

WISE Women, Complex Challenges:  
Barriers to Success for Lower-Income Microentrepreneurs in the San Francisco Bay Area

by

Meghan Elizabeth Horl

B.A. Urban and Regional Planning  
Miami University, Oxford Ohio  
1996

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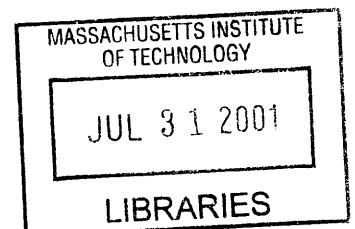
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Signature of Author: \_\_\_\_\_  
Department of Urban Studies and Planning  
May 17, 2001

Certified by: \_\_\_\_\_  
Phillip Clay  
Associate Provost and Professor of Urban Studies and Planning  
Thesis Supervisor

Accepted by: \_\_\_\_\_  
Dennis Frenchman  
Professor of the Practice of City Planning  
Chair, Master in City Planning Committee



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**ABSTRACT**

Microenterprise has recently received significant public attention and support as an economic development and poverty alleviation strategy in the United States. Considering the economic, social and professional benefits of microenterprise, self-employment will continue to be pursued by many lower-income women in the future.

This study explores the role of barriers in the development and success of lower-income women's business ownership. Through a survey and in-depth interviews with clients of Women's Initiative for Self-Employment, a microenterprise program in San Francisco California, and interviews with microenterprise professionals, barriers to self-employment are identified and discussed. Barriers in question include lack of capital, training and technical assistance, lack of support from family and friends, childcare and transportation, in addition to others identified by the study sample. Special attention is given to the role of housing as a barrier to self-employment for lower-income women. Recommendations to address these barriers to lower-income entrepreneurs are presented.

Thesis Supervisor: Phillip J. Clay

Title: Associate Provost and Professor of Urban Studies and Planning

*For Grandma Marie, an extraordinary women who passed away during my studies at MIT. Your spirit, sense of humor and overall love of life are a constant source of inspiration and guidance.*

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## INTRODUCTION

Microenterprise programs have recently gained attention for their success in promoting the social and economic development of lower-income women. Generally viewed as an anti-poverty and economic development strategy, microenterprise expose people to both the opportunities and constraints of the new economy.<sup>1</sup> Although the concept of microenterprise has received significant attention due to its successful implementation in developing countries, it is a relatively new field in the United States. Rather than channeling people into the mainstream economy, microenterprise programs support those with an interest in and inclination toward self-employment by showing them how to strengthen their entrepreneurial skills and to start and stabilize a business.<sup>2</sup>

According to the Small Business Administration (SBA), small business is the backbone of the United States economy, accounting for 53 percent of all jobs. Although the business survival rate is only approximately 50 percent for all small businesses and microenterprises, and 80 percent of all start-up businesses fail in the first two years, one out of every 11 people in the United States was self-employed in 1994.<sup>3</sup> In 1997, there were 105 million self-employed individuals in the country.<sup>4</sup> Though often overlooked, the smallest of these small businesses, microenterprises and self-employed individuals, are growing in number and playing an increasingly vital role in the economy. For example, businesses with fewer than five employees experienced a net increase of 2,624,000 jobs from 1989 to 1991, while businesses with five to five hundred employees in all industries experienced a net loss of 2,065,000.<sup>5</sup>

Women-owned businesses are the fastest growing segment of the economy, and women are creating more businesses and more new jobs than any other group in the country. According to former Secretary of Commerce William Daley, the growth of women-owned businesses outpaced overall business growth by nearly two to one in the last decade.<sup>6</sup> As of 1999, there were 9.1 million women-owned businesses in the United States, representing 38 percent of all businesses and employing 27.5 million people who are generating over \$3.6 trillion in sales annually. From 1987 through 1999, the

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<sup>1</sup> Servon, Lisa (1999). Bootstrap Capital: Microenterprises and the American Poor. Washington D.C.: Brookings Institution Press.

<sup>2</sup> Economic Development Administration (1998) "Microenterprise Development as an Economic Adjustment Strategy," Washington DC: US Department of Commerce, [http://www.doc.gov/eda/pdf/1G3\\_9\\_micro.pdf](http://www.doc.gov/eda/pdf/1G3_9_micro.pdf).

<sup>3</sup> Clark, Peggy and Kays, Amy (1999). "Microenterprise and the Poor: Findings from the Self-Employment Learning Project Five Year Survey of Microenterprise," Washington DC: The Aspen Institute, Economic Opportunities Program and the Small Business Administration.

<sup>4</sup> Clark and Kays, p. 3.

<sup>5</sup> Office of Business Advocacy, The United States Small Business Administration, [www.sba.gov](http://www.sba.gov)

<sup>6</sup> "United States Case Study: Successful Public and Private Sector Initiatives Fostering the Growth of Women's Business Ownership," Prepared by the National Women's Business Council and the Interagency Committee on Women's Business Enterprise, November 2000. <http://www.nwbc.gov/oecd.pdf>.

number of women-owned businesses increased 103 percent. Employment grew at the rapid rate of 320 percent and sales increased 436 percent.<sup>7</sup>

Businesses owned by women of color are also growing at a rapid rate, actually three times faster than the overall rate of business growth in the United States. However, it is important to keep in mind that the number of businesses owned by women of color in the past was quite small, which is part of the reason the percentages of growth are so high. Between 1987 and 1996, the number of minority women-owned firms increased by 153 percent, employment grew by 276 percent and revenues rose by 318 percent. During this nine-year period, Hispanic women-owned firms more than tripled in number, and African-American, Asian-American and Native-American women-owned firms more than doubled.<sup>8</sup> The greatest growth in the number of women-owned firms has been in non-traditional sectors. Between 1987 and 1996, the number of businesses owned by women of color grew by 319 percent in construction, 276 percent in wholesale trade and 253 percent in transportation, communications and public utilities.<sup>9</sup>

Although women have made great strides in entrepreneurship in the last decade, lower-income women have fared quite differently. The United States has recently enjoyed an unprecedented economic boom with the lowest unemployment rate in a quarter of a century, low interest rates, rising profits and a healthy stock market. However, the arrival of the new economy and the shift from an industrial-based to a service-based economy has resulted in weaker wages for lower-skilled workers. Although wage jobs have been abundant, they typically do not pay enough to sustain a family. In 1996, nearly 10 million people worked full-time, year-round for less than \$7.00 an hour. Over 4 million workers who were employed part-time said that they wanted to work full-time but couldn't find full-time jobs. From 1992 to 1998, the unemployment rate dropped by more than a third, yet the real hourly compensation of American workers remained virtually unchanged.<sup>10</sup> Self-employment is argued to be a simple and effective point of entry into the economy due to these recent shifts in the economy, which have led to the absence of stable wages and salary jobs for lower-income individuals. This argument is also one of the primary reasons microenterprise programs have received increased attention in the recent past.<sup>11</sup>

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<sup>7</sup> "Women-Owned Businesses Top 9 Million in 1999," The National Foundation for Women Business Owners (NFWBO), May 11, 1999. <http://www.nfwbo.org/LocLink/BIZC/RESEARCH/LinkTo/5-11-1999/5-11-1999.htm>.

<sup>8</sup> "Minority Women-Owned Firms Thriving: Growth is triple the rate of overall business growth," The National Foundation for Women Business Owners, June 25, 1997, <http://www.nfwbo.org/LocLink/BIZC/RESEARCH/LinkTo/6-25-1997/6-25-1997.htm>.

<sup>9</sup> "Minority Women-Owned Firms Thriving," p. 4.

<sup>10</sup> Clark and Kays, p. 3.

<sup>11</sup> Servon, Lisa. Bootstrap Capital, p. 2.



Coupled with the shifts in the formal economy, the feminization of poverty, or growth in poverty among women relative to men, leaves women in dire need for new economic development and anti-poverty alternatives. Women in the United States constitute two-thirds of all adults who live in poverty, and the financial disadvantages of being female—and especially of being a mother—are clear and consistent. The feminization of poverty is staggering for women, particularly single mothers.<sup>12</sup> Single women are nearly 100 percent more likely than men to live in poverty.<sup>13</sup> Single mothers are four times more likely than other women to be poor. According to 1993 Census Data, 52 percent of single mothers, *or one of out every two*, lived below the poverty level.<sup>14</sup> This is compared to an 11 percent, or one out of every ten, poverty rate for two-adult families with children.<sup>15</sup> The feminization of poverty, in conjunction with the new economy, has created a population of women who desperately need new strategies to help them provide for themselves and their families—microenterprise development is one of the new strategies.<sup>16</sup>

Although many lower-income women are starting their own businesses, there is debate over the efficacy of microenterprise as a poverty alleviation strategy. Proponents of microenterprise assert that it has the capacity to create jobs and businesses, revitalize low-income communities and move people out poverty. Critics say that microenterprise does not help people, specifically women, achieve "self-sufficiency", at best it assists families with meeting household expenses and compliments existing income, but does not single-handedly provide a route to self-sufficiency. Despite such debates, many people agree that microenterprise is not a silver bullet solution to poverty in the United States. It is, however, viewed as an effective method for a segment of the working poor and unemployed to create their own work to support families and build more promising futures.<sup>17</sup> Considering the fact that many families cannot support themselves solely on their wage job, self-employment can be the difference between poverty and self-sufficiency. Some lower-income entrepreneurs are able to lift themselves over the poverty line due to income from self-employment alone. Many others "patch" together income, a term used to describe combining together different sources of income, to make ends meet.<sup>18</sup>

Because microenterprise programs have only existed for less than ten years in the United States, comprehensive studies measuring the efficacy of microenterprise as a poverty alleviation tool are still

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<sup>12</sup> Christopher, Karen (2000). "Women's Poverty Relative to Men's in Affluent Nations: Single Motherhood and the State," Joint Center for Poverty Research, University of Chicago/Northwestern University, [www.jcpr.org](http://www.jcpr.org).

<sup>13</sup> Christopher, Karen, p.2.

<sup>14</sup> Albeda, Randy and Chris Tilly (1997). Glass Ceilings and Bottomless Pits : Women's Work, Women's Poverty. Boston, MA: South End Press, p.29.

<sup>15</sup> Albeda and Tilly, p.8.

<sup>16</sup> Servon, Bootstrap Capital, p. 58.

<sup>17</sup> Clark and Kays, p. 5.

<sup>18</sup> Clark and Kays, p. 61.

being performed. Even as the debate continues, microenterprise programs are being promoted by economic development professionals, policy-makers and planners alike. Starting a business is the epitome of the American Dream. A large portion of Americans, particularly Republican politicians, supports the well-known conservative belief of "creating your own fortune" by "pulling yourself up by the bootstraps." In the wake of welfare reform and given the current stigma associated with receiving government assistance, microenterprise programs are seen as not providing "hand-outs", but rather tools, to independently improve ones life. Furthermore, Democrats generally support microenterprise development because it is an additional economic and poverty alleviation strategy targeted to improve the lives of lower-income people. Due to these reasons, microenterprise programs will likely continue to receive support and attention from policy makers, professionals and academics.

Microenterprise, in general, is worthy of study because it assesses poverty holistically. Rather than just attempting to increase the income of lower-income women, albeit important, microenterprise programs address the complexity of poverty, itself, including the relationships of childcare, transportation, education, healthcare and other policy issues to monetary income. This approach is especially applicable to women, who balance work, childcare and general family responsibilities. Microenterprise programs provide the tools necessary to not only start a business in the hopes of increasing income, but they also address the interconnectedness of aspects of people's lives which relate to income, so that they might eventually achieve "self-sufficiency."

Although microenterprise has been the subject of recent debate, not much attention has been paid to the actual experiences of microentrepreneurs by policymakers, academics and planners. For example, how simple is it for lower-income people to start their own business? What kind of challenges do they face? Most attention has been given to evaluating the economic success rates of self-employed lower-income people to date. Although these efforts are worthy because they provide validity to microenterprise programs, in general, it is also important to give a voice to the lower-income entrepreneurs. If microenterprise is going to be promoted as a viable way to assist lower-income Americans, their experiences must be heard—policymakers, planners and academics can learn from what they have to say.

This thesis strives to give a voice to lower-income women entrepreneurs. It focuses on the barriers that lower-income women face while trying to start or expand their own businesses. Issues such as lack of capital, training and technical assistance and time constraints, in addition to lack of daycare and transportation make it a challenge for a lower-income entrepreneur to succeed in self-

employment. In order for microenterprise programs to enable lower-income women to succeed in starting a business, barriers to self-employment must be considered and addressed. The specific research questions of this study include:

- What are the barriers to the start-up and success of lower-income women-owned owners?
- How do the barriers professionally and personally impact the lives of lower-income women business owners?
- Are the barriers interrelated? If so, how?
- What are the implications of the barriers on lower-income women entrepreneurs?
- What can be done to address the barriers to self-employment?

The role of housing as a barrier was a research question of particular interest to me. Although the majority of this research deals with all barriers to self-employment, as identified by the clients and microenterprise professionals, special attention is given to the role of housing, or lack thereof, in a woman's ability to become self-employed. For example, does the cost of housing impinge on her ability to start or succeed in owning a business? If so, how? Due to its severe housing crisis, one of the worst in the United States, the San Francisco Bay Area provides a unique environment to study the role of housing in achieving economic self-sufficiency through self-employment. It is not within the scope of this study to make causal links between housing and the success of a microentrepreneur, or to answer the question of which is more important to the economic stability of lower-income women—affordable housing or economic development. Rather, it is a descriptive exploration of how, if at all, the shortage of affordable housing in the Bay Area impacts a lower-income women's ability to become successfully self-employed, due to the burden of high rents on already limited income.

This research is based upon client interviews from Women's Initiative for Self-Employment (WISE), a microenterprise program in San Francisco, California, as well as interviews from professionals in the microenterprise development field. I first became familiar with Women's Initiative in the summer of 2000, when I was an intern with its Research and Evaluation Team. They kindly agreed to allow me to work in conjunction with them for this research project. The program's target population is lower-income women, as defined by Women's Initiative for Self-Employment, which it derived from federal poverty standards. Temporary Aid to Needy Families (TANF) recipients is not part of the study sample. This study sample is comprised of lower-income women who identified a desire to start a business and have already completed the WISE microenterprise training program.

Chapter One provides background information on microenterprise and the microenterprise development field. In particular, it describes its history, microenterprise program trends, and a literature review regarding the relative 'success' of the microenterprise strategy, barriers to self-

employment and the current housing situation of the San Francisco Bay Area. Chapter Two presents the methodology used to perform this research. Chapter Three presents the findings regarding the nature of barriers to self-employment. Chapter Four explores the role of housing as a barrier to self-employment. Chapter Five discusses the findings of the research and its implications on self-employment and Chapter Six presents recommendations to address the barriers identified in this research.

Lisa Servon asks in Bootstrap Capital, a book about microenterprise in the United States, "Is microenterprise strategy the silver bullet that will solve the world's poverty problems?" Clearly, it is not. Although self-employment is a feasible endeavor for only a portion of the lower-income population, all people, regardless of income, should have the opportunity to start and own the business of their choice. Lower-income women, in particular, should be encouraged to pursue self-employment, if they desire, or any employment that will help them earn a livable wage. I approached this research from the feminist perspective that all women should have equal social, economic and political opportunities, and one simple step towards achieving such goals is to study women's lives. I did not pursue this research with the intent to argue the benefits of small business to our nation's economy. Rather, I explore microenterprise and the barriers that lower-women face when starting a business because of the roles they play in women's lives. Whether its to earn more income or feel empowered by taking risks to start a business, lower-income women must be afforded the opportunity to attempt this pursuit, and succeed.

## CHAPTER I—AN OVERVIEW OF MICROENTERPRISE

### I. Background and History

#### *What is Microenterprise?*

Microenterprise is defined as a business with five or less employees, requiring less than \$25,000 of start-up capital, and without access to the traditional commercial banking sector.<sup>19</sup> According to data from the United States Department of Commerce, there are approximately 2.3 million lower-income entrepreneurs throughout the country, although many professionals argue that this number is underrepresented. It is also estimated that many more will "patch" together wage employment and self-employment to make ends meet. Self-employment is argued to be only appropriate for a portion of lower-income individuals, specifically those with an education or those who are comfortable with taking economic risks.<sup>20</sup> The Aspen Institute approximates that eight to twenty percent of adults will choose to become self-employed in any given location.<sup>21</sup>

Microenterprises are the smallest of small businesses, generally employing only one person (the owner) but possibly employing as many as five people. The primary distinction between microenterprise and small business is that microenterprise generally refers to self-employment ventures for lower-income individuals. As opposed to small business in general, microenterprise is viewed as an economic development and poverty alleviation strategy. Furthermore, microenterprise requires smaller amounts of start-up capital than small businesses and targets people who traditionally do not have access to the commercial banking sector. This includes women and people of color, but also lower-income individuals who are seen as a 'credit risk'.

Not all self-employed people utilize a microenterprise program to start a business. In fact, many self-employed people begin businesses solely on their own. The 1999 Directory of Microenterprise Programs, a biennial report of The Aspen Institute, states that there are currently 281 microenterprise development programs throughout the United States, which have served over 237,884 participants over time. If there are over 2 million lower-income self-employed individuals in the United States, clearly not everyone is gaining assistance from a microenterprise program. In 1997, the year in which the Directory measured, these programs served 55,765 individuals. In the last ten years, during which microenterprise programs came into existence, the field has grown from a few programs to over 250 in over 44 states. In addition to offering business training programs for

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<sup>19</sup> Association of Enterprise Opportunity, [www.microenterpriseworks.org](http://www.microenterpriseworks.org).

<sup>20</sup> Interview with Catherine Marshall, California Association of Microenterprise Programs, April 25, 2001.

individuals, microenterprise programs have loaned over 44 million dollars and assisted over 54,000 business in disadvantaged communities.<sup>22</sup>

According to the Association of Enterprise Opportunity, a member association of microenterprise programs whose mission is to promote the practice of microenterprise in the United States through policy development, training, technical assistance and public awareness, microenterprise development is seen as a holistic approach, embracing poverty alleviation, human development and economic development strategies. Because microenterprise development crosses over into different policy realms, various organizations are involved in the field including stand-alone microdevelopment organizations, community development corporations, loan funds, community action agencies, women's organizations, and government agencies at the local, state and national levels.<sup>23</sup> Microenterprise programs, primarily located in disadvantaged communities with persistently high poverty levels throughout the United States, aim to address two components which are severely lacking in these neighborhoods: access to credit, and training. According to Servon, microenterprise development organizations have grown rapidly in response to these needs. These organizations perceive credit as a resource to which lower-income people have extremely limited access, and attempt to match small amounts of capital with an individual's ideas and labor capacity in order to introduce new opportunities to create work, income and assets.<sup>24</sup>

### *History*

Microenterprise originated as a supplement to development programs in developing countries in the late 1970s and its success as a poverty alleviation and economic development tool caught the eye of policymakers in the United States. It is widely believed that Microenterprise began in Bangladesh when Mohammed Yunus created the Grameen Bank in 1979. The bank is renowned for developing the group (or peer) lending technique where individuals interested in creating their own business form a group, receive training and loans from each other, and use trust as collateral.<sup>25</sup> The success of such programs was outstanding and as a result, microenterprise is now a viable economic option for lower-income women in developing countries.

The vitality of these microcredit programs as a provider of income and consumption of goods in developing nations inspired the importation of self-employment to the United States as an alternative

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<sup>21</sup> Clark and Kays, p. 3.

<sup>22</sup> Edgcomb, Elaine and Joyce Klein (1996). "The Practice of Microenterprise in the U.S.: Strategies, Costs and Effectiveness," The Aspen Institute: The Self-Employment Learning Project.

<sup>23</sup> Association for Enterprise Opportunity, [www.microenterpriseworks.org](http://www.microenterpriseworks.org).

<sup>24</sup> Clark and Kays, p. 5.

<sup>25</sup> Servon, Lisa. *Bootstrap Capital*, p. 16.

strategy to alleviate poverty among low-income populations.<sup>26</sup> While microenterprise became the subject of significant attention in the 1990s, particularly due to the high level of support from the Clinton Administration, it first appeared in the United States in the early 1980s by a women's economic development organization in Minnesota. Kathy Keely, founder of Women's Economic Development Corporation (WEDCO) in Minneapolis, is often referred to as the founder of the microenterprise movement in the United States. WEDCO, grappling with the feminization of poverty in the 1980s, realized that financial independence was essential to ending women's dependence on welfare. When initiative investments in job training did not yield significant results, WEDCO, and organizations similar to them, looked for ways to help women create their own jobs.<sup>27</sup> The first microenterprise programs in the United States resulted from their efforts.

Initially, microenterprise programs concentrated on increasing access to credit to those who traditionally could not rely on institutional banks, through the promotion of peer or solitary group lending. However, this changed rather quickly.<sup>28</sup> Many programs abandoned peer lending for more traditional individual loans, and eventually training and technical assistance became a more prominent role in the programs.

Although microenterprise programs have been in existence since the early 1980s, it moved to the forefront of the United States policy agenda in the mid 1990s due to Hillary Clinton's advocacy at the International Microcredit Summit. In 1997, 2,000 people attended the summit from 110 countries worldwide, and it received unprecedented media attention due to the First Lady's attendance and support. As a result of the summit, the United States committed to supporting microenterprise strategy with greater resources at home and abroad.<sup>29</sup> The Clinton Administration continued to fully support microenterprise development as an economic development and poverty alleviation strategy throughout the end of its second term. While microenterprise programs did steadily grow from their inception in the early 1980s, the growth was more substantial from the mid 1990s onward.

Self-employment for lower-income individuals is not a new idea in the United States; traditionally, ethnic immigrants have pursued self-employment as a source of income. According to Professor Ivan Light of UCLA, "Immigrants have had a higher self-employment rate than natives for at least 100 years," and although the reasons and means by which various immigrants became self-employed

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<sup>26</sup> Spalter-Roth, Roberta (1994). "Micro-Enterprise and Women: The Viability of Self-Employment as a Strategy for Alleviating Poverty," Washington DC: Institute for Women's Policy Research.

<sup>27</sup> "Microenterprise Fact Sheet Series, Issue 1", The Aspen Institute: The Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination (in collaboration with AEO), Fall 2000, [www.microenterpriseworks.org/microdevelopment/factsheets/factsheet1.pdf](http://www.microenterpriseworks.org/microdevelopment/factsheets/factsheet1.pdf)

<sup>28</sup> "Microenterprise Fact Sheet Series, Issue 1," p. 2.

<sup>29</sup> Servon, Lisa, Bootstrap Capital, p. 3.

differ, more immigrants have pursued entrepreneurial activities than citizens in the past.<sup>30</sup> According to Steven Balkin's Self-Employment for Low-Income People, family ties and intra-ethnic networking were prominent mechanisms that fostered formation of immigrant enterprises. Furthermore, he explains, "Immigrant groups tend to develop particular industry niches. In New York, vegetable stands tend to be owned by Koreans; business district newsstands tend to be owned by Indians and Pakistanies..."<sup>31</sup>

Balkin also states that certain immigrant groups have relatively higher rates of self-employment than others. These groups include Jews, Chinese, Japanese, Greeks, Macedonians, West Indians, Dominicans, Gypsies, Koreans and Arabs. This phenomenon is due to four primary reasons. First of all, these groups have "cultural endowments" such as values and motivations, which favor business formation. Second, there is a relative economic satisfaction with self-employment among these ethnic groups, due to their immigration to a high-wage country from a low-wage country. Third, there is communal solidarity or well-developed social networks that are generated by the ethnic group's desire to stick together in a foreign country. Lastly, Balkin states that immigrants tend to try and amass as much money as possible when they first arrive in the United States, which results in a competitive advantage over other small businesses.<sup>32</sup>

Although in the past, more ethnic immigrants than citizens pursued self-employment in the United States, this is no longer the case, according to Steven Camarota, in his article "Reconsidering Immigrant Entrepreneurship—An Examination of Self-Employment Among Natives and the Foreign-Born". For example, "In 1960, 13.8 percent of immigrants were self-employed compared to only 9.6 percent of natives, a 4.2 percentage point immigrant advantage. By 1997, this advantage had entirely disappeared. In fact, natives are now slightly more likely to be self-employed than immigrants, a reversal of what had been true a few decades earlier."<sup>33</sup> This drop in the rate of immigrant entrepreneurship is primarily due to the fact that education levels of immigrants fell to a level equal to non-immigrants. Also, the overall number of immigrants allowed into the country is much greater than it was in the past. As a result, more immigrants are coming from countries that typically do not pursue self-employment, and the proportion of self-employed immigrants to all immigrants has dropped.<sup>34</sup>

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<sup>30</sup> Camarota, Steven A. (2000) "Reconsidering Immigrant Entrepreneurship —An Examination of Self-Employment Among Natives and the Foreign-Born," Center for Immigration Studies, [www.cis.org](http://www.cis.org).

<sup>31</sup> Balkin, Steven (1989). Self-Employment for Low-Income People, New York: Praeger Publishing, p. 55.

<sup>32</sup> Balkin, Steven, p. 56.

<sup>33</sup> Camarota, Steven A., p. 3.

<sup>34</sup> Camarota, Steven A., p. 3.



African-Americans also have a history of pursuing self-employment. According to Balkin, although the business sector of African-Americans has been underdeveloped in United States history, there were periods when business formation was promoted. These periods include times before and after the Civil War. In Pre-Civil War America, a significant African-American business class emerged among free African-Americans. After the Civil War, federal programs were instituted to assist the economic status of freed slaves and promote self-employment via land ownership. Balkin continues by claiming that there is significant potential for African-American businesses and the primary challenge will be to use business ownership (as the African-American middle class did) as a tool to assist the economic development of lower-income African-Americans today.<sup>35</sup>

## **II. Microenterprise Programs in the United States**

The Microenterprise field in the United States is fragmented among small providers throughout the country. As previously stated, the 1999 Directory of Microenterprise Programs counted 281 practitioner programs that served 55,776 people in 1997, with an average of 221 clients per program. Considering the estimates of 2 million microentrepreneurs in the United States, and many more who patch together income from self-employment and wage work, it is argued that the field is not close to reaching its potential scale, leaving many possible clients and geographic areas without any services.<sup>36</sup>

Bill Edwards, Executive Director of the Association of Enterprise Opportunity, agrees that the microenterprise field is not reaching its capacity nor meeting demand for services, due to a relative lack of funding to start and operate additional microenterprise programs. Edwards believes that the largest barrier facing microentrepreneurs is the severe lack of access to microenterprise programs, since over 50 percent of communities in the country do not have a microenterprise program.<sup>37</sup> Even though the number of programs has steadily grown since the 1980s, they are only servicing a portion of potential lower-income microentrepreneurs.

A few microenterprise programs provide services to all income levels; however, the majority of microenterprise programs target their services to lower-income people. Programs are tailored to meet the needs of specific groups such as welfare recipients, minorities, women, the working poor and individuals or business sectors lacking access to credit. Additionally, some programs target young people, refugees, the homeless and rural areas.<sup>38</sup> While there is no single microenterprise strategy that all programs follow, there are a range of strategies and services that are offered to distinct client groups within the microenterprise population.

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<sup>35</sup> Balkin, Steven, p.85.

<sup>36</sup> Nelson, Candace (2000). "The Swann House Report: Draft," Washington D.C.: The Aspen Institute.

<sup>37</sup> Interview with Bill Edwards, Association of Enterprise Opportunity, April 11, 2001.

Most microenterprise programs operate according to one of the following strategies: business development, economic development or poverty alleviation. Although some professionals and academics argue that microenterprise programs are a combination of all three strategies, it is useful to understand the difference between the strategies.

According to "Microenterprise Fact Sheet #2," a publication of The Aspen Institute in conjunction with the Association for Enterprise Opportunity, the business development strategy aims to improve the economic self-sufficiency of poor families through business assistance. It aims to increase both the number of businesses owned by the poor and the performance of those businesses. New and existing businesses are usually served by this strategy, and services include training and technical assistance to start a business, specialized technical assistance for business owners who wish to expand, and access loans from the program or other lenders.<sup>39</sup> For example, programs that primarily espouse the business development strategy tend to help new businesses get over the hurdles by providing intensive training and technical assistance. Established businesses, which desire growth and increased profits, generally require specialized technical assistance, targeted to specific problems in marketing or production. The business development strategy provides these services.<sup>40</sup>

The economic development strategy, mostly associated with community development organizations, targets disadvantaged communities for revitalization. This strategy is concerned with job creation but usually on a larger scale than microenterprise programs undertake.<sup>41</sup> Residents of these targeted neighborhoods are the primary clients of the programs, and business development activities range from financial and technical assistance for individual entrepreneurs to rehabilitation of commercial properties.<sup>42</sup> The economic development strategy strives to improve the economic health of a region by supporting the generation, stabilization, expansion and attraction of businesses to a particular area.<sup>43</sup> Furthermore, microenterprise programs that espouse this particular strategy contribute to economic development indirectly through the training and economic literacy skills they provide. Many of the program participants who do not start a business leave able to participate in the mainstream economy in ways that they could not prior to their involvement with the program.<sup>44</sup>

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<sup>38</sup> Association for Enterprise Opportunity, [www.microenterpriseworks.org](http://www.microenterpriseworks.org)

<sup>39</sup> "Microenterprise Fact Sheet Series, Issue 2," The Aspen Institute: The Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination (in collaboration with AEO), Fall 2000, [www.microenterpriseworks.org/microdevelopment/factsheets/factsheet2.pdf](http://www.microenterpriseworks.org/microdevelopment/factsheets/factsheet2.pdf).

<sup>40</sup> "Microenterprise Fact Sheet Series, Issue 2."

<sup>41</sup> Servon, *Bootstrap Capital*, p. 52.

<sup>42</sup> "Microenterprise Fact Sheet Series, Issue 2."

<sup>43</sup> Servon, *Bootstrap Capital*, p. 52.

<sup>44</sup> Servon, *Bootstrap Capital*, p. 53.

Lastly, while the economic development strategy focuses on a place or region, the poverty alleviation strategy builds "the foundation of entrepreneurship for the disenfranchised."<sup>45</sup> Its primary goal is to help lower-income people gain access to new opportunities that enable them to move out of poverty. The emphasis of these programs has shifted in the last six years from welfare to workfare, due to widespread dissatisfaction with Aid for Families with Dependent Children (AFDC).<sup>46</sup> Services primarily offered by microenterprise programs that embrace the poverty alleviation strategy focus on economic literacy, business skills, self-esteem and other personal development issues. These programs often offer self-employment as only one of many options; after learning about their financial options and their own capacities and inclinations, clients are encouraged to make independent decisions about pursuing wage or self-employment work.<sup>47</sup>

Supporters of microenterprise argue that microenterprise programs work to achieve goals of all three strategies. For example, Servon states that "microenterprise programs defy simple classifications into any predetermined policy or program category. They work towards both economic development and poverty alleviation."<sup>48</sup> However, microenterprise programs tend to offer a core set of services, regardless of the specific strategy of the organization. These services include outreach services, training and technical assistance, access to capital and asset development.

Outreach services include the identification of lower-income communities and individuals and advertising. They also include referrals from other organizations and media outlets. Training assistance, the primary focus of many programs in addition to technical assistance, consists of recruitment and screening, personal effectiveness training, economic literacy and business training. Technical assistance focuses on business plan creation and review, specialized help in legal issues, accounting, marketing, mentoring and loan applications. Access to capital includes individual loans to support start-up or expansion costs, seed capital grants, instead of loans for very low-income clients, and Individual Development Accounts, which are matched savings accounts.

While training and technical assistance, access to capital and outreach are the core set of services offered by the majority of microenterprise programs regardless of its strategy, many focus on one service more than others. According to "The Practice of Microenterprise in the U.S.," a report by the Self-Employment Learning Project of the Aspen Institute, microenterprise programs are generally divided into three principal types, defined by the services offered.

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<sup>45</sup> Servon, *Bootstrap Capital*, p. 53.

<sup>46</sup> Servon, *Bootstrap Capital*, p. 53.

<sup>47</sup> "Microenterprise Fact Sheet Series, Issue 2."

<sup>48</sup> Servon, *Bootstrap Capital*, p. 52.

The first type entails training-led strategies, where the primary services offered are business training and technical assistance, with access to credit as an option. The second type are credit-led individual loan programs, where the primary services offered are credit, with varying degrees of training and technical assistance provided. The last type of program is group-lending, based on the Grameen Bank, where peer groups guarantee each other's loans.<sup>49</sup> Women's Initiative for Self-Employment (WISE), the study site used for this thesis, can be defined as a training-led type, with a combination of all three strategies: business development, poverty alleviation and economic development. WISE's program and services are further discussed in Chapter Two.

### *Funding of Microenterprise Programs*

Microenterprise programs fund their services through a complex combination of public and private resources, including foundation grants, federal, state and local monies. When microenterprise programs were first established in the 1980s, foundations such as the Ford Foundation and Charles Stewart Mott Foundation were the primary funding sources. More recently, federal assistance has increased and although foundations still provide a large percentage of funds, they are no longer the sole source of support. Private funding of microenterprise programs in the United States represents the primary distinction between their counterparts in developing countries.<sup>50</sup>

The primary difference between the sources of funding for microenterprise programs is in the allowed uses of public versus private money. The majority of public money allocated for microenterprise programs can be utilized for technical assistance, training and loans. Operating expenses of the programs themselves usually cannot be supported by public dollars. As a result, microenterprise programs rely upon financial assistance from foundations such as the Aspen Institute and the Ford Foundation for day to day operational expenses. Nevertheless, it is impossible for foundations to provide the necessary support to the hundreds of microenterprise programs throughout the United States.<sup>51</sup> According to John Else, director of ISED East, a microenterprise program in the Midwest, the microenterprise development field receives a relatively small budget compared to other social and economic development strategies in the United States. For example, he states that "the microenterprise development field commands a smaller annual budget than street cleaning in Washington D.C."<sup>52</sup> Microenterprise programs receive in the range of approximately \$70-\$80 million per year: average dollars per year from federal agencies is about \$55 million; foundations

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<sup>49</sup> Edgcomb, Elaine and Joyce Klein, p.2.

<sup>50</sup> Servon, *Bootstrap Capital*, p.3.

<sup>51</sup> Servon, Lisa and Jeffrey Doshna (2000). "Structuring and Sustaining the Relationships that Support U.S. Microenterprise Programs." Geneva: International Labour Office.

<sup>52</sup> Nelson, Candace, p. 3.

provide approximately \$2.5 million and state and local governments provide the remaining \$10-20 million. (Please see Table 1 for further information.)

**Table 1: Financial Support for Microenterprise Programs**

<i>Foundations</i>	<i>Total \$ (millions)</i>	<i>Period</i>	<i>Yearly Avg. (millions).</i>
Ford	\$28.9	1983-1999	\$1.7
Charles Stewart Mott	\$12.1	1983-1999	\$807, 600 (thousand)
<i>Federal Government</i>			
US Dept. of Health and Human Services			
Job Opps for Low Income Ind.	\$23.8	1990-1998	\$4.0
Demonstration Partnership Prog	\$3.3	1987-1992	\$812, 500 (thousand)
Office of Refugee Resettlement	\$5.9	1991-1996	\$1.2
Small Business Administration	\$209.2	1992-1999	\$26.1
US Treasury: CDFI	\$25.8	1996-1999	\$6.5
US Department of Labor	\$5.2	1994, 1997	\$2.6
US Housing and Urban Dev.	\$20.1	1996-1998	\$8.1
US Department of Agriculture	\$15.8	1997-1999	\$5.3
<i>State and Local Funding</i>			\$10-20 <i>n</i>
<i>Total Funding</i>	\$350.1		\$67.1 - 77.1

*Source: The Aspen Institute: The Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination, Fall 2000*

Since 1990, the federal government has invested more than \$300 million to advance microentrepreneurialship in the United States. Although not explicitly targeted to microenterprise programs, The Department of Health and Human Services was one of the first funders of microenterprise programs. Two programs of the department, the Demonstration Partnership Program and Job Opportunities for Low Income Individuals, were designed to create new employment and business opportunities for lower-income individuals and provided grants to community organizations to help develop new approaches to self-sufficiency.<sup>53</sup> In 1991, the Small Business Administration's Microloan Demonstration Program was the first legislation introduced and passed that specifically provided funding for microenterprise programs. It provided a combination of grants and loans to nonprofit agencies for technical assistance and loans to microentrepreneurs.<sup>54</sup> In 1997, the program received permanent status as an SBA microloan program and is currently one of the largest sources of financial support for the field; they have provided over 7,900 microloans worth approximately \$80 million.<sup>55</sup> Various other federal and state agencies provide funding to microenterprise programs, including the Department of Housing and Urban Development in the form of Community Development Block Grants and the Department of Agriculture, which funds programs in rural areas.

<sup>53</sup> "Microenterprise Fact Sheet Series, Issue 1," p. 2.

<sup>54</sup> "Microenterprise Fact Sheet Series, Issue 1," p. 2.

<sup>55</sup> Association for Enterprise Opportunity, [www.microenterpriseworks.org](http://www.microenterpriseworks.org).

### *Characteristics of a Microentrepreneur*

Opponents and proponents of microenterprise widely agree that microenterprise is not suitable for everyone. However, proponents argue that microenterprise programs help create life changes for lower-income people, since they can choose their own jobs and draw on and build their own skills, rather than accepting wage jobs that offer little long-term security.<sup>56</sup> Some microentrepreneurs solely live off of the income generated from their microbusiness, and as noted previously, many other lower-income individuals patch together income from their business with money from an existing wage job. Microentrepreneurs usually start businesses out of economic necessity and few microentrepreneurs are likely to get rich.<sup>57</sup>

But who is the microentrepreneur? Are some people more inclined to start a business than others? Is likelihood determined by race, age or family status? Two primary studies have been conducted to determine characteristics of entrepreneurs and the reasons why lower-income individuals decide to start their own businesses: The Aspen Institute's Self-Employment Learning Project and The Institute for Women's Policy Research's "The Viability of Self-Employment as a Strategy for Alleviating Poverty".

The Self-Employment Learning Project (SELP) tracked the progress of 405 individuals who were running microbusinesses for a five-year period from 1991 to 1997. According to the study, the average microentrepreneur is a woman of color between 40 and 60 years of age. She generally has a high school diploma or GED, and possibly completed one year of college but does not have a college degree. She has children living in the household with her, most likely under 6 years-old, requiring daily childcare. Due to her age, she has work experience and has generally accumulated some work skills and household assets. In addition, she has turned to microenterprise out of economic necessity and often feels like she will never get ahead in her wage job. There is a possibility that she has spent some time on welfare in the past and sees government assistance as a possible necessity in the future.<sup>58</sup>

Out of the 405 participants in the SELP study, 78 percent were women and 59 percent were persons of color. Sixty-four percent were between the ages of 35 to 54 years-old. Forty-five percent were married, compared to 42 percent who were separated, widowed or divorced. Thirty-eight percent

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<sup>56</sup> Servon, Lisa. *Bootstrap Capital*, p. 133.

<sup>57</sup> Servon, Lisa. *Bootstrap Capital*, p. 15.

<sup>58</sup> Clark and Kays, p. 12.

had attended one or more years of college, as compared to 30 percent who had graduated high school, but had no college education. (Please see Table 2).

**Table 2: Who is the Microentrepreneur?**

<i>Ethnicity:</i>	
African-American	42%
Hispanic	18%
Asian	2%
<i>Gender:</i>	
Woman	78%
<i>Age:</i>	
18 to 24 years	21%
25 to 34 years	25%
35 to 54 years	29%
55 years and Older	25%
<i>Education:</i>	
High School Grads	83%
Post High School	58%
4-year College Degree	19%
Graduate Degree	8%

*Source: SELP Longitudinal Survey of Microentrepreneurs. "Major Findings Change Over Time," April 1998.*

In comparison to other lower-income individuals, how do microentrepreneurs differ? According to the same Aspen Institute study, lower-income entrepreneurs are more likely to hold a high school degree than the poor, in general, in the United States. They are also more likely to be older and a person of color than the poor. Microentrepreneurs are more likely to be divorced or separated than the broader poverty population, which contains a higher number of women who have never been married.<sup>59</sup>

Are there certain personality traits of people who pursue and succeed in self-employment? Although the SELP study does not specifically address this question, certain traits are traditionally associated with the entrepreneurs. They include risk-taking, assertiveness, innovativeness and decision-making.<sup>60</sup> Other personality traits associated with the self-employed include taking initiative, achievement satisfaction, high levels of exploratory behavior, and strong beliefs that they control their own lives rather than feeling manipulated by the external environment.<sup>61</sup> Although literature could not be identified that compared traditional entrepreneurial personality traits with lower-income entrepreneurs (particularly lower-income women entrepreneurs), some believe these traits are transferable. For example, Cheryl Rodriguez in Women, Microenterprise and the Politics of Self-

<sup>59</sup> Clark and Kays, p. 12.

<sup>60</sup> Rodriguez, Cheryl Rene (1995). Women, Microenterprise and the Politics of Self-Help. New York: Garland Publishing, Inc., p. 117.

<sup>61</sup> Balkin, Steven, p. 17.

Help, states that "despite the absence of women from traditional theories of entrepreneurship, many of the characteristics associated with entrepreneurs are apparent in women's microenterprise development."<sup>62</sup>

Two theories describe reasons why individuals pursue self-employment: the "Push" Theory and the "Pull" Theory. According to Jon Messenger and Andrew Stettner in "The Quality of Self-Employment Jobs in the United States," the "Push" Theory states that individuals default into self-employment because of a lack of suitable wages and salary options, where as the "Pull" Theory refers to individuals who choose self-employment because of its financial and/or non-financial options.<sup>63</sup>

The Institute for Women's Policy Research's Viability of Self-Employment as a Strategy for Alleviating Poverty study explored factors that motivate women to pursue self-employment. Defining motivating factors as those that make self-employment a desirable option for lower-income women, the study found that lower-income women pursued self-employment for more than just financial resources. Dissatisfaction with products they had been selling; the ability to pursue business-related knowledge; the desire for further training; the ability to work from home and be close to their children; independence; and the ability to fulfill personal potential were all cited as motivating factors.<sup>64</sup>

Messenger and Stettner agree that women pursue self-employment for reasons besides economic necessity. "Since self-employed women make much less than wage or salary women workers, the financial rewards of self-employment generally provide a poor explanation of why the vast majority of self-employed women become self-employed. There is a compelling body of evidence that women seek self-employment for its flexibility...which allows them to better balance work and family responsibilities than typical wage and salary jobs. Self-employment allows women to remain in the labor market without sacrificing child-rearing or other family responsibilities."<sup>65</sup> For example, a woman who pursues a business for flexibility, but also works part-time at a wage job to supplement her income, may be able to spend at least a portion of the week working at home and watching her children. Thus, she has considerably more time to provide childcare than if she was working full-time at a wage job. While it is clear that lower-income women mostly pursue self-employment out of economic necessity, there appear to be other benefits from this endeavor, including more flexibility and time to juggle family and work responsibilities.

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<sup>62</sup> Rodriguez, Cheryl Rene, p. 117.

<sup>63</sup> Messenger, Jon and Andrew Stettner (2000). "The Quality of Self-Employment Jobs in the United States: A Contribution to the ILO Action Programme on Enterprise Creation by the Unemployed - The Role of Microfinance in Industrialized Countries." Geneva: International Labour Office.

<sup>64</sup> Spalter-Roth, Roberta, p.10.



Julie Weeks of The National Foundation for Women Business Owners, an organization that supports the growth of women business owners by conducting research, sharing information and increasing knowledge, believes that an increasing number of women and lower-income women are pursuing self-employment due to the "pull" factors, rather than the "push" factors. She believes that fewer women are starting their own businesses due to dissatisfaction in the workplace or an inability to break the glass ceiling. Furthermore, she expressed that more women now view self-employment as a viable option compared to in the past when women, particularly lower-income women, were not encouraged to pursue their own business endeavors. For example, she stated, "Overwhelmingly, women pursue entrepreneurship for positive reasons, the "pull" reasons, not the "push" reasons. Most make a positive pro-active choice for increased flexibility, [to be] "mistresses of their own fate" and a [pursue] a burning entrepreneurial idea. These are much more prominent than the "push" factors, like the glass ceiling, getting laid-off from a job, and negative things that like."

The study sample used for this research cited both "push" and "pull" factors as motivators of self-employment. Many women stated that they wanted more flexibility with regard to their work schedules, such as being able to work at home for a portion of the week to be with their children. Other women felt as if they weren't working to their full potential in their wage job and decided to branch out and rely on their own ideas. However, many women also stated that they decided to pursue self-employment once they got laid-off from their wage job, or when they became ill, wanted to change their lifestyle, or work at home. Although the microentrepreneurs in the study sample pursued self-employment for varying reasons, one motivating factor was consistent: increased income.<sup>66</sup> Yet, whether they were a full-time business owner or combined income from their business with income from a wage job, self-employment offered different benefits and motivating factors for each of the lower-income women in the study sample.

Finally, what helps a lower-income individual become self-employed? The Institute for Women's Policy Research's study also explored catalysts for women who were motivated to engage in self-employment, and encouraged them to pursue this option. Such catalysts included support from family, education and training activities, particularly mentoring and institutional support. Two out of three respondents from the study reported that their families provided some type of help for the business, including assistance in business-related tasks and moral support. A formal education helped microentrepreneurs with the financial and administrative skills necessary to run a business, such as

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<sup>65</sup> Messenger, Jon and Andrew Stettner, p.2.

<sup>66</sup> All but one of the microentrepreneurs in the full sample pursued self-employment primarily for economic reasons. One woman, a jewelry maker, was just as concerned with the "artistic integrity" of her work and decided not to sacrifice that aspect of her business to increase sales.

accounting, financial spreadsheets and record keeping, and more than half of the respondents mentioned business skill training as helpful. Mentoring was also vital to the success of their businesses.<sup>67</sup>

### *Effects of Microenterprise Programs: Are they a Success?*

In light of all the recent attention and debate regarding microenterprise programs as an economic development tool and poverty alleviation strategy people have been searching for studies that provides the answers about the "success" of these programs. Considering the short history of the majority of microenterprise strategies in the United States, it has been difficult for such studies to be performed. Seeking for answers to questions such as "Do microenterprise programs help lower-income women gain self-sufficiency," "How much income is generated from lower-income people owning a business," and "What other benefits, if any, are gained from self-employment for lower-income entrepreneurs?" a few studies have begun to explore these issues. Although more in-depth longitudinal studies are still in progress, The Aspen Institute's SELP study is the most extensive to date.

SELP was created in 1991 with support from the Ford Foundation and the Charles Stewart Mott Foundation to document and evaluate microenterprise program strategies and the effects of program services on clients and their businesses over time. Seven programs across the country were assessed in a five-year period.<sup>68</sup> SELP showed that microenterprise programs have the ability to reach lower-income and disadvantaged populations effectively, to create jobs, and to raise incomes and assets levels among the poor. Further results from the study showed that the programs create jobs and benefit lower-income populations at costs similar to other job training and business development strategies.

Key findings from the study report that more than 72 percent of lower-income microentrepreneurs increased household income during the five-year period, and more than half moved out of poverty. The average change in household income was \$8,484—rising from \$13,889 to \$22,374 annually, over five years. More than half, 53 percent, of the microentrepreneurs had household gains large enough to move them out of poverty. For these individuals, exceeding the poverty line was an economic change of significant magnitude: in most of these households, family income nearly doubled over the five-year period.<sup>69</sup>

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<sup>67</sup> Spalter-Roth, Roberta, p. 49.

<sup>68</sup> Edgcomb, Elaine and Joyce Klein, p. 2.

<sup>69</sup> Clark and Kays, p. 12.

For most individuals who moved their families out of poverty, the microbusiness was a major source of earnings for their household. Businesses experienced a 49 percent business survival rate after five years, which is similar to national norms.<sup>70</sup> In the cases where businesses stayed open, 37 percent of the increase in household income was income generated from microbusinesses. Additionally, lower-income microentrepreneurs reduced their reliance on government assistance by 61 percent on average, with the greatest reduction in AFDC benefits. The average benefits declined an average of \$1,679 a year.

In 1994, "The Viability of Self-Employment as a Strategy for Alleviating Poverty" by the Institute for Women's Policy Research also studied the "success" of microenterprise. Similar to the SELP study, the Institute for Women's Policy Research's study showed that microenterprise businesses contributed to the economic well-being of the respondents. The subjects used for this study, however, were solely recipients of AFDC. The situation facing welfare recipients differs from the general lower-income population, however some of their findings are relevant to this thesis. The study utilized data from a national sample survey and from in-depth interviews and focus groups. The four groups compared were self-employed, current welfare recipients; self-employed, former welfare recipients; wage or salary "patchers"; and non-employed welfare recipients from 1984, 1986, 1987 and 1988.

The findings from IWPR were not as promising as those from SELP. While income from microenterprise ventures contributed to the economic well-being of the participants, this income only provided a small part of the family's income package. The findings suggest that successful self-employment requires a long lead-time and self-employment should not be expected to be the sole source of family support. Rather, self-employment works best as a part of income patching, which includes wage or salary work, earnings from other family members, and additional assets.<sup>71</sup> It showed that patching where microentrepreneurs combine more than one source of individual income—wages from a job together with income from a business—often occurs, in order to make ends meet.<sup>72</sup>

Lastly, microenterprise programs offer benefits to their clients, in addition to financial reward. In the very least, these programs boost the self-esteem of the participants and can empower lower-income women regarding their futures and personal capacities. According to Barbara Johnson, Executive Director of WISE, "the focus [of the program] is on women changing their relationship to the

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<sup>70</sup> Clark and Kays, p. 12.

<sup>71</sup> Spalter-Roth, Roberta, p. 49.

<sup>72</sup> Criticisms of this study include that the data is antiquated, over ten years. Microenterprise programs were generally started in the 1980's and considering the data is from the 1986-1989, the results could be skewed due to the relative young age of the microenterprise programs used for the study.

market. Women have been acted upon by the market and have been reactive to the market. In human, technical and personal development, they become actors. And that is a big change in personal identity."<sup>73</sup> At best, microenterprise programs build social capital. According to Servon, relationships among people and organizations have been created or strengthened as a result of the presence of a microenterprise program. She states, "These relationships combine to form a network of civic engagement that represents intense interaction. Social capital can provide two types of benefits: social leverage, which helps someone 'get ahead' and social support, which helps one get by."<sup>74</sup>

### **III. Barriers to Self-Employment**

Microenterprise organizations clearly provide vital services to improve the economic, professional and personal lives of lower-income women. But what are the main challenges to self-employment? What are the primary barriers to a successful business? As the former head of the Association for Enterprise Opportunity (AEO), Paula Manillo, addressed the crowd for their annual conference in 1999, she stated that microentrepreneurs generally face three major obstacles: lack of capital, lack of training and lack of technical assistance. It is widely agreed upon within the field of microenterprise that these are common barriers facing self-employed individuals today. Other factors cited as barriers for lower-income microentrepreneurs include lack of support from family and friends, lack of access to childcare, lack of professional networks and race, class and gender discrimination.

Lack of capital, training and technical assistance are the most-widely-cited barriers to lower-income microentrepreneurs. For example, The Aspen Institute reports that the most obvious things lacking among the people microenterprise programs serve are access to credit and business training. According to their report, Microenterprise and the Poor, interviewees the SELP study ranked lack of capital and lack of business knowledge and skills as the top two barriers to becoming self-employed. Furthermore, Servon in her article "What Ensures Success by Low-Income and Unemployed Entrepreneurs Using the Microenterprise Strategy in the U.S.?" states that general barriers faced by nearly all low-income and unemployed entrepreneurs are a lack of access to credit and training.

Lack of access to capital is particularly well-documented. The National Women's Business Council, a bi-partisan federal government advisory panel created to serve as independent counsel to the President and Congress on economic issues of importance to women business owners, recently published "Economic Prosperity, Women and Access to Credit." The report discusses various aspects of available capital for women business owners. According to this report, women's access to

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<sup>73</sup> Servon, Lisa. Bootstrap Capital, p. 60.

credit is not commensurate with the recent growth of women-owned businesses; women receive only 12 percent of all credit provided to small businesses in the United States, even though they own close to 40 percent of all businesses. Of the \$9.83 billion in SBA-backed loans made to small businesses from October 1999 to June 2000, women were awarded only \$1.57 billion.<sup>75</sup>

Furthermore, "Economic Prosperity, Women and Access to Credit" states that women face difficulties accessing credit for their business for four primary reasons. First of all, women tend to establish small, local, low-collateral enterprises in the service and retail sectors, and thus have difficulty gathering startup capital. Second, women tend to apply for smaller loans than men—considered by banks to be money-losers. Third, women are often unaware of the credit sources and information networks available to them and fourth, occupational segregation has left women entrepreneurs less experienced professionally, particularly in management, supervision and access to finance. Considering this report focuses on women of all economic backgrounds, not just lower-income women, one can surmise that poor women's experiences are further compounded due to lack of assets, collateral such as a home and the bank's perception of them as "credit risks."<sup>76</sup>

While lack of access to capital is particularly difficult for all women, women of color face more extreme problems. According to "Women of All Races Share in the Entrepreneurial Spirit," a report of The National Foundation of Women Business Owners, women business owners of color are more likely to face greater barriers in access to capital. For example, women of color were less likely than Caucasian women entrepreneurs to have bank credit; less than 50 percent of women entrepreneurs of color had bank credit compared to 60 percent of Caucasian women business owners. Access to capital for current business needs was an issue of particular concern for African-American entrepreneurs; 73 percent ranked it as "very or extremely important" in their study, compared to 61 percent of other ethnic groups.<sup>77</sup>

Furthermore, African-American women business owners were more likely than other ethnic groups to have been turned down for a loan when starting their businesses. As a result, African-American entrepreneurs were the least likely to borrow capital to launch their firms. For example, only 29 percent of African-Americans borrowed capital, compared to 49 percent of Caucasian women

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<sup>74</sup> Servon, Lisa. Bootstrap Capital, p. 97.

<sup>75</sup> Yago, Glenn, Rebecca Ford and Judith Gordon (2000). "Economic Prosperity, Women and Access to Credit." A study by the Milken Institute and National Women's Business Council, <http://www.nwbc.gov/womensreportfinal.pdf>.

<sup>76</sup> Yago, Glenn, p. 8.

<sup>77</sup> "Women of all Races Share Entrepreneurial Spirit: Women of Color Start Businesses in Record Numbers," The National Foundation for Women Business Owners, April 28, 1998, <http://www.nfwbo.org/LoCLink/BIZC/RESEARCH/LinkTo/4-28-1998/4-28-1998.htm>.

entrepreneurs, 51 percent of Hispanic women, 45 percent Native American women and 37 percent of Asians.<sup>78</sup>

In addition to lack of capital, lack of childcare and healthcare are two other barriers impacting lower-income women's abilities to succeed in owning a business. According to Microenterprise and the Poor, lack of access to health insurance is one of the critical issues faced by microentrepreneurs. Only 50 percent of the lower-income microentrepreneurs in the SELP survey had health insurance. Among those who were insured, 63 percent were covered under government provided insurance policies. Servon agrees in "What Ensures Success by Low-Income and Unemployed Entrepreneurs Using the Microenterprise Strategy in the U.S.?" that healthcare and childcare are two significant barriers. She states that "general barriers faced by nearly all low-income and unemployed entrepreneurs are...lack of access to childcare and healthcare."

Welfare recipients often face more challenges to starting a microenterprise business than women not receiving government assistance. Servon states that "welfare recipients confront additional barriers including inappropriate programs and dealing with the welfare bureaucracy." According to the Institute for Women's Policy research study discussed earlier, the interviewees identified a number of barriers to self-employment including the fear of losing benefits due to complex welfare regulations and lack of access to financial resources and support services. Other barriers identified by the welfare recipients in the study included bad credit, lack of confidence and lack of time.

Although barriers such as lack of confidence, anxiety about finances and discrimination are briefly mentioned in the various literature reviewed for this thesis, they are not discussed in detail. This is most likely due to the fact that very few substantial in-depth studies have been performed assessing the experiences of lower-income microentrepreneurs to date.

### *Housing as a Barrier to Self-Employment*

In January 2000, *The Washington Post* noted that "the whole meaning of affordable housing is being turned on its head in California. Where once the term was a euphemism for public or government-subsidized housing for lower-income people, the question now is whether folks earning middle-income salaries can afford to buy a home in the communities where they work." Undeniably, affordability is the most significant housing problem confronting California's families today.<sup>79</sup>

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<sup>78</sup> "Women of all Races Share Entrepreneurial Spirit: Women of Color Start Businesses in Record Numbers," p. 1.

<sup>79</sup> "Locked Out: California's Affordable Housing Crisis," Sacramento: California Budget Project, May 2000, [www.cpb.org](http://www.cpb.org).

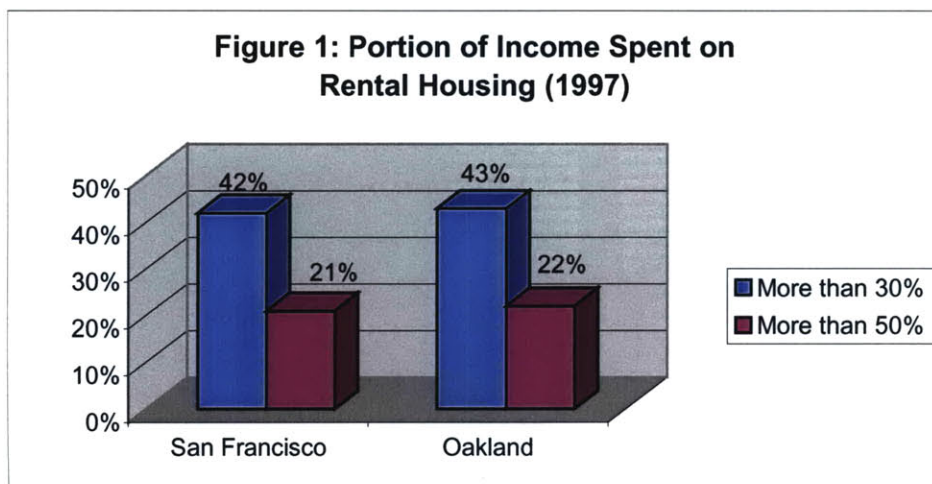
According to "Locked Out: California's Affordable Housing Crisis", a report published by the California Budget Project in May 2000, housing constitutes the single largest expenditure for most California families. They stated that although "adequate shelter is fundamental to a decent life, a roof over one's head is becoming increasingly unaffordable for many California families." The boom of the housing market in California has had significant implications on the San Francisco Bay Area, in particular. Although long one of the nation's most expensive housing markets, the extreme growth in the "dotcom" economy has led to spiraling prices throughout the region. As a result, "gentrification of traditionally low and working class neighborhoods is running rampant. Housing pressures are so intense that long-time residents of neighborhoods, such as San Francisco's Mission District and East Palo Alto are being forced to move out of the neighborhoods that they have called home for generations, reducing both social and economic diversity in these areas."

Home buyers and renters alike have been affected by the recent boom in the Bay Area housing market, where only 27 percent of the region's households could afford the median priced home in 2000. A major reason why housing prices have soared in the last few years is because job growth has exceeded new units of housing. For example, between 1994 and 1998, San Mateo County created 10.8 jobs for every new unit of housing and as a result, housing prices soared—the average house sold for approximately \$400,000 during 1999. In San Francisco County, 15.8 new jobs were created for each new unit of housing. While new housing construction exceeded San Francisco's projected need between 1997 and 1999, even faster job growth led to a situation where vacancy rates were nearly zero.<sup>80</sup>

The implications of demand exceeding supply are severe for renters, in particular. In 1997, 43 percent of all households statewide, and nearly one quarter of the renter households in the state's metropolitan areas spent more than half their incomes on rent. Nearly half of all renters paid more than the recommended 30 percent of their income on shelter. Lower-income renters had an even more difficult time. Nearly 65 percent of lower-income renters paid more than half their income for housing in 1997, and 86 percent spent over the recommended 30 percent.

In San Francisco, between 1989 and 1998, rental housing costs increased 38 percent, compared to the income of median renter households, which increased only 9.6 percent, and the median income of renters with children, which increased 6.3 percent. Market rents exceeded Fair Market Rents by 75 percent or \$876 in 1999. As a result, in 1997, more than 42 percent of San Francisco renters paid more than 30 percent of their income towards housing, and 21 percent paid more than 50 percent of their income in rental costs. In the city of Oakland, 43 percent of renters paid more than 30 percent

of their income towards housing and over 22 percent paid more than 50 percent.<sup>81</sup> (Please see Figure 1 Below)



The severe housing crisis in the San Francisco Bay Area raises interesting questions about the situation of lower-income microentrepreneurs. For example, has the housing market crisis affected their ability to afford rent? Has it impacted their ability to become economically "self-sufficient?" Do aspects of housing impact a lower-income microentrepreneurs business? If so, how? This research study explores the relationship between housing and women's economic development through the experiences of lower-income entrepreneurs. It does not attempt to make causal links between the two or try to answer the question of whether economic development or housing is more important to the economic stability of lower-income women. Rather, it is an exploration of how housing, in general, plays a role in lower-income women's ability to achieve economic stability through self-employment.

The role of housing as a barrier to self-employment is particularly important to explore considering the poor housing situation of women in the United States. Women's housing experiences are not currently included in discourse regarding affordable housing and housing policy, even though a disparity exists in the United States housing market based on gender, and women are at the disadvantage. Female-headed households are predominately renters, and they pay, regardless of tenure, a much higher proportion of their income on housing costs.<sup>82</sup> For example, female-headed households paid 32 percent of their income towards housing costs in 1995. This is compared to

<sup>80</sup> "Locked Out: California's Affordable Housing Crisis," p. 40.

<sup>81</sup> "Locked Out: California's Affordable Housing Crisis," p. 10.

<sup>82</sup> Novac, Sylvia (1995). "Seeking Shelter: Feminist Home Truths," *Change of Plans: Towards a Non-Sexist Sustainable City*, Toronto: Garamond Press, p. 55.



married couples and male-headed households who paid 17 and 26 percent, respectively.<sup>83</sup> African-American female headed-households paid 38 percent of their income on rent and Latino women paid an average of 47 percent of their income on housing costs.<sup>84</sup>

Women are also the fastest growing segment of the homeless and ill-housed population.<sup>85</sup> According to HUD, 59 percent of households with worst-case needs in 1999 were female-headed households or women living alone. (Worst-case need is defined by HUD as households living in a housing unit with severe physical problems and/or paying total rent of more than 50 percent of current income, and not receiving housing assistance.) In addition, female-headed households and single women live in the majority of the 4 million HUD-assisted units, and over 75 percent of all families living in public housing were female-headed households in 1996.<sup>86,87</sup> Considering the poor housing situation of many women in the United States, further attention must be given to this important issue, particularly how housing impacts a lower-income women's economic stability.

In sum, although microenterprise development in the United States is a relatively new phenomenon, it has experienced recent rapid growth as an economic development and poverty alleviating strategy for lower-income individuals. Considering its popularity and the various benefits associated with it, microenterprise is likely to continue to grow as a field in the United States. Due to this fact, it is important to study the experiences lower-income women who attempt to start and succeed in owning their own business. In particular, barriers to success need to be explored in order for microenterprise programs to effectively enable lower-income women to succeed in self-employment. The next chapter explains the study's methodology used to identify and investigate barriers to self-employment for lower-income women in the San Francisco Bay Area.

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<sup>83</sup> United States Census Bureau, American Housing Survey, 1995, <http://www.census.gov/hhes/www/ahs.html>.

<sup>84</sup> United States Census Bureau, American Housing Survey, 1995, <http://www.census.gov/hhes/www/ahs.html>.

<sup>85</sup> The McCauley Institute, [www.mccauley.org](http://www.mccauley.org).

<sup>86</sup> Department of Housing and Urban Development, [www.HUD.gov/women](http://www.HUD.gov/women).

<sup>87</sup> Saegert, Susan and Clark, Helene (2000). "Women and Housing" (Draft) – Working paper for The Right to Housing, Edited by Rachel Bratt, Chester Hartman, Michael Stone, Temple University Press (Forthcoming) p. 20.

## **CHAPTER II—METHODOLOGY**

Working under the assumption that microenterprise is a worthwhile pursuit for lower-income women due to its economic, personal and professional benefits, this research project explored, in-depth, the experiences of self-employed lower-income women. More specifically, it explored the challenges of starting and expanding a business, as an initial step towards making it easier for them to succeed in self-employment. Furthermore, it explored how and why the barriers to self-employment are experienced, and to some extent, the ways in which the barriers interrelate. Based on a deeper analysis of these barriers, which emerge from the results of the study, suggestions are provided on how to alleviate the struggles of these lower-income women microentrepreneurs.

The methodology used to identify barriers facing self-employed lower-income women for this study consisted of three different components. First, a telephone survey was performed of clients of Women's Initiative for Self-Employment, a microenterprise program in San Francisco, California. Second, five in-depth interviews of WISE clients were performed and last, stakeholders, including professionals in the microenterprise field and WISE staff were interviewed.

### **I. Context: The San Francisco Bay Area**

This research focused specifically upon microenterprise for lower-income women in the San Francisco Bay Area. Located in northern California, the Bay Area has a population of close to four million and consists of three major metropolitan areas: San Francisco, Oakland and San Jose. Known for its economic, racial and cultural diversity, the recent economic boom and growth of Silicon Valley has made it one of the most favored, and most expensive, places to live in the United States.

The Bay Area is composed of nine different counties, spanning from Napa County's wine country in the north, to the beaches of Santa Cruz County in the south. For the purposes of this study, however, discussion of the San Francisco Bay Area comprise only five counties: San Francisco, Alameda, Contra Costa, Marin and San Mateo, or the counties which directly surround the Cities of San Francisco and Oakland. This parameter is due to the fact that only residents from these five counties are served by WISE. Residents of all five counties are included in the study sample, however, the majority of the respondents are from the cities of San Francisco and Oakland. Residents of San Jose and Silicon Valley are not represented in this sample.

### *Alameda County:*

Located on east of the San Francisco Bay, Alameda County is the home of the University of California, Berkeley and the City of Oakland. The county includes sprawling residential suburbs and urban areas. One of the most ethnically diverse counties in the nation, Alameda is almost evenly divided between non-Hispanic Caucasians and all minority groups. African-Americans are the largest minority group in the county, accounting for 18 percent of the total population. Asian/Pacific Islanders and Latinos constitute 15 and 14 percent, respectively. With a per capita income of \$25,120 in 1996, 12.3 percent of all persons lived below the poverty level.<sup>88</sup>

### *Contra Costa County*

With a population of approximately 930,000 as of January 1, 2000, Contra Costa County has one of the fastest growing work forces among Bay Area counties, with the majority of its growth in high-wage skilled jobs. Also located on the eastern side of the San Francisco Bay, the county has a much wealthier population than Alameda County. The per capita income of its residents is \$28,686 with a 9 percent poverty level. In 1996, the population was 77 percent Caucasian, 9.6 percent African-American, 12% Asian/Pacific Islander and 14 percent Latino.<sup>89</sup>

### *San Francisco County*

San Francisco County, home to the City of San Francisco, has a population of approximately 730,000. 35 percent of its residents are Asian/Pacific Islander, 11 and 10 percent are African-American and Latino, respectively. With a per capita income of \$33,740, 13.5 percent of the population lives below the poverty level.

### *Marin County*

The smallest of the five counties with a population of 245,929, Marin County is located north of San Francisco, linked by the Golden Gate Bridge. Marin County residents tend to have exceptionally high per capita incomes and as a result, the county is lacking in economic and racial diversity.<sup>90</sup> In 1970, Marin County had a Caucasian population of 96 percent. It is slowly diversifying, however, and as of 1996, the Caucasian population dropped to 90.4 percent. Approximately four percent of the county is African-American and 5.4 percent is Asian/Pacific Islander. Close to 10 percent of all residents of

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<sup>88</sup> U.S. Department of Commerce, Bureau of the Census and Economics and Statistics Administration, *State and Metropolitan Area Data Book*, 5<sup>th</sup> Edition, 1998.

<sup>89</sup> U.S. Department of Commerce, Bureau of the Census and Economics and Statistics Administration, *State and Metropolitan Area Data Book*, 5<sup>th</sup> Edition, 1998.

<sup>90</sup> Marin County, California, [www.marin.org](http://www.marin.org).

Marin County are of Hispanic origin and 6.4 percent of the population lived below the poverty level in 1993.<sup>91</sup>

### *San Mateo County*

Due to its close proximity to Silicon Valley, the County of San Mateo, located south of San Francisco, is one of the most expensive places to live in the nation. The northern part of the county, however, is home to many economically and racially diverse cities, including Daly City and South San Francisco. With a poverty rate of 6.9 percent, the county has a per capita income of \$32,714. Seventy-four percent of the county is Caucasian, while 21 percent and 5 percent are Asian/Pacific Islander and African-American, respectively. Twenty-one percent of the county's population is of Hispanic origin.<sup>92</sup>

Although the five counties each vary with regard to income range, poverty levels and racial demographics, they share relative geographic proximity and a high cost of living. Although Marin and San Mateo counties are the most expensive places to live in the San Francisco Bay Area, the remaining counties are not far behind. The recent economic boom, high cost of living and cultural diversity of the area provide an interesting place to perform research on the barriers facing lower-income women microentrepreneurs.

## **II. Study Site: Women's Initiative for Self-Employment (WISE)**

Founded in 1988, Women's Initiative for Self-Employment was created by a group of women guided by a philosophy of equity and empowerment. They shared a belief in the capacity of women to be economically independent and saw training and credit as a way to increase the economic options available to women. According to Barbara Johnson, the organization's Executive Director, "the vision [to create WISE] was really coming from...a feminist viewpoint, [acknowledging] that women's roles are complicated and women needed more options available to them, more economic options...It was not simply a matter of short-term training and budgeting. It was a much broader mandate of helping women to empower themselves."<sup>93</sup> This vision continues to guide the work of WISE, and its dedication to improving the lives of lower-income women was a primary reason why it was selected as the study site for this research project.

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<sup>91</sup> U.S. Department of Commerce, Bureau of the Census and Economics and Statistics Administration, State and Metropolitan Area Data Book, 5<sup>th</sup> Edition, 1998.

<sup>92</sup> U.S. Department of Commerce, Bureau of the Census and Economics and Statistics Administration, State and Metropolitan Area Data Book, 5<sup>th</sup> Edition, 1998.

<sup>93</sup> Servon, Lisa. Bootstrap Capital, p. 59.

The microenterprise programs and services offered by WISE reflect its vision to promote self-empowerment and increased economic options for lower-income women. They provide bilingual entrepreneurial training, business support services and financing services for low- and very-low income women, which is defined as those with household incomes at or below 50 percent of the median area income for the Bay Area. Services provided by WISE include:

- Business skills training, including a 14-week session core training workshop;
- One-on-one business technical assistance services from small business consultants;
- Seminars and workshops related to business and personal development,
- Computer and internet training;
- Networking events; and
- Financial services, including loans and savings programs.

Working under the assumption that lower-income women are more likely to develop successful small businesses if they first acquire the necessary skills for planning, developing and managing a small business, *Managing Your Small Business* is the foundation of the program. This 14-week training workshop covers a wide-range of business topics including marketing, defining a business, target markets, business costs and break-even analysis, cash-flow basics, practice and analysis, and personal money issues. All clients must complete this workshop in order to access the other services provided. From 1988 to 1998, WISE reached over 7,200 women, provided comprehensive training and technical assistance to more than 4,300 of them and assisted 636 business start-ups and expansions.

### **III. Data Collection**

#### *Wise Telephone Survey*

The first method of data collection was a telephone survey of WISE clients. The target sample for the survey consisted of 33 women who successfully completed *Managing Your Small Business* in 1998. The director of the Evaluation and Data Coordination Team at WISE selected this sample. Each client was carefully chosen to not interfere with concurrent WISE studies. The surveys were performed from February to April 2001 and upon permission from WISE, I identified myself to the respondents as a WISE volunteer and graduate student.

#### *Survey Design*

The thirty-minute telephone survey consisted of questions regarding business status, personal and business income, in addition to questions regarding various barriers to their business development. Respondents were asked to rate a list of possible barriers on a scale from one to five, where one was defined as a 'least significant barrier' and five as a 'most significant' barrier. Barriers in question included capital, training and technical assistance, time, support from family and friends, childcare,

transportation, sufficient workspace and housing issues. Respondents were then given the opportunity to identify and discuss any other challenges experienced as a business owner or potential business owner. (Please see Appendix A for the complete telephone survey.)

The survey was designed in conjunction with WISE. Questions from an existing survey of the WISE Research and Evaluation Team was used to ask about the study sample's business status, personal and business income. These questions were of particular interest to WISE and the data from the survey support its efforts to maintain an accurate client database. The questions related to barriers were then added to the existing WISE survey. The barrier categories were derived from three different methods: literature, working with WISE and research focus. All barriers, with the exception the questions related to housing as a barrier, were derived from existing literature and experience while working at WISE. Due to the research's particular exploration of housing as a barrier, separate questions were added regarding workspace issues and housing, in general.

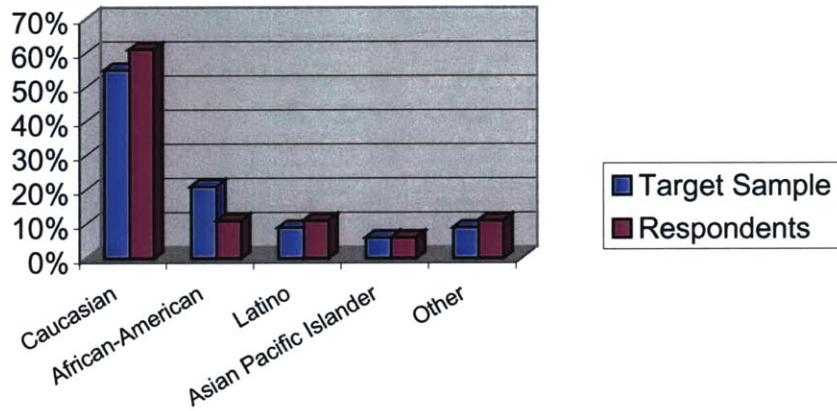
#### *Response Rate*

The response rate for the telephone survey was 55 percent, or 18 of the 33 women in the target sample. The survey findings presented in Chapter III reflect data collected from these 18 women. The contact information used to reach the target sample was gathered the client entries to WISE in 1998. Nine out of the 15 women who were not reached did not have working telephone numbers, and six were unable to be reached at their working phone numbers. Numerous attempts were made in order to obtain the correct contact information, to no avail.

#### *Characteristics of Sample*

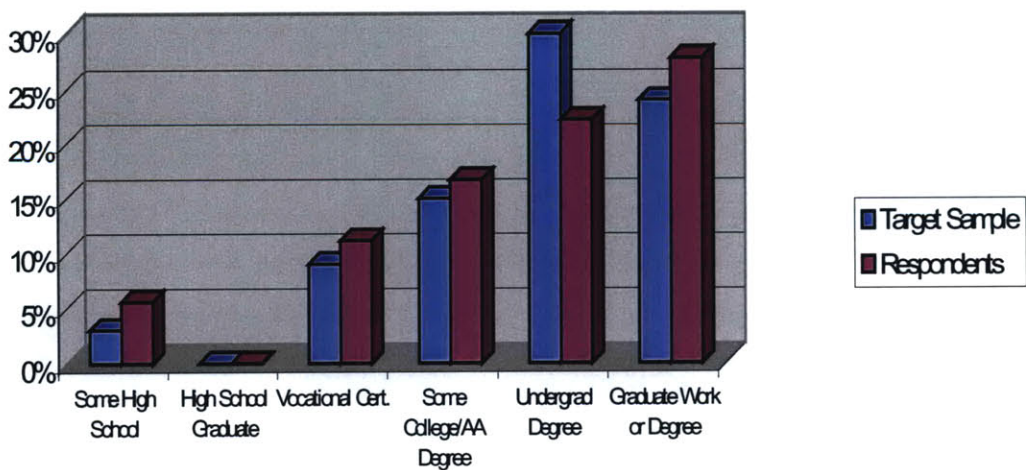
The majority, or 55 percent, of the respondents are residents of San Francisco County. Twenty-two percent, or four respondents, live in Alameda County, and 6 percent, 1 respondent, each lives in Contra Costa, Marin and San Mateo Counties alike. The race and ethnicity of the study sample is as follows: 61 percent Caucasian, 11 percent African-American, 11 percent Latino, 11 percent 'other' and 6 percent Asian Pacific Islander (Please see Figure 2). Ages of the study sample range from 27 to 64 years-old, and the median age is 39 years-old. On average, the respondents were well educated. For example, 28 percent have graduate degrees or participated in graduate-level coursework. This is compared to 22 percent who completed an undergraduate degree. Additionally, 17 percent have an Associates Degree or some college coursework, 11 percent have a vocational certificate and six percent have some high school education. There is no educational data for 16 percent of the study sample (Please see Figure 3).

**Figure 2: Race of Sample  
(Respondents vs. Target Sample)**



Based upon data collected from study sample when they began the WISE program in 1998, 22 percent, or four respondents had children, and three out of the four clients with children were single parents. Eighty-three percent of respondents lived in low-income households, as defined by HUD, and 17 percent were in very-low income households. The median income for the sample was \$17,600 and 83 percent were the primary earners in the household.

**Figure 3: Educational Level of Sample  
(Target Sample vs. Respondents)**



The majority, or 56 percent, of the study sample received their primary income from a salaried or wage job. Eight respondents, or 44 percent, were already receiving income from self-employment—four full-time and four part-time. A large segment of the study sample were receiving some form of public assistance at the time they started WISE; approximately 40 percent were receiving benefits, including SSI and unemployment. None of the respondents were receiving Temporary Aid to Needy Families (TANF).

**Table 3: Statistics of Research Sample  
(Study Sample vs. Target Sample)**

<b>Demographics</b>	<b>Study Sample</b>	<b>Target Sample</b>
<b>County of Residence</b>		
<i>San Francisco</i>	55%	33%
<i>Alameda</i>	22%	42%
<i>Contra Costa</i>	6%	12%
<i>Marin</i>	6%	6%
<i>San Mateo</i>	6%	3%
<b>Race/Ethnicity</b>		
<i>European-American</i>	61%	55%
<i>African-American</i>	11%	21%
<i>Latino</i>	11%	9%
<i>Asian/Pacific Islander</i>	6%	6%
<i>Other</i>	11%	9%
<b>Disabled?</b>		
<i>Yes</i>	3%	9%
<b>Education</b>		
<i>Some High School</i>	6%	3%
<i>High School Degree</i>	0%	0%
<i>Vocational Certificate</i>	11%	9%
<i>Associate Degree</i>	17%	15%
<i>Undergraduate Degree</i>	22%	30%
<i>Graduate Degree or Coursework</i>	28%	24%
<i>Other</i>	0%	3%
<i>Did not Respond</i>	16%	15%
<b>Age</b>		
<i>Median</i>	39 years	40 years
<i>Average</i>	40	40
<i>Minimum</i>	27	27
<i>Maximum</i>	64	64



<b>Table 3 (continued)</b>		
<b>Health Insurance</b>		
<i>No Insurance</i>	38%	39%
<i>MediCal</i>	6%	12%
<i>MediCare</i>	0%	0%
<i>Pays for Insurance</i>	33%	27%
<i>Insurance Through Employer</i>	6%	3%
<i>Insurance through Spouse</i>	6%	6%
<i>Pays Portion, Employer Pays Portion</i>	6%	3%
<i>Did not Respond</i>	17%	12%
<b>Household Size</b>		
# of Adults in Household		
<i>1 Adult</i>	89%	88%
<i>2 Adults</i>	11%	12%
% of Clients with Children	22%	18%
% of Single-Parent Families	17%	12%
<b>Household Income</b>		
<i>Median Income</i>	\$15,789	\$11,040
<i>Minimum</i>	\$4,980	\$2,350
<i>Maximum</i>	\$24,000	\$24,000
<i>Primary Earner in HH?</i>	83%	81%
<b>Income Status</b>		
<i>Low-Income</i>	83%	64%
<i>Very-Low Income</i>	17%	33%
<b>Source of Income</b>		
<i>Self-Employment</i>	17%	18%
<i>Salary/ Wage Job</i>	56%	48%
<i>Child Support</i>	6%	3%
<i>Alimony</i>	6%	3%
<i>Unemployment</i>	17%	18%
<i>TANF/ AFDC</i>	0%	0%
<i>SSI</i>	0%	3%
<i>SSA</i>	0%	3%
<b>Employment and Business Status</b>		
Employment <sup>94</sup>		
<i>Self-Employed Full-Time</i>	22%	15%
<i>Self-Employed Part-Time</i>	22%	33%
<i>Salary/ Wage Job Full-Time</i>	39%	36%
<i>Salary/ Wage Job Part-Time</i>	6%	3%
<i>Public Assistance</i> <sup>95</sup>	39%	42%

<sup>94</sup> These figures exceed 100 percent because many clients fall into more than one employment category.

<sup>95</sup> The study sample did not include welfare recipients. Therefore, this figure does not include TANF, but rather SSI, SSA, public housing and Section 8.

<b>Table 3 (continued)</b>		
<b>Business Status</b>		
<i>Self-Employed Less than 6 Mos.</i>	17%	18%
<i>Self-Employed More than 6 Mos.</i>	28%	18%
<i>Self-Employed Less than 12 Mos.</i>	0%	0%
<i>Self-Employed More than 12 Mos.</i>	0%	0%

### *In-Depth Interviews*

The second method of data collection was in-depth interviews with five WISE clients. In-depth interviews were performed for a more comprehensive exploration into the experiences of lower-income microentrepreneurs. Participants in the in-depth interviews were selected from the same group of clients as the telephone survey. After completion of each telephone survey, the client was asked if they were willing to participate in a one hour in-depth interview. The criteria used to select the participants out the available pool was:

- willingness to share information (a few of the telephone survey respondents were not comfortable sharing information about personal experiences or finances); and
- the desire to start a business (one respondent was not actively pursuing her business for economic reasons; it was viewed as more of an artistic endeavor).

The remaining five people who agreed to participate were the subjects of the in-depth interviews. Although the methodology was originally designed to have four in-depth interviews with women who had "successfully" started their businesses and four interviews with women who were still in the pre-start-up phase, the pool was too limited to proceed in this manner.

Interview questions ranged from describing a typical day, motivations behind and anticipated benefits from starting a business to questions exploring the challenges each has faced as a microentrepreneur. The research questions of this study drove the design of the interview protocol, including how barriers were experienced by the microentrepreneurs and how they interrelated (please see Appendix B for the in-depth interview guide). One interview was performed in person and four were conducted via telephone. The in-depth interviews were also performed from February to April, 2001. Four of the five participants had "successfully" started their business, and one interviewee was still in the pre start-up phase. Furthermore, two of the in-depth interviewees were Caucasian and three were women of color. Ages range from 28 to 54 years old.

Seven women did not want to participate in the in-depth interview and as a result, this self-selection process of the study sample limited the scope of experiences. For example, some women might not have been comfortable discussing their business if it wasn't going well for them. Furthermore, other women may not have had the time for the interview due to juggling a family, working full-time and

running a business. Although the in-depth interviews include women with complex work and family situations, similar experiences from additional women could have diversified the sample and added valuable input to the study. Such omission should be kept in mind when reviewing the findings.

In-depth interview were performed with the following WISE clients. Names have been changed to protect the their confidentiality:

*Eloise Vaughn*—Eloise is currently self-employed via two endeavors. She is a hairstylist, where she works approximately 60 hours a week, and the founder of Eloise Vaughn Productions, an event planning business that specializes in social events and weddings. She lives in Marin County and just recently moved to increase the amount of space available in her home to work on her businesses. She started her hairstyling business twelve years ago, and Eloise Vaughn Productions in 1999. Eloise is Latina and 33 years-old.

*Laura Duncan*—Laura started a women's specialty pajama company with her best friend in 1998. They perform all aspects, except production, of their wholesale and retail manufacturing business such as design, sourcing and marketing out of their three-bedroom apartment in San Francisco. Relatively younger than many microentrepreneurs, Laura and her partner are Caucasian and 28 years old. Their pajamas have been featured on hit television shows and are currently being sold in Victoria's Secret and Nordstrom.

*Paula Booth*—Founder and sole employee of Paula Booth Enterprises, a corporate meeting planning company, Paula works part-time with the hearing impaired to supplement her income from the business. A resident of San Francisco, Paula is African-American and mother of a 16 year-old boy. Started in 1998, after Paula was laid-off by her employer of 14 years, the business performs meeting facilitation and inclusive meeting management. Paula hopes to start another business in the next few years in order to become self-employed full-time. She is 54 years old.

*Patricia Rosen*—Patricia is the owner of Doggie Day-Care, a dog-walking and pet sitting provider, in the City of San Francisco. Starting her business from the funds of her SSI check while recovering from chemotherapy, Patricia began Doggie Day-Care in 1996 at the age of 26. She runs her business full-time, recently hired a part-time employee and is considering starting another business in the next few years. Paula is Caucasian and 31 years-old.

*Christina Chien*—Recently laid off from a web production company, Christina is currently unemployed and looking for a wage job to support herself. She's been unable to get her women's handbag design and manufacturing company, *Cassia and Fem*, off the ground since finishing WISE in 1998, primarily due to lack of time and money. Christina hopes to find a full-time job to support her expenses and her business. She is of Asian/Pacific Islander decent, and 42 years old.

### *Stakeholder Interviews*

The third and final aspect of data collection consisted of stakeholder interviews. Professionals in the field of microenterprise were interviewed, including staff of microenterprise membership organizations, state associations, government agencies, research think tanks, and microenterprise programs. A significant number of interviews with WISE staff members were performed due to their daily experience working with the clients of the organization. Due to this contact, they have extensive

knowledge of the struggles and challenges lower-income women in the program face related to self-employment. (Please see Appendix C for a complete list of stakeholder interviews performed.)

### *Limitations Of Data*

The data collected for this research is limited in several ways. First of all, the number of respondents to the telephone survey is quite small. As a result, it is difficult to make any statistically significant estimates of the incidence of particular barriers to success for the larger population of women microentrepreneurs. However, considering the contact information for the target sample was approximately three years old, a 55 percent response rate for the telephone survey is not considered low.<sup>96</sup>

There are numerous possible explanations for why the telephone survey response rate was not greater. First of all, nine of the fifteen who could not be reached had non-working telephone numbers. It is possible that these women moved somewhere else in the Bay Area, or out of the area all together. Numerous attempts were made to find their new contact information, to no avail. Secondly, the remaining six clients had working telephone numbers, but were never reached and never returned the phone calls. Again, there are numerous possible explanations for this, including a hectic and overwhelming schedule that left little time to return phone calls or not wanting to talk about their businesses or experiences due to perceived business "failure" or discomfort with sharing personal information. All of these reasons, however, are speculative, but necessary to note, as the omission of these clients from the study likely limited the diversity of experiences included in the data.

Three distinctions between the target sample and the study sample are noteworthy. First, 61 percent of the respondents are white, compared to 55 percent of the target sample and only 11 percent of the respondents are African-American, compared to 21 percent in the target sample. As a result, race discrimination and other challenges faced by African-Americans might not be represented as completely as possible in the data. Second, the median income of the respondents is 143 percent of the median income of the full sample. Although both are still relatively low, the sample under-represents women at the bottom of the income range. For example, the minimum income of the study sample is \$4,980, compared to \$2,350 of the target sample. Last, more respondents had already started a business at entry into WISE than the target sample. Again, the study sample may have had different experiences than the target sample, considering that, on average, they have been business

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<sup>96</sup> Dillman, Don A. (1978). Mail and Telephone Surveys: The Total Design Method. New York:Wiley.

owners for longer periods of time. As a result, their input could have impacted the results of this study.

The second limitation of the data is the exclusion of welfare recipients. Due to current WISE studies, which are examining the effects of self-employment as an alternative to welfare, welfare recipients were not included in this study. Women receiving welfare face additional barriers to self-employment, compared to the general lower-income population, including the risk of losing TANF benefits and dealing with welfare bureaucracy. Their experiences will not be part of this study.<sup>97</sup>

Third, it is important to note that WISE applicants undergo an intensive screening process before being accepted to the program. Due to the organization's limited financial resources, they are unable to accept all individuals interested in the program. The assessment process screens for women who exhibit entrepreneurial traits, have the necessary personal and social supports to succeed in their business, show a commitment to their business ideas and a willingness to learn. Women must also demonstrate a certain level of personal and economic stability in order to be accepted to the program. As a result, women who possibly face different or more significant barriers in microenterprise due to their personal and economic instability are not accepted to WISE, and thus, not included in the study. Clients included in this sample certainly still face significant barriers to starting a business compared to the general population. However, one should keep in mind that the sample consists of selected clients whose barriers were not the most extreme. This is another reason why statements about all lower-income microentrepreneurs cannot be made from this study's findings. However, the results are highly relevant to women microentrepreneurs who seek out assistance from organizations such as WISE.

Furthermore, the primary limitation of the in-depth interviews is that the majority of the interviewees have successfully started their businesses. Only one in-depth interview participant has not started her business, to date. Although all of the interviewees experienced obstacles of some form or another during the start-up phase, the fact that only one of the participants has not been able to start her business likely limited the scope of the data.

Although there are certain limitations of the data used for this study, a wealth of data was collected regarding lower-income women microentrepreneurs' experiences as business owners or potential business owners. A diverse range of personal, economic situations and business development experiences were surveyed and interviewed as part of the study sample. This includes existing

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<sup>97</sup> Servon, Lisa. "What Ensures Success by Low-Income and Unemployed Entrepreneurs Using the Microenterprise Strategy in the U.S.?" p. 3.

business owners and individuals who were not able to start their businesses, full-time business owners, part-time business owners who juggled both a wage job and self-employment, married women, single women and women with children, in addition to others. Coupled with the input from microenterprise stakeholder, the findings presented in the following chapter offer a look into the experiences of self-employed lower-income women and the barriers to starting and "succeeding" in owning a business. All of the barriers explored in this research are presented in the next chapter, excluding housing. Chapter Four is dedicated to exploring the nature of housing as a barrier to lower-income women entrepreneurs.

## CHAPTER III—FINDINGS

*"I find it very curious because a lot of the small business owners in the last five to ten years have been women and they do quite well, but the cross section of women who go through WISE are low-income and a majority are women of color. I am wondering how they actually do though and if are they the ones who are starting their own businesses of is it some other section of women because traditionally I don't think they if they do that well or have done that well in any industry - they are starting to do so now. I mean just being a women period is hard because you don't get paid as much as men do, you don't have lateral movement ability that men do in their careers. I'd be curious to know if it's actually is harder or is it just in my mind? I don't know."*

Interview with Christina Chien, WISE Client, April 24, 2001

The following chapter presents the quantitative and qualitative findings of the study exploring barriers to success for lower-income women entrepreneurs in the San Francisco Bay Area. While some of the barriers identified are congruent with the literature review, other obstacles were identified in this research. The findings are presented by each category of barrier and a discussion of the findings is located in Chapter Five.

### I. Lack of Capital

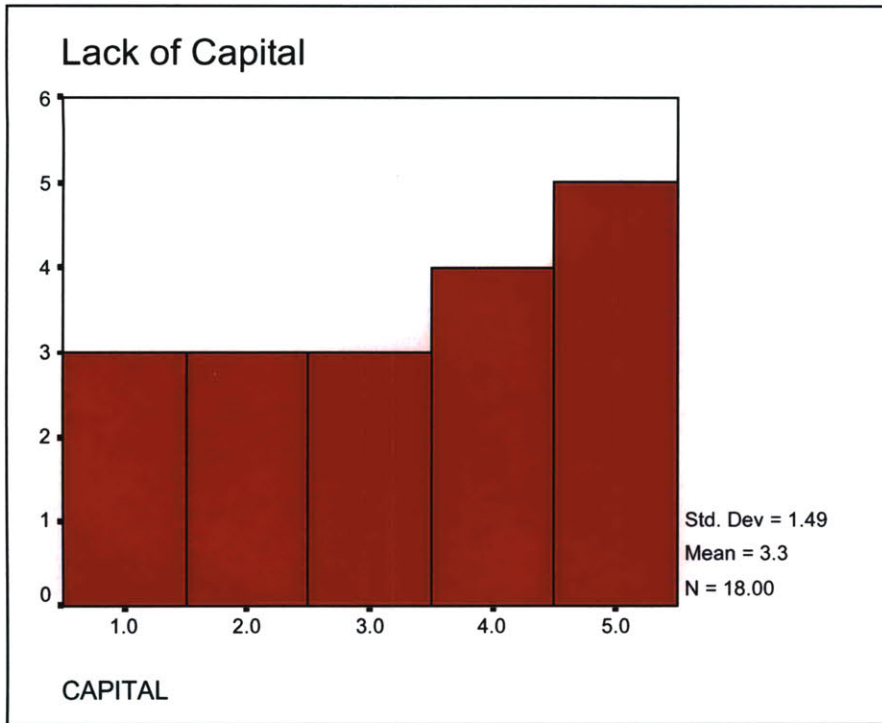
Lack of capital was repeatedly identified as a barrier to self-employment by both the microentrepreneurs themselves and the stakeholders. On a scale from one to five, with one meaning a 'least significant' barrier and five meaning a 'most significant' barrier, over 66 percent of the telephone survey participants rated capital a three or above (Please see Table 4). Only 16.7 percent of the sample stated that lack of capital was a not barrier for them or their business.

**Table 4: Lack of Capital Frequency Distribution**

Rating of Barrier	Frequency	Percent	Cumulative Percent
Least significant	3	16.7	16.7
Slightly significant	3	16.7	33.3
Moderately significant	3	16.7	50.0
Strongly significant	4	22.2	72.2
Most significant	5	27.8	100.0
Total	18	100.0	

On average, microentrepreneurs in the sample reported lack of capital as moderately significant. However, the mode, or score in the sample that occurred most frequently, was five. In other words, the greatest number of clients ranked lack of capital as a most significant barrier to their business.

Figure 4:



According to Wilma Goldstein of the Small Business Administration's Office of Women Business Ownership, it is difficult for lower-income women to secure capital. Willow Rosenthal, a staff member of WISE who has interviewed clients for over two years for research projects, agrees. In response to a question regarding her clients' experiences accessing capital, she stated "overall, everyone has a lack of affordable funding and financing. It is not that is not affordable, they don't qualify for it; SBA loans and Women's Initiative loan funds are the exception. For a regular bank [loan], you usually to have at least three to five years of sales under your belt and gross sales of around \$225,000 or more - not an option for microenterprise businesses."

Lack of access to capital was particularly frustrating to clients given the recent economic boom and proliferation of venture capital for internet start-up businesses in the San Francisco Bay Area. Ms. Rosenthal continued,

"I...hear a lot of dissatisfaction from clients that they don't have access to the money. People are upset in this community because money was being thrown around and given to people who didn't have much proof that they could run a business. What is hard for our clients is watching the money glut in San Francisco and they don't have any access to it—they are underneath a glass ceiling watching it, and they are saying "I only need \$2,000 and I can't get it!" Yet these 24-year olds are bringing in \$70,000 a year with a start-up. [It's a] frustration of seeing the money but not having a way in."

The range of capital needed to start a business differs among lower-income entrepreneurs. While the standard definition of a microenterprise states that less than \$25,000 is needed to start a



microbusiness, most lower-income entrepreneurs need significantly less than that amount, or nothing at all. The amount of capital needed generally depends on the type of business being started.

A significant implication of the lack of capital available for lower-income microentrepreneurs is that they often do not have the financial means to support themselves while getting their businesses off the ground. As a result, many have to juggle starting businesses with working in full-time wage jobs in order to pay their bills and sustain themselves and their families. Furthermore, the fear of losing a reliable source of income deters many women from starting a business. For example, Jill Montel, a telephone survey respondent, wants to start a gardening and landscaping business. However, she has been "used to a regular paycheck for seven years" and the largest barrier to starting the business is "financial problems"; she "wants to do gardening, but must first prepare for not having a regular paycheck." Although income generated from wage work generally is quite small, and clients could substantially increase their income from starting businesses, the fear of losing a reliable source of income impedes their efforts to become self-employed.

Juggling a fulltime wage job, although often financially necessary, is problematic since it leaves limited time to start a business. Barbara Johnson, Executive Director of WISE, agrees. "If [our client] is building a business and not making enough money on it and she has to work a wage job, she is caught in a 'catch 22'. She then doesn't have enough time to devote to the business and build it up to a degree to where she can live off of it and thrive, save and grow. If she had capital, ideally she could pay to replace that wage income and have the time to devote to her business."

Christina Chien knows this juggling act all too well. She has been unable to get her business started since the completion of the WISE program three years ago. She believes it is due to a lack of capital and an inability to get ahead financially. When asked if she tried to start her business before attending WISE, she responded:

"No, I had gone to another program, San Francisco Renaissance Entrepreneurs, and that was a good education. It was the first one I took on how to run a business, but I still didn't quite grasp how to get it rolling, because it was always an issue of capital. [The class] was just after I graduated [from returning to college to get her BA], so I thought do I get a job? But if I get a job how will I work on the business? It was always that dilemma. So, of course I got a job."

Eloise Vaughn, another in-depth interviewee, supports herself as a self-employed hairstylist. The income earned from her business allowed her to start and build her second business as a wedding coordinator. When asked about the financial difficulties of juggling two microbusinesses, she responded, "I am going with the flow of it. If I had a regular full-time job, I would have income that I wouldn't have to stress over. I would have a set income coming in. As it is, being self-employed

trying to pay for another, I don't know how much I will get from a job, no less how much I can then put into [the second business]. That is a handicap, I would say."

Considering the balancing act needed to work in a wage job and start a business, many lower-income entrepreneurs lack sufficient time or energy to put into the businesses. To avoid this dilemma, a few clients have used other means to support themselves during the initial start-up phase. The data showed that extreme change in circumstances, often-unfortunate circumstances, enabled women to finance their leap into self-employment. For example, in-depth interview participant Paula Booth used income from an unemployment check to support herself and start a meeting management business after she was laid off from her company of 14 years. Furthermore, Patricia Rosen, owner of Doggie Day Care, financed herself and her business from the Supplemental Social Security received during her cancer treatment. When discussing her inability to qualify for a loan to finance the start-up of her business, Patricia said,

"If a person didn't have what I was on, the SSI, they really would have had a hard time trying to keep [the business] alive. I knew a guy who was trying and it didn't work so he just left. So getting cancer was a mixed blessing. I mean you just have to look at things differently, I guess. [Owning my own business] was something I always wanted to do, and it was the consequence that led me to be able to do it. But you should be able to get a loan if you want to do something. I would have paid it off by now."

Poor credit or lack of established credit is an aspect that hinders lower - income women's ability to get a loan for self-employment. According to Bill Edwards, Executive Director of Association for Enterprise Opportunity, credit history is a "major barrier, huge barrier" to lower-income microentrepreneurs and a primary reason why they have low levels of capital available to them. Ouida Rodriguez-Cooper, Business Enrichment Consultant at WISE, agrees. She stated that "finances are always an issue and a challenge, but by the time they have gotten to Women's Initiative, they have adapted to dealing with these challenges. Credit problems, however, present themselves as a barrier."

Another factor that hinders a microentrepreneur's ability to secure capital is a lack of sufficient savings. Lending institutions are not willing to lend to microentrepreneurs who do not have money in a savings account to offer as collateral for the loan. In fact, microentrepreneurs in the study with significant savings did not have to rely upon outside sources of capital for their businesses. Although savings provided a financial cushion to these women when they started their business and needed capital, they are the minority. Many WISE clients are living from one paycheck to another and cannot sacrifice a portion of their income to savings.

Even women who successfully start their businesses often have difficulty saving money for other uses, such as expansion, reinvestment in their business or a financial safety-net, which can provide security if something goes awry. As Milenna Hileman, a Small Business Consultant at WISE, stated, "I don't think lack of capital is the main problem to our clients, but they often do not have a financial cushion and are, therefore, always vulnerable." A case in point, Eloise Vaughn who runs two small businesses, is unable to save any money. When asked about future programs that might be helpful to her businesses she mentioned, "A couple I was interested in were the 'Women Investing and Saving Program' because here I am, self-employed with two different jobs, no health insurance, no savings, no 401K, no IRA."

Although a significant savings account difficult for interviewees to achieve, it has formidable benefits. These include decreased dependence upon loans and other sources of capital. Laura Duncan, owner of a women's pajama company, started saving money when she was a teenager and discussed the benefits of having financial savings to rely on:

"We are so lucky, we are the most frugal people you ever want to meet and it's really served us well. We started working when we could get a [worker's] permit. I've never been a big spender, I was always this squirreler and had a nest egg...[Her business partner] on the other side of the country was thinking the same thing. We both had nest eggs. We were able to have our own capital to start off with, which was really helpful [because] we didn't have to ask our parents for money. Also the fact that I slung pizza for 5 bucks an hour and the money is [still] in there. You value it in a different way...We have an outlook that we spend our money wisely because it opens a lot more doors that way. It really adds up. It gives us a lot more options."

Even though they had family members to rely upon if needed, which is not the case for many lower-income women, the presence of a savings account allowed Laura and her business partner to finance a portion of the business's start-up costs. Additionally, it removed the fear of leaving a full-time wage job while the business got up and running. Laura and her business partner quit their wage jobs immediately after they decided on their business idea.

"So from the decision to start a biz until we did was actually about 9 months before we decided on [the business idea]. I mean we are roommates, we live together, so one thing we had to do was come up with one business idea before we went to bed... One night it happened. I said "women's pajamas" and we were like 'oh my god, that's a perfect, perfect fit.' We love pajamas...we also definitely saw a need in the market because the [existing] novelty pajamas are not cool and we want to make a cool pajama. So we decided on pajamas on a Thursday and then Friday we quit our jobs. We quit the next day."

Although the majority of the study sample identified lack of capital as a most significant barrier, a few respondents would not go into debt for their businesses, even if it were a readily available option. Reasons for this hesitation include a perception of the lack of flexibility or control associated with a loan and the pride in starting a business without assistance. For example, Paula Booth wanted

complete independence in her business venture. She stated, "One of the things that I decided was that I didn't want to go into debt over a business and so I started [the business] with severance pay I got...I financed the business myself and I like that idea because I like being independent. Autonomy is a big thing for me and the less I have to rely on other people, the better. I will always get information [from other people] but in the end it's me."

Laura Duncan and her business partner also did not seek capital from outside sources for reasons of independence. She expressed, "you'll never have enough money that you would like, but you have to deal. You make your own bed. We decided that we weren't going to seek loans or venture capital, which was very hot back then when we started, because we wanted the control. We wanted to make every decision and not feel pressured. But it makes you creative and you value the things you work really hard to get." Both Paula and Laura had other financial resources to start their business. Laura's savings and Paula's severance pay provided a viable alternative to a loan or other form of capital, which in turn, enabled their desired freedom.

Although some of the study sample were able to finance the start-up on their businesses without seeking outside capital sources, this is usually only possible for people who do not require high amounts of start-up costs. For example, Paula needed to write a training manual for her meeting facilitation business to attract clients and since she already owned a computer, there were no significant start-up costs. Similarly, Patricia Rosen's start-up costs were quite low. They consisted of the price to print flyers advertising her dog walking service. Other kinds of businesses, however, are much more capital intensive. Due to the varying levels of start-up capital required of different business types, only some entrepreneurs can decide against pursuing outside sources of capital for reasons of control and autonomy.

Although lack of capital was a critical barrier mentioned by the lower-income women entrepreneurs, a number of stakeholders interviewed thought capital was not the most pressing obstacle, particularly when the business is getting started. Catherine Marshall, Executive Director of the California Association of Microenterprise Organizations (CAMEO), when asked about capital as a barrier, responded, "I don't think it is as much as everyone thinks. Capital becomes more of an issue after a business is started and beginning to be established. There are microloan funds available and I don't see big gaps in funding." Ouida Cooper Rodriguez of WISE agrees. She stated that "Money is the first thing [clients] say is a barrier, but I don't believe that's true." She feels that even if clients had access to capital, there are other things just as important to business success, such as technical assistance and training.

In sum, various aspects of capital provided barriers to the microentrepreneurs in the study sample. First, lack of access to capital placed women in a juggling act between a wage job and starting a business. As a result, they did not have time or energy to devote to their business. In addition to this quandary, lack of savings and poor credit histories limited clients' abilities to finance their businesses from outside sources. If she has poor credit, she is much less likely to qualify for a loan, and the absence of savings limits her collateral to qualify for a loan. Although a few respondents did not pursue a loan for reasons of independence and control, issues of financial capital clearly presented a challenge to the sample. Is it the greatest challenge, however? The next group of findings argues that issues such as lack of training and technical assistance are just as important, if not more, to the success of microbusinesses.

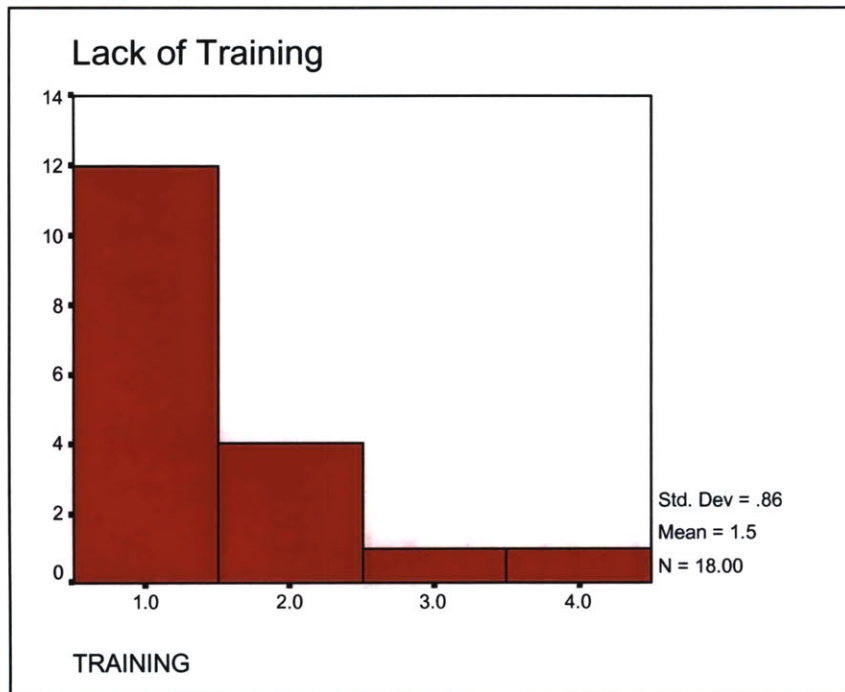
## II. Lack of Training and Technical Assistance

In this study, training and technical assistance were identified as one of the most important tools for lower-income microentrepreneurs. Both entrepreneurs and stakeholders highlighted the absolute necessity of sufficient training and technical assistance to the success of microbusinesses. Although interviewees identified this tool as extremely important, lack of training and technical assistance was not a significant barrier to the study sample. Which reflects WISE's strong focus on technical assistance and training. Sixty seven percent of the study sample rated lack of training and education as a least significant barrier to their businesses. Thirty-three percent, ranked lack of training and technical assistance as 'slightly significant' 'moderately significant' and 'strongly significant'. No one identified lack of training and technical assistance as the most significant barrier they faced as a lower-income entrepreneur.

**Table 5: Lack of Training and Technical Assistance Frequency Distribution**

Rating of Barrier	Frequency	Percent	Cumulative Percent
Least significant	12	66.7	66.7
Slightly significant	4	22.2	88.9
Moderately significant	1	5.6	94.4
Strongly significant	1	5.6	100.0
Total	18	100.0	

Figure 5:



The importance of education, training and technical assistance was stressed by microenterprise stakeholders. For example, Bill Edwards, Executive Director of AEO, expressed that "the original premise was that lack of capital was the biggest barrier, however practitioners now believe that is the lack of business skills." He continued, "if you don't have the skills, you can't make the business work!" The National Foundation of Women Business Owners (NFWBO) expressed a similar sentiment. Julie Weeks, Director of Research, mentioned that "NFWBO research works under the presumption that training and technical assistance is just as important, if not more important [than capital] for women business owners. They have to know what to do with [the capital]!"

Barbara Johnson, Executive Director of WISE agreed that training and technical assistance were vital tools for microentrepreneurs. When talking about the great importance of having the proper business training in order to survive as a business owner in a dense urban market like San Francisco, she stated,

"Sometimes the barriers to business are what the women knows, what she has been exposed to in her life, what she can devise to sell...You must be unique and know your niche and reach them effectively; that can be very difficult in a dense urban market. The cost of doing business here is commensurate with the world's capitals. You need to have...sophistication in a business to be able to survive. I think that you must successfully establish yourself [and be] continually aware of competition. You have to beat others at their own game to win at your game."

The study also expressed that proper training and technical assistance is of the utmost importance to success as business owners. Although the majority of the sample did not feel that lack of training and technical assistance were barriers to their businesses, a few respondents did experience lack of training as an obstacle. Eloise Vaughn, for example, when asked about significant obstacles she has faced as a business owner in the in-depth interview, replied,

"Consistently education or lack thereof has been [a barrier], I don't believe that going out and having a masters in anything would really help me with what I want to do, but I would at least have a better understanding of the lingo. I mean when I first started [the business], I didn't know the difference between net and gross, things like that, that kind of education. You are kind of afraid to admit that you don't know what they are talking about, especially when they say 'gosh, you've been self-employed for 12 years!' I make an income, I pay my bills, and whatever is extra is what I can eat with. I mean the basic education would have been nice because even now I face [these problems]."

Financial skills is one aspect of training and technical assistance that poses as a particular challenge to WISE clients. Willow Rosenthal of WISE expressed that "getting the financials under their belt and down on paper is a real challenge for some people," even though these skills are vital to the success of any business. She tied clients' struggles with financial skills to their lack of confidence in areas such as math. For example,

"We ask if people have a financial plan for their businesses. That's the lowest rated question because people are in survival mode and are trying to just do what they do. People are having a hard time doing the record keeping—if you don't do these things, then you have no way of growing your business because you don't know what you are earning. That's a real challenge that comes from low self-esteem around financial and math concepts and also the fact that women don't get as much training in {math & finance} growing up."

The study sample also expressed lacking other professional business skills necessary to succeed in self-employment, which stem from lack of experience. For example, when Eloise Vaughn discussed barriers significant to her business, she said

"[Other barriers are] lack of education or experience. I am dealing with an issue right now. I paid for advertisement in a magazine and they forgot to put it in. Now I have [the magazine] doing the whole song and dance saying "it's never happened, I left several messages"...I am struggling to get my money back and that stuff is difficult...I want to be able to say 'I am going to call a lawyer, send me my money, send me a check', but then at the same time not knowing whether can I do that. And then what do I say? Will they ever talk to me? So not having that sort of education or experience, you just kind of shy away from it."

Julie Weeks of NFWBO agreed that lack of experience is a factor contributing to the lack of business skills of microentrepreneurs. She said that "since there is a gap in education of running a business and gaps in experience running a business, there is a greater need for technical assistance [for microentrepreneurs]." Due to this mismatch between skills needed and skills possessed by microentrepreneurs, training and technical assistance are vital services offered by programs like WISE.

Although the majority of the study sample expressed that a lack of training and technical assistance was not a barrier to starting and running their businesses, stakeholders and clients alike believed they are vital skills for self-employment. Various aspects of training and technical assistance that presented a challenge to clients included lack of financial skills and professional experience.

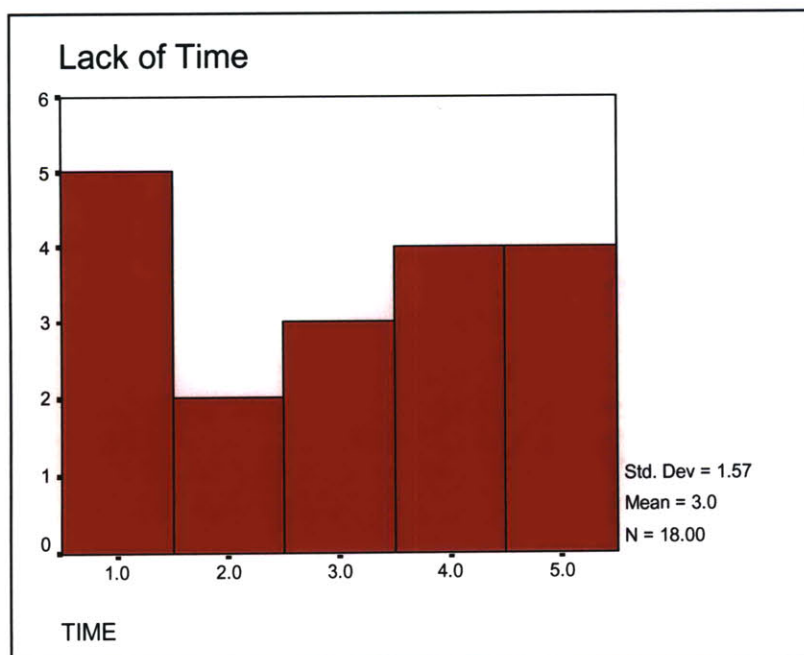
### III. Lack of Time

Considering many lower-income microentrepreneurs juggle a full-time wage job, owning a business and a host of other personal and family responsibilities, lack of time is often a prominent issue. Over 72 percent of the study sample identified time, or lack thereof, as a 'slightly significant' to a 'most significant' barrier. The rating in the sample that occurred most frequently, (28 percent) was 'least significant'. Two respondents, or 11 percent, rated lack of time as 'slightly significant' barrier and 61 percent rated lack of time as a 'moderately significant', 'strongly significant' and 'most significant' barrier.

**Table 6: Lack of Time Frequency Distribution**

Rating of Barrier	Frequency	Percent	Cumulative Percent
Least significant	5	27.8	27.8
Slightly significant	2	11.1	38.9
Moderately significant	3	16.7	55.6
Strongly significant	4	22.2	77.8
Most significant	4	22.2	100.0
Total	18	100.0	

**Figure 6:**





When asked about time as a barrier to running two separate businesses, Eloise Vaughn stated, "I am probably a special case though...because most people who are doing businesses like this, well...I would assume that they wouldn't have to 60 hours a week in one job and another job on the weekends. I would assume that people who have my kind of work schedule would be discouraged and think why do more?" Many of the clients in the study sample shared similar sentiments about their time, of lack thereof.

Various aspects of the study sample's lives, such as wage jobs and personal responsibilities, encroached on the time available for their businesses. The implications of lack of time for the study sample included not only delaying additional educational endeavors, but also, not having the time to get the business up and running. This was the case for in-depth interviewee Christina Chien. Since completing the WISE program in 1998, she has struggled to find time to start her business and work in a full-time wage job. She is caught in the 'catch 22' referred to earlier in the chapter—she doesn't have the money to start her business so she must work full-time, does not have the time to start the business while working full-time. When describing this constant battle between work and time for her business, she stated,

"I decided to take a part-time job with an interior design firm and I thought 'well, it is 30 hours a week' so I thought I'd have one day a week to do my thing [with the business] and on the weekends. But I never really got to start the business. I'd piddle around and I got involved in the job, and then they laid me off, and I thought 'okay! I can [try to start the business] again.' Then I [went to] Women's Initiative, and was on unemployment and really scraping by, but I did it...Then I graduated and I started to work on [the business] and had to get a job. Then the whole cycle starts again."

Personal responsibilities were another factor that encroached on the time WISE clients had for their businesses. Paula Booth expressed that something as simple as tax returns impacted her business.

"[My work load] is going to start increasing right now and part of my task is to keep my deadlines. I mean I missed all my deadlines because of those damn taxes. That's where your personal life encroaches. I mean taxes are for both personal and profession. They are all engrossing that I tune everything else out. I let all my other deadlines go because I had to get it done. It's balancing act."

Family responsibilities often interfere with a women's ability to start and run a business. As a result, lower-income microentrepreneurs become overwhelmed with all of their responsibilities. Willow Rosenthal discussed the nature of this challenge and said,

"A lot of our clients have children and that means that their time is really stretched to the limit - it's an emotional and spiritual challenge, as well as being a physical challenge or economic challenge. Just keeping in there and having faith and being able to keep at it is difficult while you are working seventy hours a week and you have all these responsibilities and people relying on you. Sometimes it's a real challenge for people to believe that it's going to get better."

This phenomenon, however, works both ways. Family, economic and personal responsibilities take away from a microentrepreneur's time for her business. Additionally, business responsibilities often leave little time for family and personal responsibilities. According to Willow Rosenthal of WISE,

many program participants, those particularly who cannot access capital, invest in their businesses with time. She stated, "the way they can invest in their business is by putting in more time and more work. Clients may work 70 hours a week or more than that." She continued, "the money and the investment in the business is them."

This was the case for Eloise Vaughn. The amount of time she invested in her two self-employed businesses limited her pursuit of additional educational opportunities, since she works during the week and on the weekend. She stated, "I enrolled in a state program. San Francisco State had a meeting planner certificate program and I was doing that. Of course, ironically, they were all on Saturdays and since I had my business already, my events were all on Saturdays. Through WISE I got into the IDA program, and [a part of it was] through the customer credit union for more education. But if they weren't on the weekends, they were in the evening. I work on the weekend, I work in the evenings."

And according to Barbara Johnson, Executive Director of WISE, the battle for time persists even once a microentrepreneur gets her business up and running. In fact, women must continue to devote a large portion of their time if they want the business to be a lasting success. When asked about the biggest barrier to self-employment for lower-income women, she said that "they are starting *their own* business, they have to be everything, all the time." She continued, "Not only do you have to be everything all the time, not just in personal life and in business, but you have get continually better on your business. You have to improve your business skills, marketing skills, management skills, deals, and it's extremely difficult to go at it alone. There is an inherent barrier to being self-employed, which is why so few people actually really make it."

It is clear that lack of time was a barrier for a majority of the study sample, over 70 percent, due to the fact that they were juggling a slew of responsibilities, in addition to their business responsibilities. Although time is scarce for many Americans, various factors, such as family responsibilities, personal matters and additional jobs took time away from the clients' small businesses. Moreover, lower-income individuals do not have sufficient resources to help manage this lack of time, compared to more affluent Americans. Whether lack of time resulted in an inability to get businesses started, or sacrificed additional educational opportunities, time was a significant barrier to lower-income entrepreneurs in the study.

These findings also demonstrated that time is interconnected with other barriers, such as capital and training. For example, the study sample would have more time to dedicate to their business if they had better access to capital and did not have to work a full-time wage job. Furthermore, if the study

sample had time to pursue additional education and training, perhaps she would be more effective in her business, which in turn would provide more time. Although capital, training and time presented distinct barriers to lower-income microentrepreneurs in this study, their relation to, and impact upon, one another is quite significant.

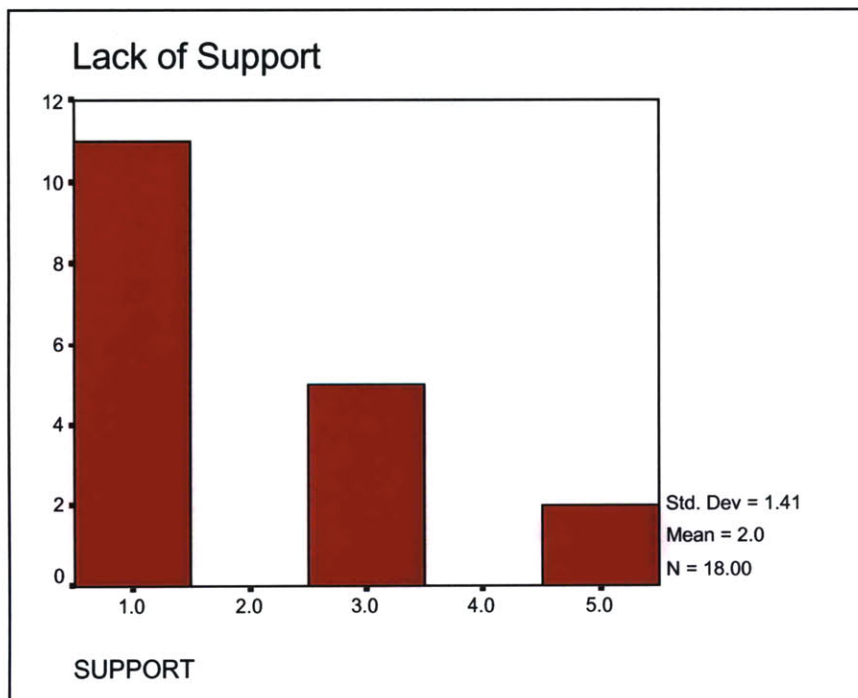
#### IV. Support from Family and Friends

The majority of the study sample did not identify lack of support from family or friends to be a significant barrier to their businesses. Sixty-one percent rated lack of support as a least significant barrier. Close to forty percent of the sample, however, ranked lack of support from family and friends as a significant barrier. The median rating from the telephone respondents was a 1, or 'least significant'.

**Table 7: Lack of Support from Family and Friends Frequency Distribution**

Rating of Barrier	Frequency	Percent	Cumulative Percent
Least Significant	11	61.1	61.1
Moderately Significant	5	27.8	88.9
Most Significant	2	11.1	100.0
Total	18	100.0	

**Figure 7:**



Although most respondents did not rate lack of support as a highly significant barrier to business success, microenterprise professionals reported a support network to be extremely important to

lower-income entrepreneurs. Support is important because not only is starting a business a difficult task but it is also an isolating experience. According to Barbara Johnson, Executive Director of WISE, "there is a lot of isolation running your own business. I mean you are married to your business, you are raising your business, you are divorcing your business, you are eating your own business."

WISE believes a support group is so important to the success of lower-income microentrepreneurs that they hesitate to accept people into the program who do not have some form of support. For example, Barbara Johnson stated, "we have incorporated into our screening process the different variables we know clients need for success and one of those is a support system. Even with the minimum support system, she not going to make it, or she'll make it at a slow pace with a lot of more setbacks."

The study sample also recognized that support from family and friends is important to the success of their businesses, even though they did not rank it as a significant barrier. Respondents stated that it is vital to have people with whom they can talk and will listen, empathize and offer a helping hand. For Laura Duncan, that support network is her business partner. Although her family is supportive, she finds that her business partner best understands the nature of her business and its problems.

"In starting a business, if something can go wrong, it will... I mean you have [her business partner] there to be your support group. As much as my parents are so supportive, my friends are, but if you don't live it every day then you don't understand the complexity of the problem that I am dealing with right now, the solutions that will solve it. To have someone else that you can laugh about it, talk about it, and get it done. There have also been instances where we have a huge problem that's horrible and really throws someone for a loop. Then I can take over and I can come in [and then] your friend can swoop in and take over for while. Nothing is ever too hopeless because I know [her business partner] is there to come in."

One respondents who identified lack of support as a significant barrier to her business was Christina Chien. Although she receives support from her friends, she does not receive support from her family "because I don't want to tell them about it...I know them and they are not entrepreneurial-minded, not very supportive at all, so I don't talk to them about it." Similarly, Wendy Alexander, a telephone survey respondent who owns a book keeping and accounts receivable business, does not "get as much support from [her] husband as [she] would like."

This study found that many women try to establish networks with other women business owners to build a support system of people from whom they can gain advice for their businesses, market their specific services or product, and commiserate on common problems. WISE provided that network and support system for Eloise Vaughn; "What is nice with WISE is that there are other people there." Finding a network, however, was a challenge for some of the study sample. Paula Booth tried

a few different networking organizations before she found one with which she was comfortable. She explained, "At the Chamber [of Commerce], I was building a network but I realized that I didn't want to be in the corporate sector. So you really have to know where you are comfortable, and where you want to be, and then build a network. That was a challenge for me. I found a new organization, and I feel comfortable there. The challenge is where you build a network."

Julie Weeks of the National Foundation of Women Business Owners agreed that networks can provide important support and relief to the isolation of being a self-employed business owner. She stated, "many women join formal and informal networks such as the Chamber of Commerce and industry-specific ones. What is important is that many also join women's business organizations, which provide networks and places to share ideas and mistakes, and get support.

Unfortunately, lack of time limits the attention microentrepreneurs can give to building a network and support group. According to Willow Rosenthal, "I hear that [clients] wish they had the time to have a community or take advantage of networking. People are very aware of the need for connection and community but I mostly hear that people are working too hard. I mean they are just so overworked but they are out there trying to do it."

It is apparent from the study sample that a support network is extremely important to lower-income women business owners due to the inherent challenges in starting a business and the isolation associated with it. Respondents generally felt like they had a support network, which tended to be their business partners, friends and family. In cases where a support network could not be found from those sources, the study looked to informal and formal organizations for support.

**V. Childcare**

Interestingly, no participants in the study sample identified lack of childcare as a barrier to their businesses. The entire sample ranked lack of childcare as a least significant barrier to self-employment. Although four women in the study sample have children, and three are single mothers, no one identified childcare as a problematic barrier.

**Table 8: Lack of Childcare Frequency Distribution**

Rating of Barrier	Frequency	Percent	Cumulative Percent
Least Significant	18	100.0	100.0

Although no one in the sample identified lack of childcare as a significant barrier, microenterprise stakeholders identified it as a significant barrier for many lower-income women business owners.

According to Lily Zandniapour of The Aspen Institute, "childcare is a significant issue for lower-income persons." Julie Weeks of the National Foundation of Women Business Owners agreed. She stated that "...childcare...is just as important to address because someone cannot start a business until these things are stable and their needs are being met." She added, "these are fundamental things that women of higher income take for granted with their businesses."

A majority of the WISE staff interviewed for this study stated that their clients experienced problems with childcare issues. For example, Khin Khin Wong, Workshop Coordinator, said that a large amount of clients have children and it is difficult for the mothers to attend evening classes, which are the majority of WISE classes. Both Milena Hileman and Ouida Rodriquez-Cooper identified childcare as an issue for their single-mother clients. Willow Rosenthal, on the other hand, expressed that she "rarely hears" lack of childcare as a challenge to self-employment for WISE clients.

A few reasons explain the responses of the study sample, even though stakeholders and the literature presented childcare as a significant barrier to self-employment. First, only a small percentage of the study sample had children. Only 22 percent had children and 17 percent were single moms; therefore, the sample size is not large enough to represent all women's experiences with childcare. Second, one benefit of self-employment is that it allows women flexibility in their schedule to handle their children's' needs. All of the mothers with businesses ran them out of their homes and were, therefore, able to be provide care for their children. Furthermore, the ages of the children of the study sample are not known. The children could be an age where childcare is not necessary. However, the discrepancy between the responses from the study sample and the stakeholder interviews warrants further study of childcare in a larger sample to better understand this potential barrier to self-employment.

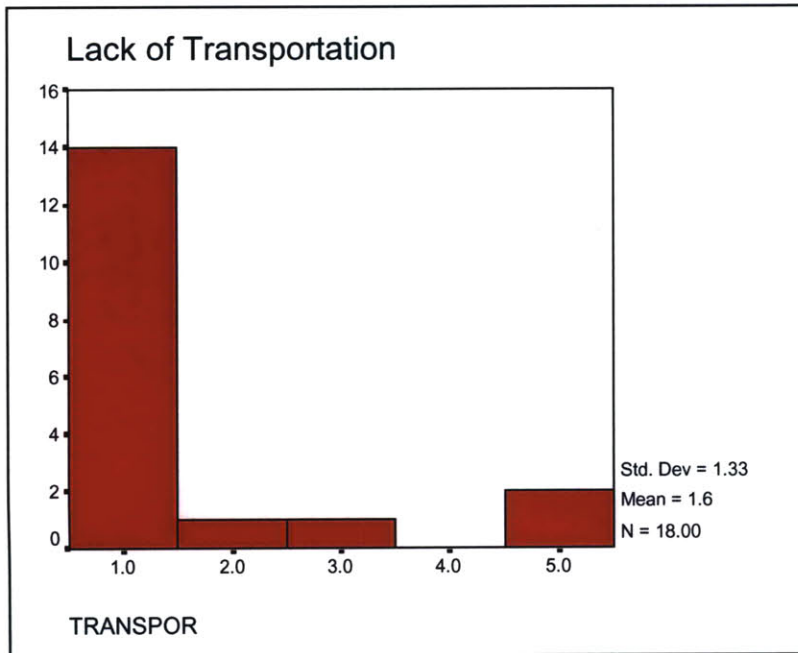
**VI. Transportation**

Seventy-eight percent of the study sample did not identify transportation as a significant barrier to self-employment. Although transportation was not a significant issue for the majority of the study sample, 22 percent identified it as a significant barrier.

**Table 9: Lack of Transportation Frequency Distribution**

Rating of Barrier	Frequency	Percent	Cumulative Percent
Least Significant	14	77.8	77.8
Slightly Significant	1	5.6	83.3
Moderately Significant	1	5.6	88.9
Most Significant	2	11.1	100.0
Total	18	100.0	

Figure 8:



For Patricia Rosen, owner of Doggie Day-Care, a dog-walking and pet-sitting business, transportation is imperative to the success of her business, considering she picks up her "customers" every day by car and drives them to a local park. When she first started her business, she did not own a vehicle and her clientele consisted of dogs that she could walk to pick up. Patricia's business did not substantially take-off, however, until she was able to buy a van. She was then able to tap into more wealthy neighborhoods, her primary market. Saving for the van, however, was a struggle; "I saved every penny I could for six months and bought a van for \$700. My mechanic helped me through when I didn't have any money [to fix it]."

The only microenterprise stakeholder to mention transportation as a barrier for lower-income entrepreneurs was Julie Weeks of NFWBO. She stated that transportation issues are similar to childcare in that women cannot start a business until personal transportation issues are stable and microentrepreneurs' needs are being met. Again, it is an issue that is unique to lower-income women and "a fundamental thing that women of higher income take for granted."

## VII. Other Barriers

The study sample was asked about the six previously discussed barriers during the phone interview. After ranking capital, childcare, training and technical assistance, transportation, support from family and friends and time on a scale from one to five, they were then asked to comment on other barriers

to the success of their businesses. The following additional barriers were brought to light by the study sample and stakeholder interviews.

- *Personal Issues, Inner Struggles*

Personal issues were commonly mentioned as barriers to self-employment. Issues such as lack of confidence and stress posed significant challenges for the study sample in many aspects of their businesses.

According to Willow Rosenthal, it is easy for WISE clients to gain momentum or lose momentum and faith in themselves, depending on how they perceive the development of their businesses. The self-worth associated with the success of the clients' businesses has significant implications on their emotional well-being, positive and negative. For example, she stated,

'Our clients tend to have a very positive outlook especially once they have...running a business under their belt...They tend to take the attitude of 'well, you get the idea, you do it and it happens!' They are out there working hard and they are seeing results and that's what keeps them going...Once you have success then you see that you can have success and it's a reinforcing loop. Conversely, I talked to folks who haven't had success and that reinforcing loop...has the opposite effects. They go into a downward spiral and people can get very depressed. Our clients really wrap up their sense of self-worth into their accomplishments, like we all do, and a lot of time for our clients they see this as 'this is my chance. I am really going to go out there and make something of myself and my life and if they meet with adversity that causes them to "fail", then it's really difficult for them to snap back from that emotionally.'

It was also apparent from the study that clients put extreme pressure on themselves to do well in their businesses, even though they are juggling many other responsibilities. For example, Christina Chien has been trying to start her business for a few years, but has not had the time or financial resources to proceed. She expressed in the in-depth interview that, "right now I feel very badly about it all. I feel like I should have been designing more and producing more to show but I think I have been caught up with the whole running around stuff. Maybe I just need to let that go and whatever happens, happens, but just have fun doing it and think of it that way."

Willow Rosenthal believes that the isolation of self-employment contributes to the pressure clients place on themselves. Additionally, she stated that WISE clients believe they must only rely on themselves for the business to be a success. She expressed that "people are quite isolated in their work and in their challenges of trying to be a microenterprise from a lower-income background, they are wrapped up in their work. They are really self-denigrating, and really beat themselves up. I tell them to give themselves a break, but they are so isolated. It's this idea of success in our culture and why women don't fit into a business model because it's this pressure to do it all by yourself and people see it as a failure if they have to rely on other people."



Lack of confidence was also mentioned as a barrier to self-employment for lower-income women. According to Julie Arvan, Small Business Consultant for WISE, a significant barrier to clients is their lack of faith in themselves and not believing that they can succeed. Telephone survey respondent, Ana Strong, is a gourmet personal chef and she mentioned that "the hardest part was having the confidence to keep trying and trying." She had the financial security to start the business, but was "worried about making the leap."

A few respondents expressed that self-promotion was a particular barrier for them, and is directly related to a client's lack of self-confidence. Nina Clay, one of the telephone respondents, said that "her own fears" were getting in her way. Although she has "a lot of support" from others, she is getting in her own way of success. She doesn't like to "market herself." Furthermore, Paula Booth repeatedly mentioned that she dislikes marketing herself and said that "presenting myself to corporations to get business is difficult for me." She continued, "I really have a problem with [marketing]. I have written marketing plans but there they are! I can't seem to follow a plan. I did the one for the [WISE] class, which was helpful, but I just can't follow it".

Although Paula did not think she had the confidence to promote herself and her business, she had success performing meeting facilitation and inclusive meeting management. In turn, she was gaining more confidence in her abilities.

"I am a pretty shy person and I am always amazed that I can get in front of a group of people, get a consensus and people respond to me. I am always amazed that I can get up there and do it. I don't know why I thought I couldn't do it, but I do it! I was telling someone that I can't even believe that I am doing this! And they are paying me. It's a leadership position, I've always gone my own path, but still it's a wonder that I am doing it."

Stress was another factor that was mentioned by the study sample. Working long hours, whether in the business, or at a wage job and the business, often leads to feeling overwhelmed and stress. For example, Laura Duncan expressed that she was "generally frazzled" all the time due to the high amounts of work generated from her women's pajama company. Patrician Rosen just recently hired an employee to help relieve some of her work responsibilities. When speaking about her decision to hire an employee, she said "It's been a cut in my income but at this point, I was getting so overwhelmed. I know [my schedule] doesn't sound like a lot, but five hours a day, five days a week [walking the dogs], then there is answering calls and tending to all these needs. Even though I wasn't out in the field [with the dogs all the time], I was doing other kinds of work involving the business.

- *Lack of industry specific knowledge*

Although the study sample generally indicated that they have competency in business skills and knowledge due to their WISE training and formal education, some respondents expressed a lack of industry-specific knowledge as a barrier. For example, Laura Duncan had a difficult time learning the industry-specific language for her women's pajama company. Although their professional demeanor worked for a while, she and her business partner would run into problems when they didn't understand an industry term or practice.

"The way we talked on the phone, no one would realize that we are two girls in their apartment. I mean you just have to sling out the crap. Be very vague as to what your level is and not show how small you are. The only time we would get caught is if they would start asking us questions, like 'do you want that on the role or fastooned? uh, we're flexible'. That was our [response]. Anytime [my business partner] or I heard the other one say 'uh..we're flexible' or 'we're open to a lot of different things' that was the cue that we had no idea what they were talking about."

Lack of industry-specific knowledge is often an implication of the microentrepreneur's lack of access to resources. Telephone survey respondent Cathy Franks, for example, attempted to start a ready-made muffin mix company, however she had difficulty "accessing resources" regarding permit processes and regulations to work in the food service industry. Christina Chien expressed that she had a hard time location wholesale raw materials for her women's handbag company. Furthermore, Lisa Cooper wanted to open a retail store for her professional skin care business but had difficulty finding out information about opening a spa. Ouida Rodriquez Cooper from WISE agreed that lack of access to resources is a primary barrier to lower-income entrepreneurs. She stated that the "main barrier [to lower-income women business owners] is knowing how to access resources and having that access to resources." She continued, "linking resources to people is very important."

- *Business Expansion*

Three out of the four business owners who participated in the in-depth interviews named business expansion as a significant barrier to their businesses. One challenge aspect of expansion identified is the hiring of employees. Patricia Rosen, for example, repeatedly expressed this barrier throughout the interview. She said, "the biggest barrier right now is expansion. It's hard for me to trust [her new employee], someone I don't know, give him they keys [to a client's house] and take the responsibility for it if he fucks up. It was really hard for me to trust [the employee] like that."

Laura Duncan also faced challenges with business expansion. Similarly to Patricia, it has been difficult for Laura and her business partner to give up control of the business for the sake of expansion.

"I would say the bigger you get, the more problems you get. If there is a mistake and it's small, then it's a pain but you can deal with it. Now if there is a mistake, it's a big problem. One of our challenges now is in regards to our contractors and the respective sew shops that do our stuff. We used to do 100 percent quality assurance. Once you get bigger, you only have so much time and it's silly for me to be folding things when I can spend 7 bucks an hour and have someone else do it...I should be in the office, on the computer, calling the stores. We [recently] gave our contractors more responsibility and it's been so difficult because no one is going to have as much pride as the owner of the company. It was the hardest thing to let go of our baby and to let someone else have some control...No one will have the same passion as you...No one will do as good a job as you do but that's the way it is. But we are getting bigger now, next year we'll probably get an employee, and in the next year we'll just keep getting bigger. We have to take a step back and realize that everything won't be like we want it."

Furthermore, Patricia Booth has faced difficulties with expansion. However, her challenges have been with getting ready, personally and economically, for her business to grow from part-time to full-time. She said in the in-depth interview, "I think I have to work up to things and I am actually ready to do it fulltime and I haven't found a way to do it fulltime yet. But you have to be prepared. I went through all of my 401k money when I was not doing the hearing impaired stuff." Patricia is not earning sufficient income from her business to pursue it full-time and it has been difficult for her to find a way to ensure that she will make enough money to support herself and her son.

Expansion rates and difficulties with expansion differed amongst all microentrepreneurs in the study sample. While some businesses experienced significant growth and expansion, others stayed quite small. This is due to many factors, including market demand for the products and services, business skills of the business owner, and desired growth rate of the microentrepreneur. Some participants strove for significant business growth and demand, however, others were satisfied with the size and capacity of their businesses to date.

- *Lack of Health Insurance/Health Problems*

Although only one person in the study sample identified lack of health insurance or health problems as barriers to her business, it was mentioned in the stakeholder interviews. Bill Edwards, Executive Director of AEO, mentioned that lack of healthcare is a severe problem to many lower-income microentrepreneurs for two reasons. First, "many people's credit gets ruined due to health problems" and second, "it is difficult for people to leave their jobs and benefits to start a business if they do not have the medical benefits." Furthermore, Wilma Goldstein of the SBA's Office of Women's Business Ownership stated that "health insurance is a barrier. It mostly affects women with children. It's a major expense each month" for the microentrepreneur.

- *Lack of Credibility*

A few participants in the study sample expressed that lack of credibility was a barrier to their business, particularly in the beginning stages. Patricia Rosen, for example, mentioned that she received "harsh criticism in the beginning and felt like [her business idea] did not have a lot of credibility. Laura Duncan had a similar experience:

"I would say one of the biggest [barriers] when we started out was that we were so small that we weren't worth anyone's time to get raw materials and stuff like that. To us, the most important thing is the fabric we use... It was so impossible, sales representatives were hanging up on us saying we weren't worth their time. I worked at a huge company that rivaled the Gap and I had a huge vendor list because someone copied an entire vendor list for me. No one would talk us, which was really hard. We tried to buy fabric in Los Angeles and people yelled at us to get out of the office. We were sitting in LA at a bus stop and we almost burst into tears. We were in shock."

- *Gender Discrimination*

No one in the study sample mentioned discrimination as a barrier, however, Julie Weeks at NFWBO expressed that it is a great barrier to lower-income women who are starting businesses. She said that women microentrepreneurs are bound to face discrimination, yet, "this is getting to be less of a problem because more and more women are going into business for themselves. Women used to go into business if their families had one, but now more and more people consider it an option. It is now thought of as a goal, when it didn't used to be."

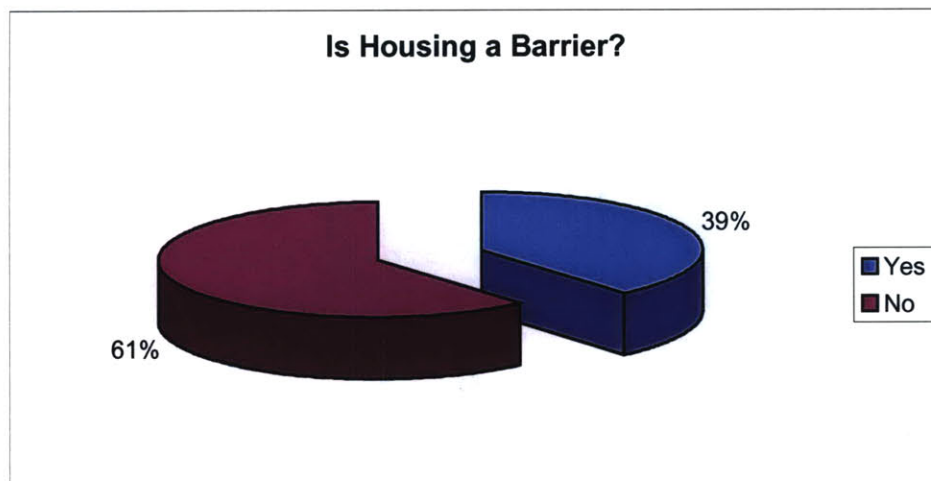
In sum, numerous variables were brought into light through this research. WISE clients and stakeholders identified lack of capital, time, support from family and friends, business expansion and inner struggles as significant barriers self-employment. Issues such as lack of training and technical assistance, childcare and transportation did not pose significant challenges to their business development. However, how do these findings relate to, and compare with, other studies and literature regarding the barriers to self-employment for lower-income women? What are the limitations to these findings? Furthermore, how did housing play a role in the experience of lower-income women entrepreneurs? While the next chapter presents the findings regarding housing as a barrier to self-employment, Chapter Five discusses, in detail, the meaning of findings of this study and their relationships to existing literature on barriers to self-employment.

## CHAPTER IV—HOUSING AS A BARRIER TO SELF-EMPLOYMENT

Women's current poor housing situation in the United States in conjunction with the extreme housing crunch in San Francisco provided ripe circumstances to explore the impact of issues on lower-income women entrepreneurs. The methodology used to explore these issues was the same as the methodology used to research the other barriers to lower-income women's self-employment. The study sample of WISE clients were asked to comment of the role of housing in their lives and the microenterprise stakeholders were asked to share their experiences on this issue.

Thirty-nine percent of the study sample indicated that housing, in one aspect or another, presented a barrier to self-employment. Eighty-three percent of the sample lived in rental units, while 17 percent were homeowners. Those who rent a housing unit, on average, paid \$878 per month. Homeowners and renters combined paid an average of \$659 per month on housing costs. In an attempt to lower rental costs, many of the respondents shared their housing unit. Forty-four percent of the sample shared the cost of rent with one other person. Six percent shared with two or more persons.

**Figure 9:**



"Housing can play a significant role in the lives of lower-income women," according to Barbara Johnson, Executive Director of WISE. Three main aspects of housing were identified as barriers to lower-income microentrepreneurs in this study: cost, space issues and appropriateness of housing type for business needs.

The cost of housing was strongly identified by respondents of the study sample as a barrier to their businesses. The clients who identified housing as a barrier overwhelmingly mentioned high housing costs. For example, Eloise Vaughn recently moved to another apartment in Marin County. When asked about her housing search, she replied,

"The prices have skyrocketed. So it was hard finding something that I could even think I could afford and, of course, you get something that you really probably shouldn't be able to afford. I remember, I think with WISE, [they told us] that we were supposed spend about 35 % of our income on housing...I was like 'yeah that's a joke, you mean like 75%?' But I was lucky. I was very lucky. I had a friend that I was able to get a loan from for the deposit."

Willow Rosenthal of WISE agrees that cost of housing is an issue for clients and thinks that high rents are a normal part of life in the Bay Area. She stated, "you have to understand that it's a given around here that everyone is screwed. We all know that if you are renting a place and its too small for you and [too expensive] for you, well too bad, unless you hit the jackpot and someone rents you a place, does not advertise it and gives you a decent rent. I think it's an issue that is underlying."

A few respondents felt their rent was affordable, but acknowledged the potential impact of higher housing costs on their businesses. Patricia Rosen, for example, has lived in her apartment for over seven years and due to rent control in San Francisco, her apartment is still relatively affordable for her income. Patricia acknowledged that affordable housing enabled her to start her business even though she experienced a cut in income until it became established. For example, she said "there is no way I could have started this business two years ago [when housing prices were rising] and paid these rents. [The landlords] tried to kick me out the minute they had this big economic boom. My apartment is \$720 a month and the same exact apartment next door is \$1600. That's rent control!"

Patricia's situation exemplifies the importance of affordable housing in regards to starting a business. Due to affordable rent, she was able to take the leap to self-employment without the worry of being able to afford rent each month. Julie Weeks from the National Foundation of Women Business Owners agreed. When talking about saving money to start a business, she said, "Lack of affordable housing, location, cost, there things are all important. If [the microentrepreneur] is spending too much on rent, she can't put anything away to save for a nest egg."

Barbara Johnson, Executive Director of WISE, also agreed that housing cost is an important variable in running a microenterprise. For example, when talking about the effects of the housing market on her clients, she stated, "If her rent is significantly higher than what her business can easily afford, then she is either forced to ramp up her business to afford rent, which might not be possible, or she's forced to give up her business and move, or find wage employment or something." Milena Hileman, Small Business Consultant at WISE, has heard similar experiences with clients at WISE. She has had clients "where the rent has doubled and tripled and it was therefore harder for them to succeed because it was taking so much of their income. One woman was going into debt [in order to pay her rent]. Another got evicted."

Housing appropriateness is another aspect of housing that was identified as a barrier to self-employed lower-income women. The appropriateness of housing type, or in other words, how housing type meets the needs of a business, was discussed by Barbara Johnson.

"The other issue with housing related to business is...[if] her housing [is] appropriate for her specific business type activity. Is she having to make noise, is she manufacturing something, is she giving off noxious fumes, does she have to work odd hours, does she have adequate space for production, inventory, business management, does she have adequate power so she isn't blowing fuses, etc? I'd say it could significantly dictate how her business can grow or not grow."

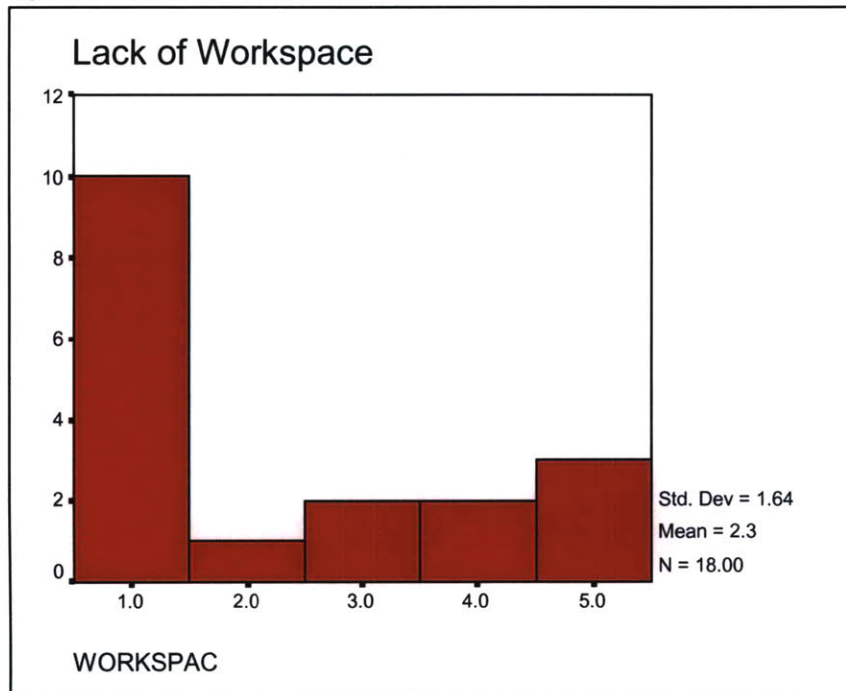
She continued by discussing how a microentrepreneurs' residential neighborhoods can impact their businesses. "Is it a safe neighborhood? Does the neighborhood add to or detract from her business? If she has a foot traffic business or business where people come to her, her housing has to provide a business atmosphere... It has to provide ease of access for whatever her market is and how the market is mobile. It can make or break her business until she finds the right housing that matches her business needs."

Many businesses of lower-income entrepreneurs are based out their homes, which raises a number of other housing-related issues. The most significant of is lack of sufficient space. Close to 45 percent of the study sample identified lack of space as a significant issue to their businesses. Out of that 45 percent, 6 percent ranked space as a slightly significant issue, 11 percent ranked it as moderately significant and strongly' significant, while 17 percent thought lack of space as a most significant barrier. Fifty-six percent did not feel as if lack of space was an issue for their business.

**Table 10: Lack of Sufficient Workspace Frequency Distribution**

Rating of Barrier	Frequency	Percent	Cumulative Percent
Least Significant	10	55.6	55.6
Slightly Significant	1	5.6	61.1
Moderately Significant	2	11.1	72.2
Strongly Significant	2	11.1	83.3
Most Significant	3	16.7	100.0
Total	18	100.0	

Figure 10:



Due to the expensive housing market of the San Francisco Bay Area, participants in the study sample had to "make due" with their current size apartment. Moving to a larger apartment was not an option, since the cost of housing is so high. This is problematic for at least two reasons. First, a small apartment housing a home-based business can impede the growth and productivity of that business. Second, clients are constantly reminded of their businesses. This lack of separation of work and home can make clients feel overwhelmed and pressure to work considerable hours.

Some business types produce more supplies and inventory than others. For example, a manufacturing company requires far more materials in need of storage than a service-based business, which primarily uses only a computer to produce output. Laura Duncan's women's pajama company is housed in her three-bedroom apartment that she shares with her business partner. It cannot handle all of their supplies. "I am looking around in the living room and the entertainment units has a TV, pajamas, pajamas, pajamas. To right...there are three more industrial racks of pajamas and two rolling racks with pajamas. In the dining room, two more industrial racks and three bolts of fabric. In my bedroom, the complete perimeter has all shipping boxes and [her business partner's room] has about 50 bolts of fabric. It has taken over our lives!"

Running the business out of her home has made it difficult for Laura to separate work and home. She feels pressure to work long hours, which has resulted in significant stress. When asked how the



lack of sufficient workspace impacts her life and business, she responded, " People always ask, 'isn't it so hard to work out of your home? You have the television, the [refrigerator], couch,' and I am like, 'woow, buddy!' If you work in your home, you can't stop working. There is always something to do, always something beckoning you to work. We have been looking for [office] space to move into and one of the reasons is so we can have our lives more separate. We need to take some time off and not work on the weekends and have some time for us now that we have worked so hard these past three years."

Paula Booth shares a one-bedroom apartment with her son, and she set up her office in her son's room. When asked if she has enough space for her business in her home, she replied, "no, I really don't. The little area where my computer is, I sit at the desk and my son's stuff is all over the computer. We are at a one-bedroom place and I wish sometimes that we can have a two or three bedroom place and use one bedroom for the office. I guess the only thing I really wish is that I had another room, so the equipment wasn't in his room. Because it makes it difficult if I want to get up early and work at something." Considering the significant amount of time and work needed to get a business up and running, lack of sufficient workspace can be problematic. Lack of sufficient workspace can be particularly troublesome, due to the extreme amount of work and time needed to get a business up and running.

Eloise Vaughn had a similar experience as Paula. She did not have sufficient workspace in her last apartment, a one-room studio in Marin County. She moved to a larger apartment because the small size was affecting her business's growth potential. She explained, "I was renting a studio cottage the size of a room with a bathroom and if I wanted to work on [her business], I would have to [fold the futon into a couch], move boxes from one corner to another. I lived there for a year and a half and I felt like being in a small place like that kept me small. If I was going to expand and be more productive, I needed to be in a space where I could not look at the desk if I didn't want. Or if I...wanted to be there I could have everything I wanted and not [have to] look through different boxes and pull [my work] out of the closet. So I found this place."

Unfortunately, the high cost of housing makes it nearly impossible to move to a larger apartment without significantly increasing clients' expenses. Willow Rosenthal hears "all the time that people are tripping over themselves in their homes. It impacts their families too." Although microentrepreneurs need more space for their business, it is not economically feasible. For example, Willow continued by stating, "I heard from [a client who was a] soapmaker, that she has boxes all over her entire apartment and it takes over her kitchen. But she can't afford to get another space. She's able to earn her living from her business, but she has no cushion [to be able to move]."

Wilma Goldstein of the Small Business Administration's Office of Women Business Ownership, and Bill Edwards of the Association of Enterprise Opportunity, both expressed an additional challenge to lower-income women entrepreneurs who work out of their homes: regulations. According to Bill Edwards, microentrepreneurs living in public housing face a range of rules that forced a business to operate "underground, which hinders its growth." Wilma Goldstein stated that although regulations are decreasing and not as stringent as in the past, "housing used to be a large barrier due to the regulations that were based upon home based businesses." She felt that the regulations were a double-edged sword, particularly under the Reagan Administration. "Working out of the home allowed mothers to be with their children." However, the regulations were inhibiting their ability to pursue this endeavor.

In summary, numerous housing variables impose barriers to lower-income microentrepreneurs. This research explored the role of housing issues in the lives of self-employed lower-income women and identified three main aspects of challenges related to housing: cost, size and appropriateness. The severe housing crunch in the San Francisco Bay Area has caused rental prices to skyrocket and as a result, the study sample spent a large portion of their income on rent. Second, housing appropriateness was mentioned as a barrier. Microentrepreneurs often struggle with finding housing that properly fits their businesses' needs. Last, clients identified lack of sufficient workspace as a significant issue for their business. Due to supplies and in some cases, inventory, the study sample expressed severe dissatisfaction with their limited spaces. Additionally, respondents felt that lack of sufficient workspace limited their businesses' growth potential and made it difficult to separate themselves from their work. Clearly, housing issues pose a barrier to self-employment for lower-income women in various ways that affect their ability to succeed as a business owner.

## CHAPTER V—DISCUSSION OF FINDINGS

Numerous barriers were brought into light through this study. The findings provide insight on the impact of barriers on the experiences of lower-income entrepreneurs and the interconnectedness of the challenges faced by the study sample. However, what are the implications of the findings? Although the majority of the findings are congruent with the literature regarding barriers to lower-income microentrepreneurs, some differences exist between the literature and the present research. For example, a few significant barriers were identified through this study which were generally absent from the literature review. This includes primarily housing issues, but also lack of time, certain aspects of lack of capital and the degree to which inner struggles posed as a significant barrier to the study sample. Alternatively, some barriers presented in the literature were not issues for the sample study, such as lack of training and technical assistance, childcare and transportation. The following chapter discusses the meaning the findings of this study, discusses ways in which they differ from the literature and offers possible explanations for these inconsistencies.

### *Housing as a Barrier to Self-Employment*

The findings in the last chapter showed that housing issues significantly impacted self-employment for the lower-income women in this study. The study sample and microenterprise stakeholders identified high costs of housing, lack of sufficient workspace and appropriateness of housing type as barriers. Although different aspects of housing are clearly problematic for lower-income entrepreneurs, there is a large gap in the literature regarding these issues. Discussion of housing barriers is not only absent from the literature discussing microenterprise and the barriers currently facing microentrepreneurs, but housing is also left out of a majority of the economic development literature. Although the link between housing and microenterprise, and other economic development strategies, needs to be explored further in order to improve the lives of lower-income women, a few reasons explain the existing gaps in the literature. First, not all parts of the country are experiencing a housing crisis to the extreme of the San Francisco Bay Area and as a result, housing is not viewed as a pressing issue to be studied and explored. Even though affordable housing is a problem in many parts of the country, the housing crisis in the Bay Area is one of the worst. Second, it is relatively impossible to prove a casual link between housing and economic development, or to prove which the is more important in the lives of lower-income people. Due to this fact, many researchers are deterred from exploring the relationship between these two variables.

### *Lack of Capital*

Although lack of capital was an expected barrier to self-employment, the telephone survey, in-depth interviews and microenterprise stakeholder interviews raised number of new issues within this category that are generally not explained in detail in the literature. This includes lower-income women's lack of savings, poor credit history and a desire to start a business without the financial assistance of others, and the relative impact of these factors on microenterprise.

Although the literature extensively discusses lack of capital as a primary barrier to lower-income entrepreneurs, it is generally framed solely as a lack of access to loans from traditional lending sources. The literature does not comprehensively discuss the other financial factors impacting microentrepreneurs lives, such as the factors described above. One possible reason for the lack of explicit discussion of these other variables is that they are directly associated with a lower-income women's inability to get a loan. For example, poor credit history negatively influences a person's ability to receive a loan. The lack of a separate dialogue on other variables associated with capital is problematic, however, because it fails to recognize the impact of these financial aspects on other parts of their lives. For example, microentrepreneurs without savings do not have a 'cushion' to fall back on if their business fails. Furthermore, poor credit can negatively impact their abilities to get a credit card or gain assets, such as a home. Although lack of access to traditional lending institutions is a significant barrier, other variables related to a lower-income entrepreneur's financial situation are also worthy of attention.

Another way in which the findings differed from the literature was in regards to women of color and lack of capital. The literature extensively discussed women of color's experiences with lack of access to capital. However, these findings did not examine the study samples' responses to the question of lack of capital as a barrier specifically by race. This examination could have provided further insight to the experiences of women of color business owners in the study sample, which in turn, would have been able to be compared to the literature on this topic.

### *Lack of Training and Technical Assistance*

The literature widely cited lack of training and technical assistance as primary barriers to lower-income women in self-employment. However, the findings showed that the majority of the study sample did not feel they were significant barriers. Considering training and technical assistance are the foundation of the WISE program, this may explain why the majority of the study sample did not

report these tools as significant barriers to self-employment. Clients of the program, as previously discussed, must complete a rigorous 14-week course that provides both training and technical assistance. Perhaps if the clients interviewed for this study participated in a microenterprise program that did not provide intensive training and technical assistance, the results might have differed. Furthermore, it is possible that the study sample did not feel comfortable rating lack of training and technical assistance as a significant barrier during the interview, due to the fact that I was associated with WISE. Perhaps the study sample felt that admission of training and technical assistance as a barrier would be perceived as a criticism of the program.

### *Lack of Time*

Lack of time was a considerable barrier to the study sample, however, it was hardly mentioned in the literature. Considering lack of time is a common issue for a significant amount of Americans, this barrier could have been assumed in the literature, rather than specifically discussed. Alternatively, lack of time could have been grouped with other barriers since it is directly connected to the barriers and struggles in lives of lower-income microentrepreneurs. For example, lack of sufficient income often requires microentrepreneurs to work additional jobs, which, in turn, leaves little time for the businesses. Lack of sufficient training could lead to inefficiency in the business, which could result in spending more hours than necessary performing business-related tasks. Lack of childcare could result in business owners taking time away from their business to care for their children. Regardless of the reasons, the study shows that lack of time has a significant impact on the lives of lower-income women entrepreneurs and for this reason, this barrier should not be ignored. Due to juggling a slew of responsibilities including family, economic and personal matters, business owners are strapped for time. This is certainly worthy of attention, particularly if supporters of microenterprise aim to improve all aspects of lower-income entrepreneurs' lives.

### *Lack of Support from Family and Friends*

Lack of support and the isolation of self-employment were additional barriers raised by the study sample. These barriers were predominantly excluded from the literature reviewed for this study. However, they were briefly mentioned as issues for welfare recipients in the Institute for Women's Policy Research study on self-employment. The study showed that working alone and without constant contact of other business owners left the clients feeling as if they were all alone. While the majority of the study sample for this research expressed that they had ample support groups, a considerable number of WISE clients lacked support from family and friends. Some pursued support

from informal and formal networking organizations to replace the support not received from families and friends.

### *Childcare and Transportation*

Childcare and transportation as barriers to self-employment were other aspects of the study that differed with the literature. The literature significantly emphasized lack of childcare as a barrier to lower-income entrepreneurs, and stakeholders mentioned this barrier on a business, but it was not a significant barrier to the study sample. Considering only four respondents have children, the small sample size could have impacted those results. Perhaps, a study consisting a larger sample would find a different outcome.

In regards to transportation, only 22 percent of the sample study rated it as a significant barrier to their businesses. This relatively low percentage could be due to the fact that the San Francisco Bay Area offers extensive public transportation, including subways, trains and buses. Perhaps transportation is a more significant barrier to lower-income entrepreneurs who do not live in major metropolitan areas with such readily available alternatives to the automobile.

### *Healthcare*

Although discussed in detail in the literature, healthcare did not present a significant barrier to the majority of the study sample. It is surprising that more clients did not identify lack of health insurance as a barrier, considering that close to 40 percent of the study sample did not have coverage when they entered the WISE program three years ago. Various reasons explain why healthcare was not mentioned as a more significant barrier. First, the data reporting the healthcare status of the study sample is approximately three years old, and the telephone survey did not ask clients to update this information. Perhaps more clients have obtained health insurance since beginning the WISE program. Secondly, it is possible that study participants lacking health coverage have not had any significant health-related problems and as a result, the lack of healthcare has not posed as a significant problem. Most likely, since the study sample was not specifically asked about healthcare in the survey, they do not identify it as an explicit barrier to their business. Rather, respondents with health insurance might see it as an additional monthly expense that contributes to their overall lack of disposable income, instead of something that directly takes away money from their businesses.

## *Discrimination*

The stakeholders and the literature identified gender discrimination as a barrier, however no one in the study sample mentioned discrimination as a barrier. The study sample did not identify discrimination for three possible reasons. First, interviewees might not have felt comfortable sharing experiences of discrimination to a stranger. Second, considering the study sample was comprised of lower-income women and a portion were women of color, they experience not only gender discrimination, but also class and race discrimination. Discrimination could be a frequent experience for the clients and as a result, they did not explicitly differentiate between their experiences as business owners and their general experiences in life. Lastly, the study sample's experience with discrimination, although not explicitly stated, could be interrelated with other barriers. For example, discrimination by banking institutions could contribute to the study sample's inability to secure a loan from a traditional lending source. Furthermore, clients may have had a difficult time gaining credibility and respect as business owners due to biased beliefs of people in their field. Discrimination could be part of the reason why the study sample is facing obstacles in certain aspects of their business development, even though it is not explicitly identified as a separate barrier.

## *Inner Struggles*

Inner struggles were additional barriers that were identified by the study sample and excluded from the literature reviewed for this research. The inner struggles identified by the study include lack of self-confidence, difficulty with marketing themselves and stress. Of all the inner struggles identified in the study, lack of confidence was most mentioned in the literature. For example, the Institute for Women's Policy Research study of self-employment showed that lack of confidence was a barrier to women pursuing self-employment. Considering many women in our society struggle with confidence and self-esteem issues, perhaps inner struggles were assumed to be present, and not explicitly stated in the literature. Or perhaps researchers have not placed as high a value on these 'softer skills' as other issues impacting lower-income women business owners, such as capital or training. As a result, they are not explored in other studies or mentioned in the existing literature.

The findings relating to personal inner struggles are particularly interesting because WISE designed their program to include these issues in their training curriculum. Seven of the fourteen weeks of the program consist of "life skills" training, which includes time management strategies, self-esteem building and stress-management issues. Additionally, the person who runs these classes, Ouida Rodriquez-Cooper, provides one-on-one counseling for clients regarding these issues. While always a component of the WISE program, the 'life skills' aspect of the training only recently became

institutionalized into the class structure. It was not a large component of study sample's training with WISE. Further research could look more closely at the impact of these inner struggles on microentrepreneurs and their businesses and explore ways in which other programs across the country are addressing these barriers, if at all.

It is clear that there are a multitude of barriers to self-employment exist and each affects microentrepreneurs in different ways. Although context matters and the range of barriers impacting microentrepreneurs vary for each person, many share similar challenges in regards to their business and their ability to succeed in self-employment. Although a few of the findings from this study are congruent with the literature on the barriers to self-employment for lower-income women, new insights have been raised. The barriers identified by WISE clients and stakeholders can be used to inform policy and microenterprise programs which aim to improve the lives of lower-income women and the success rates of their businesses. Considering microenterprise is likely to grow and be promoted as an economic development and poverty alleviation tool, it is vital that microenterprise professionals and policy makers strive to remove barriers to self-employment. This will make it easier for lower-income women to succeed in, and reap the potential benefits from, owning a business. The next and final chapter presents program and policy recommendations to address the barriers discussed in this study.



## CHAPTER VI—RECOMMENDATIONS

Microenterprise is a viable option for a portion of lower-income women due to its economic, personal and professional benefits. As a result, self-employment will most likely continue to grow and expand as an economic development tool and poverty alleviating strategy for lower-income people throughout the United States. Considering this fact, it is imperative that academics, planners, policy-makers and microenterprise professionals, alike, look at ways to make it easier for lower-income women to become self-employed, succeed in owning a business and maximize the benefits of self-employment.

Numerous issues were identified by the study sample as barriers to being a to self-employment. Capital, training and technical assistance, housing issues, time, and inner struggles were a few of the challenges to self-employment mentioned by the telephone survey, in-depth interviewers and stakeholder interviews. By identifying the barriers, or issues that currently make it difficult for lower-income women to start and succeed in owning businesses, this study aimed to shed light on the realities of the lives of self-employed lower-income women. Policy-makers and microenterprise professionals can begin to address these issues and make it easier for lower-income women to succeed in self-employment once they understanding their challenges

The following policy and programmatic recommendations will hopefully assist with that endeavor. They are primarily intended for microenterprise organizations across the country, policy-makers, advocates and researchers who have the ability to influence legislation to benefit microenterprise, or who work to improve the lives of lower-income women in various capacities. The following recommendations are based on the findings from this study and consequently, pertain most directly to lower-income women entrepreneurs. However, many of the experiences and barriers identified by the study sample are applicable to all lower-income microentrepreneurs, and are not gender-specific.

Considering many of the barriers discussed in this study are interrelated, some recommendations will address more than one barrier. For example, increased access to affordable quality childcare will allow more time for the microentrepreneur to work on her business. Furthermore, not all of the recommendations are applicable to, or feasible for, some microenterprise programs. Context matters—Not all lower-income women microentrepreneurs will face the same barriers or experience them in the same ways. Even within microenterprise programs and geographic region, the range of client barriers to self-employment differ. Microenterprise programs, therefore, need to evaluate the specific needs of their clients and adjust their programs according to the most prominent barriers identified. The following recommendations include:

## **1. Continue to work towards increasing access to traditional and non-traditional funding sources.**

Although a few participants in the study sample did not seek outside loans to fund their businesses, and some microenterprise stakeholders thought that lack of capital was not the most significant barrier to self-employment, it is necessary to secure and increase access to traditional and non-traditional funding sources. This is particularly important for lower-income entrepreneurs who do not have access to microenterprise programs. Although many loan funds of microenterprise programs are not used to its full capacities, these programs only reach a portion of potential entrepreneurs in the United States.<sup>98</sup> Ensuring that capital is available to all lower-income microentrepreneurs in need can partially be achieved through the support of the following programs:

- The Small Business Administration Microloan Program,
- Community Development Financial Institutions Fund (CDFI), and
- Count-Me-In for Women's Independence.

As discussed in Chapter One, the SBA Microloan Program provides loans to nonprofit intermediary lenders who, in turn, supports loan funds that provide fixed rate loans of less than \$35,000 to small and disadvantaged businesses. This program is a vital source of loans to lower-income microentrepreneurs and it must continue to provide, and increase the amount of, loan capital available to this population.<sup>99</sup> According to the Association for Enterprise Opportunity, the Microloan Program received a \$29 million program level appropriation, which is approximately the same as last year. Considering the number of intermediaries the SBA is authorized to fund has increased from 200 to 300, there will be additional demand for funding. As a result, supporters of non-traditional sources of loans for lower-income entrepreneurs should lobby in the support of the \$60 million requested by President Bush to fund this program.

The Community Development Financial Institutions Fund was created to expand the availability of credit, investment capital and financial services in distressed urban and rural communities. By stimulating the creation and expansion of Community Development Financial Institutions and providing incentives to traditional banks, the Fund works towards "building private markets, creating healthy local economies, promoting entrepreneurship, restoring neighborhoods and empowering residents."<sup>100</sup> More simply, CDFI was created to help financial institutions serve people who traditionally cannot get loans.<sup>101</sup> This is an important source of funding for lower-income

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<sup>98</sup> According to Microenterprise Fact Sheet, #1 by AEO and the Aspen Institute, only 11 percent of all clients served by microenterprise programs listed in the 1999 Directory of Microenterprise Program were loan borrowers.

<sup>99</sup> Association for Enterprise Opportunity, [www.Microenterpriseworks.org](http://www.Microenterpriseworks.org).

<sup>100</sup> Association for Enterprise Opportunity, [www.microenterpriseworks.com](http://www.microenterpriseworks.com).

<sup>101</sup> Interview with Louisa Quittman, CDFI, April 24, 2001.

entrepreneurs and currently, President Bush has not designated an amount of funding promised for the CDFI Fund, but did mention that it would receive an undisclosed amount of funding in his proposed budget for Fiscal Year 2002. Again, supporters of microenterprise should lobby in support of comprehensive funding for this essential program targeted to increasing access to capital for lower-income individuals.

Count-Me-In for Women's Economic Independence is an unique lending organization "dedicated to strengthening women's position in the economy" through the following concept: millions of women across the country are asked to contribute a minimum of five dollars to the organization to create a national loan fund for women. This money is then redistributed to qualifying women in the form of small business loans ranging from \$500 to \$10,000, and scholarships for training and technical assistance.<sup>102</sup>

This program is of particular importance because any woman, regardless of credit history or income level, can apply for these loans. It is operated via the internet so all women across the country have access to these funds, irrespective of their association with a microenterprise program. Programs such as these are vital to broaden the reach of non-traditional lending sources to people who are not part of a training program, and as a result, do not have access to non-traditional loan funds. I recommend that supporters of microenterprise financially support programs such as Count Me In, and promote the ingenuity used to create such an idea.

Advocating for and lobbying in support of programs and organizations such as the SBA Microloan Program, The Community Development Financial Institutions Fund and Count-Me-In are ways to ensure an increased availability of capital to all lower-income microentrepreneurs who are in need. While it is vital that microenterprise programs continue to receive current funding for their loan programs, it is also necessary to broaden the range of people who can access non-traditional loans, particularly those who do not have access to a microenterprise program.

## **2. Address microentrepreneurs' perceptions that capital is the largest barrier to self-employment**

This study showed that a fundamental difference exists in the beliefs of microentrepreneurs and microenterprise professionals, regarding the importance of capital to the success of a business. The study sample overwhelmingly identified lack of capital as a most significant barrier to their business, while microenterprise stakeholders expressed that it was important, however, not the *most important*, obstacle to lower-income entrepreneurs. This discrepancy in the significance of capital as a barrier

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<sup>102</sup> Count Me In for Women's Independence, [www.Count-me-in.org](http://www.Count-me-in.org).

needs to be addressed. Microentrepreneurs may be stifling their growth potential if operating under the belief that they will never succeed without capital. On the other hand, microenterprise professionals must heed to the cries of their clients. They must look at the aspects of capital that are presenting themselves as barriers to the microentrepreneurs and adjust their program accordingly. This adjustment could range from a course solely dedicated to discussing capital and clients' perceptions of its importance to working to address the other capital-related barriers identified by the clients, such as lack of savings.

### **3. Increase the savings rate of lower-income entrepreneurs**

WISE client participants and stakeholders alike identified lack of savings as a significant barrier to self-employment. Lower-income entrepreneurs often had difficulty starting their business due to a lack of savings. They often had to work in full-time wage jobs while trying to get their business off the ground because they did not have savings to depend on to cover living expenses. Furthermore, microentrepreneurs typically do not have a financial cushion to fall back on in case the business is slow to start or fails. An increase in the amount of savings of lower-income microentrepreneurs would address these current barriers to self-employment, in addition to providing the peace of mind that they had financial security. This could be achieved by the two following methods: the establishment of savings account programs within microenterprise programs and the Individuals Development Account (IDA) program.

Microenterprise programs could mandate the creation of a separate savings account when clients first begin the training program. Counselors could work with the program participants to determine a realistic budget and amount to be placed into savings each month for a pre-determined amount of time. The creation of a savings account through microenterprise programs will not only teach microentrepreneurs that saving is possible on a limited income, but the clients will also be able to rely upon the fruits of their labor: the savings accumulated. Furthermore, programs could seek outside sources of support that will match the amount saved by the entrepreneurs, although this may be difficult due to the relative lack of financial resources available to microenterprise programs. The most important aspect of this recommendation, however, is that lower-income microentrepreneurs become empowered to save for their businesses, their futures and their family's futures.

Lower-income microenterprise can also increase their savings with the assistance of IDA program. IDAs work similarly to the suggestion provided above. They are matched savings accounts that help lower-income families accumulate a few thousand dollars for investments in education, homeownership and microenterprise. Currently twenty-nine states and the District of Columbia have

passed some form of IDA legislation and thirty-two states have included IDAs in welfare reform plans. Over the past three years, IDAs, have gained widespread, bi-partisan support at both the federal and state levels.<sup>103</sup> Currently, approximately 33 percent of IDA accountholders are saving towards business capitalization.<sup>104</sup>

microenterprise supporters can promote IDA programs two primary ways. First, microenterprise programs can refer all applicable clients to an IDA program in their area; this is an excellent opportunity to increase the savings, and as a result, the assets of lower-income microentrepreneurs. Next, supporters can advocate for increased funding and scope of the IDA program. Two proposed bills, in particular, will benefit IDA programs. The Savings for Working Families Act and Assets for Independence Act will both increase the level of investments in IDA accounts, which in turn, will increase the scope of these programs. Additionally, microenterprise programs and organizations can continue to join forces with organizations and legislators to promote IDA's for lower-income people.

Although both recommendations aim to achieve the same goal of increased saving for lower-income entrepreneurs, they complement each other well. IDA programs will have to receive a significant additional amount of funding to be able to meet the demand for the program. Until that point, microenterprise programs can apply the same principles and incorporate savings into their training programs.

#### **4. Establish credit and improve poor credit of microentrepreneurs**

Lack of established credit and poor credit history were two significant barriers identified by WISE the study sample. Both of these credit-related variables impede attempts to obtain a loan and qualify for a mortgage. As a result, microenterprise organizations should address these barrier in their programs. For example, program counselors could lobby for access to a client's credit report, if agreed upon by the client, or clients could be required to submit a credit report as part of the program's application process. If their record indicates poor credit history or lack of established credit, the counselor could work with the client to devise a plan for improvement. Additionally, considering many microenterprise programs loan programs are not being used to capacity, microenterprise programs with loan funds could provide a small loan to clients for the primary purpose improving and establishing their credit.

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<sup>103</sup> Center for Enterprise Development, [www.cfed.org](http://www.cfed.org)

<sup>104</sup> Association for Enterprise Opportunity, [www.microenterpriseworks.org](http://www.microenterpriseworks.org).

## **5. Address the need for supplemental income while clients are starting their businesses**

Although grant monies are often difficult to secure, microentrepreneurs identified a significant need for financial assistance while their businesses were getting up and running. Financial assistance would be extremely beneficial to microentrepreneurs due to the fact that it would allow them the time to focus whole-heartily on business development without having to dedicate a large portion of their time to a wage job. For example, microenterprise programs, advocacy organizations, even city economic development departments could set up 'scholarships' to which microentrepreneurs could apply. Even if the dollar amounts are small, this seed money may provide one month's rent or money to purchase supplies. As a result, microentrepreneurs would be relieved of some of the financial worries and time issues that occur when clients are getting their business off the ground. In the very least, some type of supplemental income could allow the microentrepreneur to only work part-time in a wage, rather than a full-time job, if that is what she desires.

Another way in which microentrepreneurs can obtain supplemental income while trying to start a business is through the Earned Income Tax Credit. If a microentrepreneur qualifies for the tax credit (which basically means that they are employed and make under a certain income) and has a child, they can receive the credit payments in their monthly paycheck. Although usually a small amount, this added monthly income can provide financial support at a time when desperately needed. Supporters of microenterprise should advocate for the extension of this provision to all persons, regardless of parental status.

## **6. Advocate for quality and affordable childcare**

Although none of the clients interviewed for the study identified childcare as a significant barrier, many stakeholders and the literature stated that it is a severe barrier to lower-income microentrepreneurs. While microenterprise programs can, if not doing so already, make childcare services available to its clients during class times, there is not much else microenterprise programs can do programmatically to provide child care to its clients. Federal and state governments, on the other hand, can support and develop policies that improve the access to affordable childcare.

The Personal Responsibility and Work Opportunity Act of 1996 eliminated federal child care entitlements and consolidated the major sources of federal childcare subsidies for lower-income children into a block grant for each state—the Child Care and Development Fund Block Grant.<sup>105</sup>

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<sup>105</sup> Long, Sharon and Sandra Clark. "The New Child Care Block Grant: State Funding Choices and Their Implications," The Urban Institute, Number A-12 in Series: "New Federalism: Issues and Options for States," [http://newfederalism.urban.org/html/anf\\_a12.htm](http://newfederalism.urban.org/html/anf_a12.htm).

Although this legislation was a major blow to lower-income women and children in many aspects, the devolution of child care funding to the hands of the state government allows for increased flexibility in its design and targeting of child care resources. The Child Care and Development Fund Block Grants allow for greater funds available for childcare assistance programs. However, each state determines what happens with this money and not all states allocate the maximum amount of funds to child care assistance programs. The Block grants, however, do provide the potential to expand childcare assistance coverage to working lower-income families, not just those receiving government assistance. This expansion is an excellent way to provide affordable childcare to lower-income microentrepreneurs. Supporters of these programs should lobby their state governments to extend coverage of the Child Care and Development Fund block grant to include not just families receiving government assistance, but also working poor families.

## **7. Include time-management strategies in microenterprise curriculum**

Microenterprise programs can address the lack of time identified by the study sample by including time management in the curriculum. Programs such as WISE already include this topic in their training program, however, considering the extent to which this was mentioned in the study, more emphasize might needed on time-management techniques. Addressing other barriers to self-employment is another way to provide more time to microentrepreneurs. For example, comprehensive training and technical assistance and access to capital may help microentrepreneurs be more efficient in their businesses, thus, freeing up time otherwise spent on business-related matters.

## **8. Ease the inner-struggles of lower-income women microentrepreneurs**

A portion of the study sample identified inner struggles, such as lack of confidence and self-esteem, as barriers to their businesses. Inner struggles are particularly problematic for microentrepreneurs because they influence they ways in which clients view, and deal with, other barriers to their businesses. For example, a self-employed women with low confidence in math and finance might identify balancing financial accounts as a much more significant barrier than someone with confidence in that area. Furthermore, a microentrepreneur with greater self-confidence and self-esteem might hold the belief that she can overcome any barrier, compared to someone with lower self-confidence. Considering confidence and self-esteem are imperative to a business owner's success and the study sample identified these issues as barriers to self-employment, microenterprise programs need to incorporate ways to address inner struggles into their program.

Lack of confidence and self-esteem are prevalent issues for many women in the United States and there is no simple way to address the complexities of these issues. However, a few methods can be adopted by microenterprise programs to assist lower-income microentrepreneurs. In the very least, microenterprise programs can incorporate confidence-building techniques into their training curriculum, which can consist of classes specifically designed to address fears of starting a business and improve self-esteem of the clients. Second, microenterprise can offer coaching services to clients who desire additional support and assistance regarding these issues. For example, clients can be assigned a personal coach at the beginning of the training program, who they can with regularly during and after the program. Considering many microenterprise programs already offer personal business counseling to clients, this could merely be an extension of the staff person's duties. The coach could provide encouragement and offer suggestions to deal with problems related to their businesses.

Next, personal empowerment could be incorporated as a cornerstone of a microenterprise programs services and curriculum. For example, programs design could emphasize personal development as much as business skills development. This could be achieved by adopting applicable techniques used by organizations such as the Industrial Areas Foundation (IAF), which focuses its program the on individual empowerment and personal development of its members. Although the mission of IAF significantly differs from the mission of microenterprise programs, there may be some applicable techniques for microenterprise programs. Finally, a simple dialogue among microenterprise professionals regarding these issues could lead to straightforward solutions to the problem of inner struggles to self-employment. Considering inner struggles are not thoroughly discussed in the literature, programs could benefit from learning about existing practices of other organizations that effectively address the inner struggles of lower-income microentrepreneurs.

## **9. Increase training and technical assistance available to lower-income entrepreneurs**

This study showed that proper training and technical assistance are vital to the success of lower-income microentrepreneurs. As a result, microenterprise supporters must ensure that lower-income people have access to such services. A simple way to increase access to training and technical assistance is through additional funding to support these programs. Programs that provide this funding include:

- The SBA Microloan Technical Assistance Program,
- SBA Women's Business Centers, and
- Program for Investment in Microentrepreneurs Act of 1999 (PRIME)



The Small Business Administration's Microloan Technical Assistance Program provides training and technical assistance counseling to lower-income people, people of color and women. The purpose of the program is to provide the necessary training and technical assistance to start a business, which in turn, helps clients obtain loans from the Small Business Administration Microloan intermediaries and traditional lending sources like banks.<sup>106</sup>

Unfortunately, funding for this program is at stake. Last year the program received \$20 million in technical assistance funds, which was \$3 million less than 1999.<sup>107</sup> Lobbying and advocating for restoration of full funding for this program is one way to provide higher levels of and greater participation in training and technical assistance programs.

The SBA's Office of Women's Business Ownership is another avenue for women, particularly lower-income women, to gain access to training and technical assistance. Women's Business Centers are offered in every state and Puerto Rico, and each center provides assistance and/or training in finance, management, marketing, procurement and the Internet. They also provide individual business counseling and access to the SBA's programs and services. A few are intermediaries for the SBA's Microloan program.<sup>108</sup>

These business centers provide access to training and technical assistance to people who do not have a microenterprise program close to them. Their services are vital, and supporters of microenterprise should also lobby in support of federal funding for the operation of these centers.

The Program for Investment in Microentrepreneurs Act of 1999 (PRIME) holds great potential to increase the amount of funding available to the microenterprise development field. The act authorized the SBA to establish a microenterprise technical assistance and capacity building program that would award grants on a competitive basis to microenterprise programs that provide training and technical assistance to lower-income entrepreneurs. In order for an organization to qualify for PRIME funds, it must be able to demonstrate the ability to match any federal PRIME dollars with non federal funds. PRIME received funding in the amount of \$15 million for four years in 2000.<sup>109</sup> Supporters of microenterprise must, again, lobby in support of full funding for this important program—There is currently no other federal program that financially supports microenterprise programs that provides training and technical assistance to lower-income entrepreneurs.<sup>110</sup>

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<sup>106</sup> Association for Enterprise Opportunity, [www.microenterpriseworks.org](http://www.microenterpriseworks.org).

<sup>107</sup> Association for Enterprise Opportunity, [www.microenterpriseworks.org](http://www.microenterpriseworks.org).

<sup>108</sup> Office of Women's Business Ownership, Small Business Administration, <http://www.sba.gov/womeninbusiness>.

<sup>109</sup> California Association of Microenterprise Organizations (CAMEO), [www.microbiz.org](http://www.microbiz.org).

<sup>110</sup> National Low Income Housing Coalition, "2000 Advocate's Guide to Housing and Community Development Policy," [www.nlihc.org](http://www.nlihc.org).

## **10. Increase the number and capacity of microenterprise programs in the United States**

Bill Edwards, Executive Director of AEO, identified a lack of microenterprise programs as the most significant barrier to lower-income microenterprise, and it is vital that the number of microenterprise programs grows significantly in the future. Other stakeholders mentioned that the small number of microenterprise programs was a severe barrier to self-employment due to the fact that training and technical assistance, loan funds and other important resources for microentrepreneurs are not available to everyone in need. This need is also apparent through the Aspen Institute's estimate that there are over two million lower-income entrepreneurs in the United States, and many more who 'patch' together wage work with self-employment, yet, microenterprise programs served only 55,766 people in 1997. Clearly the field is not reaching its potential scale.<sup>111</sup>

Greater amounts of funding are needed in order for the microenterprise field to grow. Although microenterprise programs often receive sufficient funding for their loan funds, they are lacking monies to support their operating expenses. This is a significant barrier to the creation of new programs. PRIME legislation, however, can be used to support the operating expenses of microenterprise programs that provide training and technical assistance to its client, which is another reason why supporters of microenterprise should advocate for its increased funding. Additionally, it often takes complex arrangements of federal, state, local and foundation money to support the expenses of a microenterprise program. While foundations are currently supplying the brunt of funding needed to run a program, local and state funding need to recognize that training and technical assistance are just as important as capital to the success of lower-income entrepreneurs. These governments need to expand funding sources to be able to cover the operating expenses of new programs that provide these services.

## **11. Address the housing needs of self-employment lower-income women**

This study revealed that various housing issues are significant barriers to lower-income microentrepreneurs. Particularly, lack of affordable housing, lack of sufficient workspace and inappropriate housing for business type negatively impacts lower-income women's economic, personal and professional experiences. A few things can begin to address these housing-related issues. First, attention must be given to the role of housing in the lives of lower-income people and the relationship between housing and economic development strategies, particularly microenterprise. Attention can be brought to these issues through awareness campaigns, advocacy, coalition building

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<sup>111</sup> Nelson, Candace, p. 5.

and research. Further research on these issues is vital to improve the housing situation of lower-income entrepreneurs, and in turn, their economic security, personal state of mind and success of their businesses.

Second, microenterprise program must begin to explore the impacts of housing barriers on the success of its clients' businesses and acknowledge that housing plays a significant role in their lives. Although many non-profits are overextended and lack sufficient financial support, microenterprise professionals must commit to devoting time to address these issues. Microenterprise organizations can collaborate with affordable housing development organizations, affordable housing advocacy organizations and city housing offices and create an active dialogue on the relationship between economic successes of lower-income people and housing.

Third, supporters of microenterprise can support and promote alternative housing types that assist lower-income microentrepreneurs. Affordable live-work units are one example of a viable housing alternative for microentrepreneurs who are live in high rent housing and lack sufficient workspace. Although generally promoted for artists, live-work units also address the needs of many microentrepreneurs.

Furthermore, the creation and promotion of incubator space could address the housing issues that many microentrepreneurs currently face. Incubators, which often offer office space, training and management advice to start-up businesses, provide affordable space for a microentrepreneurs to work. Furthermore, incubators can decrease the amount of start-up capital needed for business start-up. For example, incubators provide office equipment such as computers, telephones and fax machines to businesses in their start-up phases. Business-specific incubators, such as kitchen incubators, provide access to sufficient workspace and commercial kitchen equipment to business owners in the food services. Although many lower-income entrepreneurs work out of their homes for the flexibility it affords them to deal with family responsibilities, incubator space is a viable way to ensure sufficient workspace for many microentrepreneurs. Furthermore, incubator space can also address the problem of housing inappropriateness for certain businesses. For example, a manufacturing business that makes noise and produces off fumes would benefit greatly from an affordable incubator space.

Wise is an example of a program that is exploring affordable live-work space to address the needs of its clients. WISE is working with an affordable housing organization on the development of an affordable live-work housing project in the City of West Oakland. Although the project is only in its

beginning stages, WISE hopes to incorporate business incubator space into the project. Innovative projects such as these work to break down the silos between economic development and housing and begin to address the housing needs of lower-income entrepreneurs.

Another method in which microenterprise organizations located in tight housing markets can improve the housing situation of its clients is through a housing referral service. Considering clients often have inappropriate housing for their business type, a referral service can give them access to people and organizations that can help locate appropriate housing for their needs. Furthermore, microenterprise and affordable housing supporters can work to loosen regulations in public housing that make it difficult for lower-income microentrepreneurs to work out of their homes.

There is great potential to address the relationship between lower-income women's economic development and housing. Considering extensive resources and organizations focus on housing economic development issues, collaboration between the two fields could be an exciting first step. Further research and an active dialogue can improve the lives of women business owners, in addition to the lives of the many lower-income women who currently live in dire housing.

In sum, the previous recommendations are ways in which microenterprise programs address the barriers to self-employment explored in this study. The recommendations only begin to scratch the surface on what needs to be done and hopefully, supporters of microenterprise will continue the dialogue on other potential solutions to the significant barrier facing lower-income microentrepreneurs.

## CONCLUDING REMARKS

This research aimed to identify barriers to self-employment and explore their impacts barriers on the lives of lower-income women. Through telephone surveys, in-depth interviews and interviews with microenterprise professionals, the study identified significant barriers to self-employment, such as lack of time, lack of capital, childcare and housing. While the findings are limited for various reasons, the research was able to offer a glimpse into the challenges faced by lower-income business owners.

Due to the fact that microenterprise programs are gaining popularity and support because of their economic, personal and professional benefits, it is vital that supporters of self-employment strive to understand the variables that make it easier for a lower-income business owner to succeed. Furthermore, considering the poor housing situation of many women in the United States, attention must be paid to the housing as a barrier to self-employment, particularly how it impacts lower-income women's economic stability.

Although the recommendations are not exhaustive, they provide a starting point to address the barriers identified in this study, and will hopefully compliment the current substantial efforts of microenterprise programs and organizations. Exciting research and innovation and growth is occurring the microenterprise development field in the United States and a goal of this research project was to make a contribution to these existing efforts. Microenterprise professionals, planners, policy-makers and feminists will hopefully continue the dialogue on barriers to self-employment and share ways in which they have successfully reduced the barriers' impacts on the lives of lower-income microentrepreneurs.

**APPENDIX A: TELEPHONE SURVEY**

**WOMEN'S INITIATIVE OUTCOME EVALUATION  
FOLLOW-UP SURVEY**

**CONTACT LOG**

Client Telephone Numbers: \_\_\_\_\_  
\_\_\_\_\_

<u>DATE</u>	<u>RESULT</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**SURVEY**

Bulleted items represent subjects to be covered with the client.

- ◆ Thank the Client
- ◆ Explain the Purpose of the Survey
- ◆ Explain Client Confidentiality
- ◆ Does the Client have any Questions?
  
- ◆ Update client contact information (refer to previous records).
  
- No change

Home Phone Number: \_\_\_\_\_

Home Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Personal E-Mail: \_\_\_\_\_ Personal Web Address: \_\_\_\_\_

Business Phone Number: \_\_\_\_\_

Business Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Business E-Mail: \_\_\_\_\_ Business Web Address: \_\_\_\_\_  
\_\_\_\_\_

◆ Ask for / update contact people for use in the event that we can't locate the client.

No change  
Name: \_\_\_\_\_  
\_\_\_\_\_

No change  
Name: \_\_\_\_\_

Relationship: \_\_\_\_\_  
\_\_\_\_\_

Relationship: \_\_\_\_\_

Phone #: \_\_\_\_\_  
\_\_\_\_\_

Phone #: \_\_\_\_\_

◆ Has the client gone back to school or attended any classes since attending WI?  Yes  No

◆ For how long? \_\_\_\_\_ Months

◆ Has the client received a new degree or certificate?  Yes  No

- HS graduate or have GED
- Vocational/technical certificate
- AA degree
- Undergraduate degree
- Post college coursework or graduate degree
- Other (specify): \_\_\_\_\_

◆ Has the client been working in a job?  Yes  No

◆ For how many long? \_\_\_\_\_ Months

◆ On average, how many hours a week does the client work? \_\_\_\_\_ Hours Per Week

◆ Is this job related to the business the client runs or wants to run?  Yes  No

◆ If not employed or self-employed are they:  A full-time homemaker  Unemployed Since:

◆ Did the client have a business when they started classes at Women's Initiative?  Yes   
No

◆ Does the client have a business now?  Yes  No

- ◆ On average, how many hours a week does the client work in their own business?
- ◆ \_\_\_\_\_ Hours Per Week

- ◆ If the client does not have a business, do they plan to start one?     Yes     No
  - Client plans to start a business at a future date
  - Client is in the process of planning their business for start-up in the next 6-12 months

- ▼
- ASK THE FOLLOWING:  Do you have a clear idea of what your business will be?
- Is your business idea realistic?
  - Are you working on developing your product or service?
  - Have you done any test marketing?
  - Are you working on developing a customer base?
  - Are you doing or have you done market research?
  - Are you keeping your personal finances in order?

- ◆ If the client does not have or plan to start a business find out which of the following are true:
  - Client sold their business
    - For a profit
    - At a loss
  - Client closed their business
  - Client does not plan to start a business
  - Client is undecided about whether to start a business

↓ IF THE CLIENT HAS A BUSINESS OR PLANS TO START IN THE NEXT 6-12 MONTHS  
ASK THE FOLLOWING:

◆ What is the name of the current/planned business? \_\_\_\_\_

◆ Business description (a few sentences).

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

◆ Is this business / idea the same on the client had when they started at Women's Initiative?

Yes       No

◆ Does the client currently have more than one business? Explain second business: \_\_\_\_\_

\_\_\_\_\_



◆ Ask if the client currently has a business:

ASK THE FOLLOWING: →

CHOOSE ONE:

- Start-Up Business
  - under one year of sales
  - establishing processes and procedures
- Existing Business
  - over one year of sales
  - establishing processes and procedures
- Established Business
  - over one year of sales
  - profitable
  - stable operations
  - formal business licensing optional

- When did your business begin to make monthly sales?  
↓  
\_\_\_\_\_month \_\_\_\_\_year
- Do you have specific goals for accomplishing your business mission?
- Do you have a marketable product or service?
- Do you have a customer base?
- Do you have a marketing plan?
- Have you developed a realistic price for your product or service?
- Are you making sales?
- Do you have cash-flow projections and a budget for the future?
- Do you have some systems and operations for your business?
- ↓
- Do you have a track record of consistent monthly or seasonal sales?
- Do you have a customer list and services or product list?
- Have you achieved past strategic business goals?
- Do you have a strategic plan for the future?
- Do you have stable marketing and sales systems?
- Do you keep consistent client records and books?
- Do you have operations systems

ASK THE FOLLOWING: →

- Stabilized
  - reached break-even
  - stabilized operations
- ↑
- Check either of these boxes if they apply
- ↓
- Expanded
  - increased sales by <20%
  - increased production/client base

- Have you reached or exceeded break-even  
(sales exceed operating expenses fter taxes and before owner draw or salary; initial start-up investment may not yet have been recovered)
- What operations systems have you established  
(for example: billing, ordering, client records, inventory)?  
(specify: \_\_\_\_\_)
- Have you secured a license or permit
- Have you established a business bank account
- Have you begun to pay business and/or quarterly taxes
- Have you signed a business lease
- ↓
- Have your sales increased significantly compared to prior 6-12 month period? If so, when would you say your business expanded? \_\_\_\_\_month \_\_\_\_\_year
- Have you increased your production or number of clients significantly compared to prior 6-12 month period?
- Have you added new equipment to the business
- Have you added a new product or service to the business
- Have you added significantly to the financial investment in your business since the initial start-up investment

- ◆ What are the client's average gross business sales and expenses. (Help them to figure it out if need be.)

BUSINESS SALES & EXPENSES	
Looking at the last 6 month period, what were your average gross monthly sales?	\$
What were your average month's business expenses?	\$

- ◆ How does the client spend the profits from their business?
- ◆ Does the client pay themselves the difference between sales and expenses?
- ◆ (Does the client use their earnings for their personal living expenses?)  
Does a business partner pay themselves? Does the client reinvest their profits into the business?

USE OF PROFITS	
Use	Average Amount Per Month
Client Draw	\$
Business Partner(s) Draw	\$
Reinvestment	\$

- ◆ What were the total business sales and expenses in the last year or, if less than a year old, since the business began?

BUSINESS SALES & EXPENSES	
Total gross sales ?	\$
Total expenses?	\$

- ◆ Does anyone work for or with the client with their business (paid or unpaid)?  Yes  No  
 Business partners: # \_\_\_\_\_  
 Full-time employees (35 hours per week or more): # \_\_\_\_\_  
 Part-time employees (less than 35 hours per week): # \_\_\_\_\_  
 Temporary employees: # \_\_\_\_\_  
 Contract employees: # \_\_\_\_\_  
 Volunteer employees: # \_\_\_\_\_

- ◆ Does the client run their business out of their home?  Yes  No

- ◆ What sources of funding did the client use to start or expand their business? Please don't include normal monthly operating expenses.

<b>SOURCE OF FUNDING</b>	<b>IF FIRST SURVEY Amount spent prior to WI Training</b>	<b>Amount spent since WI training or last survey</b>
Personal Savings	\$	\$
Credit Card(s)	\$	\$
Government Loan	\$	\$
Business Loan from a commercial financial institution	\$	\$
Women's Initiative Loan	\$	\$
Loan from Family or Friends	\$	\$
Gift from Family or Friends	\$	\$
Investor(s) (venture capital, silent partner, etc.)	\$	\$
Other Funding: _____	\$	\$

- ◆ Including the client, how many people live in the client's household and share money?
- ◆ Please do not include roommates who keep their income separate.

Total Household Members: \_\_\_\_\_

Number of Adults (18 years or older): \_\_\_\_\_

Number of Children the client supports: \_\_\_\_\_

<b>Adult</b>	<b>Relationship to Client</b>	<b>Child</b>	<b>Birthdate</b>
#1		#1	
#2		#2	
#3		#3	
#4		#4	

- ◆ How much income did the client PERSONALLY receive in the last year from any of the following sources? Please only include the client's own income (not the income of any other people who live with the client). Please report amount of income BEFORE any taxes are deducted. If the client's income was variable, please add amounts together and average for the year.

Source of income	Did the client received income from this source?	Average monthly amount
Self-employment income	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Salary/wages from a job(s)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Help from family or friends	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Child support	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Alimony	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Unemployment benefits	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
CalWorks /TANF (AFDC)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
General assistance (GA)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Social Security (retirement)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Supplemental Security Income	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Disability Benefits (SSDI or SSA)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
State Disability Insurance (Worker's Compensation)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Food Stamps	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
WIC benefits	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Other Income (Specify):	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$

How much income did OTHER HOUSEHOLD MEMBERS receive since in the last year from any of the following sources? Please include all people who live with the client and share income. Please report amount of income BEFORE any taxes are deducted. If the client's income was variable, please add amounts together and average for the year.

Source of income	Did the client received income from this source?	Average monthly amount
Self-employment income	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Salary/wages from a job(s)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Help from family or friends	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Child support	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Alimony	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Unemployment benefits	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
CalWorks /TANF (AFDC)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
General assistance (GA)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Social Security (retirement)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Supplemental Security Income	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Disability Benefits (SSDI or SSA)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
State Disability Insurance (Worker's Compensation)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Food Stamps	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
WIC benefits	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Other Income (Specify):	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$



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◆ How much rent do you pay? \_\_\_\_\_

◆ Is this cost shared with anyone? \_\_\_\_\_

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- ◆ We would love to hear comments and suggestions about Women’s Initiative and the survey itself.

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Does the client currently have a need for any business support services or referrals?

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Does the client receive the Women’s Initiative mailings (Workshop Schedule, the Update on networking events and special seminars, or the “Into Business” newsletter)?

- Yes     No

- ◆ Would they like to receive our mailings?
  - Yes     No

◆ THANK YOU!

## APPENDIX B: IN-DEPTH INTERVIEW GUIDE

Name: \_\_\_\_\_

Date: \_\_\_\_\_

### Issues to discuss:

- ◆ Thank you for agreeing to participate in this interview. As I explained on the phone, Women's Initiative is interested in learning more about your experience as a business owner, particularly the things in your life that have made it difficult or helped you start your own business or wish to start your own business.
- ◆ In addition, I am writing my master's thesis in conjunction with the research of Women's Initiative....
- ◆ This information will be kept confidential and anonymous, if you prefer. Do you wish for your name to be changed to protect your privacy in our written stories? \_\_\_\_\_
- ◆ In addition, would you like a copy of the written report? \_\_\_\_\_
- ◆ Lastly, I'll be taping the interview, if you don't mind. This will allow me to be able to listen more intently, rather than writing notes during the interview. The tapes will be erased at the end of our study in May. Is using a tape recorder okay with you? \_\_\_\_\_  
If you wish, I can make you a copy of the tape.
- ◆ Any questions before we get started?



**Goals of interviews:**

- ◆ To find out what have been the barriers to women starting their own business
- ◆ What made it difficult? i.e. what were the challenges?
- ◆ What could have made it easier?

**Question Guide**

◆ **Typical Day**

I'd like to start by talking about a typical day for you. Can you explain to me what a typical day is like for you?

- What are your responsibilities?
- Who do you care for, in anyone?
- Do you work everyday?

◆ **Motivation for Self-Employment**

Next I'd like to hear about why you wanted to be a business owner. Can you tell me a little bit about why you wanted to start your own business and what led you to starting your own business?

- When did you decide to start your own business?
- What do you want to achieve from owning your own biz?
  - What is stopping you from achieving that goal?
- What were you doing previously?
- What did you think the benefits would be?
- What have the benefits been (is this different from above?)
- Who helped you along the way?
- Was there any one who motivated you?
- Did anyone serve as a source of strength and support for you?

• **Catalyst for Self-Employment**

Is there anything that has made it easier for you to start your own business? What would you recommend to others who want to start their own business?

◆ **Business Information**

Next I'd like to talk a bit about your business ideas. Can you tell me a little bit about the following?

- What is the product or service?
- Who is it serving?
- Why did you choose this particular job type for self-employment?
- When did the business get started or when will the business get started?
- How were (are) your strategies for getting it started? (briefly)

◆ **Barriers to Self-Employment**

Can you tell me a little bit about the challenges you have faced in starting your business?

- What has made it difficult?
- How has it made it difficult?
- Can you tell me a little bit about your experience being a mom and trying to start your own business (if the interviewee is a mom)?

How about being a single parent?  
What was your experience with funding?  
What was difficult in the beginning?  
Is that different from what is difficult now?  
Can you tell me what it is like to work and own your own business?  
What would you change in your experience?

◆ **Housing and Community**

Now I'd like to talk a bit about where you live and how that has affected your experience as a business owner.....

How long have you been living where you are?

Why did you choose to live there?

Where did you live before?

Has your community or sense of community played a part in your business?

Do you find the rent to be reasonable?

Do you hope to own a home one day (if she rents?)

Do you wish to move your business out of your home? What is stopping you?

◆ **Support for Self-Employment**

Have you had sources of support for your business idea? What were they?

What has helped you continue with the idea for your own business? endeavors

◆ **Effects of Self-Employment**

What personally have been the effects of starting your own business?

What have been the effects on your family?

◆ **Suggestions for Improvement**

What would have made or will make your experience as a business owner easier?

◆ **Impact of Women's Initiative**

What was your experience like at Women's Initiative?

What could have made it better?

What future support do you need from us?

## **APPENDIX C: STAKEHOLDER INTERVIEWS**

Julie Arvan, Women's Initiative for Self-Employment

Bill Edwards, Association of Enterprise Opportunity

Wilma Goldstein, Office of Women's Business Ownership, Small Business Administration

Milena Hileman, Women's Initiative for Self-Employment

Barbara Johnson, Women's Initiative for Self-Employment

Catherine Marshall, California Association of Microenterprise Programs

Louisa Quittman, Community Development Financial Institution, Department of the Treasury

Ouida Rodriguez-Cooper, Women's Initiative for Self-Employment

Willow Rosenthal, Women's Initiative for Self-Employment

Helen Stablya, Fenton Communications,  
Formerly worked for Community Development Financial Institution

Julie Weeks, National Foundation of Women Business Owners

Khin Khin Wong, Women's Initiative for Self-Employment

Lily Zandniapour, The Aspen Institute

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