length of the difficulties in obtaining self-employment earnings data in the next chapter and make recommendations for obtaining the type of data that would permit a benefit-cost analysis of SEA programs.

Another benefit to both program participants and taxpayer non-participants is community economic development or net job creation as a result of their businesses. The preferred financial estimation of this benefit would be differences in payroll between participants and non-participants. While the survey gathered data on estimated monthly payroll for the self-employed, it did not cover the entire post-program period. Also, precise differences in payroll between the participant and non-participant groups could not be assessed as response categories fell in ranges of \$5,000.

The survey did, however, provide data that suggests that the other two benefits, professional development and work satisfaction, were realized in some measure. As reported in chapter four, 90% of SEA participants in Maine who had self-employment at the time of the survey reported being very satisfied or somewhat satisfied with their businesses; and 89% of those who had wage/salary employment at the time of the survey

¹³⁸ Benus et al., 1994, pp. 181-182.

reported being very satisfied or somewhat satisfied with their wage/salary employment. Moreover, participants reported that the SBDC counseling and entrepreneurial training were of greatest value in the program and that they received improved skills in such areas as business planning, financial services, marketing, personal assertiveness, people skills, computer skills, and organizational skills. While there is no dollar value to be calculated for these program benefits, there is strong evidence in these data of experienced benefit on the part of program participants in the areas of professional development and work satisfaction.

Program Costs

As outlined at the beginning of this chapter, the principal costs attributable to the SEA program in Maine, as well as the other states, are the costs of program administration, the costs of SEA training and counseling, and the participant opportunity costs associated with undergoing a training program and pursuing self-employment rather than seeking or accepting reemployment.

| | Program Administration | Seminars & Counseling | Source of Funds | Total |
|------|------------------------|-----------------------|-----------------------------|----------|
| 1996 | \$20,000 | \$18,454 | Special Admin. Expense Fund | \$38,454 |
| 1997 | \$12,500 | \$23,596 | Special Admin. Expense Fund | \$36,096 |
| 1998 | \$6,250 | \$22,932 | Special Admin. Expense Fund | \$29,182 |
| 1999 | \$6,750 | \$19,823 | Special Admin. Expense Fund | \$26,573 |

Costs of program administration and SEA training and counseling in Maine were presented in chapter 3. A summary of that information is contained in table 6-3. It shows the costs of program administration by the Maine Centers for Women, Work, and Community (MCWWC) and the training and business counseling services that were contracted through the Small

Business Development Centers (SBDCs). In the case of Maine, both of these costs are borne by the state, through the Special Administrative Expense Fund.

Though these are the only costs that are calculated and recorded in the state of Maine, they are not the only costs associated with the program. Absent from this report is the state interface with MCWWC and with program applicants. While there may be no additional burden on UI call centers throughout the state, which would track participants whether they were in SEA or receiving regular UI benefits, there is an additional burden placed upon the officials within the Maine Department of Labor who process MEO (SEA) applications and on those who participate in decision-making when an applicant appeals disqualification from the program, or when a business idea must be investigated to ensure legality. Others in the Maine Department of Labor are involved in recording the data that must be maintained in order to submit annual reports to the U.S. DOL or to those who conduct studies of the program on behalf of the government. Maine reports that these costs were intentionally not calculated; that Maine made the conscious decision to launch a new small program through utilizing existing capacity, without creating an additional burden on state government. Nonetheless, there is an opportunity cost here as it has become SEA that has been implemented through the existing capacity and not some other new small program.

While acknowledging that the reported program costs are likely less than actual costs because of not calculating the cost of state oversight and administration, this study has used those costs as reported to calculate the program cost per participant. Table 6-4 includes the annual costs for program administration and services divided by the number of annual participants. A cost per participant amount is calculated for each year of the program's

Table 6-4. Program Cost per SEA Participant in Maine

| | Annual Participants | Administrative Costs | Admin. Cost per Partic. | Training Costs | Training Cost per Partic. | Total Costs | Total Cost per Partic. |
|-------|---------------------|----------------------|-------------------------|-----------------------|---------------------------|-----------------------|------------------------|
| 1996 | 129 | \$20,000 | \$155 | \$18,454 | \$143 | \$38,454 | \$298 |
| 1997 | 101 | \$12,500 | \$124 | \$23,596 | \$234 | \$36,096 | \$357 |
| 1998 | 99 | \$6,250 | \$63 | \$22,932 | \$232 | \$29,182 | \$295 |
| 1999 | 58 | \$6,750 | \$116 | \$19,823 ^a | \$342 ^b | \$26,573 ^a | \$458 ^b |
| Total | 387 | \$45,500 | \$118 | \$84,805 | \$219 | \$130,303 | \$337 ^c |

^aThis amount includes a \$4,248 one-time charge for development of new training curriculum.
^bWithout the curriculum development charge, the training cost per participant in 1999 was \$269 and the annual operating cost per participant in 1999 was \$385.
^cWithout the curriculum development charge from 1999, the overall annual operating cost per participant was \$326.

operation as well as for the 4-year period between 1996 and 1999. Annual costs per participant for program administration and SBDC training and counseling services have ranged from just under \$300 to over \$450. Over the four full years of program operation, these total costs have averaged \$337 per participant. The rate appears to be higher in 1999 due to a one-time curriculum development expense incurred that year. When apportioned among the participants for all four years of program operation, however, that curriculum development expense is only about \$11 per participant.

A further cost incurred by the program is the opportunity cost to participants of foregoing earlier reemployment and earnings in a wage/salary position. To calculate the opportunity cost, one would have had to identify the difference in self-employment earnings up to the final week of benefit collection and the earnings of non-participants between the last day of benefit collection and the last allowable day of their eligibility period. The calculation of opportunity cost also suffered serious data limitations: the vast majority of participants could not recall their self-employment earnings during their eligibility period, and identifying wage/salary earnings for specific weeks within the UI eligibility was not possible. Thus, the cost to participants of pursuing the SEA program in Maine could not be determined.

UI Payments

As defined in the framework, an additional cost from the perspective of the government that is a benefit from the perspective of the recipient is the cost of the unemployment compensation paid to non-participants and the equivalent self-employment allowances paid to participants. Based on the information supplied in the Maine wage records and reported in the previous chapter, the differences in UI benefit receipt between the participant and comparison group has been calculated. Since the program's inception, participants in Maine collected \$2,003 more per participant in UI/SEA benefits than did the comparison group. This is a clearly identifiable benefit to program participants, but a cost to taxpayer non-participants. However, as the previous chapter cautioned, the dollar figures of these differences should not be regarded as precise estimates. Possible reasons for the disparity in UI benefit receipt are discussed in chapter 7.

SEA Benefits and Costs in New Jersey

Program Benefits

As reported above for Maine, there is insufficient data to report total net earnings gains for New Jersey participants. In addition, community economic development remains beyond the scope of the study. However, as with Maine, the survey did capture data regarding the other two participant benefits, professional development and work satisfaction. In New Jersey, 93% of SEA participants who had self-employment at the time of the survey reported being very satisfied or somewhat satisfied with their businesses.¹³⁹ In addition, 78% of those participants who had wage/salary employment at the time of the survey reported being very satisfied or somewhat satisfied with their employment.¹⁴⁰ Moreover, New Jerseyans reported receiving improved skills (professional development), in such areas as: entrepreneurial and business skills, financial management, marketing, computer skills, people skills, and organizational skills. Even without self-employment income data, there is evidence from the survey that participants realize significant professional development and extremely high overall satisfaction levels with both the businesses they start and their renewed employment.

Program Costs

Program cost data from New Jersey was presented in chapter 3, table 3-12. This data can be aggregated into the costs of program administration and those of delivering training, business counseling, and other program services. Total costs for each year can be reported and an annual cost per participant calculated. This is done in table 6-5.

Administrative costs ranged from \$150 per participant to twice that figure, with the

Table 6-5. Program Cost per SEA Participant in New Jersey

| | Participants | Administrative Costs | Admin. Cost per Partic. | Training Costs | Training Cost per Partic. | Total Costs | Total Cost per Partic. |
|-------|--------------|----------------------|-------------------------|----------------|---------------------------|-------------|------------------------|
| 1996 | 156 | \$389,342* | \$2,496 | \$234,000 | \$1,500 | \$623,342 | \$3,996 |
| 1997 | 788 | \$119,678 | \$152 | \$816,900 | \$1,037 | \$936,578 | \$1,189 |
| 1998 | 358 | \$97,100 | \$271 | \$322,200 | \$900 | \$419,300 | \$1,171 |
| 1999 | 600 | \$101,800 | \$170 | \$559,500 | \$933 | \$661,300 | \$1,102 |
| Total | 1902 | \$707,920 | \$372 | 1,932,600 | \$1,016 | 2,640,520 | \$1,388 |

*This amount includes a \$261,500 of start-up costs incurred for computer programming changes and report and program design. Absent these costs, the first year administrative operating costs were \$127,842, or \$819.50 per participant.

exception of the first year, when expensive computer programming changes were required and elements of the program, including program reporting, were designed. However, when these costs are apportioned over the four years of the program, the average annual cost for program administration is \$372 per participant. Training costs were most expensive in

1996 at \$1,500 per participant and declined to slightly over \$900 in 1999. The reasons for the savings were the reallocation of some training funds from SBDC counseling to computer training and then the elimination of a charge for SBDC counseling as these services became an in-kind contribution to the program in 1998 and 99. Overall, total costs for SEA program administration and services in New Jersey averaged between \$1,100 and \$1,200 per participant per year, with the exception of the first year, whose

¹³⁹ This data is reported in table 3-14.

¹⁴⁰ This data is reported in table 3-17.

significant start-up expenditures increase this overall average to nearly \$1,400 per participant per year.

UI Payments

As was the case in Maine, it appears that New Jersey participants collect more in unemployment benefits than the comparison group. Overall, payments to SEA participants averaged \$1,214 more than those received by non-participants.

SEA Benefits and Costs in New York

Program Benefits

Those benefits that can be reported for New York participants are once again professional development and work satisfaction. In New York, 88% of SEA participants who had self-employment at the time of the survey reported being very satisfied or somewhat satisfied with their businesses.¹⁴¹ In addition, 75% of those participants who had wage/salary employment at the time of the survey reported being very satisfied or somewhat satisfied with their employment.¹⁴² New York participants identified professional development gains through acquisition of skills in business planning, finance and marketing, computer and organizational skills, and relational skills, including learning how to be more assertive. They found the SBDC counseling and entrepreneurial training to be the most valuable elements of the SEA program. As in New Jersey and

Maine, these data indicate positive benefit to the program, independent of any impact on their earnings, which cannot be determined.

Program Costs

Costs for program administration and for the training and counseling services received by New York SEA participants can be only roughly calculated. The data on administrative costs is limited and the periods for which administrative and training cost data are reported do not match the calendar year reporting on participants.¹⁴³ To make an approximation of program

Table 6-6. Program Cost per SEA Participant in New York

| | Enrollees | Administrative Costs | Admin Cost per Partic. | Contracts to SBDC for Training | Training Cost per Partic. | Total Costs | Total Cost per Partic. |
|-------|------------------|------------------------|------------------------|--------------------------------|---------------------------|-------------|------------------------|
| 1996 | 1408 | ina | | | | ina | |
| 1997 | 1865 | ina | | \$525,000 ^c | | ina | |
| 1998 | 1038 | ina | | | | ina | |
| 1999 | 896 ^a | \$337,137 ^b | \$316 | \$600,000 ^d | | | |
| 2000 | | | | \$329,340 ^e | | | |
| Total | 5207 | | | \$1,454,340 | \$155 ^f | | \$471 |

^areflects enrollment for only the 10 months from January through October 1999.

^breflects administrative costs for the 12 months from October 1998 through September 1999

^cincludes the period 10/1/96 – 6/30/98

^dincludes the period 6/1/99 – 8/31/00

^ereflects 33% of a \$998,000 grant for the period 9/1/00 – 8/31/01

^fcalculated by summing the 1997 training contract with 7/15 of the 1999 training contract (\$282,000), then dividing by 5207

¹⁴¹ This data is reported in table 3-14.

¹⁴² This data is reported in table 3-17.

¹⁴³ These discrepancies are evident when comparing tables 2-14, 2-16, and 2-17. Enrollees are reported in table 2-14 on a calendar year basis. Administrative costs are reported in table 2-16 for the 12 month period October 1998 to September 1999. The grants to SUNY for SBDC training cover a variety of periods and there appears to have been no training grant money available between July 1998 and May 1999.

administrative costs, an estimate has been made of the number of enrollees during the period of October 1998 through September 1999, the period for which administrative cost data is available. This has been done by totaling 25% of the 1998 participants (n=260) with 90% of the 1999 recipients (n=806).¹⁴⁴ The number of enrollees calculated for this period is 1066. The administrative cost per participant during this 12 month period ($\$337,137 \div 1066$) is \$316. This calculation is shown in table 6-6. These administrative costs are allocated among federal programs from which New York State DOL administrative salaries are funded, as indicated in table 3-16. The three programs to which SEA administrative costs have been allocated in New York are UI, Wagner-Peyser, and EDWAA Rapid Response.

Calculation of the training costs per participant has involved summing the first training contract with 7/15 of the second contract for the seven months June through December 1999. The total (\$807,000) was divided by the total participants for the four years to arrive at the New York SBDC training cost per participant of \$155. Though this number is an approximation, it is not out of line with the SBDC estimate of its costs per trainee of \$138.¹⁴⁵

Taken together, these tables show that the administrative and training costs for SEA participants in New York have averaged \$471. These costs have been met by funding that has originated from a number of federal and state programs.

UI Payments

As was the case in Maine and New Jersey, participants received more in unemployment benefits than did those in the comparison group. Overall, payments to SEA participants in New York averaged \$953 more than those received by non-participants.

Program Costs in All SEA States

Given that it is only cost data that is reasonably complete in the survey states, and since similar data is available for other SEA state programs, the cost data for all states that is available is presented in table 6-7. All of the data in table 6-7 is derived from the tables presented in this chapter or from the tables and narrative of chapter 3. In reviewing the costs in the several states, it is important to note those states where known costs are not tracked, as with program administration in Delaware, Department of Labor administration in Maine, and training expenditures in Oregon. In these cases, actual overall costs are likely higher than those represented in the table. In Maryland and Pennsylvania, the costs for administration and program services are not separated.

¹⁴⁴ The number of enrollees reported for 1999 reflects only the 10-month period from January through October.

¹⁴⁵ This figure is calculated using data furnished by the New York SBDC and reported in table 2-15. The \$138 per trainee figure is the result of dividing the total costs (\$1,450,058) by the number of training attendees (10,476).

These limitations permit few strong findings. Yet even with the limitations, there appear to be broad ranges of costs for program administration and services that other states could anticipate if seeking to launch SEA programs. Leaving out Maine, which does not track the hours and cost of state officials who support the SEA program, administrative expenses can be seen to range from \$300 to \$700 per program participant. It is likely that there are economies of scale, which allow the larger programs in New Jersey and New York to operate with lower per participant administration expenses than the smaller program of Oregon. Similarly, the cost of training crosses a broad range and is significantly impacted by the availability of in-kind services, as with the SBDC counseling in New Jersey or the availability of otherwise-subsidized training programs in many of the states. While the training cost in New

Table 6-7. Program Cost per SEA Participant in All States

| | Years of Operation | SEA administration cost per participant | SEA training cost per participant | Total SEA program costs per participant |
|--------------|--------------------|---|-----------------------------------|---|
| California | 1996-98 | | | \$4,706 ^a |
| Delaware | 1995-99 | | \$44 ^b | |
| Maine | 1995-99 | \$118 | \$219 | \$337 |
| Maryland | 1998-99 | | | \$2,500 |
| New Jersey | 1996-99 | \$372 | \$1,016 | \$1,388 |
| New York | 1996-99 | \$316 | \$155 | \$471 |
| Oregon | 1996-99 | \$639 ^c | | \$639 ^c |
| Pennsylvania | 1998-99 | | | \$2773 ^d |

^aRepresents mostly gear-up costs that were not recovered due to lack of enrollments.
^bAdministrative costs for SEA are not disaggregated in Delaware, since it is such a small program.
^cReflects only administrative costs; participants secure training funding individually or pay for their own training.
^dFunding of SEA in Pennsylvania comes from state revenues as well as JTPA; however, the cost per participant is not apportioned between administration and training.

Jersey is the highest that is reported, making reasonable assumptions about the ratio of administration to program services costs in Pennsylvania and Maryland make these later programs appear to be the most expensive per participant, ranging perhaps between \$1,500 and \$2,000.

There are multiple ways of interpreting the broad range of costs among the states for training and other program services. One is to assume that the training market is broadly variable from state to state. Another more likely interpretation is that the costs are a reflection of the extensiveness of services. Those training programs that run longer, requiring more hours of instruction, and that are more largely organized around set classes tend to be more expensive (New Jersey, Maryland, Pennsylvania). Those programs that place more of the burden on participants to piece together their training program from available resources and vendors (New York, Maine, Oregon) tend to be less expensive. Other states could likely anticipate similar expenditures or cost savings and choose program components or structures that are less expensive or those that, while costing more, may deliver a more extensive curriculum to participants.

CHAPTER 7: FINDINGS AND RECOMMENDATIONS

Study Findings

This study has involved spending 18 months gathering information from state program officers, service contractors, and in a few cases program participants; and gathering data through state reports and a survey that was conducted in Maine, New Jersey, and New York. From these a picture has been drawn of SEA as a comparatively small program of the respective state offices of workforce security that has operated through the effort and support of one or two key individuals who share a vision for the work of empowering unemployed individuals to become entrepreneurs and resolve their unemployment through the creation of their own small businesses. Programs have been established in 6 northeastern states and 2 west coast states, with the California program having closed after 18 months of operation. Through interviews with state officials, it was learned that several of the programs were launched through the strong support of a key political figure within their state and the dedication of one or two state officials or non-profit executives whose imagination had been stimulated by the concept of supporting unemployed individuals in their efforts to launch businesses, and who exercised ingenuity and creativity in launching their state programs.

The programs have been perhaps most inventive in the formation of partnerships with workforce agencies and the creation of models for funding the non-UI program administration and entrepreneurial training, which were not funded by the authorizing legislation and which are not allowable expenditures of the UI trust fund. Noteworthy have been the variety of courses and course structures that have been created in the states to provide the entrepreneurial training, business counseling, and technical assistance required by the legislation. These patterns of funding and delivering services have been inventoried in chapter 3; a summary table showing program to program variation was included in table 3-24.

Chapter 6 laid out the cost per participant of the program services and their administration in each of the states. It was shown that fairly broad cost ranges exist. Administrative costs per participant appeared to benefit from economies of scale and to decline in the larger state programs (New Jersey, New York). However, some smaller state programs have been able to operate on considerably less by utilizing existing administrative capacity without inserting discrete SEA line items into any budget (Maine, Delaware). Training costs appear to have varied according to the extent of the services that were provided and the ability to incorporate in-kind services in the delivery of training and counseling. There does not appear to have been one most efficient or best approach. Each program has been customized to operate within the varied circumstances of its state context. The unavailability of self-employment earnings data precludes a complete benefit cost analysis.

This study and report add to the research that was done by the Abt Associates study of SEA demonstration projects in 1994 and the Urban Institute SEA study and Report to Congress in 1998. The present study has been able to assemble richer data and

description of state programs than was available previously. The report includes a more representative survey of former program participants than was previously available through voluntary follow-up mail surveys. And the data has offered a glimpse of longer term outcomes of the SEA programs (up to 36 months) than was possible in previous studies.

In addition to the overall impressions just outlined, there are a number of particular findings that were discussed in the previous chapters and that are gathered into the following sections according to topic, program aspect, or outcome.

SEA Participants

A significant finding of this study is the unique characteristics of SEA participants are as a subset of unemployment insurance recipients. Previous studies have drawn attention to the self-selection factor that differentiates SEA participants from other claimants. This study sought to compare SEA participants with a group who profiled within the same program eligibility range yet who followed the traditional path of UI benefits and reemployment rather than responding to the invitation to enroll in SEA. The profiling score was intended to be a common denominator that would allow the comparison of SEA participants with eligible non-participants. Yet the survey results supplemented by wage record data disclosed that participants and non-participants differ significantly in virtually every demographic characteristic across the three states and, for most characteristics, within each of the states.¹⁴⁶

Participants and non-participants displayed differences that were statistically significant in such characteristics as gender, race, age at unemployment, base period wages, educational attainment, and occupation prior to unemployment. While SEA participants were nearly equally male and female, their non-participant counterparts included 6 women to every 4 men. Those who enrolled in the program included 6% more Whites and 6% fewer Blacks than the non-participants. Participants' pre-unemployment wages were, on average, \$6,752 higher than were non-participants' during the base period used to calculate UI benefits. Perhaps most striking was the differential in educational attainment: participants included only about 30% with a high school education or less and 70% with some higher education (nearly 30% with a 4-year degree or postgraduate education). Non-participants, on the other hand, included only 45% with some college (only 10% with a 4-year degree or postgraduate education), and 54% with a high school education or less. The participants were drawn most heavily (40%) from the professional, technical, managerial ranks, while non-participants were drawn in higher percentages from clerical and sales, blue collar, and service occupations.¹⁴⁷

Though both groups were drawn at random from the larger pools of those who profiled as likely to exhaust their UI benefits before finding reemployment, the SEA participants differ from their counterparts in many characteristics. This finding appears to magnify

¹⁴⁶ The data from the comparison of characteristics of participant and non-participant groups was presented in chapter 5, summarized in figure 5-2.

¹⁴⁷ The occupational composition of the participant and non-participant groups followed this pattern more clearly in New Jersey and New York; only to a much lesser extent in Maine.

the observation of the Messenger study on profiling, which found that the “self-selection” factor separated those with the knowledge and skills necessary for small business from the larger group of unemployed individuals who may not have these.¹⁴⁸ In addition, the “cold shower” orientation to SEA that is a feature of each of the programs serves to further separate those who are most highly motivated to pursue the difficult course of self-employment. It is likely that there is even more than knowledge, skill, and motivation involved in the self-selection process; namely, that people may view self-employment as their most suitable option for short-term replacement of wages. This may be particularly true for those who come from professional, technical, or managerial occupations.

Another significant finding in the area of participant characteristics was the importance participants placed upon the presence of a second household income, health benefits through another household member, and 0-2 individuals within the household requiring caregiving as factors that contributed to their ability to enter into a self-employment enterprise.¹⁴⁹ This study did not control for these factors due to insufficient data, but it is suspected that future studies will find some of these to be predictors of self-employment.

Self-Employment Experiences

The study reveals that, by significant measures, program participants have entered into their own businesses since receiving entrepreneurial training, business counseling, and UI benefits in exchange for business planning rather than work search. The findings, as reported in chapter 4 include two thirds of participants in New York, New Jersey, and Maine experiencing self-employment post-program and about 40% self-employed at the point three years following their initial UI claim. As was stated above, the selection factors make SEA participants a very distinct group, sharing perhaps motivational factors, vision, or the inner drive to become entrepreneurs. Sixty seven percent of participants report some likelihood that they would have started their own business even without the SEA program. As reported in chapter 5, the logistic regression model found SEA participants to be 19 times more likely to have been self-employed than their counterparts who did not receive the training and other services of the program; 16 times more likely to have been self-employed at the date of the survey. While again remembering that the study has not compared identical groups, these findings suggest that the SEA program may have provided participants with such elements as opportunity, a measure of security, and time to focus their attention on their enterprise. The SEA program appears to have delivered to participants a roadmap or blueprint for accomplishing their own inner ambitions to become entrepreneurs or business proprietors.

Other SEA Participant Outcomes

A second statistically significant finding in the area of participant outcomes has been the higher percentage of SEA participants who are engaged in any form of employment – either self-employment or wage/salary employment – than their counterparts. The odds ratio reported on page 81 suggests that participants may be 4 times more likely to have experienced some type of post-program employment than the non-participants.

¹⁴⁸ Messenger et al., 1999, pp. 28, 29.

¹⁴⁹ Data supporting this finding is reported in figure 3-11.

A third finding of participant outcomes that has been mentioned is the high rates of satisfaction with all forms of employment. As reported in chapter 4, nearly 9 out of 10 participants who have become small business owners report at least some satisfaction with their businesses and over three quarters of those who have returned to wage/salary employment report at least some satisfaction with that employment.

The inconclusive findings on earnings outcomes, as reported in chapter 5, point to the difficulties in defining earnings from self-employment and in constructing a data collection approach that is capable of gathering post-program earnings data over a long period of time. Moreover, there is no combined earnings measure nor uniform way to equate self-employment earnings to wage/salary earnings. Some people pay themselves a salary; others reinvest all of their profits into their businesses and draw no salary. Others may consider only their net profit as their income. These distinctions are difficult to convey under any circumstances and contributed to the inconclusive survey data.

SEA Training

A review of training materials from several of the states and cost data from all of the states revealed broad similarities in the entrepreneurial training that is delivered to SEA participants. Training programs vary in the relative weighting of the various topics, the overall number of hours of instruction, and the number of weeks of the instruction period. The more extensive training programs have tended to cost more. Participants in the three survey states of Maine, New Jersey, and New York appear to recognize some aspects of the differences among their programs when they identify those elements which received prominence in their state as among the most beneficial elements and identifying elements which were less prominent as less helpful.

Though the training programs vary from state to state and in some cases from service area to service area, all of them appear to enable SEA participants to launch their businesses. There are no findings that are statistically significant that differentiate among the training models nor that provide grounds for naming one training model superior to the others. On the other hand, while not statistically significant, there do appear to be slightly fewer business starts and fewer SEA participants engaged in small business at 36 months after their initial UI claim in Maine than in New Jersey or New York. And it was the Maine program that relied, during the period of the study, on training videos rather than a set course with instructor(s). Moreover, as it has become feasible to offer live training, Maine has shifted its program in that direction as part of its MEO 2000 program revision. These factors suggest that, while the training can be provided in a variety of ways and at minimal cost, that more extensive (and, more costly) services may lead to marginally greater success in self-employment.

Another finding in the area of program training has been the significant partnering with Small Business Development Centers (SBDCs). Though there are exceptions (e.g. Maryland), the SBDCs have been a primary partner in many programs and have provided more entrepreneurial training across the several SEA states than any other entity. One significant difference among the states' incorporation of the centers into their programs is

the way that the business counseling or training programs are funded. In New York, for example, the centers operated in conjunction with the state university system have been the recipients of JTPA Title III funding. In Maine, the SEA program has paid for SBDC services. In New Jersey, the services were initially purchased from the centers but are now received as an in-kind contribution. By whatever means, the contribution of training and business counseling under the auspices of the local SBDCs has been a critical component of most state SEA programs.

UI Benefit Receipt

In contrast to the study of SEA demonstrations, this study has found that SEA participants have, on average, received greater amounts of UI benefits than their counterpart non-participants. When regression adjusted for other factors, the benefit differential that accrues to SEA participants averages nearly \$1,500 across the three states, ranging from just under \$1,000 in New York to about \$2,000 in Maine. This finding is in contrast to the earlier finding in the Massachusetts demonstration (that became the model for SEA) in which a savings of \$900 per participant accrued to the UI Trust Fund.

This finding carries implications for the legislative requirement of cost neutrality of the program and should be explored. The SEA program was established with required profiling for likely benefit exhaustion in order to insure that there would be no increased cost to the UI Trust Fund. It was intended to offer services to those who would be using up their benefits in the absence of training. While it must be kept in mind that the comparison groups are not identical and a precise estimate of the dollar differential in benefit receipt is difficult to achieve, the analysis does suggest that participants are collecting more in UI benefits than similarly profiled non-participants.

A number of factors are suggested as possible reasons for the difference in this finding from the earlier demonstration in Massachusetts:

- The rules of the ongoing SEA programs and the Massachusetts demonstration differ in a key element that could have bearing on benefit exhaustion. In the Massachusetts demonstration, those in the control group were allowed up to 30 weeks of benefits, while those who pursued the business training and their enterprises were allowed only 24 weeks of benefits. Participants were given the option at the end of the 24th week of benefits to discontinue participation in SEA, revert to regular UI benefits, and become eligible for continued UI benefits along with required work search through 30 weeks. If they did not revert to regular UI benefits, their SEA allowances ended with the 24th week. In contrast, the ongoing SEA program allows up to 26 weeks of benefits to the program participants, the same eligibility period as for regular UI benefits.¹⁵⁰ The earlier cutoff point for participants in the Massachusetts demonstration may have contributed to their collecting less in benefits than the control group, whereas in the ongoing program no such cutoff point exists.

¹⁵⁰ Participants were defined similarly in both the Massachusetts demonstration and the present study as those who enrolled, but did not necessarily complete the program.

- SEA program rules implicitly incentivize participants who continue to pursue self-employment to exhaust their benefits. Since no reduction in benefit payment occurs when a participant earns income through self-employment and a participant may collect benefits as long as they comply with program rules, it seems likely that participants will collect benefits as long as possible. The members of the comparison group, however, were incentivized to return to employment at the earliest possible date. Any wages earned automatically reduce the amount of UI benefits and benefits end when they become reemployed. Despite both groups' profile as "likely to exhaust" benefits, the different incentives may have some effect on increasing a participant's chances of exhausting benefits.
- A delay in the receipt of SEA program services may contribute to participants collecting benefits longer than non-participants. Profiling, application to the program, orientation, and formal enrollment may take up days or weeks of the benefit period before participants receive their first training or business counseling services. However, members of the comparison group in this study began their work search activities upon filing a UI claim. If a lag is present, then a program participant may require a longer benefit period in order to complete all the requirements of the state's SEA program.
- The benefit differential between SEA participants and eligible non-participants may be magnified by lowering the profiling score for determining eligibility in many states. As reported in chapter 3, the profiling threshold in Maine has been reduced as low as 36% likelihood of benefit exhaustion and in New Jersey the score may not even factor into determining eligibility, so long as applicants are not on recall notification or part of a union hiring hall. While still more likely to exhaust benefits than those in the larger UI pool, those with lower profiling scores have been predicted as less likely to exhaust benefits than those with higher scores – but still likely to exhaust. With a reduced threshold for eligibility, some claimants who may face fewer barriers to reemployment are enrolled into the SEA program where they are allowed to receive benefits for the maximum term; without the program they may have secured reemployment in a shorter period. Future studies may want to consider whether individuals are opting into the program with lower profiling scores compared to the scores of others who profile as likely to exhaust benefits but choose not to pursue the program.
- The profiling models used in the states may not be up to date. Even though members of the comparison group were profiled as likely to exhaust their UI benefits, they were not doing so during the period that was the focus of this study. This was particularly true in Maine, the most extreme case, where non-participants averaged only 10 weeks of benefit receipt. This accounts for the \$2,000 differential in benefits received. Perhaps the question here should be how dynamic the profiling models are or can be. In such a robust economy as was experienced in the past few years, even with the weighted factors, there may have been impossible demand placed on the models.

- Even though this finding suggests that participants impose an additional cost to the UI Trust Fund, it is not known the extent to which additional costs are imposed on the UI Trust Fund at later points in time. The findings suggest that participants experience higher rates of labor market attachment than non-participants; however, it is unclear whether a non-participant is more likely to file additional UI claims (thus increasing their receipt of UI benefits) than an SEA participant.

SEA Program Costs

Chapter 6 presented the approach that was taken in the benefit/cost analysis and identified gaps in the data that precluded completing such an analysis. A fairly complete picture of program costs was reported, albeit with some gaps. Perhaps the main finding in this area is that program costs have occurred across broad ranges for both program administration and services. A second finding is that it has been difficult in many cases to completely allocate administrative expenses against funding sources since many of the states have intentionally set out to build seamless collaborative programs that involve state employment and training professionals, UI agencies, a variety of local operators, and contractors at various levels of operation.

While the programs in Maine and Delaware have appeared to be the least expensive to administer, these states show the greatest evidence of operating their programs at the state level from existing capacity that does not assign costs against an SEA budget item. The Oregon program, which disaggregates such costs seems to offer a more likely portrait of administrative costs. Comparing these to the costs experienced in the large programs of New Jersey and New York, there appears to be some economy of scale as administrative cost per participant is lower in the large program states.

In the area of program services, namely entrepreneurial training, business counseling, and technical assistance, analysis disclosed that costs experienced by the states have covered a broad range, from \$200 to \$2,000. It also appears that the cost differential corresponds to less or more extensive instruction and the ability of programs to secure in-kind services. Yet even the most expensive SEA programs are not out of line with the overall JTPA Title III training costs, which averaged \$2,050 per participant in PY 1995.¹⁵¹

Fluctuation of SEA Program with the Local or National Economy

Each of the programs has experienced some measure of fluctuation and a number of likely causes have been identified. In the first case, a number of the programs saw declining numbers of participants served in 1998. One likely reason for this decline was that programs were anticipating the sunset of the original authorizing legislation and were gearing down their programs in anticipation of closing them. When SEA was authorized permanently at the end of 1998, it then took a while to return programs to full operation.

In addition, the economy was so strong in 1999 that there were fewer unemployed individuals and even those from diminishing industries had an easier time seeking reemployment – simply by virtue of their work experience – than in many other years. A

¹⁵¹ Training and Employment Report of the Secretary of Labor, Transmitted to Congress, 2000 (Washington D.C.: U.S. Department of Labor, 2000), p. 23.

training program executive in Maryland offered anecdotal testimony to a perhaps hidden side of this robust economy. She reported that it had been so much easier in 1998 to train the individuals who came seeking the SEA program. In the more robust economy that followed, the trainers found that there were individuals facing greater barriers who were enrolling in the program. As SEA programs continue it is likely that there will continue to be fluctuations in the number and characteristics of applicants that mirror the business cycle.

SEA Reporting from the States

Reporting from the state programs has been extremely uneven. Though a reporting format was developed, it has not always been followed. Moreover, there are missing reports and gaps in the data for nearly every state program.

One report from Pennsylvania recommended shifting the calendar year reporting on SEA to a fiscal year cycle consistent with other federal programs and that matches the appropriations cycle. This problem was also experienced in New York where various data elements were recorded according to different calendars, making it nearly impossible to assemble a complete picture of participation and cost. Other state program officers shared this frustration with the reporting cycle.

Transitioning SEA under the Workforce Investment Act

It is noteworthy to mention the anomalies that have been mentioned by Pennsylvania and Delaware with regard to transitioning SEA programs into the framework of the Workforce Investment Act. Pennsylvania program officials reported being wary of adult performance measures that seem inappropriate to self-employment training. And Delaware reported on the dilemma created by requiring an independent job search prior to eligibility for intensive services. Such a delay is at odds with one of the principles of SEA, that of early intervention. SEA programs have sought to get participants quickly into training so as to maximize their benefit period for getting a business underway.

While these are dilemmas, there appear also to be opportunities for enhancing self-employment assistance under WIA. In particular, if Individual Service Plans (ISPs) are to become the norm for delivery of intensive services, then there may be an opportunity for other states and service areas to add SEA to their service options without additional administrative time or expense. This could be done by encouraging training providers to submit entrepreneurial courses for the approved training lists.

Incentivizing Performance in Self-Employment Training

Another anomaly to report is the situation in Maryland where the program contractor has been secured under terms of a performance-based contract. The contractor receives payment only as participant cohorts achieve 80%, 64%, and 50% levels in completed training, business starts, and continuing in business after 6 months. Yet even with excellent screening, individuals will be enrolled who come to the determination that self-employment is not a wise path for them and will leave the program to focus on a return to wage/salary employment.

In Oregon, for example, the program annual reports praise their staff for aiding individuals in making such discoveries and in redirecting their efforts toward areas that appears to be more appropriate for them (i.e. toward reemployment). The Oregon approach appears sensible. The larger goal even than self-employment is transitioning unemployed individuals back to some stable attachment to the workforce. It is to find the very best opportunity for individuals, that which will maximize their knowledge and skills and afford a measure of personal satisfaction. If self-employment trainees determine that they have made a mistake, service providers should share the goal of helping them to determine what is best and most appropriate for them. Yet the performance-based contract in Maryland appears to disincentivize pursuing these larger goals, to reward only one form of success (self-employment), and actually incentivize the contractor to press some program participants toward goals that may not be best or even appropriate for them.

Study Recommendations

Participants in the Self-Employment Assistance Programs have achieved success in terms of small business starts and total attachment of participants to the labor force. Given these facts and given the fact that this study has been otherwise inconclusive in determining whether costs outweigh benefits, there is no compelling reason to suggest significantly modifying the program. The recommendations that follow are suggestions for building upon or improving the operation of the program.

Framing SEA as a Strategy for Economic Development Under WIA

Aside from the context of a workforce development strategy, self-employment is also an economic development strategy. There is a general belief in economic development policy that small business development should be valued and more people should have the opportunity. Theorists and writers on the new economy, such as William Bridges have pointed out that traditional jobs are disappearing while work is taking new forms in which individuals become free agents, consultants, and contractors of specific tasks.¹⁵² One reason for the larger number of SEA participants from professional, technical, and managerial backgrounds is that this group may view self-employment as the best option for wage replacement, given the changes in the economy.

The Workforce Investment Act has established the principle of universal access. If the Department of Labor wishes to extend services to a clientele beyond low-income individuals and those who face multiple employment barriers, then the SEA program may become an important option. DOL should consider encouraging the states to offer SEA under WIA as a short-term solution to the unemployment experienced by the select group that pursues self-employment. SEA is clearly not for most of the unemployed. But for those for whom it represents the best option for wage replacement or reentry into the economy as free agents, it should be encouraged. Prime candidates at the moment that this report is being completed are the hundreds of former dot.com employees who may have the entrepreneurial spirit most likely to succeed and thrive in self-employment. In

¹⁵² Bridges' theory is outlined in JobShift: How to Prosper in a Workplace Without Jobs (Reading, MA: Addison-Wesley, 1995).

this, self-employment assistance can be seen as a tool of economic development as well as workforce development.

Integrating SEA into the One-Stop Environment

The Self-Employment Assistance Program is well-suited to the One-Stop environment of the Workforce Investment Act (WIA), though the uniqueness of the program may be at odds with some of the regulations. The use of Individual Training Accounts (ITAs) may be a simple feature that surmounts for any state the obstacle that the eight state programs have encountered in joining training services to SEA benefit receipt. So long as individuals qualify for intensive services and are eligible for an ITA, they may be quickly directed toward SEA services.

Furthermore, if ITAs are recognized as the solution to the challenge of funding and providing the services required for SEA, other states may see few other obstacles to implementing an SEA program. Given the low demand that the first eight states have encountered, and using ITAs as the funding vehicle for providing required services, SEA could be implemented fairly easily and inexpensively in other states. Many workforce areas already include entrepreneurial training and trainers among their authorized services and providers. In addition, ITAs are promising an effective vehicle for local areas to customize the level of funding according to individual training needs and to track training costs. As the state profiles reported, many of the training options have been funded through lump sum contracts that have not been closely linked to levels of service or numbers of trainees. ITAs would account for training dollars on an individual basis.

One possible obstacle to this integration is the requirement of performance measures under WIA. Most of the performance measures that have been developed for adult services (e.g. entered employment rate, employment retention rate, earnings change, employment and credential rate) are not appropriate to self-employment. To ensure the smooth operation of SEA within the WIA environment, appropriate performance measures should be developed. These might include measures such as entered self-employment and/or wage and salary employment rates, self-employment and/or wage and salary retention, and earnings replacement. The other obstacle of delay of services could be remedied by states reviewing their intake structures and ensuring that UI claimants who are likely to exhaust their benefits are referred to SEA or other intensive services without superimposing additional requirements that could delay the start of their training programs.

Reevaluate Program Priorities

Several of the programs have had very low numbers of enrollees. Many training programs depend on a critical mass for effective and efficient operation. One response from program operators has been to lower the profiling threshold for eligibility. Yet these actions may be coming into conflict with the budget-neutral constraint, which profiling was partially intended to serve.

Furthermore, if ensuring the budget neutrality requires the states to establish their thresholds at a much higher level, this could have the effect of 1) reducing the client pool

below the critical mass needed to operate training efficiently and 2) denying the opportunity to develop an alternative career option to UI claimants who may be appropriate candidates for self-employment.

Both ends are worthy, but the relative priority of them may need to be reassessed. What is the higher priority: to promote self-employment for those who are equipped and motivated or to protect the UI trust fund from the additional expense that might be incurred through a nontraditional program? If it is the former, then the authorizing legislation should be amended to relax profiling and the cost neutral constraint. If it is the latter, then DOL should encourage the states to further investigate whether or not their profiling models and eligibility thresholds are adequately identifying likely exhaustees and maintaining cost neutrality.

Collecting Self-Employment Earnings Data

If program assessment is to include a complete benefit/cost analysis, it will be important for DOL to develop alternative mechanisms for capturing earnings from self-employment information. It appears that the best possibility for assembling this is to set up a framework for collecting self-employment data at the front end of a study that must then follow and wait upon the collection of the information. It must also include a way to capture self-employment earnings of some group of non-participants if a comparison is to be made. And these earnings must be reportable in a way that is comparable to wage/salary earnings.

The innovation of the Maryland program is instructive in this regard. Participants agree at enrollment to submit annually for five years following their participation in the program a document that is similar to their program application. Included on these annual reports is financial and family information that is not available from other sources. A similar structure could be created in which information is collected on an annual basis based on reliable information from participants (and non-participants if comparison is to be made). We suggest taking care to define the income measures that are sought and to allow these to be informed by Internal Revenue Service definitions and reporting requirements for individual income tax. If accurate data is sought, we suggest securing agreement of some sample of program participants to furnish earnings information for five years following their participation. One strategy to ensure the collection and accuracy of data, may be to compensate individuals for supplying their annual report. They would be mailed the forms each year at about tax time in March or April and they would be paid an honorarium promptly upon the receipt of each annual report.

Still another option is to encourage states to pursue relationships with their state revenue departments. The State of Washington has unique administrative records for identifying business activity through a Uniform Business Identifier, attached to a person's business license. These records were used as a data source in the demonstration study, and allowed the researchers to obtain such information as business open and close dates, gross income and sales, and state, local and business taxes paid by the business.¹⁵³

¹⁵³ Benus et al., 1995, pp.71.

Program Reporting

We recommend that DOL revisit the report template that has been provided to the states. It will be important to provide more precise definitions for the information that is sought. For example, what is the difference between participants and enrollees? Does one need to participate to some minimum benchmark to be considered a participant or recipient of this service?

Further, it is our recommendation to provide technical assistance to the state officials who must maintain and submit the annual reports. Perhaps an orientation to the program and its requirements offered every second year. In our experience with the program, which is just under two years, over half of program directors changed. Information systems changed and the individuals responsible for them changed. In the interest of more accurate data and providing better services at the state level, technical assistance through orientations for state level staff should be provided. An added benefit of bringing program directors and information specialists together will be the exchange of program information. We found that many of these individuals have contacted one another from state to state; technical assistance/orientation sessions would facilitate this exchange.

A final recommendation in this area is to concur with those states that have requested to have reporting for this program shifted to the fiscal year cycle that is used for other federal programs and that matches appropriation cycles.

Further Study in the Context of Intensive Services

Following upon the previous recommendations, it is our recommendation that further study of SEA programs be conducted within the context of a broader study of intensive services that are offered to unemployed individuals. The mix of services is expanding and the principle of individual service has been embraced. A worthy research project would be a longitudinal study of impacts of a number of the most commonly selected services and paths taken from unemployment. SEA could be included in the mix and have a ready-made comparison group. Individuals from a variety of programs could be followed and paid to report annual statistics as recommended above.

Other Recommendations

Two other recommendations derive from the findings reported above. They fall into the category of miscellaneous. First we recommend that DOL explore ways to get people into SEA as early as possible, so as to maximize the benefit of time, training, and unemployment compensation. Second, we recommend that the state programs, training entities, and contractors explore additional ways to get their SEA participants connected to sources of business financing so that larger numbers of their ventures may be sufficiently capitalized to become more viable establishments.

APPENDIX A DATA SOURCES

This appendix describes the primary sources of data used to conduct the comparative analysis of state SEA program models, the outcome analysis, and the benefits-cost analysis. These sources include: (1) Annual state program reports to the Secretary of Labor, (2) Self-Employment Assistance Program administrative records, (3) quarterly wage records, (4) Unemployment Insurance administrative records, (5) survey interview data of SEA participants and a comparison group, (6) site visits and focus groups with former program participants.

A. Annual State Self-Employment Assistance Reports to the U.S. Secretary of Labor

The legislation authorizing the SEA program requires participating states to submit a report to the Secretary annually. The reports must contain program cost information, participation numbers, outcomes, and a description of program operation.

This information was used to identify different program models among states, calculate program costs per participant, and to describe the distinctions in program administration. Gaps were discovered in many of the state annual reports. Many states fail to comply with the submission requirement and lack information entirely. Other states that do comply contain either incomplete information for several data items including program administration costs and participant outcomes. Many states administer a paper mail-in survey to follow-up on SEA participation. Historically, the response rate to this survey has been quite low and suffers from self-selection, limiting conclusions that could be drawn regarding participant outcomes.

B. Self-Employment Assistance Program Administrative Records

Administrative data from Maine, New Jersey and the New York SEA programs was used to identify participants in the program as well as individuals profiled as eligible to participate in their respective state program. This participant and eligible participant data was used to construct a sample of potential interviewees for the survey and contained contact info. These data were also used to construct variables of participant and non-participant characteristics.

C. Wage Records

Quarterly wage record data were obtained from Maine, New Jersey, and New York for all survey respondents in the SEA participant groups and the comparison groups. State wage record data included either all quarters from 1995-1999, or for each individual the four quarters prior to an individual's unemployment or SEA participation. Maine and New Jersey supplied base period wages instead of quarterly wage data for the 4 quarters prior

to unemployment. This data was used to construct pre and post-program/unemployment earnings variables.

D. UI Administrative Records

Unemployment Insurance administrative records were collected from Maine, New Jersey and New York for each SEA participant and members of the comparison groups in the survey sample. These records contained the date of all claims made during the years of interest, demographic characteristics of the claimants, and occupational codes. This data was used to determine the comparative length of unemployment between the comparison and participant groups and to construct the variable for occupation prior to unemployment and to identify dates of unemployment.

E. Survey Interview Data

A survey was administered to a sample of 1176 individuals from Maine, New Jersey and New York: 378 from Maine, 394 from New York, and 404 from New Jersey. The survey gathered information on placement into self-employment and/or wage and salary employment, income earned from self-employment, experiences in the SEA program, satisfaction with employment situation, and demographic information unavailable through other sources. This data was used for the descriptive analysis and for the construction of variables for the inferential statistical analysis and benefit-cost analysis.

F. Site Visits

Visits to the Self-Employment Assistance Program staff in Maine, New Jersey and New York were conducted during Fall 1999. Interviews were conducted with program staff to obtain background information of the state program and to discuss the mechanics of program administration as well as the training curriculum. In two states, Maine and New Jersey, focus groups with former participants were convened. These data were used in the individual state program profiles and provided the foundation for developing the survey instrument.

APPENDIX B
SURVEY PRE-NOTIFICATION LETTER

OMB Control Number: 1205-0412

Expiration Date: 8/31/03

NOTE: Persons are not required to respond to the collection of information unless it displays a currently valid OMB control number.

Dear _____:

The Unemployment Insurance Service is gathering information to measure the longer-term impact of one of its programs. You have been selected at random to represent others who have participated in the Unemployment Insurance Programs. The current study, being conducted by the United States Department of Labor, is measuring the benefits and costs of the Self-Employment Assistance (SEA) Program which assists eligible individuals in starting their own business while participating in the Unemployment Insurance Program. You have been identified as either a former SEA participant or as a person who was eligible, but did not choose to participate in the SEA program.

The study, which is being conducted by Madonna Yost Opinion Research of Lancaster, Pennsylvania, involves a fifteen-minute telephone interview. Questions will be about the following topics: your professional experience since you collected unemployment insurance benefits, your experiences looking for work, any job training or education programs you may have attended since you started collecting benefits (including the SEA program), and your opinions about services you received from such programs.

Your participation is voluntary, but very important. All the information that you provide during the telephone interview will be held in the strictest confidence. Your name will not be associated with your answers, and your participation in this study will not affect your past or future rights to unemployment insurance benefits. No one will attempt to sell you anything or ask for a donation because you participated in this study.

An interviewer from Madonna Yost Opinion Research will call you in the near future to complete the interview. He or she will answer any questions you have about the interview at that time. If you have any questions before then, please call Berwood Yost, the survey director at Madonna Yost Opinion Research. The number is 1-800-249-3537 and there is no charge for the call.

If your telephone number is unlisted or has changed since you collected benefits, we ask that you call the toll-free number mentioned above to tell us where you may now be reached. In addition, you may call this number to request that your interview be conducted at a specific time at your convenience.

We look forward to speaking with you soon. Your help is deeply appreciated and will make this study more meaningful.

Sincerely,

Berwood Yost
Survey Director

This survey is estimated to average fifteen minutes per respondent, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments concerning this burden estimate or any other aspect of this survey including suggestions for reducing this burden to the Unemployment Insurance Service, Paperwork Reduction Project (1205-0412), Room S-4231, 200 Constitution Avenue, N.W., Washington, D.C. 20210.

APPENDIX C SURVEY INSTRUMENT

SEA Program Participant Survey
OMB Control Number 1205-0412

I. Identification of Employment History Post SEA [Section I asked of all participants.]

Q1. How would you describe your current employment status? Are you ...**[READ LIST]**...

1. self-employed (i.e., working in a business you own),
2. employed (i.e., working in a business owned by someone else),
3. both self-employed and employed,
4. unemployed, or
5. retired?

Q2. How long have you been **[insert response from above]**? (*NOTE MONTH AND YEAR*)

Month _____ Year _____

Q3. Since finishing the SEA program, have you ever been self-employed, or not?

1. Yes 2. No 8. Don't know

Q4. Since finishing the SEA program, have you ever been employed, or not?

1. Yes 2. No 8. Don't know

Q5. Since finishing the SEA program, have you ever been unemployed, or not?

1. Yes 2. No 8. Don't know

Q6. [IF NEVER SELF-EMPLOYED, ASK (Q3 = NO)]: What has prevented you from starting your own business?

1. Lack of interest in starting a business
2. Lack of financial resources
3. Prefer to work for an employer, or
4. Something else? _____
8. Don't know

II. Post SEA Self Employment Experience [Section II asked only of those who are currently self-employed (QUESTION 1, Q1=1 or 3) and/or who report having been self-employed since finishing the SEA program (QUESTION 3. (Q3=1)]

Q7. What (is/was) your business's main product or service?

Q8. Do you have any particular skills that led you to start your business?

1. Yes 2. No 8. Don't know

Q9. In what month and year did your business begin operating?

Month _____ Year _____

Q9a. [IF NO LONGER SELF_EMPLOYED, ASK] In what month and year did you stop your business operations?

Month _____ Year _____

Q9b. Did you have any earnings from your business while you were still collecting unemployment insurance benefits?

1. Yes 2. No 8. Don't know

Q9c. What were your estimated earnings from self-employment during the period you were collecting unemployment benefits?

1. Less than \$1,000
2. \$1,001 - \$5,000
3. \$5,001 - \$10,000
4. \$10,001 - \$15,000
5. \$15,001 - \$20,000
6. \$20,001 - \$25,000
7. More than \$25,000
8. Don't know

Q10. (Is/was) your business a sole proprietorship, a partnership, or a corporation?

1. sole proprietorship
2. a partnership
3. a corporation
8. Don't know

Q11. How many employees, including yourself, (does/did) your business have?

_____ Employees

Q12. Are you planning to add any employees within the next 12 months?

1. Yes [GO TO Q12a] 2. No [GO TO Q13] 8. DK [GO TO Q13]

↓
Q12a. How many employees do you expect to add?

_____ Employees

Q13. What is your company's current monthly payroll?

1. Less than \$1,000
2. \$1,001 - \$5,000
3. \$5,001 - \$10,000
4. \$10,001 - \$15,000
5. \$15,001 - \$20,000
6. \$20,001 - \$25,000
7. More than \$25,000
8. Don't know

Q14. Please tell me whether you used any of the following to finance your business. Did you use ...[READ LIST]...:

| | YES | NO | DK |
|---|-----|----|----|
| a. your personal savings | 1 | 2 | 8 |
| b. money generated from your business's sales | 1 | 2 | 8 |
| c. a commercial bank loan | 1 | 2 | 8 |
| d. a loan from a credit union | 1 | 2 | 8 |
| e. a small business administration loan | 1 | 2 | 8 |
| f. some other source | 1 | 2 | 8 |

[IF YES]What source? _____

Q15. What were the gross earnings from your business in (1999/its final year)?

1. less than \$10,000
2. \$10,001 - \$20,000
3. \$20,001 - \$30,000
4. \$30,001 - \$40,000
5. \$40,001 - \$50,000
6. \$50,001 - \$60,000
7. \$60,001 - \$70,000
8. \$70,001 - \$80,000
9. \$80,001 - \$90,000
10. \$90,001 - \$100,000
11. more than \$100,000
99. Don't know

Q16. Were there other wage earners in your household at the time you were considering starting your business?

1. Yes [GO TO QUESTION Q16a & Q16b]
2. No [GO TO QUESTION Q17]
8. Don't know [GO TO QUESTION Q17]

Q16a. Would you have started your business without this source of household income, or not?

1. Yes
2. No
8. Don't know

Q16b. Would you have started your business without having this wage earner's health benefits available, or not?

1. Yes
2. No
8. Don't know

Q17. What was the net profit or loss from your business in (1999/its final year)?

CIRCLE IF **PROFIT** or **LOSS**

1. less than \$10,000
2. \$10,001 - \$20,000
3. \$20,001 - \$30,000
4. \$30,001 - \$40,000
5. \$40,001 - \$50,000
6. \$50,001 - \$60,000
7. \$60,001 - \$70,000
8. \$70,001 - \$80,000
9. \$80,001 - \$90,000
10. \$90,001 - \$100,000
11. more than \$100,000
99. Don't know

Q18. Overall, how satisfied (are/were) you with your business? Are you ...**[READ LIST]**...

1. very satisfied
2. somewhat satisfied
3. somewhat dissatisfied, or
4. not at all satisfied being the owner of a business?
- _____ DO NOT READ
8. Don't know

Q19. What would you say (has been/was) the most difficult part of starting your own business? ...**[READ LIST LIST]**

1. lack of capital investments or start-up funds
2. insufficient cash flow
3. lack of sufficient staffing
4. local competition
5. or something else? _____
8. Don't know

Q20. How likely is it that you would have started your own business had you not been in the SEA program? Is it ...**[READ LIST]**...

1. very likely,
2. somewhat likely,
3. somewhat unlikely, or
4. very unlikely that you would have started your own business?
- _____ DO NOT READ
8. Don't know

Q21. What made you interested in starting your own business? ...**[READ LIST]**

1. potential of increased income
2. being your own boss
3. flexibility in daily schedule
4. potential to capitalize on one's existing skills,
5. or something else? _____
8. don't know

III. Post SEA Wage Employment Experience [Section III asked only of those who are currently employed (QUESTION 1, Q1=2 or 3) and /or who report having been employed in since finishing the SEA Program (QUESTION 4, Q4=1)]

Q22. How many different jobs have you held, not including any periods of self-employment, since finishing the SEA program?

_____ Number of Jobs

Q23. What was the month and year of employment for each position you have held, starting with the most recent?

Most Recent Job: _____
#2: _____
#3: _____
#4: _____
#5: _____

Q24. What is the primary product or service of the firm you currently work (most recently worked) for?

Q25. What (is/was) your job title?

Q26. How many hours a week (are/did) you work(ing) for this employer?

1. less than 10 hours
2. 10 – 20 hours
3. 20 – 35 hours
4. more than 35 hours
8. Don't know

Q27. How important was your participation in the SEA program in getting your current (most recent) job? Was it ...**[READ LIST]**...

1. very important,
2. somewhat important,
3. not very important, or
4. not important at all?
_____ DO NOT READ
8. Don't know

Q29. Overall, how satisfied are you with your present position (most recent)? Are you ...**[READ LIST]**...

1. very satisfied,
2. somewhat satisfied,
3. somewhat dissatisfied, or
4. not at all satisfied?
_____ DO NOT READ
8. Don't know

Q30. How satisfied are you with the amount of pay you get at your present position (most recent)? Are you ...**[READ LIST]**...

1. very satisfied,
2. somewhat satisfied,
3. somewhat dissatisfied, or
4. not at all satisfied?
_____ DO NOT READ
8. Don't know

Q31. How satisfied are you with the fringe benefits at you receive at your present position (most recent)? Are you ...**[READ LIST]**...

1. very satisfied,
2. somewhat satisfied,
3. somewhat dissatisfied, or
4. not at all satisfied?
_____ DO NOT READ
8. Don't know

Q32. How satisfied are you with the amount of job security you have at your present position (most recent)? Are you ...**[READ LIST]**...

1. very satisfied,
 2. somewhat satisfied,
 3. somewhat dissatisfied, or
 4. not at all satisfied?
- _____ DO NOT READ
8. Don't know

IV. Post SEA Unemployment Experience [Section IV asked only of those who are currently unemployed (QUESTION 1, Q1=4) and /or who report having been unemployed in since finishing the SEA Program (QUESTION 5, Q5=1)]

Q33. Could you please give me the month and year of when you were unemployed for each time period you have been unemployed since finishing the SEA program, starting with the most recent?

Most Recent: _____
#2: _____
#3: _____
#4: _____
#5: _____

Q34. What is the main reason you (are/were) unemployed?

Q35. During your period(s) of unemployment, did you file for unemployment benefits?

1. Yes **[GO TO Q35a]** 2. No **[GO TO Q36]** 8. DK **[GO TO Q36]**

↓
Q35a. Were you eligible or ineligible to receive unemployment benefits?

1. Yes **[GO TO Q35b]** 2. No **[GO TO Q35b]** 8. DK **[GO TO Q36]**

↓ ↙
Q35b. Why were you eligible/ineligible? ...**[READ LIST]**

1. not enough quarters or weeks in employment
2. not enough wages in base period
3. not in covered employment
4. receiving a pension
5. quit job
6. discharge
7. not able and available for work
8. or something else? _____

Q36. How much time did you spend looking for work last week?

_____ Hours

Q37. What type of job are you looking for?

Q38. What services or resources have you used to help you with your job search? ...**[READ LIST]**

1. newspapers
2. one-on-one job counseling
3. internet
4. local employment agencies
5. or something else? _____
8. don't know

V. Evaluation of SEA Program/Services [Section V asked of all SEA Program Participants]

Q39. In what month and year did you complete your participation in the SEA program?

Month _____ Year _____

Q40. What made you interested in enrolling in the SEA program? ...**[READ LIST]**

1. free services/training offered
2. location of SEA services
3. timing of class start dates
4. time frame of assistance offered
5. or something else? _____
8. don't know

Q41. Thinking now of all the things you had to do while you were enrolled in the SEA program, what one thing was most helpful? ...**[READ LIST]**

1. SBDC counseling
2. Financial training
3. Entrepreneurial training
4. Or something else? _____
8. don't know

Q41a. What made it so helpful?

Q42. What was the least helpful part of the SEA program? ...**[READ LIST]**

1. SBDC counseling
2. Financial training
3. Entrepreneurial training
4. Or something else? _____
8. don't know

Q43. What was the most important job skill you gained by participating in the SEA program?

Q44. What additional services could the SEA program have provided to make the program even more helpful to you?

Q45. How far did you have to travel to attend the SEA classes?

1. less than 5 miles
2. 5 – 9 miles
3. 10 – 15 miles
4. more than 15 miles
8. don't know

Q46. Sometimes participants in government programs complain that they receive conflicting or unclear information about the programs in which they participate. Did you experience any communication problems while enrolled in the SEA program, or not?

1. Yes [GO TO Q46b] 2. No [GO TO Q47] 8. DK [GO TO Q47]



Q46b. What problems did you experience?

Q47. Did you receive any professional training related to your new business venture other than that provided by the SEA program?

1. Yes 2. No 8. DK

Q48. What was your wage prior to your SEA participation?

\$ _____ Per Year

VI. Demographics [Section VI asked of all participants.]

Q49. What was your age on your last birthday?

_____ Years old

Q50. What is the highest grade level of education that you have completed?

1. Non High School
2. High School Graduate
3. Some College
4. 2-yr Tech degree
5. Four-year Tech degree
6. Post-graduate degree
8. Don't know

Q51. Are you from a rural or urban area?

1. Rural
2. Urban
8. Don't know

Q52. Including yourself, how many people are currently living in your household?

_____ People → Q52a. And how many of those people require caregiving? _____

Please tell me whether you agree/disagree with each of the following statements:

AGREE DISAGREE

- | | | |
|---|---|--|
| 1 | 2 | Q54. I have always wanted to start my own business. |
| 1 | 2 | Q55. Owning my own business has always seemed like it would be too much work. |
| 1 | 2 | Q56. I've never had any interest in starting my own business. |

Q57. What is your current wage?

\$_____ Per year

Q58. Note Respondent's Gender

1. Male
2. Female

BURDEN DISCLOSURE STATEMENT

This survey is estimated to average fifteen minutes per respondent, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Send comments regarding this burden estimate or any other aspect of this survey including suggestions for reducing this burden to the Unemployment Insurance Service, Paperwork Reduction Project (1205-0412), Room S-4231, 200 Constitution Avenue, N.W., Washington, D.C. 20210.

SEA Program Non-Participant Survey
OMB Control Number 1205-0412

I. Identification of Employment History Post SEA [Section I asked of all participants]

Q1. How would you describe your current employment status? Are you ...**[READ LIST]**...

1. self-employed (i.e., working in a business you own),
2. employed (i.e., working in a business owned by someone else),
3. both self-employed and employed,
4. unemployed, or
5. retired?

Q2. How long have you been **[insert response from above]**? (*NOTE MONTH AND YEAR*)

Month _____ Year _____

Q3. Since your period of unemployment in (date), have you ever been self-employed, or not?

1. Yes
2. No
8. Don't know

Q4. Since your period of unemployment in (date), have you ever been employed, or not?

1. Yes
2. No
8. Don't know

Q5. Since your period of unemployment in (date), have you ever been unemployed, or not?

1. Yes
2. No
8. Don't know

Q6. [IF NEVER SELF-EMPLOYED, ASK (Q3 = NO)]: What has prevented you from starting your own business?

1. Lack of interest in starting a business
2. Lack of financial resources
3. Prefer to work for an employer, or
4. Something else? _____
9. Don't know

II. Post SEA Self Employment Experience [Section II asked only of those who are currently self-employed (QUESTION 1, Q1=1 or 3) and/or who report having been self-employed since their period of unemployment (QUESTION 3, Q3=1).]

Q7. What (is/was) your business's main product or service?

Q8. Do you have any particular skills that led you to start your business?

1. Yes
2. No
8. Don't know

Q9. In what month and year did your business begin operating?

Month _____ Year _____

Q9a. [IF NO LONGER SELF_EMPLOYED, ASK] In what month and year did you stop your business operations?

Month_____ Year_____

Q9b. Did you have any earnings from your business while you were still collecting unemployment insurance benefits?

1. Yes 2. No 8. Don't know

Q9c. What were your estimated earnings from self-employment during the period you were collecting unemployment benefits?

1. Less than \$1,000
2. \$1,001 - \$5,000
3. \$5,001 - \$10,000
4. \$10,001 - \$15,000
5. \$15,001 - \$20,000
6. \$20,001 - \$25,000
7. More than \$25,000
8. Don't know

Q10. (Is/was) your business a sole proprietorship, a partnership, or a corporation?

1. sole proprietorship
2. a partnership
3. a corporation
8. Don't know

Q11. How many employees, including yourself, (does/did) your business have?

_____Employees

Q12. Are you planning to add any employees within the next 12 months?

1. Yes [GO TO Q12a] 2. No [GO TO Q13] 8. DK [GO TO Q13]

↓
Q12a. How many employees do you expect to add?


_____Employees

Q13. What is your company's current monthly payroll?

1. Less than \$1,000
2. \$1,001 - \$5,000
3. \$5,001 - \$10,000
4. \$10,001 - \$15,000
5. \$15,001 - \$20,000
6. \$20,001 - \$25,000
7. More than \$25,000
8. Don't know

Q14. Please tell me whether you used any of the following to finance your business. Did you use ...**[READ LIST]**...:

| | YES | NO | DK |
|---|------------|-----------|-----------|
| a. your personal savings | 1 | 2 | 8 |
| b. money generated from your business's sales | 1 | 2 | 8 |
| c. a commercial bank loan | 1 | 2 | 8 |
| d. a loan from a credit union | 1 | 2 | 8 |
| e. a small business administration loan | 1 | 2 | 8 |
| f. some other source | 1 | 2 | 8 |

[IF YES]What source?  _____

Q15. What were the gross earnings from your business in (1999/its final year)?

1. less than \$10,000
2. \$10,001 - \$20,000
3. \$20,001 - \$30,000
4. \$30,001 - \$40,000
5. \$40,001 - \$50,000
6. \$50,001 - \$60,000
7. \$60,001 - \$70,000
8. \$70,001 - \$80,000
9. \$80,001 - \$90,000
10. \$90,001 - \$100,000
11. more than \$100,000
99. Don't know

Q16. Were there other wage earners in your household at the time you were considering starting your business?

1. Yes **[GO TO QUESTION Q16a & Q16b]**
2. No **[GO TO QUESTION Q17]**
8. Don't know **[GO TO QUESTION Q17]**

Q16a. Would you have started your business without this source of household income, or not?

2. Yes
2. No
8. Don't know

Q16b. Would you have started your business without having this wage earner's health benefits available, or not?

2. Yes
2. No
8. Don't know

Q17. What was the net profit or loss from your business in (1999/its final year)?

CIRCLE IF PROFIT or LOSS

1. less than \$10,000
2. \$10,001 - \$20,000
3. \$20,001 - \$30,000
4. \$30,001 - \$40,000
5. \$40,001 - \$50,000
6. \$50,001 - \$60,000
7. \$60,001 - \$70,000
8. \$70,001 - \$80,000
9. \$80,001 - \$90,000
10. \$90,001 - \$100,000
11. more than \$100,000
99. Don't know

Q18. Overall, how satisfied (are/were) you with your business? Are you ...**[READ LIST]**...

1. very satisfied
2. somewhat satisfied
3. somewhat dissatisfied, or
4. not at all satisfied being the owner of a business?
- _____ **DO NOT READ**
8. Don't know

Q19. What would you say (has been/was) the most difficult part of starting your own business?...**[READ LIST]**

1. lack of capital investments or start-up funds
2. insufficient cash flow
3. lack of sufficient staffing
4. local competition
5. or something else? _____
8. Don't know

Q21. What made you interested in starting your own business? ...**[READ LIST]**

1. potential of increased income
2. being your own boss
3. flexibility in daily schedule
4. potential to capitalize on one's existing skills,
5. or something else? _____
8. don't know

III. Post SEA Wage Employment Experience [Section III asked only of those who are currently employed (QUESTION 1, Q1=2 or 3) and/or who report having been employed since their period of unemployment (QUESTION 4, Q4=1). *SELF-EMPLOYMENT NOT INCLUDED*]

Q22. How many different jobs have you held, not including any periods of self-employment, since your period of unemployment in (date)?

_____ Number of Jobs

Q23. What was the month and year of employment for each position you have held, starting with the most recent?

Most Recent Job: _____
#2: _____
#3: _____
#4: _____
#5: _____

Q24. What is the primary product or service of the firm you currently work (most recently worked) for?

Q25. What (is/was) your job title?

Q26. How many hours a week (are/did) you work(ing) for this employer?

1. less than 10 hours
2. 10 – 20 hours
3. 20 – 35 hours
4. more than 35 hours
8. Don't know

Q28. Did you receive any training during your period of unemployment that helped you get your current job?

1. Yes **[GO TO Q28a]** 2. No **[GO TO Q29]** 8. DK **[GO TO Q29]**

Q28a. How was that training paid for?

1. government funded
2. employer funded
3. personally funded
4. or something else? _____
8. don't know

Q29. Overall, how satisfied are you with your present position (most recent)? Are you ...**[READ LIST]**...

1. very satisfied,
 2. somewhat satisfied,
 3. somewhat dissatisfied, or
 4. not at all satisfied?
- _____ DO NOT READ
8. Don't know

Q30. How satisfied are you with the amount of pay you get at your present position (most recent)? Are you ...**[READ LIST]**...

1. very satisfied,
 2. somewhat satisfied,
 3. somewhat dissatisfied, or
 4. not at all satisfied?
- _____ DO NOT READ
8. Don't know

Q31. How satisfied are you with the fringe benefits at you receive at your present position (most recent)? Are you ...**[READ LIST]**...

1. very satisfied,
 2. somewhat satisfied,
 3. somewhat dissatisfied, or
 4. not at all satisfied?
- _____ DO NOT READ
8. Don't know

Q32. How satisfied are you with the amount of job security you have at your present position (most recent)? Are you ...**[READ LIST]**...

1. very satisfied,
 2. somewhat satisfied,
 3. somewhat dissatisfied, or
 4. not at all satisfied?
- _____ DO NOT READ
8. Don't know

IV. Post SEA Unemployment Experience [Section IV asked only of those who are currently unemployed (QUESTION 1, Q1=4) and/or who report having been unemployed since their period of unemployment (QUESTION 5, Q5=1).]

Q33. Could you please give me the month and year of when you were unemployed since your period of unemployment in (date), starting with the most recent?

Most Recent: _____
#2: _____
#3: _____
#4: _____
#5: _____

Q34. What is the main reason you (are/were) unemployed?

Q35. During your period(s) of unemployment, did you file for unemployment benefits?

1. Yes [GO TO Q35a] 2. No [GO TO Q36] 8. DK [GO TO Q36]

↓
Q35a. Were you eligible or ineligible to receive unemployment benefits?

1. Yes [GO TO Q35b] 2. No [GO TO Q35b] 8. DK [GO TO Q36]

↓ ←
Q35b. Why were you eligible/ineligible? ...[READ LIST]

1. not enough quarters or weeks in employment
2. not enough wages in base period
3. not in covered employment
4. receiving a pension
5. quit job
6. discharge
7. not able and available for work
8. or something else? _____

Q36. How much time did you spend looking for work last week?

_____ Hours

Q37. What type of job are you looking for?

Q38. What services or resources have you used to help you with your job search? ...[READ LIST]

1. newspapers
2. one-on-one job counseling
3. internet
4. local employment agencies
5. or something else? _____
8. don't know

VI. Demographics [Section VI asked of all participants.]

Q49. What was your age on your last birthday?

_____ Years old

Q50. What is the highest grade level of education that you have completed?

1. Non High School
2. High School Graduate
3. Some College
4. 2-yr Tech degree
5. Four-year Tech degree
6. Post-graduate degree
8. Don't know

Q51. Are you from a rural or urban area?

1. Rural
2. Urban
8. Don't know

Q52. Including yourself, how many people are currently living in your household?

_____ People —————▶ Q52a. And how many of those people require caregiving? _____

Q53. During your period of unemployment on (date), you were eligible to participate in a program called the self-employment assistance program, that would have taught you about starting your own business. What is the main reason you did not participate in the SEA program?

Please tell me whether you agree/disagree with each of the following statements:

AGREE DISAGREE

- | | | |
|---|---|--|
| 1 | 2 | Q54. I have always wanted to start my own business. |
| 1 | 2 | Q55. Owning my own business has always seemed like it would be too much work. |
| 1 | 2 | Q56. I've never had any interest in starting my own business. |

Q57. What is your current wage?

\$_____ Per year

Q58. Note Respondent's Gender

1. Male
2. Female

BURDEN DISCLOSURE STATEMENT

This survey is estimated to average fifteen minutes per respondent, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Send comments regarding this burden estimate or any other aspect of this survey including suggestions for reducing this burden to the Unemployment Insurance Service, Paperwork Reduction Project (1205-0412), Room S-4231, 200 Constitution Avenue, N.W., Washington, D.C. 20210.

APPENDIX D
DEFINITION OF INDEPENDENT VARIABLES
INCLUDED IN REGRESSION MODELS

| Variable Name | Definition |
|---|--|
| State program: New York | 1 if filed UI claim in New York; 0 otherwise |
| State program: New Jersey | 1 if filed UI claim in New Jersey; 0 otherwise |
| State program: Maine | 1 if filed UI claim in Maine; 0 otherwise |
| Participated in SEA program | 1 if participated in self-employment program training; 0 otherwise |
| Months from initial unemployment | Number of months between UI filing date and survey date |
| Age in years | Age in years at time of UI filing date |
| Sex, Male | 1 if male; 0 if female |
| Race, White | 1 if white; 0 if otherwise |
| Education, four-year degree | 1 if 4-year college degree; 0 if otherwise |
| Location of residence, urban | 1 if self-identified resident of urban area; 0 if otherwise |
| Presence of householder needing care giving | 1 if at least one individual in household other than self requires care giving; 0 if otherwise |
| Previous occupation, professional/technical | 1 if prior unemployment occupation in professional, technical or managerial position; 0 if otherwise |
| Base wage | Wages in the earliest 4 of 5 quarters prior to filing UI claim |
| Unemployment rate in county, 1996 | 1996 unemployment rate in county of residence |
| Unemployment rate in county, 1997 | 1997 unemployment rate in county of residence |
| Unemployment rate in county, 1998 | 1998 unemployment rate in county of residence |
| Unemployment rate in county, 1999 | 1999 unemployment rate in county of residence |
| Interest in starting business | Amount of interest expressed in owning a business |

SUMMARY STATISTICS OF INDEPENDENT VARIABLES

State program: New York (34%)

State program: New Jersey (34%)

State program: Maine (32%)

Participated in SEA program (49%)

Months from initial unemployment (33 months average)

Age in years (44)

Sex, Male (44%)

Race, White (79%)

Education, four-year degree (20%)

Location of residence, urban (47%)

Presence of householder needing care giving (33%)

Previous occupation, professional/technical (33%)

Base wage (\$25,995)

Unemployment rate in county, 1996 (5.7)

Unemployment rate in county, 1997 (5.5)

Unemployment rate in county, 1998 (4.8)

Unemployment rate in county, 1999 (4.6)

Interest in starting business (49%, high interest; 25% moderate interest; 14% somewhat disinterested; 12% not interested)

APPENDIX E
REGRESSION TABLES FOR POST-UI WAGE/SALARY EARNINGS

| Determinants of Wage/Salary Earnings 1st Quarter following UI claim (base year 1999) | | |
|--|-------------|---------------------|
| Variable | Coefficient | (Standard Error) |
| State program: New York | 4024.95 | (1993.54) |
| State program: Maine | 1202.84 | (2504.94) |
| Participated in SEA Program | -1110.24 | (985.02) |
| Sex, male | -270.78 | (982.62) |
| Age in years | 17.55 | (44.95) |
| Race, white | -80.23 | (1462.15) |
| Education, four-year degree | 1951.54 | (1207.66) |
| Location of residence, urban | -923.15 | (973.77) |
| Presence of householder needing care giving | -1238.52 | (1002.57) |
| Previous occupation, professional/technical | 741.83 | (1102.93) |
| Base wage | .156*** | (.032) |
| Unemployment rate in county, 1996 | -335.43 | (1644.03) |
| Unemployment rate in county, 1997 | -3243.65 | (1867.50) |
| Unemployment rate in county, 1998 | 3682.43 | (1867.50) |
| Unemployment rate in county, 1999 | 305.07 | (1236.23) |
| Constant | -2068.55 | (3980.83) |
| R squared | .083 | |
| *p < .05 | | |
| **p < .01 | | |
| ***p < .001 | | |

| Determinants of Wage/Salary Earnings 2nd Quarter following UI claim (base year 1999) | | |
|---|-------------|---------------------|
| Variable | Coefficient | (Standard Error) |
| State program: New York | 3540.67** | (1015.99) |
| State program: Maine | 1347.21 | (1283.50) |
| Participated in SEA Program | -1690.15** | (503.34) |
| Sex, male | -915.84 | (499.21) |
| Age in years | -48.84* | (22.99) |
| Race, white | 62.46 | (754.13) |
| Education, four-year degree | 491.52 | (628.48) |
| Location of residence, urban | -557.59 | (494.78) |
| Presence of householder needing care giving | -3.48 | (513.16) |
| Previous occupation, professional/technical | -182.02 | (564.95) |
| Base wage | .088*** | (.016) |
| Unemployment rate in county, 1996 | 1636.85 | (847.03) |
| Unemployment rate in county, 1997 | -1120.02 | (949.86) |
| Unemployment rate in county, 1998 | -1138.99 | (955.31) |
| Unemployment rate in county, 1999 | 820.44 | (624.47) |
| Constant | 579.67 | (2059.80) |
| R squared | .090 | |
| *p < .05 | | |
| **p < .01 | | |
| ***p < .001 | | |

| Determinants of Wage/Salary Earnings 3rd Quarter following UI claim (base year 1999) | | |
|---|--------------------|-------------------------|
| Variable | Coefficient | (Standard Error) |
| State program: New York | 3913.82*** | (641.71) |
| State program: Maine | 2568.67** | (816.80) |
| Participated in SEA Program | -847.55** | (315.72) |
| Sex, male | -46.37 | (313.74) |
| Age in years | -17.56 | (14.56) |
| Race, white | -156.78 | (471.33) |
| Education, four-year degree | 460.39 | (400.07) |
| Location of residence, urban | -410.51 | (312.83) |
| Presence of householder needing care giving | -53.41 | (325.49) |
| Previous occupation, professional/technical | 170.36 | (352.30) |
| Base wage | .059*** | (.010) |
| Unemployment rate in county, 1996 | 2061.58** | (533.19) |
| Unemployment rate in county, 1997 | -1578.64* | (595.40) |
| Unemployment rate in county, 1998 | -342.63 | (598.13) |
| Unemployment rate in county, 1999 | 47.72 | (38.88) |
| Constant | -1383.75 | (1294.96) |
| R squared | .131 | |
| *p < .05 | | |
| **p < .01 | | |
| ***p < .001 | | |

| Determinants of Wage/Salary Earnings 4th Quarter following UI claim (base year 1999) | | |
|---|--------------------|-------------------------|
| Variable | Coefficient | (Standard Error) |
| State program: New York | 3361.96*** | (795.95) |
| State program: Maine | 2662.05** | (1003.40) |
| Participated in SEA Program | -947.90* | (376.74) |
| Sex, male | -532.65 | (378.37) |
| Age in years | -26.64 | (17.79) |
| Race, white | -1037.99 | (580.12) |
| Education, four-year degree | 939.49 | (482.91) |
| Location of residence, urban | -629.44** | (374.72) |
| Presence of householder needing care giving | 259.39 | (386.44) |
| Previous occupation, professional/technical | -171.24 | (416.40) |
| Base wage | .068*** | (.013) |
| Unemployment rate in county, 1996 | 1731.78** | (656.12) |
| Unemployment rate in county, 1997 | -1315.41 | (716.32) |
| Unemployment rate in county, 1998 | -657.03 | (709.47) |
| Unemployment rate in county, 1999 | 319.60 | (465.59) |
| Constant | 1048.22 | (1580.97) |
| R squared | .097 | |
| *p < .05 | | |
| **p < .01 | | |
| ***p < .001 | | |

| Determinants of Wage/Salary Earnings 5th Quarter following UI claim (base year 1999) | | |
|---|--------------------|-------------------------|
| Variable | Coefficient | (Standard Error) |
| State program: New York | 2847.51*** | (704.04) |
| State program: Maine | 2013.93* | (884.17) |
| Participated in SEA Program | -760.71* | (328.31) |
| Sex, male | 17.04 | (330.16) |
| Age in years | -36.18* | (15.66) |
| Race, white | -307.70 | (505.14) |
| Education, four-year degree | 1069.78* | (416.33) |
| Location of residence, urban | -693.46* | (327.27) |
| Presence of householder needing care giving | 791.66* | (338.34) |
| Previous occupation, professional/technical | 174.34 | (362.64) |
| Base wage | .056*** | (.011) |
| Unemployment rate in county, 1996 | 1093.71 | (578.32) |
| Unemployment rate in county, 1997 | -1019.84 | (628.63) |
| Unemployment rate in county, 1998 | 413.68 | (611.34) |
| Unemployment rate in county, 1999 | -376.23 | (401.73) |
| Constant | 1151.613 | (1408.74) |
| R squared | .121 | |
| *p < .05 | | |
| **p < .01 | | |
| ***p < .001 | | |

| Determinants of Wage/Salary Earnings 6th Quarter following UI claim (base year 1999) | | |
|---|--------------------|-------------------------|
| Variable | Coefficient | (Standard Error) |
| State program: New York | 1850.25* | (740.16) |
| State program: Maine | 1422.14 | (929.88) |
| Participated in SEA Program | -1222.07*** | (345.71) |
| Sex, male | 48.75 | (346.12) |
| Age in years | -34.21* | (16.43) |
| Race, white | -895.71 | (537.70) |
| Education, four-year degree | 1053.84* | (434.34) |
| Location of residence, urban | -363.92 | (341.88) |
| Presence of householder needing care giving | 805.51* | (355.58) |
| Previous occupation, professional/technical | -54.47 | (378.55) |
| Base wage | .066*** | (.012) |
| Unemployment rate in county, 1996 | 768.27 | (605.46) |
| Unemployment rate in county, 1997 | -480.89 | (660.39) |
| Unemployment rate in county, 1998 | -207.53 | (644.27) |
| Unemployment rate in county, 1999 | 36.13 | (417.87) |
| Constant | 2213.16 | (1482.67) |
| R squared | .115 | |
| *p < .05 | | |
| **p < .01 | | |
| ***p < .001 | | |

| Determinants of Wage/Salary Earnings 7th Quarter following UI claim (base year 1999) | | |
|---|--------------------|-------------------------|
| Variable | Coefficient | (Standard Error) |
| State program: New York | 2519.79** | (772.40) |
| State program: Maine | 1607.68 | (971.46) |
| Participated in SEA Program | -1237.31** | (367.48) |
| Sex, male | 368.19 | (368.44) |
| Age in years | -32.71 | (17.46) |
| Race, white | -549.29 | (570.26) |
| Education, four-year degree | 1180.13* | (457.86) |
| Location of residence, urban | -684.72 | (363.74) |
| Presence of householder needing care giving | 601.19 | (377.98) |
| Previous occupation, professional/technical | -106.00 | (402.10) |
| Base wage | .066*** | (.013) |
| Unemployment rate in county, 1996 | 821.22 | (635.13) |
| Unemployment rate in county, 1997 | -522.50 | (691.16) |
| Unemployment rate in county, 1998 | -73.94 | (687.74) |
| Unemployment rate in county, 1999 | -24.95 | (444.83) |
| Constant | 1307.95 | (1549.04) |
| R squared | .132 | |
| *p < .05 | | |
| **p < .01 | | |
| ***p < .001 | | |

| Determinants of Wage/Salary Earnings 8th Quarter following UI claim (base year 1999) | | |
|---|--------------------|-------------------------|
| Variable | Coefficient | (Standard Error) |
| State program: New York | 2073.01* | (934.41) |
| State program: Maine | 720.30 | (1177.89) |
| Participated in SEA Program | -819.62 | (434.39) |
| Sex, male | 262.48 | (439.88) |
| Age in years | -25.75 | (20.50) |
| Race, white | -616.420 | (656.57) |
| Education, four-year degree | 1079.51 | (545.12) |
| Location of residence, urban | -697.86 | (434.06) |
| Presence of householder needing care giving | 824.62 | (446.77) |
| Previous occupation, professional/technical | 186.97 | (469.31) |
| Base wage | .030 | (.015) |
| Unemployment rate in county, 1996 | 500.17 | (762.62) |
| Unemployment rate in county, 1997 | -138.31 | (830.59) |
| Unemployment rate in county, 1998 | -295.25 | (820.22) |
| Unemployment rate in county, 1999 | 141.97 | (530.05) |
| Constant | 2197.15 | (1880.50) |
| R squared | .079 | |
| *p < .05 | | |
| **p < .01 | | |
| ***p < .001 | | |

**Determinants of Wage/Salary Earnings 9th Quarter
following UI claim (base year 1999)**

| Variable | Coefficient | (Standard Error) |
|---|-------------|------------------|
| State program: New York | 728.34 | (914.16) |
| State program: Maine | -106.16 | (1145.02) |
| Participated in SEA Program | -580.46 | (413.47) |
| Sex, male | 461.28 | (424.41) |
| Age in years | -27.69 | (19.79) |
| Race, white | -59.83 | (633.11) |
| Education, four-year degree | 1501.60** | (530.90) |
| Location of residence, urban | -139.67 | (416.45) |
| Presence of householder needing care giving | 927.73* | (426.03) |
| Previous occupation, professional/technical | 183.74 | (445.51) |
| Base wage | .024 | (.015) |
| Unemployment rate in county, 1996 | -102.03 | (747.83) |
| Unemployment rate in county, 1997 | 412.78 | (795.57) |
| Unemployment rate in county, 1998 | -428.66 | (772.19) |
| Unemployment rate in county, 1999 | 113.21 | (512.57) |
| Constant | 3098.89 | (1854.44) |
| R squared | .069 | |
| *p < .05 | | |
| **p < .01 | | |
| ***p < .001 | | |

**Determinants of Wage/Salary Earnings 10th Quarter
following UI claim (base year 1999)**

| Variable | Coefficient | (Standard Error) |
|---|-------------|------------------|
| State program: New York | 1380.09 | (1151.62) |
| State program: Maine | 81.90 | (1436.77) |
| Participated in SEA Program | -909.13 | (513.86) |
| Sex, male | 610.48 | (525.94) |
| Age in years | -6.21 | (24.82) |
| Race, white | -938.47 | (778.76) |
| Education, four-year degree | 1604.02* | (663.79) |
| Location of residence, urban | 241.20 | (514.18) |
| Presence of householder needing care giving | 973.67 | (534.88) |
| Previous occupation, professional/technical | 213.82 | (545.52) |
| Base wage | .038* | (.018) |
| Unemployment rate in county, 1996 | -656.61 | (924.14) |
| Unemployment rate in county, 1997 | 643.73 | (981.50) |
| Unemployment rate in county, 1998 | -467.02 | (914.27) |
| Unemployment rate in county, 1999 | 504.52 | (609.97) |
| Constant | 2887.43 | (2324.98) |
| R squared | .106 | |
| *p < .05 | | |
| **p < .01 | | |
| ***p < .001 | | |

APPENDIX F
REGRESSION TABLES FOR UI BENEFIT AMOUNTS

| Determinants of UI/SEA Benefit Amounts, Maine | | |
|--|-------------|------------------|
| (base year 1999) | | |
| Variable | Coefficient | (Standard Error) |
| Participated in SEA Program | 2003.67*** | (211.98) |
| Sex, male | -207.66 | (219.53) |
| Age in years | 22.47* | (10.61) |
| Race, white | -2791.58** | (1036.08) |
| Education, four-year degree | -969.94** | (313.78) |
| Location of residence, urban | -146.75 | (236.16) |
| Presence of householder needing care giving | -62.80 | (234.17) |
| Previous occupation, professional/technical | 382.83 | (280.76) |
| Base wage | .044*** | (.011) |
| Unemployment rate in county, 1996 | -70.13 | (455.50) |
| Unemployment rate in county, 1997 | -428.10 | (484.87) |
| Unemployment rate in county, 1998 | 774.54 | (464.56) |
| Unemployment rate in county, 1999 | -269.91 | (274.52) |
| Constant | 3832.32* | (1267.76) |
| R squared | .326 | |
| *p < .05 | | |
| **p < .01 | | |
| ***p < .001 | | |

| Determinants of UI/SEA Benefit Amounts, New Jersey | | |
|---|-------------|------------------|
| (base year 1999) | | |
| Variable | Coefficient | (Standard Error) |
| Participated in SEA Program | 1214.10*** | (338.30) |
| Sex, male | 1135.73*** | (306.93) |
| Age in years | 11.40 | (12.92) |
| Race, white | 144.28 | (383.74) |
| Education, four-year degree | 669.23 | (378.39) |
| Location of residence, urban | -24.04 | (295.85) |
| Presence of householder needing care giving | 531.29 | (302.18) |
| Previous occupation, professional/technical | 213.50 | (324.42) |
| Base wage | .064*** | (.007) |
| Unemployment rate in county, 1996 | 1383.82** | (506.67) |
| Unemployment rate in county, 1997 | -1914.90** | (549.96) |
| Unemployment rate in county, 1998 | 413.03 | (816.81) |
| Unemployment rate in county, 1999 | 15.67 | (945.61) |
| Constant | 2442.67* | |
| R squared | .393 | |
| *p < .05 | | |
| **p < .01 | | |
| ***p < .001 | | |

Determinants of UI/SEA Benefit Amounts, New York
(base year 1999)

| Variable | Coefficient | (Standard Error) |
|---|-------------|------------------|
| Participated in SEA Program | 953.21** | (303.64) |
| Sex, male | 458.57 | (324.74) |
| Age in years | 43.40** | (15.00) |
| Race, white | -383.61 | (359.80) |
| Education, four-year degree | -258.56 | (358.14) |
| Location of residence, urban | 663.49* | (303.02) |
| Presence of householder needing care giving | 85.89 | (317.26) |
| Previous occupation, professional/technical | 316.13 | (333.02) |
| Base wage | .056*** | (.009) |
| Unemployment rate in county, 1996 | -297.42 | (571.52) |
| Unemployment rate in county, 1997 | 279.25 | (751.46) |
| Unemployment rate in county, 1998 | 152.00 | (733.39) |
| Unemployment rate in county, 1999 | -365.98 | (469.09) |
| Constant | 1437.12 | (1068.71) |
| R squared | .285 | |
| *p < .05 | | |
| **p < .01 | | |
| ***p < .001 | | |

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