



Workforce Information Advisory Council Presentation Outline: Self-Employment Is Success

Summary

New business formation accounts for nearly all net new job creation in the US and almost 20 percent of gross job creation. The federal government should encourage job training programs to prioritize entrepreneurial training. Given that WIOA emphasizes performance-based outcomes and the impact that self-employment has on the workforce, self-employment should be considered a “successful” employment outcome. The Department of Labor (DOL) should use this opportunity to modernize performance metrics and reporting to ensure that self-employment is adequately and accurately reported.

Why is Self-Employment Important?

- Role in the economy
 - 15 million people were self-employed in 2015, or 10.1 percent of all U.S. workers
 - Bureau of Labor Statistics
 - Moreover, three-in-ten U.S. jobs are supported by the self-employed and the workers that they hire
 - Pew Research Center
- Entrepreneurial training is necessary
 - Self-employment is a way for workers to avoid and shorten stints of unemployment
 - Studies have shown a propensity for the unemployed to become entrepreneurs
 - As the length of unemployment increases, so does the probability of self-employment

WIOA Highlights Self-Employment

- Title I of the Workforce Innovation and Opportunity Act (WIOA) authorized entrepreneurial training as an allowable training option in the DOL’s jobs training system
 - WIOA further clarifies that states are able to execute a variety of programs, including microenterprise and entrepreneurial training
- Proposed rules implementing WIOA highlighted key facts:
 - Self-employment assistance participants were 19 times more likely to be self-employed than nonparticipants
 - Participants expressed high levels of satisfaction with self-employment.
 - A 3-state study found that participants were four times more likely to obtain employment of any kind than nonparticipants
- The DOL has encouraged offering entrepreneurial training via guidance



- While this a positive development - performance metric updates are needed to encourage adoption of these training programs

Recommendations

The DOL acknowledged the need for clarification and examples to illustrate the methods that each of the core programs will use to determine performance on the primary indicators, including details regarding data collection for self-employment outcomes.

The DOL should allow job training centers to use alternative measures to track successful business starts. A list of proposed measures could include:

- Obtaining a business tax ID and/or proof of business income or revenue
- Obtaining business certifications or licenses (Federal, state, or local)
- Obtaining a business loan
- Proof of establishment of business checking account, business credit card, or business line of credit
 - This should include the use of new payment platforms, such as Square, PayPal, etc.
- Tax filings showing business operation and business income
- Proof of completion and/or certification document from business training organization

Conclusion

Entrepreneurial training positively impacts businesses. Entrepreneurs that receive business assistance services have higher success rates (80% survival rate over five years, compared to a 50% survival rate for businesses that received no training) and average annual revenues are 38% higher. That is exactly the kind of outcome that WIOA originally sought to provide. Ensuring that performance metrics created by these regulations include entrepreneurship will allow providers to focus on this important element of our economy.

About AEO

The Association for Enterprise Opportunity (AEO) is a trade association with the mission to create economic opportunities for underserved entrepreneurs. It is the leading voice of innovation in microfinance in the U. S. Its signature program, Tilt Forward Initiative, seeks to restore vibrant Main Streets in communities throughout the country and to ensure that no one who seeks economic opportunity through business ownership is left behind. Based in Washington, DC, AEO has member organizations in every state, and Puerto Rico, as well as a growing network of partners in the private, public and non-profit sectors. AEO and its more than 450 member/partner organizations of nonprofit lenders and business service providers have the capacity to reach into the hardest-to-reach segments of the market – including minorities, women, disabled, youth and low-income – and help them to access capital, create jobs, and contribute to their communities through business ownership.