



Growing America Through Entrepreneurship: Interim Report

August 2006

*Jeanne Bellotti, Mathematica Policy Research
Sheena McConnell, Mathematica Policy Research
Jacob Benus, IMPAQ International*

Submitted to:

U.S. Department of Labor
Employment and Training Administration
200 Constitution Ave., NW
Room N-5637
Washington, DC 20210

Project Officer:

Jonathan Simonetta

Submitted by:

IMPAQ International, LLC
10420 Little Patuxent Parkway,
Suite 300
Columbia, MD 21044
Telephone: (443) 367-0088
Facsimile: (443) 367-0477

Project Director:

Jacob Benus

Co-Principal Investigators:

Sheena McConnell
Walter Corson (Deceased)

CONTENTS

Chapter	Page
EXECUTIVE SUMMARY	i
I INTRODUCTION	1
A. POLICY CONTEXT	2
B. PRIOR RESEARCH	3
C. PROJECT GATE PROGRAM MODEL.....	5
1. Objectives of Project GATE.....	5
2. The Demonstration Sites	6
3. Eligibility and Intake.....	6
4. GATE Services	8
5. Infrastructure for GATE Service Provision.....	9
6. Key Innovations of Project GATE.....	11
D. OVERVIEW OF THE GATE EVALUATION.....	11
E. ORGANIZATION OF THE REST OF THE REPORT	14
II THE CONTEXT FOR PROJECT GATE: THE DEMONSTRATION SITES AND SERVICE PROVIDERS	15
A. DEMOGRAPHIC AND SOCIOECONOMIC CHARACTERISTICS OF GATE SITES	15
B. LOCAL WORKFORCE INVESTMENT SYSTEM	19

Chapter	Page
II (continued)	
1. One-Stop Career Centers Played a Key Role in Project GATE	19
2. Self-Employment Activities Can Affect Unemployment Insurance Benefits	22
3. The Self-Employment Assistance Program Provides Services Similar to Those Offered by Project GATE.....	22
C. LOCAL INFRASTRUCTURE FOR SMALL BUSINESS ASSISTANCE.....	25
1. Prevalence of Microenterprise Assistance Varies by Site	25
2. Loans for Start-Up Businesses are Difficult to Obtain	27
D. PROVIDERS OF GATE SERVICES.....	29
1. GATE Service Providers Were Either SBDCs or CBOs.....	30
2. SBDC and CBO GATE Providers Differ in Mission, Clientele, Service Provision, and Staff.....	32
III OUTREACH AND RECRUITMENT FOR PROJECT GATE.....	37
A. INTAKE PROCEDURES	37
1. Project GATE Met Its Overall Recruitment Goals	38
2. Registrations, Orientations and Applications.....	38
3. The GATE Orientation Was Useful	39
4. Nearly Three-Quarters of Orientation Attendees Applied to Project GATE.....	39
5. Most Applicants Applied Soon After Orientation	40
B. GATE OUTREACH STRATEGIES.....	41
1. GATE Outreach Went Beyond the One-Stop Career Centers.....	41
2. Most Orientation Attendees Heard About Project GATE from Somewhere Other than a One-Stop Career Center	43
3. Including Flyers About Project GATE with UI Checks Led to Spikes in the Number of Applicants	45
4. Mass Media Campaigns Were Effective at Increasing Enrollment at Some Sites.....	45
5. Outreach Strategies Were Successful at Reaching Beyond the One- Stop Population	46
C. OUTREACH SUCCESS BY SITE	49

Chapter	Page
IV WHO APPLIED TO PROJECT GATE?	53
A. DEMOGRAPHIC AND SOCIOECONOMIC CHARACTERISTICS OF GATE APPLICANTS	53
1. Project GATE Attracted a Diverse Population.....	53
2. GATE Applicants Mirrored the Overall Populations Within the Target Communities	54
B. WHAT WERE APPLICANTS DOING WHEN THEY APPLIED TO PROJECT GATE?	56
1. More than Half of all GATE Applicants Were Not Working	57
2. Approximately 30 Percent of GATE Applicants Worked in Regular Wage and Salary Jobs.....	59
3. Nearly One-Fifth of GATE Applicants Already Owned Businesses.....	59
C. THE SUITABILITY OF GATE APPLICANTS TO SELF-EMPLOYMENT	59
1. Most Applicants Had Some Prior Exposure to Self-Employment.....	59
2. GATE Applicants Typically Had Moderately Strong Work Histories.....	61
3. GATE Applicants Often had Poor Credit and Few Assets.....	61
4. Many Applicants Had Yet to Develop a Concrete Business Idea	64
5. Many Applicants Received Support While Pursuing Self-Employment.....	64
6. Most Applicants Reported Having Personality Traits Associated with Successful Entrepreneurs But had an Aversion to Risk-Taking.....	65
D. MOTIVATION TO GO INTO BUSINESS	67
V THE ASSESSMENT: TAILORING SERVICES TO PARTICIPANT NEEDS	69
A. SCHEDULING AN ASSESSMENT.....	69
B. THE OBJECTIVES OF THE ASSESSMENT SESSION	71
1. Assessment Varied Based on Each Site’s GATE Infrastructure	71
2. Assessment Staff Gave Participants Frank Assessments of Prospects for Success.....	72
3. The Assessment Often Resembled a First Technical Assistance Session.....	73

Chapter	Page
<i>V (continued)</i>	
C. REFERRALS TO GATE PROVIDERS	74
1. Referrals Were Driven By Staff Perceptions of Participants' Needs.....	74
2. Organizations Serving Both as Assessors and Providers Raised Concerns About Conflicts of Interest.....	75
VI TRAINING AND TECHNICAL ASSISTANCE: BUILDING THE FRAMEWORK FOR NEW BUSINESSES	79
A. AMOUNT OF SERVICE RECEIPT.....	79
1. Three-Quarters of Treatment Group Members Received Classroom Training or Technical Assistance	80
2. GATE Participants Received an Average of 15 Hours of Services.....	82
3. On Average, GATE Participants Spent Four Months in the Program	85
B. CLASSROOM TRAINING	86
1. The Training Programs Offered to GATE Participants Were Offered Prior to Project GATE.....	88
2. Several Levels of Training Were Available to Meet Different Needs	88
3. The Number and Level of Training Programs Varied by Site	91
4. Variation Across Sites in the Types of Training Services Received Reflected Availability of Programs	92
5. Most, But Not All, GATE Participants Completed Training Programs They Began.....	95
6. Some GATE Participants Viewed the Training as Too Generic.....	96
C. TECHNICAL ASSISTANCE.....	96
1. Many GATE Participants Required Directed Guidance During Technical Assistance Sessions	97
2. Technical Assistance Recipients Spent on Average Three Hours with a Counselor.....	98
3. Several Factors May Have Led to the Underutilization of Technical Assistance	99
4. Many GATE Participants Were Not Eligible for Business Loans	100
D. OTHER SERVICES OFFERED TO GATE PARTICIPANTS	101

Chapter	Page
VI <i>(continued)</i>	
E. PERCEPTIONS OF UNMET NEEDS.....	101
1. Many GATE Participants Wanted Grants or Loans to Start Businesses.....	101
2. Many GATE Participants Wanted Additional Support for their Families While Starting Businesses.....	102
3. Some GATE Participants Appeared in Need of Additional Social Services	102
4. Some GATE Participants Wanted More Specialized Services	102
VII LESSONS LEARNED.....	105
A. KEY LESSONS	105
1. Project GATE Could Be Replicated on a Wider Scale.....	105
2. Self-Employment Programs Should be Flexible Enough to Meet Participants' Diverse Needs.....	106
3. Using Independent Assessment Counselors Avoids Concerns about Conflicts of Interest.....	107
4. A Mass Media Outreach Campaign May Be Necessary	107
5. Challenges of Obtaining Business Financing Should be Made Clear to Program Applicants.....	108
6. Assistance in Becoming Credit Worthy is an Important Service to Offer Along with Loan Application Assistance.....	108
B. REMAINING QUESTIONS.....	108
 REFERENCES.....	 111
 APPENDIX A: PROJECT GATE SITE PROFILES.....	 A-1

T A B L E S

Tables	Page
I.1 ORGANIZATIONS INVOLVED IN PROJECT GATE.....	10
I.2 NUMBER OF GATE APPLICANTS BY SITE	12
II.1 SOCIOECONOMIC AND DEMOGRAPHIC CHARACTERISTICS OF SITES.....	17
II.2 PREVALENCE OF SELF-EMPLOYMENT AND SMALL BUSINESSES.....	18
II.3 ONE-STOP CAREER CENTERS PARTICIPATING IN PROJECT GATE.....	20
II.4 PROGRAMS TO HELP SMALL BUSINESSES IN GATE SITES	24
II.5 PROGRAMS THAT PROVIDE SELF-EMPLOYMENT ASSISTANCE IN GATE SITES....	26
II.6 MICRO-LENDERS IN GATE SITES.....	29
II.7 GATE SERVICE PROVIDERS BY SITE	30
II.8 SUMMARY OF CHARACTERISTICS OF THE GATE SERVICE PROVIDERS	31
II.9 CHARACTERISTICS OF PROVIDER STAFF INVOLVED IN PROJECT GATE AT SBDCs AND OTHER PROVIDERS	34
III.1 NUMBER OF REGISTRATIONS, ORIENTATION ATTENDEES, AND APPLICATIONS	39
III.2 TIME BETWEEN ORIENTATION AND APPLICATION	40
III.3 SUMMARY OF GATE OUTREACH STRATEGIES BY SITE.....	42
III.4 HOW ORIENTATION ATTENDEES HEARD ABOUT PROJECT GATE.....	44

Table	Page
III.5	CHARACTERISTICS OF ORIENTATION ATTENDEES BY RECRUITING SOURCE 46
III.6	FACTORS INFLUENCING PROJECT GATE RECRUITMENT 50
IV.1	DEMOGRAPHIC AND SOCIOECONOMIC CHARACTERISTICS OF PROJECT GATE APPLICANTS 55
IV.2	WORK AND SELF EMPLOYMENT STATUS OF PROJECT GATE APPLICANTS 58
IV.3	SELF EMPLOYMENT EXPERIENCES OF PROJECT GATE APPLICANTS 60
IV.4	WAGE AND SALARY EMPLOYMENT EXPERIENCES OF PROJECT GATE APPLICANTS 62
IV.5	SUPPORTS AND BARRIERS TO SELF EMPLOYMENT AMONG PROJECT GATE APPLICANTS..... 63
IV.6	COUNSELORS ASSESSMENTS OF PROJECT GATE PARTICIPANTS 64
IV.7	APPLICANTS ASSESSMENT OF THEIR PERSONALITIES..... 66
V.1	ASSESSMENTS AND REFERRALS TO GATE PROVIDERS 70
V.2	SUMMARY OF GATE INFRASTRUCTURE IN EACH SITE..... 72
V.3	PROJECT GATE REFERRALS 76
VI.1	PARTICIPANT FLOW THROUGH GATE SERVICES..... 81
VI.2	HOURS OF SERVICE USE, BY TYPE OF SERVICE RECEIPT..... 84
VI.3	HOURS OF SERVICE RECEIPT IN THE FIRST SIX MONTHS OF PROGRAM PARTICIPATION..... 86
VI.4	TIME BETWEEN RANDOM ASSIGNMENT, ASSESSMENTS, REFERRALS, AND SERVICE RECEIPT 87
VI.5	NUMBER AND TYPE OF TRAINING COURSES OFFERED BY SITE 92
VI.6	RECEIPT OF CLASSROOM TRAINING BY GATE PARTICIPANTS 93
VI.7	RECEIPT OF TECHNICAL ASSISTANCE..... 99

FIGURES

Figure		Page
I.1	PROJECT GATE SERVICE STRATEGY.....	7
III.1	GATE APPLICATIONS BY SITE.....	38
III.2	NUMBER OF REGISTRATIONS, ORIENTATION ATTENDEES, AND APPLICATIONS IN PHILADELPHIA.....	47
III.3	NUMBER OF REGISTRATIONS, ORIENTATION ATTENDEES, AND APPLICATIONS IN PITTSBURGH.....	47
III.4	NUMBER OF REGISTRATIONS, ORIENTATION ATTENDEES, AND APPLICATIONS IN MINNEAPOLIS/St. PAUL.....	48
III.5	NUMBER OF REGISTRATIONS, ORIENTATION ATTENDEES, AND APPLICATIONS IN NORTHEAST MINNESOTA.....	48
III.6	NUMBER OF REGISTRATIONS, ORIENTATION ATTENDEES, AND APPLICATIONS IN MAINE.....	49
IV.1	EMPLOYMENT STATUS AT APPLICATION.....	57
IV.2	REASONS FOR STARTING A BUSINESS.....	68
VI.1	RECEIPT OF TRAINING AND TECHNICAL ASSISTANCE AMONG TREATMENT GROUP MEMBERS.....	83
VI.2	RATE OF MULTIPLE-SESSION COURSE COMPLETION AMONG PARTICIPANTS WHO BEGAN A TRAINING COURSE.....	95

EXECUTIVE SUMMARY

While many Americans dream about starting their own businesses and have the necessary skills and motivation to do so, lack of business expertise and access to credit often prevent them from realizing their dreams. Recognizing this untapped potential, the U.S. Department of Labor (DOL), Employment and Training Administration, teamed with the Small Business Administration (SBA) to create a demonstration project designed to assist people in creating or expanding their own businesses—Project GATE (**G**rowing America **T**hrough **E**ntrepreneurship).

Funded by DOL, the GATE demonstration began in early fall 2003 in three states—Pennsylvania, Minnesota, and Maine. Participants in Project GATE were offered assessments, classroom training and one-on-one technical assistance in developing their businesses and applying for an SBA Microloan or other source of business finance. Nonprofit Community-Based Organizations (CBOs) and the SBA's Small Business Development Centers (SBDCs) provided the classroom training and technical assistance.

DOL's One-Stop Career Centers were the gateways to the program. These centers, which provide a wide range of services for job seekers and employers, conducted outreach for Project GATE and hosted the program's orientation. Project GATE added a new service to the One-Stop Career Centers' arsenal of employment services—helping people become self-employed. This service was expected to attract new and diverse customers to the One-Stop Career Centers.

This initial report on Project GATE is based on data collected during site visits and program administrative data. It describes how Project GATE was implemented at each site, the range and content of services provided, the number and characteristics of people served, and the similarities and differences in the program across sites. It also discusses the lessons learned from implementing Project GATE and the conditions necessary for successful replication of the program elsewhere. It does not present estimates of the program's impacts—those will be presented in a subsequent report.

PROJECT GATE: ELIGIBILITY AND INTAKE

Project GATE was designed to serve almost anyone, whether employed or unemployed, who was interested in starting or expanding a small business. The program was open to anyone 18 years of age or older, who was lawfully able to work in the U.S., resided in the state, and wished to start or expand a business that was legal and appropriate for federal support. If these criteria were met, no applicant was prevented from participating based on a particular business idea or on their qualifications for starting a business.

Intake for Project GATE involved three steps:

- **Registration.** Persons interested in Project GATE first registered at a GATE kiosk at a One-Stop Career Center, at the GATE website, by mailing a postcard, or by calling a toll-free number.
- **Orientation.** People who registered for Project GATE were asked to attend an orientation at a One-Stop Career Center. At the orientation, a video was shown that described GATE services, the GATE application process, and both the positive and negative aspects of self-employment.
- **Application.** Orientation attendees who wished to apply to Project GATE were asked to complete an application form and mail it to IMPAQ International. IMPAQ International checked the eligibility of the applicant and then randomly assigned the applicant to either a treatment or control group as described below.

PROJECT GATE: SERVICES

Project GATE offered three basic services:

- **Assessment.** The design of the GATE program model called for the assessments to be conducted by a counselor at an SBDC. The main objective of the assessment was for a counselor to recommend to the participant the services and provider that best met the participant's needs.
- **Training.** The training courses offered by Project GATE varied by provider, and many providers offered multiple training courses. Some courses provided basic information for those just starting businesses, focusing on developing a business plan. Other courses targeted participants who already had developed business plans and may have started their businesses, but needed assistance in growing the business.
- **Technical Assistance.** All GATE participants could meet one-on-one with a business counselor to receive assistance. The amount of technical assistance received was tailored to the needs of the participant. For those in need of

financing for their businesses, the counselors provided assistance in applying for loans from SBA’s Microloan program or other funding sources.

THE DEMONSTRATION SITES

Project GATE was implemented at five sites:

- Philadelphia, Pennsylvania
- Pittsburgh, Pennsylvania
- Minneapolis/St. Paul, Minnesota
- Northeast Minnesota
- Maine (Portland, Lewiston, and Bangor)

The sites were selected to include both urban and rural sites; three sites were in urban areas and two sites, Northeast Minnesota and Maine, comprise largely rural areas.

THE SERVICE PROVIDERS

As indicated in Table 1, Project GATE involved multiple organizations providing assessment, training, and technical assistance. One-Stop Career Centers served as the gateway to the program, providing orientation to all potential program participants. In four of the five sites, an SBDC conducted the assessment. At four sites, multiple organizations provided training and technical assistance to GATE participants. In Pittsburgh, all services—assessments, training, and technical assistance—were provided by one organization (the SBDC).

The service providers were chosen using a competitive process. In each site, organizations that were identified as providing business training and technical assistance were asked to submit statements of capabilities. Providers were selected for Project GATE if their capabilities statements showed experience in providing these types of services, the ability to serve a sufficient number of participants, and the ability to provide services at a reasonable cost.

Table 1. Organizations Involved in Project GATE

Site	Assessment	Training and Technical Assistance
Philadelphia	IMPAQ International	Women's Business Development Center (WBDC) Women's Opportunity Resource Center (WORC) The Enterprise Center
Pittsburgh	Duquesne University, SBDC	Duquesne University, SBDC
Minneapolis/ St. Paul	St. Thomas University, SBDC Hmong American Mutual Assistance Association (HAMAA)	SBDC WomenVenture Hmong American Mutual Assistance Association (HAMAA)
Northeast Minnesota	University of Minnesota at Duluth, SBDC	University of Minnesota at Duluth, SBDC Northeast Entrepreneur Fund (NEEF)
Maine	University of Southern Maine, SBDC	University of Southern Maine, SBDC Maine Centers for Women, Work, and Community (WWC) Penquis Community Action Program (CAP) Coastal Enterprises, Inc. Center for Entrepreneurship at the University of Southern Maine /Heart of Maine

SBDC and CBO GATE service providers differed in several important ways. The two types of organizations have different missions. The primary mission of the SBDCs is to develop small businesses in order to strengthen the economy. In contrast, the mission of the CBOs is to assist individuals to become self-sufficient. Because of their missions, the SBDCs are more likely to serve people who are further along in business development and whose businesses are likely to create jobs, while the CBOs are more likely to serve people who face more barriers to starting a business and whose business may not create employment for anyone other than the business owner. Compared with the staff at CBOs, the staff who work at SBDCs are more likely to be white and male, have more experience, and are more likely to have advanced degrees.

These differences affected how the two types of organizations provided services. In providing technical assistance, CBO counselors were much more likely than SBDC counselors to spell out in detail what the participant needed to do and to follow up with participants who did not schedule follow-up sessions. Also, the training programs at CBOs tended to be slower paced than those at the SBDCs.

DETERMINING THE SUCCESS OF PROJECT GATE: THE EVALUATION

The cornerstone of the evaluation of Project GATE was random assignment. A total of 4,201 GATE applicants were randomly assigned. Approximately 50 percent of the applicants were assigned to a treatment group and 50 percent to a control group. Members of the treatment group were offered Project GATE services free of charge and control group members were not offered GATE services.

The findings presented in this report are based on three sources of data collected to date:

- ***GATE Orientation and Application Forms.*** Individuals interested in being considered for Project GATE were required to attend an orientation at a One-Stop Career Center. Orientation forms were completed during the orientation session. These forms provide information on people who attended orientations. Following orientation, applicants completed application forms before they were randomly assigned. These forms provide a rich source of data on the characteristics of applicants just prior to random assignment.
- ***Participant Tracking System (PTS).*** All Project GATE service providers collected information on the results of the assessments, referrals to providers, and the type and intensity of services the treatment group members received. Program staff recorded this information into the PTS, a computer-based tracking system developed by IMPAQ International. This report presents analysis based on an extract from the PTS taken on December 31, 2005. Hence, for some treatment group members, over two years of data is available.
- ***Site Visits.*** Four rounds of site visits were conducted. During these visits, interviews were conducted with One-Stop Career Center staff and administrators, instructors, and business counselors at the service providers. Researchers observed orientations, assessments, classroom training, and technical assistance. Also, focus groups were conducted and in-depth interviews were conducted with randomly-selected participants in each site.

GATE OUTREACH STRATEGIES

GATE outreach was successful—the demonstration’s enrollment target was exceeded. As expected, enrollment was unevenly distributed across the five sites. About two-thirds of the applicants were from two sites: Minneapolis/St. Paul and Philadelphia. Enrollment was lower in Pittsburgh and the two rural sites—Northeast Minnesota and Maine.

To recruit study participants, five main outreach strategies were used:

- ***Providing Information at One-Stop Career Centers.*** The One-Stop Career Centers were the focal point of the recruitment. Electronic kiosks designed specifically for Project GATE were placed in the resource rooms of participating One-Stop Career Centers. Brochures, flyers, and posters about Project GATE were also displayed at the centers. Project GATE was discussed at center orientations.
- ***Inserts with Unemployment Insurance Checks.*** Flyers describing Project GATE periodically were mailed with Unemployment Insurance checks in Philadelphia, Pittsburgh, and Maine.

- ***GATE Website.*** A website described the program's locations, how to apply, and the services it provided. Interested people could register through the website.
- ***Grassroots Campaigning.*** One-Stop Career Center staff led grassroots networking efforts to share information about the program with local organizations and government agencies.
- ***Mass Media Marketing.*** This included advertisements, special media events, press releases, and public service announcements.

WHO APPLIED TO PROJECT GATE?

GATE participants were strikingly diverse. Some were already operating businesses and needed help to expand; others had not gotten much further than an initial business development idea. Some were highly educated and had graduate degrees; others had not finished high school. Some had a stable source of financial support as they worked on starting their businesses; others were relying on Unemployment Insurance benefits or public assistance.

While nearly one-fifth already owned a business when they applied to Project GATE, another 30 percent were working in a regular job for someone else. The rest were neither working nor had yet started a business.

Many Project GATE applicants faced significant barriers to starting a business. The most prevalent problems were a lack of assets and a poor credit history. SBDC counselors reported that the average GATE applicant was less qualified for self-employment than a typical SBDC client. Compared to their typical clients, GATE applicants were less likely to already have started a business, were less far along in developing their business ideas, were less motivated to succeed, were more likely to lack capital and collateral for their business, and were more likely to have a poor credit history. In contrast, staff at most CBO providers reported that GATE participants were fairly similar to their typical clientele.

THE ASSESSMENT: TAILORING SERVICES TO PARTICIPANT NEEDS

The GATE assessment was designed to ensure that participants received appropriate services. During the assessment session, the assessment counselor determined whether the participant needed training, and if so, what would be the most appropriate training program. He or she also assessed whether the participant needed technical assistance, and whether that should occur before, during, or after training.

For each client, the assessment counselor also made referrals to the most appropriate GATE provider in the community. This kind of referral is a unique feature of Project GATE. More typically, people interested in receiving assistance with starting a business go directly to a training and technical assistance provider - that provider would be unlikely to refer the participant to another organization.

According to assessment counselors, four main factors influenced the referral decision:

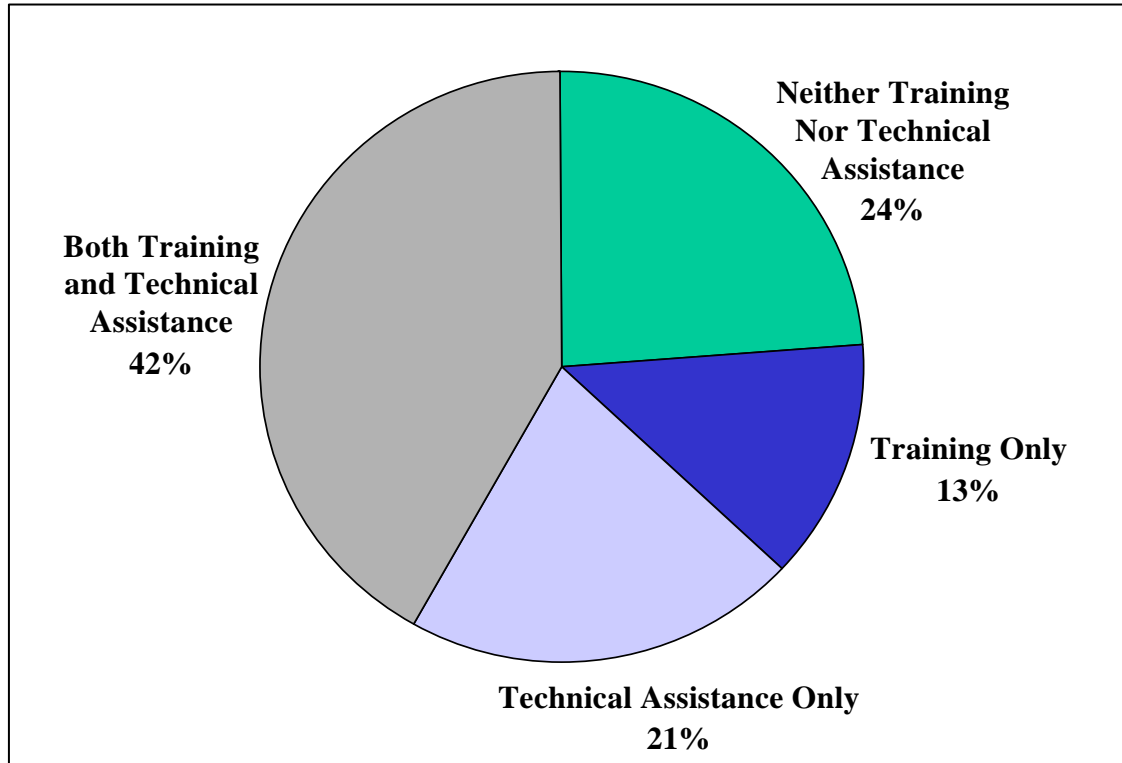
- ***Level of Training Needed.*** The providers offered different types and levels of training. Assessors often referred participants with vague business ideas or little experience in business to providers that offered introductory training.
- ***Location of Services.*** In some sites, especially those in rural areas, the distance to a GATE provider from the participant's home was an important factor.
- ***When Training Courses Began.*** Assessors often tried to minimize the amount of time a participant needed to wait before starting a training course.
- ***Assistance with Credit Repair.*** The need for credit repair courses—which were scarce—sometimes influenced the referral.

TRAINING AND TECHNICAL ASSISTANCE: BUILDING THE FRAMEWORK FOR NEW BUSINESSES

The key components of Project GATE are classroom training and the provision of one-on-one technical assistance. Classroom training provides grounding in basic business principles to help GATE participants decide whether self-employment is for them, assist them in writing a business plan, and provide them with the information necessary to start or grow a small business. Technical assistance can address participants' specific needs as well as issues related to a particular business. Project GATE participants can receive technical assistance, classroom training, or both.

Most participants who received services after an assessment received both classroom training and technical assistance. About one-quarter of GATE participants dropped out of the program after the assessment and received neither training nor technical assistance (Figure 1). Those who attended an assessment received an average of 15 hours of services, including the assessment (about an hour), training (about 12 hours), and technical assistance (one to two hours). GATE participants spent about 16 weeks in the program.

Figure 1. Receipt of Training and Technical Assistance Among Treatment Group Members



Training

Project GATE training providers offered a variety of training programs. These were, for example, general courses on how to start a business. These courses covered topics such as entrepreneurial readiness, the business plan, marketing, cash flow, legal structure, and financial management. Training providers also offered courses on more specialized topics, such as child-care businesses or e-commerce. Courses were offered at different levels ranging from introductory courses for people who had not yet operated a business to advanced courses for people who already were operating a business but wanted to learn more about how to expand it. In addition to training courses, some providers also offered seminars on such topics as specific business areas (e.g., child-care businesses), e-commerce, or accounting software packages.

Technical Assistance

Individual business technical assistance is often viewed as an important and effective strategy for assisting entrepreneurs with their business needs. Existing small business owners who do not need classroom training often use one-on-one technical assistance to work through specific business issues. Also, individuals at the business start-up phase often use technical assistance to obtain help with specific issues after completing classroom training. Not only do these sessions provide practical advice on business-related issues, but they also allow staff the opportunity to provide emotional support and encouragement when participants face difficulties in the business development process.

Most GATE providers offered unlimited free technical assistance to GATE participants. People who used the technical assistance services spent an average of three hours with a counselor. About 14 percent of all participants spent more than five hours.

Assistance with Applying for Business Loans

One service offered by Project GATE was one-on-one assistance in applying for loans. Information on obtaining a loan was also provided during classroom training. Project GATE counselors reported in the PIS that they assisted 12 GATE participants in receiving a business loan. Other GATE participants who may have received a loan without direct assistance from Project GATE, were not asked to report this information to the GATE service provider. (Loan information was collected in the follow-up survey and will be analyzed in subsequent reports.)

LESSONS LEARNED

The findings from the information presented in this report suggest several lessons for policymakers and program administrators considering designing and implementing a self-employment program.

- **Project GATE Could Be Replicated on a Wider Scale.** Project GATE was implemented as planned. Both outreach and recruitment was successful—the overall enrollment targets were met and a diverse set of participants was recruited. In all sites, training and technical assistance providers with a reputation for providing good quality services were identified and agreed to provide GATE services. About three-quarters of GATE participants participated in training, received technical assistance, or both.

Project GATE was implemented in five quite different sites suggesting that it could be implemented successfully on a wider scale. The sites varied in urbanicity, local economic conditions, the prevalence of services for people interested in self-employment, and the socioeconomic characteristics of the population.

- **Self-Employment Programs Should be Flexible Enough to Meet Participants' Diverse Needs.** Training needs varied based on participants' education and experience, the developmental stage of their businesses, and the type of businesses

they wanted to start. Some GATE participants required a basic introductory course; others required more advanced courses.

The challenge facing a self-employment program is to offer enough of a variety of training courses to meet all the participants' needs, while at the same time keeping costs at reasonable levels. Project GATE was able to offer a wide variety of training courses in some, but not all, sites.

- **Using Independent Assessment Counselors Avoids Concerns about Conflicts of Interest.** At two GATE sites, the SBDC conducted the assessments and served as training provider. These SBDCs faced a potential conflict of interest, between doing what was best for the participant as opposed to what was best for the SBDC. While we found no evidence that the SBDCs failed to refer participants to the most appropriate providers, this arrangement creates a potential conflict of interest. Therefore, where possible, assessment counselors should be independent of the service providers.
- **The Need for Mass Media Outreach Campaigns Varies by Site.** In some GATE sites, outreach goals were met without the need for a mass media campaign. In Minneapolis/St. Paul, for example, enrollment goals were met without a mass media campaign. In contrast, a large mass media campaign was needed in Philadelphia to reach enrollment targets. Even with this mass media campaign, recruitment was still lower in Philadelphia than in Minneapolis/St. Paul.

Prior to initiating a mass media campaign, careful analysis of the site characteristics and the local level of interest in self-employment is essential. This will help to determine the type and size of mass media campaign that may be appropriate. Furthermore, once a mass media campaign is initiated, careful monitoring of the results is also vital.

- **Challenges of Obtaining Business Financing Should be Made Clear to Program Applicants.** Most self-employment programs do not offer grants or loans to program participants. Some people, however, expect to obtain business finance from self-employment programs. Anticipating this issue, the video presented during the GATE orientation specifically stated that Project GATE did not have any funds for grants or loans, but that it could provide assistance with *applications* for financing. Even after viewing this video, some GATE participants still expected to be able to obtain a loan through the program and were disappointed when they found out that the program did not provide loans. Hence, it is important for self-employment programs to be very clear in all their outreach materials and during their orientations that they do not provide grants or loans.
- **Assistance in Becoming Credit Worthy is an Important Service to Offer Along with Loan Application Assistance.** Many GATE participants did not meet the requirements for a business loan, because of a lack of a business plan, a good credit history, or the necessary capital. Project GATE in all sites offered services to help the participants develop a business plan and the other

documentation necessary to complete a loan application. However, many participants also needed assistance in developing a good credit history and acquiring the necessary capital. In response to this need, some GATE sites offered workshops that addressed problems with credit history and personal financial management. This appears to be an important service to consider in developing a future program.

REMAINING QUESTIONS

The early findings presented in this report suggest that Project GATE could be implemented on a wider scale. However, recommendations on whether or not GATE *should* be replicated elsewhere will depend upon how GATE participants fared in comparison with members of the control group.

A future impact analysis will be based on data from surveys as well as administrative records on earnings and UI benefits. The impact analysis will address the following questions:

- Did GATE participants receive more self-employment services?
- Were GATE participants more likely to complete a business plan or obtain a business loan?
- Did Project GATE increase business development?
- Did Project GATE increase employment and earnings?
- Did Project GATE decrease the receipt of UI and public assistance?

In addition to providing answers to these questions, the findings from future impact analyses will provide policymakers and program administrators with evidence on whether Project GATE should be replicated on a wider scale.

CHAPTER I

INTRODUCTION

While many Americans dream about starting their own businesses and have the necessary skills and motivation to do so, lack of business expertise and access to credit often prevent them from realizing their dreams. Recognizing this untapped potential, the U.S. Department of Labor (DOL), Employment and Training Administration, teamed with the Small Business Administration (SBA) to create a demonstration project designed to assist people in creating or expanding their own businesses—Project GATE (**G**rowing **A**merica **T**hrough **E**ntrepreneurship).

Funded by DOL, the GATE demonstration began in early fall 2003 in three states—Pennsylvania, Minnesota, and Maine. Participants in Project GATE were offered assessments, classroom training and one-on-one technical assistance in developing their businesses and applying for an SBA Microloan or other source of business finance. Nonprofit Community-Based Organizations (CBOs) and the SBA’s Small Business Development Centers (SBDCs) provided the classroom training and technical assistance.

DOL’s One-Stop Career Centers were the gateways to the program. These centers, which provide a wide range of services for job seekers and employers, conducted outreach for Project GATE and hosted the program’s orientation. Project GATE added a new service to the One-Stop Career Centers’ arsenal of employment services—helping people become self-employed. This service was expected to attract new and diverse customers to the One-Stop Career Centers.

This initial report on Project GATE is based on data collected during site visits and program administrative data. It describes how Project GATE was implemented at each site, the range and content of services provided, the number and characteristics of people served, and the similarities and differences in the program across sites. It also discusses the lessons learned from implementing Project GATE and the conditions necessary for successful replication of the program elsewhere. A subsequent report will describe the impacts of Project GATE on business development, employment, and other outcomes, as well as its benefits and costs.

This chapter is divided into five sections. Section A discusses of the policy context for Project GATE; Section B describes past research on programs to assist people become self-employed; Section C presents an overview of the GATE program; and Section D describes

the evaluation approach for Project GATE; The chapter ends with a description of the organization of the rest of the report (Section E).

A. POLICY CONTEXT

In the late 1970s and early 1980s, several European countries established programs to help unemployed workers become self-employed. Most of these programs provided either income support or seed capital, together with some training or technical assistance. For example, the *Chomeur Createurs* (Unemployed Entrepreneurs) program in France, implemented nationally in 1980, allowed persons to collect unemployment benefits in a lump sum to finance businesses. The *Enterprise Allowance Scheme*, implemented nationally in Britain in 1983, provided technical assistance and an allowance roughly equal to unemployment benefits for up to one year (Robinson 1993).

In the United States, the past two decades have seen a rapid increase in programs designed to assist people in starting their own businesses. The number of programs offering training, technical assistance, or loan assistance increased from only a handful in 1982 to nearly 700 in 2002 (Walker and Blair 2002). Frequently administered by community action groups, community development corporations, or women's economic development centers, the programs mainly target low-income populations, the unemployed, welfare recipients, refugees, other disadvantaged groups, and women. Funding for these programs comes from federal, state, or local governments, as well as private foundations.

Organizations partially funded by SBA—such as the SBDCs and Business Information Centers—also provide assistance to people interested in starting or expanding businesses. SBDCs, often associated with a college or university, offer one-on-one technical assistance and training in business development. The Service Corps of Retired Executives (SCORE) also is a partner of the SBA. Composed of former businessmen and women, SCORE provides free one-on-one counseling to those interested in starting businesses. Business Information Centers provide resources for small business startup and development, including computer hardware and software; a library of magazines, books, and videos; and on-site counseling through SCORE.

The SBA also has developed loan programs for small businesses. The most relevant of these for small startup businesses is the SBA Microloan program. Under this program, loans of up to \$35,000 are made by nonprofit community-based organizations.

In 1993, Congress authorized states to establish Self-Employment Assistance (SEA) programs for recipients of Unemployment Insurance (UI) benefits. The authorization was for a five-year period, after which DOL was required to submit a report to Congress on the status of the programs. As a result of the recommendations presented in the report to Congress, in 1998, Congress passed new legislation permanently authorizing SEA programs.

SEA programs provide training and technical assistance in self-employment. They also pay the UI recipient an SEA allowance equal to the participant's UI benefits. SEA participants do not need to search for work and can refuse a job offer. Furthermore, the amount of the allowance is not affected by self-employment income.

While the SEA legislation authorized all states to implement SEA programs, however, a majority of states did not implement the program. Only eleven states passed enabling SEA legislation. Of these eleven states, eight states actually implemented SEA programs: California, Delaware, Maine, Maryland, New Jersey, New York, Oregon, and Pennsylvania. In summary, although all states are eligible to implement SEA, most states have chosen not to implement the SEA program.

B. PRIOR RESEARCH

In the late 1980s, DOL funded the Self-Employment Enterprise Development (*SEED*) demonstration projects in Massachusetts and Washington. The goal of both demonstrations was to help UI recipients create their own jobs by starting businesses. In both states, UI recipients were required to attend workshops on issues related to business startup and were offered financial assistance. The Washington and Massachusetts demonstration projects differed in two important ways. First, they differed in their target populations. In Massachusetts, the project was offered only to those new UI claimants identified as being likely to exhaust their benefits. In Washington, the project was offered to most new UI claimants. Second, following the French model, participants in Washington could receive their remaining available UI benefits in one lump-sum payment after meeting certain business milestones. Following the British model, participants in Massachusetts received periodic payments rather than a lump sum.

As with Project GATE, the two demonstrations were evaluated using an experimental approach. Applicants to the programs were randomly assigned either to a treatment or a control group. Members of the treatment group could participate in the SEED model, while control group members could not. Approximately 1,200 sample members (in both treatment and control groups) were followed up in Massachusetts for about 31 months. Approximately 1,500 sample members in Washington were followed up for about 33 months. The findings from these evaluations were generally positive, but differed somewhat between the two states (Benus et al. 1995):

- In both Massachusetts and Washington, treatment group members were more likely than control group members to have a spell of self-employment at some time during the follow-up period.
- The impact on self-employment persisted only in Washington. By the end of the follow-up period, just over 30 months after random assignment, there were no differences between program and control members in the prevalence of self-employment in Massachusetts.
- In Massachusetts, total earnings increased significantly by about \$6,000 over the 31 months after random assignment. However, this increase resulted from an increase in earnings from jobs in which the participant worked for someone else; self-employment earnings did not increase.

- By contrast, in Washington, increased self-employment led to increased self-employment earnings but no increase in total earnings. The increase in self-employment earnings was almost completely offset by a decrease in earnings from other employment.
- While the self-employment program in Massachusetts did not lead to businesses creating jobs for people other than the owners, in Washington the program created about 0.3 jobs per treatment group member.
- In a benefit-cost analysis, the Massachusetts demonstration yielded net benefits to society and to the government. In Washington, the demonstration yielded net benefits to society, but a net cost to the government.

The SEA legislation was primarily a response to the positive findings from these demonstrations.

An evaluation of the effectiveness of the SEA program in three states—Maine, New Jersey, and New York—found that two to three years after program enrollment SEA participants were much more likely to be self-employed, were more likely to be employed in either their own business or in a regular wage and salary job, and were more satisfied with their work than people who were found eligible for SEA but declined to enroll (Kosanovich and Fleck 2001). SEA program participants also on average received more UI benefits. These findings, while suggestive, should be interpreted with caution. The differences in outcomes may be due to unobserved differences in the characteristics of SEA participants and the comparison group rather than impacts of the program itself.

In 1987, the U.S. Department of Health and Human Services approved a demonstration project, the Self-Employment Investment Demonstration (SEID), designed to test the viability of self-employment as a means of helping welfare recipients. Five states implemented and funded the model: Iowa, Maryland, Michigan, Minnesota, and Mississippi. The SEID model contained four basic components: business training, self-esteem training, technical assistance, and assistance in securing business financing. Unlike the SEED demonstration, SEID did not include an evaluation of the impacts of the programs, although some followup of outcomes was conducted. Of the 1,300 people who enrolled in SEID, 408 started a business during the demonstration, and about half of the participants were able to leave welfare (Raheim and Alter 1998; Guy and Fink 1991). The demonstration suggested that when well targeted and focused, programs to help people become self-employed can assist some low-income people to achieve economic self-sufficiency (Servon and Bates 1998).

C. PROJECT GATE PROGRAM MODEL

In light of this prior research, DOL contracted with IMPAQ International, and its subcontractors¹ to design a program that provided training and technical assistance, including help in applying for business loans. The design of Project GATE differed from that of the SEED and SEID demonstrations and the SEA programs, however, in that the target population was much broader and not restricted to UI or welfare recipients.

1. Objectives of Project GATE

Although most Americans have neither the skills nor the desire to be self-employed—more than 90 percent of employed Americans work for other people in “wage and salary” jobs²—some Americans *do* want to be self-employed. Some have a passion for a particular business idea, while others want to be their own bosses, have no access to wage and salary jobs in which they can use their skills, or desire the flexibility of self-employment. These people often are willing to work hard, and have specific skills, interests, and talents they can use in a business.

For many would be entrepreneurs, lack of business knowledge and access to credit pose significant barriers to self-employment. This lack of knowledge may encompass marketing, finance, regulations, how to develop a business plan, or other aspects of developing and running a business. Disadvantaged populations in particular are less likely to have access to the information sources that would make such knowledge and skills available to them (Brush 1990; Gould and Parzen 1990; Keeley 1990). Many people may need loans to start their businesses but have little collateral and poor or no credit histories. Moreover, commercial banks frequently are reluctant to make loans to small, risky ventures.

By providing assistance designed to surmount these obstacles to self-employment, Project GATE aimed to promote both workforce and economic development. By improving the likelihood of being successful at self-employment, the project sought to increase employment, earnings, and the self-sufficiency of GATE participants. Even if not successful at self-employment, the program could have improved success at wage and salary employment by providing GATE participants with contacts, business skills, or just the knowledge that entrepreneurship is not for them. By promoting small businesses and the jobs they create, Project GATE also aimed to promote economic development in some low-income areas.

¹ Mathematica Policy Research, Inc., Battelle Memorial Institute, and the National Center on Education and the Economy.

² Throughout the report, we use the term “wage and salary” to describe jobs in which people work for someone else.

2. The Demonstration Sites

The Project GATE sites were selected to include both urban and rural sites -- three urban sites (Philadelphia, Pittsburgh, and Minneapolis/St. Paul) and two rural sites (Northeast Minnesota and Maine). A brief description of the five sites follows:

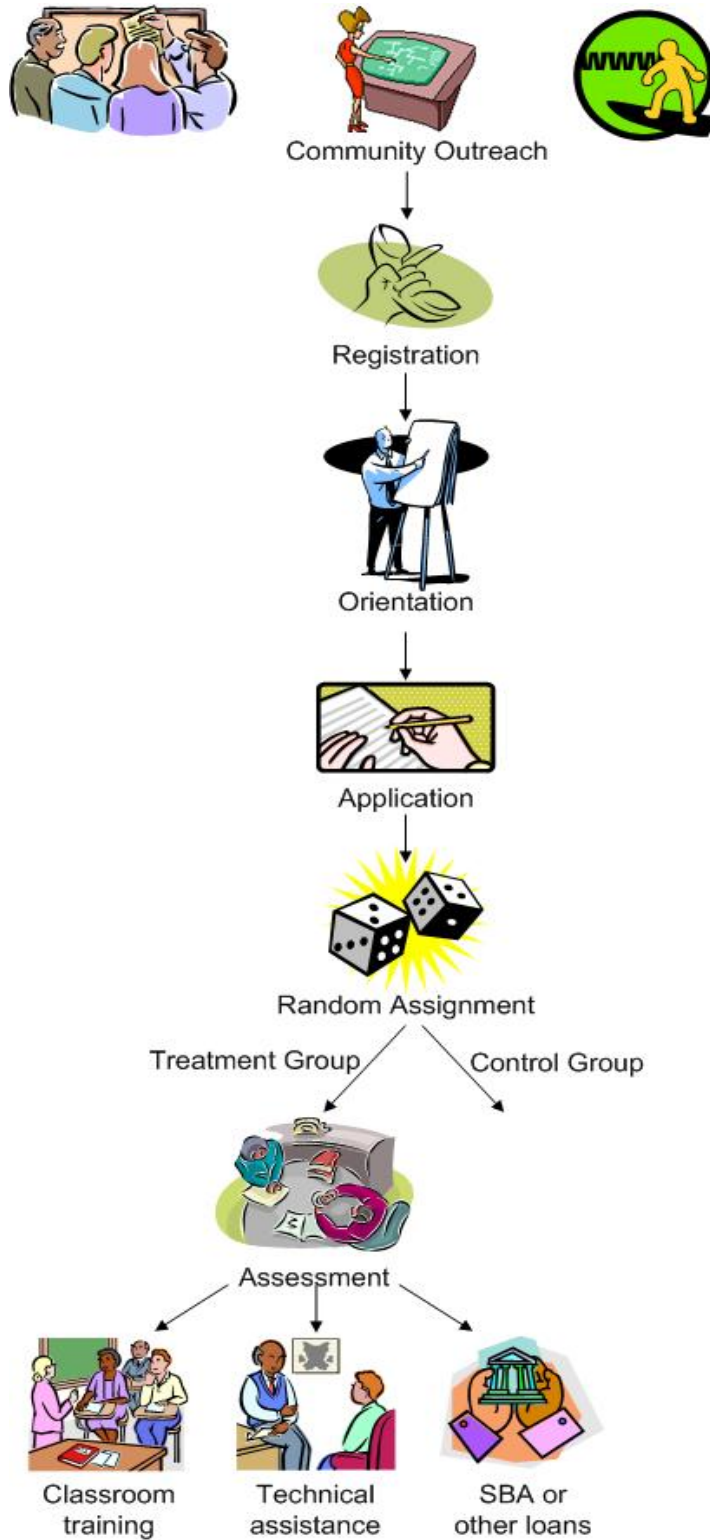
1. ***Philadelphia, Pennsylvania.*** At this site, five One-Stop Centers and three CBOs participated in Project GATE.
2. ***Pittsburgh, Pennsylvania.*** At this site, seven One-Stop Career Centers and the Duquesne University SBDC participated in Project GATE.
3. ***Minneapolis/St. Paul, Minnesota.*** At this site, two One-Stop Career Centers in Minneapolis and two One-Stop Career Centers in St. Paul, the St. Thomas University SBDC, and two CBOs participated.
4. ***Northeast Minnesota.*** The Northeast Minnesota site covered a seven-county area that includes the cities of Duluth and Virginia. Two One-Stop Career Centers, the University of Minnesota at Duluth SBDC, and one CBO participated.
5. ***Maine.*** The Maine site covered the counties of Penobscot, Androscoggin, and Cumberland, and includes Bangor, Portland, and Lewiston. Three One-Stop Career Centers participated in Project GATE, as did the University of Southern Maine SBDC, three CBOs, and the Center for Entrepreneurship at the University of Southern Maine, in partnership with the Heart of Maine organization.

3. Eligibility and Intake

Project GATE was designed to serve almost anyone interested in starting a business, whether employed or unemployed. The program was open to anyone 18 years of age or older, who was lawfully able to work in the U.S., resided in the state, and wished to start or expand a business that was legal and appropriate for federal support. If these criteria were met, no applicant was prevented from participating based on a particular business idea or on their qualifications for starting a business. Self-employed people interested in developing their businesses further also were eligible for the program.

Intake for Project GATE involved three steps: (1) registration, (2) orientation, and (3) completion of an application package (Figure I.1).

Figure I.1. Project GATE Service Strategy



Registration. Persons interested in Project GATE first registered. This was done either at the GATE kiosk at a One-Stop Career Center, at the GATE website, by mailing a postcard from the GATE brochure or poster, or by calling a toll-free number. Registered individuals were notified by mail of the times and locations of the GATE orientations in their areas. They were asked to contact a One-Stop Career Center to select which orientation they would attend.

Orientation. The GATE orientation had four main objectives. First, it aimed to provide the attendees with a balanced picture of both the positive and negative aspects of self-employment. The discussion of the negative aspects of self-employment, referred to as the “cold shower,” was designed to ensure that Project GATE applicants had realistic expectations about self-employment. Second, the orientation described GATE services so that applicants had realistic expectations about services provided and did not expect to become eligible for grants or loans directly from GATE. Third, the orientation described the services provided by the One-Stop Career Center. Finally, staff described the GATE application process and offered each attendee an application package.

Attendance at a GATE orientation was required before the GATE application could be submitted. The orientations took place at the One-Stop Career Centers and generally were run by One-Stop Career Center staff.³ During the orientation, a One-Stop staff member described the services that were available at the One-Stop Career Center. This description of One-Stop services was followed by a video describing the positive and negative aspects of self-employment. The presentation concluded with a description of GATE services. Orientation attendees were asked to complete a one-page form designed to collect information on their characteristics and how they had learned about the program.

Application Package. Orientation attendees were given an application package. The application was used to collect information for the evaluation. It also was used to check on eligibility for Project GATE and to provide the assessment counselor with some information about the participant’s needs. The applicant was required to send the application package to IMPAQ International. IMPAQ staff checked that the applicant was eligible for Project GATE and that the form was completed. Forms that were less than 90 percent complete were returned to the applicant for completion. Multiple applications were not permitted, so IMPAQ staff also determined whether the person had applied previously.

4. GATE Services

Project GATE offered three basic services: an assessment, classroom training, and one-on-one technical assistance. All GATE participants received an assessment. After the assessment, participants could receive classroom training only, technical assistance only, or both. At all but one site, GATE services were provided by multiple providers. Some providers offered training and technical assistance, while others offered training only.

³ In Philadelphia, the orientation was conducted first by an assessment counselor employed by IMPAQ International, and then by a member of the workforce development agency.

Assessment. Soon after being accepted into GATE, each participant was invited to meet with a GATE assessment counselor. The main objective of the assessment was to recommend the services and provider that best met the participant's needs. The assessment counselor was required to review the participant's education and training, employment history, entrepreneurial experiences, financial status, and short- and long-range business goals and objectives. On the basis of this review, the counselor recommended the appropriate set of services to the participant. For example, an assessment counselor might suggest an introductory training course to a participant who had just started to think about starting his or her own business, or an advanced course or only technical assistance to someone who already was in business. The assessment counselor also recommended service providers to GATE participants based on their needs and preferences.

Training. The training courses offered by Project GATE varied by provider. Many providers offered multiple training courses. Some courses offered basic information for those just starting businesses, focusing on developing a business plan. Topics covered in these basic courses included: the development of a business plan, market research, marketing, pricing, financing, cash flow, accounting, hiring, permits and licenses, and legal issues. Other courses targeted participants who already had developed business plans and may have started their businesses, but needed assistance in growing the business. These more advanced courses covered topics such as growth strategies, business planning, and customer relations. In addition to training courses, some providers also offered seminars on specific business types (e.g., child-care businesses), e-commerce, or accounting software packages.

Technical Assistance. All GATE participants could meet one-on-one with a business counselor to receive assistance with their specific businesses or business ideas. The amount of technical assistance received was tailored to the needs of the participants. For those in need of financing for their businesses, the counselors provided assistance in applying for loans from SBA's Microloan program or other funding sources.

5. Infrastructure for GATE Service Provision

A unique feature of Project GATE was the involvement of multiple organizations and the movement of participants from one organization to another. All participants began with an orientation at a One-Stop Career Center. While the One-Stop Career Centers are best known for assisting unemployed workers in finding jobs, they also provide a wide array of employment and training services. These One-Stop services are consistent with providing customers with assistance in starting new businesses and growing existing businesses.

One advantage of hosting orientation sessions at One-Stop Career Centers was that the centers could assist the participants in finding wage and salary jobs if they decided self-employment was not for them, or if they needed a job to supplement their incomes while working on developing their businesses. The number of One-Stop Career Centers that provided orientations varied from two in Northeast Minnesota to seven in Pittsburgh.

The original design of the GATE program model called for the assessments to be conducted by a counselor at an SBDC. SBDCs are present in many communities across the United States and SBDC counselors were viewed as well qualified to assess the needs of GATE participants. In practice, SBDCs provided the assessment at four of the five sites (Table I.1). In one site (Philadelphia), IMPAQ International employed an assessment counselor.⁴

In Minneapolis/St. Paul, both the Hmong American Mutual Assistance Association (HAMAA) and the SBDC provided assessments. People of Hmong heritage were given the choice of having an assessment at HAMAA or the SBDC. This enabled some Hmong-speaking GATE participants to be involved with Project GATE even if their English skills were insufficient for them to be assessed at the SBDC.

At each site, one to five organizations provided training and technical assistance to GATE participants (Table I.1). The organizations included SBDCs and nonprofit CBOs. In Pittsburgh, all services—assessments, training, and technical assistance—were provided by the SBDC.

At all sites except Maine, the same organization provided both training and technical assistance to GATE participants. In Maine, the SBDC conducted all technical assistance but referred participants to one or more of four other organizations for training. GATE participants in Maine could attend multiple training courses at multiple organizations.

Table I.1. Organizations Involved in Project GATE

Site	Assessment	Training and Technical Assistance
Philadelphia	IMPAQ International	Women's Business Development Center (WBDC) Women's Opportunity Resource Center (WORC) The Enterprise Center
Pittsburgh	Duquesne University, SBDC	Duquesne University, SBDC
Minneapolis/ St. Paul	St. Thomas University, SBDC Hmong American Mutual Assistance Association (HAMAA)	SBDC WomenVenture Hmong American Mutual Assistance Association (HAMAA)
Northeast Minnesota	University of Minnesota at Duluth, SBDC	University of Minnesota at Duluth, SBDC Northeast Entrepreneur Fund (NEEF)
Maine	University of Southern Maine, SBDC	University of Southern Maine, SBDC Maine Centers for Women, Work, and Community (WWC) Penquis Community Action Program (CAP) Coastal Enterprises, Inc. Center for Entrepreneurship at the University of Southern Maine /Heart of Maine

⁴ The local SBDCs in Philadelphia (Wharton and Temple) chose not to participate in the demonstration.

6. Key Innovations of Project GATE

In most communities, there are organizations that can provide assistance to people who want to start their own businesses. Project GATE used many of those organizations to provide similar services. However, Project GATE differs from the programs already available at the sites in the following five ways:

- ***One-Stop Career Centers Played a Central Role.*** The One-Stop Career Centers were the gateway to the program. They were the focal point for the outreach strategies and they hosted the orientation.
- ***Assessment Staff Matched Participants to Providers.*** In GATE, trained business counselors interviewed the participants and helped them determine which provider would best meet their needs. In the absence of Project GATE, interested people would need to do their own research to find the most appropriate provider.
- ***Outreach Was More Extensive.*** Outreach at some sites included a broad advertising campaign, public service announcements, notices inserted in UI check envelopes, and information provided about the project at all One-Stop Career Centers. This was in contrast to the modest outreach conducted by most providers of services for small businesses.
- ***No One Was Screened Out Because of Being Unlikely to Succeed.*** Many programs that provide business startup services screen out, or strongly discourage, participants whom they view as unlikely to be successful. In contrast, Project GATE did not allow people to be screened out for these reasons. The GATE program was designed to provide enough information so that participants could decide for themselves whether to pursue entrepreneurship.
- ***Participants Did Not Pay for Services.*** Project GATE services were provided free of charge. Most other service providers charge a fee (often on a sliding scale) for their services.

D. OVERVIEW OF THE GATE EVALUATION

This evaluation is designed to address three main questions about Project GATE:

1. ***Can it be Replicated on a Larger Scale?*** How was it implemented? Was it implemented as planned? What were the prerequisites for effective implementation? How did the implementation of the program vary across sites?
2. ***Was it Effective?*** Did Project GATE lead to more employment, higher earnings, reduced receipt of UI, or greater satisfaction with employment? Did it lead to more business development? Did it create jobs for people

other than the participants? Did its effectiveness vary by how or in what context GATE was implemented? Did its effectiveness vary by population subgroup?

3. ***Was it Cost-Effective?*** Were the impacts of the program commensurate with its costs?

The cornerstone of the Project GATE evaluation design is random assignment. Those who (a) attended an orientation, (b) were eligible for Project GATE, and (c) completed an application were randomly assigned either to a treatment or control group. Members of the treatment group were offered Project GATE services free of charge; control group members were not. The impacts of Project GATE will be estimated by comparing the outcomes of members of these two groups.

All GATE applicants who applied and were eligible for services were randomly assigned. Between September 2003 and July 2005, a total of 4,201 applicants were randomly assigned (Table I.2). Approximately 50 percent of the applicants were assigned to the treatment group and 50 percent to the control group. Applicants were not evenly distributed across sites. More than two-thirds of all applicants were at two sites—Philadelphia and Minneapolis/St. Paul. Less than one-fifth of the applicants were from the two rural sites of Northeast Minnesota and Maine.

Table I.2. Number of GATE Applicants by Site

Site	Number of Applicants		
	Total	Treatment Group	Control Group
Philadelphia	1,181	602	579
Pittsburgh	595	288	307
Minneapolis/St. Paul	1,655	835	820
Northeast Minnesota	203	97	106
Maine	567	275	292
Total	4,201	2,097	2,104

The findings presented in this report are based on three sources of data collected to date: (1) GATE application and orientation forms, (2) the Participant Tracking System (PTS), and (3) site visits.

GATE Orientation and Application Forms. All those interested in participating in Project GATE had to attend an orientation session. At the orientation, they completed an orientation form which provides information on all who attended orientations. To be

considered for random assignment, Project GATE applicants had to complete an application form. These forms provide a rich source of data on the characteristics of applicants.

Participant Tracking System (PTS). All Project GATE service providers collected information on the results of the assessments and the type and intensity of services the treatment group members received. This information was recorded on the PTS, a computer-based tracking system developed by IMPAQ International. The findings in this report are based on an extract from the PTS taken on December 31, 2005. Hence, at least six months of data are available on all treatment group members.

Site Visits. Four rounds of site visits were conducted. The first two rounds occurred in early fall 2003 and winter 2004. These two rounds were focused on providing assistance to the demonstration sites in implementing both the program and evaluation. The third and fourth rounds of site visits occurred in fall 2004 and spring 2005 and were used to collect detailed information on the implementation of the program for the evaluation.

During these visits, interviews were conducted with One-Stop Career Center staff and administrators, instructors, and business counselors at the service providers. In addition, researchers observed orientations, assessments, classroom training, and technical assistance. Also 18 participants were randomly selected and were interviewed in depth about their experiences in Project GATE and in starting their businesses. In later chapters, some vignettes are presented based on these case histories (the names of the participants were changed). Finally, during the third round of visits, eight focus groups of randomly-selected program participants were conducted, with at least one focus group at each site.

To estimate the impacts of Project GATE on the participants, data are needed on the employment and business outcomes of both treatment and control group members. These data are being collected from two sources:

1. ***Two Follow-Up Surveys.*** Telephone interviews will be attempted with all treatment and control members approximately 6 months and 18 months after random assignment. These surveys will provide detailed information on outcomes, such as the receipt of services, the completion of business plans and application for loans, business development, employment, income, and receipt of UI and other benefits.
2. ***UI Administrative Data.*** Quarterly wage records and UI benefit data will be collected on all treatment and control group members for the time period covering the 24 months prior to and the 12 months after random assignment.

Findings based on analyses of these data sources will be presented in a subsequent report.

E. ORGANIZATION OF THE REST OF THE REPORT

The rest of this report describes what has been learned about Project GATE to date from analyses of data from the application and orientation forms, the PTS, and the site visits. Chapter II describes the context in which Project GATE was implemented, including descriptions of the sites and the provider organizations. The report then describes what we learned about the GATE recruitment and intake processes (Chapter III), and the characteristics of GATE applicants (Chapter IV). A discussion of each service follows, including assessments (Chapter V), and training and technical assistance (Chapter VI). The report concludes in Chapter VII with a discussion of the major lessons learned about the success of the implementation of Project GATE, as well as prospects for wider replication of the program. Appendix A provides a summary of each site.

CHAPTER II

THE CONTEXT FOR PROJECT GATE: THE DEMONSTRATION SITES AND SERVICE PROVIDERS

New programs are not implemented in a vacuum, but within an environment that may affect both their implementation and their effectiveness. An understanding of the environment in which a program is implemented is a prerequisite for understanding the conditions under which it can be replicated. Context also can help explain differences in the effectiveness of the program by site or population subgroup. Understanding the environments in which Project GATE was implemented is especially important because of the diversity of GATE sites.

This chapter describes the context in which Project GATE was implemented and the service providers that participated in the demonstration. It begins by examining the demographic and socioeconomic characteristics of the five demonstration sites, describing both the characteristics of the target populations and the economic conditions at the sites (Section A). It then examines the local workforce investment system, including the One-Stop Career Centers that participated in the demonstration, the Unemployment Insurance (UI) rules that affected GATE participants, and the Self-Employment Assistance (SEA) program at the sites (Section B). The local infrastructure of assistance for small businesses is then described (Section C). The chapter ends by describing the characteristics of the service providers that participated in Project GATE (Section D).

A. DEMOGRAPHIC AND SOCIOECONOMIC CHARACTERISTICS OF GATE SITES

Project GATE was implemented at five sites:

- Philadelphia, Pennsylvania
- Pittsburgh, Pennsylvania
- Minneapolis/St. Paul, Minnesota
- Northeast Minnesota, including the cities of Duluth and Virginia, and the counties of Cook, Lake, St. Louis, Carlton, Aitkin, Itasca, and Koochiching

- Maine, including Bangor, Portland, and Lewiston, and the counties of Penobscot, Androscoggin, and Cumberland

We treat Northeast Minnesota as one site even though it includes several towns because the program model and service providers were the same throughout this area. For the same reason, although Project GATE was implemented in three areas in Maine, we treat Maine as one site because one consortium of service providers provided all of its GATE services. Conversely, we treat Philadelphia and Pittsburgh as two different sites, even though they are in the same state, because they had different program models and service providers. The two sites in Minnesota, Minneapolis/St. Paul and Northeast Minnesota, are treated as separate sites for a similar reason.

Although the sites were not chosen randomly, they were diverse in the following ways.

- ***Urbanicity.*** There were three urban sites (Philadelphia, Pittsburgh, and Minneapolis/St. Paul) and two rural sites (Northeast Minnesota and Maine). Although Project GATE was offered in cities and towns within Northeast Minnesota and Maine, the cities in these states are much smaller than Philadelphia, Pittsburgh, or Minneapolis/St. Paul, and many of the Project GATE clients lived in the rural areas surrounding these Maine and Minnesota towns.
- ***Race and Ethnicity.*** All sites except Philadelphia served predominantly white populations with small Hispanic or Latino populations (Table II.1). The population served in Philadelphia, however, is 43 percent African American, and 10 percent Hispanic/Latino origin. The Minneapolis/St. Paul area has a substantial Asian population. The Asian population of St. Paul comprises more than 12 percent of the population (not shown in Table II.1). For the GATE sites as a whole, the percent of the population that was born in the United States is higher than the national average, but it is lowest in Philadelphia and Minneapolis/St. Paul.
- ***Education Levels.*** At the low end, the population of Philadelphia is less educated than the national average, with only 18 percent of the population with a Bachelors degree or higher, compared with a national average of 24 percent. In contrast, the population of Minneapolis/St. Paul is significantly more educated than the national average. Pittsburgh, Northeast Minnesota, and Maine are roughly similar to the national average in the education levels of their residents.
- ***Income and Poverty Rate.*** The differences across sites in income and poverty rates reflect the differences in education levels. Philadelphia has a median household income about \$11,000 lower than the national average; and at 18 percent, its poverty rate is twice the national average. Minneapolis/St. Paul has a household median income of approximately \$10,000 more than the national

Table II.1. Socioeconomic and Demographic Characteristics of Sites

Characteristic	Site ^a					United States
	Philadelphia	Pittsburgh	Minneapolis/ St. Paul	Northeast Minnesota	Maine	
Persons per square mile	11,234	1,755	2,005	32	41	80
Race						
White	45%	84%	81%	95%	97%	75%
African American	43	12	9	1	1	12
Other	12	3	10	4	3	13
Of Hispanic/Latino origin	10%	1%	5%	1%	1%	14%
U.S. born	91%	96%	90%	98%	97%	89%
Education						
Less than high school	29%	14%	9%	13%	15%	20%
High school graduate	33	34	21	32	36	29
Some college	20	24	30	34	26	27
Bachelor degree or higher	18	28	39	22	23	24
Median household income	\$30,746	\$38,329	\$51,711	\$36,306	\$37,240	\$41,994
Families below poverty level	18%	8%	5%	7%	8%	9%
Unemployment rate	5.2%	5.8%	4.5%	5.8%	4.6%	5.5%

Source: U.S. Census Bureau, 2000 Census, Bureau of Labor Statistics 2004

^a Statistics given for the County of Philadelphia, Allegheny County, Hennepin County, St. Louis County, the state of Maine, and the United States. The unemployment rates are for 2004; all other data are for 2000.

average, and a poverty rate of only 5 percent, 4 percentage points lower than the national average. The poverty rates and median household incomes in Pittsburgh, Northeast Minnesota, and Maine are similar to the national averages.

- **Unemployment.** In 2004, Minneapolis/St. Paul and Maine had the lowest unemployment rates among the GATE sites, and Pittsburgh and Northeast Minnesota the highest.
- **Prevalence of Self-Employment and Small Businesses.** While about 60 percent of firms in the United States employ fewer than five employees, only 5 percent of all employees work in these small businesses, and only 7 percent of workers are self-employed (Table II.2). Maine has the largest percentage of self-employed people—9 percent of all workers, while Philadelphia has the lowest percentage at 4 percent. In Maine, there is a tradition of using self-employment either to make a living or to supplement income from another job. In contrast, at the Pennsylvania sites, the tradition is to work for large companies. Although the percentage of employees who work at small businesses in Pennsylvania is similar to the national average, the percentage of firms with four or fewer employees is 56 percent, lower than the national average of 60 percent.

Table II.2. Prevalence of Self-Employment and Small Businesses

Characteristic	Site					United States
	Philadelphia	Pittsburgh	Minneapolis/ St. Paul	Northeast Minnesota	Maine	
Percent of Workers Who Are Self-Employed ^a	4%	5%	5%	6%	9%	7%
Percent of Employees in Firms With 1 to 4 Employees ^a	5%	5%	4%	4%	7%	5%
Percent of Firms With: ^b						
0 employees	10%	10%	14%	14%	14%	12%
1-4 employees	46%	46%	44%	44%	47%	48%

Source: U.S. Census Bureau, 2000 Census and Statistics of U.S. Businesses, 2001

^aStatistics given for the County of Philadelphia, Allegheny County, Hennepin County, St. Louis County, and the state of Maine in 2000

^bStatistics given for the states of Pennsylvania, Minnesota, and Maine in 2001

B. LOCAL WORKFORCE INVESTMENT SYSTEM

Project GATE was designed as an extra service to be added to the array of employment services already provided by DOL's workforce investment system. Below, we describe the role played in Project GATE by the One-Stop Career Centers, the UI program, and the SEA program.

1. One-Stop Career Centers Played a Key Role in Project GATE

Established under the Workforce Investment Act of 1998 (WIA), One-Stop Career Centers provide a wide range of programs to assist job seekers in finding employment and to aid employers in finding employees. Programs required at the centers include: WIA-funded programs for dislocated and adult workers, programs under the Wagner-Peyser Act, and Vocational Rehabilitation, Welfare-to-Work, and post-secondary vocational education programs. Other programs that may be present at the One-Stop Career Centers include Temporary Assistance for Needy Families (TANF), Food Stamp Program employment and training programs, and programs provided by community-based organizations (CBOs).

An important goal of the One-Stop Career Centers is to provide a wide range of information that job seekers can access without meeting any eligibility requirements. Typically, a One-Stop Career Center has a resource room that houses computers and hard-copy materials providing information on job vacancies, local employment conditions, employment requirements by occupation, and information on applying for UI and other benefits. Visitors to the One-Stop Career Center typically have access to the Internet, software to develop résumés, and photocopiers and fax machines. Resource room staff provide assistance in accessing these resources.

One-Stop Career Centers offer additional services to people who meet certain eligibility criteria. These services may include interest and skills assessments, as well as workshops and one-on-one counseling on job searching, interviewing, and career planning. Funding for training also is available.

The One-Stop Career Centers were the "first stop" in the provision of GATE services. They conducted outreach by housing electronic kiosks with information about GATE, placing brochures about GATE in the resource room, displaying posters, and describing the program in orientations to the center. The One-Stop Career Centers also hosted the GATE orientations, and One-Stop Career Center staff entered information from the forms completed during GATE orientation into the Participant Tracking System (PTS).

Twenty-one One-Stop Career Centers participated in Project GATE, although the number of centers at each site varied from two in Northeast Minnesota to seven in Pittsburgh (Table II.3). (Four One-Stop Career Centers in Pittsburgh that participated in GATE were community centers that did not provide the full range of services.)

Table II.3. One-Stop Career Centers Participating in Project GATE

Site	Number of One-Stop Career Centers Participating in Project GATE	Names of One-Stop Career Centers Participating in Project GATE
Philadelphia	5	North Philadelphia CareerLink Center Northeast Philadelphia CareerLink Center Northwest Philadelphia CareerLink Center South Philadelphia CareerLink Center Calle Americana CareerLink Center
Pittsburgh	7	Pittsburgh/Allegheny County Comprehensive CareerLink Center McKeesport Comprehensive CareerLink Center Allegheny West Comprehensive CareerLink Center Community CareerLink at the Community College of Allegheny County, South Campus Community CareerLink at the Community College of Allegheny County, North Campus Community CareerLink at the Community College at the Forbes Road Career and Technology Center
Minneapolis/ St. Paul	4	North Minneapolis WorkForce Center Anoka County WorkForce Center Midway WorkForce Center Dakota County North WorkForce Center
Northeast Minnesota	2	Duluth WorkForce Center Virginia WorkForce Center
Maine	3	Portland CareerCenter Lewiston CareerCenter Bangor CareerCenter

The One-Stop Career Centers that participated in Project GATE were selected by IMPAQ International and DOL in conjunction with the One-Stop operators and representatives from the local workforce investment boards. There were three general selection criteria:

- **Size.** In general, larger centers were selected to participate in the demonstration so that they could reach a larger population.
- **Diversity.** Some centers were selected to ensure diversity among clients. For example, Calle Americana in Philadelphia was selected because it served a

primarily Hispanic population. In Minneapolis/St. Paul, of the four centers selected, two are located in Minneapolis and two in St. Paul; two are in urban areas and two are in more suburban areas.

- ***Buy-in from the One-Stop Managers.*** Centers were selected only if the One-Stop managers wanted to offer the program at their centers.

At each site, the participating centers serve a substantial population. Because people can visit centers without providing detailed personal information, statistics on the number of clients served are difficult to obtain. However, some centers in the demonstration estimate that 200 to 300 people visit daily. Others estimate that they provide staff-assisted services to approximately 1,000 people monthly.

A substantial proportion of the One-Stop Career Centers at each site provided GATE services. Five of the nine centers in metropolitan Philadelphia participated; all three comprehensive centers and four of the eight community centers in Pittsburgh participated; and four of the twelve centers in metropolitan Minneapolis/St. Paul participated in GATE. At the Northeastern Minnesota and Maine sites, the One-Stop Career Centers that participated in GATE were the only One-Stop Career Centers in the town or city.

With some exceptions, the One-Stop Career Centers had not provided information about programs to assist people wanting to start their own businesses prior to participating in Project GATE. Typically, if a customer specifically asked about self-employment services, the One-Stop staff would refer them to the Service Corps of Retired Executives (SCORE), the Delf-Employment Assistance (SEA) program (if one was operating in the state), or, very occasionally, a local provider of services for small businesses.

The One-Stop Career Centers in Maine are exceptions. Even prior to Project GATE, the Maine One-Stop Career Centers had provided customers with extensive information and referrals to microenterprise service providers. The Maine One-Stop Career Centers have close working relationships with programs promoting self-employment. They provide a wide-range of brochures about the programs and offer a free booklet, *Start ME Up: A Start-Up Kit for Self-Employment*, which describes the range of resources available in Maine for people interested in starting their own businesses. The One-Stop website lists “help with starting your own business” on the page describing available assistance for job seekers.

The other exception is the McKeesport One-Stop Career Center in Pittsburgh. For McKeesport residents who want to start a business in McKeesport, the center offers nearly 40 hours of classroom training and some one-on-one technical assistance. In 2004, 80 participants enrolled in this program.

At all sites, both One-Stop staff and focus group participants reported that the One-Stop Career Centers had a reputation in the communities as “unemployment offices.” Despite offering an array of services for employed persons, the One-Stop Career Centers were not viewed as places to find assistance in starting a business, or for employed persons to look for a better job.

While the majority of One-Stop Career Center staff saw Project GATE as a positive addition to the programs and services they already offered, some staff initially had reservations. Some of them were concerned that customers would be unsuccessful in self-employment; others were concerned that Project GATE would take participants and resources away from the SEA program. Although not explicitly raised by staff, meeting placement performance standards also might have been a concern because a person starting a business usually will take longer to become employed fully than a person looking for a wage and salary job. Also, it is harder for the One-Stop Career Centers to obtain documentation on self-employment than on a placement in a wage and salary job.

2. Self-Employment Activities Can Affect Unemployment Insurance Benefits

Activities aimed at starting a business can endanger UI eligibility and reduce UI benefits. This has important implications for Project GATE, because about 40 percent of GATE applicants are UI recipients. Although participating in Project GATE *training* or *technical assistance* does not endanger UI benefits in itself, at all three GATE demonstration states, persons who were self-employed and worked for more than 32 hours per week on starting a business were deemed not available for work and so ineligible for UI. Minnesota and Maine (but not Pennsylvania) also require that UI recipients look actively for work. So in these two states, even if self-employment activities do not amount to 32 hours a week, failure to actively search for a regular wage and salary job, or to accept a job if one is offered, can disqualify the person from receiving UI. Also, even if the person is not ineligible, any earnings from self-employment may lead to a reduction in benefits.

The concern about the potential loss of UI benefits was partially addressed at these three demonstration states. In Pennsylvania and Maine, some GATE participants also had the option of participating in the SEA program (described below), which did not contain these disincentives for self-employment. However, the available SEA slots at these sites were limited. In Minnesota, 200 GATE participants were eligible for a waiver from the UI work search requirements at any one time.

Both One-Stop Career Center staff and focus group participants said that concerns about potential loss of UI benefits was a serious concern among UI recipients interested in self-employment. A comment by a focus group participant in St. Paul about this issue was typical: “I could not have pursued self employment if I had not received the UI waiver. That was the big thing.” Several focus group participants said that they applied to the SEA program as well as Project GATE because they wanted to avoid losing UI benefits.

3. The Self-Employment Assistance (SEA) Program Provides Services Similar to Those Offered by Project GATE

The purpose of the SEA program is to allow people to receive training and technical assistance regarding self-employment and begin work on starting a business while still receiving UI benefits. It was first established as a temporary program by the North American Free Trade Agreement (NAFTA) in 1993, and became a permanent DOL program in 1998.

Pennsylvania and Maine have an SEA program, but not Minnesota. Pennsylvania implemented the program in 1997, but funding for the program has been intermittent. Maine implemented an SEA program, Maine Enterprise Options, in 1995. The programs in both Pennsylvania and Maine are small—fewer than 100 people participate annually at each site in Pennsylvania, and 100 to 200 people a year participate in Maine (Table II.4). Minnesota enacted the legislation for an SEA program but never implemented the program.

To be eligible for SEA, a person must be eligible for UI and must be profiled as likely to exhaust UI benefits. The person also must apply soon after receiving his or her first UI benefits—within 10 weeks in Pennsylvania, and within the first 60 days in Maine (Table II.4). The applicant must have an idea for a business. In Pittsburgh, the Duquesne University Small Business Development Center (SBDC) also must view the applicant as likely to succeed in the business endeavor.

An important benefit to SEA participants is that they receive an SEA allowance in lieu of UI benefits. The SEA allowance is equal to UI benefit payments, but the SEA participant does not become ineligible for the allowance by starting a business or by failing to search for, or accept, a wage and salary job. Also, the SEA allowance is not reduced as a result of self-employment earnings.

SEA provides training and technical assistance and requires participation in these services to continue SEA eligibility (Table II.4). At each of the three demonstration sites with an SEA program, the program begins with an orientation at a One-Stop Career Center. In Philadelphia, the SEA participant then chooses a service provider and must complete the provider's program. The length of the program varies by provider, but is typically about 12 weeks. The SEA in Pittsburgh has the most stringent standards, requiring SEA participants to attend 15 hours of training and 15 hours of technical assistance at the Duquesne University SBDC. SEA participants also have to show that they have reached certain milestones in starting their businesses, such as opening a business checking account. In Maine, participants are required to attend an introductory workshop on business development, meet twice with a counselor, and attend a training program, which they must pay for themselves. Five of the seven SEA providers at the demonstration sites also participated in Project GATE (Table II.4).

Persons eligible for SEA also were eligible for Project GATE. These participants were given the option of participating in SEA, GATE, or both. In Pennsylvania, the funding was so intermittent that there were relatively few GATE applicants who also were eligible for SEA. In Maine, it was more common for GATE applicants to apply to both programs. At two of the participating Maine One-Stop Career Centers, the SEA and GATE orientations were combined; at the other participating Maine One-Stop Career Center, the GATE orientation occurred immediately after the SEA orientation. One-Stop staff encouraged applicants to apply for both programs and combined the SEA and GATE applications. According to some Maine One-Stop staff, some people decided to participate only in SEA and not GATE, because they thought that their needs would be met sufficiently by the SEA program, they were concerned that their UI benefits may be in jeopardy if they participated

in both programs, or they disliked the idea of not being admitted to Project GATE because of random assignment.

Table II.4. Programs to Help Small Businesses in GATE Sites

Site	Persons Served Per Year	Eligibility Requirements	Participation Requirements	SEA Service Providers
Philadelphia	70	Within 10 weeks of first UI benefit receipt Likely to exhaust UI	Attend an orientation at a One-Stop Career Center Attend services at provider (typically 12 weeks)	WBDC WORC The Enterprise Center Temple SBDC Philadelphia Commercial Development Corporation
Pittsburgh	60-80	Within 10 weeks of first UI benefit receipt Likely to exhaust UI Acceptance by SBDC	Attend an orientation at a One-Stop Career Center Attend 15 hours of training Receive 15 hours of technical assistance Reach milestones, e.g. opening a business account	Duquesne University SBDC
Minnesota/ St. Paul	←—————	No Self-Employment Assistance program	—————→	
Northeast Minnesota	←—————	No Self-Employment Assistance program	—————→	
Maine	115-200	Within first 60 days of benefit receipt At least 18 weeks of benefits left Likely to exhaust UI	Attend an orientation at a One-Stop Career Center Attend an introductory seminar on business development Attend a training program (paid for out of pocket) Meet twice with SBDC counselor	University of Southern Maine SBDC

WBDC: Women's Business Development Corporation

WORC: Women's Opportunity Resource Center

SBDC: Small Business Development Centers

Providers in bold italics also participated in Project GATE

C. LOCAL INFRASTRUCTURE FOR SMALL BUSINESS ASSISTANCE

The availability of programs and services to assist people in starting microenterprises may have affected both the implementation and effectiveness of Project GATE. First, it affected the choice of service providers. Second, the availability of microenterprise lenders may have affected the likelihood that GATE participants could obtain financing to start their businesses. Third, it may have affected the extent to which members of the control group were able to participate in programs that provided services similar to Project GATE.

1. Prevalence of Microenterprise Assistance Varies by Site

Multiple organizations at each site offer assistance to people who want to start a new business or expand an existing one (Table II.5). The types of organizations that provide these services fall into four broad categories:

1. ***Small Business Development Centers (SBDCs)***. Administered and partly funded by the SBA, the SBDCs provide training and technical assistance to current or prospective business owners. Located in every state, they are usually affiliated with a higher-education establishment such as a university, college, or business school. Unlimited technical assistance is provided free of charge; there is usually a fee for training programs.
2. ***Chapters of The Service Corps of Retired Executives (SCORE)***. In this SBA partner, retired or current business owners volunteer their time to provide counseling and workshops free of charge. SCORE has nearly 400 chapters across the United States.
3. ***Nonprofit Community-Based Organizations (CBOs)***. Subsidized or free training and technical assistance often are provided by CBOs. Some of these are community development organizations; others were set up to assist a specific target population. Still others offer self-employment assistance services as one of a variety of training and support services for low-income populations. As discussed below, some CBOs are also intermediary lenders for start-up businesses.
4. ***Others***. Other organizations that provide training and/or technical assistance include educational organizations, such as the Community College of Philadelphia. Occasionally, a One-Stop Career Center also may provide microenterprise assistance.

Table II.5. Programs that Provide Self-Employment Assistance in GATE Sites

Site	Number of Programs per 100,000 People	SBA-Affiliated Programs	Community-Based Organizations and Others
Philadelphia	0.7	SBDCs Temple University Wharton School of Business	CBOs Women's Business Development Center (WBDC) Women's Opportunity Resource Center (WORC) The Enterprise Center Philadelphia Minority Business Development Corporation Ben Franklin Technology Partners of Southeastern Pennsylvania Philadelphia Commercial Development Corporation Philadelphia Development Partnership Technical Assistants Others Community College of Philadelphia
Pittsburgh	0.5	SBDCs Duquesne University University of Pittsburgh SCORE SCORE chapter	CBOs Microenterprise Training Program Northside Community Development Fund Others McKeesport CareerLink center
Minneapolis/ St. Paul	0.7	SBDCs St. Thomas University SCORE SCORE chapter	CBOs WomenVenture Hmong American Mutual Assistance Association (HAMAA) Neighborhood Development Center Inc. Phillips Community Development Corporation Whittier Community Development Corporation Community Action of Minneapolis Metropolitan Economic Development Association Microenterprise Grant Program Minneapolis Consortium of Community Developers Southeastern Minnesota Microenterprise Fund
Northeast Minnesota	1.0	SBDCs University of Minnesota at Duluth	CBOs Northeast Entrepreneur Fund (NEEF)
Maine	1.2	SBDCs SBDC, University of Southern Maine SCORE SCORE chapter	CBOs Maine Centers for Women, Work, and Community (WWC) Penquis Community Action Program (CAP) Coastal Enterprises, Inc. (CEI) Other Center for Entrepreneurship at the University of Southern Maine and the Heart of Maine

The providers at each site are listed in Table II.5. This list was assembled from discussions with One-Stop Career Center staff and microenterprise assistance providers at each site, an Internet search, and a directory of U.S. microenterprise programs assembled by The Aspen Institute (Walker and Blair 2002).

The prevalence of microenterprise providers varies by site, from only two in Northeast Minnesota to twelve in Minneapolis/St. Paul (Table II.5). At least one SBDC and one CBO offer services at all five sites. SCORE has chapters at three sites, but not in Philadelphia or Northeast Minnesota.

Some of the variation in the number of providers across the sites can be explained by differences in population size. The second column of Table II.5 shows the number of programs per 100,000 people. The number of programs relative to the population is highest in the rural sites—Northeast Minnesota and Maine—and lowest in Pittsburgh. While there is more than one program for every 100,000 people in the Maine site, there is only one program for every 200,000 people in Pittsburgh.

2. Loans for Start-Up Businesses are Difficult to Obtain

Starting a business nearly always requires capital to invest in real estate, equipment and machinery, inventory, and marketing. Potential sources of equity financing include personal savings, business partners, and family and friends. Potential sources of debt financing include loans from family and friends, home equity loans, credit-card loans, and business loans. Grants to help startups are extremely rare, small in amount, and often targeted to a particular industry. Venture capitalists are not a likely source of financing for GATE clients because they tend to invest in businesses in specific industries, such as high technology, that have been operating for two to three years and have a potential for a very high return on investment.

While many potential business owners require business loans, small business loans from commercial banks are difficult to obtain. Most commercial banks are unwilling to make loans of less than \$10,000 and some are unwilling to make loans of less than \$30,000. To obtain a loan for a start-up business, the borrower needs: a business plan, cash-flow projections for at least two years, personal and business financial statements for the previous two or three years, an equity share of 20 to 30 percent in the business, collateral equal to or exceeding the value of the loan, and a good credit history as reflected in a high credit report score.

Recognizing that commercial banks often are unwilling to risk making loans to small businesses, the SBA developed its own loan programs. The most commonly used SBA programs are the 7(a) guaranteed loan programs. In these, commercial banks make loans to customers, but the SBA guarantees to pay a portion of the unpaid balance on the loans to the bank if a customer defaults. The SBA guarantees a portion of the loan up to \$2,000,000. The average value of an SBA-guaranteed loan is more than \$200,000. Although it is easier to obtain an SBA guaranteed loan than a regular commercial loan, the banks and SBA still require the borrower to have an equity share in the business of one-third to one-half, a good

credit rating, and usually ask for collateral equal to at least 100 percent of the value of the loan.

Another program, the SBA Microloan program, was started in 1991 to assist very small startups that may not meet all the criteria for receiving an SBA guaranteed loan. Under this program, SBA provides loans and grants to nonprofit community-based intermediary lenders. These lenders in turn make direct loans of up to \$35,000 to start-up, newly established, or growing small businesses. The intermediary lender decides who qualifies for a loan, the interest rate, and the loan term, although it must be less than six years. Each intermediary is required to provide technical assistance to its borrowers. The average size of a Microloan is only \$13,000.

Typically, intermediary lenders who offer SBA Microloans also offer other loan funds. For example, WomenVenture in Minneapolis/St. Paul also has loan funds from the Urban Initiative and the Empowerment Zone. Northeast Entrepreneur Fund in Duluth has funding from Community Development Financial Institutions Fund (from the U.S. Treasury), Housing and Urban Development funds, and the U.S. Department of Agriculture rural development funds. Each loan fund has its own requirement on business size, use of funds, or location of business.

When offering SBA Microloans or similar loans, the intermediary lenders can relax some of the criteria used by commercial banks to determine loan eligibility. For example, they may be able to lend to borrowers with a lower credit report score, especially if the low credit score arose from circumstances such as divorce or medical bills. Similarly, they sometimes will make a loan even if the borrower is not able to contribute 25 to 30 percent of the equity, and may relax the collateral requirements. They do, however, always require a business plan, cash-flow projections, and financial statements, and sometimes require that the borrower previously has participated in training or technical assistance at their organizations. The intermediary lenders also require that borrowers meet with them regularly during the life of the loan for technical assistance.

Intermediary lenders charge a higher interest rate than commercial banks. While commercial banks usually charge about ½ percentage point below the prime interest rate, intermediary lenders charge 1 to 2 percentage points above the prime interest rate.

Organizations that provide SBA Microloans, as well as other lenders to small businesses, exist at all five GATE sites (Table II.6). The number of small business CBO lenders is lowest in Pittsburgh and Northeast Minnesota and highest in Maine, Minneapolis/St. Paul, and Philadelphia.

The Microloan program was cut substantially during the demonstration. While funding for the program was \$46 million in fiscal year 2003, it fell to \$35 million in fiscal year 2004, and \$29 million in fiscal year 2005.

Table II.6. Micro-Lenders in GATE Sites

Site	SBA Micro-Lenders ^a	Other Nonprofit Micro-Lenders ^a
Philadelphia	Philadelphia Commercial Development Corporation <i>The Enterprise Center</i>	<i>Women's Opportunity Resource Center</i> Ben Franklin Technology Partners of Southeastern Pennsylvania Philadelphia Development Partnership
Pittsburgh	Community Loan Fund of Southwestern Pennsylvania Northside Community Development Fund	
Minneapolis/ St. Paul	<i>WomenVenture</i>	Neighborhood Development Centers Phillips Community Development Centers Whittier Community Development Corporation Southeaster Minnesota Microenterprise Fund
Northeast Minnesota	<i>Northeast Entrepreneur Fund</i>	
Maine	<i>Coastal Enterprises Inc.</i> Androscoggin Valley Council of Governments Eastern Maine Development Corporation	<i>Maine Centers for Women, Work, and Community</i>

^aThe providers in bold italics participated in Project GATE

D. PROVIDERS OF GATE SERVICES

Training and technical assistance providers for Project GATE were chosen using four criteria: (1) experience in providing services to assist with business development; (2) the ability to provide training in business development and technical assistance, including assistance with loan applications; (3) the ability to evaluate sufficient numbers of participants; and (4) the ability to provide the services at a reasonable cost.

The selection process was competitive. Organizations identified as providing business training and technical assistance services at the sites were sent a request for a statement of capabilities to determine if they were qualified to participate in Project GATE. A total of 19 capabilities statements were received from 18 organizations, and from one consortium of five organizations in Maine headed by the Maine SBDC. IMPAQ International and DOL selected nine organizations and the Maine consortium.

Across the five sites, 14 organizations provided GATE services (Table II.7). The number of organizations at each site varied from one in Pittsburgh to five in Maine. The lack of multiple providers in Pittsburgh reflected the low number of potential providers at that site—only one of the five applications received was acceptable.

Table II.7. GATE Service Providers by Site

Site	Providers
Philadelphia	Women's Business Development Center (WBDC) Women's Opportunity Resource Center (WORC) The Enterprise Center
Pittsburgh	SBDC, Duquesne University
Minneapolis/St. Paul	SBDC, St. Thomas University WomenVenture Hmong American Mutual Assistance Association (HAMAA)
Duluth	SBDC, University of Minnesota at Duluth Northeast Entrepreneur Fund (NEEF)
Maine	SBDC, University of Southern Maine Maine Centers for Women, Work, and Community (WWC) Penquis Community Action Program (CAP) Coastal Enterprises, Inc. (CEI) Center for Entrepreneurship at the University of Southern Maine and the Heart of Maine

1. GATE Service Providers Were Either SBDCs or CBOs

All GATE service providers except one were either SBDCs or nonprofit CBOs. The exception was the Center for Entrepreneurship in Maine. This organization, located at the School of Business at the University of Southern Maine, partnered with the Heart of Maine, a resource, conservation, and development organization. It had only a small role in Project GATE—providing instructors for the FastTrac New Ventures and FastTrac Planning training programs. It did not provide any technical assistance or other training.

The four SBDCs that participated in Project GATE are all located at universities. While the Portland SBDC is located at the University of Southern Maine, SBDC counselors also provide technical assistance from offices located at the Androscoggin Valley Council of Governments and the Eastern Maine Development Corporation. No SBDC participated in Philadelphia; neither SBDC located in the Philadelphia area wanted to participate in the demonstration because of the need to deny services to a control group for the evaluation.

The CBOs in Project GATE had two missions. The mission of six of the nine CBOs was to help people become self-sufficient, and providing assistance in business development was part of working toward that goal (Table II.8). These CBOs tend to target particular populations such as women or a particular ethnic group (for example, HAMAA serves the Hmong community in the Twin Cities) and often provide other services. The mission of the remaining three CBOs in Project GATE was to promote economic development in a particular low-income area. For example, the Enterprise Center aims to promote economic development in West Philadelphia. The mission of Coastal Enterprises Inc. is to promote sustainable, community development in Maine. The CBOs that are community development organizations tend to focus more narrowly on business development.

Table II.8. Summary of Characteristics of the GATE Service Providers

Organization	Mission	Target Population	Provides Loans?	Services Provided that are Not Directly Related to Business Development
Philadelphia				
WBDC	Self-sufficiency	Women	No	None
WORC	Self-sufficiency	Women	Yes	IDA program
The Enterprise Center	Community development	Residents of West Philadelphia	Yes (SBA microlender)	None
Pittsburgh				
SBDC	Economic development	Anyone who wants to start a for-profit business	No	None
Minneapolis/St. Paul				
SBDC	Economic development	Anyone who wants to start a for-profit business	No	None
WomenVenture	Self-sufficiency	Women	Yes (SBA microlender)	IDA program
HAMAA	Self-sufficiency	Hmong community	No	Family support Home-buying information Cultural support
Northeast Minnesota				
SBDC	Economic development	Anyone who wants to start a for-profit business	No	None
NEEF	Community development	Residents of Northeast Minnesota and Northwest Wisconsin	Yes (SBA microlender)	None
Maine				
SBDC	Economic development	Anyone who wants to start a for-profit business	No	None
WWC	Self-sufficiency	Women	Yes	IDA program Employment Leadership development
Penquis CAP	Self-sufficiency	Low-income people	No	IDA program Family support Housing Health Child development
CEI	Sustainable community development	Low-income people	Yes (SBA microlender)	Employment Housing
Center for Entrepreneurship/Heart of Maine	Economic development	Anyone who wants to start a for-profit business	No	None

IDA: individual development accounts

Six of the fourteen training and technical assistance providers in Project GATE are also lenders to people who are starting businesses. These are all CBOs and are located at every site except Pittsburgh; the SBDCs do not offer loans.

**Hmong American Mutual Assistance Association (HAMAA):
Serving the Needs of A Specific Population**

- A nonprofit organization established in 1990 in Minneapolis, HAMAA's mission is to assist Hmong families and promote Hmong culture. It was established in response to a crime problem among Hmong youth and tensions between generations of Hmong families arriving in the Twin Cities as immigrants in the 1980s. It currently provides multiple programs for youth, a crime-deterrent program, a home-buyers program, and an economic development program, as well as cultural services, such as marriage ceremonies.
- Recognizing the desire of many in the Hmong community to develop their own businesses, HAMAA participated in Project GATE and served 47 GATE participants. HAMAA was similar to other GATE providers in that all participants were required to attend an orientation at a One-Stop Career Center, apply for Project GATE, and be randomly assigned. HAMAA offered one-on-one technical assistance and a 12-week training course, Bright Star, which was based on a course they had previously taught.
- HAMAA differed from other GATE providers in at least four ways. First, it conducted most of its own outreach via its other programs, notices posted in its community center, and by word of mouth throughout the community. Second, although as other GATE participants were assessed at HAMAA rather than at an SBDC. Third, one person within HAMAA acted as both training instructor and technical assistance provider. Finally, the assessment, training, and technical assistance were all conducted in the Hmong language.

2. SBDC and CBO GATE Providers Differ in Mission, Clientele, Service Provision, and Staff

SBDCs and CBO providers are quite different in their missions, the characteristics of their clients, the qualifications of their staff, and the services they provide. This was apparent in their roles as GATE providers.

Mission. The mission of the SBDCs is economic development—to provide assistance to small business development so as to maintain and strengthen the economy. In contrast, the mission of most CBOs is workforce development—assisting individuals to become self-sufficient. Even for those CBOs focused on community development, they focus more on development of a person rather than a business. These differences in mission affect the clientele, the qualifications of the staff, and the services they provide.

Clients. Discussions with staff at both SBDCs and CBOs suggest that the two types of organizations serve quite different clients. SBDCs in general serve clients who are more educated, have higher income, and are more likely to be employed than the typical client at the CBOs. Moreover, the majority of people who go to the SBDC for services already have started a business; and if they have not already started, they are typically further along in planning their businesses. In contrast, clients who participate in services at CBOs rarely have started a business, and typically have not yet developed a business plan. They are more likely to be unemployed and face more barriers to starting a business. Staff at the SBDCs reported that GATE participants faced more barriers to starting businesses than their regular clients. In contrast, staff at most CBOs reported that GATE participants were similar to the clients they usually served.

The differences in the characteristics of the clients served by SBDCs and CBOs are consistent with the differences in the missions of the two types of organizations. The SBDC serves clients who are most likely to create businesses that can create other jobs; in contrast, the CBOs serve clients who are most in need of assistance to become self-sufficient or who live in a low-income community.

Staff. The staff who worked at SBDCs during Project GATE differed from those who worked at CBOs in several ways. Table II.9 describes the characteristics of staff involved with Project GATE at SBDCs and CBOs at the time of the evaluation's spring 2004 site visits. Staff at the two types of organizations differed in the following ways:

- ***SBDC staff were more likely to be male.*** In contrast, most of the staff at CBOs were female.
- ***SBDC staff were more likely to be white.*** While most of the staff involved in Project GATE at either an SBDC or a CBO were white, the proportion of the staff who were white was lower at the CBOs.
- ***SBDC staff had higher levels of education.*** Just over half of SBDC staff had a graduate degree, frequently a Masters of Business Administration (MBA). Some counselors were working part-time in Project GATE while working on their MBAs. In contrast, less than one-third of CBO staff had a graduate degree. About 9 percent of CBO staff had only a high school diploma or GED, compared with only 3 percent of SBDC staff.
- ***SBDC staff were more experienced.*** On average, SBDC staff had spent 7.1 years at the SBDC; in contrast, CBO staff on average have spent only 4.5 years at the CBO. SBDC staff also were slightly more likely to have been self-employed, and those who had been self-employed, had been so for longer periods of time.
- ***SBDCs had fewer volunteers.*** CBOs were more likely to use volunteer staff as counselors and instructors than SBDCs.

Table II.9. Characteristics of Provider Staff Involved in Project GATE at SBDCs and Other Providers

Characteristic	All	SBDCs	Other Providers	Difference Statistically Significant
Gender				
Male	43%	78%	32%	***
Female	57	22	68	***
Race/Ethnicity				
White, nonHispanic	78%	97%	72%	***
Hispanic	2	3	2	
African American, nonHispanic	10	0	13	**
Asian	10	0	12	**
Other	0	0	0	
Education				
High school diploma or GED	7%	3%	9%	
Some college	4	6	3	
Associate degree	4	3	4	
Bachelors' degree	48	34	52	*
Graduate degree	37	53	32	**
Years at the Organization	5.1	7.1	4.5	**
Previously Self-Employed	60%	69%	57%	
Years of Self-Employment ^a	6.3	7.2	6.0	
Number of Organizations	14	4	10	
Number of Staff	137	32	105	

Source: Staff background forms completed by GATE providers

^aFor staff who were previously self-employed

*Estimate significantly different from zero at the 90% confidence level, two-tailed test

**Estimate significantly different from zero at the 95% confidence level, two-tailed test

***Estimate significantly different from zero at the 99% confidence level, two-tailed test

Services Provided. While both the SBDCs and CBOs in Project GATE provided both training and technical assistance, they differed in the ways they provided these services. SBDC counselors expected their clients to be self-directed. For this reason, while they may have suggested during a technical assistance session that a client follow up on several tasks, they would not give much direction on how to do the tasks or follow up with a participant who did not return for more advice. In addition, training courses offered by SBDCs were typically faster paced than those offered by CBOs. In general, CBOs provided more assistance, gave more direction as to what clients needed to do, provided more help with tasks (including help drafting business plans), and would call and check up on a client they had not heard from.

While SBDCs do not offer loans, six of the nine CBOs that participated in GATE do. If a GATE participant needed a loan but was unlikely to qualify for one from a commercial bank, there may have been an advantage in receiving training and technical assistance at a CBO. Many CBOs will reduce the qualifying requirements for a loan if they know the borrower has attended training and technical assistance sessions regularly.

The CBOs also tended to offer a wider range of services to GATE clients than the SBDCs. For example, four CBOs but no SBDC, also offered individual development accounts—accounts that allow clients to save for a business, education, or a home and have their savings matched by the CBO. Many CBOs, but none of the SBDCs, also provided employment services. These services may have been helpful to GATE participants who decided entrepreneurship was not for them or who decided to postpone starting a business until they improved their credit records or obtained more experience.

CHAPTER III

OUTREACH AND RECRUITMENT FOR PROJECT GATE

Many new programs encounter difficulty in sparking initial interest among their target populations, developing a reputation within their communities, and achieving a steady enrollment. As a new initiative, Project GATE required significant outreach efforts to recruit and enroll a sufficient number of participants to support the study's experimental design. Understanding how these efforts, and the resulting intake process unfolded at each site, is important for policymakers considering replicating the program. It also is important to understand the success of GATE's innovative approach to using the One-Stop Career Centers as gateways to the program and in attracting a population that otherwise would not have used the centers.

This chapter discusses the overall implementation of the GATE intake procedures (Section A). It then discusses the specific outreach strategies that were used to attract prospective participants to the demonstration, and their relative effectiveness (Section B). Finally, we describe, and seek to explain, differences across the five sites in recruitment success (Section C).

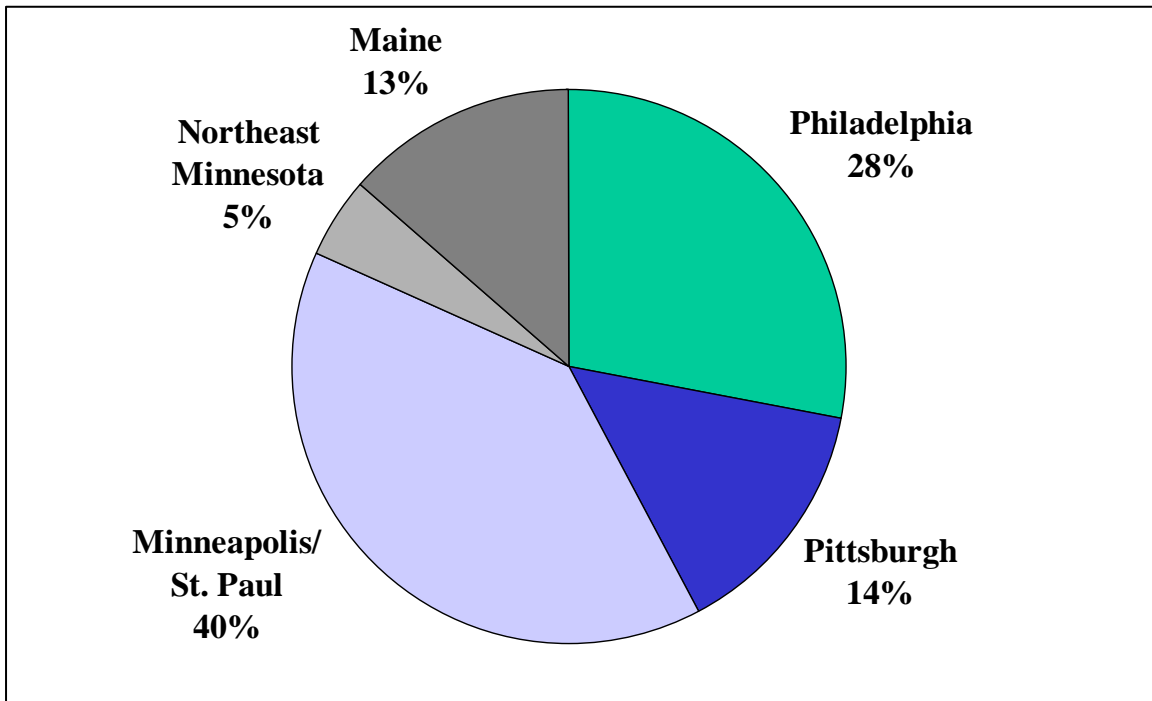
A. INTAKE PROCEDURES

The GATE intake procedures were well implemented and worked relatively smoothly. As described in Chapter I, interested individuals were asked to register for the program by providing their names and contact information through the GATE website, an electronic kiosk at participating One-Stop Career Centers, a postcard attached to GATE marketing materials, or the toll-free GATE hotline. Once registered, clients received a letter inviting them to attend an orientation session at a participating One-Stop Career Center. After attending an orientation, those still interested were asked to complete an application form and mail it to IMPAQ International. IMPAQ International then entered the data from the application forms, conducted a random assignment, and informed applicants by mail as to their acceptance into the program or assignment to the control group.

1. Project GATE Met Its Overall Recruitment Goals

During Project GATE's two-year enrollment period, 4,204 people applied, exceeding the goal of 4,000 by approximately 5 percent. Three applications were rejected due to incomplete application data or inappropriate business ideas, so a total of 4,201 people were randomly assigned. As indicated in Figure III.1, recruitment was unevenly distributed across the five sites. About two-thirds of the applicants were from either Minneapolis/St. Paul or Philadelphia. Pittsburgh, Maine, and Northeast Minnesota received many fewer GATE applications.

Figure III.1. Gate Applications by Site



2. Registrations, Orientations and Applications

As indicated in Table III.1, there were over sixteen thousand registrations in Project GATE. However, many of those who expressed an interest in Project GATE by registering for the program chose not to pursue further participation. Registering required little investment in time; many people just completed and mailed a postage-paid postcard. Among those who registered, 37 percent attended a GATE orientation session. This percentage varied by site, from a low of 28 percent in Pittsburgh to a high of 43 percent in Minneapolis/St. Paul.

Table III.1. Number of Registrations, Orientation Attendees, and Applications

	Total	Philadelphia	Pittsburgh	Minneapolis/ St. Paul	Northeast Minnesota	Maine
Number of registrations	16,093	4,737	3,058	5,350	748	2,200
Number of orientation attendees	5,927	1,606	855	2,315	281	870
Number of applications	4,201	1,181	595	1,655	203	567
Orientation attendees as percent of registrations	37%	34%	28%	43%	38%	40%
Applications as percent of orientation attendees	71%	74%	70%	71%	72%	65%

Source: Project GATE Participant Tracking System extract on December 31, 2005

3. The GATE Orientation Was Useful

Generally, orientation leaders and GATE participant focus groups reacted positively to the orientation. Attendees were excited about the program, asked relevant questions, and often networked with other participants. Reactions to the video that described the program were positive.

However, several GATE providers expressed concern that some GATE applicants had unrealistic expectations about the availability of business financing. Even though the orientation video stated explicitly that there were no grants or loans available from Project GATE, providers noted that many participants came to GATE with the misconception that they could receive funding through the program.

4. Nearly Three-Quarters of Orientation Attendees Applied to Project GATE

One objective of the GATE orientation was not only to discuss the rewards of self-employment, but also to provide a realistic overview of the challenges that many entrepreneurs face. This realistic overview was referred to as the “cold shower.” The session was not intended to sell the program or to encourage people to pursue self-employment. In fact, after learning more details about the program through the GATE orientation, attendees were expected to self-select in or out of the application process based on their own judgments of whether self-employment was for them.

Even though the orientation was designed to screen out people who, based on the information they received, decided that self-employment was not for them, more than 70 percent of those who attended an orientation chose to apply (Table III.1). By comparison, the SEED Demonstration attracted a slightly lower proportion of applicants, with approximately 57 percent of clients in Massachusetts and 61 percent in Washington who attended information sessions deciding to apply to the program (Benus et al. 1995).

The rate of orientation attendees who applied to Project GATE was surprisingly similar across the sites. Maine experienced the highest drop-off between orientation and application, with only 65 percent of orientation attendees choosing to apply. One explanation for this finding is that some One-Stop Career Centers in Maine offered a combined orientation for their Project GATE and SEA programs for UI recipients. We learned through discussions with One-Stop Career Center staff that when presented with both program options, many UI recipients chose to apply to the SEA program instead of Project GATE because of the less intensive application process and the absence of random assignment.

5. Most Applicants Applied Soon After Orientation

Time is of the essence for people starting businesses. Some must forego wage and salary employment and income to work on their businesses, while others have only a limited number of weeks of UI benefits. For this reason, long delays during enrollment in a program can cause attrition from the program because clients cannot obtain services in a timely manner. Once IMPAQ International received an application, random assignment took an average of four days. Clients then were notified by mail of their assignments.

On average, it took nearly three weeks (19 days) for interested individuals to move from orientation through random assignment (Table III.2). After a person attended an orientation, it took an average of two to three weeks for IMPAQ International to receive an application. While many people submitted their applications immediately after orientation, others may have taken time to decide if self-employment was the right option; to continue to search for jobs; or to talk with family, friends, and business partners about the program before completing applications.

Table III.2. Time Between Orientation and Application

	Weeks	
	Mean	Median
Orientation to application	2.0	1.3
Application to random assignment ^a	0.7	0.6
Total weeks from orientation to random assignment ^a	2.7	2.0
Number of Applications	4,201	4,201

Source: Project GATE Participant Tracking System extract on December 31, 2005

^aIncludes only those people who were randomly assigned.

B. GATE OUTREACH STRATEGIES

Recruiting for any new program usually requires extensive outreach, and Project GATE was no exception. This section discusses the strategies used and the evidence collected about the effectiveness of each strategy.

1. GATE Outreach Went Beyond the One-Stop Career Centers

One-Stop Career Centers were the cornerstones of the GATE outreach strategy. However, to recruit a broad population that included people who were not unemployed, the outreach strategy needed to go beyond the centers. In addition to providing information about Project GATE at the One-Stop Career Centers, and including flyers about GATE with UI checks, three additional strategies were used: (1) maintaining a website, (2) grassroots campaigning, and (3) conducting mass media campaigns. (Table III.3 summarizes the outreach strategies used by each site.)

One-Stop Career Centers. Using the One-Stop Career Centers as focal points of the recruitment process enabled the program to draw upon the large volume of customers flowing through the centers daily. Outreach strategies used by the One-Stop Career Centers included:

- ***Electronic Kiosks.*** Electronic kiosks designed specifically for Project GATE were placed within the resource rooms of participating One-Stop Career Centers. The kiosks provided information about Project GATE and could be used to submit registration information.
- ***Displaying Brochures, Flyers, and Posters.*** All participating centers displayed GATE posters and included GATE brochures and flyers with their resource materials. During site visits, we found that most centers kept these materials well stocked, but some centers did not replenish materials in a timely way.
- ***Discussing Project GATE at Open-House Events and Orientations.*** At two sites—Philadelphia and Maine—the One-Stop Career Centers provided information at special Project GATE open house events. Staff at all sites also discussed Project GATE at their general One-Stop orientations, which all new One-Stop Career Center customers were asked to attend.
- ***Booths at Job Fairs.*** At three sites—Philadelphia, Pittsburgh, and Northeast Minnesota—One-Stop Career Centers set up GATE information booths at local job fairs.
- ***Referrals from Employment Counselors.*** Employment counselors occasionally referred customers who seemed well suited to self-employment to Project GATE.

Table III.3. Summary of GATE Outreach Strategies By Site

	Philadelphia	Pittsburgh	Minneapolis/ St. Paul	Northeast Minnesota	Maine
One-Stop Promotional Efforts					
Number of GATE kiosks	5	3	4	2	3
Open house events	Yes	No	No	No	Yes
Booths at job fairs	Yes	Yes	No	Yes	No
Flyers inserted with Unemployment Insurance checks					
	Yes	Yes	No ^a	No ^a	Yes
GATE website ← National Website →					
Grassroots campaigning	Yes	Yes	Yes	Yes	Yes
Mass Media Marketing					
Date of kick-off event	Jun 2004	Feb 2004	Aug 2002	Aug 2004	None
Paid advertising	Yes	Yes	No	Yes	Yes
Type of organization leading marketing effort	Private firm	One-stop operator	One-stop operator	One-stop operator	Private firm
Budget	\$51,355	\$39,515	\$19,197	\$13,211	\$34,303

^a The state UI agency in Minnesota was unable to send inserts only to those individuals residing within the two Minnesota sites.

One goal of Project GATE was to portray the One-Stop Career Centers as places for people to go to get help in setting up a business. Interviews with One-Stop staff revealed that, prior to GATE, the centers were not well-known as a resource for self employment assistance, and so few people previously had come to the centers specifically for that purpose. However, once they learned about GATE, many job seekers who visited the centers for help in finding traditional wage and salary employment considered self-employment as a viable alternative.

Unemployment Insurance Check Inserts. Flyers describing Project GATE periodically were mailed with UI checks in Philadelphia, Pittsburgh, and Maine (Table III.3). No flyers were included with UI checks in Minnesota for two reasons. First, they were deemed unnecessary due to high enrollment rates, and second, the state UI agency was unable to send inserts only to those individuals residing within the two Minnesota site areas.

GATE Website. Project GATE had a website that described the program's locations, how to apply, and the services it provided. Interested people could register through the website. Of the more than 16,000 project registrations, 42 percent occurred via the website. (However, some of these registrants could have learned about Project GATE in other ways and then later registered through the website.)

Grassroots Campaigning. One-Stop Career Center staff led grassroots networking efforts to share information about the program with other local organizations and government agencies. They sent mailings to key partnering agencies, presented GATE information at inter-agency meetings, and promoted the program through person-to-person contact. Their goal was to ensure that local organizations were aware of GATE as a resource and felt comfortable referring their clients to the program.

Mass Media Marketing. Mass media marketing was used across sites in varying degrees to increase the visibility of the program and reach a broader population outside the One-Stop system (Table III.3). IMPAQ International contracted with private public relations agencies in Philadelphia and Maine, and the agencies operating the One-Stop Career Centers in Pittsburgh, Minneapolis/St. Paul, and Northeast Minnesota to coordinate mass media campaigns at the GATE sites.

The resources spent on mass media marketing varied, depending on the success of the other marketing strategies. More intensive efforts were made at sites that were not meeting their recruitment goals using other methods. The budgets for the campaigns was largest in Philadelphia, which at first had difficulties meeting recruitment targets. The amount spent on the media campaign in Minneapolis/St. Paul was less than half that spent in Philadelphia because of the effectiveness of other outreach strategies at the latter site.

The media campaigns included special media events, advertisements, press releases, and public service announcements. Advertising was heaviest in Philadelphia and Pittsburgh, with placements in local daily and weekly publications, as well as in subways and buses. Advertisements were placed in fewer papers and trade magazines in Northeast Minnesota and Maine. Minneapolis/St. Paul was the only site that did not pay for Project GATE advertisements. At all sites, press releases and media events were used to stimulate coverage by local television and print media outlets. At a few locations, GATE was the focus of several newspaper features and television news stories that increased public interest.

2. Most Orientation Attendees Heard About Project GATE from Somewhere Other than a One-Stop Career Center

The orientation form collected information on how orientation attendees learned about Project GATE and then gave seven possible options: advertisements, website, word of mouth, One-Stop Career Center, community-based organization, another agency, or other source (which they were asked to specify).

One-Stop Career Centers. While the One-Stop Career Centers were the single most important sources for prospective GATE participants, only about 37 percent of orientation attendees reported that they heard about Project GATE through them (Table III.4). At only one site, Northeast Minnesota, did more than half of the orientation attendees hear about Project GATE through a One-Stop Career Center.

Flyers Inserted With UI Checks. Few orientation attendees reported that they heard about Project GATE through an insert with a UI check. Designed before UI inserts were used, the form did not specifically list inserts included with UI checks as a potential way of

hearing about Project GATE. However, orientation attendees could have recorded that they heard about Project GATE in this way by checking “other” and specifying “UI check inserts.” Only five to seven percent of orientation attendees recorded this as the source of how they learned about Project GATE.

GATE Website. The website was an effective recruiting tool. While only 12 percent of orientation attendees overall heard about the program through the website, it was a low-cost outreach tool that yielded a high rate of applicants.

Referrals. Referrals from local agencies drew approximately 13 percent of orientation attendees to the program (Table III.4). The level of staff time involved in conducting grassroots efforts to engage local partners in the referral process was high. For example, One-Stop Career Center staff in Philadelphia spent many hours organizing several grassroots events, but few local organizations sent representatives. However, staff reported that when local partnering agencies chose to make referrals, they tended to do a good job of screening clients to ensure that they were a good fit. Given that GATE was a new initiative, this type of campaigning was heavy during the two-year start-up period, but would likely have slowed over time as the program’s reputation expanded within the community.

Table III.4. How Orientation Attendees Heard About Project GATE

	Total	Philadelphia	Pittsburgh	Minneapolis/ St. Paul	Northeast Minnesota	Maine
At a One-Stop Career Center	37%	28%	36%	40%	58%	37%
Insert with UI check	3%	5%	7%	0%	0%	6%
GATE website	12%	10%	12%	14%	13%	9%
Community agency	13%	8%	11%	16%	6%	16%
Advertisements	12%	23%	16%	6%	6%	10%
Word of mouth	23%	27%	18%	24%	20%	19%
Other	8%	7%	9%	8%	9%	10%
Number of Orientation Forms ^a	5,601	1,430	784	2,272	281	834

Source: Project GATE orientation forms

^aOf the 5,927 who attended an orientation, 5,601 completed an orientation form.

Advertising. Advertisements drew 12 percent of orientation attendees across all sites. They were particularly successful in Philadelphia and Pittsburgh, the two sites where there were extensive media campaigns. The media campaign in Maine was less successful, despite spending more than \$34,000 on the media campaign, only 10 percent of GATE orientation attendees in Maine had heard about the program through advertisements.

Word of Mouth. As Project GATE matured, the reputation of the program began to spread. Approximately 23 percent of orientation attendees reported hearing about the program through word of mouth—friends, relatives, business partners, and acquaintances. The role of word-of-mouth referrals would probably have grown over time; an ongoing program might not need to invest as much in outreach over time.

3. Including Flyers About Project GATE with UI Checks Led to Spikes in the Number of Applicants

While few people reported on the orientation form that they heard about Project GATE via a GATE flyer included with their UI check, the patterns over time in the number of registrations, orientations, and applications suggested that they were effective. Figures III.2 through III.6 show the number of GATE registrations, orientation attendees, and applications during the enrollment periods at each site. Vertical dotted lines show when the flyers were inserted in the checks in Philadelphia, Pittsburgh, and Maine. For each site, after the UI inserts were included, the next one or two months showed large spikes in the number of GATE registrations. For example, in Philadelphia, where flyers were inserted with UI checks in February 2004, the number of registrations jumped from 136 in January 2004 to 399 in February 2004. While most of these additional registrations did not result in applications, there were still substantial spikes in the number of applications. The number doubled from 14 in January 2004 to 29 in February 2004, and grew again to 42 in March 2004. Similar patterns occurred at the other sites that used UI inserts.

4. Mass Media Campaigns Were Effective at Increasing Enrollment at Some Sites

The media campaigns at each site led to an increase in the number of registrations, orientation attendees, and applicants. The effects of the campaigns can be seen in Figures III.2 to III.6. In these figures, the periods when Project GATE advertisements were running are shaded. The media campaign was most effective in Philadelphia (Figure III.2). The peak in registrations there translated into an increase in applications between June and August 2004, when advertising was most intensive. The number of applications decreased in fall 2004, after the advertising campaign ended. Similarly, the number of registrations, orientations, and applications peaked in Pittsburgh in March 2004 during the first media campaign (Figure III.3). The second, less intensive media campaign was less successful at increasing the number of applications. In Maine, the media campaign seemed to have little impact on the number of applications (Figure III.6).

5. Outreach Strategies Were Successful at Reaching Beyond the One-Stop Population

One goal of the GATE outreach strategies was to bring people into the One-Stop Career Centers who were not typical of the populations they usually served, and who may not have used them otherwise. A comparison of the characteristics of those who heard about Project GATE through a One-Stop Career Center and those who heard about the program from another source suggests that this outreach strategy was effective (Table III.5). The orientation attendees who learned about Project GATE from other sources differed in many ways from those who heard about it from the One-Stop Career Centers. Orientation attendees who learned about the program through another source were significantly less likely to be receiving unemployment insurance, more likely to be self-employed, and more likely to be working for someone else. They also were more likely to be female, younger, and less educated.

Table III.5. Characteristics of Orientation Attendees by Recruiting Source

	Total	Heard About GATE Through a One-Stop Career Center	Heard About GATE Through Some Other Source	Difference Statistically Significant
Male	53%	55%	52%	*
Age	43	44	41	***
Born in United States	88%	92%	86%	***
Highest grade completed	14	15	14	***
Currently receiving Unemployment Insurance	39%	57%	26%	***
Currently self employed	21%	16%	24%	***
Currently working for someone else	30%	18%	37%	***
Number of Orientation Forms ^a	5,601	2,231	3,370	

Source: Project GATE Orientation Forms

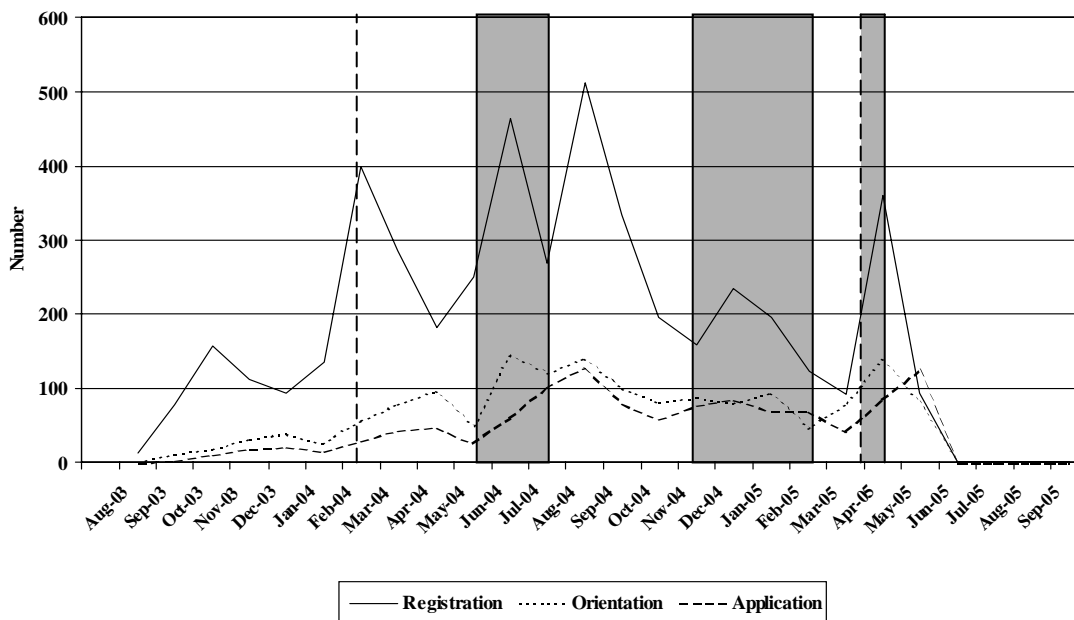
^aFor the 5,927 orientation attendees, 5,601 completed orientation forms.

*Estimate significantly different from zero at the 90% confidence level, two-tailed test

**Estimate significantly different from zero at the 95% confidence level, two-tailed test

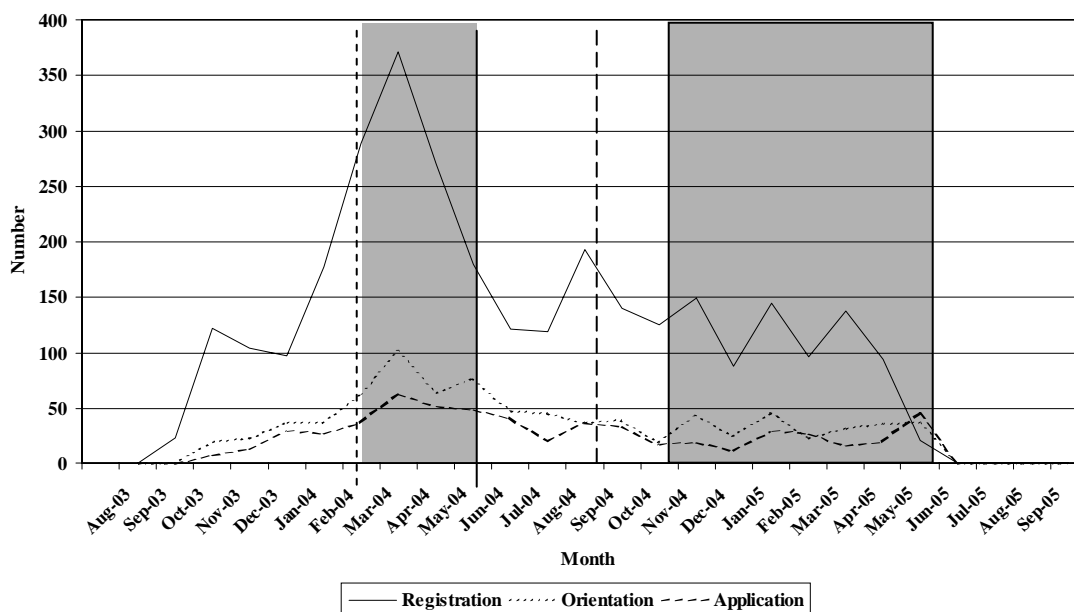
***Estimate significantly different from zero at the 99% confidence level, two-tailed test

Figure III.2. Number of Registrations, Orientation Attendees, and Applications in Philadelphia



Shaded areas indicate periods during which advertisements were run.
Vertical dotted lines indicate times at which GATE flyers were mailed with UI checks.

Figure III.3. Number of Registrations, Orientation Attendees, and Applications in Pittsburgh



Shaded areas indicate periods during which advertisements were run.
Vertical dotted lines indicate times at which GATE flyers were mailed with UI checks.

Figure III.4. Number of Registrations, Orientation Attendees, and Applications in Minneapolis/St. Paul

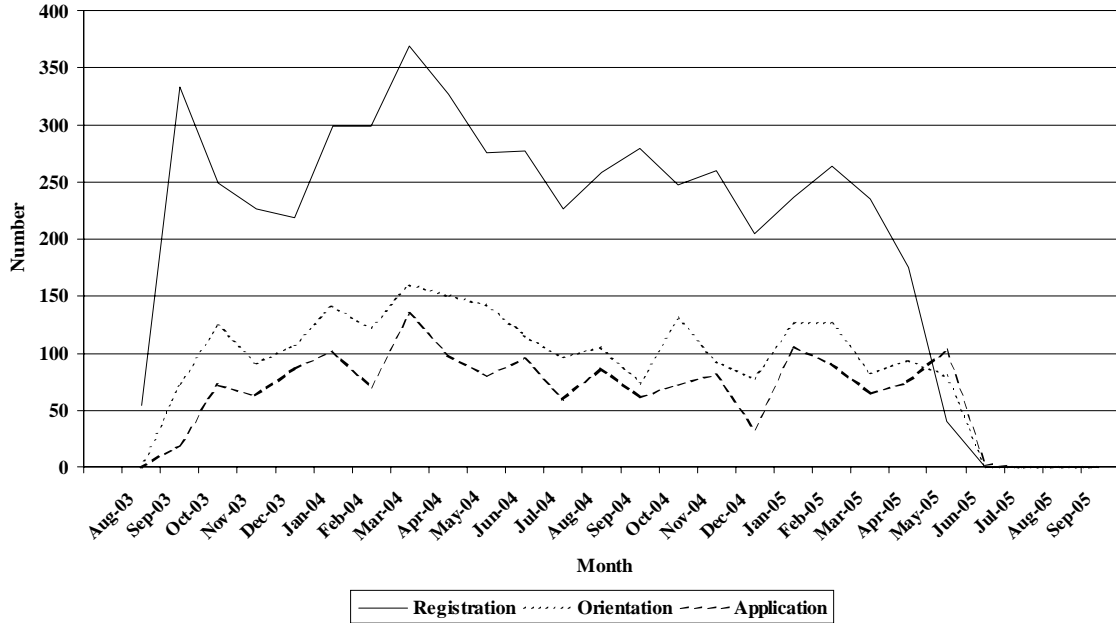
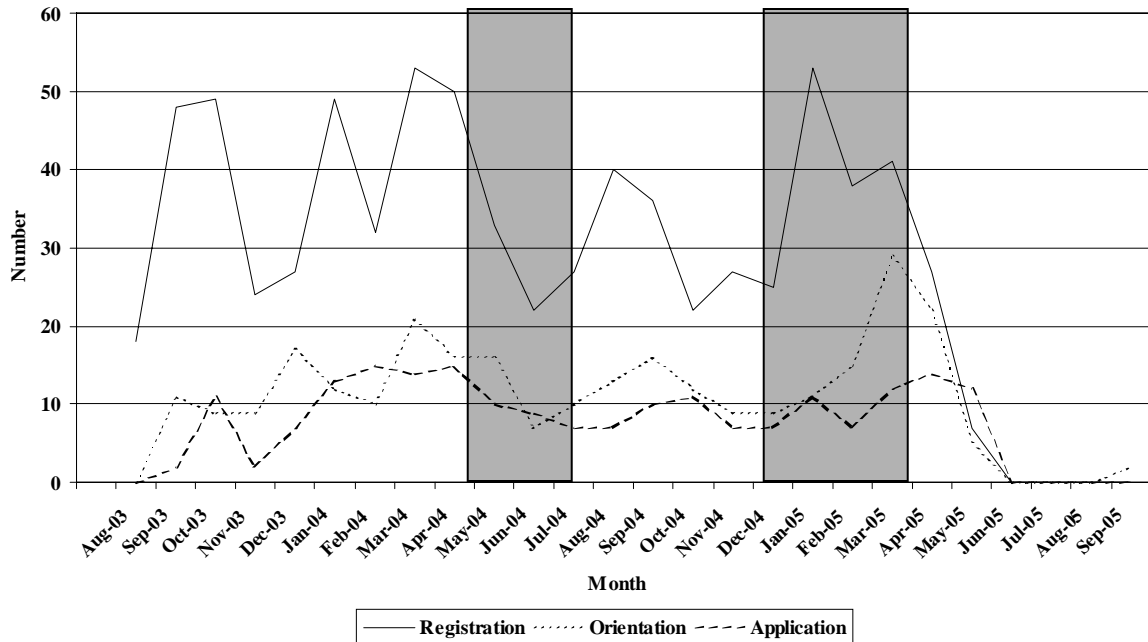
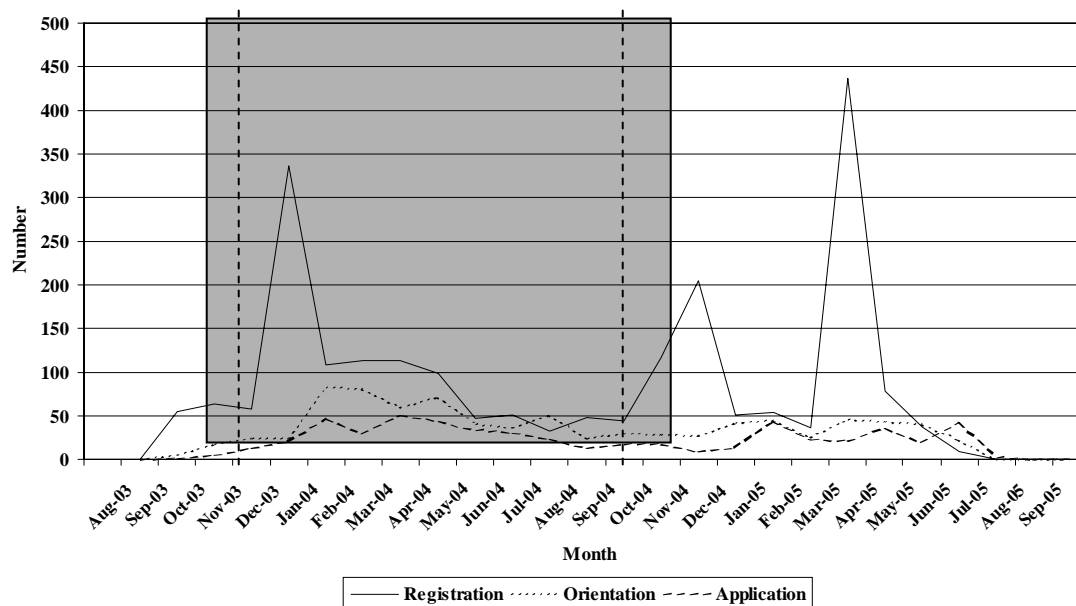


Figure III.5. Number of Registrations, Orientation Attendees, and Applications in Northeast Minnesota



Shaded areas indicate periods during which advertisements were run.
 Vertical dotted lines indicate times at which GATE flyers were mailed with UI checks.

Figure III.6. Number of Registrations, Orientation Attendees, and Applications in Maine



Shaded areas indicate periods during which advertisements were run.

Vertical dotted lines indicate times at which GATE flyers were mailed with UI checks.

C. OUTREACH SUCCESS BY SITE

Understanding the success of GATE's outreach efforts by site is important when considering potential replication of the program at other sites. The number of GATE applicants varied by site from a low of 203 in Northeast Minnesota to a high of 1,655 in Minneapolis/St. Paul (Table III.6). Some of this variation was expected because of the differences in the populations at each site.

Even when the differences in the population size at each site were taken into account, enrollment success still varied by site. At three sites—Minneapolis/St. Paul, Northeast Minnesota, and Maine—the ratio of applicants to population was about 1 to every 900 to 1,000 residents. In Philadelphia, Project GATE was able to recruit 1 in every 1,285 people. However, in Pittsburgh only 1 in every 2,154 people was recruited for Project GATE.

Given the limited number of sites in this study, it is difficult to explain the variation in cross-site recruitment success. We suspect that many factors across the five sites affected the program's ability to draw prospective participants.

Table III.6. Factors Influencing Project GATE Recruitment

Site	Number of GATE Applicants	Total Population in Target County(ies)	Ratio of Applicants to Population	Percent of Employees That Work in Firms with 1-4 Employees ^a	Unemployment Rate in 2004
Philadelphia	1,181	1,517,550	1 : 1,285	5%	5.2%
Pittsburgh	595	1,281,666	1 : 2,154	5%	5.8%
Minneapolis/ St. Paul	1,655	1,627,235	1 : 983	4%	4.5%
Northeast Minnesota	203	200,528	1 : 988	4%	5.8%
Maine	567	514,324	1 : 907	7%	4.6%
Total	4,204	5,141,303	1 : 1,224		

Source: Application numbers from Project GATE Participant Tracking System extract on December 31, 2005. County populations from U.S. Census 2000, unemployment rates from Bureau of Labor Statistics 2004.

^aAvailable only by state.

- Urban Versus Rural Areas.** It is usually easier to recruit for programs in urban areas than in rural areas just because of the higher population density in urban areas. To some extent this was also true in Project GATE. The lowest number of applicants occurred in the rural sites—Northeast Minnesota and Maine (Table III.6). However, enrollment in Pittsburgh was not much higher than in the rural sites, despite it being a city. Once the size of the population in the site was taken into account, there was no evidence that it was easier to recruit for Project GATE in urban areas.
- Environment for Small Businesses.** It may be that some places are more hospitable than others to small business. For example, local tax policies toward small businesses may vary. It also may be that local cultures differ in their views toward small businesses. Provider and One-Stop staff in Maine, for example, described the site's culture as very accepting of people who are self-employed. In contrast, in Pittsburgh, it was reportedly more culturally acceptable to work for a large company. If sites differ in the environment for small businesses, we would expect this to be reflected in the prevalence of small businesses. The prevalence of small businesses does vary, and is highest in Maine (Table III.6). However, Pittsburgh and Minneapolis/St. Paul had quite different success at recruitment even though the prevalence of small businesses is similar in the two sites.

-
- ***Local Unemployment Rates.*** The unemployment rate could affect recruitment in two ways. First, when wage and salary jobs are scarce, some unemployed individuals may be encouraged to pursue entrepreneurship as an alternative. However, poor economic conditions in local areas also could deter potential entrepreneurs from taking the risk of starting their own businesses. The success of recruitment at the demonstration sites did not seem to be associated with unemployment (Table III.6).
 - ***Existence of a Self-Employment Assistance Program.*** The existence of an SEA program may have reduced the number of Project GATE applications in Maine. There, UI recipients were offered the choice of applying for the SEA program, Project GATE, or both. According to One-Stop Career Center staff, many people chose to apply to the SEA program rather than Project GATE. The SEA programs in Pittsburgh or Philadelphia were relatively small and so were unlikely to have a large effect on GATE recruitment.
 - ***Prevalence of Other Providers.*** Other providers of self-employment assistance may have competed for participants with Project GATE. There is no direct evidence, however, that the prevalence of these programs influenced GATE recruitment. GATE participant focus groups and interviews with local orientation leaders reveal that, at the time of orientation, many GATE participants were not aware of other providers.
 - ***Perceptions of the One-Stop Career Centers.*** Based on several rounds of visits to each site, we observed no major differences across sites in the culture or local perceptions of the One-Stop Career Centers.

CHAPTER IV

WHO APPLIED TO PROJECT GATE?

Project GATE was designed to serve people who have the interest and skills to pursue entrepreneurship but lack the business expertise to develop and grow a business over time. Clearly, self-employment is not for everyone. Some people may not enjoy entrepreneurship, while others may not be well-suited to it. One goal of the GATE application process was to give applicants enough information so that they could decide for themselves if they would be happy and successful in self-employment. The evaluation's impact analysis will provide evidence of the success of the application process in this regard. An analysis of the demographic, economic, and personal characteristics of GATE applicants gives some indication of who chose to receive GATE services.

This chapter first describes the demographic and socioeconomic characteristics of GATE applicants and how they compare to the overall populations within our target counties (Section A). Next, it explores what applicants were doing at the time they applied—whether they were working, unemployed, or already self-employed (Section B), and how well-suited they were for self-employment (Section C). Finally, the chapter describes the reasons people give for pursuing entrepreneurship (Section D).

A. DEMOGRAPHIC AND SOCIOECONOMIC CHARACTERISTICS OF GATE APPLICANTS

The demographic and socioeconomic backgrounds that applicants bring to the program can affect the services they need and their success in self-employment. Rich data on the demographic and socioeconomic characteristics of GATE applicants were available from the GATE application form.

1. Project GATE Attracted a Diverse Population

GATE outreach and marketing efforts attracted a diverse array of individuals to the program:

- ***Both men and women applied to Project GATE.*** Despite concerns expressed by some local providers that, without special outreach, the program

would have difficulty attracting women, 46 percent of the applicants were women, compared with 54 percent men (Table IV.1). This was the case at all sites except Philadelphia, where 55 percent of the applicants were women.

- ***Applicants typically were 30 to 50 years of age.*** To qualify for the program, applicants had to be a minimum of 18 years old. In fact, they ranged from 18 to 79 years of age. The average age was 42 years, with the majority of applicants (62 percent) falling between the ages of 30 and 50 years old (Table IV.1).
- ***GATE attracted a culturally diverse population.*** Slightly more than half of the applicants (54 percent) were White/non-Hispanic, 30 percent were African American/non-Hispanic, and smaller proportions were of Asian (4 percent) or Hispanic (5 percent) descent (Table IV.1). The vast majority of GATE applicants were born in the United States (Table IV.1).
- ***Applicants had a wide range of education levels.*** Approximately one-quarter of all applicants had 12 or fewer years of education (Table IV.1). The remaining three-quarters had attended at least some college, and 37 percent had either a four-year college degree or a graduate degree.
- ***GATE applicants come from both low- and high-income households.*** About one-third of applicants reported a household income of less than \$25,000 per year, one-third reported a household income between \$25,000 and \$50,000, and the remaining one-third reported a household income over \$50,000 annually (Table IV.1). At either extreme, approximately 11 percent of applicants came from very low-income households (less than \$10,000 in annual income), and 7 percent had an annual income of over \$100,000 per year.

2. GATE Applicants Mirrored the Overall Populations Within the Target Communities

In general, the demographic and socioeconomic characteristics of those who applied to Project GATE looked similar to the populations living in the targeted cities and counties. Comparing the characteristics of GATE applicants (Table IV.1) with the characteristics of the populations in the target communities (Table II.1), we found:

- ***The racial and ethnic composition of the GATE applicant pool generally mirrored the targeted communities.*** Two exceptions were Philadelphia and Pittsburgh where Project GATE attracted a disproportionate number of African Americans.
- ***GATE applicants were slightly more educated than the general population.*** At all GATE sites, fewer than 5 percent of applicants had completed less than 12 years of education. By contrast, the proportion of residents in the target counties without a high school diploma was 29 percent overall.

Table IV.1. Demographic and Socioeconomic Characteristics of Project GATE Applicants

	Total	Philadelphia	Pittsburgh	Minneapolis/ St Paul	Northeast Minnesota	Maine
Male	54%	45%	54%	57%	62%	59%
Age						
18 to 29	14%	20%	11%	11%	14%	10%
30 to 39	27	31	25	27	20	22
40 to 49	35	30	36	35	41	40
50 to 64	24	19	27	26	25	27
65 or older	1	1	1	1	0	2
Average (in years)	42	40	44	43	43	44
Race/Ethnicity						
White and not Hispanic/ Latino ^a	54%	13%	57%	67%	84%	86%
Black and not Hispanic/ Latino ^a	30	68	32	14	5	3
Hispanic/Latino	5	8	5	4	3	4
Asian ^a	4	2	1	8	0	1
Multiple or other races	8	9	5	7	8	7
Born in the United States	90%	92%	96%	83%	98%	95%
United States Citizen	96%	97%	99%	94%	99%	98%
Highest Grade Completed						
Less than 8	1%	0%	0%	1%	0%	0%
8 to 11	3	4	2	2	3	5
12	22	28	23	16	21	28
13 to 15	37	39	40	35	43	32
16	18	13	16	22	18	19
17 or more	19	15	20	23	15	15
Average (in years)	14	14	15	15	14	14
Household Income						
Less than \$10,000	11%	16%	12%	8%	11%	11%
\$10,000 to \$24,999	24	31	25	18	26	28
\$25,000 to \$49,999	33	34	34	32	31	35
\$50,000 to \$74,999	18	13	18	21	19	15
\$75,000 to \$99,999	7	4	6	10	8	6
\$100,000 or more	7	3	5	11	6	5
Number of Applications	4,201	1,181	595	1,655	203	567

Source: Project GATE Application Forms

^aExcludes those who reported multiple races.

- ***Income levels of GATE applicants mimicked the overall economic environment at the GATE sites.*** Median household incomes within the targeted counties varied from as \$38,500 in the city of Pittsburgh, to \$51,700 in Hennepin County (Table II.1). These incomes are comparable to the distribution of GATE applicants' household incomes shown in Table IV.1.

B. WHAT WERE APPLICANTS DOING WHEN THEY APPLIED TO PROJECT GATE?

The impetus for starting a business differs from person to person. For some, it is obtaining the necessary financial resources. Others decide to go into self-employment because they dislike their current job or because they become unemployed. This section describes what GATE applicants were doing when they applied to Project GATE—whether they were already working on a business, were still working for someone else, or were not working at all.

What Were Participants Doing When They Applied to Project GATE?

- Karen decided when she was 17 years old that she wanted to own a beauty salon. After working in salons for many years, she invested her own money in renting a retail space and opened her own salon in 2001. However, her salon was “bare bones” with only hair styling services, and she wanted to expand. In 2004, Karen learned about Project GATE through a friend and thought it was a great opportunity to reach her goal of owning a full-service salon.
- Mike had been working for 26 years in the art framing business. He was working full-time at an art gallery in 2004 when he read about Project GATE in a local newspaper article. He expected the owner of the gallery to retire the following year and wanted to explore the potential for opening his own framing shop.
- Sally had been thinking about starting her own marketing business for several years. After nine years of experience in the marketing field, she was laid off from her job as a marketing consultant for a seafood company. Sally became aware of Project GATE while receiving unemployment insurance benefits and applied for Project GATE to pursue her business idea.
- James retired in 2004 after 26 years as a federal government employee. He heard about GATE through an advertisement in a local publication and came to the One-Stop Career Center to learn more about the program. He was working part-time selling advertisements for a hunting and fishing newspaper and wanted to develop his own monthly outdoor recreation publication.

1. More than Half of all GATE Applicants Were Not Working

About 56 percent of all GATE applicants neither worked at a wage and salary job nor were self-employed when they applied to the program (Figure IV.1). More than 80 percent of these applicants reported that they were looking for work (Table IV.2). Surprisingly, only 17 percent of the applicants who were not working reported that they were working on developing a business. Some applicants were in school or training programs (15 percent), or caring for family members (6 percent). Some others were no longer active in the workforce due to disabilities (3 percent) or retirement (2 percent).

Those 70 percent who were not working at wage and salary jobs when they submitted their GATE applications had been without a job for an average of 16 months (Table IV.2). Nearly half of those people had been laid off, or the business or plant at which they had been working had closed. For another 7 percent, temporary or seasonal jobs had ended. About 14 percent had been fired from their last job. The remaining applicants who did not have wage and salary jobs left their prior jobs because of ill health or disabilities, or had quit for a range of other reasons. Only a small proportion of applicants (6 percent) had quit their previous jobs to start businesses.

Almost 40 percent of applicants overall were receiving UI benefits at the time of application, and about half had received benefits at some point during the previous year (Table IV.2). In general, they were long-term UI recipients—on average they had received 13 weeks of UI in the previous year. The high proportion of UI recipients was not surprising, given the central role played by the One-Stop Career Centers in Project GATE, as well as the fact that some sites specifically targeted UI recipients in their GATE marketing.

Figure IV.1. Employment Status at Application

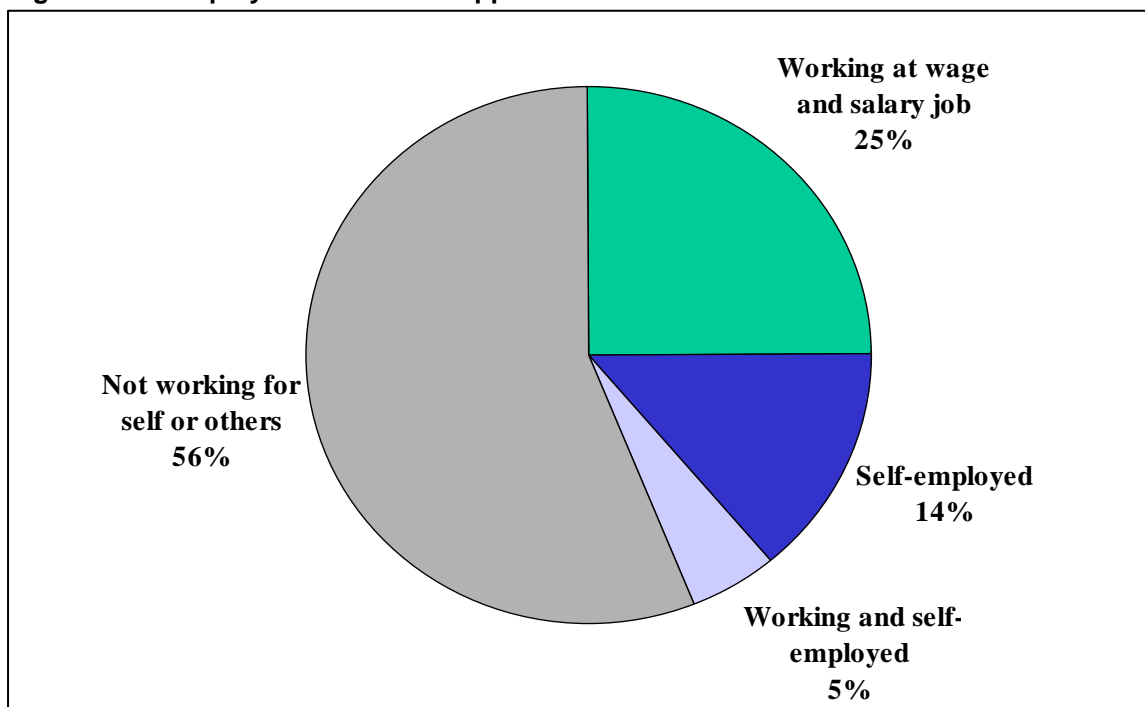


Table IV.2. Work and Self Employment of GATE Applicants

	Total	Philadelphia	Pittsburgh	Minneapolis/ St. Paul	Northeast Minnesota	Maine
Current Status						
Employed in wage and salary job	25%	34%	26%	23%	20%	15%
Owned a business	14	12	10	17	12	16
Employed in wage and salary job and owned a business	5	6	5	4	3	5
Not employed and did not own a business	56	49	60	56	65	64
Status if Neither Employed Nor Owned a Business						
Looking for work	80%	77%	83%	84%	81%	72%
Trying to become self employed	17	11	14	20	11	21
Attending school or training	15	17	14	13	10	20
Taking care of a family member	6	8	7	5	9	5
Retired	2	3	3	2	5	2
Disabled	3	4	2	2	3	3
Other	5	7	7	4	5	6
Months Since Last Job Ended^a						
Less than 3 months	37%	29%	40%	37%	38%	42%
3 to 6 months	25	24	23	27	26	22
6 months to 1 year	17	19	17	17	15	14
1 to 2 years	8	11	9	7	11	6
2 or more years	13	16	11	12	9	16
Average	16	17	14	15	13	20
Reason for Leaving Last Job^a						
Laid off	43%	35%	49%	50%	41%	32%
Business or plant closed	6	6	6	6	7	8
Temporary or seasonal job ended	7	10	6	6	7	7
Fired	14	14	13	14	15	14
Quit to start working for self	6	7	4	7	7	5
Quit for other reason	17	19	16	13	18	28
Retired	1	2	1	1	2	1
Left because of disability/ health problems	5	7	5	3	5	5
Currently Receiving Unemployment Insurance (UI)						
Currently Receiving Unemployment Insurance (UI)	39%	28%	43%	44%	39%	45%
Received UI in Past Year	49%	44%	53%	50%	48%	49%
Number of Weeks Received UI in Past Year						
Number of Weeks Received UI in Past Year	13	14	15	12	11	12
Number of Applications						
Number of Applications	4,201	1,181	595	1,655	203	567

Source: Project GATE Application Forms

2. Approximately 30 Percent of GATE Applicants Worked in Regular Wage and Salary Jobs

Overall, approximately 30 percent of GATE applicants were working in regular wage and salary jobs at the time they applied. About 5 percent owned businesses in addition to working at these jobs, and 25 percent worked at regular wage and salary jobs only (Figure IV.1). The percentage of applicants who worked in regular jobs at the time of application was lowest in Maine (19 percent) and highest in Philadelphia (40 percent).

3. Nearly One-Fifth of GATE Applicants Already Owned Businesses

The services offered through GATE could be tailored to start-up businesses as well as existing businesses that wanted to formalize or expand. Approximately 19 percent of GATE applicants reported owning businesses at the time of application (Figure IV.1). The proportion of applicants who already owned a business was highest in Minneapolis/St. Paul and Maine.

C. THE SUITABILITY OF GATE APPLICANTS TO SELF-EMPLOYMENT

Research studies have attempted to predict the interest, initiation, and ultimate success in entrepreneurship using individuals' educational and work histories, as well as personal traits (Sexton and Bowman 1986; Low and MacMillan 1988; Gartner 1989; Miner 1996; Brandstatter 1997; Johnson 2001; Stewart and Roth 2001; Hansemark 2003). Using this research as a guide, the GATE application asked questions about these predictors, including prior self-employment history and experience with wage and salary employment. Assessment counselors also were asked to report after the first assessment session on factors that were barriers or supports to self-employment. This section draws on both the application forms and data from the assessment counselors to describe those characteristics of GATE applicants that are thought to be associated with suitability for self-employment. Later, when we obtain data on the outcomes of businesses in our sample, we will explore whether any of these indicators predicted participant outcomes.

Counselors at Small Business Development Centers (SBDCs) believed that the average GATE applicant was less qualified for self-employment than a typical SBDC client. Compared to their typical clients, they thought that GATE applicants were less likely to already have started a business, were less far along in developing their business ideas, were less motivated to succeed, were more likely to lack capital and collateral for their business, and were more likely to have a poor credit history. In contrast, staff at most nonprofit community-based organizations (CBOs) that were GATE providers reported that GATE participants were fairly similar to their typical clientele.

1. Most Applicants Had Some Prior Exposure to Self-Employment

Approximately 37 percent of GATE applicants had owned a small business at some point in their lives (Table IV.3). These individuals had been self-employed for an average of

Table IV.3. Self Employment Experiences of Project GATE Applicants

	Total	Philadelphia	Pittsburgh	Minneapolis/ St. Paul	Northeast Minnesota	Maine
Ever Self Employed	37%	33%	31%	40%	33%	44
Total Years of Self Employment ^a	6	6	5	6	7	6
Weeks Self-Employed During Past Year ^a						
0 weeks	41%	39%	46%	41%	50	42
1 – 26 weeks	26	26	26	28	23	25
27 – 51 weeks	10	12	10	9	11	6
52 weeks	23	24	18	23	16	27
Average	19	20	17	19	16	20
Currently Self Employed	19%	17%	15%	21%	15%	21%
Years in Current or Most Recent Business ^a						
Less than 1 year	21%	17%	25%	23%	21%	18%
1 to 3 years	28	27	24	29	29	28
3 to 5 years	16	17	14	18	16	15
5 to 10 years	20	25	22	16	24	22
10 years or more	15	14	16	15	10	17
Average	5	6	5	5	4	5
Typical Hours Per Week Worked at Business	35%	35%	35%	35%	32%	36%
Business Considered a Financial Success	54%	51%	49%	53%	58%	62%
Largest Number of Employees, Excluding Self						
Average	7.0	10.1	17.2	3.6	3.8	6.0
Median	1.0	2.0	1.0	1.0	1.0	1.0
Family or Close Relatives Ever Self Employed	72%	64%	67%	75%	76%	79%
Ever Work for Self-Employed Relative ^b	46%	52%	43%	41%	40%	53%
Number of Applications	4,201	1,181	595	1,655	203	567

Source: Project GATE Application Forms

^aFor those who were ever self employed.

^bFor those who had a family member who was self employed.

six years and about half of them were currently self-employed. Approximately 72 percent of GATE applicants had some exposure to self-employment through family or relatives. Nearly half of them had worked in a relative's business.

Data from the application forms suggest that many of the businesses run by GATE applicants had been quite successful at some point. While the median number of employees hired by the applicants' businesses was one, the mean was more than seven, reflecting that some applicants had owned quite large businesses in the past. Approximately 20 percent of these businesses had been operational for less than a year, but the average time for operation was five years. Approximately 54 percent of applicants who had been business owners reported that their businesses had been financially successful.

2. GATE Applicants Typically Had Moderately Strong Work Histories

According to GATE business counselors, prior work experiences often build concrete trade and managerial skills, both of which facilitate success in self-employment. Nearly all applicants had been employed during their lifetime, and about 30 percent currently were working (Table IV.4). Approximately two-thirds of applicants had some managerial experience, and over half of those had been managers for over five years. Assessment counselors also reported that most GATE participants did have experience in a relevant industry. Based on descriptions of their current or most recent jobs, most applicants had worked full-time, earning an average hourly wage of \$17 per hour, or the equivalent of about \$35,500 annually.

3. GATE Applicants Often had Poor Credit and Few Assets

While 96 percent of GATE applicants had a credit history, 47 percent of them reported that they had experienced credit problems in the past (Table IV.5). This was especially true in Philadelphia, where 69 percent of GATE applicants had past credit problems. The assessment counselors reported that nearly 30 percent of GATE participants who were assessed had either a bad credit history or none at all (Table IV.6).

Several GATE providers expressed serious reservations about the ability of many of these participants to successfully resolve their credit problems, and felt that very few would ever become good candidates for business loans. As will be discussed in later chapters, a few providers developed new services to help GATE participants learn how to manage their personal finances and work through credit problems.

Moreover, most GATE applicants did not have many assets to invest in the business. According to the assessment counselors, 36 percent of the GATE participants had no assets at all to invest in a business and another 37 percent had less than \$10,000 (Table IV.6).

Table IV.4. Wage and Salary Employment Experiences of Project GATE Applicants

	Total	Philadelphia	Pittsburgh	Minneapolis/ St. Paul	Northeast Minnesota	Maine
Ever Worked in Wage and Salary Job	99%	99%	100%	98%	100%	100%
Currently Working in Wage and Salary Job	30	40	31	28	23	19
Typical Hours Worked Per Week						
Less than 40 hours	27%	32%	30%	22%	29%	22%
40 hours	45	47	43	46	41	43
41 to 50 hours	19	13	17	23	22	23
51 or more hours	10	9	10	9	9	11
Average	39.6	38.5	39.0	40.1	39.8	40.9
Hourly Wage						
Less than \$10	21%	27%	28%	12%	28%	21%
\$10 to \$14.99	32	33	30	29	34	40
\$15 to \$19.99	21	19	18	23	19	21
\$20 to \$29.99	19	15	16	22	16	12
\$30 or more	9	6	8	14	4	6
Average	\$17.06	\$15.11	\$15.98	\$19.75	\$14.29	\$15.32
Ever Worked in Managerial Capacity	63%	59%	62%	65%	63%	67%
Years Worked in Managerial Capacity ^a						
1 or fewer	12%	15%	13%	10%	17%	13%
2 to 4	33	36	30	33	25	31
5 to 9	24	25	24	23	29	22
10 to 19	22	16	25	24	23	24
20 or more	9	7	8	10	7	10
Average	8	7	8	8	7	8
Number of Applications	4,201	1,181	595	1,655	203	567

Source: Project GATE Application Forms

^aFor those who ever worked in a managerial capacity.

Table IV.5. Supports and Barriers to Self Employment Among Project GATE Applicants

	Total	Philadelphia	Pittsburgh	Minneapolis/ St. Paul	Northeast Minnesota	Maine
Credit						
Have a credit history	96%	95%	97%	96%	98%	96%
Have had credit problems in the Past ^a	47	69	49	33	46	42
Household Income						
Someone else will work to support family while applicant works on business	46%	41%	41%	49%	51%	48%
Average weekly earnings of family member ^b	\$787	\$707	\$787	\$876	\$743	\$663
Health Insurance Coverage						
Currently have health insurance	70%	62%	68%	77%	73%	63%
Source of insurance coverage^c						
Applicant's employer	25%	38%	30	21	15	15
Family member's employer	29	20	28	34	31	30
Medicaid or another public health insurance	29	32	21	27	39	38
Self-paid	13	7	16	17	12	12
Other	4	4	5	3	3	6
Level of Family Support for Self Employment						
Very supportive	75%	75%	76%	75%	77%	75%
Fairly supportive	15	14	14	16	16	15
Neither supportive or unsupportive	8	9	8	7	6	9
Fairly unsupportive	1	1	1	1	1	0
Unsupportive	1	1	1	1	0	1
Number of Applications	4,201	1,181	595	1,655	203	567

Source: Project GATE Application Forms.

^aFor those with a credit history.

^bFor those with a family member who will support family.

^cFor those with health insurance coverage.

^dCreated category for "self paid" insurance due to high volume of self-paid verbatim responses.

Table IV.6. Counselors Assessments of Project GATE Participants

	Total	Philadelphia	Pittsburgh	Minneapolis/ St. Paul	Northeast Minnesota	Maine
Credit History						
None	3	5	2	2	1	2
Bad	26	38	27	18	8	30
Average	30	33	30	25	67	23
Good	42	24	41	56	24	46
Capital to Invest in Business						
None	36%	53%	35%	27%	31%	29%
Less than \$10,000	37	31	45	39	41	38
\$10,000 to \$25,000	12	6	10	15	26	12
Over \$25,000	15	10	10	19	2	22
Clarity of Business Idea						
No idea	1%	2%	1%	1%	0%	1%
Vague idea	32	32	20	32	50	33
Detailed idea	57	52	68	58	48	58
Has a written business plan	10	14	10	9	2	7
Experience in Relevant Industry						
None	23%	24%	22%	23%	31%	18%
1 year or less	12	10	9	13	13	17
2 to 5 years	18	13	19	19	27	24
Over 5 years	47	54	51	46	30	41
Number of Assessments	1,826	513	259	738	88	228

Source: Project GATE Participant Tracking System extract on December 31, 2005

4. Many Applicants Had Yet to Develop a Concrete Business Idea

Fewer than 10 percent of GATE applicants had a written business plan at the time of assessment (Table IV.6). Assessment counselors were asked to rate the clarity of the applicants' business ideas as expressed at the assessment session. The counselors reported that nearly one-third of those they assessed had no business idea or only a vague concept (Table IV.6).

5. Many Applicants Received Support While Pursuing Self-Employment

As start-up businesses are rarely profitable right away, it is critical for new entrepreneurs to ensure a stable source of income to support themselves and their families while starting a new venture. Many GATE applicants appeared to have such sources available at least for some time.

- **Income.** As discussed earlier, approximately 30 percent of applicants were working at the time of application, and 40 percent were receiving UI or other public benefits as sources of support. Almost half of the applicants reported that they would have a family member to support them while they worked on their business (Table IV.5). Those family members averaged approximately \$787 in weekly earnings, or the equivalent of about \$41,000 annual full-time salary.
- **Health Insurance Coverage.** Slightly more than two-thirds of applicants reported having health insurance coverage at the time of application (Table IV.5). Common sources of insurance were Medicaid or other public health insurance (29 percent), a family member's employer (29 percent), the applicants' employers (25 percent), and self-paid insurance (13 percent).
- **Support of Family Members.** About three-quarters of applicants said that they had strong family support for their pursuit of self-employment (Table IV.5). In fact, fewer than 2 percent reported that family members were unsupportive.

6. Most Applicants Reported Having Personality Traits Associated with Successful Entrepreneurs But had an Aversion to Risk-Taking

Research has shown that certain personality characteristics are associated with being a successful entrepreneur (Sexton and Bowman 1986; Gartner 1989; Barndstatter 1997; Stewart and Roth 2001). These characteristics include being innovative, being able to work independently, being willing to take risks, being willing to work long hours, and communicating well with others.

The GATE application form asked a series of questions about the applicant's personality traits. Individuals were asked to answer whether each of 21 statements about their personal characteristics was "very true," "somewhat true," "neither true nor untrue," "somewhat untrue," or "very untrue." These questions were adapted from *Test Your Entrepreneurial I.Q.* by Kathleen Hawkins and Peter Turla (1986).

We constructed a scale from the answers to these questions. For personality traits that were associated with entrepreneurship, we gave answers of "very true" a score of 5, "somewhat true" a score of 4, "neither true nor untrue" a score of 3, "somewhat untrue" a score of 2, and "very untrue" a score of 1. The scores were reversed for negative traits such as "I get sick often." By summing the scores across all the questions, a scale was developed with a possible minimum of 21 to a possible maximum of 105. A higher score indicates personality traits of people who the research would suggest are more suited to self-employment.

Most participants reported characteristics that suggest they were well-suited to self-employment. Out of a total maximum score of 105, the average score was 93 and the median score was 94 (Table IV.7). More than three-quarters of the applicants reported "very

Table IV.7. Applicants Assessment of their Personalities

Statement	Percent Who Believe this is Very True for Them
I enjoy working independently	85%
I finish projects even if they involve a great deal of work	82
I am willing to work long hours for my business	79
I have innovative ideas	71
I often take the initiative to start things	76
I something "can't be done," I find a way	66
I'm willing to take a risk even if I am sure everything will work out ^a	21 ^b
I can handle challenges and persist during difficult times	79
I communicate easily with people who have different types of personalities	70
I take advice from others	59
I'm a good motivator	63
I have clearly defined long and short term goals	46
I do not often miss deadlines ^a	63 ^b
I am an organized person	51
I do not have a difficult time making up my mind ^a	45 ^b
I work well under pressure	61
I have a sense of humor	76
I am prepared to risk my savings for my business ^a	37 ^b
I am willing to lower my standard of living while my business gets started	56
I do not get sick often ^a	79 ^b
I often find more than one solution to a problem	60
Total Score on Personality Assessment	
Mean	93
Median	94
Minimum	30
Maximum	105
Number of Applications	4,201

Source: Project GATE Application Forms

^aThe statements were given to the respondent in the negative.

^bThe percent who believe the negative statement is "very untrue."

true” on items related to working independently, finishing programs even if it involves a great deal of work, willingness to work long hours, taking the initiative to start things, being able to handle challenges and persist during difficult times, and having a good sense of humor.

However, very few applicants reported a willingness to take personal or financial risks to start their businesses. In particular, only 21 percent reported “very untrue” when asked whether they were only willing to take risks if they were sure everything would work out (Table IV.7), and only 37 percent responded “very untrue” when asked about whether they agree with the statement “I am not prepared to risk my savings for my business.”

D. MOTIVATION TO GO INTO BUSINESS

Individuals choose to pursue self-employment for many reasons. The GATE application asked applicants to give their most important reasons for starting a business. Focus group respondents also offered insights into their motivations for starting small businesses and applying to Project GATE.

Why Start a Small Business?

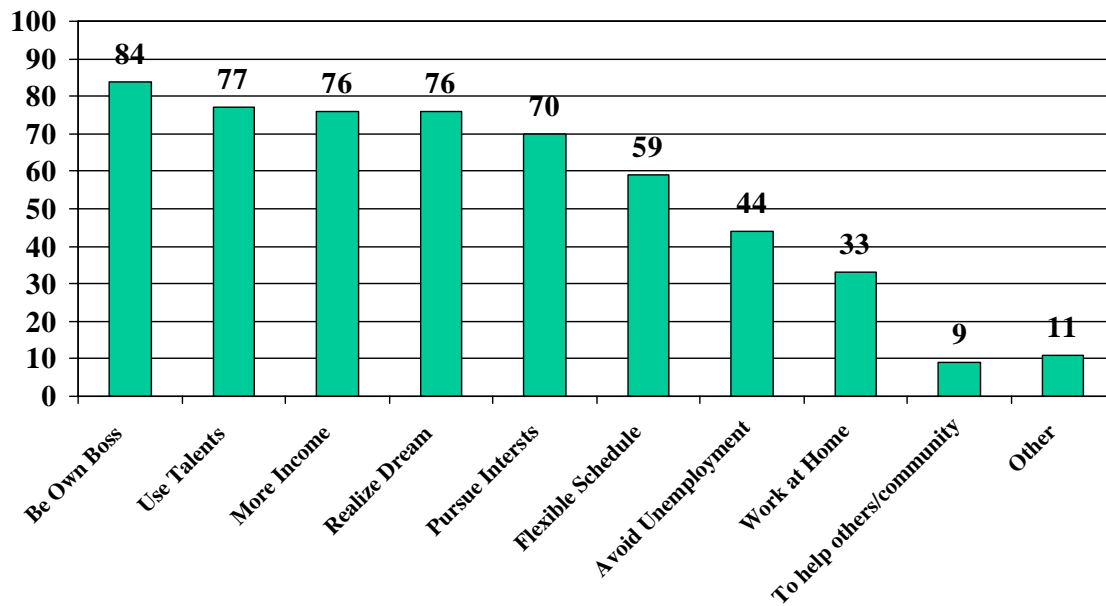
- Tom had taught for nine years at an alternative education program in an inner city high school. He also pursued a metalwork hobby by creating arms and armor for an opera company. He left his teaching position when his wife received a job offer in another state. Tom decided that this was the perfect time to shift careers and make his hobby into a career. His goal was to make small products for retail sale, work on large metalwork programs for contract, and teach his craft to others.
- Megan had been a manager in several companies, but her work was stressful and she felt underappreciated. After leaving her last position, she decided to develop her own company as a “virtual human resources department” for small businesses. “Starting a business has been the best thing for me...It’s just I was never satisfied going to the nine to five job. I was in the human resources department but this had no meaning because nobody would listen [to my advice.] Now people listen; they contract for my services and they want my advice. [My services] remove a large burden from small companies.”

The most common reason GATE applicants gave for being self-employed, given by 84 percent of all applicants, was: “To be my own boss” (Figure IV.2). Other reasons given by more than three-quarters of GATE applicants included a desire to use specific talents, to obtain more income, and to realize a long-held dream. Approximately 9 percent of all GATE applicants said that they wanted to help others or to give back to the community.

Many focus group participants reported that they had thought about self-employment for quite some time but were hesitant to commit their time, energy, and resources toward developing a small business without knowing how to do it. Several focus group members felt that Project GATE had given them the extra boost they needed to take concrete steps

toward self-employment. According to one focus group member, “I was really looking for something that could reduce the risk associated with this activity.” Several others stated that they would have been unlikely to move forward with their business ideas if they had not heard about Project GATE. Many also felt that the availability of “free services” was a huge incentive to participate. Many unemployed focus group members also noted that becoming unemployed was an impetus to pursue self-employment. Without this full-time work commitment, they could focus all of their energies on business development.

Figure IV.2. Reasons for Starting a Business



CHAPTER V

THE ASSESSMENT: TAILORING SERVICES TO PARTICIPANT NEEDS

Just as there are diverse businesses, so there are diverse aspiring entrepreneurs. Each GATE participant had different needs and goals. The GATE assessment, the first service provided by Project GATE, was designed to ensure that the services participants received were tailored to their needs and goals.

The assessment had two key goals. The first goal was to provide a professional appraisal of each participant's needs. The assessment counselor determined whether the participant needed training, and if so, what would be the most appropriate training program. He or she also assessed whether the participant needed technical assistance, and whether that should occur before, during, or after training.

A second goal of the assessment was to make a referral to the most appropriate GATE provider in the community. This kind of referral is a unique feature of Project GATE. More typically, people interested in receiving assistance with starting a business go directly to a training and technical assistance provider. That provider would be unlikely to refer the participant to another organization.

This chapter describes the GATE assessment. It begins by discussing issues involved in scheduling an assessment (Section A). It then describes in more detail the purpose of GATE assessment sessions (Section B). Finally, it describes the process of making referrals to service providers (Section C).

A. SCHEDULING AN ASSESSMENT

At all sites except Philadelphia, the assessment was conducted by a counselor at a Small Business Development Center (SBDC). In Philadelphia, the assessment counselor was employed by IMPAQ International and was not connected with any service provider.

Overall, 90 percent of all treatment group members received an assessment (Table V.1). The letters to the GATE applicants notifying them of their assignment to the treatment group asked them to schedule an appointment with an assessment counselor. At all five

Table V.1. Assessments and Referrals to GATE Providers

	Total	Philadelphia	Pittsburgh	Minneapolis/ St. Paul	Northeast Minnesota	Maine
Assessment conducted	90%	88%	97%	90%	94%	88%
Length of assessment (average in hours) ^a	1.2	0.8	0.8	1.4	1.3	1.7
Referral made	86%	85%	90%	88%	90%	79%
Length of time between random assignment and assessment (in weeks) ^a	3.6	3.0	3.2	4.2	2.6	4.1
Length of time between assessment and first referral (in weeks) ^b	0.4	0.2	1.0	0.5	0.6	0.2
Type of service referred to ^b						
Classroom training	16%	7%	1%	30%	13%	6%
Individual counseling	13	5	3	19	2	28
Both training and counseling	72	88	96	51	85	66
Number of treatment group members	2,097	602	288	835	97	275

Source: Project GATE Participant Tracking System extract on December 31, 2005.

^aFor those participants who received an assessment.

^bFor those participants who received a referral.

sites, assessment counselors also made attempts to contact GATE participants within a week of receiving notification of their assignments. The sites also followed up with telephone calls if participants did not show up for scheduled appointments.

Despite these efforts, however, it took on average nearly a month between random assignment and assessment (Table V.1). The scheduling time varied by site, but at no site did it occur quickly after random assignment. The assessment occurred most quickly in Northeast Minnesota: on average less than three weeks after random assignment, but it took more than four weeks after random assignment in Minneapolis/St. Paul.

Difficulty in scheduling assessments may have caused some delays. At several sites, focus group participants complained that they had difficulty in connecting with the assessment counselor to schedule their first appointment. When they did connect, some were told that it would be several weeks before an appointment was available. At one site, the sole GATE assessment counselor reported that she had a limited amount of time to

dedicate to the project and, as a result, was able to contact and schedule GATE assessments during only one week of each month.

The time required to schedule the assessment was of particular concern to staff in the rural areas of Maine and Minnesota, where travel time to the assessment counselors' locations could be considerable. Pittsburgh staff also expressed concern, however. To avoid clients having to travel to extra meetings, Pittsburgh and Maine shifted their assessment strategies over time. At first, both sites used a dedicated staff person to schedule and conduct assessments prior to sending participants to an SBDC counselor for technical assistance. Both sites then determined that this strategy added an unnecessary step, and so instituted a shared responsibility among their counselors for assessments; the counselors used the sessions as their first technical assistance meetings with new participants.

B. THE OBJECTIVES OF THE ASSESSMENT SESSION

The content of the assessments, as well as the factors that influenced the referral process, depended on both participant needs and the characteristics and service offered by the GATE providers.

1. Assessment Varied Based on Each Site's GATE Infrastructure

The infrastructure of GATE providers at each site played a role in shaping the assessment process. While the assessment counselors at all sites determined the participant's needs for training and technical assistance, the sites varied as to whether a referral could be made to another organization and whether the referral could be to multiple organizations. (Table V.2 summarizes the infrastructure at each site.) The infrastructure affected the ways in which referrals were made in the following ways:

1. ***Philadelphia.*** In Philadelphia, a business counselor hired by IMPAQ International conducted the assessment and referred the participants to a service provider. Since the same provider would provide both training and technical assistance, she referred each participant to a single provider only. (If the participant did not like that provider, he or she could later receive another referral).
2. ***Pittsburgh.*** In Pittsburgh, the SBDC conducted the assessment, but since the SBDC was the only GATE provider at the site, the assessment counselor could not refer the participant to another GATE provider.
3. ***Minneapolis/St. Paul and Northeast Minnesota.*** At these sites, the SBDC conducted the assessment, and also could either provide training and technical assistance at the SBDC or refer the participants to another provider for services. However, since the same provider would provide both training and technical assistance, the assessment counselor referred each participant to a single provider only.

4. **Maine.** In Maine, the SBDC conducted the assessment as well as provided all the technical assistance for GATE participants. However, the assessment counselors referred the participants to other providers for training and also could refer them to multiple providers.

Table V.2. Summary of GATE Infrastructure in Each Site

Site	Assessment Provider	Services Provided by Assessment Provider	Services Offered by Other GATE Providers	Referrals Made to Single or Multiple Providers
Philadelphia	IMPAQ International	None	Training and technical assistance	Single
Pittsburgh	SBDC	Training and technical assistance	No other providers	Not applicable
Minneapolis/St. Paul	SBDC	Training and technical assistance	Training and technical assistance	Single
Northeast Minnesota	SBDC	Training and technical assistance	Training and technical assistance	Single
Maine	SBDC	Technical assistance	Training	Multiple

2. Assessment Staff Gave Participants Frank Assessments of Prospects for Success

While GATE providers were instructed not to screen out participants based on their business ideas or suitability for self-employment, most providers did give participants frank assessments of their suitability to pursue entrepreneurship. When meeting with someone they believed would not succeed, most assessment counselors said that they gave the participant a “reality check” about the amount of work, finances, and effort required for self-employment.

Some assessment counselors would give participants who they thought would not succeed a long list of action steps to discourage them from continuing. One assessor explained that the goal of the session was to prevent participants from wasting time and money on businesses that were likely to fail.

Assessors at another site took a different approach by offering additional technical assistance to participants who had major barriers or did not seem well suited to entrepreneurship. These assessors hoped that this additional technical assistance would help the participant to review their personal circumstances before moving into training.

3. The Assessment Often Resembled a First Technical Assistance Session

Assessment counselors typically held a semi-structured discussion organized around topics in the GATE assessment form. These topics included:

1. The business idea
2. Prior experience relevant to the business, including self-employment experiences and wage and salary jobs
3. Credit history and availability of equity and collateral
4. Ability of the participants to support themselves while starting a business
5. Other barriers to starting a business, including access to transportation, access to a computer and the Internet, and health

Many counselors also would begin a discussion of the potential customer base and capital requirements as well as any time constraints the participant faced.

GATE assessments typically lasted about 1 hour and 15 minutes (Table V.1). Maine assessment sessions lasted the longest, at nearly 1 hour and 45 minutes, while sessions in Philadelphia and Pittsburgh averaged less than an hour.

How Did GATE Assessments Unfold?

- Juliana was recently laid off from a local university due to a departmental restructuring. She wanted to open a coffee shop and, without a stable income source, needed to begin working on the business before her unemployment insurance benefits ran out. Since she was familiar with the university, she and her assessment counselor decided that she would attend classroom training at the participating SBDC. After discovering early on that the next training session did not start for more than a month, she was referred for immediate services at a local GATE provider.
- Lindsey had worked in the insurance industry for 20 years and wanted to start a business to handle insurance claims. During the GATE assessment, her counselor asked challenging questions and really pushed her to answer the question, “What makes you think you can do this?” She was encouraged to realize that she had anticipated many of the issues that her counselor had raised. Her counselor ultimately recommended that she participate in some one-on-one technical assistance sessions to solidify her business idea before moving into formal classroom training.

C. REFERRALS TO GATE PROVIDERS

At all sites other than Pittsburgh, an important role of the assessment counselor was to help the participant to select an appropriate provider for training and/or technical assistance.

1. Referrals Were Driven By Staff Perceptions of Participants' Needs

GATE assessment counselors varied as to how much choice of providers they gave to participants. Some counselors described the choice of providers and let the participant choose. Often, however, assessment counselors assigned a provider based on their perceptions of the participant's needs, without giving the participant a choice. Some focus group participants complained that they did not get the option of selecting their providers, or enough information about their choices to make informed decisions.

According to assessment counselors, four main factors influenced the decision of which provider to refer to:

1. ***Level of Training.*** The providers offered different types and levels of training. Assessors often referred participants with vague business ideas or little experience in business to providers that offered introductory training.
2. ***Location of Services.*** At three of the four sites that made referrals, the location of services was described as an important factor. In the rural areas of Northeast Minnesota and Maine, location could dramatically affect travel time and make it difficult for participants to access services from certain providers. In Philadelphia, access to transportation and participants' comfort levels in being in certain neighborhoods at night influenced their ability and willingness to use some providers.
3. ***When Training Courses Began.*** Some training courses ran for several months. For this reason, at the point when some participants entered GATE services, one provider might be starting a new course, while another session would not begin for several months. Assessors often tried to minimize the amount of waiting time. If that was not possible, they often referred the participant for technical assistance prior to the beginning of the next course.
4. ***Assistance with Credit Repair.*** No SBDC, and only some community-based organizations (CBOs), offered courses in credit repair. The need for credit repair courses—which were scarce—sometimes affected the choice of provider.

Other less common factors that influenced referrals included the philosophy of the available providers, whether men would feel comfortable going to providers that traditionally served women, and participants' preferences for receiving services at a university (the SBDCs) or a CBO environment.

2. Organizations Serving Both as Assessors and Providers Raised Concerns About Conflicts of Interest

During the course of the demonstration, several CBO GATE providers expressed concern about the low number and quality of participants referred to their organizations by the GATE assessment counselors. The most concern was expressed at the Minnesota sites (Minneapolis/St Paul and Northeast Minnesota) because at these sites the SBDC served as both a GATE assessor and a provider. The CBO providers believed that there was a conflict of interest between the overall program goal of making the best referrals for the participants and the SBDC goal of achieving a high number of successful outcomes for those they served. In Maine, the SBDC also served as an assessor, but it was the only GATE provider that offered technical assistance and did not offer any training programs under GATE. For this reason, there was not a conflict of interest because the SBDC had to refer participants to other providers for training.

The number of referrals made to either SBDC or CBO providers by the SBDC assessment counselors in Minneapolis/St. Paul suggests that there may have been some grounds for the CBOs' concerns. Although the target for GATE participants assessed by the SBDC was for 45 percent to remain at the SBDC and 45 percent to be referred to a CBO (WomenVenture), in practice the SBDC referred nearly 60 percent of participants to itself. (Table V.3). The rate of referrals to the SBDC was higher earlier in the demonstration, before the SBDC changed its assessment procedures in response to the concerns of the CBOs. (In Northeast Minnesota, the number of referrals to the SBDC and the CBO were more in line with the targets.)

The CBOs in Minnesota argued that the existence of Project GATE reduced the total number of referrals they received. They argued that, prior to GATE, if customers at the One-Stop Career Center asked about self-employment, they would be referred to a CBO. Once Project GATE began, anyone at the One-Stop Career Centers who was eligible for GATE and interested in self-employment would be referred to Project GATE and would meet with an SBDC counselor. In the CBO's view, some of the traditional referrals they formerly had received from the One-Stop Career Centers were being siphoned off by the SBDC.

The CBOs in Minnesota also believed that the SBDC assessment counselors were skimming off the participants most likely to succeed for themselves and referring participants with more significant needs to the CBOs. The characteristics of the referred participants support this view; of the participants who were referred to the SBDC in Minneapolis/St. Paul, 52 percent were college graduates. By comparison, of the referrals to the CBO (WomenVenture), only 38 percent were college graduates. (In Northeast

Table V.3. Project GATE Referrals

	Number of Clients Referred to the Provider	Percent of Clients Within Each Site Who Were Referred to the Provider	Expected Percent of Participants to be Referred to the Provider
Philadelphia			
Number of clients receiving referrals	512	NA	NA
Distribution of referrals across providers			
Women's Opportunity Resource Center	202	40%	40%
Women's Business Development Center	225	44	40
The Enterprise Center	88	17	20
Pittsburgh			
Number of clients receiving referrals	260	NA	NA
Distribution of referrals across providers			
Duquesne University SBDC	260	100%	100%
Minneapolis/St. Paul			
Number of clients receiving referrals	736	NA	NA
Distribution of referrals across providers			
St. Thomas University SBDC	417	57%	45%
WomenVenture	282	38	45
Hmong American Mutual Assistance Association	47	6	10
Northeast Minnesota			
Number of clients receiving referrals	87	NA	NA
Distribution of referrals across providers			
University of Minnesota at Duluth, SBDC	71	82%	80%
Northeast Entrepreneur Fund	21	24	20
Maine			
Number of clients receiving referrals	216	NA	NA
Distribution of referrals across providers			
University of Southern Maine SBDC	206	95%	NA
Women, Work, and Community	125	58	NA
Penquis Community Action Program	28	13	NA
Coastal Enterprises, Inc.	48	22	NA

Source: Project GATE Participant Tracking System extract dated December 31, 2005

Notes: Table includes only GATE participants who received a referral to a GATE provider. Participants could receive more than one referral. Therefore, the number of participants in each row can sum to more than the total within sites.

NA: Not applicable

Minnesota, the percentages of referrals were fairly comparable regarding the characteristics of participants referred either to the SBDC or to the CBO.)

It is hard to say, however, whether or not the skimming was a problem. SBDCs are experienced in serving educated clients who are far along in the startup of their businesses and who do not face many barriers to starting their business. CBOs have more experience in serving clients who are less educated, who are in the early stages of their business startups, and who face many barriers to starting a business. This means that CBOs usually provide more directive and supportive technical assistance than SBDCs. It also means that the training courses usually progress at a slower pace at the CBOs. For this reason, an SBDC may be better able to serve the more highly educated participants. Also, participants with fewer challenges might prefer SBDCs. However, whether or not the referral process matched participants to the best provider, the perception of a conflict of interest was a problem that caused tension between the GATE providers.

In Philadelphia, an individual who was not associated with any of the local providers conducted the assessment and made referrals without the possibility of a conflict of interest. As a result, the assessor was able to make an independent judgment as to which local provider appeared best suited to a participant's personality, background, and needs. A possible drawback was that the individual was not a provider and so may not have been as knowledgeable about the participant's needs and the available services.

CHAPTER VI

TRAINING AND TECHNICAL ASSISTANCE: BUILDING THE FRAMEWORK FOR NEW BUSINESSES

The cornerstones of Project GATE are classroom training and the provision of one-on-one technical assistance provided by business counselors. The classroom training provides grounding in basic business principles. It may help GATE participants decide whether self-employment is for them, assist them in writing a business plan, or provide them with the information necessary to start or grow a small business. One-on-one technical assistance can address participants' specific needs as well as issues related to a particular business. Project GATE participants can receive technical assistance, classroom training, or both.

This chapter describes Project GATE's training and technical assistance services. It begins by describing the amount of these services received by GATE participants (Section A). It then describes the classroom training and technical assistance offered to, and received by, GATE participants (Sections B and C). Services offered by some GATE providers but funded by sources other than GATE are described in Section D. The chapter ends with a description of the opinions of GATE participants and providers on what other services are needed (Section E).

A. AMOUNT OF SERVICE RECEIPT

GATE providers offered multiple training programs and nearly unlimited technical assistance. However, GATE participants were not expected to use all those services. Some training programs, for example, may be too specialized. And some GATE participants may not need or want lots of hours of technical assistance. In this section, we describe the amount of services received by GATE participants.

Our estimates of the amount of services received by GATE treatment group members are based on data collected, and recorded on the Participant Tracking System (PTS), by GATE providers. The PTS data used in this report have two limitations that should be borne in mind.

The first limitation of the PTS data is that, while GATE providers were asked to enter into PTS information about *all* GATE services received by *all* participants, it seems that some providers were more conscientious than others. In particular, we suspect that service receipt was under-reported in Maine. Invoices submitted by the SBDC to IMPAQ reflect 1,054 total technical assistance hours across all GATE participants, whereas the PTS includes only 283 technical assistance hours. Although we do not have similar data from other sites to compare to PTS data, there may have been under-reporting at those as well. In Philadelphia, one of the three providers reported virtually no technical assistance participation in the PTS. However, site visit interviews with staff and focus group participants suggest that a substantial number of participants were using the service. The accuracy of reporting at the other sites is unknown, but seems more reasonable, given the available qualitative information.

The second limitation of the PTS data used in this report is that they include only services received up to December 31, 2005, even though there was no limit on the length of time participants could participate in Project GATE. This is not so much of a concern for the 40 percent of GATE participants who were randomly assigned before June 2004 because the PTS contains at least 18 months of data on them. It is more of a concern for participants who were randomly assigned in 2005, near the end of the intake period; for them, the PTS may contain not much more than six months of data.

Despite these limitations, the PTS data can provide useful information about the receipt of services. As both limitations suggest that the data understate the amount of services received, the figures presented in this section should be viewed as low estimates of service receipt.

1. Three-Quarters of Treatment Group Members Received Classroom Training or Technical Assistance

Overall, 90 percent of the treatment group received an assessment (Table VI.1); 88 percent or more of treatment group members received assessments at every site.

GATE assessment counselors were told not to disqualify anyone from receiving training and technical assistance, so it is not surprising that assessment counselors made referrals for further services for nearly all those who attended an assessment. Approximately 95 percent of those who received an assessment, and 86 percent of all of treatment group members, were referred for training and/or technical assistance (Table VI.1). This high rate of referrals occurred at all sites.

Drop-off in participation in Project GATE occurred after the assessment. Just over three-quarters of the treatment group members received either training or technical assistance (Figure VI.1). This drop-off in participation was not, however, evenly distributed across the sites. The smallest drop-off occurred in Pittsburgh and Northeast Minnesota, and the largest in Maine. In Pittsburgh, and to a lesser extent in Northeast Minnesota, the small drop-off probably occurred because the participants were more likely to receive training and

Table VI.1. Participant Flow Through GATE Services

	Total	Philadelphia	Pittsburgh	Minneapolis/ St. Paul	Northeast Minnesota	Maine ^a
Percent who received an assessment	90%	88%	97%	90%	94%	88%
Percent who received a referral to a provider	86	85	90	88	90	79
Percent who received any training or technical assistance ^b	76	75	90	79	88	50
Percent who received any training	54	50	67	62	73	20
Percent who received any technical assistance	45	36	51	48	78	41
Percent who received any loan assistance	0.6	0.3	0.0	0.5	2.1	0.1
Sample size ^c	2,097	602	288	835	97	275

Source: Project GATE Participant Tracking System extract dated December 31, 2005.

^a We suspect under-reporting in the PTS service data for Maine.

^b Does not include any services received after December 31, 2005.

^c Includes all those who were randomly assigned to the treatment group.

technical assistance from the same provider that assessed them. In Maine, the high dropoff may be due to under-reporting in the PTS.

Most GATE participants who received services after an assessment received both classroom training and technical assistance (Figure VI.1). Overall, participants were slightly more likely to receive training than technical assistance—54 percent of treatment group members received training and 45 percent received technical assistance (Table VI.1). This pattern was seen at all sites except Northeast Minnesota and Maine, where participants were more likely to receive technical assistance than training. In Northeast Minnesota, this probably was due to the paucity of training courses offered. In Maine, it probably occurred because the assessment counselors also provided technical assistance.

2. GATE Participants Received an Average of 15 Hours of Services

Before December 31, 2005, GATE participants who attended an assessment received an average of 14.5 hours of service (Table VI.2). However, as participants could receive services for a year or more, and 29 percent of all GATE participants had been in the program less than one year on December 31, 2005, this PTS figure may underestimate the *total* amount of services received on average by GATE participants.

To determine the extent that the total intensity of service receipt is underestimated due to lack of data on service receipt that occurred after December 31, 2005, we compared the hours of service receipt in the first, second, and third six-month periods of program participation for three cohorts of participants (Table VI.2). The first cohort included those who were randomly assigned early in the enrollment period (before July 1, 2004) and for whom there were service receipt observations for at least 18 months of program participation. The second cohort comprised those who were randomly assigned between July 1, and December 31, 2004, and for whom there was observed service receipt for at least 12 months of participation. The third cohort included those who were randomly assigned between January 1 and June 30, 2005, and for whom there was service receipt data for at least 6 months of program participation.

Before the end of 2005, the earliest GATE enrollees (cohort 1) received approximately 2.5 more hours of services than the cohort who entered in the second half of 2004 (cohort 2) and over 3 hours more of services than the cohort who entered in first half of 2005 (cohort 3). This pattern of service receipt was expected, because we have data on a longer period of service receipt for the earlier cohort than the later ones.

Surprisingly, however, even looking at the first six months of program participation, cohort 1 received more hours of service than later cohorts (Table VI.2). On average, cohort 1 received longer assessments, more hours of training, and more hours of technical assistance than cohorts 2 and 3. There are three potential explanations for the difference across cohorts. First, the earlier GATE participants on average had different characteristics than later participants—they were more likely to be male, white and non-Hispanic, and already self-employed. For this reason, the differences by cohort may have occurred because

Figure VI.1. Receipt of Training and Technical Assistance Among Treatment Group Members

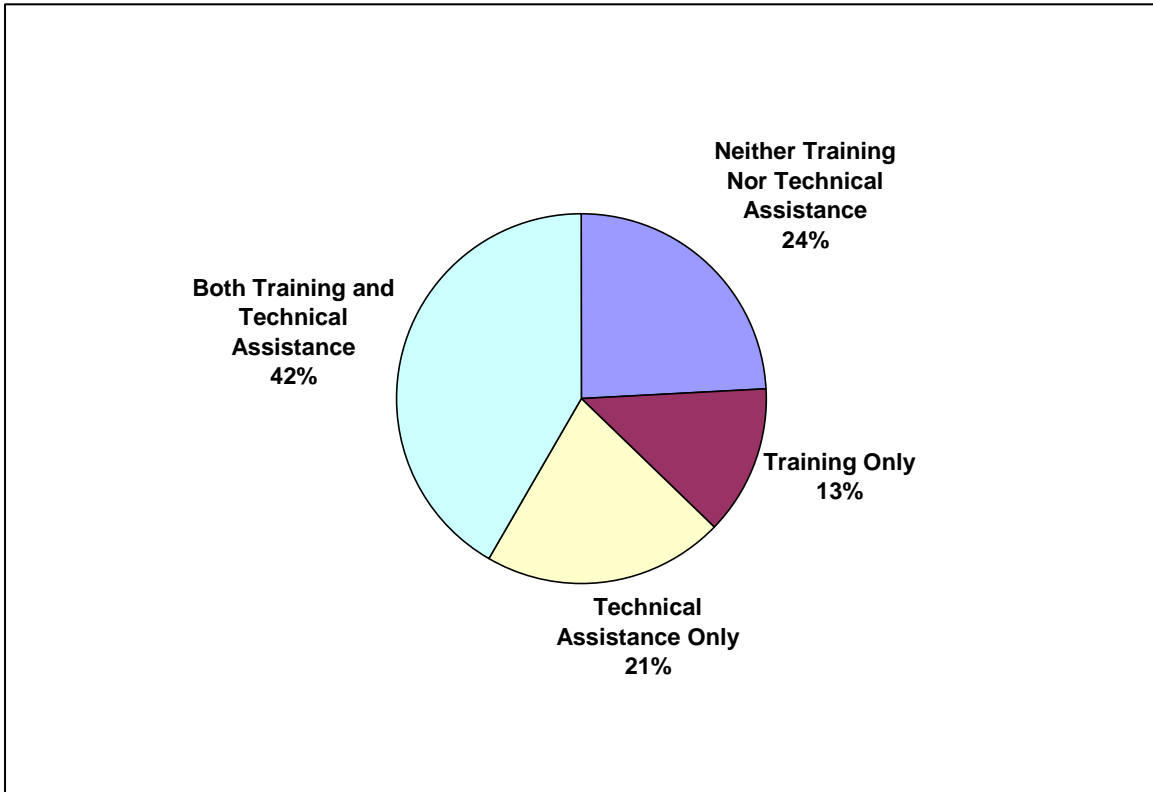


Table VI.2. Hours of Service Use, by Type of Service Receipt

	Total	Assessment	Training	Technical Assistance	Sample Size
Over the Period For Which PTS Data are Available (Varies by Participant)					
All	14.5	1.2	11.7	1.5	1,888 ^a
Cohort 1	16.1	1.4	12.6	2.0	796
Cohort 2	13.7	1.1	11.3	1.2	547
Cohort 3	12.9	1.1	10.7	1.0	545
Over the First Six Months of Program Participation					
All	13.0	1.2	10.5	1.2	1,886 ^b
Cohort 1	14.3	1.3	11.3	1.6	796
Cohort 2	12.0	1.0	9.8	1.0	547
Cohort 3	12.1	1.1	9.9	1.0	543
Over the Second Six Months of Program Participation					
All	1.4	0.0	1.0	0.3	1,343 ^c
Cohort 1	1.3	0.0	1.0	0.3	796
Cohort 2	1.4	0.0	1.3	0.2	547
Over the Third Six Months of Program Participation					
All (Cohort 1)	0.4	0.0	0.3	0.1	796 ^d

Source: Project GATE Participant Tracking System extract dated December 31, 2005.

Cohort 1: GATE participants who were randomly assigned between September 24 and July 1, 2004.

Cohort 2: GATE participants who were randomly assigned July 1, 2004 to December 31, 2004.

Cohort 3: GATE participants who were randomly assigned January 1, 2005 and June 30, 2005.

^aIncludes all GATE treatment group members who received an assessment.

^bIncludes all GATE treatment group members who received an assessment and were randomly assigned before July 1, 2004.

^cIncludes all GATE treatment group members who received an assessment and were randomly assigned between July 1 and December 31, 2004.

^dIncludes all GATE treatment group members who received an assessment and were randomly assigned between January 1 and June 30, 2005. The last people were randomly assigned on July 11, 2005.

the earlier GATE participants had different needs or desires for services than later participants. Second, the programs may have offered more services to the earlier participants, even though discussions with program staff suggest that the latter was unlikely. Third, the providers may have been more diligent at entering data on service receipt earlier on.

As expected, most service receipt occurred in the first six months of program participation. For all of the persons for whom we had six months of program participation, the average service receipt was 13 hours (Table VI.2). For all of the people for whom we had 12 months of program participation, the average service receipt for the second six months of participation was 1.4 hours. The average service receipt for those for whom we had 18 months of data was only 0.4 hours in the third six months of participation.

We estimate that, while total service receipt was likely to be more than 14.5 hours, it is unlikely that it was much more than 15 hours. For total service receipt of more than 15 hours, later cohorts of participants would have had to receive more services in the second and third six-month periods of their participation than the earliest cohorts, or GATE participants would have had to receive additional hours of services after 18 months of participation.

The total number of hours of service received by GATE participants varied by site (Table VI.3). Participants in Pittsburgh received the most hours of service, mostly in the form of training. The lowest was in Maine, where they received only a total of seven hours of service. However, as discussed earlier, we suspect that this was due, to some extent, to under-reporting of service receipt in the PTS.

3. On Average, GATE Participants Spent Four Months in the Program

On average, the cohort for whom we have at least 18 months of data spent an average of 16 weeks in the program (Table VI.4). This may be an underestimate of the average time GATE participants spent in the program, as some participants may have spent more than 18 months in the program. On the other hand, compared with later cohorts, this cohort received more hours of training, and hence may also have spent longer in the program. Hence, focusing only on the length of time in the program for this early cohort may overstate the overall average length of participation.

Some focus group participants complained about the length of time they needed to wait before beginning training or technical assistance. Many were eager to begin their businesses because of a lack of income or concerns about exhausting UI benefits.

On average, it took just under four weeks from when the GATE application was received and random assignment occurred to when the participants received an assessment (Table VI.4). They began training or receiving technical assistance in just under another three weeks.

Table VI.3. Hours of Service Receipt in the First Six Months of Program Participation

	Total	Philadelphia	Pittsburgh	Minneapolis/ St. Paul	Northeast Minnesota	Maine ^a
Assessment	1.2	0.7	0.8	1.4	1.3	1.7
Training	10.5	10.3	14.8	11.5	6.1	4.1
Technical Assistance	1.2	0.7	1.2	1.4	3.3	1.0
Total	13.0	12.0	17.1	14.4	11.0	6.9
Sample size ^b	1,886	527	279	748	91	241

Source: Project GATE Participant Tracking System extract dated December 31, 2005.

^aWe suspect under-reporting in the PTS service data in Maine.

^bIncludes all GATE treatment group members who received an assessment and were randomly assigned before July 1, 2005

B. CLASSROOM TRAINING

The primary objective of the classroom training offered to Project GATE participants was to provide information about how to start and grow a business, such as how to write a business plan, develop a marketing strategy, and obtain financing. However, the training fulfilled three or four other purposes that both participants and instructors viewed as important:

1. ***Helping the Participants Decide Whether to Pursue Self-Employment.*** This often was an objective of some of the shorter introductory classes. It was viewed as a positive outcome for the training program if a participant avoided wasting time and money by trying to start a business when entrepreneurship was not what they really wanted.
2. ***Providing a Networking Opportunity.*** Class participants were encouraged to talk to other participants about their businesses. Researchers observed participants swapping business cards in several classes. Attendees also had the opportunity to meet and network with other business professionals and entrepreneurs who served as guest speakers in the classes.
3. ***Peer Support.*** Classmates provided support to each other as they faced the challenges of starting their businesses. Focus group participants frequently mentioned that the support they received from their classmates was important.

Table VI.4. Time Between Random Assignment, Assessments, Referrals, and Service Receipt

	Total	Philadelphia	Pittsburgh	Minneapolis/ St. Paul	Northeast Minnesota	Maine ^a
Time between random assignment and last recorded service for those randomly assigned before 7/1/2004						
Less than 1 month	17%	20%	19%	9%	18%	33%
1 to 3 months	36	44	48	28	43	26
3 to 6 months	31	25	16	43	21	26
6 to 12 months	12	9	10	15	12	12
12 months or more	5	2	8	5	7	3
Average in weeks	16	13	16	19	16	14
Time between random assignment and assessment (weeks)						
	3.6	3.0	3.2	4.2	2.6	4.1
Time between assessment and first service (weeks)						
	2.8	1.9	1.3	4.0	1.2	3.7
Sample size ^b						
	1,888	527	279	748	91	243

Source: Project GATE Participant Tracking System extract dated December 31, 2005

^aWe suspect underreporting in the PTS service data in Maine.

^bAll GATE treatment group members who received an assessment

4. Practice Describing their Businesses. In most classes, participants were given the opportunity to practice making presentations about their businesses. Several programs include “business showcasing,” where each participant would spend 10 to 15 minutes describing his or her business idea and answering questions. This provided the participants with practice in speaking clearly and persuasively about their businesses, an important skill to have when talking to banks, customers, and potential employees.

1. The Training Programs Offered to GATE Participants Were Offered Prior to Project GATE

The training programs offered to Project GATE participants were the same programs that the providers had offered before Project GATE. Sometimes the programs were offered at different locations, or more frequently, to accommodate the increased demand from Project GATE. Several providers adapted the curricula to the needs of GATE participants. The Enterprise Center in Philadelphia, for example, added training components on obtaining financing or repairing credit.

The providers themselves typically had developed the training curricula used in Project GATE but there were some exceptions. The Women’s Business Development Center (WBDC) in Philadelphia and the SBDC in Minneapolis/St. Paul used two curricula developed by the Kauffman Foundation: FastTrac New Ventures and FastTrac Planning. Also, the Penquis Community Action Program in Maine used Incubators Without Walls NxLevel, a curriculum developed by the University of Colorado at Denver.

The training classes typically were also open to people who were not participating in Project GATE. Both GATE participants and nonparticipants attended the classes and usually were treated the same. The one exception was that, while the training programs were free for GATE participants, providers usually charged a fee to GATE nonparticipants. Fee amounts varied by the length of the program, the financial means of the participant, and the extent to which the provider subsidized the cost. For some short training programs, a nonprofit community-based organization (CBO) might have charged only \$25 to \$50. More typically, the fee for a multiple-session training program was several hundred dollars. The SBDCs tended to charge more; for example, the SBDC in Minneapolis/St. Paul charged nonparticipants \$650 for its FastTrac Planning program.

2. Several Levels of Training Were Available to Meet Different Needs

People have different needs, depending on education and experience, the stage of development of their businesses, and the type of businesses they want to start. For this reason, Project GATE offered a variety of training programs. The program sometimes provided general courses on how to start a business, and sometimes focused only on specific topics. Typically, providers offered training programs with multiple classes, but occasionally offered single training sessions to provide a brief overview of starting a business, or to cover a specific training topic.

General Training. The programs that provided a general overview of starting a business typically covered some or all of the following topics:

1. ***Entrepreneurial readiness.*** What it means to be self-employed, what it requires of the entrepreneur, and the probability of success.
2. ***The business plan.*** The importance of the business plan, how it is used, and its components.
3. ***Marketing.*** The importance of marketing, advertising, sales, public relations, and how to conduct research about potential customers.
4. ***Cash flow.*** How much and when cash will flow in and out of the business, and how to determine whether the business will provide enough cash to operate, pay bills, and pay the entrepreneur.
5. ***Legal structure, regulations, licensing, and insurance.*** The different legal structures for the business, the need to register the business with various government organizations, how to get the appropriate licenses, and the types of insurance to consider.
6. ***Financial management.*** How to develop income statements, balance sheets, and cashflow statements.
7. ***Pricing and break-even analysis.*** How to determine the appropriate price for the product and the point at which a profit can be made.
8. ***Business financing.*** The ways in which a business can be financed and the prerequisites for obtaining a loan.

The general programs offered by Project GATE varied in the amount and level of information provided, and can be divided roughly into introductory, intermediate, and advanced programs.

The introductory programs were designed for people who had not yet operated a business and may not even have had a clear idea for a business. The purpose of these programs was to provide an overview of what being an entrepreneur entails. The objective was to provide enough information so that the participant could assess whether they wanted to pursue entrepreneurship. The training might touch on subjects such as business plans and marketing.

These introductory programs tended to be short, varying from one to five sessions. For example, the SBDC in Minneapolis/St. Paul offered an introductory two-hour training class, SmartStart, and recommended that most GATE participants attend this class before deciding whether to take other classes. In Philadelphia, the WBDC offered Jump Start, a four-week class that lasted three hours per week. Jump Start covered entrepreneurial readiness, market research, business finance, and the business plan.

The intermediate programs were designed for people who knew they wanted to start a business, had an idea of the type of business they wanted, but had not yet completed a business plan. Typically, the goal was for the participant to complete a business plan at the end of the program. Examples of intermediate training programs included: FastTrac New Ventures (in Philadelphia and Maine), Core Four (Northeast Minnesota), Bright Star (offered by the HAMAA in Minneapolis/St. Paul), and Incubator Without Walls NxLevel (Maine).

These programs usually lasted 10 to 12 weeks and were two to three hours per week. In total, they typically were 30 hours in length, although some intermediate programs could be as long as 60 hours. CBOs typically offered somewhat longer programs than the SBDCs because they presented the material more slowly.

The advanced programs were designed for people who already had started a small business, but wanted it to grow. Although entrepreneurial readiness and business plans usually were not discussed in intermediate classes, all other topics of a general training typically were discussed. In the advanced classes, more advanced material was presented on each topic than in introductory courses but other topics also might be covered, such as how to manage growth in the business, or how to deal with legal and personnel issues. Sometimes there was a prerequisite that the business achieve a certain size before a participant could attend an advanced program. For example, a business needed to have annual sales of \$150,000 and three to five employees before an entrepreneur could attend the FastTrac Planning program offered by the SBDC in Minneapolis/St. Paul.

Many of the intermediate and advanced programs used guest speakers to present some of the materials. These guest speakers included attorneys, accountants, insurance representatives, tax advisors, and marketing experts.

Frequently homework was given, which might involve conducting some market research or drafting a piece of the business plan. Completion of homework was required for continued participation in some of the programs.

Some providers allowed participants to pick and choose the class sessions they wanted to attend. For example, GATE participants could attend any subset of the 10 classes offered as part of the intermediate training program at the SBDC in Pittsburgh.

Specialized Training. Many providers offered specialized training programs that focused on using the Internet for business, or learning computer programs useful to the business owner. Examples of these specialized training programs included:

1. E-commerce and developing websites for a business
2. The use of Quickbooks, a commonly-used accounting software package for small businesses
3. Database management
4. Word processing and presentation packages

Other specialized programs focused on information concerning a particular topic or a specific type of business. Examples of these specialized programs included:

1. Starting a child care business
2. How to be an independent consultant
3. How to do business with the government
4. Finding a loan
5. Networking

These specialized programs tended to be shorter than the general programs. They typically lasted for only one or two sessions, with each session ranging from two to three hours.

3. The Number and Level of Training Programs Varied by Site

Project GATE offered a total of 54 different training programs, but the number and variety of training programs offered by a particular site varied considerably (Table VI.5). Only one training program was offered in Pittsburgh as part of Project GATE, although the participants could attend other seminars and workshops offered by the GATE provider for a fee. In contrast, Philadelphia offered 16 different training programs. Minneapolis/St. Paul had 13 programs, although the one offered by HAMAA was taught in Hmong and so was not appropriate for most GATE participants.

The greatest variety of training programs was provided in Philadelphia and Minneapolis/St. Paul. Both sites offered introductory, intermediate, and advanced programs, as well as some specialized programs. In contrast, while the Northeast Minnesota site offered 15 different programs, it offered no advanced programs and only one intermediate program. The remaining programs were specialized computer classes.

For any one GATE participant, the choice of training programs may have been much smaller than suggested by Table VI.5. Some training programs, especially the advanced ones, were not offered regularly. At the rural sites, the location of the training programs may have been too far from home for some GATE participants. While the introductory program in Maine was offered in many locations, the more advanced programs were offered in only a handful of locations and the distances between locations were considerable. Most of the training programs in Northeast Minnesota were offered only in or near Duluth.

The variety of training programs offered through Project GATE was closely related to the number of training providers. The greatest variety occurred at sites, such as Philadelphia, Minneapolis/St. Paul, and Maine, where there were two to four different training providers. In contrast, the lack of variety of training programs in Pittsburgh was a result of the site having only one GATE provider.

Table VI.5. Number and Type of Training Courses Offered by Site

	Total	Philadelphia	Pittsburgh	Minneapolis/ St. Paul	Northeast Minnesota	Maine ^a
General Courses						
Introductory	9	2	0	3	3	1
Intermediate	15	5	1	4	1	4
Advanced	4	2	0	1	0	1
Specialized Courses						
Computer	16	1	0	1	11	3
Other	10	6	0	4	0	0
Total	54	16	1	13	15	9

Source: Interviews with providers and training instructors during site visits.

4. Variation Across Sites in the Types of Training Services Received Reflected Availability of Programs

Across all sites, approximately one-quarter of all GATE participants who participated in training took an introductory course (Table VI.6). However, no introductory course was offered in Pittsburgh, so GATE participants were unable to take one there. Instead, participants could attend one or two sessions from the intermediate course. In contrast, 75 percent of GATE participants took an introductory course in Northeast Minnesota, where three of the four general courses were introductory.

Most GATE participants who participated in training took an intermediate training program (Table VI.6). The one exception was Northeast Minnesota, where only 18 percent of GATE training participants took the one intermediate program that was offered. When advanced training was available at a site, 2 to 11 percent of all trainees participated.

Table VI.6. Receipt of Classroom Training by GATE Participants

	Total	Philadelphia	Pittsburgh	Minneapolis/ St. Paul	Northeast Minnesota	Maine ^a
Percent Who Participated in Type of Training^b						
Any type	100%	100%	100%	100%	100%	100%
Introductory general	24	33	0	19	75	46
Intermediate general	72	66	100	75	18	59
Advanced general	6	11	0	6	0	2
Computer	19	0.04	0	8	41	13
Other specialized	7	21	0	30	0	0
Average number of sessions attended for those who began training						
Any type	7	6	7	7	3	6
Introductory general	2	3	NA	1	2	2
Intermediate general	7	7	7	7	4	8
Advanced general	7	3	NA	11	NA	8
Computer	2	1	NA	2	3	1
Other specialized	2	1	NA	2	NA	NA
Average number of hours for those who began training						
Any type	19	20	22	19	9	21
Introductory general	6	9	NA	2	4	8
Intermediate general	22	24	22	20	10	27
Advanced general	20	10	NA	33	NA	24
Computer	8	4	NA	6	10	6
Other specialized	4	4	NA	3	NA	NA
Sample size ^c	1,142	304	192	521	71	54

Source: Project GATE Participant Tracking System extract dated December 31, 2005.

^a We suspect under-reporting in the PTS service data for Maine.

^b Training received after December 31, 2005 is not included in any site. The percentages sum to more than 100 percent because it was possible to participate in multiple training programs.

^c Project GATE treatment group members who participated in any training.

NA = not applicable

The extent to which GATE participants took computer training courses and other specialized courses also reflected course availability. Compared to the other sites, a much higher proportion of GATE participants attended some computer training courses in Northeast Minnesota, where more such courses were offered. At those sites where specialized training programs were offered, 20 to 30 percent of GATE training participants attended.

How Was Classroom Training Useful?

- Tom sought to open his own framing shop. Through GATE, he completed a training program and developed a comprehensive business plan. Classes were held in the evenings, which accommodated his full-time work schedule. The program encouraged him to do research on how much his materials would cost, the profile of prospective customers, and whether the market for his product was big enough to support the business. "It was great to have feedback from other people and the push to do the plan. The class gave me confidence and structure...I didn't miss one class. It also gave my family and friends confidence in me. Being part of Project GATE made me seem more serious and made my plans to go into business more legitimate." Tom opened his shop in September 2005 and expects to gross \$150,000 in the first year.
- Casey considered self-employment for the first time after losing his job as a computer programmer. He decided to open a consulting business that would help clients get top listings on Internet search engines through effective web design and content. Through his GATE training, Casey completed a training program and developed a business plan. He felt that the training was most helpful in developing a marketing plan and organizing his business finances. However, he described the series as focused on "product-based businesses" rather than "service-based businesses." Much of the material on return-on-investment, fixed versus variable costs, and break-even analysis was not relevant to his business idea. In addition, he felt that the class on legal issues came too late in the course. Casey also explained that the accounting assistance was useful in initial bookkeeping but that he would have liked additional one-on-one assistance beyond the basics. Despite these suggestions for improvement, Casey felt that "GATE was definitely very helpful and offered a good mix of information."

GATE participants who began training before the end of 2005 attended an average of seven sessions (Table VI.6). The number of sessions attended was remarkably similar across sites, with the exception of Northeast Minnesota. Due to the prevalence of brief computer courses, the average GATE trainee participated in only three sessions in Northeast Minnesota.

For those who began training, the average number of hours spent in training sessions was 19 hours (Table VI.6). This average was higher for the intermediate and advanced general programs and lower for the shorter introductory general programs and the more specialized training programs.

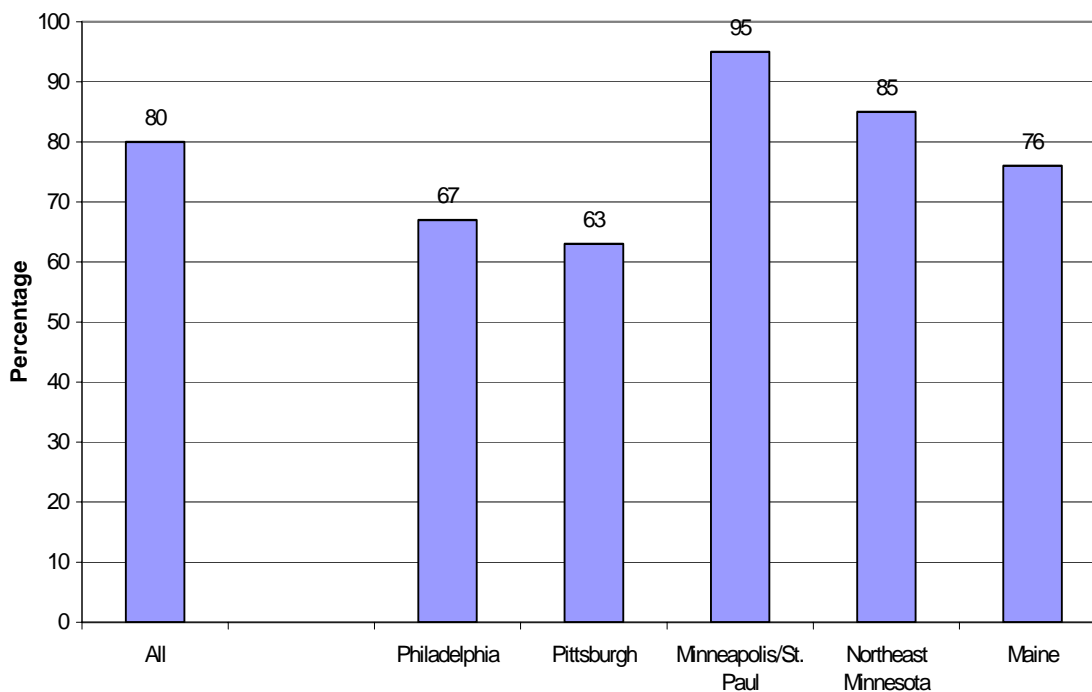
5. Most, But Not All, GATE Participants Completed Training Programs They Began

For multiple-session training programs, the providers emphasized the need to attend regularly. For most programs, however, a participant could miss one or two of the sessions during a 10- to 12-session program and still complete the program, although sometimes they were required to make up missed sessions.

Data entered into the PTS suggest that 80 percent of all participants who began a multiple-session training program completed it before the end of 2005 (Figure VI.2). This percentage varied from 63 percent in Pittsburgh to 95 percent in Minneapolis/St. Paul.

Providers noted that the participation and completion rates for GATE participants were lower than for their other clients. They contended that the main reason for this was that GATE participants were not required to pay for the programs. The providers preferred to charge at least a nominal fee for training programs, because they believed paying gave participants more ownership in the program and encouraged them to attend. We could not assess the extent to which participation may have been encouraged or discouraged if GATE participants had been charged a fee.

Figure VI.2. Rate of Multiple-Session Course Completion Among Participants Who Began a Training Course



6. Some GATE Participants Viewed the Training as Too Generic

While most GATE participants viewed the training courses as helpful, the most frequent complaint about them (by focus group participants) was that they were too generic. Some felt that the training would have been more useful if it had focused on particular types of businesses. For example, one focus group participant who was starting a consulting business felt that the class was too focused on businesses producing a physical product rather than a service.

C. TECHNICAL ASSISTANCE

Individual business technical assistance is often viewed as an important and effective strategy for assisting entrepreneurs with their business needs. Existing small business owners who do not need classroom training often use one-on-one technical assistance to work through specific business issues. Individuals at the business start-up phase often use technical assistance to help work through specific issues after completing classroom training. Not only do these sessions provide practical advice on business-related issues, but they also allow staff the opportunity to provide emotional support and encouragement when participants face difficulties in the business development process.

Most GATE providers offered unlimited free technical assistance to all GATE participants. Two providers offered different arrangements, with one allowing up to 15 hours of free, outside consultation and another offering only limited technical assistance in conjunction with training services. For non-GATE clients, all SBDCs provided free, unlimited technical assistance, while most CBO providers typically charged a nominal fee ranging from \$10 to \$35 per hour.

According to counselors, the most common topics covered in technical assistance sessions were refinement of the business idea, business plan writing and development, marketing, budget and cash flow projections, and availability of financing.

What Role Did Technical Assistance Play?

- LaToya was always interested in fitness. After being laid off from her job as an assistant in a legal office in 2004, she became certified as a personal trainer. She learned about GATE through a flyer in her unemployment insurance check and used the opportunity to open a business offering fitness and Pilates instruction, weight management, and nutrition coaching. LaToya attended a classroom training series and developed a formal business plan. The trainer encouraged her to work part-time at a gym to develop some hands-on experience, earn some income to support herself, and begin networking. After completing the series, she also received one-on-one counseling to work on issues specific to her business idea. One consultant helped her tailor and polish her business plan; another worked with her on developing a “starter kit” of postcards and other marketing materials; and the third helped her develop a pricing scheme and documentation of her expenses and client accounts. In spring 2006, LaToya reported working full-time as a personal training and expects to make between \$35,000 and \$40,000 this year.
- Through Project GATE, Penny sought to develop a human resources consulting and leadership development company. To avoid delaying her progress, she began training classes in the middle of a series but was able to make up the initial classes when the next series began. While attending training, she worked with a technical assistance counselor who “provided a wealth of information and resources.” He helped her apply what she learned in class to develop the financial and marketing plans for the business. He also guided her through the process of applying for status as a Women’s Business Enterprise. More than a year after entering GATE, Penny’s business is not fully supporting her and her family, but she loves being an entrepreneur. “The fact is that I control my own destiny. It’s up to me to make sure things work. I’ve been in too many situations where things were outside of my control.”

1. Many GATE Participants Required Directed Guidance During Technical Assistance Sessions

Most providers felt that GATE participants needed more basic information, direction, and support than their other clients. They frequently talked about “handholding” the GATE participants. Counselors felt that they needed to be very specific about the next steps in business development. Some participants needed to be given short-term milestones to keep them focused. Some providers would set the next appointment for technical assistance at the end of each session and would make a follow-up call if the participant did not show up at the agreed-upon time.

Not all providers supplied this additional support to GATE participants. Most counselors felt that participants needed to be independent and proactive if they were to succeed as entrepreneurs. Some counselors felt that if GATE participants were not able to follow instructions, set their own milestones, keep appointments, and limit their needed support, they were unlikely to succeed in business.

How much direction and support the counselors gave GATE participants differed by the type of service provider. CBOs tended to provide much more direction and support than SBDCs. This was partly because they had much more experience than the SBDCs in providing more supportive technical assistance. GATE participants were more similar to other clients served by the CBOs than those served by the SBDC. The SBDCs were more accustomed to serving highly motivated and educated clients, who were quite far along in their business development.

At one SBDC, the counselors were particularly frustrated with serving GATE participants. Some counselors admitted to discouraging participants by providing little support for business ideas that the counselors thought would fail. Although they were directed to follow up with GATE participants if they dropped out of the program or missed appointments, some counselors openly reported not doing so.

The HAMAA organization in Minneapolis/St. Paul was an example of a CBO that took a particularly supportive, hands-on approach to technical assistance. The business counselor at HAMAA helped translate participants' business plans from Hmong to English, allowed several participants to use his office computer, accompanied participants to business meetings and banks to translate when necessary, and provided emotional support when participants hit road blocks in their business development or personal lives.

2. Technical Assistance Recipients Spent on Average Three Hours with a Counselor

People who used the technical assistance services spent an average of three hours with a counselor (Table V1.7). Overall, 70 percent of technical assistance recipients spent a total of one to three hours or less with a counselor. About 14 percent of all participants received more than five hours of technical assistance.

Technical assistance generally lasted several months. On average, participants spent just under eight weeks from their first technical assistance session to the last session recorded in the PTS. (Additional sessions may have occurred after the data extract for the PTS in December 2005.) Most participants began technical assistance when they first met with a provider and continued sessions beyond the end of classroom training. However, some providers preferred to hold off on providing one-on-one consultations until after a participant completed training and had developed a more concrete business plan. When training was delayed, most providers would allow technical assistance to begin earlier so as not to delay the participants' progress.

Table VI.7. Receipt of Technical Assistance

	Total	Philadelphia	Pittsburgh	Minneapolis/ St. Paul	Northeast Minnesota	Maine ^a
Hours of Technical Assistance^b						
Less than 1 hour	11%	8%	22%	3%	9%	27%
1 to 2 hours	39	64	18	33	34	28
2 to 3 hours	20	14	18	24	18	15
3 to 5 hours	17	9	14	22	15	18
5 or more	14	4	18	18	24	13
Average number of hours	3	2	3	3	5	3
Time in weeks between first and last technical assistance session^c						
	8	5	13	8	8	8
Sample size^d						
	951	216	148	398	76	113

Source: Project GATE Participant Tracking System extract dated December 31, 2005.

^aWe suspect under-reporting in the PTS service data for Maine

^bTechnical assistance received after December 31, 2005 is not included.

^cLast technical assistance session refers to the last session on or before December 31, 2005. Some participants may have received technical assistance after December 31, 2005.

^dAll Project GATE treatment group members who received some technical assistance

3. Several Factors May Have Led to the Underutilization of Technical Assistance

Discussions with focus group respondents and program staff revealed three factors that may have resulted in the underutilization of technical assistance. First, some focus group participants reported being told at their assessments that they could receive training or technical assistance, but not both. Many of these focus group members felt they would have benefited from technical assistance.

Second, some counselors left it up to GATE participants to schedule additional technical assistance sessions, and sometimes asked participants to complete a set of tasks before they made another appointment with the counselor. GATE participants often lacked the initiative to seek out additional technical assistance on their own when they needed it. Several GATE participants reported that they did not make another appointment with their counselors because they failed to complete the tasks they were given, often because of confusion as to the process.

Finally, a few focus group members believed that understaffing by some providers limited staff availability for one-on-one technical assistance sessions. These participants reported having difficulty in scheduling sessions, encountering waiting periods of several weeks for appointments.

4. Many GATE Participants Were Not Eligible for Business Loans

According to service providers, very few GATE participants appeared to qualify for loans from either a commercial bank or a CBO loan provider. As several providers described it, most GATE participants were “not bankable.” Many GATE participants had poor personal credit and few assets. Also, most were at the early stages of business development and did not have completed business plans or an established business history.

According to PTS data, 12 GATE participants received assistance with business loans; others may have received business loans without assistance from Project GATE counselors. Among the GATE participants who received business loan application assistance, seven applied for SBA Microloans, two sought loans from GATE providers, and three applied at traditional banks. The amount of the loan requests varied from \$20,000 to \$350,000. Some GATE providers reported that many more applicants began the lending process but dropped out by failing to complete the necessary paperwork properly or to provide relevant follow-up information.

What Experiences Did GATE Clients Have With Financing?

- Michelle lost her job as a high school math teacher in 2004 and was collecting unemployment benefits. She used GATE to develop two small businesses. To receive immediate household income, she attended a training program to become a certified home-based child care provider. She also worked through a second classroom series and received assistance in applying for financing to purchase a fast food franchise. Michelle originally expected to apply for an SBA loan of \$100,000. However, with the help of GATE and the SBA, she was able to renegotiate the price of the franchise and reduce her need for formal loans. In the end, she received a \$5,000 Microloan from the SBA and financed the remainder of the purchase by refinancing her mortgage and using personal savings and retirement funds.
- June owned a small concession stand in a county park and wanted to open a larger café in a more prominent location. While she received a wide range of services through GATE, she felt that the credit services offered through her GATE provider were the most helpful. Her counselor walked her through the credit report process and worked with her on resolving her personal credit problems. In the end, June chose to work two jobs to save enough money for her business and did not need to apply for business financing. Unfortunately, the lease for her café location fell through approximately two weeks before she planned to open the doors, and she lost about \$10,000 in personal savings. Despite this major setback, June was proud that she did not need to take out any loans. “I’d be in debt paying money that I wasn’t getting any return on.” At the time of our interview, she was exploring several new locations for her café.

D. OTHER SERVICES OFFERED TO GATE PARTICIPANTS

While Project GATE only paid for classroom training and one-on-one technical assistance, GATE providers sometimes made other services available to Project GATE participants. Some of these services were related to business development, including:

1. **Individual development accounts.** These accounts, administered by CBOs, match savings that low-income individuals put into an account. The funds from these accounts can be used to develop a business.
2. **Peer mentoring or networking programs.** Some providers organize meetings of people who are interested in starting a business so that they can give each other advice and support.
3. **Business incubators.** Two GATE providers in Philadelphia, The Enterprise Center and Women's Opportunity Resource Centers, have business incubators. These incubators provide low-cost space for start-up businesses for a limited period of time. At this time, we are not aware of any GATE participants who used the incubators.
4. **Business libraries.** Providers often have business libraries that house the information necessary to conduct market research. Some providers also provide access to online business library services, such as Hillsearch. Many times these libraries were made available to GATE participants.

In addition, the CBO providers provided services that assisted GATE participants in other ways, such as career coaching.

E. PERCEPTIONS OF UNMET NEEDS

While GATE offered a wide range of services to its participants, some GATE participants reported having had needs that were not met by the program. Focus group members and staff at GATE providers were asked what additional services they felt would have been useful during the GATE experience.

1. Many GATE Participants Wanted Grants or Loans to Start Businesses

Lack of capital was a major barrier to starting businesses for many GATE participants. A recurring theme in the participant focus groups was the desire for seed capital. Although the focus group participants perceived that they needed capital, the providers often viewed GATE participants as not far enough along in the business development process to need capital. The providers argued that, even if grants or loans were available to these participants, this financing would be wasted because the participants had incomplete plans for the use of the money.

2. Many GATE Participants Wanted Additional Support for their Families While Starting Businesses

Supporting themselves and their families while starting a small business can prove challenging for many budding entrepreneurs. Many of those who were working full-time on their businesses did not have sufficient household income to cover expenses and support their families. Several focus group participants thought that an extension on UI benefits would bolster their finances during business development. As one focus group member stated, “If it is the government that is sponsoring these programs, they should also think of extending the UI benefits for over a year because I think that is how long it takes to have a business up and running.” Another said, “For me the greatest challenge was cash flow. If only the UI could have been extended or some sort of financial assistance was available, I feel I could have done better.”

Both providers and focus group members expressed concern about participants’ lack of health insurance. More than one-third of applicants reported not having health insurance at the time of application. In addition, many of those who did have insurance were paying large out-of-pocket fees for individual or family coverage. One focus group member said, “I am now on COBRA so I don’t know what I will do when it runs out if I do not get a job that provides health insurance. The premium for individual health insurance is extremely high.”

3. Some GATE Participants Appeared in Need of Additional Social Services

Several GATE providers explained that many participants were in need of social services, such as career counseling and child care and transportation assistance that were not available through their organizations. Only one CBO provider involved in GATE offered career counseling for those participants who needed help in their transitions back to work. Providers reported that for participants who chose to pursue entrepreneurship, child care and transportation became logistical issues that could severely hinder a participant’s progress toward self-employment. Few GATE providers were able to offer assistance with these services, and many did not have strong referral networks in place to guide participants to other community resources.

4. Some GATE Participants Wanted More Specialized Services

Provider staff and focus group members suggested several additional specialized services that could have been valuable for GATE participants. First, providers at two sites felt that many GATE participants had low levels of computer, typing, and Internet search skills. These providers thought that taking basic computer courses before beginning micro-enterprise training could help improve participant skills in those areas. The CBOs involved in the project tended to provide more of these basic services than the SBDCs, given the needs and characteristics of their existing participant populations.

Second, a few focus group participants said that a mentoring program conducted by experienced business owners would have been useful. Several providers made referrals to

the Small Business Administration's SCORE program, but direct mentoring typically was not available through their organizations.

Third, some focus group members were frustrated that more advanced courses were not available for experienced business owners. At one site, a participant said that “[GATE] seems to be geared more to someone who is in the very beginning of starting their business. If you're coming in with a blank canvas, it's a great place to start. But it should not be a cookie cutter program.” Finally, at sites where credit repair services were not available, focus group members reported that those services would have been extremely helpful.

CHAPTER VII

LESSONS LEARNED

Project GATE yielded a large amount of information about designing and implementing programs that provide assistance to people creating or expanding a business. While we must wait to learn how the study participants fared before determining whether the program is effective, the information obtained during the demonstration and discussed throughout this report can provide useful lessons for policymakers and program administrators considering replicating a self-employment program similar to Project GATE. This final chapter presents key lessons learned about the design and implementation of self-employment programs (Section A). It also describes the remaining questions to be addressed by future evaluation of Project GATE (Section B).

A. KEY LESSONS

We describe below several key lessons learned during this initial evaluation that should inform the design and implementation of a self-employment program.

1. Project GATE Could Be Replicated on a Wider Scale

With only a few exceptions, Project GATE was implemented as planned. Both outreach and recruitment was successful—the overall enrollment targets were met and a diverse set of participants was recruited. In all sites, training and technical assistance providers with a reputation for providing good quality services were identified and agreed to provide GATE services. About three-quarters of GATE participants participated in training, received technical assistance, or both.

Project GATE was implemented in five quite different sites suggesting that it could be implemented successfully on a wider scale. The sites varied in urbanicity—there were two rural sites and three urban sites—and in the prevalence of small businesses and other aspects of their economies, as well as the prevalence of services for people interested in self-employment. Sites also varied in the socioeconomic characteristics of the population, including race/ethnicity, education, and income levels.

2. Self-Employment Programs Should be Flexible Enough to Meet Participants' Diverse Needs

GATE participants were strikingly diverse. Some were already operating businesses and needed help to expand; others had not gotten much further than an initial business development idea. Some were highly educated and had graduate degrees; others had not finished high school. Some had a stable source of financial support as they worked on starting their businesses; others were relying on UI benefits or public assistance. Some had a good credit history and capital to invest in a business, while others did not.

According to the GATE assessment counselors, the training needs of these diverse participants varied depending on their education and experience, the developmental stage of their businesses, and the type of businesses they wanted to start. For the participants who had little business knowledge and only a vague idea about the business they wanted to start, GATE assessors typically suggested an introductory course that described the basics of starting a business. For the participants who had some business expertise and a clear idea of the business they wanted to start, but did not have a written business plan, assessors typically suggested an intermediate course that discussed step-by-step how to develop a business plan. For the participants who already had a small business but wanted to grow it, the assessors typically suggested a more advanced course.

The challenge facing a self-employment program is to offer enough of a variety of training courses to meet all the participants' needs, while at the same time keeping costs at reasonable levels. Project GATE was able to offer a wide variety of training courses in some, but not all, sites.

Two broad types of organizations currently provide assistance to people who want to start or expand businesses: Small Business Development Centers (SBDCs), administered by the SBA and typically hosted by colleges or universities, and nonprofit community-based organizations (CBOs). These two types of organizations differ in many ways. The SBDCs are more experienced in serving people who already have started a business or are far along in planning their businesses. They also typically serve more educated clients and clients who are not intimidated by a service provider located at a college or university. In contrast, the nonprofit CBOs are more experienced in serving participants who are not as far along in developing their businesses and who are not highly educated. They typically offer slower-paced training courses than the SBDCs and are more willing to provide step-by-step, supportive technical assistance.

Ideally, a self-employment program would include different types of providers, as the most appropriate provider is likely to vary by participant. In several GATE sites, participants could receive technical assistance and training from either an SBDC or CBO and the assessor referred the participant to the most appropriate provider.

3. Using Independent Assessment Counselors Avoids Concerns about Conflicts of Interest

The assessment was one of the unique features of Project GATE. The goal of the assessment session was for a trained business counselor, together with the participant, to decide on the participant's need for services and the most appropriate service providers. At two GATE sites, the SBDC both conducted the assessments and decided whether to provide the GATE services to the participant itself or to refer the participant to another GATE provider. These SBDCs faced a potential conflict of interest, between doing what was best for the participant as opposed to what was best for the SBDC. While we found no evidence that the SBDCs failed to refer participants to the most appropriate providers, the CBO providers at these sites complained about both the number and types of participants referred to them, and pointed to a possible conflict of interest.

4. A Mass Media Outreach Campaign May Be Necessary

Five different outreach strategies were used to recruit participants for Project GATE:

- ***Providing information at the One-Stop Career Centers.*** About 37 percent of all orientation attendees heard about Project GATE at a One-Stop Career Center through kiosks, brochures, posters, or One-Stop staff.
- ***Including information about Project GATE with UI checks.*** This was an effective approach in boosting the number of GATE applications but the increase lasted only for a couple of months after each mailing.
- ***A GATE website.*** The website was probably the most cost-effective outreach approach. Relatively inexpensive to develop, it has the potential to reach a large population. About 12 percent of orientation attendees heard about the program via the website.
- ***Grassroots campaigning—providing information about the program to local community agencies.*** About 13 percent of orientation attendees heard about the program from another organization or agency in the community. The One-Stop staff found this campaigning, however, extremely time-consuming.
- ***Mass media campaigns.*** These campaigns, especially advertisements, seemed to be successful. They were especially successful in Philadelphia, where advertisements were run in newspapers, in the subways, and on buses. The campaigns were less successful in Maine and Pittsburgh, where the advertisements were run in less mainstream venues.

In some GATE sites, mass media campaigns were not necessary. For example, no mass media campaign was conducted for Project GATE in Minneapolis/St. Paul, nor were flyers about Project GATE included with UI checks. Yet recruitment was highest in this site.

Even after taking into account the large population in this city, Minneapolis/St. Paul was one of the sites with the highest enrollment in Project GATE.

In contrast, a mass media campaign was needed in Philadelphia in order for it to meet its enrollment target. Even though the same information was provided in the One-Stop Career Centers in Philadelphia, and UI inserts were included with UI checks in two mailings, recruitment was still lower in Philadelphia than it was in Minneapolis/St. Paul.

5. Challenges of Obtaining Business Financing Should be Made Clear to Program Applicants

Neither Project GATE nor most other self-employment programs offer grants or loans to participants to start a business. Many people, however, expect to be able to obtain business finance from self-employment programs. Anticipating this issue, the video presented during the GATE orientation specifically stated that Project GATE did not have any funds for grants or loans, but that it could provide assistance with *applications* for financing. Even so, some GATE participants expected to be able to obtain a loan through the program and were disappointed when they found out that the program did not provide loans. Hence, it is important for self-employment programs to be very clear in all their outreach materials and during their orientations that they do not provide grants or loans.

6. Assistance in Becoming Credit Worthy is an Important Service to Offer Along with Loan Application Assistance

Many GATE participants did not meet the requirements for a business loan, because of a lack of a business plan, a good credit history, or the necessary capital. Project GATE in all sites offered services to help the participants develop a business plan and the other documentation necessary to complete a loan application. However, many participants also needed assistance in developing a good credit history and acquiring the necessary capital. In response to this need, some GATE sites began to offer workshops that addressed problems with credit history and personal financial management. Other services such as one-on-one assistance to help with credit problems, individual development accounts and other mechanisms to help the participant save, and assistance finding the participant a wage and salary job while they save and build a good credit history may also be effective.

B. REMAINING QUESTIONS

The early findings presented in this report suggest that Project GATE could be implemented on a wider scale. However, whether or not it *should* be replicated cannot be determined until we evaluate how GATE participants fared in comparison with members of the control group and how observed impacts compared with the costs of the program. To address these questions, we will use data from surveys of treatment and control group members at 6 months and 18 months after random assignment, as well as administrative records data on earnings and UI benefits. The following questions will be addressed in subsequent evaluations of Project GATE:

1. ***Did GATE participants receive more self-employment services?*** Training, technical assistance, and other self-employment services that were not funded by Project GATE were available to control group members as well as treatment group members in all sites. Hence, it is important to understand the impact of Project GATE on service receipt. We will also examine the impact of Project GATE on satisfaction with services.
2. ***Were GATE participants more likely to complete a business plan or obtain a business loan?*** We will estimate the impact of Project GATE on the likelihood of completing a business plan or obtaining a business loan.
3. ***Did Project GATE increase business development?*** We will examine the impact of Project GATE on the probability a sample member started a business, whether the business survived, and the size of the business in terms of sales, profits, and number of employees.
4. ***Did Project GATE increase employment and earnings?*** Project GATE may increase employment and/or earnings in three ways: (1) it may assist those who would otherwise be unemployed become self-employed, (2) it may assist those who would otherwise be employed in a wage and salary job to become self-employed, and (3) it may increase earnings in wage and salary jobs by helping participants recognize that self-employment is not for them or by providing participants with the contacts necessary to find employment. We will examine the impacts of Project GATE on employment and earnings in both self-employment and in regular wage and salary jobs.
5. ***Did Project GATE decrease the receipt of UI and public assistance?*** By changing the employment and earnings outcomes of participants, Project GATE may affect the degree to which a participant is self-sufficient or relying on UI, food stamp benefits, and other public assistance.

In making decisions about replicating a program like Project GATE, policymakers need to know not only whether Project GATE has impacts on its participants but also whether its impacts are sufficiently large to be commensurate with its costs. To provide this information, we will conduct a benefit-cost analysis—placing a dollar value on the benefits of the program and comparing these benefits with the program’s costs.

The findings from these analyses, presented in a final report, will provide policymakers and program administrators with evidence on whether Project GATE should be replicated on a wider scale.

REFERENCES

- Benus, Jacob, Terry Johnson, Michelle Wood, Neelima Grover, and Ted Shen. "Self-Employment Programs: A New Reemployment Strategy: Final Impact Analysis of the Washington and Massachusetts Self-Employment Demonstrations." Unemployment Insurance Occasional Paper No. 95-4. Washington, DC: U.S. Department of Labor, 1995.
- Brush, C.G. "Women and Enterprise Creation: Barriers and Opportunities." In *Local Initiatives for Job Creation: Enterprising Women*. Paris, France: Organization for Economic Cooperation and Development, 1990.
- Brandstatter, H. "Becoming an Entrepreneur – A Question of Personal Structure?" *Journal of Economic Psychology*, vol. 18, 1997.
- Edgcomb, E., J. Klein, and Peggy Clark. *The Practice of Microenterprise in the U.S.: Strategies, Costs, and Effectiveness*. Washington, DC: The Aspen Institute, 1996.
- Gartner, William B. "Some Suggestions for Research on Entrepreneurial Traits and Characteristics." *Entrepreneurship Theory and Practice*, vol. 14, no. 1, 1989.
- Gould, S. K., and J. Parzen. "Recommendations, Conclusions, and Plans for Action." In *Local Initiatives for Job Creation: Enterprising Women*. Paris, France: Organization for Economic Cooperation and Development, 1990.
- Guy, C. F. Doolittle, and B.L. Fink. *Self-Employment for Welfare Recipients: Implementation of the SEID Program*. New York, NY: Manpower Demonstration Research Corporation, 1991.
- Hansemark, O. C. "Need for Achievement, Locus of Control and the Prediction of Business Start-ups: A Longitudinal Study." *Journal of Economic Psychology*, vol. 24, 2003.
- Hawkins, Kathleen, and Peter Turla. *Test your Entrepreneurial I.Q.* New York, NY: Berkeley Books, 1986.

- Johnson, B.R. "Toward a Multidimensional Model of Entrepreneurship: The Case of Achievement Motivation and the Entrepreneur." *Entrepreneurship Theory and Practice*. Spring, 2001.
- Keeley, K. "The Role of Intermediaries in Strengthening Women's Business Expansion Activities." In *Local Initiatives for Job Creation: Enterprising Women*. Paris, France: Organization for Economic Cooperation and Development, 1990.
- Kosanovich, William and Heather Fleck. "Comprehensive Assessment of Self-Employment Assistance Programs." Arlington, Virginia: DTI Associates, June 2001.
- Low, M.B., and I.C. MacMillan. "Entrepreneurship: Past Research and Future Challenges." *Journal of Management*, vol. 14, no. 2, 1988.
- Miner, John. "Evidence for the Existence of a Set of Personality Types Defined by Psychological Tests, That Predict Entrepreneurial Success." *Frontiers of Entrepreneurship Research*, Wellesley, MA: Babson College, 1996.
- Raheim, S., and C.F. Alter. "Self-Employment as a Social and Economic Development Intervention for Recipients of AFDC." *Journal of Community Practice*, vol. 5, no. 2, 1998.
- Robinson, John G. "New Forms of Activity for the Unemployed and Measures to Assist the Creation of Self-Employment; Experiences and Opportunities in Combating Unemployment." Unemployment Insurance Occasional Paper, 93-2. Washington, DC: U.S. Department of Labor, 1993.
- Servon, Lisa J., and Timothy Bates. "Microenterprise as an Exit Route from Poverty: Recommendations for Programs and Policy Makers." *Journal of Urban Affairs*, vol. 20, no. 4, 1998.
- Sexton, D.L., and N. B. Bowman. "Validation of a Personality Index: Comparative Psychological Characteristics Analysis of Female Entrepreneurs, Managers, and Entrepreneurship Students and Business Students." *Frontiers of Entrepreneurship Research*. Wellesley, MA: Babson College, 1986.
- Stewart, W.H. and P.L. Roth "Risk Propensity Differences between Entrepreneurs and Managers: A Meta-Analytic Review." *Journal of Applied Psychology*, vol. 686, no. 1, 2001.
- Vroman, Wayne. "Self-Employment Assistance: Revised Report." Washington, DC: The Urban Institute, 1997.
- Walker, Britton A., and Amy Kays Blair. *2002 Directory of U.S. Microenterprise Programs*. Washington, DC: The Aspen Institute, 2002.

APPENDIX A
PROJECT GATE SITE PROFILES

OVERVIEW OF PROJECT GATE IN PHILADELPHIA

A. INFRASTRUCTURE

Project GATE was implemented in Philadelphia County and also drew clients from the surrounding suburbs. The Philadelphia Workforce Investment Board (PWIB), the CareerLink Consortium of Philadelphia, an independently-hired orientation leader and assessment counselor, and three local community-based organizations (CBOs) participated in the operation of Project GATE. PWIB was responsible for general oversight of the CareerLink Consortium and five participating One-Stop Career Centers. The participating One-Stop Career Centers were responsible for direct marketing and outreach of the program, providing space and infrastructure for orientation sessions, and scheduling orientations.

Unlike in other sites, the Small Business Development Centers (SBDCs) in the Philadelphia area—including the Temple University SBDC and the Wharton SBDC at University of Pennsylvania—chose not to participate in GATE due to concerns about random assignment. As a result, IMPAQ International hired a staff member to facilitate orientations, conduct assessments, and refer clients to GATE providers in the Philadelphia area. In mid-2004, a staff member from the CareerLink Consortium took over this role.

Three CBOs with extensive experience providing self-employment assistance provided training to GATE participants. Clients were typically referred to a single provider after assessment and received all of their GATE services from that organization.

1. One-Stop Career Centers

GATE orientations took place in five of the nine One-Stop Career Centers in Philadelphia. They were selected to promote a large and diverse flow of potential clients and were geographically distributed throughout the Philadelphia region.

- North CareerLink, a full-service center on Spring Garden Street with the largest volume of clients within the Philadelphia CareerLink system.
- Northwest CareerLink, a full-service center located in the Germantown area.
- South CareerLink, a full-service center located on 9th and Washington Ave.
- Calle Americana CareerLink, a mini center operated by a community-based organization and serving a large Latino population.

- Northeast CareerLink, the newest center located in the suburban northeast region of the city.

2. Service Providers

Three nonprofit CBOs that provide training and technical assistance to small businesses were involved in GATE.

- ***Women's Business Development Center (WBDC).*** WBDC was established in 1995 with the original goal to economically empower women through entrepreneurship. At the start of GATE, the organization served approximately 1000 clients annually with an operating budget of \$735,000.
- ***Women's Opportunity Resource Center (WORC).*** WORC was established in 1989. Its mission is to promote social and economic self-sufficiency primarily among economically disadvantaged women and their families. Prior to GATE, it served about 350 clients annually with annual operating budget of \$1 million.
- ***The Enterprise Center (TEC).*** TEC was created in 1989 with the mission of stimulating neighborhood and urban renewal through entrepreneurship. Prior to GATE, the center worked with a \$1 million operating budget to provide self employment training to 125 clients annually, incubator services to about 15 clients, and youth entrepreneurship services to 200 youths.

B. GATE SERVICES

Assessment. GATE assessments were conducted at the five participating One-Stop Career Centers by an independent assessor hired by IMPAQ International and, later in the project, by a staff member of the CareerLink Consortium. The assessor used the GATE assessment form to determine each client's needs and make an appropriate referral to one of the three GATE providers. In some instances, the assessor recommended a provider that appeared best suited to the client. In other instances, the assessor presented the client with the three provider options and worked with him or her to make a choice about the most appropriate organization.

Training. GATE participants could receive different classroom training programs based on the GATE provider to which they were referred.

- WBDC offered four training programs. Jump Start is a 4 week-program consisting of 12 hours of classroom time and designed to help participants clarify their business ideas. Fast Trac New Venture is a Kauffman Foundation program consisting of 9 weeks of 3½ hour sessions (32 hours total) that targets start-ups with a well-established business idea. Fast Trac Planning is an 11-week Kaufmann program that covers more advanced material and targets existing businesses. Finally, the Family Child Care Entrepreneurship program is 11 weeks and aims to help clients go from being a babysitter to a business owner.

-
- WORC offers a training program called Start Smart that was developed by WORC's training contractor. Classes meet for 3 hours, twice per week for 6 weeks (36 hours total). The program is targeted at start-up small businesses.
 - TEC began Project GATE by offering a three-part training program called Start Up. Clients could attend any or all of the three five-hour sessions for a total of 15 hours of training. In early 2005, the center consolidated these three sessions into a single course called Express Business Planning that targeted new start-ups.

Technical Assistance. All GATE clients had access to technical assistance, however the extent and structure of that assistance varied by provider.

- WBDC provided unlimited technical assistance as part of their on-going training programs. Clients typically received consulting services from their classroom trainer outside of class hours on an as-needed basis.
- WORC allowed each GATE client up to 15 hours of technical assistance with selected professionals in the fields of legal, marketing and graphics, business planning, financials, lending, and market access.
- TEC estimated that GATE clients would receive an average of 12 hours of consulting in the areas of business formation, legal help, sales and marketing, and finance. However, assistance was offered on an as-needed basis upon request by the client.

OVERVIEW OF PROJECT GATE IN PITTSBURGH

A. INFRASTRUCTURE

In Pittsburgh, the Three Rivers Workforce Investment Board (TRWIB) and Pittsburgh/Allegheny County CareerLink System were responsible for conducting Project GATE intake and providing orientations through the One-Stop Career Centers. Unlike in other sites, a single organization—Duquesne University's Chrysler Corporation SBDC—provided GATE services. The SBDC was responsible for conducting assessments as well as providing training and technical assistance to all GATE participants.

1. One-Stop Career Centers

GATE orientations took place at seven One-Stop Career Centers. Three are comprehensive centers that draw large number of clients and operate a full range of workforce development and training programs. The remaining four One-Stop Career Centers are smaller community centers that are geographically dispersed throughout the Pittsburgh area.

- Downtown Pittsburgh, a comprehensive center
- Allegheny West Comprehensive CareerLink, a comprehensive center
- McKeesport CareerLink, a comprehensive center
- Forbes Road Career & Technology Center Monroeville, a community center,
- Jewish Family & Children's Services Career Development Center, a community center
- Community College of Allegheny County, North Campus, a community center
- Community College of Allegheny County, South Campus, a community center

2. GATE Providers

The Duquesne SBDC was established in 1981 as part of the Pennsylvania SBDC network. In 2002, the center served about 1,000 clients. Of those clients, about half were start-ups and half were existing businesses. Unlike GATE providers in other sites, the Duquesne SBDC operated Project GATE separately from its existing program by using distinct staff members who served only GATE clients.

B. GATE SERVICES

Assessment. At the start of GATE, the SBDC hired a new staff member to exclusively schedule and conduct GATE assessments. The assessment counselor used the GATE assessment as well as a questionnaire developed by the SBDC to collect information on clients' background and needs. In mid-2004, the GATE technical assistance counselors took over responsibility for assessments to streamline the process.

Training. The SBDC designed its own training program that consists of 10 three-hour classes (30 hours total). It targets start-up businesses and covers a range of topics including exploring the idea of entrepreneurship, requirements and regulations for starting a business, financial and legal feasibility, funding and credit, marketing and taxes and record keeping.

Technical Assistance. GATE clients have access to unlimited technical assistance. It is offered at the request of the client on an as-needed basis.

OVERVIEW OF PROJECT GATE IN MINNEAPOLIS / ST. PAUL

A. OVERVIEW OF GATE INFRASTRUCTURE

Project GATE was implemented in Minneapolis and St. Paul. The Minnesota Department of Employment and Economic Development (DEED) was responsible for oversight of the participating One-Stop Career Centers as well as GATE outreach and public relations. The St. Thomas University SBDC was responsible for GATE assessments for the majority of GATE clients while the Hmong American Mutual Assistance Association (HAMAA) provided assessments to clients of Hmong decent. The SBDC, Women Venture, and HAMMA served as the three GATE providers for the Minneapolis and St. Paul region. Clients were typically referred to one of these providers and received all training and technical assistance from that organization.

1. One-Stop Career Centers

Project GATE was implemented in four One-Stop Career Centers within the Twin Cities region.

- Dakota County North Workforce Center, located in an urban area in west St. Paul
- North Minneapolis Workforce Center, located in an urban area of northern Minneapolis
- Midway St. Paul Workforce Center, located in a suburban area of Ramsey County
- Anoka County WorkForce Center, located in a suburban area north of the twin cities

2. GATE Providers

Three training and technical assistance providers were involved in GATE.

- ***St. Thomas University SBDC.*** The SBDC was established in 1981 with locations on the St. Thomas campus in downtown Minneapolis and St. Paul's James J. Hill reference library. The center serves about 650 clients annually with a budget of \$2.5 million.
- ***WomenVenture.*** WomenVenture is a non-profit organization established in 2003 with a mission is to “assist women in securing their own economic success and prosperity.” They are located in St. Paul, and serve over 3,600 clients per

year with an annual budget of over \$1.8 million. The organization has over 30 employees but uses large numbers of volunteers.

- **HAMAA.** HAMAA is a non-profit community-based organization established in 1990 to “promote leadership in the Hmong Community, educational advancement for Hmong children and youth, encourage Hmong refugees to be self-sufficient and contributing members of their community, and promote and maintain Hmong cultural heritage.” Its programs include an elders council, family and teen counseling, youth programs, home buyers club, and economic development program. Prior to GATE, they did not provide self employment assistance.

B. GATE SERVICES

Assessment. Immediately after random assignment, IMPAQ International referred all clients of Hmong heritage directly to HAMAA to receive a GATE assessment and subsequent services. The assessment served as the first counseling session for these clients. All other clients went to the SBDC for their GATE assessment. The goal of these assessments was to identify the clients’ goals and needs before making a referral to the SBDC or WomenVenture.

Training. The content of training varied across the three providers involved in GATE.

- ***The SBDC offers four main training programs.*** Smart Start is a 2-hour workshop for people thinking of starting a business. Fast Trac New Venture is a Kauffman Foundation program consisting of 9 weeks of 3 ½ hour sessions (32 hours total) that targets start-ups with a well-established business idea. Fast Trac Planning is an 11-week Kaufmann program that targets existing businesses. Finally, Beyond Start-Up: The Transition to Successful Growth is a 10 session program that targets business owners with over \$2 million in sales and 12 employees.
- ***Women Venture offers the Planning to Succeed program.*** It consists of 8 three-hour session (24 hours total) and cover the basics of developing your business plan, marketing, pricing, record keeping and cash management, financial management, sales, and business and law. The program targets new start-ups.
- ***HAMAA created its own training program called Bright Start G2.*** It consists of 12 two-hour sessions (24 hours total) and targets new business start-ups. Topics include deciding on a business, developing a business plan, computer and communication tools, accounting and cash flow, organization, insurance, locating and leasing, financing, e-commerce, buying a business or franchise, marketing, expansion, and problem solving.

Technical Assistance. All three providers offer unlimited counseling to GATE clients. Sessions are typically provided on an as-needed basis.

OVERVIEW OF PROJECT GATE IN NORTHEAST MINNESOTA

A. INFRASTRUCTURE

Project GATE was implemented in St. Louis County in the Northeast region of Minnesota. The Minnesota Department of Employment and Economic Development (DEED) was responsible for oversight of the participating One-Stop Career Centers as well as GATE outreach and public relations. The participating One-Stop Career Centers conducted outreach as well as scheduled and conducted GATE orientations. The Small Business Development Center (SBDC) housed at the University of Minnesota Duluth's Center for Economic Development was responsible for GATE assessments and making referrals to GATE providers. The SBDC and the Northeast Entrepreneur Fund (NEEF) served as the two GATE providers for the region. Clients were typically referred to one of these providers and received all training and technical assistance from that organization.

1. One-Stop Career Centers

GATE orientations took place in two One-Stop Career Centers that geographically split the rural county:

- The Duluth Workforce Center
- The Virginia Workforce Center.

2. GATE Providers

GATE services were provided through the SBDC and NEEF.

- ***University of Minnesota at Duluth's SBDC.*** The SBDC is housed in the University's Center for Economic Development. It was established in 1986 with a mission to provide "high quality management and technical assistance to small business owners and prospective owners in Northeastern MN." The center emphasize services for existing businesses, and provided a total of nearly 17,000 counseling hours in 2001.
- ***Northeast Entrepreneur Fund (NEEF).*** NEEF is a non-profit community development financial institution with a mission to help people become economically self-sustaining through self-employment. It was established in 1989 and target unemployed and underemployed men and women in northeastern Minnesota and northwestern Wisconsin. The organization serves about 650 clients per year.

B. GATE SERVICES

Assessment. All GATE clients are assessed at the SBDC office in Duluth. The goal of the assessment is to discuss the clients' business idea, assess the clients' goals and needs, and make a referral to one of the two GATE providers.

Training. GATE participants can receive different types of training depending on the provider to which they are referred.

- The SBDC, unlike other providers, does not offer a multi-session training course. Instead, clients select from among a range of available workshops. Most clients begin with "Starting a Business in MN" (2 hours) and "Writing a Business Plan" (2 hour). Other common workshops are "Tax-Saving and Recordkeeping Tips" (3 hrs), "Financing Your Small Business" (2½ hr), "Insurance Requirements for Small Businesses" (2½ hr), and "Starting a Basic Website Store" (2 hr).
- NEEF offers two training courses. Introduction to Business Planning is a 1.5 hour workshop on the first steps in starting a business. Core Four has 4 three-hour sessions (12 hour total) and covers success planning, market planning, cash flow planning, and operations planning. Both courses target start-up businesses. Core Four can be done through self-study using a manual.

Technical Assistance. Unlimited counseling is available at both providers and is provided on as-needed basis.

OVERVIEW OF PROJECT GATE IN MAINE

Project GATE was located in three locations in Maine: Portland, Lewiston, and Bangor. However, as GATE was centrally administered in Maine, and implemented in a similar way in all three locations, we treat Maine as one site.

A. INFRASTRUCTURE

One-Stop Career Centers located in three different workforce investment areas participated in Project GATE. A manager from the Maine Department of Labor was responsible for general oversight of project implementation in the three participating one-stops. The One-Stop Career Centers were responsible for direct marketing and outreach of the program, providing space and infrastructure for orientation sessions, and conducting orientations.

Unlike in other sites, in Maine, one organization—the University of Southern Maine SBDC—took overall responsibility for the administration of Project GATE. The SBDC provided assessments and one-on-one counseling, and subcontracted with four training providers. This approach meant that GATE participants usually had different providers for training and technical assistance and could take courses from multiple providers.

The SBDC was also responsible for scheduling assessments, assigning participants to assessors and counselors, following up with participants who did not show up to assessments, classes, or counseling appointments, and acting as a focal point for questions about the program.

1. One-Stop Career Centers

GATE orientations took place at three One-Stop Career Centers (CareerCenters):

- Portland CareerCenter, one of seven centers overseen by the Coastal Counties Local Workforce Investment Board (LWIB).
- Lewiston CareerCenter, one of seven centers overseen by the Central/Western LWIB. This One-Stop Career Center partners with SCORE.
- Bangor CareerCenter, one of four centers overseen by the Tri-County LWIB.

CareerCenter staff conducted the orientations.

2. Service Providers

Five training and technical assistance providers were involved in GATE.

- **Maine SBDC.** The Maine SBDC's mission is to assist in the creation, growth, and maintenance of small businesses and the jobs they provide. Prior to GATE, it provided technical assistance to about 2,600 clients. Of these, about 60 percent already had an existing business. Counselors at 11 centers throughout Maine can provide GATE services. The three nearest to the GATE sites are:
 - Portland, at the University of Southern Maine (five counselors)
 - Lewiston, at the Androscoggin Valley Council of Governments (two counselors)
 - Bangor, at the Eastern Maine Development Corporation (two counselors)

It provided GATE assessments and technical assistance.

- **Maine Centers for Women, Work, and Community (WWC).** WWC is a private nonprofit organization, administered by the University of Maine at Augusta. Its mission is to improve the economic lives of Maine women and their families, especially displaced homemakers, single parents, welfare recipients, and other disadvantaged populations. It provided two training programs for GATE participants: *Basics of Starting a Business* and *New Ventures*.
- **Penquis Community Action Program (CAP).** CAP is a private nonprofit organization serving Penobscot and Piscataquis counties that provides services to low-income persons including, self-employment assistance, heating assistance, food distribution, legal advocacy, parent-teen mediation, and individual development accounts. It provides GATE participants the *Incubator Without Walls* training program
- **Coastal Enterprises Inc. (CEI).** CEI is a statewide nonprofit community development organization. It provides technical assistance, training, and financing to persons interested in starting or developing small businesses. It also provides workforce development services, such as employment leasing for people with multiple barriers to employment. For GATE participants, it provides a *Business Basics* course and various trainings in computer programs (such as *QuickBooks*).
- **Center for Entrepreneurship at the University of Southern Maine and the Heart of Maine.** The Center for Entrepreneurship is located in the School of Business at the University of Southern Maine and offers courses in small business development. The Heart of Maine is a resource, conservation, and development organization that receives funding from the U.S. Department of Agriculture for rural development. These two organizations partnered to provide *FastTrac New Ventures* and *FastTrac Planning* for GATE participants.

B. GATE SERVICES

Assessment. The GATE assessment was considered the first technical assistance session and was conducted by a SBDC counselor. The counselor used an SBDC form, *Barriers to Entrepreneurship Success*, as well as the GATE assessment form, to structure the session. At the end of the session, they usually referred the participant to a training course.

Training. GATE participants choose among eight training courses that vary in level, length, focus, location, and provider. These include:

- *Business Basics.* A 9-hour introductory course provided by WWC and CEI.
- *Incubator Without Walls.* A 38-hour intermediate course provided by CAP.
- *New Ventures.*TM A 72-hour intermediate course provided by WWC.
- *FastTrac New Venture.* A 32-hour intermediate course provided by Center for Entrepreneurship and the Heart of Maine.
- *FastTrac Planning.* A 45-hour advanced course provided by the Center for Entrepreneurship and the Heart of Maine.
- *Introduction to E-Commerce.* A specialized 3-hour course provided by CEI.
- *Planning Your Website.* A specialized 3-hour course provided by CEI.
- *QuickBooks Fundamentals.* A full-day course provided by CEI.

~~**Technical Assistance.** Technical assistance was provided by SBDC counselors. There was no set maximum number of hours. The GATE training providers may have provided some additional technical assistance.~~

