

# Lessons from the Entrepreneurship Experiments

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# Overview

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

# Self-Employment Projects & Programs

- **1970s and 1980s: Industrial nations develop SEA programs (17 EU countries)**
- **1990: Massachusetts SEA experiment begins**
- **1992 & 1995: SEA evaluation reports**
- **1993 & 1998: SEA enacted, first temporarily, then permanently**
- **2003: Project GATE project begins**
- **2009: Seven states operate SEA programs.**

# MA SEA Experiment Design

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

# MA SEA Experiment Findings

- Take up rate – 4%
- Increased business start up – 58% vs 47%
- Increased earnings +\$5,940 (SE + W&S)
- Net benefits to Labor Department, government sector & society
- SEA shown to be viable option for unemployed through public workforce system
- Net benefits to USDOL – SEA enacted in 1993 with budget neutrality

# MA SEA Experiment Participants

- Male 69%
- Age 25-54 90%
- Caucasian 89%
- High school 55%
- Some college 42%
- Professional 52%
- Manufacturing 26%

# The SEA Program

- **SEA eligible workers are UI recipients**
- **Found likely to exhaust their benefits, using a “worker profiling “ model**
- **SEA provides self-employment allowances in lieu of UI benefits**
- **Entrepreneurial counseling and training**
- **State join SEA by enacting conforming legislation**

# SEA Today

- **Only seven (7) states have active programs: DE MD ME NJ NY OR PA**
- **Small: Less than 2,000 participants/year**
- **States pay for counseling and training (not WIA or SBDC)**
- **SEA experience showed SEA would work for dislocated workers. Project GATE asked: would it work for all workforce clients?**

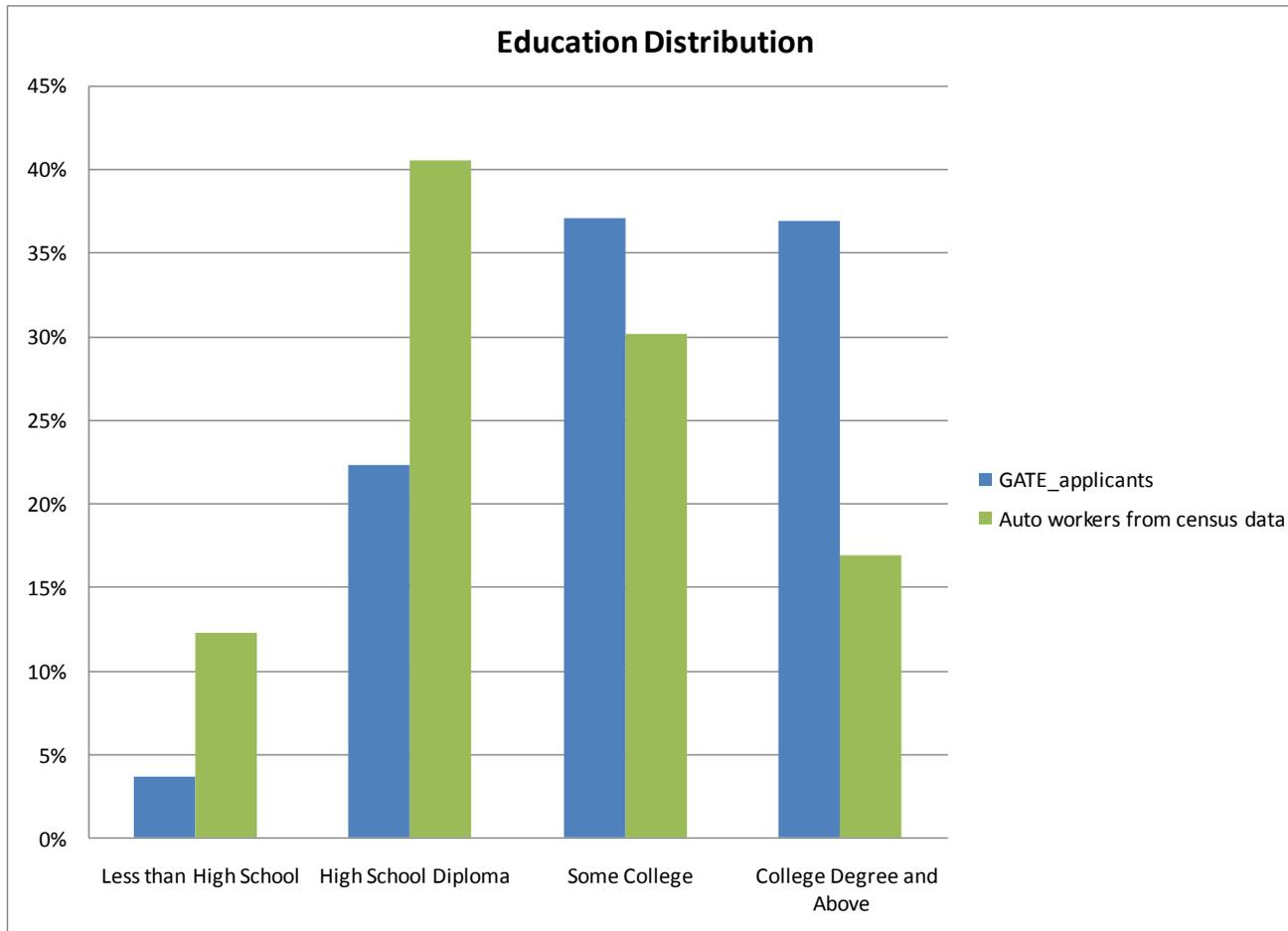
# Project GATE

- **Random Assignment Demonstration Project, 2004-2005. Final Evaluation, December 2009, with 60 month follow-up**
- **Sites in ME, MN, PA – urban & rural**
- **Eligible: All workers who want to start or expand small businesses. Not have to be unemployed or collecting UI**
- **Services: assessment, training, one-on-one technical assistance**
- **No seed capital**

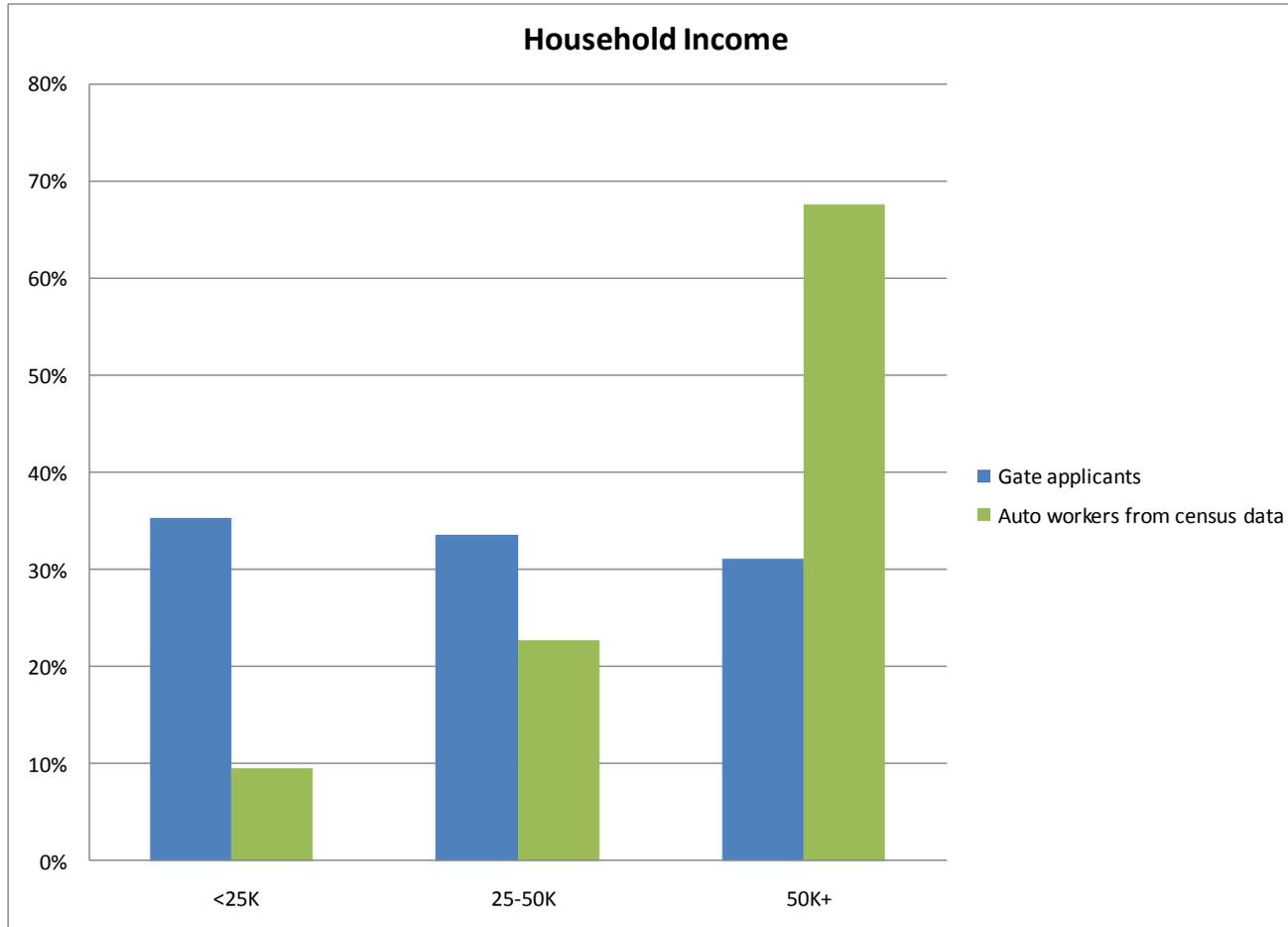
# Early Project GATE Findings (delete)

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

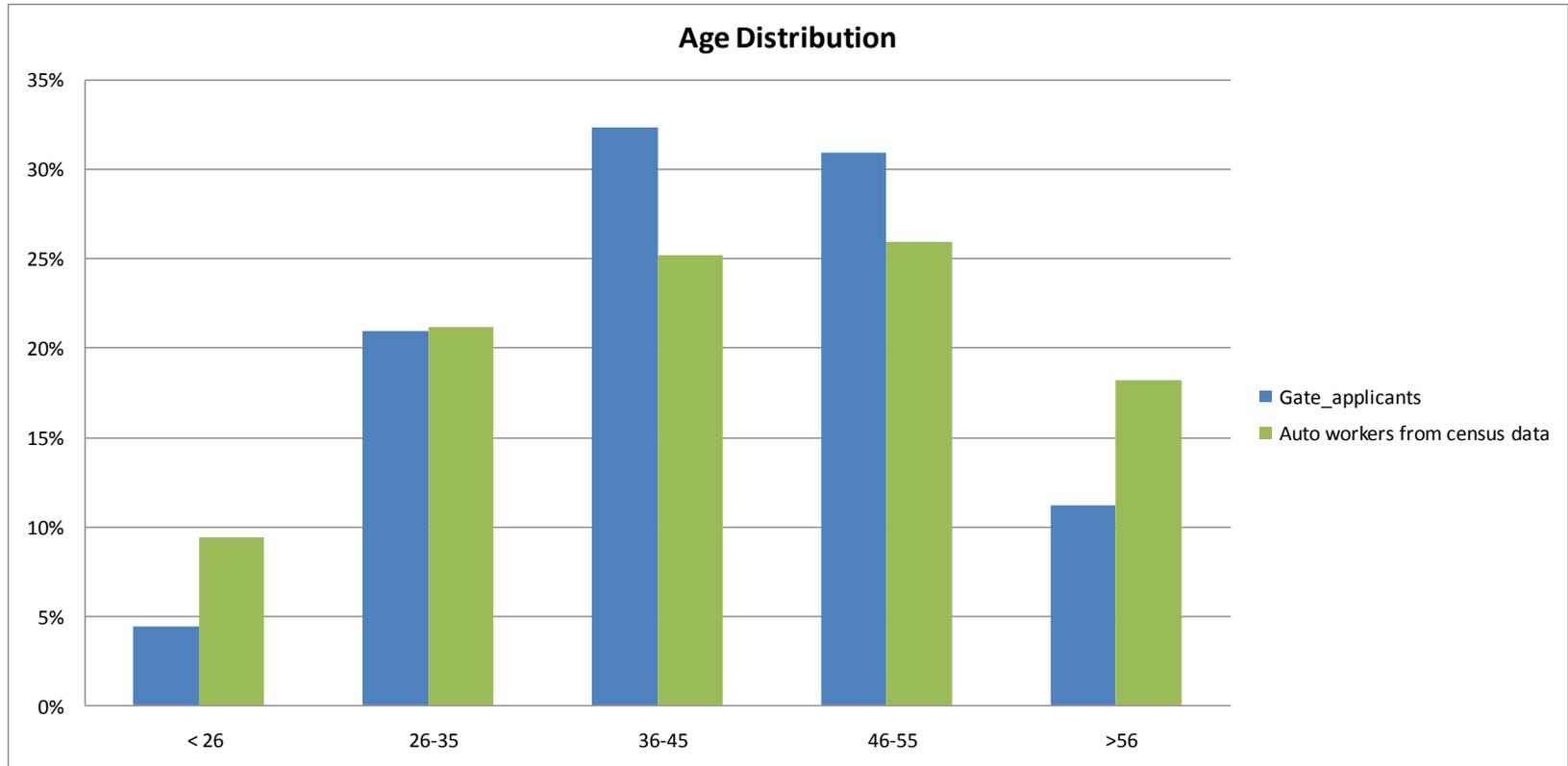
# Education: GATE and Auto Workers



# Earnings: GATE and Auto Workers



# Age: GATE and Auto Workers



# Summary

- Self-employment services are a promising intervention for permanent displaced unemployed workers
- Auto workers meet the SEA profile
- Manufacturing workers – about 25%
- Age – concentration in the 35-55 group
- Advantages for auto workers
  - Work experience and transferrable skills
  - Credit histories/collateral/assets
  - Stable family situation

# Selected References

- **Jacob Benus et al. 1995. *Self-Employment Programs: A New Reemployment Strategy*. UI Occasional Paper 95-5.**
- **Project GATE evaluation. Forthcoming early 2010.**
- **Small Business Administration. 2008. *The Small Business Economy: A Report to the President*.**
- **Stephen Wandner. 2008. “Employment Programs for Recipients of Unemployment Insurance.” *Monthly Labor Review* (October).**