

BUILDING  
BUSINESSES,  
REBUILDING LIVES:  
MICROENTERPRISE  
AND WELFARE  
REFORM

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COLLABORATIVE  
FUND FOR  
WOMEN'S  
ECONOMIC  
DEVELOPMENT

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# EXECUTIVE SUMMARY

In 1996, America orchestrated the transfer of millions of families from Aid to Families with Dependent Children (AFDC), the former federal system for providing income support to the poor, to a new system called Temporary Assistance for Needy Families (TANF). Alternately lauded and decried, that shift has caused enormous upheaval in the lives of poor families while also posing unprecedented challenges for the organizations that serve them. Among those organizations are the nation's hundreds of microenterprise development agencies, with their traditional focus on helping low-income people, including women on welfare, to move to economic self-sufficiency.

This paper focuses on the challenges facing, and strategies being employed by, microenterprise programs today as they work to help women on welfare to achieve self-sufficiency. Specifically, the paper represents an overview of the experiences of ten organizations that operate microenterprise programs whose clients include women on welfare. The information collected is anecdotal, based on interviews with women heading the organizations and programs, and with several women on welfare served by the programs.

The programs that are the focus of the paper include ten microenterprise organizations that are or have been grantees of the Ms. Foundation for Women's Collaborative Fund for Women's Economic Development. The paper also draws upon the lessons of a worker-owned cooperative, another Ms. Foundation grantee, whose experience working with women on welfare can inform microenterprise program development.

This paper builds on the findings of seminal studies on the impact of self-employment on helping women to move from welfare to self-sufficiency. Those studies—

the Corporation for Enterprise Development's Self-Employment Investment Demonstration, the Aspen Institute's Self-Employment Learning Project, and the Charles Stewart Mott Foundation's Microenterprise Initiatives for Welfare-to-Work (preliminary findings)—have found that microenterprise can provide a route out of poverty for some people on welfare. Aspen made the critical additional finding that, as part of a "patching" strategy, the income generated by self-employment can be the engine that propels the transition.

All of the organizations surveyed agree that the booming economy has provided unprecedented employment opportunities for people on welfare, enabling the job-ready to move swiftly off the rolls. Their exodus has left on welfare many with profound barriers to self-sufficiency. Some of the most daunting barriers relate to the personal circumstances of women's lives, to health, family, social and vocational issues. The personal barriers most often cited are:

- extremely low self-esteem;
- domestic violence and histories of child sexual abuse;
- mental health problems, particularly depression;

- alcohol and substance abuse;
- unplanned pregnancies;
- untended medical, psychological, and vision problems;
- little education, as well as deficits and developmental disabilities;
- limited work histories or no work histories at all;
- inadequate transportation and substandard housing;
- conflict between the traditional caregiver role (for children as well as other family members) and the new breadwinner role;
- social and economic isolation, coupled with a lack of role models and mentors.

Other barriers are posed by the new welfare policies, particularly the rigid emphasis on moving a woman into any job as soon as possible, embodied in the philosophy of “work first.” Among the most troublesome policy barriers cited by the organizations interviewed for this report were:

- Irrespective of their interests and goals, women on TANF are often pressured to take any available job rather than to pursue education or training programs, including microenterprise training, or alternatives like self-employment.
- Even when states formally accept microenterprise training as an allowable work activity, local welfare departments and individual caseworkers can impede the implementation of that policy.
- Contracts with state welfare departments to serve TANF recipients can create tremendous pressure that interferes with the agency’s ability to achieve its goals. Those pressures include: having to recruit a pre-determined number of clients from a welfare system reluctant to refer to training programs; unrealistic expectations (such as requiring clients to launch a new business in just a few months); and competition among non-profits to “claim credit” for clients served in order to meet the state’s demand for numbers.
- When local welfare offices have inadequate systems in place for disregarding business income and deducting business expenses, newly self-employed

women transitioning off TANF can lose their benefits prematurely.

- Difficulty accessing non-income benefits (child care, transportation, Medicaid), the limited benefits available, and the discretionary nature of some benefits pose great hardships for women on TANF.
- Women and their children can be sanctioned for noncompliance with TANF regulations; once so cited, the family can lose partial or complete benefits and must fight to be reinstated.

Despite these barriers, enterprise development agencies are employing a host of strategies to help women on TANF to become economically self-sufficient. Those strategies, generally speaking, include helping women to deal with personal barriers to self-sufficiency; addressing the women’s needs for business training, professional support and capital; integrating microenterprise training with other types of training and employment services; collaborating with local welfare departments; and advocating for favorable welfare policies. This paper presents three case examples of barriers faced and strategies employed in the work of West Company, Acre Family Day Care and the Women’s Self-Employment Project, while also drawing on the experiences of all the agencies surveyed to present the following 13 specific strategies.

#### ADDRESSING PERSONAL BARRIERS

- 1 All the programs surveyed are committed to helping women transitioning from TANF to address the range of personal issues, from building self-esteem, to dealing with health, social, and family matters, to targeting educational and vocational deficits; their methods for achieving this goal vary.
- 2 The programs look for ways to meet the special needs of women on TANF that do not stigmatize the women and that build on their strengths.
- 3 Because many transitioning women need long-term support to move successfully and permanently from

welfare to self-sufficiency, programs are working to provide a creative range of follow-up services.

- 4 While programs address the personal barriers women on TANF face, they also recognize the risks of mixing the agency's business and social roles and take steps to minimize those risks.

#### PROVIDING BUSINESS TRAINING, PROFESSIONAL SUPPORT AND CAPITAL

- 5 To prepare women with little work experience and limited exposure to the economic mainstream to launch a small business, training in business fundamentals is essential; all of the programs provide such training.
- 6 Through role modeling, mentoring, networking opportunities, advocacy training, board appointments, and gatherings of trainees and graduates, the programs help the women transitioning off TANF to develop alternative social and professional support systems.
- 7 To help women on TANF to build their businesses, microenterprise organizations provide various forms of financial support, such as microloans and Individual Development Accounts or IDAs.

#### INTEGRATING MICROENTERPRISE TRAINING WITH OTHER TRAINING/EMPLOYMENT OPPORTUNITIES

- 8 Increasingly, microenterprise advocates recognize the interdependence of wage and self-employment, including the importance of income patching, the value of microenterprise training to future employment, and the advantage of prior job experience to successful business start-up; they view their clients' progress in either wage or self-employment as an indicator of success.
- 9 To give women on TANF the greatest flexibility in pursuing economic options, some microenterprise organizations are expanding and diversifying their programs, combining self-employment programs

with workforce development, job readiness, job training, and job placement programs; the danger is overextending the organization.

#### COLLABORATING WITH WELFARE DEPARTMENTS AND ADAPTING PROGRAMS TO WELFARE POLICIES

- 10 Active and ongoing relationships with welfare department administrators and caseworkers at the state and local levels are fundamental to serving TANF recipients, and programs work hard to establish those relationships.
- 11 To help women to manage the time limits on their welfare eligibility, microenterprise organizations are shortening the duration of training programs, building in early and frequent opportunities for assessment and re-assessment of business feasibility, developing internships that count as "work," and providing marketing assistance.

#### ADVOCATING FOR WELFARE POLICIES FAVORABLE TO MICROENTERPRISE

- 12 The programs see an urgent need to influence public policies that affect women leaving welfare to start small businesses. They include among their current aims: stepping up pressure on public agencies to spend billions of unspent TANF funds, seeking additional sources of public support for services and training, expanding favorable policies (e.g., treatment of business income and assets), and using the occasion of welfare reform re-authorization to advocate for more funds and services not only for TANF recipients, but for all low-income Americans.
- 13 Funding is needed to support microenterprise programs in their policy advocacy role.

Microenterprise has always been an option for a limited number of people; establishing one's own business is a risky goal. Despite the challenges, years of experience in the field of microenterprise have shown that women on welfare can be as successful as anyone else at self-employment, if they have a solid business idea,

an entrepreneurial spirit, and the support and resources they need to move forward.

Today, however, the pool of women on welfare poised to become microentrepreneurs is fast shrinking. With the transfer of all women from AFDC to TANF and the subsequent dramatic decline in the welfare rolls, it is widely agreed that many women left on TANF have daunting barriers to overcome on the road to economic self-sufficiency. In that way, they are among the people facing the greatest challenges to success at self-employment.

At this important juncture, then, the question arises: Should self-employment remain an option for women on welfare? The answer to that question, according to this report, is 'yes,' but only under certain circumstances. Indeed, microenterprise has come to be seen as a versatile tool for helping some poor women, including those on welfare, become or remain self-sufficient. In the wake of welfare reform, however, as the field awaits hard data on which a final assessment can be based, programs and policy makers need to be aware of several key caveats:

- Whether or not a woman on TANF will be successful as a microentrepreneur depends on her own circumstances, including the drive she has to succeed, the personal barriers she must overcome, the support she has, and where she lives in terms of how friendly local welfare policies are to self-employment.
- The microenterprise organizations themselves, if they are to succeed, must devote extensive resources to addressing the personal and the policy barriers women on welfare face in their pursuit of economic self-sufficiency, in addition to providing their more customary services, such as entrepreneurial training and technical assistance.
- Microenterprise development cannot be a stand-alone strategy today for women on TANF who want

to start a business. To ensure flexibility and a range of opportunities, women on welfare enrolled in microenterprise programs need a package of services, including quick and easy access to job training and placement in case their best efforts to launch a business fail, they change their goals or they need income while establishing a business.

- Despite the challenges of delivering microenterprise services to those on welfare today, experience has shown that the more economic options the poor have, the better. A dramatic downturn in the economy could drive up the welfare rolls once again. In that case, the poor—without jobs or back-up resources—stand to benefit significantly from an ability to move easily from wage to self-employment or to combine the two. Self-employment can also give women the ability to continue generating income if they need to leave work to care for a dependent.
- There is little funding for educational services, support services or policy analysis, which are essential ingredients today in any enterprise training and development program aimed at women on welfare; work with this population must include advocacy for increased resources.

What funding has built up in state TANF coffers could go a long way towards helping women on welfare interested in self-employment. In addition, that funding can assist the great number of people who have moved from welfare into low-wage jobs, swelling the ranks of America's working poor. TANF stands for assistance to needy families, after all, not just those on welfare. With that in mind, microenterprise organizations are working together to expand access to a host of TANF-funded services that can enable many low-income people—not just those remaining on welfare—to move from a precarious economic independence to real economic security.

# THE POLICY CONTEXT

Passage of the Personal Responsibility and Work Opportunity Reconciliation Act in 1996 dramatically changed the covenant between the federal government and America's poor. It featured the devolution of greater responsibility for providing income support from the federal government to the states, which received block grants to be spent on TANF and matched by state funds. It abolished the federal entitlement of poor families to income support. It prohibited the states from providing federal TANF funds to poor families for more than a lifetime limit of five years, though states could institute a shorter limit (some have, as little as two years) or extend the deadline with their own funds (a few have done that, too).

Central to the new system of income support is a requirement that recipients work, embodied in the so-called "work first" orientation. With a few exceptions, adults must be "engaged in work," as the state defines work, within 24 months of receiving assistance. Where real jobs are unavailable,

women on welfare may have to enter workfare or community service programs, taking up such assigned tasks as sweeping city streets in exchange for their welfare checks.

The law does not mandate that states implement a "work first" approach. However, federal requirements that states achieve a certain level of work force participation among their TANF recipients has led state and local welfare departments to exert enormous pressure on TANF recipients to take jobs as soon as possible. That trend, in turn, has led to a dramatic diminution of the perceived value of education and training, including microenterprise training, for people on welfare.

States do have the option of accepting microenterprise training as a type of educational or vocational training, but they vary greatly on how willing they are to do this. As reported by the Center for Law and Social Policy (CLASP) in its analysis of TANF microenterprise policies in nine states, only one state clearly counted microenterprise

training as vocational education; seven states left the decision to local discretion; and one state had no clear policy. States also vary in whether or not they will consider self-employment to be an allowable work activity. CLASP found that, in theory, six of the nine states surveyed did consider self-employment to be allowable, while one left the decision to the localities and two had no clear policy. However, even when states have such a policy in place, it can fail to translate at the local level.

Paradoxically, while pressuring women to move as quickly as possible off the rolls and into jobs, TANF abolished AFDC's requirement that states must guarantee child care to welfare recipients who need it to work or study. Thirty-five states have instituted their own guarantees of child care to women on TANF; however, the nature of that assistance varies widely, there are not enough providers to go around and reimbursement rates are notoriously low. In addition, under AFDC, states could not require welfare recipients participating in activities other than a job

to pay a fee or make a co-payment for child care assistance; under TANF, they can. And, while AFDC entitled qualifying families to child care for 12 months after they became ineligible for cash assistance, TANF carries no such entitlement.

TANF also delinked welfare from Medicaid and expanded the criteria for eligibility. While this change has made more families eligible for insurance, in the context of welfare reform with its emphasis on moving people off the rolls, many families are unaware of their eligibility. In fact, so-called “leaver” studies are finding that nearly half of all women who leave welfare are uninsured within one year.

On the other hand, welfare reform has benefited recipients in ways that AFDC did not, and these changes are of particular interest to microenterprise development agencies. As part of the government’s intention to “make work pay,” TANF regulations allow welfare recipients to keep a larger share of their assets—including business assets—than AFDC did. However, it is up to each state to decide whether they will allow recipients to keep a greater share of assets. In addition, states may allow recipients to deduct business expenses from gross income, and to disregard a larger share of net income than they could under AFDC, in com-

puting continued eligibility for welfare payments.

Some welfare departments are using the new flexibility the TANF system gives them to launch creative programs of their own. They are paying for car repairs or helping to buy cars so that former recipients can get to work; hiring vans to transport children to day care; and even, in Lowell, Massachusetts, holding monthly pizza parties at a local upscale hotel where previous TANF recipients can bring their kids (child care is available) and consult with representatives from health care, housing, transportation and other local programs.

Numerous studies are underway to examine the impact of welfare reform on people’s lives. There is concern about the stringent and punitive work first philosophy, which is backed by a system of “sanctions” for real and alleged bureaucratic transgressions, from failing to keep a welfare appointment to arriving late for a training session. These sanctions can result in a partial and temporary—or total and permanent—loss of the family’s income. Some believe that the fear engendered by this punitive system played a role in the death last summer of 34-year-old Laura Morales, employee of a soup kitchen that participated in New York City’s workfare program. The mother of three, who failed to ask her supervisor for time off to see a doctor

for her severe headaches because she feared losing her welfare check, died on her job of a brain aneurysm. In fact, studies are showing that unintended health problems as well as lack of transportation and child care are major reasons that sanctioned families are unable to comply with work requirements.

The most obvious impact of welfare reform has been the dramatic drop in the welfare rolls, by approximately 50 percent, from 12 million recipients when the law was passed, to 6 million at the close of 1999. Some studies show that about 60 percent of those who have left the rolls are in jobs. Certainly, the booming economy has provided unprecedented employment opportunities for people on welfare. This has enabled the most skilled and job-ready welfare recipients to move swiftly off the rolls. Many of the jobs, however, are marginal, part-time, and lack benefits. And that exodus, in turn, has left on welfare many with profound barriers to self-sufficiency, who need an intensive array of services if they are to make the transition at all. Despite the tremendous need for services among this population, billions in federal funds intended for TANF recipients have piled up unspent in state coffers all over the country.

This is the context for the work of microenterprise development organizations today.

# OVERVIEW

## THE ORGANIZATIONS AND THEIR WORK WITH WOMEN ON WELFARE

This paper focuses on the challenges facing, and strategies being employed by, microenterprise programs today as they work to help women on welfare to achieve self-sufficiency. Specifically, the paper represents an overview of the experiences of ten organizations that operate microenterprise programs whose clients include women on welfare. The information collected is anecdotal, based on interviews with women heading the organizations and programs, and with several women on welfare served by the programs.

The microenterprise programs that are the focus of the paper include ten organizations that are or have been grantees of the Ms. Foundation for Women's Collaborative Fund for Women's Economic Development. The paper also draws upon the lessons of a worker-owned cooperative, another Ms. Foundation grantee, whose experience with women on welfare can inform microenterprise program development (see Box 1 for Organizations and Programs Surveyed).

In addition to the general discussion, the paper presents three case studies, which illustrate barriers as well as strategies, including case management services, dedicated support groups, collaborations with local welfare departments, creative supports (such as acting as intermediary between contractors and microentrepreneurs), and combining microenterprise training with job placement programs.

All of the organizations surveyed have had experience working with women on welfare, under AFDC, TANF or both (see Box 1). Some have had extensive experience and work with them currently; a few have had less extensive experience and no longer actively recruit from the welfare population. Some offer what are referred to in this paper as "targeted" programs, i.e., those serving only or primarily welfare recipients. Six of the organizations operate or have operated targeted microenterprise programs. Others offer "blended" programs, i.e., those serving a general population that includes women on welfare. Seven offer or have offered blended microenterprise programs. Two organiza-

tions offer or have offered both blended and targeted microenterprise programs. The training program of the worker-cooperative is a blended program. Two organizations also offer state-funded workforce development training programs targeted to women on TANF.

As to rates of success, despite the challenges of self-employment, particularly for the poor who lack basic resources, these microenterprise programs have helped some women on welfare to become microentrepreneurs, and continue to do so. While this paper presents outcome data provided by the organizations that are featured in the case studies, a systematic analysis and comparison of the outcomes of all of the programs studied is beyond the scope of this paper.

To date, only two studies—both done before welfare reform—have looked at whether self-employment can be a route to economic self-sufficiency for welfare recipients (see Box 2 for outcomes). The Self-Employment Investment Demonstration (SEID) of the

**BOX 1**

ORGANIZATION	TYPE OF WELFARE PROGRAM
<p><b>Acre Family Day Care Corporation, Lowell, Massachusetts</b>                      Helps low-income, welfare, immigrant women and women of color, to build sustaining family child care businesses through which they can earn a living wage, while at the same time providing consistent, culturally sensitive care to children in the community.</p>	<p><b>Blended Microenterprise Program:</b>                      Acre serves low-income women in general, with special emphasis on women on welfare.</p>
<p><b>Appalachian by Design (ABD), Lewisburg, West Virginia</b>                      Dedicated to finding markets and providing training for a network of self-employed, home-based knitters in rural Appalachia.</p>	<p><b>Targeted Microenterprise Program:</b>                      In 1998, ABD trained women as knitters in a pilot, targeted Welfare Training Project.</p>
<p><b>Appalachian Center for Economic Networks (ACEnet), Athens, Ohio</b>                      Seeks to create a healthy regional economy with many successful businesses and good jobs, and to assist people with low incomes to move out of poverty permanently through employment and business ownership.</p>	<p><b>Targeted Microenterprise Program:</b>                      From 1997 to 1999, ACEnet operated the Women’s Sectoral Training and Empowerment Program (STEP), which was targeted to women on welfare.</p>
<p><b>Detroit Entrepreneurship Institute (DEI), Michigan</b>                      Devoted to microenterprise development and microentrepreneurial training; provides business skills training, technical assistance, financing assistance, and other services to help low-income people to achieve self sufficiency.</p>	<p><b>Targeted Microenterprise Program:</b>                      DEI has a Work First contract to operate a Self-Employment Initiative, a training program targeted to people—primarily women—on welfare. Also operates a similar program for people not on TANF.</p>
<p><b>Good Faith Fund, Pine Bluff, Arkansas</b>                      Works to increase the income and assets of low- and middle-income residents of the Mississippi Delta through the development of entrepreneurial skills, the provision of credit, training for self-employment and employment, advocacy and support services, and public policy development.</p>	<p><b>Blended Microenterprise Program:</b> Good Faith serves all women, including women on TANF, in its Women’s Business Development Center.</p> <p><b>Targeted Microenterprise Program:</b> From 1994 to 1997, Good Faith operated the NOVA (New Opportunities for Venture Alternatives) Program, a self-employment initiative that targeted women on welfare.</p> <p><b>Workforce Development Programs:</b> Two state-funded programs that train women (and men) on TANF for the health care and manufacturing sectors.</p>
<p><b>Institute for Social and Economic Development (ISED), Coralville, Iowa</b>                      Operates a Microenterprise Development Program to help participants develop the skills and business knowledge they need to become (and remain) successfully self-employed.</p>	<p><b>Blended Microenterprise Program:</b>                      ISED’s Microenterprise Development Program serves both people on TANF and those not on TANF; participation is an approved work activity for TANF recipients in Iowa.</p>

ORGANIZATION	TYPE OF WELFARE PROGRAM
<p><b>Paraprofessional Healthcare Institute (PHI), Bronx, New York</b>  A national, nonprofit health care employment, development and advocacy organization based in the South Bronx; acts as the nonprofit arm of the “Cooperative Healthcare Network,” a system of worker-owned cooperatives that employs more than 700 inner-city women as paraprofessional healthcare providers.</p>	<p><b>Blended Program:</b>  PHI’s goals are to create decent jobs for low-income women, with emphasis on the unemployed and those transitioning from welfare to work.</p>
<p><b>West Company, Mendocino County, California</b>  Seeks to provide economic opportunity to low-income people, with a special focus on women and minorities, and to do that by the development of microbusinesses, providing business assistance and access to capital, and fostering policy development.</p>	<p><b>Targeted Microenterprise Program:</b>  NEW (Networking and Empowerment Work Group) Beginnings is West Company’s personal effectiveness program targeted to TANF women. West is piloting a sectoral welfare-to-work program that trains women to sew for income-patching opportunities.</p> <p><b>Blended Microenterprise Program:</b>  West’s microenterprise development program serves a TANF and working poor population.</p>
<p><b>Women’s Housing and Economic Development Corporation (WHEDCO), Bronx, New York</b>  Co-locates 132 units of low-income housing and an array of economic development programs at their Urban Horizons campus, including employment services, microenterprise training, a social venture training business in the food sector, youth programs, and fitness services. WHEDCO partners with a public school located on its campus site.</p>	<p><b>Workforce Development Program:</b>  WHEDCO operates a work-based Culinary Arts Training Program in its commercial kitchen and a city-funded welfare-to-work program that provides intensive services for adults needing maximum assistance to secure employment.</p> <p><b>Blended Microenterprise Programs:</b>  WHEDCO operates a Family Day Care Training Program that provides open-ended business development workshops and technical assistance to a growing network of regulated providers. WHEDCO also has experience with food microentrepreneurship.</p>
<p><b>Women’s Initiative for Self-Employment (WI), San Francisco, California</b>  Provides business training and technical assistance in English and Spanish to low-income women in the San Francisco Bay Area; also offers business support services, including one-on-one consultations, peer networking and support groups, special seminars, and small business loans.</p>	<p><b>Blended Microenterprise Program:</b>  WI has county contracts to serve women on TANF, who attend its self-employment training program with other low-income women.</p>
<p><b>Women’s Self Employment Project (WSEP), Chicago, Illinois</b>  Offers financial services and an entrepreneurial training program that provides a package of services to low- and moderate-income women to help them increase levels of economic self-sufficiency through self-employment.</p>	<p><b>Targeted Microenterprise Programs:</b>  Recent programs targeted to women on welfare have been On-The-Business Training (a job placement/entrepreneurial training initiative), and the Women’s Business Initiative (an 18-week entrepreneurial training course). While OBT has been discontinued, WSEP still offers the 18-week program, but targeted to a broader audience of women on TANF as well as low-income women and women who want a day-time class or the longer format.</p>

Corporation for Enterprise Development focused on welfare recipients only. The other study, The Aspen Institute's Self-Employment Learning Project, included welfare recipients among the general population of low-income entrepreneurs it surveyed. Currently, The Aspen Institute is conducting the first study of the impact of self-employment on TANF recipients. It is a longitudinal survey of ten microenterprise programs funded by the Mott Foundation to serve TANF recipients.<sup>1</sup>

In addition to direct services, the programs have succeeded in influencing policies favorable to microenterprise. As driving forces behind, as well as participants in, welfare reform coalitions, they have gotten some states and/or localities to:

- Count microenterprise training, small business start-up, vocational training and full-time post-secondary education as allowable work activities.
- Provide child care and/or transportation aid to women on TANF in microenterprise training, business start-up, or a job.
- Establish Individual Development Accounts (IDAs) in which women on TANF may participate (these are dedicated savings accounts, matched by public or private funds, to help low-income people build

## BOX 2

KEY OUTCOMES FOR SELF-EMPLOYMENT PROGRAMS SERVING WELFARE RECIPIENTS		
	SEID*	SELP**
■ Number of welfare recipients enrolled	1,687	138
■ Number of states represented	5	7
■ Percentage of enrollees who completed training	78%	N/A
■ Percentage of trainees who started or expanded a business	31%	31%
■ Percentage of businesses that survived at least two years	79%	73%
■ Number full and part time jobs created per business	1.5	1.6
■ Percentage that reduced welfare receipt	Reliance on AFDC as primary income source declined 65%	AFDC receipt down by 26%
■ Percentage that left welfare	N/A	7.2%
■ Percentage that pursued other employment	13%	N/A
■ Percentage that pursued further training or education	7%	N/A

\*SEID is the Self-Employment Investment Demonstration of the Corporation for Enterprise Development, a five-year demonstration project designed to test the extent to which self-employment could offer a route out of poverty for welfare recipients; the study was implemented in 1986.

\*\*SELP is the Self-Employment Learning Project of The Aspen Institute, a multi-year project aimed at demonstrating the impact of microenterprise and self-employment programs; it tracked 405 entrepreneurs from 1992 to 1996, documenting income changes and poverty status.

SOURCE: "Realizing the Promise of Microenterprise Development in Welfare Reform," Ray Boshara, Robert E. Friedman, and Barbara Anderson, Corporation for Enterprise Development, 1997, page 12.

assets for home purchase, business development, or education).

- Permit more generous income and asset disregards, enabling women to remain eligible for some TANF

income support and benefits, like Medicaid, while starting a business.

- Stop the clock when a TANF participant is engaged in any acceptable work activity.

<sup>1</sup> Baseline data on outcomes for over 500 participants in the Aspen study will be published in the spring of 2001, with 12-month follow-up findings to be published in the fall of 2001 and 2002, respectively

Today, all of the organizations surveyed have witnessed dramatic declines in the number of women on welfare in their states, which in turn has made recruitment very difficult. The most job-ready women have left the rolls. Many of those remaining lack the entrepreneurial spirit, resources and support to start a small business. In addition, TANF's work-first philosophy and stringent time limits discourage women from participating in entrepreneurial training. They fear devoting the precious time during which they can still collect welfare benefits to an activity—starting a business—at which they may not succeed. Most want the security of a job. The numbers bear this out. Detroit

Entrepreneurial Institute (DEI) used to hold one orientation to recruit 40 women on welfare per cycle for its Self-Employment Initiative; this past year, it had to have an average of 8 orientations to recruit 33 people per cycle. DEI now conducts 4 training cycles per year to meet their contract goal of 100 enrollees. Acre, Good Faith, Institute for Social and Economic Development (ISED), Women's Self-Employment Project (WSEP) and Women's Initiative for Self-Employment (WI) all report more difficulty than ever recruiting women on welfare for their self-employment programs. Paraprofessional Healthcare Institute's (PHI) South Bronx cooperative has experienced the same dif-

ficulty in its recruitment of women for its home health aide training program. In the past, 85 percent of the women in the program were on welfare; today, 53 percent are. Over half the women used to be referred by the public assistance agency; today, the number is 7 percent.

Despite these challenges, none of the program representatives surveyed felt that the current situation spelled the end of microenterprise training for women on welfare. Energetic women continue to enter programs with the goal of self-employment and to succeed. But the current climate has affected the profile of the women being served, and the program strategies needed to respond.

# CASE STUDY 1

## FOR WOMEN ON WELFARE, A NEW BEGINNING WEST COMPANY'S WELFARE-TO-WORK PROGRAM

The following profile of West Company's microenterprise training program highlights its case management approach to the needs of women on welfare, especially its NEW (Networking and Employment Work Group) Beginnings group, and its successful collaboration with northern California's Mendocino County Department of Human Services/Job Alliance Program.

The NEW Beginnings group is gathered on a Thursday morning for its bi-monthly meeting at West Company's north coast office in Fort Bragg, California. Seated around the room are women on TANF whose road to self-sufficiency will include deriving at least some of their income from their own businesses. A mother of four makes soap at home to sell to tourist shops on the coast. Another woman with her husband and children has established a "sea vegetables" business, drying and packaging kelp. Another is a photographer who is considering positioning herself at the station for the tourist "Skunk Train" that snakes through the stunning Redwood Hills; her plan is to take pictures of the tourists before they set off and sell them the prints when they return. In rural, mountainous Mendocino County, where families have long

lived by their wits and small business ventures are common, all the women are patching, that is, combining welfare and perhaps some wage income with income from their nascent businesses.

At the front of the room is someone who has walked in their shoes. "I came to West Company in 1989 as a mom who had been on welfare for nearly 20 years," recalls Tola Levison, a strongly built woman with a warm smile, manager of West Company's Welfare-to-Work Program. "I've pushed a shopping cart home from the grocery store, loaded it with my laundry, did my laundry, then brought the cart back again," she recalls. "I know how humiliating that is. I know how horrible it is to not have any hope that anything is ever going to get better."

Levison arrived at West Company with "a whole suitcase full of baggage," she says. Her mother was in prison by the time Levison was seven. Levison grew up in foster homes. She ran away at 14 and dropped out of school. At 15, she had her first child, which is when she went on welfare. After that came two more children. The turning point for Levison was when her son was remanded to the

same prison where her mother had been. "I saw the patterns repeating themselves," she says, patterns she wanted "desperately, desperately to change."

### Crushing Barriers

The women on TANF that West Company serves today face barriers every bit as crushing as the ones Levison faced. They have extremely low self-esteem, high illiteracy rates, meager education, no transportation, no child care, mental illnesses, drug and alcohol problems, and devastating experiences with domestic violence, child sexual abuse, and the courts. They must deal with more subtle barriers as well. When they take jobs outside of their homes, lovers and children used to their consistent presence and undivided attention can be critical and unsupportive.

There's also the matter of deconstructing what poverty actually means to the women, what they don't like—and what they like—about being poor. "Fewer responsibilities, more time with family and friends, and a feeling of poverty proficiency are some of the reasons people give for feeling overwhelmed and wishing they could just get back on welfare once they've come off," says Sheilah Rogers, West Company's

director. “Having a greater understanding of the thought processes that drive or undermine one’s ability to succeed are an important aspect of the work.”

Though the barriers are similar, the women seated in West Company’s coast office on this day are in a very different welfare system than the one Levison entered. While Levison reports it took her ten years to achieve economic self-sufficiency, the women on TANF today in California have a five-year lifetime benefit limit. Within 24 months of receiving assistance, they must get a job or participate in community service.

Building on years of productive work with the local welfare department, and participation in the California Association for Micro-enterprise Opportunity (CAMEO), West stepped up its commitment to the TANF population in 1998. In collaboration with the Mendocino County combined social services and job alliance program department (DSS/JA), and with a grant from the Charles Stewart Mott Foundation, West hired Levison and developed a program to ensure that self-employment would be an option for women being pressured off the welfare rolls.

The program began with a cross-training session that brought together West’s staff with staff from DSS/JA. That was quickly followed by the joint development of intake and operating procedures;

the designation of a staff person at each of the six DSS/JA offices as West Company’s self-employment contacts; and the location of West Company’s NEW Beginnings group in the DSS/JA office in Fort Bragg. Today, Levison makes recruitment presentations at most DSS/JA offices every month.

### A Fruitful Collaboration

Unlike many enterprise programs in California and across the country that have contentious relationships with their local welfare departments, West and the Mendocino County Department have a fruitful collaboration. “We have a very strong, healthy working relationship with the welfare department,” says Rogers. “Their leadership totally believes that microenterprise is an important option for welfare clients because there are lots of really poor jobs in our area. They’re dedicated to providing that option.” The cross-training was critical to garnering the department’s support, Rogers adds, since the microenterprise option creates extra work for caseworkers. “They barely have time to turn around,” she says.

Levison has found that carrying a message to the caseworkers about income patching works better than trying to sell self-employment alone. “So the workers wouldn’t think we were trying to derail the clients that they were trying to find jobs for, we had to repackage our message,” explains Levison. “The lesson I’m teaching there is that you might not be able to walk out with

the perfect job. You may need to consider taking some skill, something you already know how to do, and turning it into some small self-employment activity to add a piece to that income pie.” The shift in message has been critical. “It was our foot in the door as far as the line workers went,” says Levison. As for the women, the message goes a long way toward “validating what they’ve probably already been doing,” she says.

Women interested in enrolling in West Company’s business development program tell their TANF caseworker, who in turn faxes a referral to West. West calls the woman, who is invited in for an orientation and to attend two classes that West treats as self-assessment tools. “Reality Check” explores personal readiness to start a business, while “Starting a Business” looks at the feasibility of the particular business idea. After that, if the woman is still interested, Levison meets with her to develop an Individual Self-Employment Plan. That plan, which must be approved by the caseworker, delineates how the woman will meet the TANF requirement for 32 hours of “work” each week.

Essentially, the woman’s “work” will be a mix of group entrepreneurial skills training (in a blended class of TANF and non-TANF recipients); “personal effectiveness training,” that is, the NEW Beginnings support group, which is mandatory for women on TANF; actual business

development, with the help of consultants from West; and possibly, a part-time job. Participants must also save money, which can include opening an Individual Development Account or IDA. Loans are available, too.

The welfare department will provide the woman with transportation vouchers, child care assistance, and \$150 to pay for a business license. In addition, once the woman begins to earn money from her business, she will be able to take a standard deduction from her gross income or deduct actual verified expenses to arrive at her net income; it is on her net income that her continued eligibility for at least some TANF income support will be based (see Box 3 for full illustration).

### The Role of Advocacy

Another key to West's working relationship with the welfare department, says Levison, is that "West Company is accountable for the clients that social services sends to us." She is in regular contact with caseworkers, through case conferences and by phone. Frequently, Levison acts as an advocate.

Recently, a West client on TANF began to run a children's clothing consignment store. Levison sent the woman's Self-Employment Plan to the TANF caseworker, who sent it back approved, but added that the woman had to be making a certain profit within 90 days. "We had to call him back

and say this was unrealistic," reports Levison. Sensing that the worker might have doubts about the legitimacy of the business—"Oh, consignment. It sounds like you're having a garage sale," remarks Levison—she suggested he visit the store. When the worker did, he saw that it was a real enterprise struggling in a less than ideal location. He adjusted his expectations and approved the plan.

Shortly thereafter, the woman stopped coming to NEW Beginnings. When Levison called, she discovered that the woman had been the victim of a domestic assault. With the woman's permission, Levison told the caseworker. He, in turn, got the woman a 90-day deferral, which stopped the clock on her welfare benefits, relieved her of work and training responsibilities, and freed her to enter the counseling program at a local battered women's shelter.

West Company also builds in opportunities for the women to become their own advocates. When Levison invited women from her NEW Beginnings group to attend a dialogue on poverty at a town meeting, one became so enthusiastic that she wanted to participate in the follow-up meeting at the state capitol. The woman had no child care, no transportation, and no spare money, but with Levison's coaxing, applied for, and received, a scholarship, to attend. For the first time in her life, the woman spoke before a large crowd.

"That kind of advocacy is so important," says Levison. "It's empowering and validating. It means that what the women think and say matters."

Since 1997, West has assisted 76 welfare-to-work clients, 60 of them women. Of the women, 16 or 27 percent have started businesses. As with many other microenterprise training programs, several women (20) went through the program, then left to take jobs. To Rogers, that, too, is a success. Women who have been through microenterprise training "make better employees because they have an understanding of how a business works and are likely to take more initiative in doing what needs to be done to keep it functioning well," says Rogers. "Successful employment is showing itself to be one of the foundation pieces upon which successful microbusiness is built."

As to whether she thinks self-employment remains a route out of poverty for women on welfare, Rogers replies with a cautious yes. "It's not a quick fix," she explains. But to discount the option because it will not work for large numbers of people misses the point. "A welfare client can be every bit as successful once they launch a business, if it's a viable business and they've got organizational backing...Small business is the driving force in the country. Why disallow it for the welfare population?"

# CASE STUDY 2

## TRAINING FOR CHILD CARE NOT A NUMBERS GAME ACRE FAMILY DAY CARE AND WOMEN ON WELFARE

The following profile of Acre Family Day Care Corporation explores the factors in Acre's success in helping women on welfare to become economically self-sufficient, from marketing assistance to long-term involvement, as well as the challenges Acre faced when it contracted with the state to serve women on TANF.

When Stephanie\* came to Acre Family Day Care for training as a home-based child care provider, she was on welfare. A public housing resident, she lived in a little clapboard house with a patched roof that had a tiny living room and kitchen on the first floor, and two bedrooms for her and her five children upstairs. Despite the cramped living quarters, Stephanie met the state's minimal residential requirements for approval as a family day care provider. She completed Acre's training program and built up her business to four children, caring at home for her two youngest as well, who were not yet in school. Stephanie was able to leave welfare, having used up her two years of income support.

Then, disaster struck. Stephanie's youngest child suddenly died of a heart condition. Before she had a

chance to catch her breath and grieve that loss, she was pregnant again. As Stephanie moved through that difficult pregnancy, Acre's home visitor soon recognized the obvious: Stephanie was completely exhausted. "I pushed very hard for Stephanie to take what we called a vacation," explains Acre's devoted founder and director, Anita Moeller. "She needed time off. It's something she never would have asked for on her own. It's too scary. Her living depends on her business." Stephanie took two weeks off, during which Moeller and her staff arranged for temporary care for Stephanie's charges. At the end of the two weeks, Stephanie resumed care for just two children so that she could bring in some income until her baby was born.

When programs that contract with home-based providers have a situation like this one, they face a terrible dilemma. In Massachusetts, a woman on TANF can receive income support for no more than two years within any five-year period. Once that benefit has been used up, the woman cannot receive additional income support, even if she has another child. "It puts us

in a very difficult position," explains Moeller. "What are we supposed to do? End Stephanie's contract when she's six months pregnant, knowing she has nothing to fall back on?"

Though Acre certainly could have made that choice, it did not. Had Stephanie's behavior jeopardized the children in her care, of course, that would have been a different story. But Stephanie was a capable provider who had fallen on hard times. She needed support, which is Acre's stock in trade. Instead of abandoning Stephanie, what Acre chose to do was to "stay very active in her life." Acre is well positioned to do that: While state representatives routinely visit providers only once every three years for re-licensing, Acre's staff makes monthly unannounced home visits to all of its providers, assisting them in all aspects of managing their businesses. Stephanie had regular telephone conversations with Acre's staff during this difficult period and received a home visit at least once a week.

### About Acre

Acre is one of the most highly regarded programs in the country

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\*Stephanie is a pseudonym; some details of her story have been altered.

for moving women from welfare to self-sufficiency through the establishment of home-based day care businesses. It has become a national model, a role it will step up with the launch of its new training and policy institute.

Acre's success, however, has never been about numbers. During its 10-year history, Acre has trained more than 200 low-income women to be family day care providers, which averages just 20 a year. The training program is intense. In contrast to the state's meager licensing requirements for home-based child care providers—just a few hours of training and a home visit by a state licenser—Acre offers a 240-hour, 12-week program. Each week, the trainees spend 8 hours in classes taught in English, Spanish, or Khmer, and 12 hours interning in the homes of established providers and local day care centers. Today, 45 women belong to Acre's provider network, though many others trained by Acre are now highly skilled employees, many bilingual, working for local child care, health and social service programs.

The women Acre serves have enormous personal barriers to overcome. Many are recent arrivals, including Hispanic, Vietnamese and Cambodian immigrants and refugees whose second language is English. Many lack job experience and education. They struggle with problems from unplanned pregnancies to domestic abuse to low self-esteem. The vast majority at some point have been on wel-

fare. Of the 59 women who graduated from Acre's training program from 1997 through 1999, 41 had been welfare recipients at some point in their lives, including 30 who were on welfare at the time they entered training. After training, 25 of those 30 were off the rolls—19 joined Acre's network, 5 took positions with other child-care related jobs, and one became an independent provider.

Unlike women involved in many microenterprise programs, the women in Acre's network by and large do not patch income. They earn a living entirely from their day care businesses. That is due in part to the length of their work days, from early morning until late in the day, and to how good their earnings are. A result of policy advocacy, including Acre's, Massachusetts has among the highest per diem day care reimbursement rates in the country (up to \$23 per day), and Acre family day care providers in 2000 earned an average annual income of \$35,000.

#### **Acre's Success: Contributing Factors**

Many factors contribute to Acre's success. First, Acre carefully screens applicants to its program. Out of a waiting list that ranges from 60 to 80 women, Acre can only accept 20 trainees per class. "We pick people who have a good chance of being successful in this business," explains Moeller. At one time, Acre would accept the woman who wanted to learn about child development to become a

better parent, not primarily to start business. That's no longer the case. Today, Acre is looking for the woman who is "motivated," ready, willing and able to start a business as soon as possible, who has appropriate space, basic literacy skills, some understanding of what she is getting herself into, and an entrepreneurial spirit.

Second, Acre does for the budding microentrepreneur what she, in another type of business, would have to do for herself. In that way, Acre's model has as much in common with a worker-owned cooperative as it does with a microenterprise training program—for example:

- While microenterprise organizations help microentrepreneurs to market their products and services in this competitive economy, Acre does the major marketing of family day care services for its providers. It contracts with state agencies for state-subsidized child care slots, then subcontracts with its providers. Acre leases four vans that get children to and from the providers' homes, further enhancing their providers' marketability. The fact that Acre focuses on one sector only enhances its ability to devote so many of its resources to that sector.
- The average microentrepreneur must project income, which often comes in erratically. By contrast, Acre bills the state and then pays its providers on a regular, biweekly basis, drawing funds

from a designated line-of-credit Acre has at a local bank.

- If a provider takes out a loan from Acre, repayment requires no planning from the provider; Acre draws down the loan right out of the provider's check.
- Though Acre's providers have no traditional job benefits, Acre offers its workers the opportunity to build assets by establishing an IDA, which a large proportion of its providers have used to buy homes. Acre also arranges back-up coverage for time off for its providers, and the providers are paid for 14 holidays a year (covered by state reimbursement). In addition, Acre is working with other groups in the state to develop a health insurance program for home day care providers.
- Unlike the isolation an unaffiliated provider experiences, Acre's providers belong to a network that offers many opportunities for interaction and support.

### Experience with State TANF Funding

Since its inception, Acre provided training to women on welfare. In 1997, for the first time, Acre entered into a contract whereby the state of Massachusetts would pay Acre to train women on TANF to be family day care providers. Acre's staff made presentations to the caseworkers at the Lowell welfare offices to get the program started. Then, welfare workers regularly attended Acre's orienta-

tions for new providers, bringing reams of welfare department forms to be filled out on the spot. Acre's staff worked on an ongoing basis with the casework staff.

While Moeller successfully completed that contract and in fact renewed for one more year, after that, she chose not to reapply. "It was just too much pressure," she says, "on the providers and on us." For one thing, Massachusetts requires that all women on welfare with children over six either work or perform community service for 20 hours a week. While the local welfare department accepted time in Acre's 12-hour-a-week internship as "community service," some caseworkers required trainees to spend a full 20 hours interning or in some additional approved work activity. On top of the eight hours each woman had to spend in class each week, this posed a hardship for some trainees. In addition, the local office refused to stop the women's clocks while they were in training; time spent in the training program counted against the women's two-year limit on TANF income support.

Also, the state welfare-to-work contract required women on TANF who came through Acre's training program to be in business within 90 days of completing the program. If they were not, the women were considered by the state to be "negative terminations." That meant that Acre did not receive the second half of the funding for their training. Many of the

women, Moeller points out, did start successful businesses after that 90 day cut-off. "There are lots of reasons women don't start immediately," she explains. "They might be pregnant, need to move, need time to raise money to buy materials." And, she explains, "welfare recipients don't live in the fanciest places, so their services can be harder to market."

Finally, the local welfare department lacked a system for accurately computing TANF benefits due a microentrepreneur whose business had just begun to produce income. As stated in other parts of this paper and illustrated in Box 3, microentrepreneurs on TANF are allowed to deduct business expenses from business income to arrive at a net income figure, which in turn can extend the duration of their eligibility for benefits. In addition to the welfare department's failings in this regard, Moeller reports that Acre's graduates were so worn down by the system that once they began to earn money, they refused to wrangle with the department anymore. They voluntarily left the system, even though that meant they could lose income and other benefits to which they were entitled.

Though Acre no longer has a state contract to serve TANF recipients, Moeller's goal remains to recruit half of Acre's trainees from the welfare rolls. With the dramatic decline in the rolls in Lowell, however—which are half what they were several years ago—Moeller admits

that this is becoming increasingly difficult. Still, Acre remains focused on training low-income women and on supporting them over the long haul.

Carmen Rivera, a slender woman with long, graceful arms that wrap easily around her adoring charges, has taken advantage of just about every aspect of Acre's program during her nine years as a provider. A former welfare recipient, Rivera, 43, has come a long way since she arrived in the U.S. at the age of 29 with two young

children. "I slept on the floor in my first apartment," she says. "I just had enough money to pay the rent and buy a bed for my kids." After four years on welfare, Rivera moved to public housing and learned English. Acre enabled her to obtain her family day care license and to become one of New England's first bilingual (Spanish-English), certified Child Development Associates, a nationally recognized credential that entitles the provider to higher reimbursement. Today, Rivera has her own home, which

she renovated with an Acre loan, and a thriving business, making in excess of \$35,000 a year. She's also an active member of Acre's board.

"You can't just train the women and then leave them to fend for themselves," says Moeller. "The program has to be community-based. You have to be able to go right over to Carmen's house if she has a problem. You have to know her. It's not just about numbers. This is not about mass-producing child care providers."

# CASE STUDY 3

## COMBINING ENTREPRENEURIAL TRAINING AND JOBS WSEP'S ON-THE-BUSINESS TRAINING PROGRAM

The following profile of the Women's Self-Employment Project's (WSEP) On-the-Business Training Program describes an inventive attempt to combine microenterprise training with job training for TANF recipients and to target both aspiring and established entrepreneurs.

Elois Steward speeds through the rooms of the building she just bought in southwest Chicago, which houses her successful ten-year-old firm, Educational Specialties. An expert in curriculum development who also carries a line of educational supplies, she was one of the first microentrepreneurs ever to pass through the doors of WSEP. Since that time, she's kept in close touch with WSEP. When she saw an ad in the WSEP newsletter recruiting business owners to hire women on TANF as part of a new welfare-to-work program, she volunteered. "I thought I was the kind of person who could nurture somebody," she says. An added incentive, she reports, was the temporary stipend she would receive towards the employee's salary.

When Rose Smith—the gracious, mature mother of a recent college graduate and a high school student—walked through the doors of Steward's newly rehabed store-

front, she had been on welfare for nine years. While financial pressures led her to the rolls initially, she had long wanted to get off. "I went on job interviews, but everywhere I would go, they wouldn't hire me," she says. "They gave me all kinds of excuses." In addition to looking for jobs during her years on welfare, she went to business school to learn word processing and had her own home-based sewing business.

Steward and Smith represent WSEP's two major constituencies—established small business owners who have been through WSEP's programs and want to expand, and aspiring entrepreneurs, including those on welfare, who are interested in starting a business. Recognizing the burden and the opportunity of welfare reform, WSEP developed a program called "On-the-Business Training" (OBT) to assist both constituencies. OBT was intended to incorporate the best of entrepreneurial education and mentoring with on-the-job training. Its goal: to recruit and place 41 women in businesses over a 2-year period, from 1998 through 2000.

An OBT client, Smith was placed at Educational Specialties to capitalize on her word processing skills

and her interest in an office job. At the same time, she took WSEP's entrepreneurial training course, which brought the realities of starting her own business into sharp relief. The 18-week course taught Smith things like the ins and outs of pricing, which she'd never had any idea how to do with her sewing jobs. But it also taught her that "having a business is a lot of work," she explains. "You have to be ready to do it. You have to have the money; you have to have the clientele; you have to do networking and marketing. I'm just not in for that." While feeling that the training was "a good thing," should she choose one day to focus on a business, Smith is delighted to have a job and a check every two weeks. Now a permanent employee of Educational Specialties, Smith left the welfare rolls in December of 1999. She still sews on the side.

### State Contract Supports OBT

WSEP has a long history of work with women on welfare, and in fact had been operating a federally funded program to place TANF women in jobs. However, OBT marked the first time that WSEP entered a performance-based contract (with funding dependent on specific outcomes) with the Illinois State Department of Human

Services to become a placement resource for women on TANF. The Mott Foundation was OBT's other major funder.

WSEP provided the employers in OBT with a 30-hour a week employee; a 6-month stipend toward that employee's salary equal to half the minimum wage (which employers were expected to exceed in the salaries they paid); and the option of advanced training and technical assistance for themselves. To the women on TANF, the program provided a two-week job readiness course; an extended, entrepreneurial training course (18 weeks, compared to the usual 12), offered during the day and designed to accommodate lower literacy levels; and a full-time case manager.

The women on TANF in OBT received other benefits as well. They were able to take advantage of Illinois' earnings disregard, with their welfare income reduced just \$1 for every \$3 they earned (see Box 3 for illustration). The clock on their two-year benefit limit stopped as soon as they entered the program. WSEP received state funding to provide TANF women in OBT with stipends for child care for one month, though after that, the women had to get support directly from the state, which sometimes resulted in delays and required the women to make co-payments for the care. WSEP also received funding to provide initial stipends for transportation, though continued support was left up to the caseworker's discretion.

Of the 27 employers recruited for WSEP's OBT program, five were established WSEP businesses. In fact, recruiting WSEP employers proved to be a major stumbling block. Says WSEP's new president, Wanda White, who recently replaced Connie Evans (now directing WSEP's private ventures arm): "Microenterprises evolve over time. They first employ family and people who are connected to them before they reach outside to get employees...Even though we may have businesses that need employee assistance, it's not automatic that those businesses are ready to hire from outside their natural networks."

Moving outside of the WSEP family of woman-run businesses proved to be daunting as well. Of the 400 businesses outside the WSEP network contacted by WSEP to participate, less than 25 responded. "It goes to show the resistance to hiring welfare recipients, even with a subsidy," says Sharron Matthews, who directed WSEP's Welfare to Work Department, including the OBT program.

### Unlikely Partners

Among the non-WSEP businesses that did respond were a few unlikely partners for a pioneering enterprise organization like WSEP. One was Dock's Fish Company, a fast-food restaurant on Chicago's south side. When Edna Fort—an intense and vibrant mother of three—took over a register at Dock's, she'd been on welfare for 18 years. Referred by her TANF

worker, Fort knew WSEP helped women to start businesses and that interested her, but she didn't have much hope. "I didn't feel I would get anything out of it," she says. "I'd been in other programs that didn't lead anywhere."

Pressured by her family to assume a traditional role, Fort had stopped working when she was a young mother to tend her infant, then had two more children. She did get her GED, presided over the PTA for a time, held some odd jobs, but never found a place in the mainstream work world. Her self-esteem suffered enormously. "I didn't have the knowledge I have now of what I could do. I thought in my life, this is all I can have. I didn't feel important in the world."

In 1998, Fort attended WSEP's job readiness course; was prepped for her interview at Dock's, where she was hired on the spot; moved through the 18-week entrepreneurial training course; and soon became a permanent Dock's employee. While Fort entered OBT with only a vague interest in starting a business, by the fall of 2000, she had developed a clear entrepreneurial goal and the confidence to make it happen. Following in her sister's footsteps, and with the help of WSEP's indefatigable case manager, Judith Nerette, Fort got her license to become a family day care provider. No longer on welfare, she cares for three children in her apartment, while working part-time at Dock's.

Fort believes she could not have gotten to this point on her own. “It all started from WSEP,” she says. “If I didn’t have them to pull me up every morning, I don’t know what I’d be doing when they completely cut off my public assistance. WSEP opened up my eyes. They kept repeating over and over again that I was worth something. They saved my life.”

In addition to the difficulties WSEP faced in recruiting WSEP businesses for the OBT program, recruiting TANF women presented challenges, too. WSEP staff spent countless hours conducting orientations at the 24 Illinois Department of Human Services offices and maintaining ongoing relationships with the caseworkers. While this resulted in some solid referrals, it also—especially in the beginning—brought to WSEP women who were just looking for jobs. In the end, out of almost 200 women recruited, WSEP was able to make 44 placements. Of those, 23 remained employed after three months following the placement period. So far, Fort is the only woman who came through the program who has started a business.

### Changes Ahead

In the meantime, WSEP has decided not to enter into another state contract for job placement. OBT “has not been one of WSEP’s most successful ventures,” explains White. “WSEP is not a placement agency, but a microenterprise business support agency.” WSEP found that job placement

was extremely labor intensive and called for “another level of resources,” in terms of people to develop relationships with businesses, make placements and monitor those placements.

The only area where White can see WSEP possibly continuing to make job or business placements is family day care. This is because public sector resources are increasing, WSEP has women interested in starting such businesses, and day care is an industry where, says White, “employment opportunities go beyond family.” White also plans to provide informal opportunities within WSEP for aspiring entrepreneurs looking for jobs to connect with established entrepreneurs seeking employees. She will do this through WSEP’s new “Money and Markets” initiative, which will feature general membership meetings open to anyone who has participated in a WSEP program, including established and aspiring entrepreneurs. And, she will refer WSEP clients seeking jobs to existing placement agencies.

Other big changes are underway. WSEP will be transforming its case management services into “member services.” Anyone enrolled in “Money and Markets”—women on TANF and women who are not—will be entitled to regular one-to-one technical assistance sessions with the former case manager, which can focus on personal or business matters. WSEP also has disbanded its Welfare-to-Work Department. While establishing a

department to address TANF women’s special needs seemed like a good strategy, in fact, there were serious drawbacks. By altering the institutional structure in that way, says White, “we end up violating one of our own principles...creating a designation that buttonholes or pigeonholes women.”

The move at WSEP today is to integrate women on TANF as much as possible into all of the agency’s programs. This includes the entrepreneurial training course (called the “Women’s Business Initiative”). While WSEP is no longer placing TANF women in jobs, it continues to recruit women on TANF who want to start small businesses to participate in the course. As a result of WSEP’s policy advocacy, participation in this course is considered an allowable work activity by the local welfare department.

Unlike OBT whose focus was less on business start-up and more on job placement, the Women’s Business Initiative is having some success in equipping women on TANF to start businesses. Of 43 women on TANF who completed the training since 1998, 12, or 28 percent have launched businesses. However, only three participants (7 percent) have left welfare entirely. In reality, that number might be low because Illinois does not drop women as soon as they begin to earn income. Rather, through business deductions and the generous share of income it disregards (see Box 3), the state enables women on welfare to col-

lect supplemental income longer as their businesses grow.

Having observed that TANF women often attend WSEP's general rather than its TANF-targeted orientation, and its standard 12-week rather than its TANF-targeted 18-week entrepreneurial training program, WSEP today is inviting TANF women to decide for themselves which orientation and which entrepreneurial training course they will attend. WSEP still offers the 18-week program, but it

is now targeted to a broader audience of women on TANF as well as low-income women and women who want a day-time class or a longer format.

In addition to countering the stigma that TANF women might feel by being separated from the larger group of WSEP clients, White believes that integrating them more completely into programs also provides the opportunity to showcase their strengths. She describes one particular strength as the "expectation of accountabil-

ity." "TANF women tend to find out more of what's available to them than the average person," says White. They also "ask the harder questions, like: 'Why should I come here?' Because of their experiences within the welfare system, they are much more challenging to organizations about accountability of service."

"Everyone has always looked at women on welfare as if they need to be following others," White adds. "In fact, these are women who others could learn a lot from."

# THE BARRIERS TO SELF-SUFFICIENCY

All of the organizations in this survey shared similar observations about the daunting barriers faced by women on welfare in their move to self-sufficiency. Some barriers are posed by the circumstances of the women's lives, others by the new welfare policies and the often arbitrary manner in which those policies are interpreted.

## The Personal Barriers

Many women on TANF—particularly today—struggle with numerous personal, family and medical problems that impede their success in becoming employed, problems even more debilitating for those trying to manage the demands of starting a small business. The barriers they face range from low self-esteem, to domestic violence, depression, other mental health problems, alcohol and substance abuse, unplanned pregnancies, histories of child sexual abuse, and untended medical, psychological, and vision problems. The women frequently have limited education; lack basic language, literacy and math skills; speak English as a second language; and have learning deficits and developmental disabili-

ties, often undiagnosed. Many have sporadic work histories or no work histories at all. They lack transportation, phones, and adequate housing.

Many poor women have assumed traditional roles in their families, whose members are extremely dependent on them. Leaving home to work can cause severe role conflict for the women, and great frustration for family members, who may try to sabotage the mother's efforts. Some are women in their 30s and 40s who tend their parents as well as their own children, which poses additional obstacles. Not only must women on TANF find the courage to alter their roles in the family, they also must dramatically alter their social roles in the broader community. They must move away from a social system that reinforces their disconnection from the mainstream—which can be perceived as rejection by their closest neighbors and friends. And they often must do this without the role models or mentors who can ease and support that transition.

Many women on TANF live in economic isolation. For them, marketing requires more than locating profitable outlets; it means building enough confidence to move into a far wider economic sphere. The economic isolation can have a cultural component that further limits economic options. Jeanne Donado, former director of ACEnet's STEP program, refers to the "Appalachian temperament," which fostered self-sufficiency in the women in her entrepreneurial training program, but also bred such distrust of outsiders that some of the women refused to open even a free bank account.

Finally, while women on TANF are praised for their resourcefulness, sometimes even the most well-meaning microenterprise programs can fail to appreciate the extent of the barriers. After launching a program to help women on welfare become home-based knitters, Appalachian by Design (ABD) found that some of the women had to take a 45-minute bus ride to the office and home several times a week, while carrying a heavy knitting machine

back and forth. They had no phones, so they could not call in for technical assistance; had such limited math skills that they could not compute the number of stitches needed to knit a specific number of inches; read so poorly that they could not decipher patterns; and had no cash reserves so they were unable to pay the postage to mail their finished products to ABD. “People were beginning to talk about welfare reform,” recalls Mary Ann Stone, who directed the program, “and we were trying to reach out to women on welfare. I don’t think I realized all of the barriers there could be.”

### The Policy Barriers

The other barriers faced by women who are transitioning off TANF and participating in enterprise programs around the country are posed by the new welfare policies, particularly the rigid emphasis on “work first.” Among the most troublesome policy barriers cited by the enterprise organizations interviewed for this survey were:

- Irrespective of their interests and goals, women on TANF are pressured to take any available job rather than to pursue education or training programs, including microenterprise training, or alternatives like self-employment.

New York City’s welfare department, which has a very stringent work-first orientation, shows this policy barrier at its most extreme. In New York City, WHEDCO has had trainees in its family day care entrepreneurship program

(in which a small portion of women on TANF enroll) removed from the program and placed into “workfare” assignments. (While WHEDCO for a time operated an enhanced “WEP,” or Work Experience Program, in New York City, providing women on TANF with job readiness, training and internship opportunities in lieu of standard “workfare” placements, its family day care entrepreneurship program has never been a welfare-to-work initiative). When this happens, WHEDCO staff appeals to the welfare department to allow the women to stay in the family day care program, but, says program director Diana Perez, “there is no guarantee that the advocacy will work.”

- Even when states formally accept microenterprise training as an allowable work activity, local welfare departments and individual caseworkers can impede the implementation of that policy

“Even though it’s written into the DHS manual that microenterprise is an option and that TANF recipients can be in our program without working, they are pushed by some caseworkers to work,” says Angela Gravely-Smith, associate director of field operations for ISED in Iowa.

“You can have a caseworker who is supportive of the program and wants to help an individual explore the option of self-employment, but next door, or the next desk over, that worker may not be supportive at all.”

While West Company has tremendous cooperation from the Mendocino County Department of Human Services, Women’s Initiative (WI) has had very little cooperation in terms of getting referrals from local welfare departments in the San Francisco Bay Area—despite the fact that WI has contracts with county welfare departments to train women on TANF for self-employment. When WI submitted the names of women on TANF it had recruited on its own to one of those departments for approval, the department rejected most of them, which meant that WI had to absorb the cost of their training. Currently, WI is working with the California Association of Microenterprise Organizations and one of the counties to develop a self-employment assessment tool. Another county has decided that WI can only work with TANF clients who are in low-paying jobs so that they can patch additional income through self-employment.

- Contracts with state welfare departments to serve TANF recipients can create tremendous pressure on microenterprise programs that interfere with their ability to achieve their goals. Those pressures include:

*Recruitment Pressure.* Enterprise agencies are struggling with the demands of recruiting a pre-determined—and often unrealistic—number of clients from a welfare system committed to “work first” and reluctant, even recalci-

trant, to refer to training programs of any kind (an experience shared by Acre, WSEP, WI, DEI and even Good Faith in its workforce training program).

*Unrealistic expectations.* Agencies struggle to meet the unrealistic expectations of performance-based contracts that are not adapted to the realities of self-employment. For example, “positive terminations” have been defined as getting a new business up and running at a profit in just a few months. When agencies fail to achieve such unrealistic goals, they are financially penalized by not being paid for services they have rendered to that client.

*Interagency competition for numbers.* Because of the pres-

sure to meet designated numbers served, agencies contracting with the welfare department compete to “claim credit” for clients. WSEP encountered an agency trying to take credit for serving a client referred to WSEP’s OBT program after the client’s placement with that agency had failed. One agency to which WSEP sent a client for a single, concrete service pressured that client to enroll in their program. Work First contractors were reluctant to make referrals to DEI for fear they would “lose the placement,” even though Michigan allows both DEI and the referring contractor to count the same client.

- When local welfare offices have inadequate systems in place for disregarding business income and

deducting business expenses, newly self-employed women transitioning off TANF can lose their benefits prematurely

A family’s eligibility for TANF cash assistance depends on its income. Once a TANF recipient begins to earn income from a business, the family’s continued eligibility for cash aid will be computed based on how that income is treated. Under TANF, states have the option to allow the recipient to deduct business expenses from gross earnings to arrive at a net income figure. Then, states can allow her to disregard (that is, deduct again) a standard percentage or flat amount from her net income to arrive at the figure that will determine continued eligibility

### BOX 3

#### HOW BUSINESS INCOME IMPACTS TANF INCOME: A QUICK ILLUSTRATION

In California, the welfare recipient who begins to earn self-employment income can take advantage of both business deductions and earnings disregards in the determination of her continued eligibility for welfare payments. A woman living in a rural region with two children and no other income is due \$614 per month. Let’s also say that in a given month, she earns \$600 from her business. Here are the computations that will need to take place, on paper, to determine how much of her welfare check she keeps.

- First, she can deduct her business expenses from her gross income.
- She can either deduct the actual business expenses (they totaled \$200), which would bring her gross income of \$600 down to a net of \$400. Or, she can deduct 40% of her gross income ( $40\% \times \$600$  or \$240), which brings her net income down to \$360.
- Since she gains the greater reduction in net income from the flat percentage, she chooses that formula, thereby reducing her gross income of \$600 to a net income of \$360.
- Now, she can take advantage of California’s earnings

disregard—\$225 plus 50% of remaining income—which is available to anyone earning income from any source.

- First, she disregards \$225 from her net income of \$360, which brings that figure down to \$135. Next, she disregards 50% of \$135, which comes to \$68 (rounded out)—the amount of her income after deductions and disregards that will be subtracted from her welfare check.
- Subtracting \$68 from her welfare check of \$614 gives her a TANF benefit for the month of \$546. This is in addition to her business income, which she also keeps.

Different states have different formulas. Illinois allows the self-employed recipient to deduct allowable business expenses from gross income to arrive at net income, and then to disregard 67% of that net income (i.e., for every \$3 of net income earned, only \$1 is counted in computing continued TANF income eligibility). Massachusetts also allows the deduction of actual business expenses to arrive at net income, followed by a disregard of \$90 of net earnings (the woman on TANF a minimum of four months can disregard another \$30 plus 50% of remaining net income).

for TANF income support and other benefits, e.g., child care and health insurance coverage. (See Box 3 for illustration).

Despite the importance of such calculations to ensuring that women on TANF receive supplemental income support and other benefits for as long as they are eligible, both Acre and WI report that their local welfare departments have inadequate systems in place for accurately making these computations. As a result, both organizations have had TANF clients who, as soon as they began to earn business income, choose to leave welfare and forfeit benefits rather than wrangle with the department. In Illinois, where generous shares of business income and business assets have been exempted since 1992, a direct result of WSEP's policy advocacy, TANF recipients who are starting small businesses have had a hard time getting their caseworkers to put the paperwork in place so that they can take advantage of these exemptions. WSEP's case manager has often had to intervene.

- Difficulty accessing non-income benefits (child care, transportation subsidies, Medicaid), the limited benefits available, and the discretionary nature of some benefits pose great hardships for women on TANF.

In Illinois, WSEP provided child care and transportation funds to the women participating in its On-the-Business Training for one month. After that, the women had to access child care directly from the state agency, which could take months and require them to make co-payments. It was up to their case worker's discretion whether or not they would continue to get transportation aid. In Detroit, day care centers are refusing to accept children on TANF because of delays in state reimbursement. WI provides its own child care and transportation subsidies because the benefits that exist are so insufficient and hard to access.

- Women and their children can be sanctioned for noncompliance with TANF regulations; once so cited, the family can lose partial or complete benefits and must fight to be reinstated.

Nearly half of the several women on TANF interviewed for this paper reported having been inappropriately dropped from income support or Medicaid, and having had to fight for reinstatement. One woman—who was on TANF before she began to work for one of the organizations surveyed—was told that her benefits would be cut

because she failed to keep an appointment; however, she was able to show that the letter scheduling her appointment was postmarked after the appointment date had passed. In 1998, the General Accounting Office found that formal sanctions resulted in 112,700 families per month (4.5 percent of all TANF families) receiving reduced TANF benefits, and 16,000 families per month losing all cash benefits. The actual number of families dropped due to sanctions, as well as inappropriate procedural terminations, is estimated in fact to be much higher.

- Shifts in funding impact the availability and structure of support services.

Aspiring entrepreneurs on TANF who attend the Good Faith Fund's Arkansas Women's Business Development Center (which is funded by the Small Business Administration), for example, do not have a support group or an assigned social worker because there is no funding for these purposes. On the other hand, Good Faith's state-funded workforce development programs, which train people on welfare for healthcare or manufacturing industry jobs, provide funding for assigned social workers.

# RESPONDING TO THE BARRIERS: STRATEGIES THAT WORK

Despite these barriers, microenterprise programs are employing a host of strategies to help women on TANF to become economically self-sufficient. Drawing on the experiences of the organizations surveyed and profiled, this paper highlights 13 of those strategies. Generally, they focus on helping women to deal with personal barriers to self-sufficiency; addressing the women's needs for business training, professional support and capital; integrating microenterprise training with other types of training and employment services; collaborating with local welfare departments and adapting microenterprise programs to welfare policies; and advocating for welfare policies favorable to microenterprise training and development. The thirteen strategies follow.

## Addressing Personal Barriers

**1 All of the programs surveyed are committed to helping women on TANF to address the range of personal issues, from building self-esteem, to dealing with health, social,**

**and family matters, to targeting educational and vocational deficits; their methods for achieving this goal vary.**

*Many programs offer "personal effectiveness" training, which focuses on personal, family and interpersonal issues, including self-esteem building. Personal effectiveness support groups for women on TANF (like West Company's NEW Beginnings group) can be held as an adjunct to business training classes that serve a blended TANF and non-TANF population. Or, certain sessions within a multi-week entrepreneurial training program can be devoted to personal effectiveness issues. DEI does this at the start and the close of its self-employment training program for women on welfare. WI's entrepreneurial training program (a blended program) includes seven "PEP" (personal effectiveness and power) sessions as well as 14 business training sessions.*

*Most of the programs offer individualized case management services. PHI has dedicated counseling and advocacy staff. All clients who enter a WHEDCO program must have an assessment of their social, family and support needs as well as their training needs, and services include child and family counseling. WI has a self-employment counselor for women on TANF, and West Company staff has added case management to its activities.*

*Case management and support services can be provided in a group context as well. In its NOVA project, the Good Faith Fund used a group management case model. Their entrepreneurial training program for women on welfare included daily support sessions. Focused on empowerment, the sessions featured clients sharing their goals and progress, treating one another as fellow case managers rather than deferring to staff. Good Faith has applied that*

model to its workforce training program with weekly “rap” groups. Acre’s day care provider training classes have two staff people: one instructor who teaches content, and another who acts as case manager, forming relationships with the women and helping them to overcome barriers.

**2 Programs look for ways to meet the special needs of women on TANF that do not stigmatize them and that build on their strengths.**

Some programs have found that, while women on TANF need a place to deal with personal issues, programs that separate them from other women without also building bridges to the general program population run the risk of stigmatizing the women. For example, one drawback of the Good Faith Fund’s NOVA program, which ran from 1994 to 1997, was that the women did not do well when they moved from their support group into the general microenterprise program. Learning from that experience, when the Good Faith Fund started a new workforce development program for TANF recipients, it gave them opportunities to interact with a non-TANF population, particularly in their job placements.

The TANF women who participate in West Company’s NEW Beginnings group concurrently participate in a training program that serves the general popula-

tion. WSEP discusses poverty in its broadest terms in its mixed TANF/non-TANF orientation group to counter the isolation the women on TANF feel, and provides opportunities for them to showcase their strengths, such as their acumen at navigating complex bureaucracies.

**3 Because many transitioning women need long-term support to successfully and permanently move from welfare to self-sufficiency, programs are working to provide a creative range of follow-up services.**

People like PHI’s Director of Workforce Strategies, Peggy Powell, think it is critical that welfare-to-work programs understand that an individual’s move from welfare to work is not a single transition, and that the hardest work begins months, not weeks, after training ends. “Everybody can hold it together for four weeks,” she says. But later is “when the child care begins to fall apart, the husband or boyfriend becomes violent, and they have to figure out how they pay for rent, transportation, child care.” To address the demands of this period, one PHI cooperative holds rap sessions for the women and provides peer mentors.

Acre has an ongoing, multi-dimensional relationship with its providers, as does the Good Faith Fund with graduates of its workforce development program,

and WHEDCO, which does post-placement follow-up with employers and employees. Financial management seminars, required of IDA program participants at agencies like Acre, are another way to provide ongoing help not only with financial management, but with related challenges, like the sometimes rocky transition from subsidized housing resident to homeowner.

**4 While enterprise programs address the personal barriers women on TANF face, they also recognize the risks of mixing the agency’s business and social roles and take steps to minimize those risks.**

Sometimes it is necessary to find uniform ways to deal with personal barriers. Acre pays its family day care providers regularly from a line of credit at a local bank. Staff had been willing to provide advances in emergencies, but found that women began asking for advances for situations that were not really emergencies. Acre responded by instituting a policy of one advance per year. Peggy Powell of PHI cautions against “erring on the side of social development,” bringing in people who are not prepared for the work and who need more social and personal intervention than the agency can provide, which has business consequences and “sets the person up for failure.”

## Providing Business Training, Professional Support and Capital

**5 To prepare women with little work experience and limited exposure to the economic mainstream to launch a small business, training in business fundamentals is essential; all of the programs provide such training.**

Research shows that business training is generally more important to small business start-up than capital. This is especially so for low-income women who have little job experience and limited exposure to the economic mainstream. For this reason, all of the groups surveyed provide business training to their microenterprise clients. While they cover similar subjects, from pricing to marketing to developing a business plan, the way they deliver the training varies. Some provide training in blended groups, such as West Company, while others provide the training in groups targeted to people on welfare, such as DEI. Classes vary in structure and length, from DEI's 30-hour a week, 11-week program, to West Company's 7 training modules of 3 hours each.

Overall, the trend is away from training that stretches over many weeks to more abbreviated formats, due in part to the pressure of welfare reform. As previously stated, some combine personal effectiveness training with business training, while others do not.

**6 Through role modeling, mentoring, networking opportunities, advocacy training, board appointments, and gatherings of trainees and graduates, the programs help the woman transitioning off TANF to develop an alternative social and professional support system.**

Such opportunities abound, from DEI's special training session that features former welfare recipients who are now in business; to Acre's placing its trainees as interns in the homes of established providers who act as paid mentors; to Good Faith's mentoring program operated as part of its Arkansas Women's Business Development Center; to West Company's appointment of a former welfare recipient to head its Welfare-to-Work Program; to the informal mentoring that took place spontaneously at ACENet when it placed women on welfare in its STEP program side-by-side with non-welfare women working in the kitchen incubator. Acre has regular breakfasts for the providers who are part of its network, and elects five providers to its board annually. Acre, West and other agencies involve former TANF recipients in policy-related advocacy activities.

The women on welfare obviously appreciate these opportunities. Often, they refer to the women who helped them in

enterprise development programs as "role models," who—as WSEP client Edna Fort says—"put ideals in women's heads." Once on their feet, women who were on welfare proudly become role models in their own lives, for their children, families and friends.

**7 To assist women on TANF in building their businesses, microenterprise organizations provide various forms of financial support, from microloans to savings plans to improved access to community financial services to creative in-kind assistance.**

To address the pressing financial needs of poor women and women on welfare seeking to launch businesses, microenterprise programs provide a host of financial supports. They include microloans and scholarships; better access to community financial institutions (e.g., arranging free banking for low-income clients, as ACENet did); the opportunity to open an Individual Development Account; and creative in-kind assistance. When one of its family day care providers, a victim of domestic violence, succeeded in getting her abusive husband to leave the home, for example, Acre assumed the cost of placing a child care assistant in the woman's home during the first week after his departure "so that she wouldn't feel alone."

### Integrating Microenterprise Training with Other Training/ Employment Opportunities

**8 Increasingly, microenterprise advocates recognize the interdependence of wage and self-employment—including the importance of income patching, the value of microenterprise training to future employment, and the advantage of prior job experience to successful business start-up. They view their clients’ progress in either wage or self-employment as an indicator of success.**

Microenterprise organizations are taking a broad view in defining their own success, recognizing the interdependence of wage and self-employment. Many microenterprise clients manage economically by patching income from wages with income from self-employment, though for some women, juggling these competing responsibilities can be difficult. Job experience is an important prelude to self-employment for others, particularly in such sectors as the food industry where start-up costs are steep, start-up time is long and experience is essential. Conversely, microenterprise training and experience can be excellent preparation for wage employment.

**9 To give women on TANF the greatest flexibility in economic options, some enterprise organizations are expanding and**

**diversifying their programs, combining self-employment initiatives with workforce development, job readiness, job training, and job placement programs; the danger is overextending the organization.**

The Good Faith Fund offers women on TANF their publicly funded workforce training as well as the microenterprise training in its Women’s Business Development Center. WHEDCO offers women on TANF job readiness training and internship opportunities, and to a much lesser extent, daycare entrepreneurial training. DEI has an on-site job placement counselor for women on TANF who enter its self-employment training program but find microenterprise is not for them.

While WSEP has discontinued its job placement activities for women on TANF because they did overextend the organization, WSEP plans to refer women seeking jobs to existing community agencies while also finding an informal way to link its established entrepreneurs needing staff with aspiring entrepreneurs seeking jobs.

Based on its experience with TANF recipients in its STEP program, ACEnet plans to launch a food training business, which will provide real jobs with real salaries to women receiving TANF, while preparing them for future employment or self-

employment. In addition to its self-employment training program, West Company also operates a program called “Sew Smart” (with the welfare department and local college), which has become primarily a training program for jobs in the local textile industry.

### Collaborating with Welfare Departments and Adapting Microenterprise Programs

**10 Active and ongoing relationships with welfare department administrators and caseworkers at the state and local levels are fundamental to serving TANF recipients, and programs work hard to establish such relationships.**

*Microenterprise agencies and local welfare departments jointly develop welfare procedures to facilitate the screening and management of self-employment clients. WI is helping to develop a self-employment pre-screening procedure for the Alameda County welfare department; Acre plans to work with the Lowell County department on a form to help the workers compute business income disregards and expense deductions; and West Company holds regular case conferences with the Mendocino County welfare workers.*

*Some relationships involve cross-training, i.e., education and information exchange between the microenterprise agency and the local welfare department. Cross-training takes various*

forms. It can involve a collaborative screening process whereby program staff and welfare department staff jointly screen applicants (see West Company profile). It can involve joint orientation sessions (see Acre profile). For ACEnet's STEP Program, the collaboration extended to the actual training program. The county human services department, in its training program for women on welfare, taught math skills using food production examples to reinforce what aspiring, home-based, food-business entrepreneurs were learning in ACEnet's STEP program.

*Microenterprise programs develop messages that complement the local welfare department's commitment to "work first."* West Company has found their local welfare department responsive to self-employment as a patching strategy. WSEP worked in close partnership with local welfare departments, advocating for self-employment as an essential option among an array of options for women on welfare.

*Microenterprise staff must continue to educate local welfare staff, who may misinterpret or misapply a microenterprise concept.* For example, in one California county, the local welfare office will approve self-employment only as a patching strategy, to be combined with the TANF's woman's existing employment. While patching is fine if a woman on TANF chooses to do

it, this policy deprives her of the opportunity to concentrate on launching a business, while forcing her to balance not only job and family, but also job, family and a fledgling microenterprise.

**11 To help women to manage the time limits on their welfare eligibility, microenterprise organizations are shortening the duration of training programs, building in early and frequent opportunities for assessment and reassessment of business feasibility, and providing marketing assistance.**

Time limits have had a dramatic effect on microenterprise programs. There are moves to cut the number of training sessions. In addition, programs are building in opportunities for continuing assessment of business feasibility, with an emphasis on self-assessment, again to save time. Both West Company and WI offer orientation sessions before training begins and two early workshops to help women to self-assess the feasibility of their business ideas and their readiness to pursue it. DEI views the training period as an opportunity for continuing assessment; it can transfer women at any time from the self-employment program to its job placement counselor. Also, the organizations are becoming more realistic about what is required of a woman on welfare to succeed in their programs. Acre only accepts women who are poised to immediately

pursue business start-up (e.g., those with an adequate space in their homes). And some, like Acre, help women to beat the time limits by having a market ready for them when they finish their training, in the same way that PHI has jobs available.

**Advocating for Welfare Policies Favorable to Microenterprise**

**12 The programs see an urgent need to influence public policies that affect women leaving welfare to start small businesses. They include among their major aims:**

*Stepping up pressure on public agencies to spend billions of dollars of unspent TANF funds.* The organizations are vigorous advocates for the use of unspent TANF funds for a host of essential services for transitioning women and their families, from child care to transportation to health insurance. Advocates in New York have launched a "Stop the Clock" Campaign, which seeks to suspend the state's life time limit on TANF until the state and the city spend more than \$1 billion in unspent TANF funds. The Corporation for Enterprise Development's new "State TANF Microenterprise Initiative" funds statewide organizing and advocacy efforts aimed at tapping into billions of unspent TANF dollars for low-income entrepreneurs.

*Finding additional sources of state and federal support for*

*services and for microenterprise training and technical assistance.* For example, the groups are pushing for funding through the PRIME Act (a federal program to support microenterprise training and technical assistance for low-income entrepreneurs) and for the development of matching state programs.

*Expanding policies favorable to microenterprise development.* This includes, for example, convincing more states to approve microenterprise training and small business start-up as allowable work activities, and advocating for industry standards (such as enhanced state training requirements and higher

reimbursement rates for family day care providers).

*Using the occasion of welfare reform re-authorization to advocate for more funds and services not only for TANF recipients, but for all low-income Americans.* Congress will reauthorize the Personal Responsibility Act in 2002. This provides microenterprise organizations with the opportunity to advocate for specific language endorsing microenterprise as a welfare-to-work activity and to contribute to the debate on other policy barriers such as time limits.

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**13 Funding is needed to support microenterprise programs in this**

**essential policy advocacy role.** All organizations surveyed report a gross underfunding of this activity. Some have dispatched staff for weeks at a time to work with local welfare offices and statewide advocacy groups to establish a microenterprise program, drawing from already stretched operating budgets to support the work. Foundations can have a major impact on public policy by providing small but strategic grants to these organizations, as the Ms. Foundation did during the second round of its Collaborative Fund. Such timely support enables the organizations to respond quickly, as welfare policy is being developed in their states.

# CONCLUSION

Microenterprise has always been an option for a limited number of people with special characteristics and strengths. Establishing one's own business is a risky goal, with no guarantees; it can take years to achieve. Despite the challenges posed by starting a business, years of experience in the field of microenterprise have shown that women on welfare can be as successful as anyone else at self-employment if they have a solid business idea, an entrepreneurial spirit, and the support and resources they need to move forward.

Today, however, the pool of women on welfare poised to become microentrepreneurs is fast shrinking. With the transfer of all women from AFDC to TANF and the subsequent dramatic decline in the welfare rolls, it is widely agreed that many women left on TANF have daunting barriers to overcome on the road to economic self-sufficiency. In that way, they are among the people facing the greatest challenges to success at self-employment.

At this important juncture, the question arises: Should self-

employment remain an option for women on welfare? The answer to that question, according to this report, is 'yes,' but only under certain circumstances. Indeed, microenterprise has come to be seen as a versatile tool for helping some poor women, including those on welfare, become or remain self-sufficient. In the wake of welfare reform, however, as the field awaits hard data on which a final assessment can be based, programs and policy makers need to be aware of several key caveats:

- *Whether or not a woman on TANF will be successful as a microentrepreneur depends on her own circumstances.* These circumstances include the personal barriers she must overcome, the drive she has to succeed as an entrepreneur, the support she has available, and where she lives in terms of how friendly local welfare policies are to self-employment.
- *The microenterprise organizations themselves, if they are to succeed, must devote resources to addressing the personal and*

*policy barriers women on welfare face in their pursuit of economic self-sufficiency, in addition to providing their more customary services.* They need to provide support services, and ensure that their clients have access to such services in the community. They also need to make a significant commitment of resources to policy analysis, advocacy and especially, work with local welfare departments.

- *Microenterprise development cannot be a stand-alone strategy today for women on TANF who want to start a business.* Particularly because of the reality of time limits, women on welfare enrolled in microenterprise programs need a package of services, including quick and easy access to job training and placement in case their best efforts to launch a business fail, they change their goals or they need income while establishing a business. Some organizations provide a range of services in-house, from self-employment to job readiness, training, and placement. Some augment their

self-employment training program with an in-house job placement counselor. A number of the programs provide only self-employment training, while depending on community-based or welfare department-based job placement services. All organizations surveyed recognize the need to find a way to provide women on welfare with access to both wage employment and self-employment services.

- *Despite the challenges of delivering microenterprise services to those on welfare today, experience has shown that the more economic options the poor have, the better. A dramatic downturn in the economy could cause widespread unemployment and drive up the welfare rolls once again. While many people have honed the skill to move easily from wage to self-employment or to combine the two, the poor stand*

to benefit most from that ability. They are the first to lose jobs when the economy slows, and they are the people least likely to have the back-up financial resources to carry them through lean times. In addition, self-employment also gives women the ability to continue generating income if they need to leave work to care for a dependent.

- *There is little funding for educational services, support services and policy advocacy, which are essential ingredients today in any enterprise training and development program aimed at women on welfare; work with this population must include advocacy for increased resources. Staff of microenterprise programs must be well informed about the complex welfare system and must devote a great deal of time to helping their clients to navigate that system;*

this is a tremendous drain on already stretched resources.

What funding has built up in state TANF coffers could go a long way towards helping women on welfare who are interested in self-employment. In addition, that funding can assist the great number of people who have moved from welfare into low-wage jobs, swelling the ranks of America's working poor. They, too, need a host of services, from child care to transportation subsidies, health care to savings options, educational opportunities to training, including microenterprise training. TANF, after all, stands for assistance to needy families, not just those on welfare. With that in mind, microenterprise organizations are working together to expand access for all of the working poor to TANF-funded services that can enable them to move from a precarious economic independence to real economic security.



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# RESOURCES

## Organizations Profiled:

### **Acre Family Day Care Corporation**

14 Kirk Street  
Lowell, Massachusetts 01852  
978-937-5899  
[www.acrefamily.org](http://www.acrefamily.org)

### **Appalachian by Design**

298 South Court Street  
Lewisburg, WV 24901  
304-647-3455  
[www.abd.org](http://www.abd.org)

### **Appalachian Center for Economic Networks (ACEnet)**

94 Columbus Road  
Athens, Ohio 45701  
740-592-3854  
[www.acenetworks.org](http://www.acenetworks.org)

### **Good Faith Fund**

2304 West 29th Street  
Pine Bluff, Arkansas 71603  
870-535-6233  
[www.arenterprise.org](http://www.arenterprise.org)

### **Paraprofessional Healthcare Institute (PHI)**

349 East 149th Street  
Bronx, New York 10451  
718-402-7463  
[www.paraprofessional.org](http://www.paraprofessional.org)

### **West Company**

367 N. State Street, Suite 208  
Ukiah, California 95482  
707-468-3553  
[www.westcompany.org](http://www.westcompany.org)

### **Women's Housing and Economic Development Corporation (WHEDCO)**

50 East 168th Street  
Bronx, New York 10452  
718-839-1100  
[www.whedco.org](http://www.whedco.org)

### **Women's Self Employment Project (WSEP)**

11 S. LaSalle St, Suite 1800  
Chicago, Illinois 60603  
312-606-8255  
[www.wsep.com](http://www.wsep.com)

### **Detroit Entrepreneurship Institute**

455 W. Fort Street, 4th Floor  
Detroit, Michigan 48226  
313-961-8426  
[www.deibus.org](http://www.deibus.org)

### **Institute for Social and Economic Development**

910 23rd Avenue  
Coralville, Iowa 52241  
319-338-2331  
[www.ised.org](http://www.ised.org)

### **Women's Initiative for Self-Employment**

1390 Market Street, Suite 113  
San Francisco, CA94102  
415-826-5090

## Other Resources:

### **Association for Enterprise Opportunity**

1601 North Kent Street,  
Suite 1101  
Arlington, VA 22209  
703-841-7760  
[www.microenterpriseworks.org](http://www.microenterpriseworks.org)

### **Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination (FIELD)**

The Aspen Institute  
One DuPont Circle,  
Suite 700  
Washington, DC 20036  
202-736-5807  
[www.fieldus.org](http://www.fieldus.org)

### **Center for Law and Social Policy**

1616 P Street NW  
Washington, DC 20036  
202-328-5140  
[www.clasp.org](http://www.clasp.org)

### **Corporation for Enterprise Development**

777 North Capitol, NE  
Washington, DC 20002  
202-408-9788  
[www.cfed.org](http://www.cfed.org)

### **Center on Budget and Policy Priorities**

820 First Street NE Suite 510  
Washington, DC 20002  
202-408-1080  
[www.cbpp.org](http://www.cbpp.org)

### **Institute for Women's Policy Research**

1707 L Street, NW, Suite 750  
Washington, DC 20036  
202-785-5100  
[www.iwpr.org](http://www.iwpr.org)

### **National Campaign for Jobs and Income Support**

1000 Wisconsin Ave, NW  
Washington, DC 20007  
202-339-9355  
[www.nationalcampaign.org](http://www.nationalcampaign.org)

### **National Governors Association**

444 North Capitol Street  
Washington, DC 20001  
202-624-5300  
[www.nga.org/CBP/Activities/welfarereform.asp](http://www.nga.org/CBP/Activities/welfarereform.asp)

### **The Project for Research on Welfare, Work and Domestic Violence**

Center for Impact Research  
926 N. Wolcott  
Chicago, IL 60622  
773-342-0630  
[www.ssw.umich.edu/trapped](http://www.ssw.umich.edu/trapped)

### **Research Forum for Children, Families and the New Federalism**

154 Haven Avenue  
New York, NY 10032  
212-304-7132  
[www.researchforum.org](http://www.researchforum.org)

### **Urban Institute - Assessing New Federalism Project**

2100 M Street NW  
Washington, DC 20037  
202-833-7200  
[www.newfederalism.org](http://www.newfederalism.org)

### **Welfare Information Network**

1000 Vermont Avenue NW  
Suite 600  
Washington, DC 20005  
202-628-5790  
[www.welfareinfo.org](http://www.welfareinfo.org)

### **Welfare Law Center LINC Project**

275 Seventh Avenue  
Suite 1205  
New York, NY 10001  
212-633-6967  
[www.lincproject.org](http://www.lincproject.org)

### **Wider Opportunities for Women**

815 15th Street NW  
Suite 916  
Washington, DC 20005  
202-638-3143  
[www.wowonline.org](http://www.wowonline.org)

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