

# REPORT



FINAL REPORT

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

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## Abstract

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The Self-Employment Training (SET) pilot program was funded by the U.S. Department of Labor (DOL) to test strategies for supporting dislocated workers interested in starting their own businesses. Unemployed and underemployed workers who proposed businesses in their fields of expertise were eligible to participate. SET participants received free access to 12 months of case management, customized training and technical assistance, and up to \$1,000 in seed capital microgrant funds for business start-up costs. The program operated in four sites—Chicago, Illinois; Cleveland, Ohio; Los Angeles, California; and Portland, Oregon—between 2013 and 2017.

This report presents results from an evaluation of SET’s impacts on outcomes using survey data collected 18 months after the study enrollees applied to the program. We estimated impacts based on the evaluation’s random assignment design, in which 1,981 eligible applicants were divided almost equally between the SET program group and a control group. Our key findings are that, as of the 18-month survey date, SET led to greater receipt of personalized assistance and seed capital, produced a sustained increase in self-employment activity, and led to modest increases in the rate of employment in any job (through self-employment or a wage/salary job). We also found that the SET program group and the control group earned similar amounts during the year before the survey. Hence, there was no discernable impact of SET on earnings over the period covering 7 to 18 months after study enrollment. In the report, we describe findings for additional outcomes, as well as differences across sites and select demographic and socioeconomic groups.

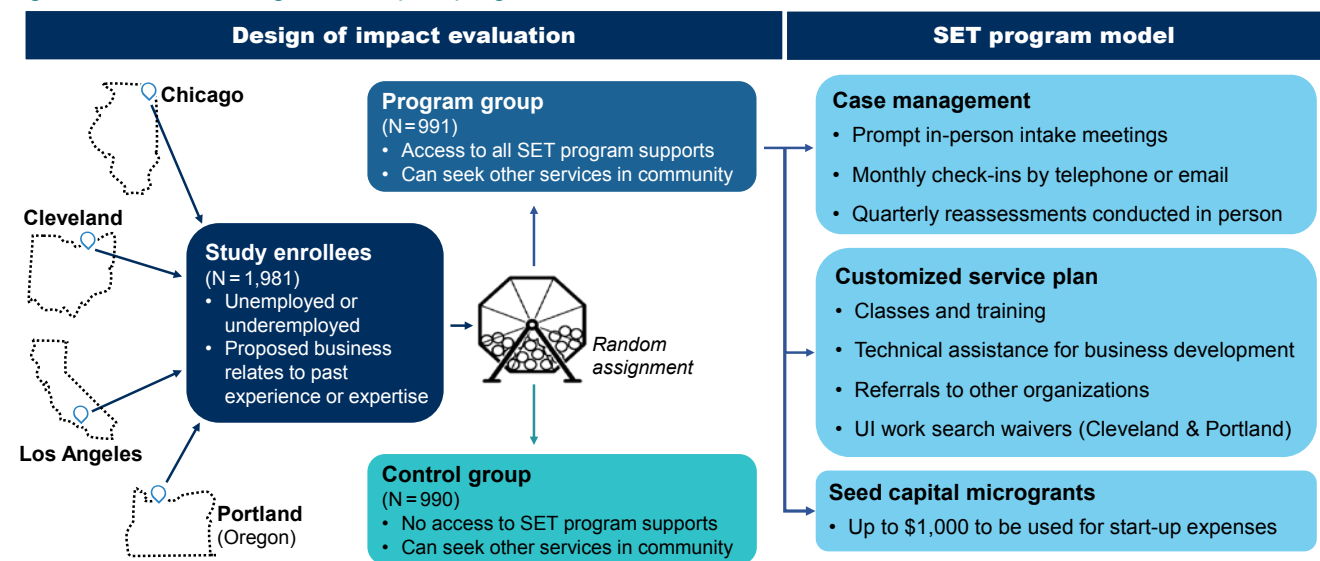
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## Executive Summary

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

SET served unemployed and underemployed workers who proposed businesses in their fields of expertise. The program was designed based on past research and practitioner feedback about the needs of dislocated workers coping with a job loss. Participants had access to 12 months of case management services, customized training and technical assistance, and seed capital microgrants of up to \$1,000. In two sites, SET participants who received unemployment insurance (UI) benefits could also get waivers exempting them from work search requirements.

Figure ES.1. Evaluating the SET pilot program



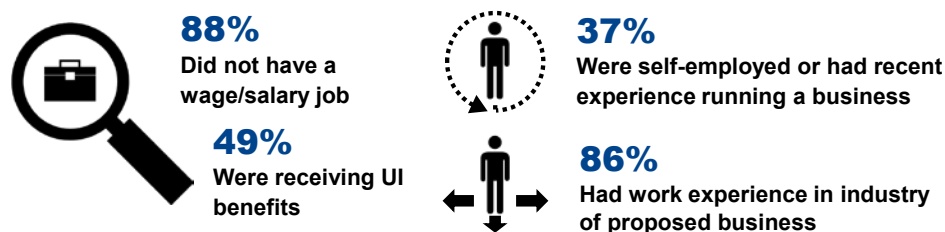
This report presents findings from an impact study to assess the extent to which SET delivered additional self-employment supports, increased self-employment activity, and led to better reemployment outcomes. We estimated impacts after randomly assigning half of the study's 1,981 enrollees to a control group that did not have access to SET but could seek services and supports elsewhere. We measured outcomes through a survey conducted about 18 months after each enrollee applied to the SET program. The results complement findings in a previous evaluation report by Amin et al. (2017) about how SET was implemented.

### The distinctive population of study enrollees

Most study enrollees had an employment and experience profile that aligned with the pilot program's intended targeting strategy (Figure ES.2). The study also attracted applicants from backgrounds that tended to be different from the national population of business start-up owners. Almost 60 percent of the study enrollees were women, and a similar share indicated a nonwhite or Hispanic ethnicity. Among start-up

owners nationwide, only one-third were women and less than 40 percent were nonwhite or Hispanic. In addition, more than half of the study enrollees had a bachelor's degree or higher, compared to about one-third of all the people starting a business around the same time.

Figure ES.2.  
Employment and  
experience of study  
enrollees



### Increases in key self-employment supports for the SET program group

Delivering personalized services and distributing microgrants to qualified participants were central to the SET model. Comparing the program and control groups, we found that:

- **SET almost tripled the average number of personalized contacts with self-employment assistance providers** between the time of enrollment and the 18-month survey—from 1.6 in the control group to 4.7 in the program group (Figure ES.3).
- **It also more than doubled the share of people who received nonborrowed funds** during that time—from 21 to 49 percent. Our results suggest that this increase was related to seed capital microgrants being available to SET participants making satisfactory progress in the program.

In addition, SET increased the shares of people who attended in-person classes and training (from 33 to 63 percent), participated in online courses (from 35 to 42 percent), and made in-person connections via peer advice and networking groups (from 39 to 57 percent).

Figure ES.3.  
Personalized  
contacts with self-  
employment  
assistance  
providers



### Sustained self-employment activity generated by the SET program

SET helped more people achieve potentially important business development milestones.

- **The program led to more people completing a business plan.** Two-thirds of the program group had done so by the time of the 18-month survey, compared to less than half of the control group.
- **SET increased the number of people who formalized their business**—by registering it, incorporating it, and/or obtaining an employer or tax identification number—from 54 percent in the control group to 65 percent in the program group (Figure ES.4).

Some of these increases may have been prompted by the requirement that program group members had to complete a business plan and register their businesses to be eligible for the SET seed capital microgrants. Nonetheless, achieving these milestones could help lay the groundwork for longer-term success of a small business by signaling dedication to potential investors and clients.

Figure ES.4.  
Formally establishing a business by 18 months after enrollment



In addition, SET led to more people being self-employed since the study began, as well as a sustained increase in commitment to self-employment. Specifically, the pilot program:

- **Helped an additional 6 percent of the program group enter self-employment.** Around 77 percent of the program group and 71 percent of the control group had been self-employed between when they enrolled in the study and the 18-month survey.
- **Increased the share who committed at least 20 hours per week to self-employment** during the year before the survey, on average, from 25 to 31 percent.
- **Resulted in nearly 12 percent more of the program group remaining engaged in self-employment at the time of the survey**—68 percent were self-employed at that time, compared to 56 percent of the control group (Figure ES.5). This suggests that the program led to greater persistence or patience, because all study members expressed an interest in self-employment when applying to SET.

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

Figure ES.5.  
Self-employment rates 18 months after enrollment

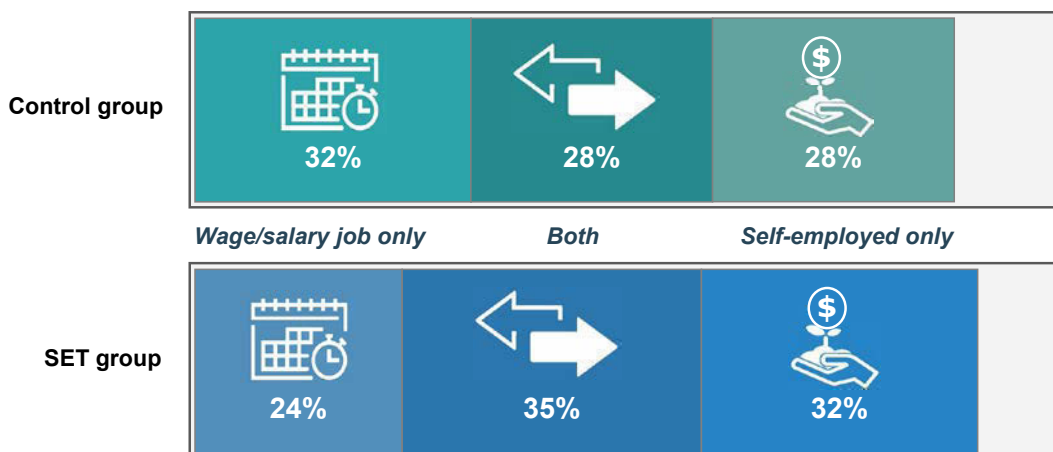


## Maintained engagement with wage/salary work; modest reemployment impacts

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

- **About 60 percent of both the program and control groups held a wage/salary job at the time of the 18-month survey**, and the two groups also both spent a similar amount of time (between 900 and 1,000 hours) in wage/salary work over the year before the survey.
- **SET led to an increase in dual employment—that is, holding a wage/salary job while pursuing self-employment at the survey date.** This could represent a strategic “income-patching” approach to maintaining family income while developing a small business. It also could reflect the program group pursuing self-employment while keeping the door open to the traditional job market, given the potential risks of entrepreneurship, as well as other motivations.

Figure ES.6.  
Employment rates  
18 months after  
enrollment, by  
type of job



**Overall, SET helped 3 to 4 percent of the program group become reemployed in any job—through self-employment, a wage/salary job, or both—at the time of the 18-month survey.** Between 91 and 92 percent of the program group was employed in any job at the survey date, compared to just over 88 percent of the control group. The high rates of employment suggest that the study’s screening criteria attracted dislocated workers who had skills and experience they could use to find jobs, even without access to the program. This might have left limited room for the program to have an effect. From this perspective, SET further reduced the joblessness rate from a little less than 12 percent to below 9 percent, a decrease of one-fourth.

## No evidence of impacts on earnings over a relatively short horizon

**The program and control groups earned similar amounts, on average, during the 12 months before the survey.** We found negligible differences between the two groups in their total earnings, self-employment earnings, and earnings from wage/salary jobs during that time. On the one hand, this implies that SET did not measurably increase earnings from self-employment or improve the financial position of dislocated workers. On the other hand, the program group did not lose a significant amount of wage/salary earnings. However, this assessment of earnings covers earlier periods than when we measured impacts for the study’s other key outcomes. All earnings outcomes were measured between 7 and 18 months after



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

### **Additional lessons learned and questions for future study**

#### **SET increased self-employment rates for each demographic subgroup by a substantial amount.**

The size of these estimated impacts did not differ measurably between older and younger enrollees, by gender, or between non-Hispanic white enrollees and members of other racial/ethnic groups. Further, in every demographic group we considered, the share employed in any job was higher for those assigned to the SET program group than for those in the control group.

#### **SET may have been particularly effective in promoting self-employment among those without recent small business experience.**

This difference suggests that SET provided more distinctive support to new entrepreneurs who might not know how to identify supports in their communities or use them effectively. However, this group also was less likely to have credit problems than those with recent self-employment experience. Additional testing could assess options for targeting services or adding an emphasis on credit repair.

#### **We observed differences in site-level estimates of SET's effectiveness in improving business development and work outcomes, but it is not clear what these differences reflect.**

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

#### **Evaluating impacts over a longer horizon could provide an improved understanding of SET's effectiveness.**

We found a larger impact for self-employment measured at the time of the survey than when also considering self-employment activity that occurred closer to the study enrollment date. Assessing whether the higher rates of self-employment in the program group are maintained beyond the 18-month survey could be beneficial. Similarly, a longer horizon could allow for a better understanding of how SET affected earnings when the study enrollees' businesses have had more time to mature. SET's impacts on key employment and earnings outcomes might decline over time if the program group's businesses ultimately succeed at the same rate as those in the control group, or if the control group's businesses took additional time to develop. Alternatively, the greater business development effort of the program group might bear fruit in later years, which could translate into larger increases in earnings. Based on the time it takes successful start-ups to become profitable, examining how SET affected earnings after several years could be particularly informative.

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## I. Introduction

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The Great Recession and its aftermath was a challenging time for unemployed workers struggling to find jobs. Shortly after the recession officially ended in 2009, one in 10 American workers were unemployed and over one in 25 had been unemployed for at least 27 weeks—an all-time high for long-term joblessness (Bureau of Labor Statistics 2012). The unemployment rate fell back below its pre-recession level seven years later, but the share of unemployed workers experiencing long-term joblessness remained high by historical standards (Dunn and Blank 2018). At the end of 2017, almost 1.6 million people had been unemployed for over half a year, and over one million of them had been jobless for over a year.

The economic downturn prompted new thinking on workforce development policy for the long-term unemployed, including rekindling interest in self-employment as a reemployment strategy (Board of Governors of the Federal Reserve System 2012). For example, the Workforce Investment and Opportunity Act (WIOA) of 2014 included new opportunities for workforce agencies to provide entrepreneurial skills training to unemployed and underemployed workers. This builds, in part, on a rich history of U.S. Department of Labor (DOL) self-employment initiatives that were initially prompted by growing worker dislocation during the 1980s and 1990s.

DOL commissioned the Self-Employment Training (SET) pilot program, which operated between 2013 and 2017, to evaluate a new approach for supporting dislocated workers who wanted to start their own businesses. Mathematica Policy Research implemented and evaluated the SET pilot. The design of the SET pilot was informed by evaluations of past DOL pilot programs, findings from the broader research literature on self-employment, and conversations with practitioners. The program included up to 12 months of case management, customized training and technical assistance, and seed capital microgrants of up to \$1,000 to use on business start-up expenses. The evaluation included an implementation study to understand how SET operated and a random assignment impact study to understand how it affected worker outcomes.

This report presents findings from the impact study on the extent to which SET delivered additional self-employment supports (beyond what was otherwise available), increased self-employment activity, and led to better reemployment outcomes. A previous study report by Amin et al. (2017) presented results from the implementation study. In the rest of this chapter, we provide additional context about self-employment as a reemployment strategy for dislocated workers. We then discuss the distinctive features of the SET program model and provide a broad overview of the SET evaluation.

### A. Self-employment as a reemployment strategy for dislocated workers

Workers who lose a wage or salary job and struggle to find work may suffer from long-term reductions in their well-being. This “scarring” effect can be particularly strong for those who lose jobs due to changes in the economy. Federal workforce policy has long sought to help dislocated workers find reemployment. Several initiatives have promoted self-employment as a route back to work and toward self-sufficiency. For those coming from the wage/salary sector, however, self-employment presents its own challenges, and DOL continues to look for ways to address these challenges.

**Scarring effects of a job loss.** Losing a job involuntarily or unexpectedly has been linked to relatively long spells of joblessness and reductions in psychological well-being.<sup>1</sup> Long-term joblessness is particularly common during recessionary periods and for workers in declining industries or occupations. Longer gaps on the resume may reduce future labor market prospects as these workers become less appealing to potential employers. This scarring effect of a job loss has been associated with 20 percent lower lifetime earnings. Workers who are displaced from jobs in a weak economy and who move between industries experience particularly large drops in their subsequent earnings.

**Federal training and employment services to support reemployment for dislocated workers.**

From the 1980s through the present, dislocated workers have been a special target population for federal training policy. Box I.1 shows how this group was defined under the federal workforce legislation that was in effect when DOL commissioned the SET program. Since mid-2013, when SET services were launched, roughly 57 percent of non-youth federal employment and training funds were issued through the WIOA Dislocated Workers program.<sup>2</sup> More than three-quarters of these dislocated workers have been unemployment insurance (UI) recipients (Social Policy Research Associates 2016).

**Opportunities and challenges of supporting self-employment as an alternative reemployment strategy.**

Some dislocated workers who are unable to regain work in a wage or salary job can find reemployment and bolster their economic self-sufficiency through entrepreneurship. DOL has sought to help dislocated workers pursue this route through a variety of initiatives. For example:

- Four DOL pilot programs tested from the 1990s through the early 2010s have provided training and other supports to support entry into self-employment: the Self-Employment and Enterprise Development (SEED) Project; the Massachusetts Enterprise Project (MEP); Project Growing America Through Entrepreneurship (GATE I) program; and Project GATE II. Three of these pilots (SEED, MEP, and GATE II) focused on UI recipients and other dislocated workers, and GATE I included a

**Box I.1 Who are dislocated workers?**

Based on the federal workforce legislation under which SET was designed, dislocated workers include individuals who:

- Were terminated or laid off from a job, showed attachment to the workforce, and were unlikely to return to their previous occupation or industry
- Were terminated or laid off as a result of a plant closure or substantial plant downsizing
- Were self-employed and experiencing unemployment as a result of general economic conditions
- Were displaced homemakers—individuals who had been providing unpaid services to family members in the home while dependent on income of another family member but are no longer supported by that income

<sup>1</sup> This paragraph draws on a review of the literature on job displacement by Brand (2015), an experimental study of duration dependence in joblessness by Kroft et al. (2013), and studies of post-job-loss earnings dynamics by Cha and Morgan (2010), Davis and von Wachter (2011), and Farber (2017).

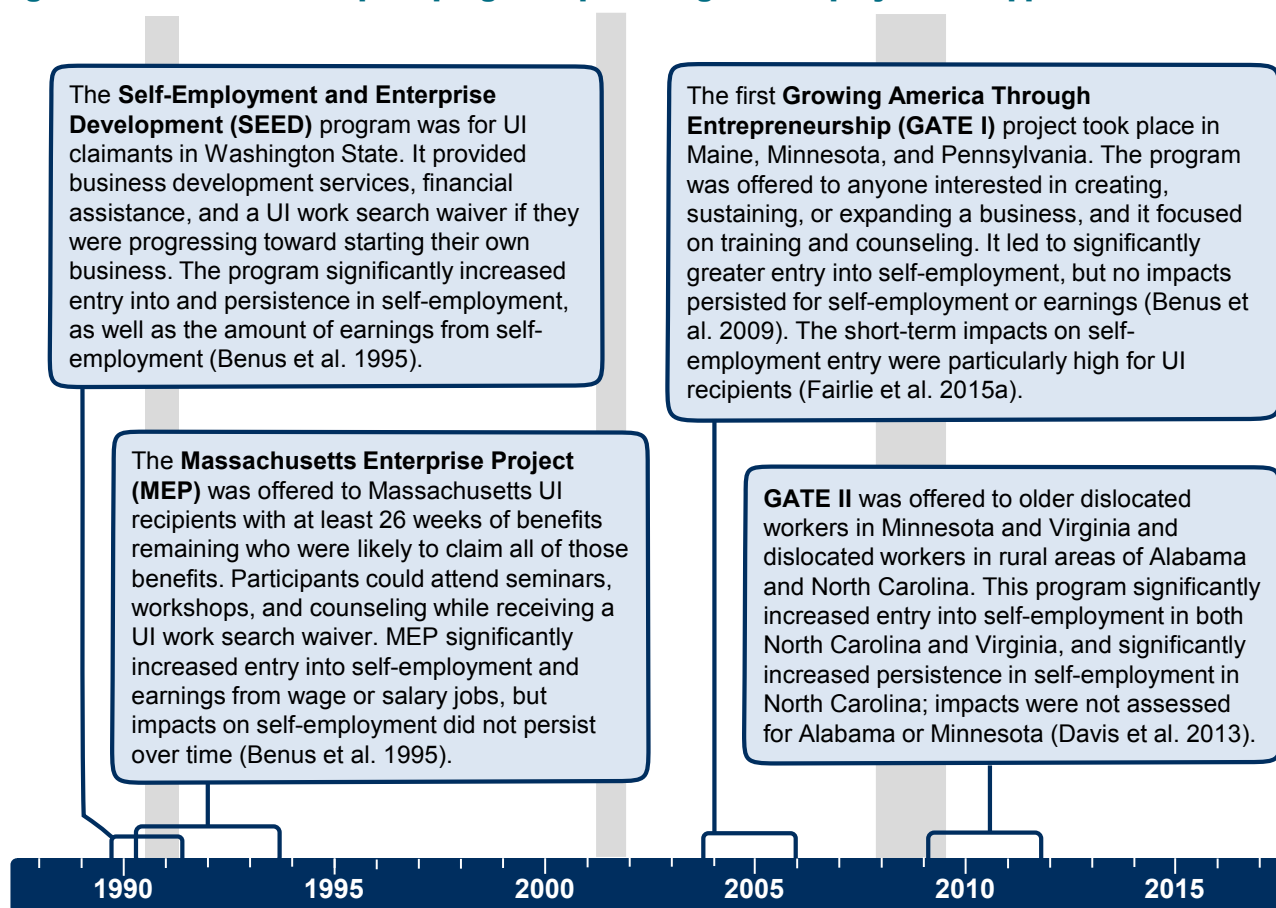
<sup>2</sup> Quarterly expenditure reports are available from <https://www.doleta.gov/budget/qtrlyspend.cfm>. WIOA expanded the definition of dislocated workers, compared to the Workforce Investment Act of 1998 (under which SET was commissioned), to also include military spouses who lose employment due to the relocation of a service member.

substantial number of unemployed workers. Figure I.1 and Appendix A provide additional information about who the pilot programs served, when and where they operated, and their main features.

- DOL established the Self-Employment Assistance (SEA) program for UI recipients determined likely to exhaust their UI benefits, based partly on results from the 1990s programs (Isaacs 2012). The SEA program permits these unemployed workers to continue receiving UI while starting a business, without being required to search for wage and salary employment. Five states (Delaware, Mississippi, New Hampshire, New York, and Oregon) have active SEA programs, which served approximately 5,000 claimants between January 2013 and June 2015 (Weigensberg et al. 2017).

As noted earlier, WIOA also authorized states and local workforce system partners to provide entrepreneurial training for dislocated workers and other adult customers.

**Figure I.1. Previous DOL pilot programs providing self-employment supports**



Note: The gray bars denote recessionary periods according to reference dates established by the National Bureau of Economic Research (<http://www.nber.org/cycles.html>).

These initiatives have been tempered with the understanding that self-employment can be a risky endeavor for workers coming from the wage/salary sector. During the past two decades, only 41 percent of all start-ups survived for two or more years, and 20 percent survived for at least five years (Fairlie et al. 2018). As discussed in Appendix A, entrepreneurs facing financial struggles—which can often occur after a job loss—or who do not have relevant past experience may be less likely to succeed. Risks cannot always be identified up front (Sullivan 2000; Schreiner and Woller 2003), and failures may come with a considerable financial

and psychological toll—particularly for those who have less experience with entrepreneurship (Ucbasaran et al. 2013).

**DOL continues to look for new program models that could help address the challenges that starting a business may pose for dislocated workers.** There is broad public and private interest in helping small businesses and start-ups, but supports for those *in the early stages* of pursuing self-employment are still relatively limited (see Appendix A). This gap may be particularly prominent for those starting from a disadvantaged position, such as unemployment. Furthermore, evaluations of past DOL pilot programs found that they increased entry into self-employment but did not always result in longer-term success (Figure I.1). As we discuss in the next section, SET was designed as an alternative model that might promote persistence in self-employment.

## **B. Designing a new self-employment training program for dislocated workers**

Working with DOL, Mathematica designed the SET program based on lessons learned from past DOL pilots, a review academic and practitioner literature, and discussions with front-line providers. This design included two important features to help dislocated workers succeed in self-employment: (1) targeting those who were well positioned to take advantage of the program, and (2) providing personalized services and financial supports to help them navigate the early stages of entrepreneurship. We summarize each of these features here; we then describe the partnerships needed to carry out the SET program in practice. Additional information about the program model and implementation are in Appendix A and Amin et al. (2017).

### **1. SET targeting**

The SET pilot program was premised on the idea that **dislocated workers** have distinctive needs when pursuing self-employment and can, therefore, benefit from targeted training and support (as discussed in Appendix A). Hence, one of the program eligibility criteria was that workers be either unemployed or, in some cases, underemployed when applying to the program.

Because there are substantial risks in starting a business, SET program services were also targeted to **people who were pursuing businesses in a field in which they had experience or expertise**. This approach is unlike past DOL pilot programs, which served any interested applicants who met the basic eligibility criteria. However, as discussed in Appendix A, Mathematica’s review of the research suggested that aspiring business owners who have substantive knowledge about the product or service they plan to offer are more likely than others to succeed. Conversations with microenterprise service providers also indicated that dislocated workers often had this type of knowledge, even if they lacked specific knowledge about how to run a business. Therefore, eligibility for the SET pilot program required that applicants demonstrate relevant experience for the type of self-employment venture they intended to pursue. This could include formal work experience in the same industry as the proposed business or other demonstrated expertise related to the business gained through a hobby or volunteering.

The study did not screen applicants based on the scale of their business ideas or plans to hire others, however. SET was designed to support reemployment, which could be achieved through successful self-employment ventures of any size.

## 2. The SET offer

In consultation with DOL, Mathematica structured the SET program to augment existing self-employment supports to better meet the unique needs of dislocated workers. Many such supports are available from the Small Business Administration's (SBA) local programs, state SEA program, state and local workforce agencies under WIOA, and foundations and private-sector entities (see Amin et al. 2017). For people grappling with the shock of job loss, however, identifying these options and developing a plan for mastering all the skills needed to succeed in self-employment could be especially overwhelming. Furthermore, dislocated workers often face significant challenges with finances, struggling to make even relatively modest investments in their businesses. Therefore, key features of the SET program include ongoing personal engagement with participants to understand their evolving needs, a customized service plan, and a small amount of direct financial support to defray some of their business start-up costs.

Specifically, for a 12-month period after enrollment, participants had free access to the following services and supports:

- **Case management services** from experienced business development advisors, called SET advisors. These services included:
  - **Prompt, in-person intake meetings** with a SET advisor designated by the service provider within two weeks of the participant being admitted to the program. During intake, the advisor learned about the participant's needs for business development support and devised a service plan to help the participant make progress toward self-employment.
  - **Monthly follow-up meetings** by telephone or in person, if possible, to learn about progress, identify new business development needs, and provide additional assistance.
  - **In-person quarterly reassessments** to provide a more comprehensive assessment of progress since intake, reevaluate the participant's needs, and update the service plan.
- **Intensive and tailored service delivery.** Using the service plan developed through case management, SET advisors were expected to connect participants to training, technical assistance, coaching, and other business development supports. They could provide services directly, through referrals resources at their own organizations, or through referrals to other organizations. 
- **Seed capital microgrants of up to \$1,000.** Participants who registered their businesses, completed their business plans, and engaged satisfactorily with the program (as determined by their SET advisors) were eligible for these microgrants. Funds could be used for start-up expenses (such as licenses, equipment, or supplies) but not for ongoing operational expenses (such as salaries or rent) or personal expenses. 

In addition, SET advisors were asked to refer participants to American Job Centers (AJCs) for other job search assistance, including training and employment services, if the advisor and participant established that self-employment was not a good fit.

Mathematica and DOL also sought to secure **work search waivers for UI recipients** who participated in the SET program. Most UI recipients must devote a portion of their time to contacting potential wage/salary

employers and applying for jobs. Waivers would allow them to continue receiving UI benefits while devoting their full time and attention to self-employment.

The SET program builds on the past DOL pilot self-employment initiatives (described in Appendix A), emphasizing two specific types of assistance in particular. First, SET sought to facilitate personalized and sustained engagement between service providers and participants, which field staff noted had not typically been available to people in the early stages of starting a business. As discussed in Appendix A, Mathematica set up performance- and milestone-based payments to service providers to incentivize initial intake and subsequent follow-up case management efforts. (These payments also included an incentive to close out services and provide referrals back to AJCs for SET participants who were no longer actively engaged with the program.) Second, SET provided some direct financial payments to help participants pay for start-up expenses if they achieved certain business development milestones and remained engaged with the program. Of the four past DOL pilot programs, only one included this sort of financial support: the SEED program allowed UI recipients to cash out their remaining UI benefit entitlement (Appendix A). Although the SET seed capital microgrants provided a smaller amount of money than the SEED program, conversations with practitioners suggested that even \$1,000 might help reduce the investment challenges unemployed workers face when trying to start or grow a business.

### 3. Partnerships for operating SET as a pilot program

DOL and Mathematica established a framework for implementing SET with the understanding that workforce agencies, UI offices, and microenterprise providers would be integral to carrying out the program, but recognized that Mathematica would maintain some responsibilities to facilitate the evaluation (Figure I.2).

- **Mathematica collaborated with workforce agencies and UI offices to identify potential applicants to the program**, given the program’s focus on dislocated workers. The evaluation’s outreach approach called for these partners to promote SET at a low burden, given their tight budgets after the Great Recession. It was not likely to be feasible to ask workforce staff to take on more responsibilities, such as holding orientations specific to SET and processing applications. Instead, Mathematica assumed these responsibilities.
- **Services were delivered by local microenterprise development organizations whose philosophies aligned with the SET program model.** Some of the organizations tended to already provide intensive, one-on-one assistance for some clients and all were willing start to do so (in a structured way) for those in the early stages of starting a business. Mathematica staff also provided technical assistance, oversight, and a performance-based compensation scheme to support and encourage these providers in implementing the SET model as planned.

If state or local workforce agencies were to implement a similar program more broadly, they would need to develop an application process, as well as a system for supporting and monitoring providers.

**Figure I.2. SET delivery**





Ultimately, the implementation team at Mathematica established these partnerships in four metropolitan areas that had large numbers of dislocated workers who might be interested in self-employment: **Chicago, Illinois; Cleveland, Ohio; Los Angeles, California; and Portland, Oregon.** Chapter II of this report and Amin et al. (2017) provide additional information about how these areas were selected. Across those sites, 11 microenterprise service providers delivered SET services.

### C. Overview of the SET evaluation

Our evaluation of the SET pilot program was designed to assess its viability and effectiveness, providing information to answer research questions about how it operated and whether it worked (Box I.2).

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#### Box I.2. Research questions guiding the SET evaluation

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- **Did the SET pilot program work?** What was the net impact of the SET program on participants' overall employment status and total earnings, as well as self-employment? Did it attract participants? Did participants find SET useful? Did local providers think it was worth offering?
- **Where did the SET program work, and for whom did it work?** Were there differences across study sites, and were these differences associated with key contextual features of those sites? What types of participants did the program attract, and which ones benefited from the program? Did program outcomes and impacts vary by participants' demographic and socioeconomic characteristics, work experiences, or attitudes?
- **How did the SET pilot program work?** How well did key features of the program work? How well did outreach and intake procedures work in practice? Were service providers able to deliver intensive and timely support with fidelity to the program model? Did the program successfully offer financial supports through the seed capital microgrants? How did providers and participants perceive and engage with key elements of the SET program?
- **What will it take to operate the SET pilot program at scale?** What were the lessons learned regarding partnerships and supports needed to implement this pilot program at scale? What are considerations for replicating or scaling this program, or both?

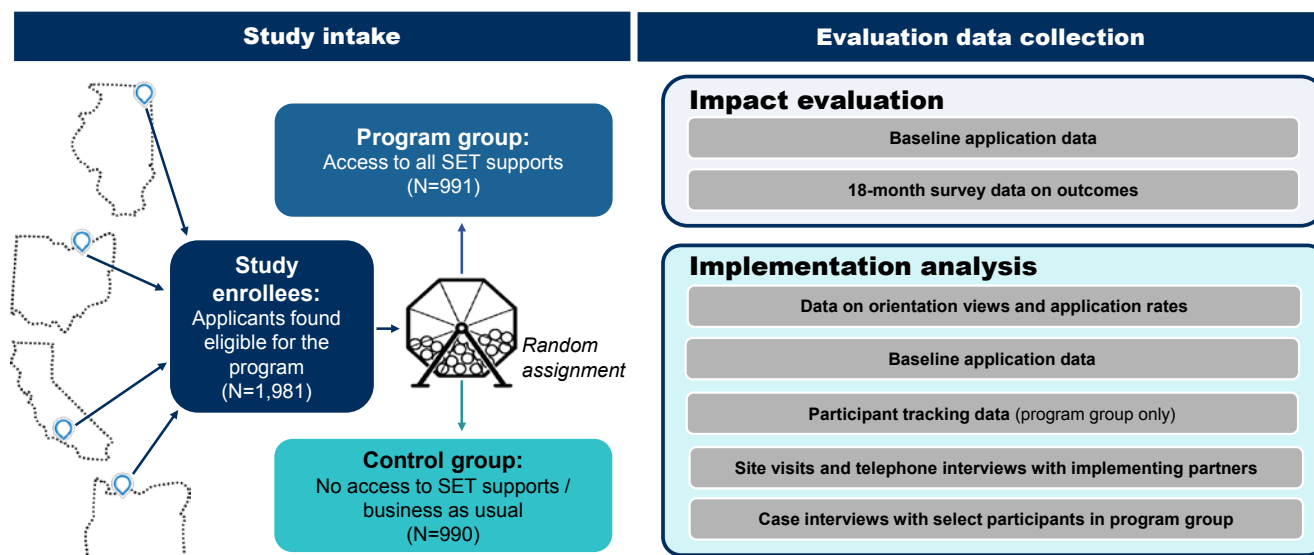
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To answer these questions, Mathematica designed and carried out a rigorous evaluation with two components:

1. To understand whether the program worked, where, and for whom, the evaluation included an **impact analysis** that used random assignment to determine access to the SET program. Across the four study sites, 1,981 eligible applicants were enrolled in the study and divided almost equally between the SET program group and a control group. The SET group (N = 991) had access to the program services developed for the demonstration, as well as SET microgrants. The control group (N = 990) was not offered these services and supports through the SET program, although they might have sought out similar types of assistance anyway, and were referred to AJCs for job search help. Both groups could draw on other existing supports available in their communities. The impact evaluation used data from a baseline application survey given to all study group members and a follow-up survey conducted 18 months later to assess the effects of SET on a range of outcomes.
2. To understand how the program worked—what was needed to operate it, and lessons learned for replicating the program, scaling it, or informing similar efforts—the evaluation included an **implementation analysis**. This component of the evaluation drew on program application data, participant-tracking and -monitoring data, case study interviews with 36 participants, and site visit and telephone interviews with providers.

Figure I.3 summarizes the study intake process and the data collected for the evaluation. Additional details on both can be found later in this report.

**Figure I.3. Random assignment evaluation design and data collection**



## D. Organization of this report

In this report, we present findings from the impact evaluation of outcomes based on the 18-month follow-up survey. The main text of the report is organized as follows:

- In Chapter II, we describe the design of the evaluation, including how we selected sites, screened applicants, conducted random assignment, collected data, and estimated impacts
- In Chapter III, we provide an overview of the characteristics of SET study enrollees and summarize how key features of the program model were delivered in practice
- In Chapter IV, we present results for our primary outcome measures to assess how well SET worked to increase self-employment and reemployment rates
- In Chapter V, we present results for service receipt measures to establish the degree to which SET led to increased take-up of self-employment supports and other job services
- In Chapter VI, we present results for business development milestones to assess the extent to which SET helped the program group take additional steps toward self-employment
- In Chapter VII, we present results from an in-depth assessment of how SET affected self-employment activity
- In Chapter VIII, we present results from our assessment of how SET affected other measures of work and well-being, particularly employment in wage/salary jobs
- In Chapter IX, we summarize results from a subgroup analysis we conducted to assess whether impacts for primary outcomes differed across types of study enrollees
- In Chapter X, we present additional discussion of our findings and concluding remarks

Accompanying the main text are five appendixes. Appendix A presents additional information about the the design and implementation of the SET pilot program. Appendix B provides technical details about the study evaluation design and our statistical analysis methods. Appendixes C, D, and E contain detailed analysis results.

The study team at Mathematica also produced four briefs and a report based on the implementation analysis (Anderson et al. 2016; Amin et al. 2016; Brown et al. 2016; Massad Francis et al. 2016; and Amin et al. 2017); these offer detailed findings that provides the basis for the summary presented in Appendix A. Although a full assessment of costs and cost-benefit analysis were outside the scope of this study, the implementation analysis considered providers' perspectives on the service expenditures and the adequacy of payments they received for serving SET participants.

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## II. Approach to Evaluating the Impacts of SET

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The SET impact study was designed to provide a rigorous understanding of how the SET program affected the outcomes of those admitted into it. In this chapter, we describe the sites and partners we selected for this proof-of-concept demonstration. We then discuss the approach we used to conduct study outreach, screen applications, and randomly assign study enrollees. Finally, we provide an overview of the data sources and analysis methods used to evaluate SET impacts. (Additional methodological details are in Appendix B.)

### A. Selecting study sites and partners

**Study sites were chosen to provide sufficient enrollment and provider capacity to test the effectiveness of the program model.** SET was implemented by carefully vetted partners in sites that we chose based on two criteria:

- 1. Having a high potential demand for SET services**, based on the pool of dislocated workers who might try self-employment. Selecting high-demand sites was important because we had to efficiently recruit a sufficient number of eligible applicants so that the evaluation could reliably identify impacts. The study team considered high-demand sites to those with unemployment rates above 7 percent when site selection began (in 2011) and a dislocated worker population with diverse industry experience.
- 2. Having a high-capacity to implement the SET program**, based on workforce partners and microenterprise service providers whose approach and resources would allow them to promote and implement the program model. The study team looked for a strong and enthusiastic network of workforce partners willing to promote the program and work with state UI offices to secure work search waivers for SET participants. The study team also sought microenterprise service providers with the staff, resources, and service capacity that could allow them to deliver the SET model as intended.

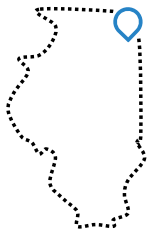
Using these criteria, Mathematica worked with DOL to identify partners to implement SET in four metropolitan areas: (1) **Chicago, Illinois** (city of Chicago and Cook County); (2) **Cleveland, Ohio** (Cuyahoga and Lorain counties); (3) **Los Angeles, California** (Los Angeles City and Los Angeles County); and (4) **Portland, Oregon** (Multnomah and Washington counties).

**SET study sites included larger metropolitan areas with higher unemployment rates and smaller metropolitan areas with lower unemployment rates** (Box II.1). As of 2015, roughly in the middle of the SET program operation period, unemployment rates were above the national average of 5.3 percent in Chicago and Los Angeles and below the national average in Cleveland and Portland. Although unemployment rates fell during the implementation period, jobs did not necessarily open up in declining industries; therefore, we expected to enroll dislocated workers with diverse backgrounds and experiences.

**In two of the sites, work search waivers were available to SET participants receiving UI benefits.** The Ohio UI office agreed to provide work search waivers specifically for the SET program. In Portland, waivers were available to SET participants and nonparticipants through Oregon's SEA Program. Work search waivers, however, were not available to any study enrollees in Chicago or Los Angeles.

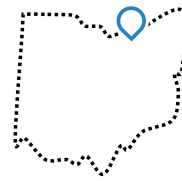
## Box II.1. SET study sites at a glance

### Chicago, IL



- City of Chicago and Cook County (one workforce area)
- Metro area statistics for 2015:
  - Labor force: 3.8 million
  - Unemployment rate: 6.0%
- UI work search waivers: unavailable

### Cleveland, OH



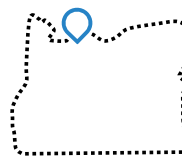
- Cuyahoga and Lorain Counties (two workforce areas)
- Metro area statistics for 2015:
  - Labor force: 1.0 million
  - Unemployment rate: 5.0%
- UI work search waivers: available to SET participants

### Los Angeles, CA



- Los Angeles City and Los Angeles County (two workforce areas)
- Metro area statistics for 2015:
  - Labor force: 5.0 million
  - Unemployment rate: 6.6%
- UI work search waivers: unavailable

### Portland, OR



- Multnomah and Washington counties (one workforce area)
- Metro area statistics for 2012:
  - Labor force: 1.2 million
  - Unemployment rate: 5.2%
- UI work search waivers: available to SET participants and others taking part in the state's SEA program

Note: Information on the size of the labor force and the unemployment rate by metropolitan area are based on Bureau of Labor Statistics historical tables (<https://www.bls.gov/eag/home.htm>).

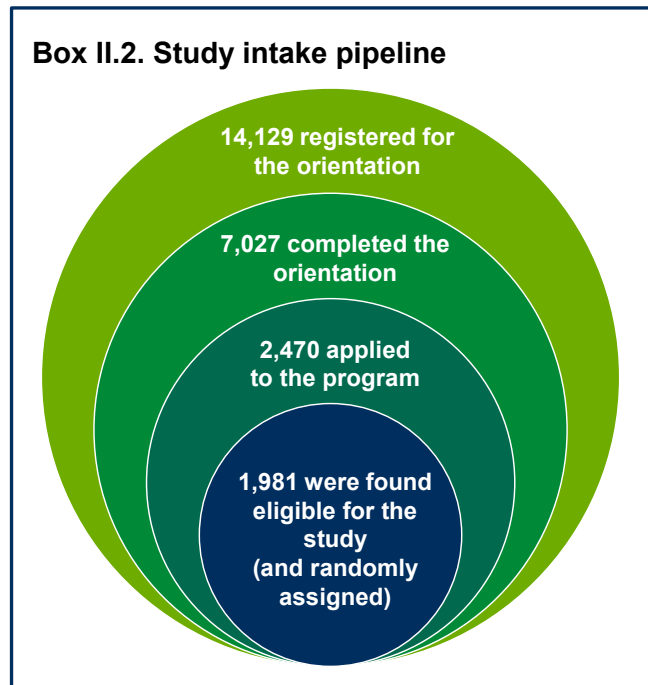
**Implementation partners chosen based on their initial capacity and willingness to deliver the SET model.** Across the four study sites, we identified 11 microenterprise service providers vetted through an application process in which they described their capabilities and planned service delivery approaches. Chicago, Cleveland, and Portland each had 3 providers, and Los Angeles had 2 providers. As discussed in Appendix A, 8 of the providers received SBA funding; the others were community-based organizations (CBOs) or nonprofits. Mathematica staff provided technical assistance, oversight, and a performance-based compensation scheme to support and encourage these providers in implementing the SET model as planned. Based on these interactions, we ceased working with two providers in 2014 because they were not implementing the model with sufficient fidelity (Amin et al. 2017).

## B. Outreach, intake, and random assignment

### Outreach through partnerships with workforce development and UI system partners.

Mathematica developed an approach to conduct program marketing and recruitment at relatively low cost, but it still required partners to commit some time and resources. Initial attempts focused on identifying potential applicants from the pool of customers seeking workforce services from AJCs. Over time, this expanded to include mass emails, postcards, and robocalls. Cleveland and Portland were able to quickly leverage existing mass outreach mechanisms through the state/local workforce programs and the state UI program. This took longer to establish in Chicago, but eventually resulted in the largest recruitment flow of any site. Workforce development and UI system partners in Los Angeles, however, did not have the capacity to engage in mass outreach.

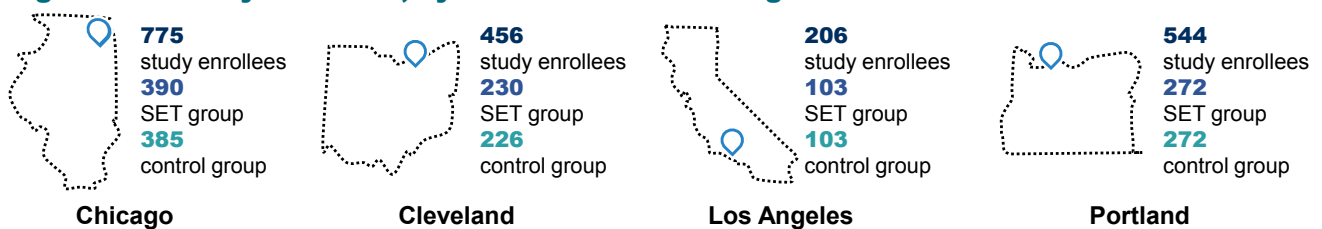
**Intake and application screening through an online system.** Outreach efforts resulted in more than 14,000 people expressing interest in SET through the online system maintained by Mathematica, with 1,981 eligible applicants enrolling in the study (Box II.2). Of those who registered for an online orientation, about half eventually completed the orientation, and 17 percent applied to the program. As discussed in Appendix B, the application included an automated dislocated worker screener, a baseline information form, and a description of the applicant’s business idea and relevant past experience. Of those who applied, 80 percent were found to be eligible, randomly assigned (as discussed below), and matched to providers based on location and capacity.



Ineligible applicants were almost evenly split between (1) those who did not pass the dislocated worker screener, and (2) those who were screened out based on other substantive criteria. As discussed in Amin et al. (2017), Mathematica initially developed the dislocated worker screener to classify applicants based on the definitions specified by federal workforce legislation (see Chapter I, Box I.1). After 18 months, the study team decided to simplify the screener and revised it to reduce the extent to which it screened out applicants who were overly optimistic about their future employment prospects. Mathematica staff then manually screened the remaining applications to identify those who lived outside the study’s catchment areas, did not have relevant past experience, or (in a few cases) proposed a business that was illegal.

**SET program group created through random assignment.** Mathematica randomly assigned all eligible applicants to either the SET program group or control group. The program group was offered the supports described in Chapter I. The control group was not offered these supports through the SET program but could use other resources in the community. All study enrollees had an equal chance of being assigned to the program group or the control group, and we conducted random assignment separately by site. Therefore, although the total number of study enrollees differed markedly across sites—likely due in part to the differences in outreach noted above—the program and control groups were approximately the same size in each site (Figure II.1).

**Figure II.1. Study enrollees, by site and random assignment outcome**



## C. Study data

The impact analysis draws primarily on survey data collected from study intake forms and from a follow-up survey fielded 18 months after each enrollee was randomly assigned. To provide additional context for the analysis, we also examine a select set of participant-tracking measures from the program's management information system (MIS). Box II.3 provides an overview of these data; additional information can be found in Amin et al. (2017) and Appendix B of this report.

### Box II.3. Data used in this report



**Baseline characteristics from study intake forms.** All applicants completed an online survey to provide information about their demographic and socioeconomic characteristics, work experience, employment status, and motivations for pursuing self-employment. They also submitted information about specific qualifications they had that could support their proposed business ideas. Chapter III includes an overview of select baseline characteristics, and Amin et al. (2017) present results from a more comprehensive description of who participated in the study.



**Participant tracking data from the MIS.** The study team asked service providers to submit monthly data on follow-up contacts with participants, the services and supports that each participant received, and progress that participants made on key business development milestones. Payments to service providers were contingent upon prompt updating of MIS records, among other factors, although these records are unlikely to have captured all participant engagement and service receipt. (See Appendix A for additional details.) MIS data were available only for the program group.



**Outcomes data from the 18-month follow-up survey.** All SET study enrollees were asked to complete an online follow-up survey approximately 18 months after being randomly assigned. The survey asked for information on current work status, receipt of self-employment supports and other job services, and business development milestones attained. It also asked for information on the extent to which respondents were engaged in both self-employment and wage/salary jobs, and it included a few additional measures of economic well-being.

Survey response rates were high enough to support reliable conclusions: the overall response rate was 80 percent, with over 82 percent of the SET program group and nearly 78 percent of the control group responding. Based on DOL's (2015) Clearinghouse for Labor and Evaluation Research guidelines, this combination of response rates is unlikely to result in a meaningful amount of bias when comparing the SET and control groups.

## D. Analysis approach

Based on the random assignment study design, we assess the impacts of SET by comparing the outcomes of study members assigned to the program and control groups. In this section, we describe the primary outcomes we chose to measure SET's effectiveness and the key subgroups we selected to assess whether the effectiveness varied across different types of enrollees. We then provide an overview of our statistical methods and discuss how the impact estimates should be interpreted.

**Selecting primary outcome measures to gauge the effectiveness of SET.** As noted in the previous section, the survey covered a variety of topics. When designing the study, DOL and Mathematica pre-established three primary outcome measures to assess the extent to which SET met its main objectives:

1. Self-employment at the time of the follow-up survey
2. Employment in any job at the time of the survey



### 3. Total earnings during the 12 months before the date of the survey

Measuring the impact on self-employment is critical for understanding whether SET providers achieved key program goals of helping participants persist in their entrepreneurial endeavors. (The survey instructed respondents to include business ventures that they owned individually or co-owned, even if they pursued them alongside wage/salary employment.) Measuring impacts for the other two primary outcomes—which cover both self-employment and wage/salary work—allows us to assess whether the pilot program achieved its broader goals of supporting reemployment.

**Choosing key subgroups to understand for whom SET worked.** We selected subgroups based on characteristics that were relevant to SET’s design or that past research had identified as predictors of self-employment success. As Box II.4 shows in greater detail, these characteristics encompassed both socioeconomic factors (including participation in the UI program) and demographic factors.

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#### Box II.4. Analysis subgroups and rationale for studying them

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- **Previous self-employment experience during past five years.** SET was designed for participants with some past experience or expertise related to their business idea, with the purpose of maximizing their chances of success in the program.
- **Cash assets at intake (less than \$1,000 versus at least \$1,000).** As already suggested, a lack of financial capital often is cited as a key barrier to entering self-employment (Evans and Jovanovic 1989), and SET seed microgrants aimed to overcome this constraint.
- **UI receipt at intake.** Results from the GATE I project suggested that the program’s self-employment services were especially effective, at least in the short run, for those who were receiving UI benefits upon enrolling in the study (Benus et al. 2009).
- **Age (at least 45 years old versus younger than 45).** Transitions into self-employment increase with age, but limited access to capital may hold older workers back from entering self-employment (Zissimopoulos and Karoly 2007).
- **Gender.** Among the self-employed, women have historically had markedly lower earnings than men. In addition to having greater family responsibilities, this differential is related, in part, to barriers that SET could help address, such as having less financial capital or business experience (Hundley 2001).
- **Race/ethnicity (nonwhite or Hispanic versus white, non-Hispanic).** Minorities are underrepresented among entrepreneurs, and black- and Hispanic-owned businesses have relatively high failure rates (Fairlie and Robb 2008). This could suggest a greater need for training among nonwhites and Hispanics.

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**Using statistical methods designed to reduce the chances of drawing incorrect conclusions about SET’s impacts.** As detailed in Appendix B:

- We measured the differences in baseline characteristics between the program and control groups, which might have occurred due to chance variation in random assignment or survey nonresponse
- The differences we found were small enough to be the product of chance; but, based on our initial design, we accounted for them in the analysis using survey weights and regression adjustment

In addition, all impact estimates are based on within-site comparisons between the program and control groups. This aligns with the study design, because random assignment and implementation occurred separately in each site. We produced site-level impact estimates for all outcomes, and our overall impact

estimate amounted to a weighted average across sites—with weights proportional to the number of enrollees. As explained in Appendix B and Chapter IX, we combined site estimates in a different way to produce subgroup impact estimates that yield a clearer understanding of differences across groups.

As we discuss in Appendix B, the study's findings are largely unaffected by the specific choices we made about statistical methods when initially designing the study. Impact estimates for the three primary outcomes noted above are similar across a range of alternative methodological options, and lead to the same basic conclusions about SET's effectiveness.

**Assessing the significance of impact estimates.** We use statistical tests that account for the natural variability of study enrollees' outcomes, based on the number of people in each group. These tests measure the probability of finding just by chance a difference at least as large as the one observed if the program and control groups really were fundamentally similar. A difference between groups is referred to as being "statistically significant" if this probability is sufficiently low.

When discussing site-level findings, we note whether the result for each site is statistically significant, but we generally cannot establish whether the differences between sites are statistically significant. Hence, an important caveat for interpreting the relative size of each site's impact estimate is that many of the observed differences could be the product of chance, given the number of enrollees in each site. That is, we typically cannot rule out the possibility that SET's effectiveness was truly similar across sites.

**Interpreting impact estimates based on the random assignment design.** We compare the average outcomes of the SET program and control groups, after applying the statistical methods previously noted.

- Based on how random assignment was conducted, the resulting impact estimates measure the *effects of being offered access* to the SET program. These estimates might misstate the effects of SET on those who actually participated. As discussed in Chapter III, MIS data indicate that about 15 percent of those in the program group had no contact with SET providers. Additionally, some members of the control group could have accessed supports similar to what was available through SET from other providers in the community or even from SET providers.<sup>3</sup>
- The random assignment design allows us to assess the *whole package of supports* available through SET, but this design cannot be used to measure the effects of being offered specific program components, such as case management from a SET advisor or seed capital microgrants.

We also rely primarily on information about how the control group fared to put the impact estimates in context. As discussed in Chapter I, study enrollees were screened based on criteria that limit the extent to which they can meaningfully be compared to dislocated workers or participants in other self-employment programs. Additionally, as discussed in Appendix A, past DOL pilots also differed markedly in where, when, and how they operated.

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<sup>3</sup> We asked that the study's microenterprise service provider partners provide the SET model of case management services and intensive follow-ups only to those in the program group, and they received funds for serving the program group. However, members of the control group might also have approached and engaged with SET providers; we did not have the capacity to track this type of activity.

### III. Whom Did SET Serve, and How Was It Rolled Out?

Documenting the context in which SET operated is important for understanding the impact analysis results presented in later chapters of this report. The SET implementation report (Amin et al. 2017) provides a detailed examination of this context. In this chapter, we highlight some of the distinctive characteristics of SET study enrollees identified in that report and how these characteristics differed across study sites. We then discuss provider fidelity in implementing the SET program model, as well as site-level differences in program intake, engagement, and take-up of seed capital microgrants.

#### Key findings

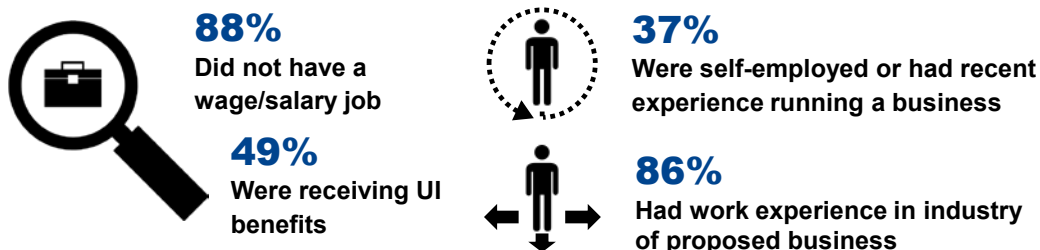
- Most study enrollees were jobless, and most had demonstrated experience that clearly could support their business idea.
- Over half of study enrollees were from demographic and socioeconomic groups that otherwise tend to be underrepresented in self-employment.
- There were notable differences across sites in the extent to which key study subgroups enrolled in the demonstration.
- Providers were generally able to carry out the SET model as a whole with fidelity, but some did not consistently implement all of the core features of the pilot program.
- The share of participants receiving microgrants was particularly low in Chicago, and few participants in Los Angeles received quarterly reassessments.

#### A. Distinctive characteristics of study enrollees

**Most study enrollees had an employment and experience profile that aligned with the pilot program’s intended targeting strategy.** As Figure III.1 shows:

- Most were jobless, with only 12 percent employed in a wage/salary job and 53 percent collecting UI benefits at the time of enrollment. Furthermore, as Amin et al. (2017) noted, more than half of those who lost a wage/salary job had been out of work for 27 weeks or longer.
- Around 86 percent also had work experience that was in the same industry as the business idea they proposed as part of the SET application. In addition, 37 percent had some recent self-employment experience—either at the time of intake or within the past five years.

**Figure III.1. Employment and experience of study enrollees**



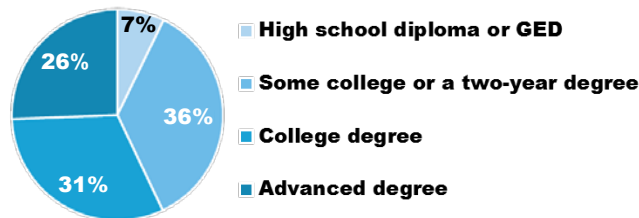
Note: This figure uses data from study intake forms for all study enrollees (N = 1,981).

**Compared to the national population of business start-up owners, more SET study enrollees were highly educated, female, and nonwhite.** More than half (57 percent) of SET study enrollees had a bachelor’s degree or higher, and nearly all (93 percent) had at least some college education (Figure III.2). National data indicate that about one-third of the broader population of individuals starting businesses around the same time had a college degree, and only 45 percent had education beyond high school.<sup>4</sup> (The relatively high levels of education among study enrollees could be related to the large share with managerial experience, as documented in Appendix Table C.5.) In addition, as Figure III.2 shows:

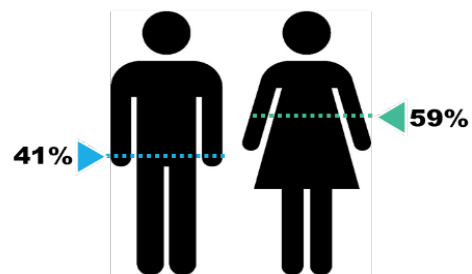
- Nearly three of five SET study enrollees (59 percent) were women. In contrast, women constituted only one-third of all individuals starting a business around the same time.
- Over half of study enrollees also self-identified as black (41 percent), Hispanic or Latino (9 percent), or mixed race (7 percent). This diverse makeup was in contrast to the national population of new entrepreneurs—59 percent of whom were non-Hispanic whites.

**Figure III.2. Educational attainment and demographics of study enrollees**

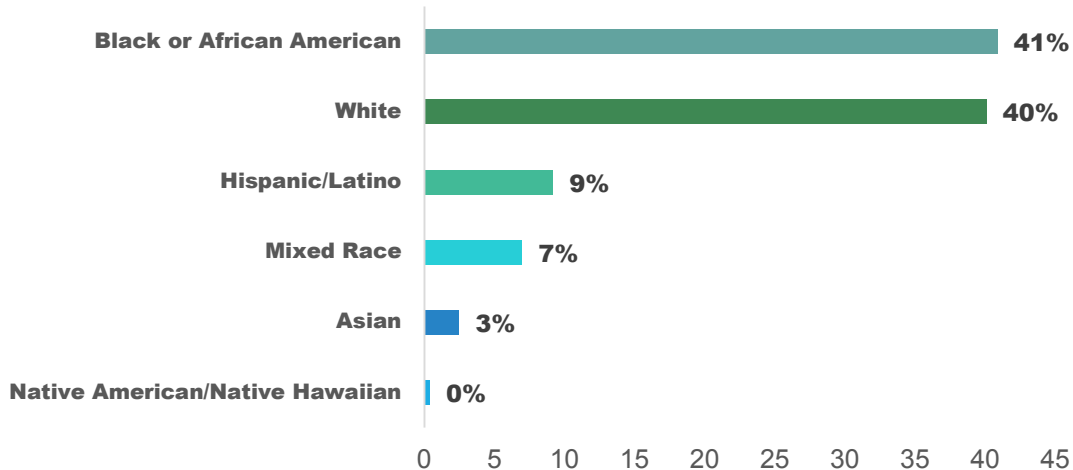
**EDUCATIONAL ATTAINMENT**



**GENDER**



**RACE**



Note: This figure uses data from study intake forms for all study enrollees (N = 1,981).

<sup>4</sup> Nationwide statistics on the characteristic of business start-up owners cited in this paragraph are based on the results reported by Fairlie et al. (2015b).

**Key characteristics of study enrollees tended to differ notably across SET study sites.** As Appendix Table C.5 shows more fully:

- Cleveland enrollees reported the lowest rate of prior self-employment experience (30 percent), and Chicago enrollees reported the highest rates of prior self-employment (41 percent).
- More than 60 percent of Portland enrollees had cash assets of at least \$1,000, compared to fewer than 30 percent in each of the other three sites.
- The share of enrollees receiving UI benefits was 55 percent in Cleveland and 71 percent in Portland (where work search waivers were available), compared to 34 percent in the other two sites.
- We observed moderate differences in gender composition across sites, with the share of enrollees who were women ranging from 52 percent in Portland to 63 percent in Chicago.
- More substantial differences in race and ethnicity were apparent across sites: fewer than one-quarter of applicants in Portland were Hispanic or nonwhite, in contrast to 61 percent in Cleveland, 78 percent in Chicago, and 84 percent in Los Angeles.

Based on the discussion in Box II.4, these differences mean that enrollees in some sites (particularly Portland) tended to be from socioeconomic or demographic groups that have historically had greater self-employment success than those in other sites (particularly Chicago and Los Angeles). However, the study eligibility requirement of having at least some work experience related to the proposed business idea could dampen the relevance of other factors.

## **B. Provider fidelity and differences in SET implementation across sites**

**Overall, the SET model of case management proved to be feasible, but the strength of implementation for specific program elements differed across providers.** As discussed in Appendix A, the study team developed a rubric to create a fidelity score—with values of “low,” “medium,” and “high”—for several core features of the SET case management model. Based on this score, all providers showed medium fidelity to the model as a whole, but some did not implement all the core features consistently (see Appendix A). One reason for lack of fidelity may have been capacity constraints caused by substantial increases in the flow of recruitment. However, the implementation team also found that some providers had mixed opinions about the value of monthly follow-up meetings or quarterly reassessments of participants’ service needs.

**We found moderate to substantial site-level differences in the extent to which core components of the SET model were utilized.** For the reasons discussed in Chapter I (Section B.1), the primary ways in which the SET model sought to augment existing self-employment services and supports were by promoting sustained program engagement among nascent entrepreneurs and providing microgrants to help defray start-up expenses. As Figure III.3 and Appendix Table C.6 show:

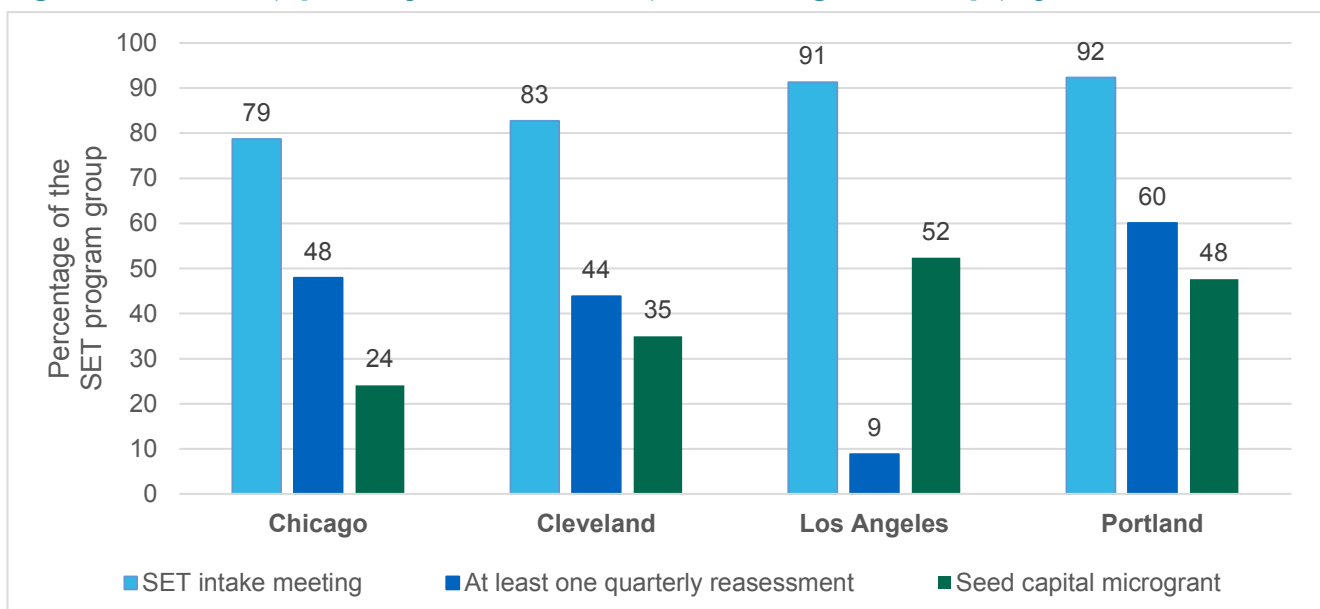
- There were moderate differences across sites in the share of the program group that went through SET intake, which ranged from 79 percent in Chicago to 92 percent in Portland.
- In Los Angeles, fewer than one-tenth of the program group received a quarterly reassessment; in other sites, reassessment rates were between 44 (in Cleveland) and 60 percent (in Portland). This

difference might reflect less sustained engagement with participants among providers in Los Angeles. However, it could also be the product of spotty recordkeeping, given the low volume of participants served in that site (Appendix A), the types of participants enrolling there, or other factors.

- A little less than one-quarter of the program group in Chicago received a microgrant, although fewer than one-half of those in the other sites combined also did not receive one. As Amin et al. (2017) discussed, microgrant recipients usually spent all or most of the funds available (\$986 per recipient), and providers generally thought that these funds helped address unmet financial needs (Amin et al. 2017). However, staff from multiple providers noted that many participants faced challenges in their business plans—a prerequisite for obtaining a microgrant (see Appendix A). Overall, 41 percent of the program group submitted satisfactory business plans to SET providers, and only 28 percent did so in Chicago.

Appendix Table C.6 presents additional differences in implementation across sites.

**Figure III.3. Intake, quarterly reassessments, and microgrant receipt, by site**



Note: This figure uses data from study intake forms for members of the SET program group. See Appendix Table C.6 for more details.

**These findings suggest that most of the intended features of SET were utilized relatively extensively by providers and participants in Portland, but important components of the SET program model were underused in Chicago and Los Angeles.** This could be due, in part, to provider-level differences in fidelity, which might in turn have been affected by differences in the flow of recruitment. For example, Chicago providers sometimes were inundated with program group members and had to stagger intake or conduct group intake sessions as a result. In addition, study intake in Los Angeles never reached the critical mass that some providers might have needed to have staff dedicated to implementing the SET program model (Amin et al. 2017). Unexpectedly high or low recruitment volumes could also result in incomplete recordkeeping due to similar staffing issues. However, some of the site differences in implementation might also have been driven by differences in the characteristics of the participants they served, as discussed in the previous section.

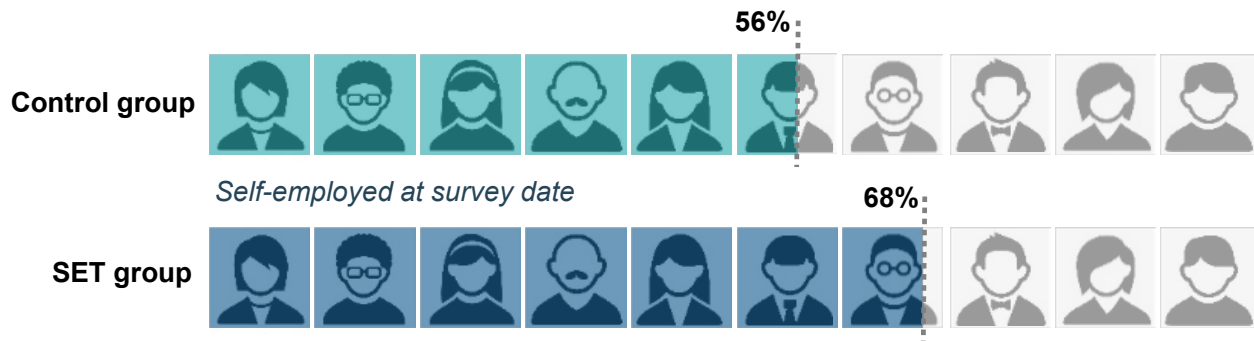
## IV. Did SET Work as a Reemployment Program?

When designing the study, we chose three primary outcomes to provide a summative assessment of whether SET increased self-employment while improving overall employment and earnings outcomes. In this chapter, we first assess the extent to which SET increased self-employment rates, which was the direct goal of the program. We then consider whether SET worked as a reemployment program by increasing employment of any type—that is, through either self-employment or wage/salary employment. Finally, we examine whether SET increased earnings, which provides a summary measure of gains in self-sufficiency from employment. We measured employment at the date of the 18-month survey and earnings during the 12-month period leading up to the survey date.

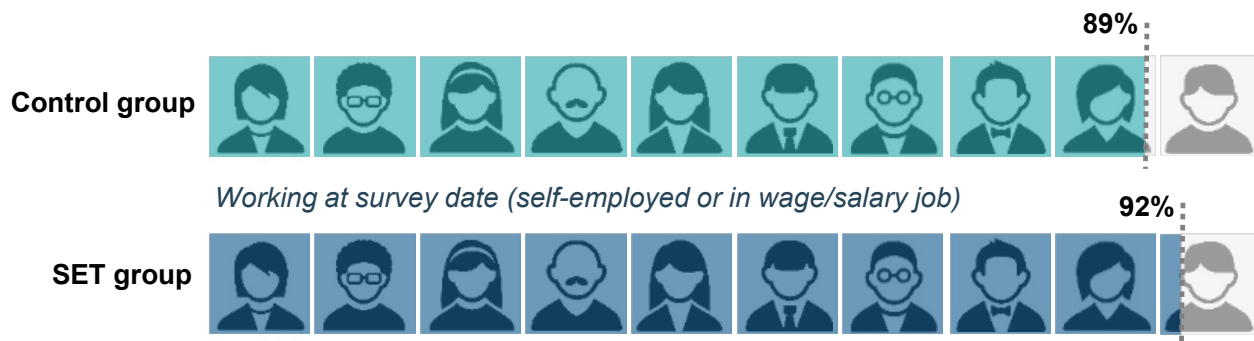
### Key findings

- SET increased the rate of self-employment at the time of the survey from 56 to 68 percent, a substantial and statistically significant increase.
- SET increased the share of program group members who were employed in any type of job at the time of the survey. Although this difference was more modest (just over 3 percentage points), it was statistically significant.
- Looking across sites, we found the highest estimated employment impacts—for both self-employment and any type of work—in Cleveland and Portland.
- SET led to negligible changes in total earnings during the 12 months leading up to the survey, but this might be too early to assess the program’s ultimate effects on self-sufficiency.

### SET impacts in focus: Substantial increase in self-employment ...



### ... and modest increase in employment of any type

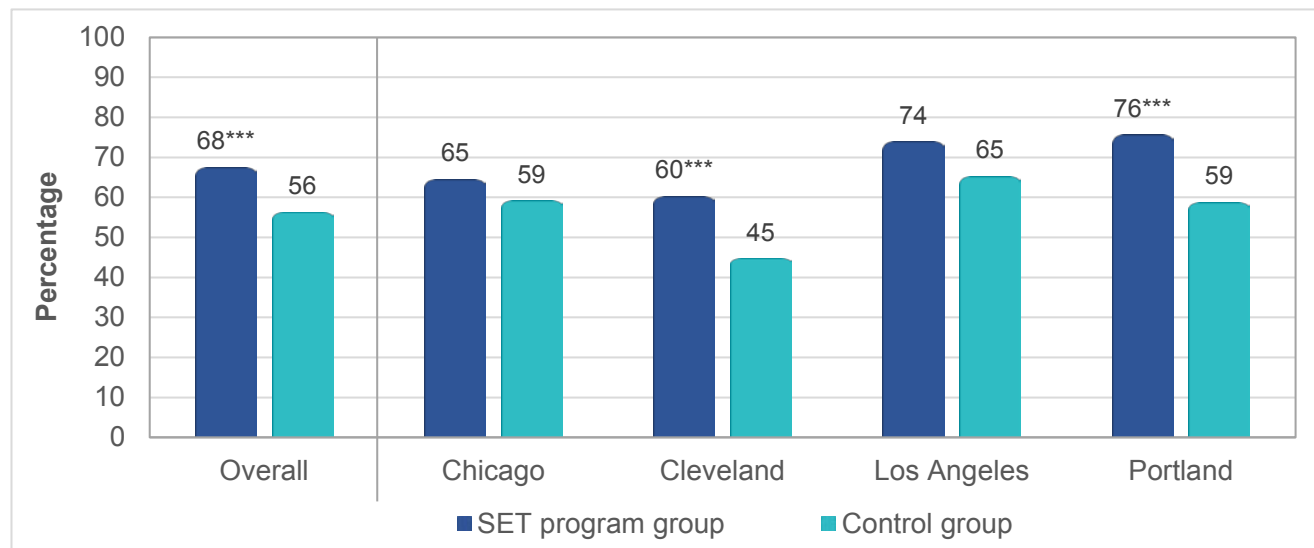


Note: Rates of self-employment and work include those who both were self-employed and held wage/salary jobs.

## A. SET increased the rate of self-employment

**Across all study enrollees, significantly more program group members than control group members reported being self-employed at the date of the survey:** 68 versus 56 percent (Figure IV.1). The difference of nearly 12 percentage points amounts to an increase of one-fifth over the control group rate, indicating that SET met its direct goal of helping dislocated workers pursue self-employment. Because all study enrollees initially expressed an expressed interest in trying self-employment, the sizeable impact we found 18-months later suggests that SET led to greater *persistence* in self-employment.

**Figure IV.1. Self-employment at the survey date**



Note: This graph uses data from the 18-month survey and study intake forms. Rates for both groups were calculated using survey weights, and the control group rates were estimated using a statistical model. See Appendix Table D.1 for additional details.

\* / \*\* / \*\*\* Denotes a program group rate that is significantly different from the estimated control group rate at the .10 / .05 / .01 levels.

**We observed the statistically significant differences in self-employment rates between the SET program and control groups in Cleveland and Portland.** Impact estimates for both of those sites were above 15 percentage points, and they were statistically significant. In contrast, we did not find statistically significant differences in self-employment rates between the SET program and control groups in Chicago and Los Angeles—that is, we cannot rule out positive, zero, or even negative impacts in those two sites.

**These site-level findings could be related to differences in implementation and the characteristics of study enrollees, although other factors (including chance) could also play a role.** For example, as discussed in Chapters II and III:

- Key features of SET might have been underused in Chicago and Los Angeles; the rate of microgrant receipt was lowest for the program group in Chicago, compared to other sites, and quarterly reassessments were rarely provided in Los Angeles
- Chicago and Los Angeles also had relatively high unemployment rates, were not able to offer work search waivers to UI recipients, and ended up serving study enrollees with low rates of UI receipt



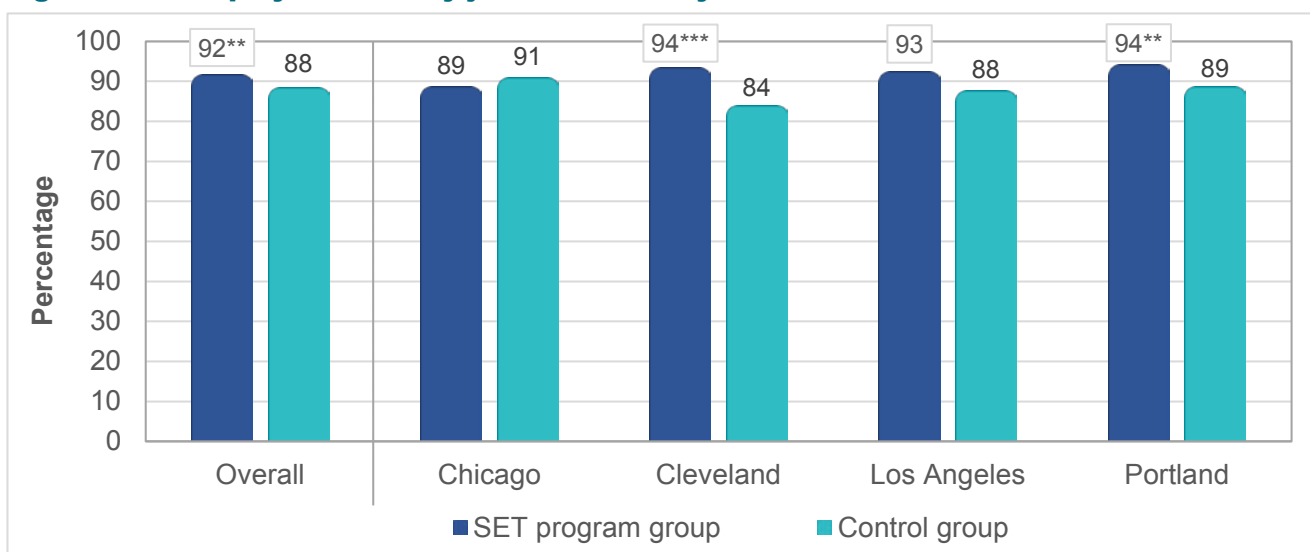
- Chicago had the largest share of enrollees who had recent small business experience and, therefore, might have been more aware of self-employment supports available in the community
- SET services might have been less distinctive in Los Angeles, where self-employment services were made more widely available (via BusinessSource Centers) to job seekers participating in the public workforce system

Alternatively, other factors could produce different impact estimates across sites, including unmeasured characteristics of enrollees (such as “grit”) and even chance variation in outcomes, given the number of enrollees in each site. The evaluation design does not allow us to disentangle these potential explanations.

## B. SET led to greater overall employment in any type of job

**More program group members than control group members reported being employed in any type of job at the survey date:** 92 versus 88 percent (Figure IV.2). This impact estimate of just under 4 percentage points might be considered relatively modest. However, it was statistically significant and indicates that SET met its ultimate objective of reemploying program group members.

**Figure IV.2. Employment in any job at the survey date**



Note: This graph uses data from the 18-month survey and study intake forms. Rates for both groups were calculated using survey weights, and the control group rates were estimated using a statistical model. See Appendix Table D.1 for additional details.

\* / \*\* / \*\*\* Denotes a program group rate that is significantly different from the estimated control group rate at the .10 / .05 / .01 levels.

**The estimated impacts on the rate of employment in any job were clearly evident in Cleveland and Portland.** We found that SET increased the rate of employment in any job by nearly 10 percentage points in Cleveland and by over 5 percentage points in Portland. We did not find statistically significant program impacts on reemployment in Chicago and Los Angeles, although we also cannot rule out impacts in Los Angeles that were at least as large as in the other sites.

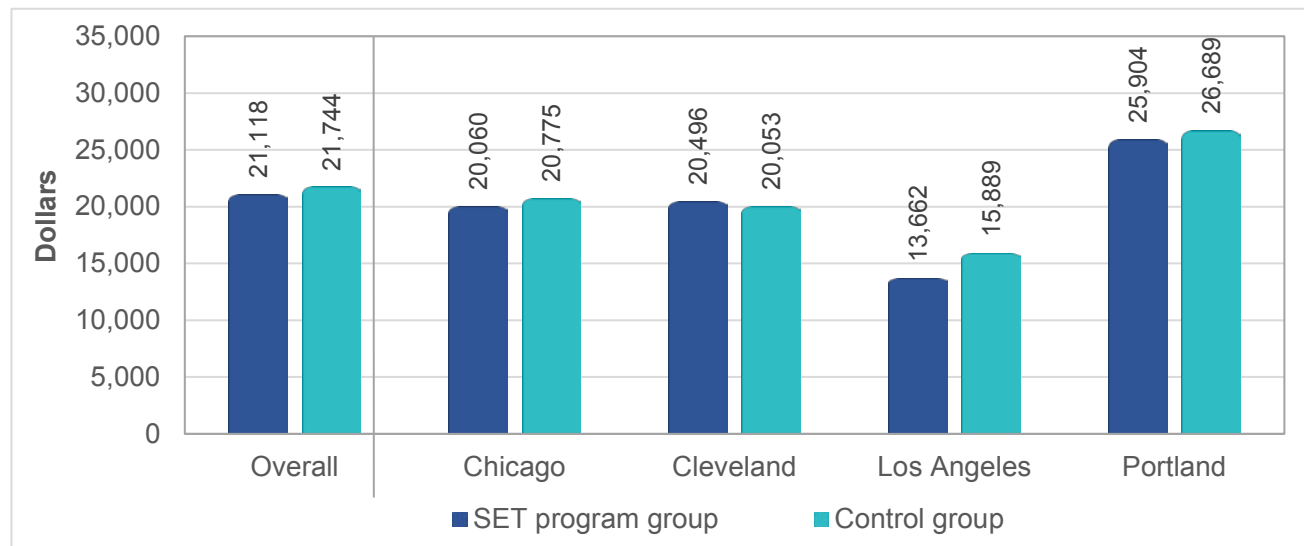
**The overall employment rate for the control group was strikingly high and might have left limited room for the program to have an effect.** The 88 percent rate for the control group suggests

that the study screening criteria identified dislocated workers who were highly motivated to find jobs, even without access to the program. Although some might have taken jobs that were not a good fit to make ends meet, others might have used their managerial skills and other capabilities to secure more meaningful employment. Whatever the case, there was only modest room for the program to have an effect. Looking at the impact estimates in this way, it might be considered more notable that SET decreased the share who were jobless at the time of the follow-up survey from just under 12 percent to between 8 and 9 percent.

### C. SET did not significantly affect earnings

**The program and control groups earned similar amounts during the year leading up to the survey.** Over that period, average total earnings were between \$21,000 and \$22,000 for both groups, and the difference between the program and control groups was statistically insignificant (Figure IV.3). In addition, there were no significant differences in earnings between the program group and control group in any of the four SET sites. On the one hand, this implies that SET did not improve the financial position of dislocated workers, which was one objective of the program. On the other hand, our finding also suggests that the program group did not lose a significant amount of wage/salary earnings by shifting their time toward self-employment—a topic we consider in greater detail in Chapter VIII.

**Figure IV.3. Total earnings during the 12 months before the survey**



Note: This graph uses data from the 18-month survey and study intake forms. Averages for both groups were calculated using survey weights, and the control group averages were estimated using a statistical model. See Appendix Table D.1 for additional details.

\* / \*\* / \*\*\* Denotes a program group rate that is significantly different from the estimated control group rate at the .10 / .05 / .01 levels.

**However, the assessment of earnings impacts covers earlier time periods than when the study's primary work outcomes were measured.** All earnings outcomes were measured starting 7 months after study enrollment and ending 18 months after enrollment, whereas our main measures of self-employment and reemployment were based on work activity 18 months after enrollment. During the period that the survey's earnings question covered, many study enrollees were likely in their first year of operations and still actively building their businesses (see Chapter VII). As discussed in Chapter X, measuring earnings and other outcomes later could provide a more comprehensive understanding of SET's impacts.

## V. Receipt of Self-Employment Services and Other Job Services

The SET program provided free and subsidized self-employment training and education in classroom and individualized settings. In this chapter, we focus on the role of business development services, training, and other services that may have helped program group members become self-employed or, in some cases, discern that self-employment was not a good fit. We consider the extent to which SET led to increases in (1) receipt of any self-employment assistance from a service provider, (2) receipt of personalized support through one-on-one meetings or technical assistance sessions, (3) attendance of in-person classes or training, (4) participation in online courses, (5) attendance of peer advice or networking meetings, and (6) receipt of job placement services and career counseling from AJCs or state labor exchanges.

### Key findings

- SET led to broader engagement with a wide range self-employment assistance services and particularly increased the extent to which the program group received personalized support.
  - Across all sites, 87 percent of program group members, versus 63 percent of the control group, received some self-employment assistance from service providers.
  - Program group members had about three times as many personalized contacts with service providers as did control group members—4.7 versus 1.6, on average.
  - The rate of participation in classes and training was nearly twice as high in the program group (63 percent) as in the control group (33 percent).
  - The program group was also more likely than the control group to participate in online courses (42 versus 35 percent) and have peer-to-peer contact through self-employment advice or networking meetings (57 percent versus 39 percent).
- SET did not result in any changes in the extent to which study enrollees received job placement or career counseling services through AJCs.

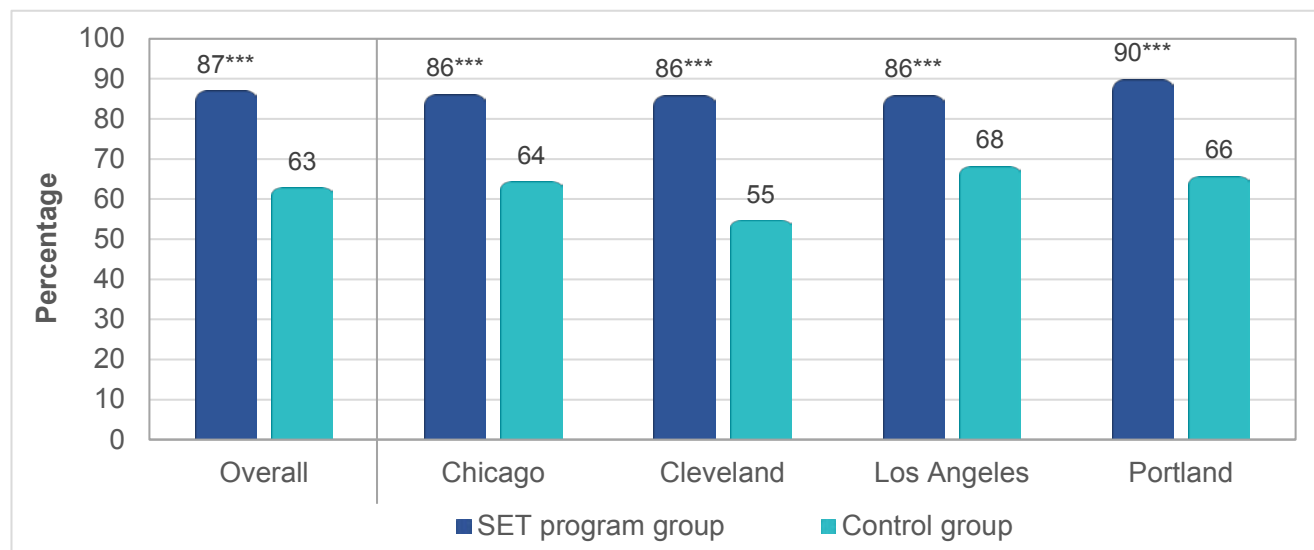
### SET impacts in focus: Tripling the number of personalized contacts with self-employment assistance providers by the time of the survey



## A. SET had large impacts on the share of people who received any self-employment assistance services

We found that **87 percent of the program group received some sort of self-employment assistance service, compared to 63 percent in the control group** (Figure V.1). That is, we found a 24 percentage point impact on the share who attended in-person classes or training, took online courses, participated in peer advice or networking groups, worked with a mentor, met with a self-employment advisor, and/or received individualized technical assistance. The program also significantly increased receipt of self-employment services in every study site. These findings suggest that SET encouraged strong connections between service providers and those who needed self-employment assistance, which was an important consideration when designing the program. For example, prompt intake was intended to reduce discouragement or program dropouts, as discussed in Appendix A.<sup>5</sup> In addition, the case management approach sought to more clearly identify the service options available to SET participants—both from SET providers and from other community organizations.

**Figure V.1. Receipt of any self-employment assistance services since enrolling in the study**



Note: This graph uses data from the 18-month survey and study intake forms. Rates for both groups were calculated using survey weights, and the control group rates were estimated using a statistical model. See Appendix Table D.2 for additional details.

\* / \*\* / \*\*\* Denotes a program group rate that is significantly different from the estimated control group rate at the .10 / .05 / .01 levels.

**SET substantially increased receipt of self-employment assistance services in every site.** For example, even in Los Angeles, where the control group had ready access to self-employment services through the public workforce system, we estimated the impact of SET to be nearly 18 percentage points. Similarly, although there were substantial lags in program group members being assigned to service

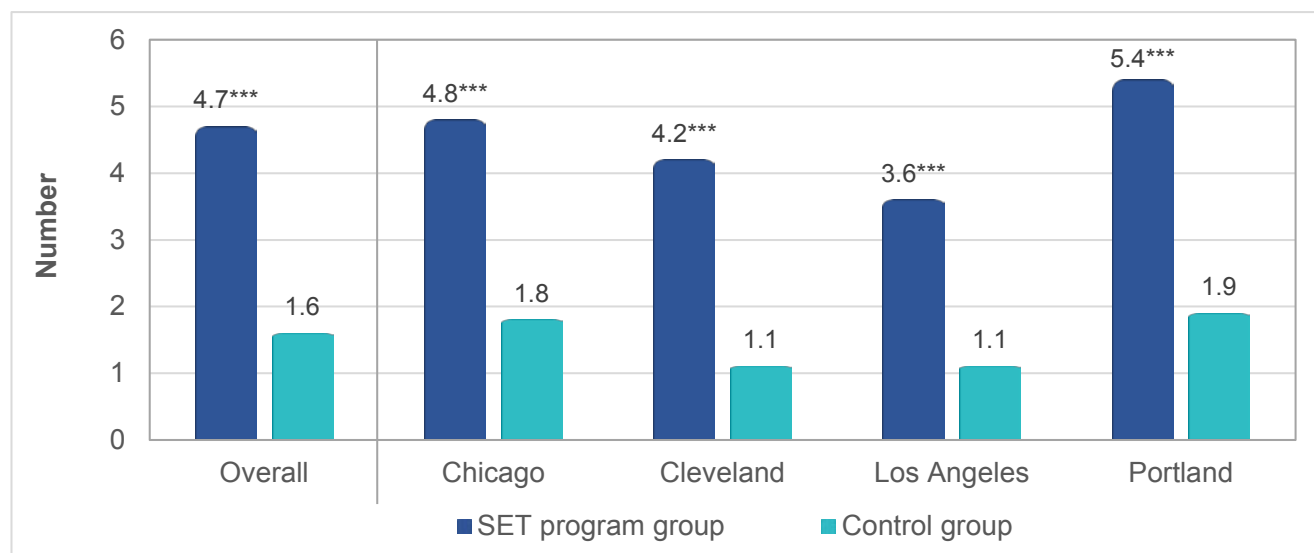
<sup>5</sup> Putting the findings another way, only around 13 percent of the program group did report receiving any self-employment assistance services. This is similar in magnitude to the share that did not take part in a SET intake meeting (15 percent, as indicated in Appendix Table C.6), and significantly lower than the 37 percent of the control group that did not report receiving any self-employment assistance. Hence, the program appears to have been successful in reducing discouragement and/or dropouts.

providers in Chicago, we estimated that SET led to a 22 percentage point increase in their receipt of self-employment assistance services. This increase is similar to what we found in Portland, where most features of SET delivered to a relatively high share of the program group (Chapter III). In fact, there were no statistically significant differences in the site-level impact estimates.

## **B. SET substantially increased receipt of individualized support, participation in classes/training, and peer-to-peer connections**

**Our results indicate that the SET program delivered on its premise of case management by producing large increases in the amount of personalized support received.** Because providers were required to perform an individualized assessment when conducting SET intake, it is not surprising that a much higher share of the program group (62 percent) than of the control group (24 percent) had any personalized contact with a service provider (Appendix Table D.2). This measure includes both meetings with a self-employment advisor and individualized technical assistance sessions. SET appears to have also substantially increased the “dosage” of such contact. As Figure V.2 shows, the average number of personalized contacts with self-employment assistance providers was nearly three times as high for the program group (4.7 contacts) as for the control group (1.6 contacts).

**Figure V.2. Number of personalized contacts with self-employment assistance providers since enrolling in the study**



Note: This graph uses data from the 18-month survey and study intake forms. Rates for both groups were calculated using survey weights, and the control group rates were estimated using a statistical model. See Appendix Table D.2 for additional details.

\* / \*\* / \*\*\* Denotes a program group rate that is significantly different from the estimated control group rate at the .10 / .05 / .01 levels.

**Nearly twice as many program group members reported attending in-person self-employment classes or training since enrolling in the study, compared to the control group:** 63 versus 33 percent (Appendix Table D.2). These differences are perhaps predictable, given that the study team intentionally selected providers that offered free self-employment training opportunities to program group members. SET advisers typically encouraged program group members to take part in these trainings when

they first enrolled in SET. Some providers even required that program group members take classes to be eligible to receive a seed capital microgrant.

**Across sites, impact estimates for individualized support and in-person classes/training and receipt of followed a pattern similar to that for receipt of any self-employment assistance.** We found large impacts in each site, and all site-level estimates were statistically significant (Figure V.2). For example, considering the number of personalized contacts with service providers, impact estimates were 3.0 for Chicago, 3.1 for Cleveland, 2.5 for Los Angeles, and 3.5 in Portland,<sup>6</sup> and there were no statistically significant differences across sites. This accords with the study team's qualitative assessment that the case management feature of the SET program was relatively distinct from the practices that other community providers generally followed in every site.

**SET increased participation in online courses, although this only occurred in some sites** (Appendix Table D.2). Overall, 42 percent of the program group and 35 percent of the control group accessed online courses on starting, operating, or growing a business, and the difference of 7 percentage points was statistically significant. However, site-level impact estimates were only positive and statistically significant in Chicago and Cleveland. The estimated increase in online course taking was particularly high (over 14 percentage points) in Chicago. This might be related to the capacity constraints noted by providers in that site, although it could also be related to their existing service delivery models, the distinctive characteristics of enrollees in that site, or other factors.

**SET also resulted in more peer-to-peer contact for the program group in most sites** (Appendix Table D.2). Almost 57 percent of the program group reported attending in-person peer advice or networking meetings for self-employment. The estimated impact (18 percentage points) was statistically significant and amounts to an increase of almost one-half the rate of attendance in the control group (39 percent). We observed substantial and statistically significant increases in peer-to-peer contact in Chicago, Cleveland, and Portland as a result of SET. The estimated impact for Los Angeles was not statistically significant, meaning that we could not rule out positive, zero, or negative impacts in that site.

### **C. SET did not result in any changes in the share of people who received traditional job services**

**Between enrolling in the study and the survey date, similar shares of program and control group members received job placement services and career counseling from AJCs or state labor exchanges.** About 9 percent of each group reported receiving such services, and overall and site-level impact estimates were all statistically insignificant (Appendix Table D.2). This lack of differentiation may reflect the fact that the design of the SET pilot evaluation included referrals to AJCs for both study groups:

- All control group members were referred to the workforce system for assistance when they were notified of their random assignment status.

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<sup>6</sup> The numbers cited in the text are based on Figure V.2; they differ slightly from the estimates in Appendix Table D.2 due to rounding.

- Program group members were also supposed to receive such referrals if they were terminated early from the program because they were making insufficient progress or if they determined with their SET advisor that self-employment was not a good fit.
- In addition, as discussed in Chapter VIII, SET providers encouraged participants to gain and maintain wage/salary jobs while growing their businesses, which could also lead to AJC referrals for the program group.

The finding could also reflect similarities between the program and control groups in their awareness of the services AJCs provide, given that they were recruited through the same channels, the high rate of reemployment in both groups, or other factors.

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## VI. How Did SET Affect Business Development Activity?

Successfully starting or growing a small business typically requires careful planning and preparation, and it often involves a significant financial commitment. In this chapter, we assess the extent to which the SET program helped participants attain business development milestones and engage in specific types of business development activities that they might not otherwise have pursued. Specifically, we assess the extent to which SET (1) increased business plan completion, which can be an important step in putting an initial business idea into operation; (2) resulted in more people taking steps to formally establish their business, by registering or incorporating it, obtaining a tax identification number, or obtaining an employer identification number; (3) led to influxes of nonborrowed business capital, including seed capital grants and funds from other sources; and (4) led to increased borrowing for a business.

### Key findings

- SET significantly increased the shares of people in the program group who had completed a business plan and who had registered their business, although substantial shares of the control group also attained these milestones.
- The program group was more than twice as likely as the control group to receive nonborrowed funds (48 versus 21 percent), and this increase was likely driven by access to SET seed capital microgrants.
- SET did not affect the rate of borrowing for business-related purposes.

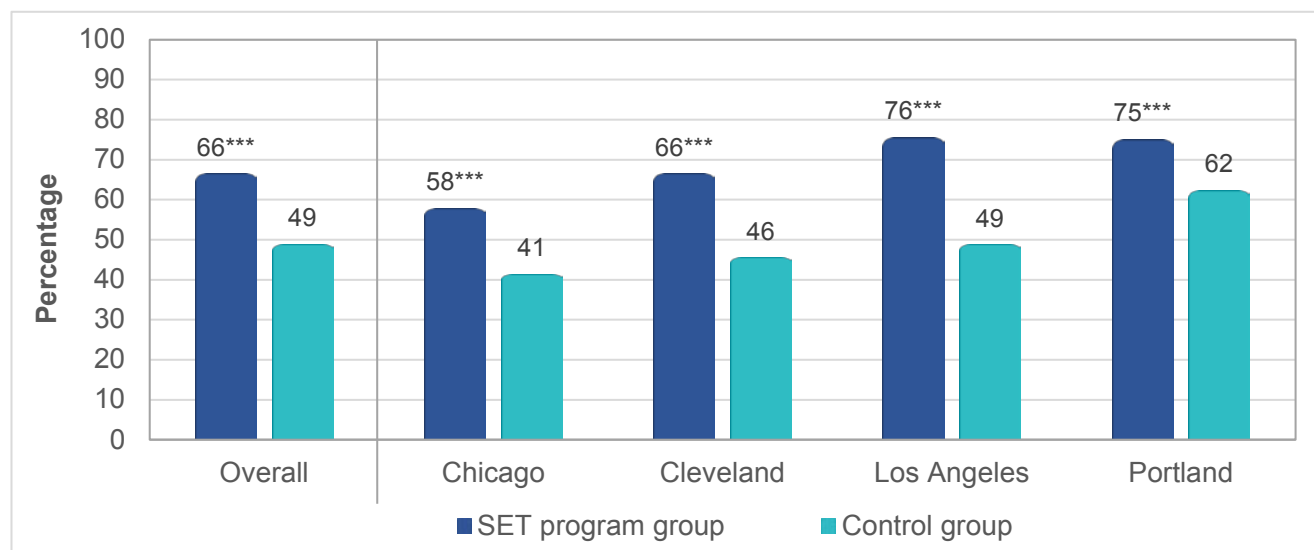
### SET impacts in focus: Increase in the share of people taking steps to formally establish a business by the time of the survey



## A. SET led to increases in the rate of business plan completion

**By the follow-up survey, 66 percent of program group members had completed a business plan, versus 49 percent of the control group (Figure VI.1).** Based on SET intake data, approximately 36 percent of study enrollees already had business plans when enrolling in SET. The 17 percentage point difference at the time of the follow-up survey was highly significant and represents *additional* attainment of this milestone by the program group, relative to the control group. This impact might have been tied to specific incentives built into the program—business plans were a requirement for seed capital microgrant eligibility, and a component of payments to SET providers was tied to the number of participants who completed plans. Alternatively, this impact could have come about based on other program features like case management and technical assistance. Either way, having completed business plans could better position the program group for long-term success by providing a clearer vision for their self-employment efforts and helping them secure other funding.

**Figure VI.1. Completed a business plan by the survey date**



Note: This graph uses data from the 18-month survey and study intake forms. Rates for both groups were calculated using survey weights, and the control group rates were estimated using a statistical model. See Appendix Table D.3 for additional details.

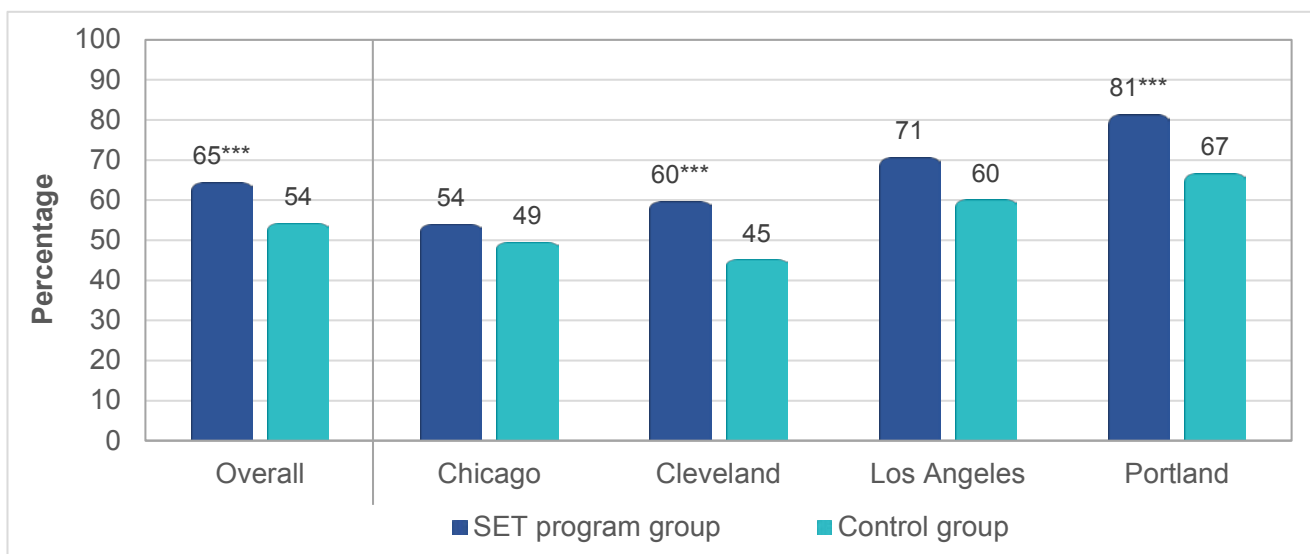
\* / \*\* / \*\*\* Denotes a program group rate that is significantly different from the estimated control group rate at the .10 / .05 / .01 levels.

**We found sizable and statistically significant impacts on business plan completion in each SET site.** In Portland, we also observed a relatively high rate of business plan completion for the control group—62 percent. A substantial share of study enrollees in Portland were UI recipients; therefore, they could participate in the state’s SEA program, which required a business plan for continued eligibility. (As noted in Chapter III, however, study enrollees in Portland might also more generally have had the wherewithal to develop business plans, given their high rate of college completion and the large share who had past managerial experience.) Further, as discussed in Chapter II, the number of enrollees in each site is small enough that the range of site-level impact estimates we observed could have been the product of natural variation in outcomes across sites.

## B. SET also resulted in more program group members taking steps to formally establish their businesses

The program increased the share of people who registered their business, incorporated it, and/or obtained an employer or tax identification number.<sup>7</sup> By the time of the 18-month survey, 65 percent of SET program group members and 54 percent of the control group had actively worked on a business and taken at least one of these steps to formalize it (Figure VI.2). Some of this 11 percentage point impact might be due, again, to program incentives—business registration was a prerequisite to be eligible for seed capital microgrants—although other features of the services and supports provided by SET could also have played a role. Nonetheless, formalizing a business could help solidify its growth by allowing the owner to set up business banking accounts, apply for loans, and hire employees; it also signifies to customers, vendors, and competitors that the business is valid and operational.

**Figure VI.2. Took steps to formally establish a business by the survey date**



Note: This graph uses data from the 18-month survey and study intake forms. Rates for both groups were calculated using survey weights, and the control group rates were estimated using a statistical model. See Appendix Table D.3 for additional details.

\* / \*\* / \*\*\* Denotes a program group rate that is significantly different from the estimated control group rate at the .10 / .05 / .01 levels.

**Site-level impact estimates were large (nearly 15 percentage points) and statistically significant only for Cleveland and Portland.** In the other two sites, program-control differences were not statistically significant. In addition, the impact estimate for Chicago was significantly smaller than what we found for the other sites (Appendix Table D.3). This could be related to the business registration fees that participants and providers viewed as prohibitively high—as much as \$750, compared to \$100 to \$150 in the other sites (Amin et al. 2017). However, other implementation and contextual factors that differed between Chicago and the other sites (see Section II.A and Chapter III), as well as unmeasured differences across sites in the types of people who enrolled in the study, might also have played a role.

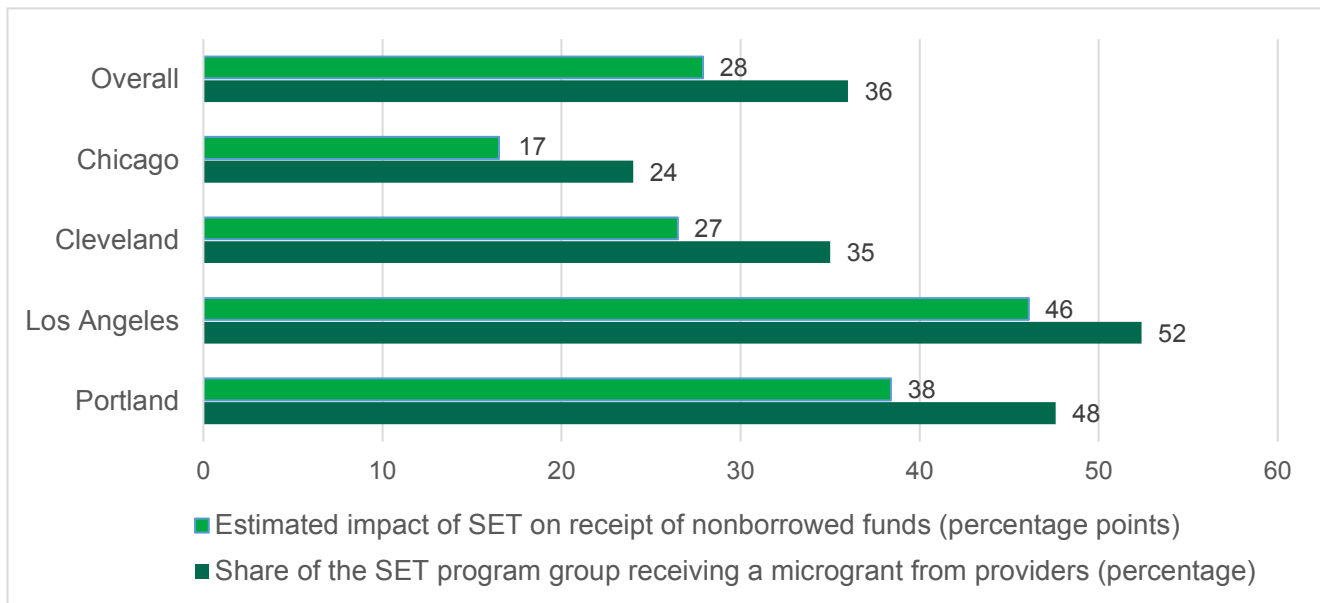
<sup>7</sup> For study enrollees who had worked on more than one business since enrolling in the study, we asked them to provide this information for their “main” business venture.

### C. SET more than doubled the share of people who received nonborrowed business funds

**Almost 49 percent of the program group reported receiving nonborrowed funds or capital since enrolling in the study, and only 21 percent of the control group did so** (Appendix Table D.3). Although other program supports might also have played a role, the large estimated impact could be related to the availability of SET seed capital microgrants. These were offered under the assumption that a substantial share of study enrollees might have limited start-up capital but not be in a position to borrow. However, the study team also recognized that the program and control groups could both have sought nonborrowed funds from other sources.

**Our results suggest that SET seed capital microgrants, in fact, led to a distinct influx of money to program group members who otherwise would not have had access to such funds.** The estimated impact on receipt of such funds (28 percentage points) was more than three-quarters as large as the percentage of program group members who got a microgrant through the SET program (36 percent). In addition, as Figure VI.3 shows, estimated impacts track microgrant distribution rates across sites. For example, the estimated impact on receipt of nonborrowed funds was the lowest in Chicago, where the smallest share of program group members received a microgrant. Similarly, impacts were particularly high in Los Angeles and Portland, where the largest shares of the program group received microgrants.

**Figure VI.3. Impact estimates for receipt of nonborrowed funds versus rates of SET seed capital microgrant receipt**



Note: This graph uses data from the 18-month survey, study intake forms, and the study's MIS. Impacts were estimated using a statistical model and are based on differences between the program and control groups at the date of the survey. See Appendix Table D.3 for additional details. (All impact estimates are statistically significant at the 1 percent level.) Rates of microgrant receipt for the program group are based on information recorded in the MIS by SET providers during the 12-month program period.

#### **D. SET did not change the rate of borrowing for a business**

**There was essentially no difference between the SET program group and the control group in the rate of borrowing for a business (through either formal loans or credit cards).** About 26 percent of study enrollees in both groups borrowed money for a business between when they enrolled in the study and the 18-month survey (Appendix Table D.3). Program group members could receive technical assistance from SET providers in identifying small business lending programs or applying for loans or other sources of funding; some SET providers also offered in-house loans to small businesses. However, the control group might also have had access to similar technical assistance from another source. In addition, our interviews with SET providers found that they tended not to encourage the program group to take out bank loans while in the early stages of business development. Providers typically advised them to draw on personal funds or try to obtain loans or grants from friends and family to fund their businesses.

**The relatively low overall rate of borrowing could be the product of study enrollees having relatively new businesses or relatively poor finances, among other factors.** According to financial advice publications, banking institutions prefer to lend to small businesses that have been operating for two to five years, and typically require an excellent business credit score and good personal credit (White 2018). A substantial share of SET study enrollees may not have met these requirements by the time of the 18-month survey. Only one-fifth of them were already self-employed when enrolling in the study, and more than one-third indicated having experienced financial hardships that would affect credit scores (Amin et al. 2017). Nonetheless, other characteristics of study enrollees might also have played a role. For example, those who engaged in other business development activities because of SET might not have been ready to commit fully to self-employment; they also might simply have been working on businesses that had smaller capital requirements.

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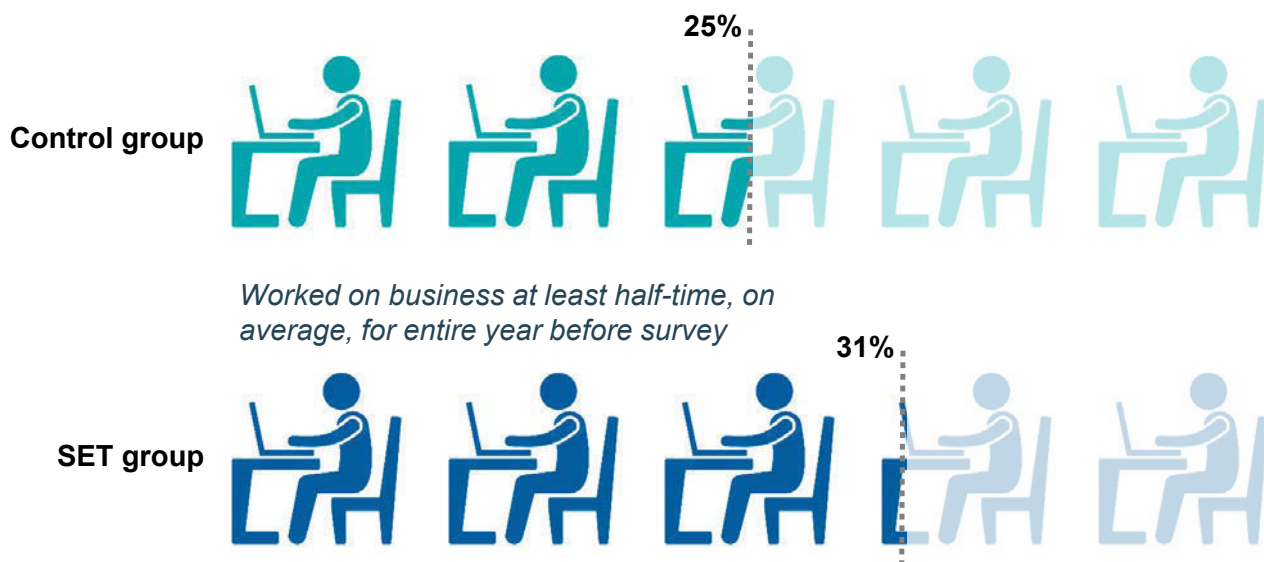
## VII. In What Ways Did SET Support Self-Employment Activity?

When we assessed whether SET worked as a reemployment program (Chapter IV), we found that it led to substantial increases in the rate of self-employment at the time of the 18-month survey. In this chapter, we build on that “snapshot” result by examining other measures of engagement with self-employment. We first examine the extent to which the SET program led more people to try self-employment at any time since study enrollment, even if they could not sustain this effort until the survey.<sup>8</sup> We then assess how SET affected the amount of time the program group put into self-employment during the 12 months leading up to the survey, as well as their earnings from self-employment during that timeframe. Finally, we examine whether SET led to job growth through increased hiring of employees.

### Key findings

- More than 70 percent of the control group had been self-employed at some point since enrolling in the study, indicating that the study attracted people who were highly motivated to try self-employment.
- SET resulted in more of the program group trying self-employment; 77 percent did so since study enrollment.
- SET also led to a marked increase in the share who typically worked at least 20 hours per week on their business—from 25 to 31 percent.
- The program and control groups had similar average self-employment earnings during the timeframe captured by the survey.
- SET did not result in additional hiring by the survey date.

### SET impacts in focus: Increase in the share who typically worked at least 20 hours per week on their business

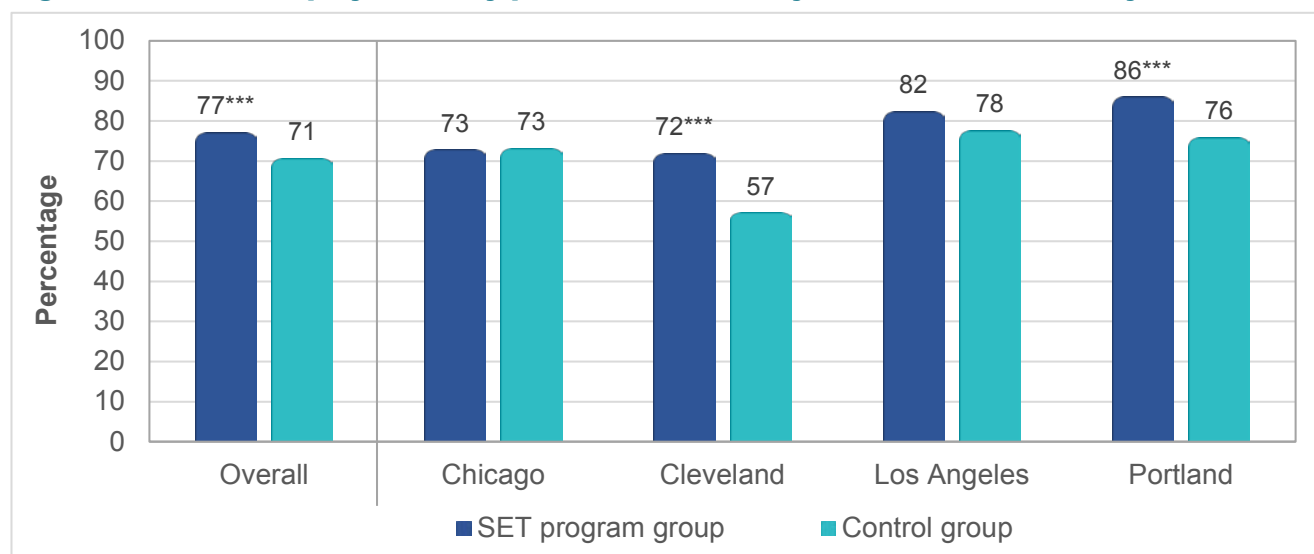


<sup>8</sup> We describe study enrollees as having “tried” self-employment if they were self-employed at the time of the survey at any point since enrolling the study; this excludes those who stated that they attempted to start a business but never considered themselves to be self-employed.

## A. SET increased the share of program group members who tried self-employment, but many would have done so anyway

Around 77 percent of the program group and 71 percent of the control group had been self-employed at some point between enrolling in the study and the survey date (Figure VII.1). The high rate for the control group likely reflects the study's eligibility criteria, which targeted applicants with a well-justified capacity for acting on their business idea, even if they did not have access to SET. Even so, the difference between study groups (6 percentage points) was statistically significant, indicating a positive impact of SET on entry into self-employment.

**Figure VII.1. Self-employed at any point between study enrollment and survey dates**



Note: This graph uses data from the 18-month survey and study intake forms. Rates for both groups were calculated using survey weights, and the control group rates were estimated using a statistical model. See Appendix Table D.4 for additional details.

\* / \*\* / \*\*\* Denotes a program group rate that is significantly different from the estimated control group rate at the .10 / .05 / .01 levels.

**Across sites, we found clear evidence of impacts on entry into self-employment only in Cleveland and Portland.** The estimated increases in the share who tried self-employment since enrolling in the study were substantial (at least 10 percentage points) and statistically significant in both sites. There were no statistically significant impacts for this outcome in Chicago and Los Angeles. This site-level pattern parallels our findings for self-employment rates at the survey date (Chapter IV), and, as noted previously, some of the differences across sites could also be the product of natural variation in average outcomes.

**Taken together, our results suggest that the SET program likely led to moderate increases in entry into self-employment but more substantially increased persistence in self-employment.**

We found a larger impact for the rate of self-employment at the time of the 18-month survey (almost 12 percentage points) than for having been self-employed at any time since enrolling in the study (6 percentage points). Put another way, 87 percent of those in the program group who had been self-employed at any point since enrolling were still self-employed at the survey date; the corresponding number for the control group was 79 percent. Greater persistence could be due to increases in service receipt or business



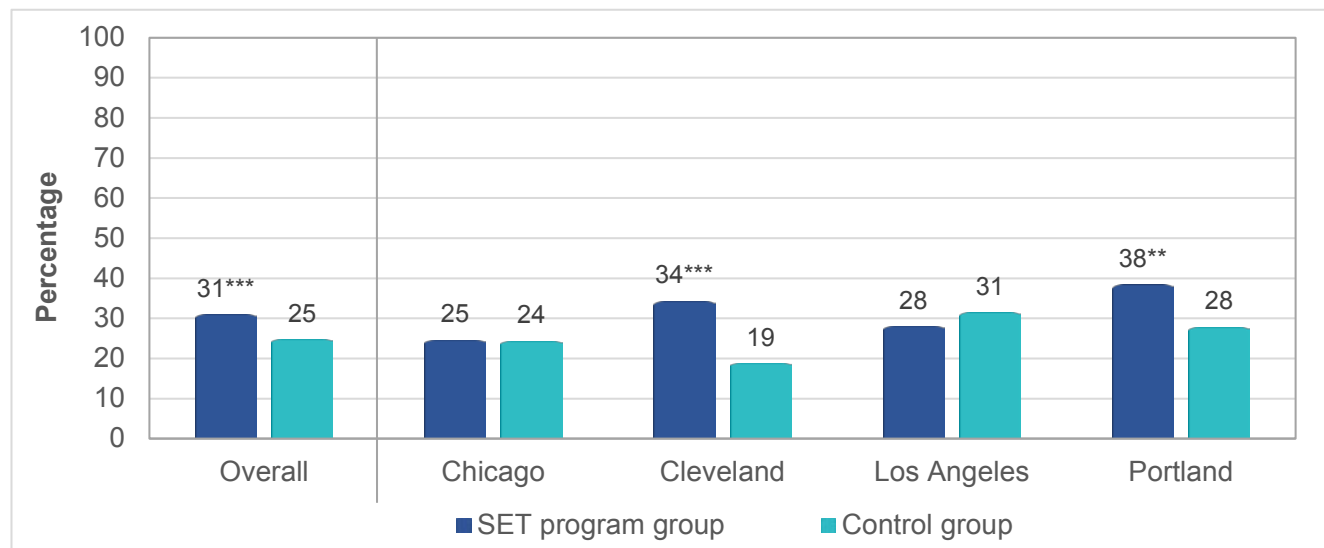
development activity due to SET (Chapters V and VI), or it might also reflect more patience in the SET program group or changes in the types of enrollees who engaged in self-employment. For example, through case management, SET might have particularly encouraged those more committed to their business ideas to continue in self-employment—perhaps delaying start-up while developing their business.

## **B. SET increased the number of hours worked in self-employment and led to a more consistently high level of effort in the program group**

**Overall, we found that SET led to a 16 percent increase in the average amount of time spent in self-employment during the 12 months before the survey.** During that year, the program group spent 1,077 hours in self-employment, on average, versus 927 hours for the control group (Appendix Table D.4). This could reflect a moderate impact on the intensity of self-employment work for the each member of the program group. The overall difference, however, also could reflect a combination of small changes in self-employment time investments for some people and larger increases for others.

**Therefore, we also examined the share of people who engaged in self-employment at a consistently high level, finding that SET led to marked increases for the program group.** We defined this measure as having worked at least 20 hours a week, on average, for all 52 weeks of the past year. We found that the program group was 1.25 times as likely as the control group to have been consistently self-employed at a high level: 31 versus 25 percent (Figure VII.2). These results indicate that SET did not simply lead to increased “dabbling” in self-employment; it led a sizeable share of the program group to commit a meaningful amount of time to self-employment over an extended period.

**Figure VII.2. Worked at least 20 hours per week in self-employment, on average, for the whole year leading up to the survey**



Note: This graph uses data from the 18-month survey and study intake forms. Rates for both groups were calculated using survey weights, and the control group rates were estimated using a statistical model. See Appendix Table D.4 for additional details.

\* / \*\* / \*\*\* Denotes a program group rate that is significantly different from the estimated control group rate at the .10 / .05 / .01 levels.

**Across sites, we found statistically significant increases in this measure of substantial engagement with self-employment only in Cleveland and Portland.** This pattern parallels findings on business development and self-employment activity throughout the report. The differences between the program and control groups were the largest for these two sites, particularly Cleveland. There was no evidence of an impact in Chicago or Los Angeles. Nonetheless, some of the differences we observed across sites could also be the product of chance differences in outcomes, given the relatively small number of study enrollees in each site.

### **C. SET did not lead to any changes in average self-employment earnings**

**During the year before the survey, the program group drew \$4,461 in earnings from their small business, on average, compared to \$4,338 for the control group** (Appendix Table D.4). These measures are estimated averages for all study enrollees in the program and control groups, including those with no earnings from self-employment. The estimated difference between the two groups amounted to less than 3 percent of the program group's average earnings, and it was statistically insignificant. Hence, SET did not improve the capacity of the program group to use revenues from their businesses to improve their personal financial position or that of their household.

**Several reasons, however, suggest that the time period when the survey measured business earnings (7 to 18 months after enrollment) might be too early to gauge SET's impacts:**

- Service receipt data for the program group show that nearly 70 percent of them were still engaged with service providers for at least 6 months after enrolling (Appendix Table C.6). Therefore, a substantial share of the program group appeared to still need intensive program supports and thus might not be well positioned to draw profits from their businesses at the start of the 12-month window during which we asked about earnings.
- As noted in Chapter VI, several SET providers believed that by the time program services had ended—6 months into the 12-month window during which we asked about earnings—most program group members had not developed a sufficient revenue stream to qualify them to borrow funds.
- More generally, although there are no hard-and-fast rules, some small business commentators have argued that most early revenues, especially in the first year, are ideally reinvested in the small business (Akalp 2015; Davidson 2017). They note that owners are more likely able to draw an income later—sometimes by the second or third year of operations, but perhaps even later than that. This is consistent with quantitative analyses of entrepreneurial dynamics in the United States showing steady growth for at least three years after start-up in the share of entrepreneurial ventures that have had at least one month of profits sufficient to cover expenses and owner salaries (Reynolds et al. 2018). Given the goals of this study, the SET survey focused on work outcomes and did not ask for detailed financial information. However, the study team assessed this issue qualitatively through discussions with SET providers, who did not expect most participants to be able to draw an income from their business by the end of the first year.

Therefore, if the SET program did lead to any changes in the extent to which businesses were self-sustaining, such changes are unlikely to be reflected 7 to 18 months after study enrollment. As a result,

self-employment earnings of successful entrepreneurs might increase over time. However, average earnings per program group member could also decrease due to subsequent small business closures if SET's impact on self-employment activity is not sustained over time beyond the 18-month survey.

#### **D. SET did not lead to additional hiring of employees**

**By the time of the 18-month survey, there were at most two employees for every 10 study enrollees, on average, with no difference between the program and control groups** (Appendix Table D.4). This measure of employment counts the number of employees in enrollees' main small business venture since entering the study, even if that business had closed by the survey date. One reason for a lack of a difference between groups could be that SET impacts had not emerged by the 18-month survey (for the reasons previously discussed). However, there might also simply be no impact, given that SET was designed to support reemployment among the people participating in it, as opposed to seeking to stimulate job creation more broadly. The study did not screen applicants based on the scale of their business ideas. Several providers also noted that participants often tended to pursue one-person businesses or consultancies that did not require additional hiring.

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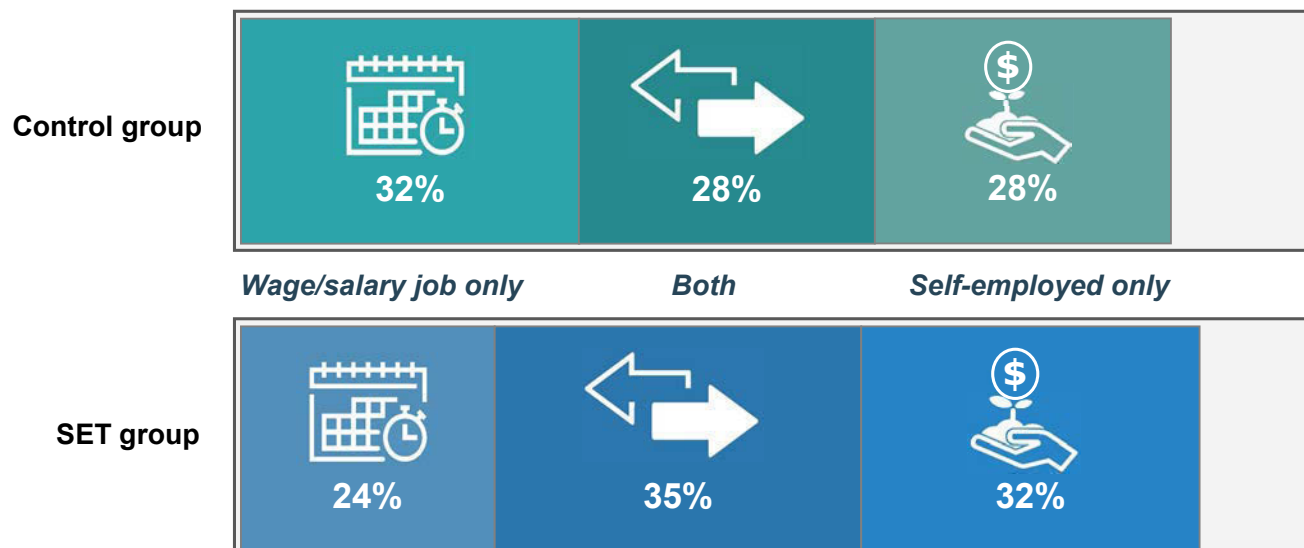
## VIII. How Did SET Affect Other Work Outcomes?

In addition to increasing self-employment outcomes, the SET program could have affected reemployment by changing how dislocated workers engaged with the traditional job market in which they had previously participated. For example, access to SET could have resulted in the program group focusing more on self-employment and, thus, being less apt to work in wage and salary jobs. However, SET could also have resulted in some of them increasing their pursuit of wage/salary employment—either alongside their small business or after determining that self-employment was not a good fit for them. In this chapter, we consider the impacts of the program on wage/salary employment rates at the time of the survey, as well as the number of hours worked in such jobs and total earnings from such jobs during the 12 months before the survey. We also assess whether SET affected the extent of “dual” employment—being both self-employed and employed in a wage or salary job—at the time of the follow-up survey. Finally, we examine measures of job satisfaction and UI benefit receipt.

### Key findings

- SET led to no changes in engagement with wage/salary employment, on average.
  - About three of five study enrollees in both the program group and control group held wage/salary jobs at the time of the survey.
  - There were no significant differences between groups in the number of hours worked in wage/salary jobs or the earnings they received from such jobs.
  - SET had no impacts on the rate of UI receipt during the year before the survey.
- SET markedly increased the share of people who both held a wage/salary job and were self-employed—from 28 to 35 percent.
- There was no association between having access to SET services and job satisfaction among those who were employed at the survey date.

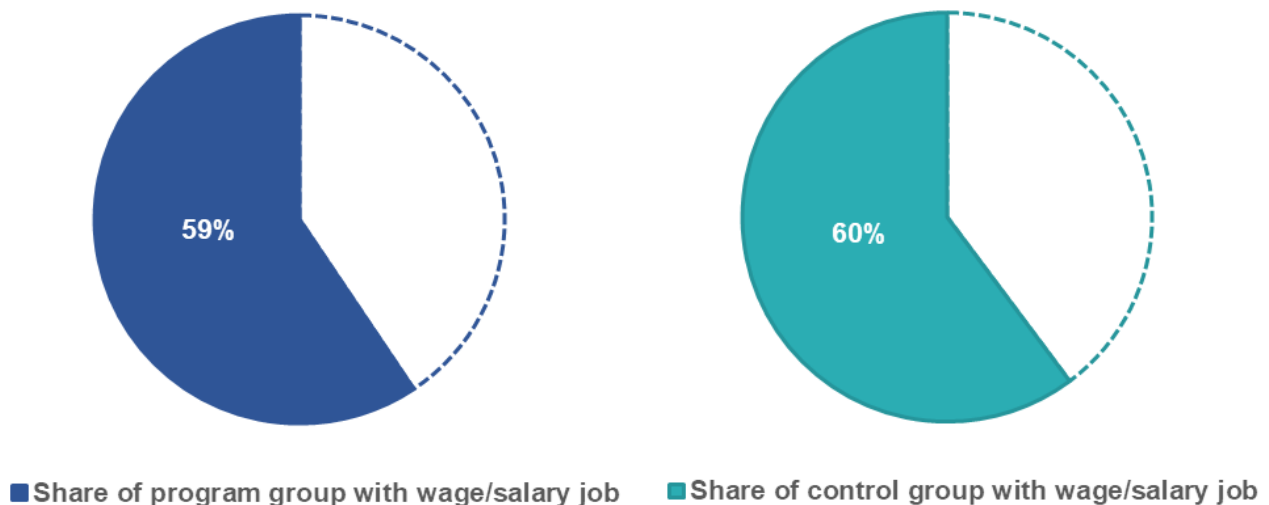
### SET impacts in focus: Increase in the share who both held a wage/salary job and were self-employed



## A. The SET program group and control group had similar average wage/salary employment outcomes

The rate of employment in wage/salary jobs was similar in the program and control groups at the time of the 18-month survey: 59 and 60 percent, respectively (Figure VIII.1). This slight overall difference between the two groups was statistically insignificant, as was each site-level impact estimate (Appendix Table D.5). Hence, across the program group as a whole there was no change in this outcome as a result of SET, so their additional engagement with self-employment does not appear to be based on reduced engagement with wage/salary employment. In addition, the implementation study team found that providers did not often have the opportunity to guide SET participants back to AJCs as their interest in self-employment waned, but (as discussed in the next section) they usually encouraged participants to pursue wage/salary employment while developing their businesses.

**Figure VIII.1. Rate of employment in wage/salary jobs at the survey date**



Note: This graph uses data from the 18-month survey and study intake forms. Rates for both groups were calculated using survey weights, and the control group rate was estimated using a statistical model. The difference in rates between the program and control groups shown in this graph was statistically insignificant. See Appendix Table D.5 for additional details.

We found no meaningful differences between the program and control groups in other outcomes related to wage/salary employment during the 12-month period leading up to the survey. As Appendix Table D.5 shows, the program group as a whole worked 923 hours in wage/salary jobs and received \$15,652 in wage/salary earnings, on average, during this period. The corresponding averages estimated for the control group were only about 3 percent higher. Furthermore, as Appendix Table D.6 shows, rates of UI receipt were about 16 percent for both the program and control groups as a whole, which might be a product of their similar rates of wage/salary employment. We found no statistically significant differences between the program and control groups in any of these outcomes—either overall or in any of the four SET sites.

Taken together with results from Chapters IV and VII, these findings indicate that SET increased reemployment rates primarily through self-employment, without affecting the average level of engagement with wage/salary jobs. This could be due to the program group taking

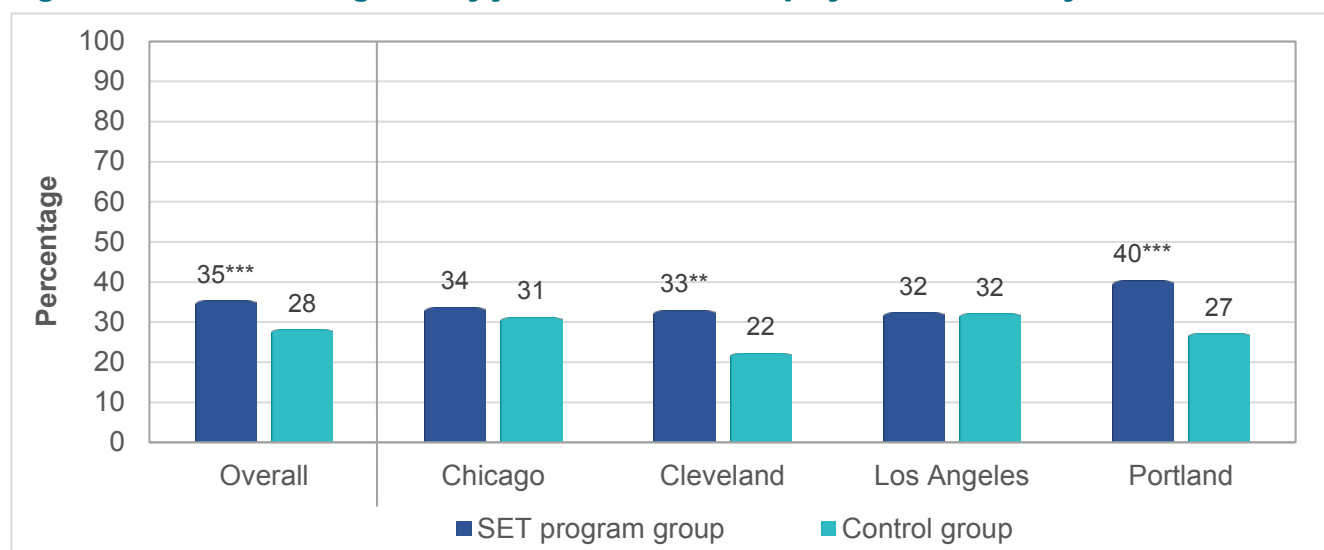
a more measured approach toward business development (as discussed in the next section), and might better have left open the door to wage/salary employment for those who did not end up pursuing self-employment further. It could also reflect other, unmeasured factors such as the motivations of study enrollees or the specific way in which the SET program was delivered.

## **B. SET increased the share of people who worked in both wage/salary jobs and self-employment**

Dual employment could be an attractive option for SET study enrollees. As discussed in Chapter VII, it can take several years to develop a small business to the point where it provides a stable source of income. During that period, holding a wage/salary job while pursuing self-employment may allow entrepreneurs to better generate the earnings needed to sustain their families. This approach has been called “income patching” and was observed for more than one-third of people who participated in a select set of microenterprise programs in 2011 (Aspen Institute 2013). In addition, some may seek the flexibility in having multiple sources of earnings—for example, being able to rely on self-employment when taking time off from a wage/salary job to care for a family member (Clark et al. 1999).

**The SET program significantly increased the share of people who both held a wage/salary job and were self-employed at the time of the 18-month survey.** At that point, 35 percent of the program group and 28 percent of the control group were dually employed (Figure VIII.2). The difference of 7 percentage points represents an increase of one-quarter. In addition, as with what we found previously for key business development and self-employment outcomes, estimated impacts on dual employment were largest in Cleveland (11 percentage points) and Portland (13 percentage points). Differences between the program and control groups were not statistically significant in the other two sites.

**Figure VIII.2. Held a wage/salary job and was self-employed at the survey date**



Note: This graph uses data from the 18-month survey and study intake forms. Rates for both groups were calculated using survey weights, and the control group rates were estimated using a statistical model. See Appendix Table D.6 for additional details.

\* / \*\* / \*\*\* Denotes a program group rate that is significantly different from the estimated control group rate at the .10 / .05 / .01 levels.

**SET might have led to an increase in dual employment due to both the guidance of providers and the motivations of enrollees, among other possible factors.** The study team found that SET providers tended to encourage participants to maintain a wage/salary job while growing their businesses. However, the underlying mechanism might also simply be that the program increased the share of people who tried self-employment. This would lead to an increase in dual employment if study enrollees, in general, recognized that they needed wage/salary jobs to support their families during the start-up phase. Alternatively, some study enrollees may have signed up with the intention of gaining greater work flexibility by holding multiple types of jobs or keeping the door to wage/salary work open to guard against the risks of starting a business. Although these explanations are plausible, a range of other program features or enrollee motivations could also have resulted in higher rates of dual employment in the program group.

**C. SET was not associated with any change in job satisfaction among those who were working**

**The share of employed survey respondents who noted satisfaction with their current work situation was similar in the program and control groups.** The small difference between groups (49 versus 47 percent) was not statistically significant (Appendix Table D.6). This might be viewed as surprising, given that past research has found that transitioning to self-employment is associated with greater job satisfaction, particularly as the newly self-employed put more hours into their small business (Bradley and Roberts 2004). However, the negligibly higher rate of satisfaction we found for the SET program group might not fully reflect SET's impacts on self-assessed well-being because it applies primarily to those who were working at the survey date.<sup>9</sup>

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<sup>9</sup> Job satisfaction questions were posed to the 90 percent of survey respondents who were working in self-employment or a wage/salary job at the survey date plus an additional 2 percent of respondents who were not working at that time but (as discussed in Chapter VI, Section B) had taken steps to formalize their main small business venture.



## IX. Which Types of Study Enrollees Benefited from SET?

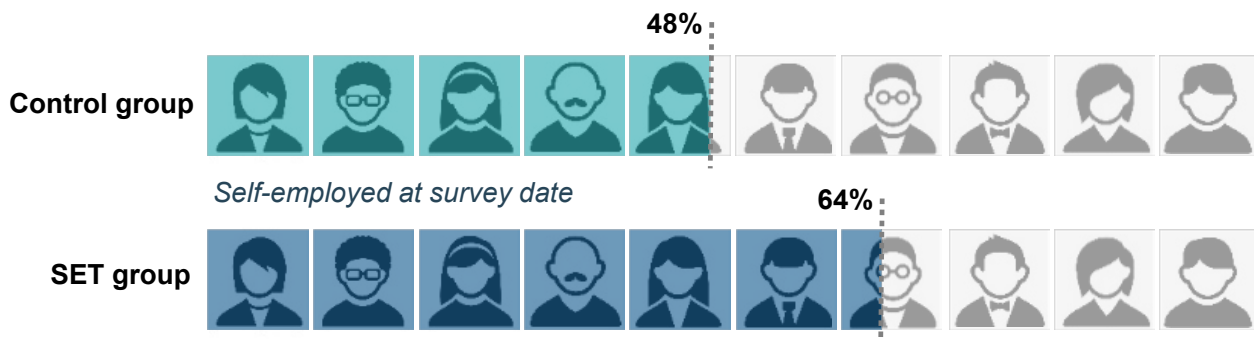
We consider the impacts of SET for different types of people—“subgroups” of our main study sample—based on their characteristics at the time of enrollment. For the reasons discussed in Chapter II, we examine socioeconomic subgroups based on prior self-employment experience, cash assets at study enrollment, and UI receipt at study enrollment. We also examine demographic subgroups based on age, gender, and race/ethnicity.

Because these groups were represented differently across sites with varying local economic contexts and implementation practices, our analysis includes an adjustment to make impact estimates for these groups more comparable. For example, as discussed in Chapter III, Portland enrolled a high share of study participants with initial cash assets of at least \$1,000, and providers in that site were more likely to have sustained engagement with the program group. We therefore made an adjustment to our analysis that enabled us to separate differences in effectiveness by subgroup from differences attributable to the sites where they enrolled in SET. (Appendix B provides more details about this adjustment.) The results of this analysis should still be interpreted cautiously, however, because of the potential to find large differences by chance when making multiple comparisons between relatively small groups.

### Key findings

- SET’s impacts on self-employment rates were concentrated on program group members without recent self-employment experience before enrolling in the study.
- SET increased self-employment rates by a substantial and significant amount for both those with and without assets, for UI recipients and nonrecipients, and for each demographic subgroup.
- For most subgroups, the rate of employment (in any job) was higher for those in the SET program group than those in the control group, and there were no significant differences in impact estimates for this outcome across socioeconomic or demographic subgroups.
- In general, we found no evidence of impacts on total earnings for any of the subgroups we studied.

### SET impacts in focus: Particularly large increases in self-employment among those without recent small business experience



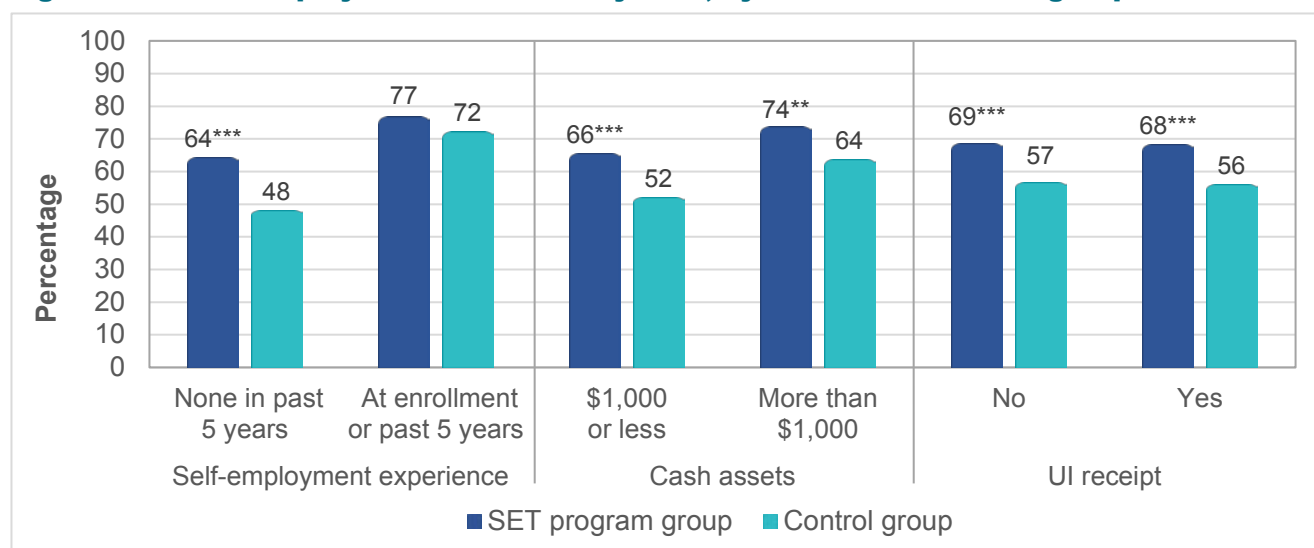
**A. The SET program increased self-employment rates for most study enrollees, especially those without recent small business experience**

**Impacts on self-employment at the time of the 18-month survey were realized primarily by those not self-employed during the five years before they enrolled.**

- For this group, SET produced a large (16 percentage point) and statistically significant increase in the rate of self-employment at the time of the survey. As Figure IX.1 shows, 64 percent of those who had access to the SET program reported being self-employed at the time of the survey, compared to only 48 percent of those without access to SET.
- In contrast, for those with recent experience in self-employment (before enrolling), we did not find a significant impact. This group had high self-employment rates at the time of the survey—whether they were assigned to the program group (77 percent) or the control group (73 percent).
- The difference in impact estimates between those with and without self-employment experience was statistically significant.

These findings are consistent with SET supports being more unique for study enrollees new to self-employment, and those with past experience likely having a better sense of where else to get similar supports in their communities. However, other differences between these subgroups could also have produced the differences in impacts. For example, those with recent self-employment experience were significantly more likely than others to have experienced a bankruptcy, delinquency, or court-ordered repayment to a creditor before enrolling in the study. These negative credit factors could hinder their capacity to build a business. In addition, because of the number of comparisons we made, our findings could reflect a chance difference between subgroups.

**Figure IX.1. Self-employment at the survey date, by socioeconomic subgroup**



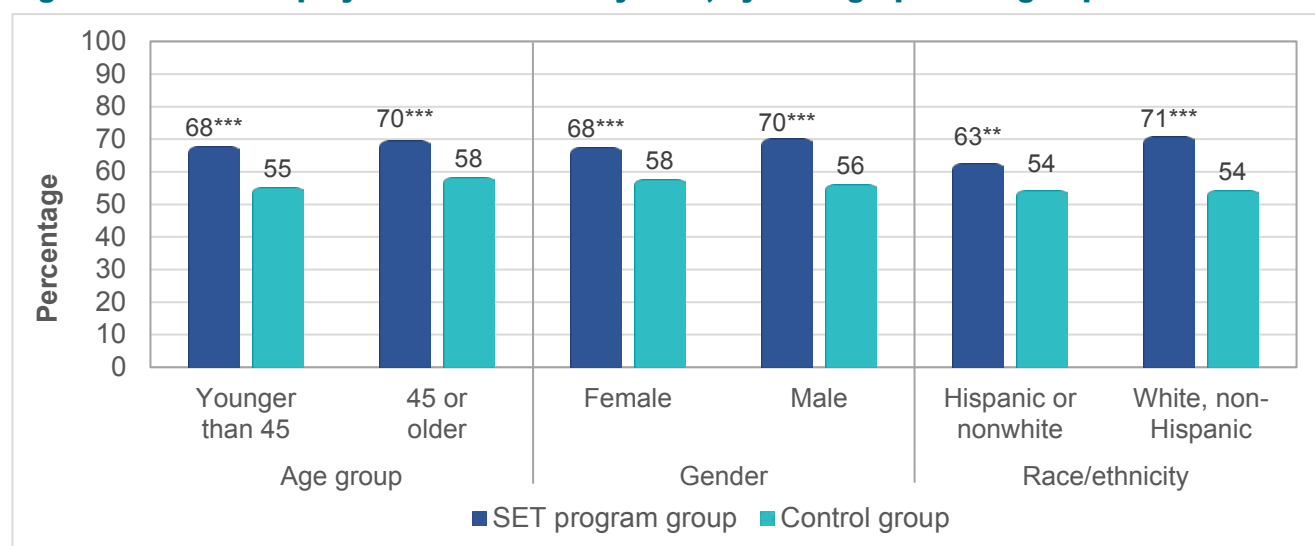
Note: This graph uses data from the 18-month survey and study intake forms. Rates for all groups were calculated using survey weights, scaled to place equal weight on each site. Control group rates were estimated using a statistical model. See Appendix Table D.7 for additional details.

\* / \*\* / \*\*\* Denotes a program group rate that is significantly different from the estimated control group rate at the .10 / .05 / .01 levels.

**Comparing other socioeconomic subgroups, we found that SET produced relatively similar increases in self-employment rates at the date of the 18-month survey** (Figure IX.1 and Appendix Table D.7). Our estimates indicate that SET led to a 13 percentage point increase for those with less than \$1,000 in assets and a 10 percentage point increase for those with \$1,000 or more in assets at enrollment. Impact estimates did not differ significantly between those two groups. In addition, we found nearly identical impact estimates (12 percentage points) for both study enrollees who were and were not receiving UI benefits when they applied to SET. This finding contrasts with a result from GATE I, which indicated that the program’s short-term impacts on business ownership were concentrated among UI recipients. However, the SET pilot program used screening criteria (not used for GATE I) requiring all study enrollees to demonstrate experience that could support their business idea. Although UI recipients who enrolled in SET were less likely than nonrecipients to have recent self-employment experience, they were more likely to have other experience in the same industry as their proposed business.

**SET increased self-employment rates for each demographic subgroup by a substantial amount, and the size of these estimated impacts did not differ significantly across groups** (Figure IX.2). We found similar impact estimates by age: 13 percentage points for those younger than 45, compared to 12 percentage points for those 45 or older. In addition, we found impact estimates of 10 percentage points for women and 14 percentage points for men, as well as impact estimates of 9 percentage points for Hispanics or racial minorities and 17 percentage points for non-Hispanic whites. We also observed that recent entrepreneurial experience and negative credit factors at enrollment were both relatively more common among women, as well as among Hispanics and non-whites. Nonetheless, although impact estimates for all demographic groups were statistically significant, differences between groups were all statistically insignificant (Appendix Table D.7).

**Figure IX.2. Self-employment at the survey date, by demographic subgroup**



Note: This graph uses data from the 18-month survey and study intake forms. Rates for all groups were calculated using survey weights, scaled to place equal weight on each site. Control group rates were estimated using a statistical model. See Appendix Table D.7 for additional details.

\* / \*\* / \*\*\* Denotes a program group rate that is significantly different from the estimated control group rate at the .10 / .05 / .01 levels.

**B. SET's impact on employment rates was similar across subgroups, and, in general, there was no impact on earnings**

**We found positive impact estimates for employment (in any job) at the survey date for all subgroups, and there were no statistically significant differences between the groups we compared.** In every socioeconomic or demographic category we considered, the share who were employed—in either self-employment or wage/salary employment—was higher for those assigned to the SET program group than for those in the control group (Appendix Table D.8). However, the impact estimates were statistically significant only for some subgroups. For example, we observed impact estimates of almost 6 percentage points for study enrollees without recent self-employment experience and 2 to 3 percentage points for those with such experience, but only the latter was statistically significant. At the same time, we also could not rule out the possibility that the effectiveness of SET was similar across those two groups. In fact, none of the differences between pairs of subgroups was statistically significant.

**We found no clear evidence that SET affected total earnings during the 12 months before the survey for any socioeconomic or demographic subgroup.** Differences in average total earnings between those assigned to SET and those assigned to the control group were statistically insignificant for almost every subgroup (Appendix Table D.9).<sup>10</sup> This could reinforce our finding from Chapter IV that SET likely had no overall impact on earnings during the period covered by the survey. However, as discussed in Chapters IV and VII, this period likely overlapped with their first year of operations, and most small businesses at that stage are unlikely to provide substantial earnings for their owners.

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<sup>10</sup> One exception is that we found a negative impact estimate for UI recipients. Our analysis indicates that there is a less than 1 in 10 percent probability that such a large effect could arise for a single subgroup if there were truly no effect of the program. However, this analysis does not account for the fact that we estimated 12 different impact estimates (one for each subgroup).

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## **X. Discussion and Conclusions**

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The SET pilot program provided a package of self-employment supports designed for people struggling to find work after a job loss. DOL funded SET as a complement to existing programs that also try to help dislocated workers become reemployed. Applicants typically found out about SET through workforce and UI agencies in the four study sites; however, the program only accepted those with past experience or expertise relevant to their proposed small business. The SET program group had access to case management services, training and technical assistance, and seed capital microgrants. In two of the four sites, UI recipients who participated in SET also received work search waivers.

To assess the impacts of SET, we used survey data collected 18 months after study enrollees were randomly assigned to the program group or a control group. These impacts reflect both how the SET model was implemented and who enrolled in the program, as discussed in Chapter III of this report.<sup>11</sup> With this context in mind, results from the SET impact evaluation may nonetheless provide timely information of interest to policymakers and practitioners considering options for entrepreneurial training under WIOA.

### **SET led to greater receipt of personalized assistance and seed capital**

People coping with a job loss may find it difficult to identify available options for self-employment support or develop a plan to use them effectively. In addition, dislocated workers may struggle with their finances and not have access to business capital. Therefore, the SET model was designed to include ongoing personal assistance and seed capital microgrants. We found that SET nearly tripled the average number of personalized contacts with self-employment assistance providers (from 1.6 to 4.7) and more than doubled the share of people who received nonborrowed funds (from 21 to 49 percent). SET also increased the share of people who attended in-person classes and training, which nearly doubled, and led to greater receipt of self-employment assistance through online courses and peer-to-peer contact.

### **SET produced sustained increases in self-employment activity**

SET resulted in more of the program group achieving potentially important business development milestones. Two-thirds of them had completed a business plan by the time of the 18-month survey, but fewer than half of them would have done so without access to SET. In addition, the program increased the share of people who registered, incorporated, and/or obtained an employer or tax identification number for their business—from 54 to 65 percent. Some of these increases may have been attributable to the eligibility requirements for SET seed capital microgrants, which required participants to complete a business plan and register their business. Nonetheless, achieving these milestones could help lay the groundwork for longer-term success of a small business by signaling dedication to potential investors and clients.

In fact, SET led to more people actively working in self-employment, and our findings suggest that the program led to increased commitment and persistence in the program group. All study members expressed

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<sup>11</sup> For this reason, we have not directly compared findings from SET to those from the past DOL pilot programs summarized in Figure I.1. Relative to SET, past DOL pilot programs differed markedly in where and when they operated, as well as the target populations they served (see Appendix A).

interest in trying self-employment by applying to the program, and more than 70 percent of the control group actually were self-employed during the 18 months after they enrolled. Even so, SET led an additional 6 percent of the program group to try self-employment during that timeframe. We also found that SET also led to a 6 percentage point increase in the share of the program group who committed at least 20 hours per week, on average, to self-employment during the year before the survey. Finally, we found that SET increased the rate of self-employment at the time of the 18-month survey by 11 to 12 percentage points, which suggests that self-employment impacts grew larger over time.

### **SET may have been particularly effective in promoting self-employment among new entrepreneurs**

Increases in self-employment at the time of the 18-month survey were realized primarily by those in the program group who were not self-employed during the five years before they enrolled. We found large impact estimates for this group that differed notably from the small and statistically insignificant impacts we found for study enrollees who did have recent small business experience. These differences suggest that SET provided more distinctive support to study enrollees who were new to self-employment and, therefore, might not know how to identify or effectively use the supports in their communities. These results should be used cautiously, however, when considering adaptations of the SET model.

Our findings do not necessarily support targeting services more narrowly to new entrepreneurs, because they differed in other important ways from those with recent past small business experience. For example, those who had such recent experience were more likely to have credit problems, which could suggest expanding the SET model to incorporate a credit-building component. Additional research using methods that build on the findings of this report could provide more insights on these issues—for example, using the approach described by Kaufman and Rousseeuw (2005) to compare impacts across subgroups that share many characteristics.

### **Additional testing could shed light on how SET supported self-employment**

Our evaluation was not designed to provide insights into which feature(s) of SET produced increases in self-employment. We estimated impacts by comparing study enrollees assigned to the program and control groups—either all enrollees or subsets defined by their characteristics at enrollment. As discussed in Chapter II, this approach measures the effect of being offered the whole package of SET supports. Subsequent research could use alternative methods such as predictive models to analyze impacts for subgroups who tended to use specific program services or supports, as discussed by Frangakis and Rubin (2002). Such methods also could produce stronger evidence for how SET affected persistence rates. In addition, practitioners looking at the SET model to inform their implementation of entrepreneurship training could use evidence-based program improvement strategies (McCay et al. 2017) to establish which supports work for their clientele. Finally, future evaluations of pilot programs might consider using a multiple-arm random assignment design to test the relative effectiveness of several program variations.

### **SET was moderately successful as a reemployment program**

SET helped 3 to 4 percent of the program group secure employment in any job—through self-employment or a wage/salary job—at the time of the 18-month survey. This is a markedly smaller estimated impact than

what we found for self-employment rates. Nonetheless, the increase in reemployment rates is still notable, because the study's screening criteria likely attracted dislocated workers who had skills and experience they could use to find jobs, even without access to the program. Just under 12 percent of the control group were jobless at the time of the 18-month survey, compared to less than 9 percent of the program group. From this perspective, SET reduced the joblessness rate by one-fourth.

### **The program group stayed connected to the wage/salary job market**

SET increased reemployment rates primarily through self-employment, without affecting the average level of engagement with wage/salary jobs. About 60 percent of both the program and control groups held a wage/salary job at the time of the 18-month survey, and the two groups also had worked a similar number of hours in the year before the survey.

In addition, the SET program group was significantly more likely than the control group to be dually employed—that is, hold a wage/salary job while pursuing self-employment. This could represent an “income-patching” approach to maintaining family income while developing a small business, or, given the potential risks of self-employment, keeping the door open to the traditional job market.

### **SET produced similar employment impacts across demographic groups**

The SET pilot program attracted study enrollees whose demographic composition differed markedly from the national population of business start-up owners. The majority of SET study enrollees were women or indicated a nonwhite or Hispanic ethnicity. In contrast, males made up two-thirds of all people starting a business around the same time, and about four-fifths of new entrepreneurs were non-Hispanic and white.

We found no differences in the effectiveness of SET across demographic groups. SET substantially increased self-employment rates for each demographic group. Further, in every demographic group we considered, the share employed—in self-employment or wage/salary employment—was higher for those assigned to the SET program group than for those in the control group.

These similarities in estimated impacts could be related to SET's targeting approach. The study eligibility requirement that enrollees must have some work experience related to the proposed business idea is likely to make differences in other characteristics less relevant. This is borne out by the self-employment rates observed in the control group, which differed negligibly by gender or racial/ethnic background.

### **We observed substantial differences in site-level employment impact estimates, but it is not clear what these differences reflect**

For example, we found clear evidence of impacts for business formalization, self-employment rates, and reemployment rates only in Cleveland and Portland. Our impact estimates for each of these outcomes in Chicago and Los Angeles were generally smaller and statistically insignificant. These findings could be related to implementation differences—Chicago had the lowest rate of microgrant receipt, and quarterly reassessments were rarely provided in Los Angeles. But, those two sites also had relatively high unemployment rates, did not offer UI work search waivers, and served study enrollees who likely were more aware of non-SET options for self-employment supports (as discussed in Chapter III). The evaluation design

does not allow us to assess the relevance of any of these or other specific explanations. Finally, in most cases, our analysis could not rule out the possibility that underlying program impacts were similar across sites, given the relatively small number of study enrollees in each site.

Therefore, policymakers and practitioners considering options for developing or expanding entrepreneurship probably should consider whether the SET program model makes sense for the customers they serve. As noted above, it also could be valuable to build in “road tests” to the SET model if attempting to implement it more broadly (McCay et al. 2017).

In addition, to learn more about the role of implementation, future research could examine how SET impacts are related to provider-level fidelity differences documented by Amin et al. (2017). This was beyond the scope of the current study, because program group members were matched to providers after random assignment. However, another analysis of the data could identify and use common tendencies in participant-provider matching to isolate differences in impacts related to provider-level practices.

### **SET did not affect average earnings during the period covered by the survey**

The program and control groups earned similar amounts, on average, during the 12 months before the survey. We found negligible differences between the two groups in their total earnings, self-employment earnings, and earnings from wage/salary jobs during that timeframe. This lack of earnings impacts could be the result of several factors. For example, SET’s supports and financial assistance might have helped the program group start—or persist in—business ventures that produced relatively small revenues. In addition, the program group earned a similar amount from wage/salary work as the control group. Subsequent research might consider assessing whether other aspects of wage/salary job quality are affected by participation in microenterprise support programs.

### **Assessing impacts over a longer horizon could yield an improved understanding of SET’s effectiveness**

We found a larger impact for self-employment measured at the time of the survey than when also considering self-employment activity that occurred closer to the study enrollment date. It would be beneficial to assess whether the higher rates of self-employment in the program group are maintained beyond the 18-month survey.

Similarly, a longer horizon would yield information about how SET affected earnings after the study enrollees’ businesses have had more time to mature. At the start of the period that the survey covered—7 to 18 months after study enrollment—nearly 70 percent of the program group was still actively working with providers, and many were likely still in their first year of business operations. If SET helped them develop businesses that were self-sustaining or that provided a steady revenue stream, such changes are unlikely to become apparent until later. These changes could translate into larger earnings impacts. However, impacts for key outcomes might also decrease if the program group’s businesses ultimately succeed at the same rate as in the control group, or if the control group’s businesses took additional time to develop. Based on the time it takes successful start-ups to become profitable, examining how SET affected earnings after several years could be particularly informative.



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