Informal Microenterprise in the North End Community—Springfield, MA

By

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ABSTRACT

The North End community in Springfield, Massachusetts is one of many communities across the United States that is struggling with how to improve its economic health. Traditional economic indicators, which emphasize the weaknesses of low-income communities, fail to capture the importance of informal economic activity in the development of these neighborhoods, particularly the North End. This thesis explores the nature of informal economic activity, specifically informal microenterprise, present within the North End community as a means for understanding its economic reality and supporting its continued development. The study considers how Springfield’s existing microenterprise service system can be modified to maximize the role of informal businesses in the economic development of the North End.

Data collected from North End business owners suggest that there are a number of dynamic yet informal enterprises operating within the community. Informal businesses do play an economic role in the community, and many are positioned to increase the impacts they have on the North End with goals of growth and formalization. However, these businesses also have specific needs that require assistance. Because the microenterprise development system in Springfield fails to respond to these needs, recommendations are offered at the conclusion of this thesis for how to more effectively support informal economic activity in the North End.

Thesis Supervisor: Karl Seidman
Title: Senior Lecturer in Economic Development
Acknowledgements

This thesis was conceived of and implemented as a collaborative, community-based research project. As such, it could not have been completed without the efforts of numerous individuals and organizations. I first must thank the staff and steering committee of the North End Outreach Network for acknowledging this research as an important part of their outreach and taking the time to partner with me. Special thanks go to Milta Franco and the outreach workers (Virgilio Berrios, Maira Velez, Edwin Camacho, Julia Arroyo, Marisol Jimenez, Lillian Robles and Ben Torres) as co-researchers for the project. The NEON staff have always made the North End feel like home to me and for all the rides, lunches, home stays, and overall encouragement, I want to say thank you. I am extremely grateful to the North End residents interviewed during the research phase for their trust and hospitality. Without their voices, this thesis would not have been possible. At MIT, the Center for Reflective Community Practice has been a constant source of support and inspiration for my community-based learning. I want to especially thank Ceasar McDowell for being my reader and giving me the opportunity to ground my master’s education in the complex reality of community. Karl Seidman, as my thesis advisor, provided me with thoughtful (and timely) feedback during all stages of this project and was always available to help me make sense of the research. Finally, I want to thank Ryan Allen and Annis Whitlow—your ability to listen and understand my adventures in the North End has been invaluable throughout this year.
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Chapter One: Introduction and Context Setting

The North End community in Springfield, Massachusetts is one of many communities across the United States that is struggling with how to improve its economic health. Traditional economic indicators included in the Census such as per capita income and unemployment rates emphasize to communities like the North End what they lack with regard to their local economics. The community organizations in the North End, while fully aware of the bleak economic picture that these data reveal, instead choose to approach neighborhood economic challenges by focusing upon those resources within the community that can serve to improve its economic health. As a result during the spring of 2003, the North End Outreach Network (NEON), one community organization in the neighborhood, engaged in an asset mapping process geared toward boosting the economic health of its neighborhoods. One result of this process was the identification of the informal economic activity occurring in the neighborhoods as a potential asset to the community. Residents spoke of the many skilled craftspeople and business owners in the community whose efforts are not captured through traditional economic data because they lack the required licenses and registration and/or may not file tax returns for this activity. While community members in the North End may recognize the prevalence of informal economic activity as a potential asset, little has been done to develop or support this resource since it was named during the asset mapping process. Community members have accumulated knowledge of this informal economic activity through their experiences living and working in the North End, but this information has not yet been subject to further analysis to determine how it might support the economic vitality of the community.
Research into the informal economic activity in the North End is an important and necessary step towards improving the economic health of the community. Given the significant level of activity in the community and the challenges residents face within the formal economy, the North End's informal economy cannot be ignored. Because traditional economic indicators for the community highlight few strengths, it is essential to examine economic alternatives, such as informal activities, to uncover assets and strategies that can increase the economic development of the neighborhoods. Informal activity within the North End appears to be quite high. NEON outreach workers estimate that 40-50% of neighborhood residents participate in the local informal economy. Compared with the percentage of North End residents reporting no formal wage or salary income (45% according to 2000 Census data), these data suggest that the informal economy may be a significant income generator for the community. With the knowledge I have gained thus far, it appears that skilled residents, who are unable to participate in the formal economy, instead use their talents in informal ways to earn the income needed to provide for their families. In addition, these informal businesses are likely providing needed goods and services to the North End community. Clearly, the potential contributions of informal economic activity to the North End are great. Thus, strengthening support for this informal activity is one important vehicle for improving the economic health of the community, as this strategy will likely increase the benefits of informal economic activity for the North End.
Guiding Research Questions

This thesis explores the nature of informal economic activity, specifically the informal microenterprises, present within the North End community as a means for understanding its economic reality and supporting its continued development. Only by achieving a better understanding of these informal enterprises can their contributions to the economic development of the community be strengthened. Within the vast literature on informal economies, researchers note the diversity of informal economic activity, just within the United States, regarding types of activity, its impacts and people's motivations for engaging in informal activity. Because the manifestation of informal economies can be quite context-dependent, this thesis investigates what informal enterprises look like within one particular community, the North End of Springfield, Massachusetts.

Specifically, this thesis examines what the motivations are behind the informal microenterprises operating in the community and what roles these businesses play in the lives of the people who run them. In attempting to understand the nature of these informal activities, this research also identifies the goals that informal business owners have for their microenterprises. This research on the motivations and goals of business owners can inform a discussion of how informal microenterprise in the North End can be supported and further developed as an economic asset within the community. Based on the information identified above, I then consider whether microenterprise development services can assist these informal micro-businesses and what adjustments could be made to existing services to meet the needs of the North End neighborhoods.

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1 For the purposes of this study, informal microenterprises are defined as small businesses (those with fewer than five employees) that are not in compliance with formal regulations such as licensing, registration and income tax filing. Informal microenterprise often takes the form of home-based businesses.
Recommendations are offered at the conclusion of this thesis on how informal enterprises in the North End may be most appropriately supported based on a comparison of current microenterprise services and stated needs of informal business owners. The goal of these recommendations is to ensure that a microenterprise development system is in place to assist informal enterprises in fulfilling their economic development role for the North End community.

Having outlined the primary questions guiding this research, I must note that a set of hypotheses have also been developed in response to these research questions. The hypotheses articulate general findings that I expect the research to uncover, based on previous knowledge of the North End and existing literature on informal economies in other communities across the US. This set of hypotheses is more fully discussed in Chapter Two when theories offered in the existing literature are applied to the North End community.

The North End Community—Springfield, MA

In order to understand the context in which these informal enterprises operate, further description of the North End community is necessary. The North End is a community in the northwest corner of Springfield, MA and made up of two neighborhoods known as Brightwood and Memorial Square. Please refer to Appendix A for a map of the North End community. The two neighborhoods were divided from one another by an urban renewal plan, which called for the construction of Interstate 91 through the center of the community. The community is home to over 11,000 residents,
with more than seventy percent identifying themselves as Puerto Rican\(^2\). Data from the 2000 Census reports that 71.3% of the community is of Puerto Rican heritage; however, locally generated data indicates that 75% of residents are Puerto Rican with these numbers edging towards 80% in more recent surveys\(^3\).

While the North End has long been a home to immigrant communities in Springfield, Puerto Rican migrants began arriving in the 1940s, and this population has continued to increase over the past 60 years. Originally Puerto Ricans were recruited to work on the farms of the Connecticut River Valley. Though this work was seasonal, many of these farmworkers decided to remain in the Springfield area and settled in the North End community. Eventually, they brought their families over from Puerto Rico to join them. The North End was an ideal community because new housing was being built for employees of the light industrial/manufacturing firms located in the community. Many Puerto Ricans transitioned from working in the farms to holding stable manufacturing jobs within the neighborhoods. As years passed, Puerto Ricans continued to migrate to the North End to take advantage of employment, housing and healthcare resources within the community. This steady stream of migration has resulted in a North End today that is dominated by residents of Puerto Rican heritage\(^4\).

The North End is a community that, according to traditional indicators (e.g., Census data), faces significant economic and social challenges. These indicators, which

\(^2\) Descriptive data for the North End was obtained from the 2000 Census, using information from the five Census tracts (8005, 8006, 8007, 8008, 8009) that include the North End community. Census tracts do not match the boundaries of the North End exactly and include some overlap with other areas of Springfield so the data provided here approximate the reality of the North End. Refer to the maps in Appendix A for more detail.

\(^3\) North End Strategic Plan, 2003.

\(^4\) This description of Puerto Rican migration to the North End is based on conversations with North End community leaders over the past year.
are more fully discussed below, demonstrate the need to look beyond the formal economy for resources with which to develop the neighborhood’s economic vitality. For example, the poorest census tract within the state of Massachusetts is located in the North End with a per capita income in 1999 of $5,255.5.

<table>
<thead>
<tr>
<th>Table 1: Comparative Income Data Across MA Geographies, Census 2000</th>
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<tr>
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<tr>
<td>Median Household Income (1999)</td>
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<tr>
<td>% Households Receiving Public Assistance, plus SSI</td>
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<tr>
<td>% Below Poverty Level</td>
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Median household income in the community is just over $18,000, significantly less than comparable indicators for the city of Springfield and the state of Massachusetts. Due to high unemployment rates, the income received by North End households is derived from several sources and is not limited to wage employment. In fact, approximately 45% of North End households report no wage or salary income. Rather, 38% of the households in the North End report receiving some form of public assistance income (inclusive of Supplemental Security Income), again a considerably higher percentage than for Springfield or the state of Massachusetts. Of note is the fact that Census data report only 3% of North End households receiving income from self-employment. Estimates from NEON outreach workers and others who have knowledge of the community generate a much higher figure for (informal) self-employment income, closer to 40-50%.

Nonetheless, the percentage of North End residents living below the poverty level is extremely high, reaching above 40%. While these data do represent a harsh economic

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5 Census tract 8006.
reality within the North End, the research in this thesis demonstrates that these figures do not provide a complete picture of the neighborhoods’ economy. Informal economic activity is indeed a reality in the North End neighborhoods and this activity, if supported with the recommendations produced by this research, presents an opportunity to further strengthen the economic indicators portraying the community.

In addition to the economic barriers the community faces, the North End is also confronted with significant social and health challenges⁷. The North End has the lowest educational attainment of all Springfield neighborhoods, with only a 52.7% high school completion rate. Incarceration rates in the North End are high with 10% of the community’s population passing through the Hampden County Correctional System each year. The North End is also the center of the HIV epidemic in Greater Springfield, leading the city to have the 11th highest HIV case rate in the country⁸. These social and health challenges in effect limit the ability of North End residents to succeed in the formal economy. As a result, the social, health and economic challenges of the community are intricately linked.

<table>
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<th>Table 2—Comparative AIDS Cases Across MA Geographies</th>
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<tr>
<td>North End</td>
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<tr>
<td>Cumulative AIDS cases</td>
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Despite these bleak indicators, the North End is still described by many as a vibrant community, with significant resources to offer the greater Springfield area. A tour of the North End neighborhoods reveals high quality housing stock on many blocks.

Springfield is known for its Victorian homes, and many of these still remain within the North End. In addition, the resident population within the neighborhoods is quite stable. Census data indicates that the median number of years residents have been in their current homes (including renter and owner occupied housing) ranges from 6 to 11 years, based on the varying census tracts in the community. In addition, the 1990 census reports that 68% of families were also in the area for the 1980 census. Family structures in the community are quite solid and this support network extends beyond familial lines with residents demonstrating strong social ties. And of course the Puerto Rican culture itself, a prominent feature in the community, is a source of much pride in the neighborhoods. Community involvement is evidenced by the 40% voter turnout for board elections of the neighborhood council. This community engagement is also demonstrated through numerous community-based organizations located in and providing services throughout the North End.

The information presented in this section describes a complex reality in the North End community that cannot simply be described with quantitative data. Instead, one must take a closer look to recognize those assets and resources within the community that are not captured through the data but can play a key role in the development of the North End.

**North End Outreach Network (NEON)**

One such resource is the North End Outreach Network, or NEON. Created in 1996, NEON is the result of a collaboration among four social service organizations.

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11 North End Strategic Plan, 2003
located in the North End. NEON serves as the outreach arm for these four health service providers using a population-based approach to community health. To facilitate its work, NEON has divided the North End community into ten geographical zones (of about 1000 individuals each) and each zone is assigned to a community health advocate (CHA) on the staff. Currently there are seven CHAs on the NEON staff, all of whom are Puerto Rican. Most of the staff live in the North End, but for those who do not the connection to the community still remains strong. The CHAs conduct outreach in the community by going door to door within their zone(s); collecting demographic and health information; and providing referrals to service providers when necessary\textsuperscript{12}. As a result of their work, the NEON staff have developed both an extensive knowledge of the community and a wide network of relationships with North End residents.

A description of NEON is central to this thesis as it has been instrumental to the completion of the research. NEON, in partnership with the Center for Reflective Community Practice (CRCP) at MIT, has initiated a community development approach within the North End that complements the strengths of the neighborhoods. It was also NEON that led the asset mapping process for the North End, which resulted in the identification of informal enterprises as a potential resource to the community. In addition, NEON staff and steering committee members made a commitment to partnering with myself, as lead researcher, to ensure that the research for this thesis could be completed successfully. Further information on the role that NEON has played in this research project is included in the next section on methodology.

\textsuperscript{12} North End Strategic Plan, 2002.
Methodology

Comprehensive studies of informal economies often include an examination of both informal wage employment and self-employment as both are considered informal economic activities. The scope of this study, however, will be limited to informal microenterprises operating in the North End because these operations that are believed to be more prevalent in the community. In addition, the research included in this thesis only explores those informal enterprises producing legal goods and services. While any microenterprise that operates without a license or fails to pay taxes is described as functioning outside of the law, businesses that produce legal goods and services are somewhat distinct from those informal operations that revolve around illegal products such as drug dealing, gambling and prostitution. Although exploring the drug related activities occurring in the North End would be a worthwhile investigation, it would require greater time and resources than this research allows.

To achieve an understanding of the nature of informal microenterprise in the North End and how it can be supported, information was collected in three phases primarily through the use of interviews and group meetings. Initially, eleven interviews were conducted with informal business owners about the enterprises they operate. Please refer to Appendix B for a list of individuals interviewed and the types of businesses they run\(^\text{13}\). A loosely structured sample selection process was created, in which NEON outreach workers were supposed to systematically identify the informal business owners in their zones. Outreach workers were asked to mentally “walk” their zones and list the informal business owners that live within the area. From this larger zone-based list of

\(^{13}\) Due to the sensitive nature of these interviews, the names of individual business owners have been changed to protect their confidentiality.
business owners, we then identified a smaller sample of 15 residents whose businesses varied by type and location within the community. Using this smaller list, the outreach workers contacted the selected business owners about the proposed study. The intended sample of 15 business owners varied somewhat from the actual sample of 11 interviewees due to some business owners declining participation and other personal conflicts (such as holiday visits to Puerto Rico) during the period in which the interviews were to be conducted. During the initial interview phase, at least one outreach worker accompanied me in each visit to the business owners to create an atmosphere of trust and to assist with interpretation. The business owners were asked for demographic information (age, gender, ethnicity, education), general business data (type, years of operation), employment/income data, business motivations, business activity and overall impressions of their experience in the informal economy. For a complete list of questions asked, refer to the Individual Business Owner Interview Guide in Appendix B.

Once this information was collected and analyzed, a second round of interviews was conducted with representatives from eight microenterprise assistance programs in the western Massachusetts region. A list of the representatives interviewed and their organizations is included in Appendix C. These representatives were asked about the services provided by their programs, the populations they target and the experience they have had working with informal business owners. The complete interview guide used in conversations with organizational representatives is provided in Appendix C. Having completed these two rounds of interviews, the data collected was compiled and analyzed to generate initial findings and recommendations, which provide the substance for this

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\[14\] 5 of the 11 interviews involved some Spanish-English language interpretation.
thesis. In the final phase of research, this information was shared at a meeting with NEON staff and steering committee members to confirm findings and to gauge whether the recommendations formulated make sense for the North End community and its resources.

**Challenges to Research**

Although the structure of this research project appears to be relatively straightforward, there have been a number of challenges to completing this research, which limit the conclusions that can be drawn from the interview data. Clearly the nature of the study itself is a challenge. The subject of informal microenterprise addresses sensitive information which many individuals involved in these activities are hesitant to share. Residents involved in the study were asked to provide information about their informal activities—a request that could potentially involve negative legal and economic consequences for the business owners. As a result, this research project was developed in accordance with principles and procedures of MIT’s Committee on the Use of Humans as Experimental Subjects (COUHES). The research proposal for this study was approved by COUHES prior to data collection. Please refer to Appendix D to review the approved COUHES documents involved in this study. Despite this institutional approval, the nature of the study, which involves potential risks for participants, limited the sample of residents and data collection I was able to achieve.

Recognizing the challenges I would face in conducting research on informal economic activity, the decision to engage in this study was predicated on approval from North End community members and the agreement of NEON to act as a partner in the project. NEON staff possess the strong relationships of trust that were necessary to
engage informal business owners in conversations about the nature of their work. Therefore the structure of this research (described earlier in this section) was developed so that NEON would partner with myself, as lead researcher, in the identification and interviewing of informal business owners in the North End.

Despite this collaborative research model, challenges faced in executing the methodology place a number of limitations on the study’s findings. Clearly the study is quite small. The sample represents a small percentage of the actual number of informal business owners, which has been estimated by NEON outreach workers as 40-50% of the community. The sample size was limited due to the time and resources dedicated to the project in addition to hesitation from residents in participating in the project despite an assurance of confidentiality. This hesitation is quite reasonable, as there have been instances in the community in which informal business owners have been identified publicly and as a result endured negative consequences. In addition to the limited sample size, the selection of interviewees was neither random nor representative of the larger population in the North End. Residents required a level of trust with those conducting the study before agreeing to participate and thus, we had to work from a population of business owners with which the outreach workers had well developed relationships. It is possible that these residents are ones more likely to be engaged in the life of the community. As a result, these residents may be more proactive in seeking out services and assistance. Thus findings from the research may overestimate the willingness of residents to access assistance.

In addition, because the knowledge of informal business owners in the North End is not public or readily available, it is almost impossible to know what kind of sample
would have been representative of the larger population of informal enterprises. Thus assessing how well the current sample represents informal businesses in the North End is not feasible. However, knowledge gained from NEON outreach workers and personal observations in the community suggest at a minimum that auto-related businesses may be underrepresented by the study. While two such businesses were interviewed during the research phase, it is clear that many more of these operations exist in the North End. In addition, conversations with outreach workers indicate that residents running auto-related businesses are less likely to participate in interviews. This observation makes sense as auto-related businesses are often in serious violation of city regulations and the least likely to escape public recognition.

Due to these sample limitations in size and substance, the findings from the individual interviews cannot be applied across the informal businesses that operate throughout the North End as a whole. Therefore, the findings from the sample can only speak to some of the activity that is occurring in the community. This research project is only a first cut exploration of the informal economy existing in the North End and further study is necessary before the community can speak authoritatively about the reality of the informal economy and its ability to contribute to the development of their neighborhoods. For this study however, findings will be supported and strengthened with parallels in the existing literature and observations from a similar study of Latino informal enterprises recently conducted by the Aspen Institute\textsuperscript{15}.

Subsequent Chapters—What Follows

This chapter has introduced the thesis topic by emphasizing the importance of the study, posing the research questions guiding the research and providing additional context for the community setting of the project. The chapter also acknowledges the limitations of engaging in a practice-oriented study based in a community where real fears and consequences surround the nature of the research. Chapter Two reviews a subset of the literature and theories relevant to informal economies that guided the development of the initial hypotheses for the research and also serves to support the findings of the study. Chapter Three introduces the sample of individual business owners interviewed, providing information about the owners and the enterprises they run as well as the implications of these observations for the microenterprise development system. Chapter Four describes the motivations, goals and needs of informal business owners and how these compare with the initial hypotheses articulated at the outset of the research. A discussion of how these findings impact effective service provision is also included in Chapter Four. Finally, Chapter Five turns to the issue of supporting informal enterprises by discussing the microenterprise services that are currently available and recommendations for how these might be modified to better serve the North End.
Chapter Two: Review of Relevant Literature

The literature addressing the subject of informal economies is vast. This chapter presents a subset of this literature that parallels the research questions posed in this study. In addition, the chapter discusses prior work that has been completed within the microenterprise field that considers what services are responsive to the activities of informal economies. The literature reviewed in this chapter has not only informed the development of hypotheses for the study but also offers a theoretical context in which the research can be placed.

Rationale

Typically when people think of informal economies, they envision activities that take place in developing countries. In fact, much attention has been paid in the research to the informal sector in the Third World. The term informal economy was actually first used by Hart in his study of economic activity in Ghana in the 1970s\textsuperscript{16}. In addition to the activity that takes place in the developing world and which has attracted much interest from researchers, there also exists a significant presence of informal economic activities in advanced industrialized countries including the United States. While the informal economy is often underestimated, particularly in the US, this type of activity makes a strong impact in this country and therefore calls for more research efforts to explore this part of the economy. The lack of research focused on estimating the size and impact the informal economy in the US is in part attributable to the fact that informal economic

activity is extremely difficult to measure accurately. However, estimates have been produced that demonstrate the importance of the informal activities within the US economy.

In 1982, the United Nations Regional Employment Program for Latin America (PREALC) estimated that 31.2% of the US total labor force consists of informal workers and that the self-employed constitute 23.1% of the total labor force. These figures use readily available data sources to approximate the number of people in the US that are engaging in informal activities. The IRS has also attempted to quantify the informal economy by estimating the revenue generated from these activities. In 1981, the IRS noted that approximately $14 billion in income was underreported by small-scale entrepreneurs. The IRS also estimated that 5 million people do not declare their additional income for tax purposes. In the same year, a study commissioned by the University of Michigan found that Americans spent almost $42 billion on informal goods and services. More recently, economists have estimated that the size of the informal economy is roughly 10% of the GNP. With a current GNP figure of $10,678 billion, the informal economy in the US contributes approximately $1,678 billion. These figures, which approximate labor force participation, revenues generated and overall size for the informal economy, demonstrate that this portion of the US economy cannot be ignored.

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18 Informal workers are defined by PREALC as the sum of the self-employed, unremunerated family workers and domestic servants.
While the United States government focuses on informal activities specifically around the issue of eliminating tax evasion, more attention must be paid to supporting the positive aspects of the informal economy. Informal activity is particularly prominent in urban, immigrant communities, areas which often report lower than average income and employment data but also exhibit the strong social networks which play an important role in informal economies. Sassen-Koob acknowledges the benefits that can accrue to these communities through the informal economy in her examination of New York City. She writes:

Until now, neighborhood subeconomies have been a rather common development in immigrant communities but rare in native minority neighborhoods. Overall socioeconomic conditions tend to be significantly better in the immigrant areas than those occupied by native minorities. Thus it would seem that the government’s punishing informal entrepreneurs and workers in low-income communities may contribute to worsening their economic condition by promoting unemployment and the loss of self-initiated small business.\(^{22}\)

The informal economic activities that occur particularly in these communities should be recognized as the assets they are and should be built upon in ways that will strengthen the overall economic health for these communities.

**Definitions and Typologies**

It is important to discuss what researchers mean by the term informal economy. There is no single, accepted definition of the informal economy. The area of study is quite broad, encompassing a range of activities, and researchers define the terms of their studies according to their interests. In an attempt to define this field, Henry has found that, in addition to the term ‘informal economy’, there are at least 15 other labels attached

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to these activities. These labels include 'hidden', 'black', 'cash', 'underground',
'domestic', 'irregular', 'household', 'criminal', and 'alternative'. Each of these terms
emphasizes a particular aspect or subset of informal economic activities. However,
gen generally the term informal economy is accepted in the United States as referring to "a
series of activities that by occurring outside the arena of the normal, regulated economy,
escape official record keeping". For the purposes of this thesis, when references are
made to the informal economy existing in the North End community of Springfield, I will
rely upon a definition used by Madeline Leonard which includes, "ways of making a
living outside the formal economy either as an alternative to it or as a means of
supplementing income within it". Leonard's conception of informal economies best
represents the nature of the activities I am exploring in the North End community.

Regardless of whichever definition is employed, the term informal economy still
represents a broad range of economic activities. Informal economic activities can be
subdivided using a legal/illegal characterization. Distinctions can be made between these
activities regarding the process by which goods are produced or exchanged. The U.S.
Department of Labor uses the following definitions:

*Legal*—Income is generated from activities that are legal. For a portion of
activities that produce legally sourced income, the appropriate reporting
requirement may not be fulfilled. Though underreported, unreported or
concealed, these activities produce goods and services whose sale or
exchange is not prohibited. *Illegal*—Income is generated from activities
that are illegal in themselves.

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23 Leonard, M. (11)
24 Losby, et al. (1)
25 Leonard, M. (11)
Illegal activities therefore are those that are considered criminal, including drug dealing, gambling, and prostitution. Informal activities can also be categorized by the context of the work—whether one is self-employed or engaged in wage employment. Informal self-employment can include someone who operates their own business or someone who engages in odd jobs or seasonal work. Informal wage employment consists of primary employment for a company that is considered “under the table” or extra work for one’s current employer completed outside normal work hours. In this paper, the research focuses on informal but legal self-employment that takes place in the North End community. While criminal activities do occur within the North End, studying these kinds of activity are beyond the scope and resources allocated to this project. Self-employment, instead of wage employment, has been chosen as the basis for the research because community members have highlighted these informal enterprises as valuable assets to the North End.

**Participation in the Informal Economy**

The discussion of the literature may now turn to the primary questions addressed in this study. The first two questions ask what are the motivations behind residents’ participation in informal enterprises and what role do these businesses play in the lives of the people that run them. The answers that residents provide to these questions help reveal the goals that they have set for their businesses and, consequently, inform the kinds of support that are most appropriate for them. Therefore, understanding the reasons that bring people into informal economic activities is essential for this research project.

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\[27\] Losby, et. al. (6)
What follows is a discussion of the literature that outlines the factors that shape an individual’s participation in the informal economy.

The literature raises a number of reasons for participation in the informal economy, including economic and non-economic motivations as well as structural and more individual explanations. Primary non-economic motivations cited in the literature, often described as “pull” factors, include the freedom, autonomy and flexibility that come with participation in the informal sector, particularly through informal self-employment. Related to this, people also seek out informal economic activities due to the lack of regulations and licensing requirements. This latter reason is also tied to economic motivations for engaging in the informal sector since complying with licensing and other regulations often requires a significant monetary investment. Ferman & Berndt highlight the costs of meeting government regulations noting, “The savings on overhead rates entailed in not keeping records or preparing paperwork required from regular enterprises might make the difference between a profitable and unprofitable undertaking, particularly for small scale businesses.” Therefore, motivations concerning government regulations can have both a non-economic and economic aspect to them.

The literature addressing the roles of informal economies also highlights the social function these activities can play within communities. In this manner, informal economic activities are characterized as part of a social economy. In its literature review of the

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30 Losby, et. al. (13); Ferman & Berndt (36)

31 Ferman & Berndt (36)
informal economy, the Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination (FIELD) acknowledges this social function noting, “Social scientists generally recognize that in tightly knit communities the informal economy allows participants to marshal resources in ways that ultimately keep members from falling below a tacitly understood economic safety net”³². Applying this social lens to informal economic activities, researchers including Gaughan and Ferman emphasize that the informal economy can arise partly in response to family or community needs rather than for financial gain³³. While these non-economic motivations are valid explanations for informal economic activity, I imagine that these reasons are less central to low-income individuals, like those that live in the North End, than the economic factors that follow. 

Structural and Economic Factors

Discussion of the economic factors influencing participation in the informal economy must first address the structural reasons for informal economic activity, often termed “push” factors. The presence of informal economies is often explained by the fact that the dominant mode of production (i.e. the formal economy) fails to adequately meet the needs of the population³⁴. One result of this failure is the creation of what have been termed neighborhood sub-economies. Sassen-Koob describes this component of the informal sector in her study of New York’s informal economy. These sub-economies, often present in immigrant communities, meet an internal demand for goods and services that is unsatisfied by the larger, formal economy. Related to this demand, she writes,

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³² Losby, et. al. (15)
"These goods and services may be of a kind not provided by the larger economy, or provided at too high a price, or provided in locations that entail a long and costly trip."\textsuperscript{35} While this notion of neighborhood sub-economies is significant, the primary means through which the failing of the formal economy is expressed concerns un- and underemployment. The theory advanced (and often debated) in the literature is that individuals resort to informal means of making a living when formal economic options have been closed off to them. Leonard notes, "The increase in unemployment levels throughout many European countries and the United States has paved the way for the development of informal ways of working and enhanced motivations to engage in informal economic activity in the absence of viable alternatives."\textsuperscript{36} The informal sector is seen as providing for those who would otherwise be left out of the formal job market\textsuperscript{37}. However this focus on unemployment alone as a predictor of informal economic activity has been critiqued by many researchers\textsuperscript{38}. They argue that the unemployed are less likely than the employed to enter into informal activity because they lack the skills, transport, capital and other opportunities to do so\textsuperscript{39}.

While there are some questions as to how likely the unemployed are to engage in the informal economy, there does seem to be greater support for the theory that the underemployed turn to informal activities when their formal employment fails them. Informal economic activities are used by the underemployed as a buffer against the low

\textsuperscript{35} Sassen-Koob, S. (71)
\textsuperscript{36} Leonard, M. (53)
\textsuperscript{37} Bohley, et. al. (25)
\textsuperscript{38} Ferman & Berndt (40); Losby, et. al. (11)
\textsuperscript{39} Leonard, M. (67)
incomes they receive from their formal low-wage employment\textsuperscript{40}. Beverly Lozano, in her study of informal sector workers, writes, "... as the formal sector becomes less able to provide jobs and income, as well as competitively priced goods and services, it becomes ‘economically rational’ for people to put more of their time into informal work"\textsuperscript{41}. Her study of people employed informally in a California flea market found that 80% of those surveyed came to informal work through involuntary means, or due to underemployment or unemployment\textsuperscript{42}. The FIELD study of Latino informal entrepreneurs also found that people turn to the informal economy when the formal economy cannot provide for them. In describing their motivations for participating in the informal economy, a number of the women interviewed pointed to the minimum wage jobs they hold that do not offer benefits and have little opportunity for advancement. In addition, four men in the study explained that it was the lack of employment options in the formal economy that drew them into the informal economy\textsuperscript{43}.

The un- and underemployed who seek alternatives in the informal economy often do so because they face barriers to succeeding in the formal labor market, which they cannot overcome. Gershuny and Pahl explain how the changing nature of the formal US economy affects access to the labor market. They write:

\textsuperscript{40} Losby, et. al (12); Tienda, M. & R. Rajmann. “Immigrants’ income packaging and invisible labor force activity”. Social Science Quarterly, 81 (303)
\textsuperscript{41} Lozano, B. The invisible workforce: Transforming American business with outside and home-based workers. New York: The Free Press. (340)
\textsuperscript{42} Lozano, B. (348)
\textsuperscript{43} Edgecomb & Armington. (39)
Access to jobs in the formal economy is irregularly distributed across the population, and the impact of the current pattern of technical innovation is likely to accentuate this irregularity . . . in aggregate, unemployment is heavily concentrated on those with redundant skills or with no skills whatsoever . . so rather than being able to choose work categories, particular social groups are forced to accept unemployment [and underemployment] through the specific patterns of incidence in reduction of work opportunities.\textsuperscript{44}

Because the US formal economy is losing its once plentiful low-skilled manufacturing jobs and is now becoming more of a knowledge-oriented service economy, low-skilled and unskilled workers are having a more difficult time finding formal employment that can provide a family supporting wage. The restructuring of the U.S. economy has resulted in the creation of primary and secondary labor markets that are filled by what have been termed core and peripheral workers, respectively. The secondary labor market is the current reality that low skilled workers face, and its offer of insecure, low wage employment is often the only option to those with the weakest attachment to the labor force, including women and minorities\textsuperscript{45}. Many of those facing this dilemma include immigrants, particularly Latino immigrants. Perez and Munoz in their article in the book Low Wage Workers in the New Economy provide evidence of this by noting, “Limited English proficiency represents an employment barrier for a notable proportion of Latino immigrants . . Latino immigrants are concentrated in low-paying, dead-end jobs; without English language fluency, their chances to move into high-wage industries are small.”\textsuperscript{46}.

The Department of Labor in its literature also supports the likelihood of immigrants

\textsuperscript{44} Ferman & Berndt. (82)
\textsuperscript{45} Leonard, M. (153)
entering the informal economy and cites labor market barriers due to language or cultural differences as a primary factor in this decision\textsuperscript{47}. 

\textit{Income Packaging}

In describing the ways in which unemployed and underemployed people, whether they are immigrants or not, turn to the informal economy due to failures in the formal economy, the literature highlights a strategy called income pooling or income packaging that is used by many individuals\textsuperscript{48}. In a report to the Economic Development Administration (EDA) on microenterprise as an economic development strategy, Lisa Servon describes this concept, “We found in most cases that self-employment is used in conjunction with other income sources—a practice that is know as income packaging—to meet household expenses”\textsuperscript{49}. Because neither the formal nor informal economy alone can provide for low-wage, low-skilled workers, these individuals often rely on a mix of income from both sources to support their households. For those who are underemployed in the formal labor market, they supplement these wages with income from informal economic activities. Losby notes, “For many households and families comprised of low-wage workers in formal jobs, participation in the informal economy becomes a way of copping together income and social supports necessary to subsist”\textsuperscript{50}. Unemployed individuals may also embrace this income pooling strategy if the public assistance benefits they receive are not sufficient for their families. Ferman & Berndt highlight that income from informal activities is mixed not only with earnings from formal jobs but also

\textsuperscript{47} Losby, et. al. (17)
\textsuperscript{49} Servon, L. (Executive Summary)
\textsuperscript{50} Losby, et. al. (14)
with welfare benefits and other transfer payments\textsuperscript{51}. The informal economy attracts many low-income individuals because they recognize it as an additional income source, which can help them to pull together enough earnings to provide for their households.

Because structural imperfections in the formal labor market often draw people, particularly unskilled or low-skilled individuals, into informal economic activity, the informal economy is often characterized as a safety net or survival strategy for those who participate in it\textsuperscript{52}. The FIELD program in its study of the informal economy describes it, "as providing the poorest and most marginalized—people who do not have access to the formal sector—with opportunities to earn an income"\textsuperscript{53}. While the informal economy, like the formal economy, has its imperfections as well, many regard it as making the difference for families between poverty and economic self-sufficiency. Thus, the structural factors of the formal labor market play a significant role in shaping individuals' decisions to participate in the informal economy.

\textit{Individual Economic Factors}

Aside from the larger structural explanations for informal economic activity, there are additional, economic motivations that shape an individual's participation in the informal economy. Most of the discussion thus far has focused on low-income individuals who turn to the informal economy as a means for achieving economic self-sufficiency. While this group constitutes a larger proportion of those participating in informal activities, middle and upper class individuals also engage in the informal economy. For many middle class families, income from informal activities allows them

\textsuperscript{51} Ferman & Berndt. (39)
\textsuperscript{52} Tienda & Rajmann (308); Losby, et. al. (11)
\textsuperscript{53} Losby, et. al. (11)
to obtain certain comforts or extras that raise their standard of living\textsuperscript{54}. The informal economy can also serve as a training ground of sorts for individuals who are thinking of entering a new line of work or starting a new business. Ferman & Berndt describe how the informal economy can aid in skill development, “In situations where people had little work experience and low confidence in their abilities, irregular work provided a way of testing options without endangering the security of their major source of income”\textsuperscript{55}.

Women also recognize the informal economy as a means for them to balance their income-earning and household responsibilities. Because of their dual roles in the family, women often have a hard time finding income earning opportunities that also enable them to respond to the demands of their households. As a result, many women turn to the informal economy, particularly in the form of homeworking, to earn money for the households while at the same time caring for their families. Leonard notes the challenges that homeworking helps women address:

\begin{quote}
Rising male unemployment, cuts in welfare provisions, low formal employment opportunities, husbands’ resistance to wives employment outside the household, the survival of the traditional gendered division of labor in the household and the absence of low cost childcare all converge to make homeworking an option for women\textsuperscript{56}
\end{quote}

Because of the flexibility of the informal economy, women are often attracted to it, rather than the formal labor market, when they seek out income generating opportunities. As the literature has demonstrated, the informal economy plays a key role in the lives of many individuals in the US, including low-income workers, the unemployed, those

\textsuperscript{54} Ferman & Berndt. (39)
\textsuperscript{55} Ferman & Berndt. (40)
\textsuperscript{56} Leonard, M. (144)
wishing to build their skills and women who need to balance their responsibilities in and outside of the home.

**Applications to the North End Community**

It is clear that there are a range of explanations for the presence of informal economic activities. In the following discussion, I highlight those theories, which I believe influence the informal economic activity in the North End. It is these explanations that serve as guiding hypotheses for my research.

In exploring the informal economic activities, particularly the informal enterprises, that take place in the North End community, I believe that the factors influencing this activity will be similar to those in the literature that describe the participation of un- and underemployed individuals. Regarding motivations of informal business owners, I imagine that informal economic activity in the North End is central to residents' economic survival strategies. Based on personal experience and the poor economic indicators for the North End community, I believe that the formal economy does not adequately provide for residents and thus they turn to informal activities, especially informal businesses, as an economic alternative. I suspect that the Puerto Rican migrants operating informal enterprises in the North End face barriers to the formal economy, either due to inadequate skills, language or cultural differences that prevent them from succeeding in the formal economy. As a result, I predict that these residents engage in income packaging, using their informal activities as one source of income to pool with other earnings to provide financially for their families. With this notion of informal enterprises in the North End acting as a means for attaining economic self-sufficiency, it follows that the businesses are likely to be less oriented toward significant
growth and expansion. While I expect these businesses to be invaluable to their owners, they are likely to be more focused on providing financial stability for households rather than economic advancement. As a result, for microenterprise development services to assist informal businesses in the North End, these programs will probably need to be modified to meet the specific needs of this community.

In the preceding discussion of research hypotheses, I have crafted a picture of the North End that resembles many immigrant communities engaging in informal activities in the US. While the Puerto Rican residents of the North End, as citizens of the US, are technically considered migrants, in many ways their community functions much like immigrant communities with tight social networks present among residents despite the economic challenges they face. Like many immigrant communities, the North End residents can attribute some of these economic difficulties to language and cultural barriers. Because of the similarities between the North End and other immigrant communities, I want to review some of the literature that describes informal economic activity within immigrant communities in the US. I believe that this literature supports the hypotheses that I have proposed for this research.

Several examples within the literature describing informal economic activities in immigrant communities parallel the situation I expect to find within the North End. Alex Stepick characterizes the Haitian informal sector in Miami as an isolated one, contained within the Haitian community and fueled primarily by immigrants’ economic survival strategies. Informal economic activities in the community result from a lack of formal employment opportunities. Based on Stepick’s research, both the Haitian community in

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Miami and the North End community seem to occupy similar positions at the margins of the formal economy. As a result, it seems likely that North End community’s response to this economic reality through informal activities will resemble that of Miami’s Haitian community.

In addition to acknowledging that informal activities in immigrant communities are often economic survival strategies, the research also documents immigrants’ tendency to pool income from multiple sources to achieve financial stability. Bohley’s study of a Mexican American community in San Antonio demonstrates the importance of the informal economy in supplementing insufficient public assistance benefits. A key finding from this research notes that while the income the women get from informal work may seem minimal (in the range of $20 to $200 a month), the money allows them to pay for key items such as rent, electricity and children’s clothing. Tienda and Raijmann’s work in a Mexican American community in Chicago also provides evidence of the impact income packaging based in informal economic activities can have in the lives of immigrants. They stress that income from informal sources plays a significant role in the lives of Mexican entrepreneurs and often makes the difference for them between being above or below poverty. The findings from these three cases have led me to formulate the hypothesis that those engaged in informal businesses in the North End do so to supplement their incomes since neither the formal or informal economy alone can sufficiently provide for them.

I believe that the cases mentioned above provide strong support to the hypotheses I have formed to guide my research in the North End. I acknowledge that a weakness

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58 Bohley, et. al. (17)
59 Tienda & Raijmann. (305)
within this literature review is that the cases highlighted have not directly focused on
Puerto Rican communities nor are they located in the same geographical region
(Massachusetts) as the current study. In my research, I only found two sources that offer
insights on Puerto Rican businesses. The first is a report of the Aspen Institute’s FIELD
program, which studies Latino informal entrepreneurs including Puerto Ricans. The
findings of this study attest to the fact that informal entrepreneurs in Latino communities
often engage in income packaging (or patching) to supplement other sources of income
and that informal income can represent, on average, as much as half of the total
household income\textsuperscript{60}. While this study provides strong support for my argument, it does
not solely focus on Puerto Rican business owners\textsuperscript{61}. The second source is a study of
Latino small businesses in Boston conducted by Peggy Levitt. Surveying small
businesses owned by ethnic entrepreneurs, Levitt concludes, “In general Latino (Puerto
Rican and Dominican) businesses generate only modest profits and few jobs, constituting
economic survival strategies rather than springboards to economic advancement that
entrepreneurship has been for other immigrant groups in the past”\textsuperscript{62}. While the scope of
this study is not strictly limited to informal businesses, the findings do support the fact
that Latino entrepreneurs are more motivated by achieving financial stability rather than
the desire for significant growth and advancement. If this conclusion is also supported
through my research in the North End, it will have significant influence on the
recommendations that are made for supporting these informal enterprises. Forms of
business assistance are often shaped by the goals of the entrepreneur and thus the type of

\textsuperscript{60} Edgecomb & Armington.
\textsuperscript{61} Rather Puerto Rican respondents represented approximately one-third of the overall sample.
\textsuperscript{62} Levitt, Peggy. “The Social Basis for Latino Small Businesses”. Ch 6 in New Migrants in the
support provided to those who are aiming for economic self-sufficiency may vary greatly from support offered to businesses that are positioned for growth and expansion.

**Potential Microenterprise Assistance**

The FIELD program, in its study of the informal economy, has begun to explore the question of how to support informal entrepreneurs. Its research suggests that marketing traditional microenterprise services to informal businesses may be problematic. Their studies indicate that those who are least likely to succeed in business due to their lack of experience are the least likely to seek out assistance\(^\text{63}\). The program has also recognized that due to the competitive advantages that entrepreneurs enjoy in operating informally, they may not view the formalization of their business as economically beneficial. Therefore, they are unlikely to seek microenterprise services that could assist them in making their business formal. As a result, the FIELD program is working to figure out how traditional microenterprise development services could be reworked to better meet the needs of informal businesses. In this respect, the FIELD program has made some headway through their study of informal businesses in Latino communities. While noting the diversity of opinions among the informal businesses studied, the findings demonstrate that there are some informal entrepreneurs who are potential candidates for microenterprise services. The FIELD study notes that these services, which would have to be geared to an informal business outlook, could include microloans geared to informal businesses, technical assistance for general business development and sector-specific training. The study also stresses the importance of marketing these services to informal entrepreneurs who may be unaware that they exist.

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\(^{63}\) Losby, et. al. (39)
The report recommends that microenterprise programs engage in marketing through trusted local institutions, such as community-based organizations, within Latino communities. The challenges and insights that the FIELD program has highlighted in its research are likely to be relevant in the North End community. If North End businesses are not oriented towards growth, it is unlikely that they would benefit from services that microenterprise programs currently offer. However, informal businesses in the North End could become potential clients of microenterprise programs if these programs were able to adapt their current services to meet the needs of informal entrepreneurs. With a more responsive microenterprise development system in place to strengthen these enterprises, informal businesses could potentially increase their positive impact on the development of the North End community.

Conclusion

The literature presented in this chapter offers a theoretical context in which to consider research into the informal economic activities of the North End community. The theories offered here have informed the hypotheses guiding the research and will serve to support the findings discussed in subsequent chapters. Numerous explanations for why people participate in informal economies have been proposed, with a focus on those theories believed to be most relevant to the North End neighborhoods. It is the theories focused on informal activities as a means for economic survival that I suspect are most applicable to North End residents. As a community facing severe economic challenges, I imagine that residents find little success within the formal economy and instead turn to their informal businesses to achieve financial stability. Understanding

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64 Edgecomb & Armington. (64)
these businesses as a strategy for survival, I believe goals of significant expansion are less central to those that operate them. For these businesses to be supported, current microenterprise services, which are oriented toward growth, will likely need modification. The research presented in the following chapters tests these theories to determine their validity within the community. The research findings, by providing insights into informal enterprise in the North End, will inform recommendations for a microenterprise development system that can strengthen the role of informal activity in the economic development of the community.
Chapter Three: Informal Businesses & Owners in the North End

This chapter introduces general demographic information, employment and income data for the eleven informal business owners that were interviewed. This information is important because it reflects the types of informal activity that people engage in and suggests how services can be structured to meet their needs. Because the sample used in this research is small and non-random, analysis of the data is limited in its applications to the larger North End community. However, findings from this sample will be supported through comparison to other samples studied in previous research, particularly that of the Aspen Institute’s FIELD program. This chapter also introduces the informal businesses themselves, characterizing the enterprises studied by type, tenure and size. This overview of the sample owners and their businesses sets the stage for further discussion of their motivations, goals and needs in the next chapter.

Informal Business Owners

As mentioned in the methodology section, eleven informal business owners were interviewed during the research phase. A list of the eleven respondents, with names changed to ensure the confidentiality of subjects, is provided in Appendix B. Because the focus of the study is to explore informal enterprises in the North End, an initial goal for the research was to interview only those participants who are residents of the community. With the research phase complete, eight of the respondents meet this criterion. Although it may seem like a weakness that the sample includes three non-residents, these three individuals, while not living within the boundaries of the community, maintain close ties to the North End, either through working in the community, serving clients who are residents, or having family members that live in one of the neighborhoods. As a result,
they are still very much a part of the informal business activity that occurs in the North
End.

<table>
<thead>
<tr>
<th>Table 3—Sample of Business Owners, n=11</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td>North End Residents</td>
</tr>
<tr>
<td><strong>Ethnicity</strong></td>
</tr>
<tr>
<td>Puerto Rican</td>
</tr>
<tr>
<td><strong>Place of Birth</strong></td>
</tr>
<tr>
<td>Puerto Rico</td>
</tr>
<tr>
<td>Springfield</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td><strong>Age</strong></td>
</tr>
<tr>
<td>25-39</td>
</tr>
<tr>
<td>40-54</td>
</tr>
<tr>
<td>55-70</td>
</tr>
<tr>
<td><strong>Years in Springfield</strong></td>
</tr>
<tr>
<td>At least 5</td>
</tr>
<tr>
<td>Over 10</td>
</tr>
<tr>
<td><strong>Years in US</strong></td>
</tr>
<tr>
<td>Over 10</td>
</tr>
<tr>
<td>Over 25</td>
</tr>
<tr>
<td><strong>Schooling completed</strong></td>
</tr>
<tr>
<td>Less than 5 years</td>
</tr>
<tr>
<td>5-8 years</td>
</tr>
<tr>
<td>9-12 years</td>
</tr>
<tr>
<td>HS diploma</td>
</tr>
<tr>
<td>Some college</td>
</tr>
</tbody>
</table>

The respondents in the sample are fairly well distributed across categories of
gender and age. Table 3 details the gender and age breakdown of the sample. Men
represent just over half of the sample. In addition, while the majority of respondents are
less than 55 years old, over a quarter of the total sample represents an older cohort of
residents between the ages of 55 and 70. Thus the sample includes perspectives from
both sides of the gender line as well as input from both younger and older residents of the North End.

Although the age and gender of participants varies across the sample, the ethnicity of respondents is homogeneous. As one would expect from a study of the North End community, all of the participants claim Puerto Rican heritage. Almost three-quarters of respondents (73%) were born on the island, with the remainder of the sample born in Springfield. With the North End often identified as a Puerto Rican migrant community, one might assume that residents’ connection to the community is a tenuous one. However, the reality of this sample contradicts that assumption. In fact, the business owners in the sample could be described as incredibly stable residents of their communities in the Springfield area. The entire sample has lived in the Springfield area for at least five years, with 64% of participants having been in the same community for over 10 years. The sample’s ties to the continental United States is even stronger with all of the individuals interviewed having lived in the US for over 10 years. In conversations with respondents, only two ever mentioned a desire to return to Puerto Rico permanently in the future. Similar levels of stability were witnessed by researchers interviewing respondents for the FIELD program’s study of informal Latino enterprises. Within their sample of documented business owners, sixty-five percent reported having lived in the United States for over 10 years. With 65% of the sample identifying as Puerto Rican in the FIELD study, these findings lend support to an analysis of Puerto Rican communities in the United States as relatively stable, and possibly connected neighborhoods. The long-standing ties of the sample to Springfield is an important observation to emphasize

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particularly in discussions of community change and economic development. The sample interviewed for this study demonstrates that there are North End residents who are closely linked to their communities and will remain present throughout attempts to support and improve the health of their neighborhoods.

The educational attainment of the sample varied somewhat but, generally, the sample is characterized by low levels of formal schooling. A majority, or 63% of the sample, has not received a high school diploma or completed their GED. Compared to the documented individuals in the FIELD study, the sample interviewed for this study lags behind in educational attainment, with 75% and 36% of the FIELD and North End samples having completed high school, respectively.\(^6\) Although the formal educational attainment of the sample appears low, these individuals have obtained the skills to run their businesses, most often through alternative or informal means.

<table>
<thead>
<tr>
<th>Table 4: How did you gain the skills to run your business?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number in Sample</strong></td>
</tr>
<tr>
<td>Formal school/training program</td>
</tr>
<tr>
<td>Personal experience</td>
</tr>
<tr>
<td>Friends &amp; family members</td>
</tr>
</tbody>
</table>

Only twenty-seven percent of the respondents attended a formal school or training program to learn the skills needed in their businesses. The remainder of the sample either gained these skills through personal experience or with the help of friends and family members. This observation could signal that the business owners interviewed for the study are less likely to seek out formal opportunities for skill upgrading or other forms of

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\(^6\) Edgecomb and Armington. *Latino Enterprises at the Margins*. (19)
assistance. Researchers involved in the FIELD study of Latino enterprises made a similar observation in their survey of informal business owners. When asked about business needs, these Latino entrepreneurs rarely expressed a need for training and instead noted that skill in business came from experience⁶⁷. These findings emphasize the need for targeted marketing of training-related microenterprise services if informal business owners, particularly those in the North End, are to access this form of assistance.

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>Number in Sample</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participant’s employment</td>
<td>5</td>
<td>45%</td>
</tr>
<tr>
<td>Family member’s employment</td>
<td>1</td>
<td>9%</td>
</tr>
<tr>
<td>Social Security/SSI</td>
<td>6</td>
<td>54%</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>18%</td>
</tr>
<tr>
<td>None</td>
<td>1</td>
<td>9%</td>
</tr>
</tbody>
</table>

Based on the employment and income data gathered from the sample, it is clear that informal business owners interviewed for the study are engaging in income packaging strategies to provide financially for their households. Only one respondent in the sample relies solely on the income from his informal business. The remainder participates in informal economic activities to supplement other sources of income.

Table 5 outlines the sources of income that business owners combine with the profits from their informal enterprises and demonstrates that North End residents are patching multiple sources of income, confirming one of the initial hypotheses for the study.

Slightly less than half of those interviewed (45%) combine the income from their informal enterprises with wages from their own formal and full-time employment. Of these respondents with formal employment wages, only one engages in the same type of

⁶⁷ Latino Enterprises at the Margins, (53).
activity (hairdressing) across the formal and informal economies. The others operate informal enterprises that are unrelated to their formal employment. A majority of the business owners (54%) receive income through social welfare benefits in addition to the money they make through their informal economic activity. The benefits reported by this sample as additional sources of income included both Social Security and Supplemental Security Income (SSI). In their research, Ferman & Berndt noted the frequency of this type of income packaging, which combines business profits with transfer payments and other public benefits, in addition to the practice of pooling income from both wage and self-employment. The North End residents interviewed in this study offer additional evidence of this pattern. In addition, reviewing the data presented in Table 5 illustrates that informal business owners often pull together more than two sources of income to make ends meet. Four of the business owners in the current sample reported patching more than two forms of income to provide for their households.

With a slightly larger sample of informal business owners interviewed than in the current study, the FIELD program’s research also provides evidence of income pooling strategies as common activities in Latino communities. In their survey of documented individuals only 3 respondents out of 15 relied solely upon the income from their informal activities. Rather, the majority of business owners (80%) in their sample received income from formal employment or welfare programs in addition to the profits

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69 The total number of additional income sources reported exceeds the number of respondents in the sample, thus demonstrating that some business owners rely on more than two sources for their overall household income.
from their informal enterprises\textsuperscript{70}. These findings from the FIELD study, along with the findings from my sample, support the conclusion that many of those engaging in informal business activity use income-pooling strategies to provide for the financial well-being of their households.

**The Informal Enterprises**

Thirteen different types of goods or services are provided through the informal enterprises operated by participants in the sample. Table 6 outlines the types of businesses represented by the sample. The most common business type is food-related, including operations that sell cakes, pasteles, limbers and candy\textsuperscript{71}. Craft-producing businesses are also represented in the sample by enterprises that make and sell items such as handbags, picture frames and clothing. Other business types include those providing entertainment services (both deejay and children's entertainment), barbers and automotive businesses that repair and sell cars. Despite the small size of the sample, a variety of business types are represented.

<table>
<thead>
<tr>
<th><strong>Table 6—Sample of Informal Enterprises</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type</strong></td>
</tr>
<tr>
<td>Food</td>
</tr>
<tr>
<td>Crafts</td>
</tr>
<tr>
<td>Entertainment</td>
</tr>
<tr>
<td>Barber</td>
</tr>
<tr>
<td>Automotive</td>
</tr>
<tr>
<td><strong>Tenure</strong></td>
</tr>
<tr>
<td>0-4 yrs</td>
</tr>
<tr>
<td>5-10 yrs</td>
</tr>
<tr>
<td>10-20 yrs</td>
</tr>
<tr>
<td>Over 20 yrs</td>
</tr>
</tbody>
</table>

\textsuperscript{70} *Latino Enterprises at the Margins* (38)

\textsuperscript{71} Pasteles and limbers are specialty Puerto Rican foods, popular in the community. Pasteles are a type of meat pastry and limbers are similar to snow cones.
Reviewing the data collected regarding business tenure clearly demonstrates the stability of these informal enterprises over time. Table 6 notes that sixty-three percent of the businesses have been in existence for 10 or more years, with three of the businesses exceeding 20 years in operation. The participants interviewed for the sample are, for the most part, not only stable residents but also consider their informal activities a permanent feature in their lives. These data suggest that informal businesses in the North End will remain a consistent feature in the life of the community and represent a potential market for microenterprise development programs.

In an attempt to further describe the businesses investigated in the sample, I have categorized each of them as either “dynamic” or “sideline”, based on information collected regarding the size and significance of each business. In characterizing the businesses as either dynamic or sideline, annual incomes, hours devoted to the business per week and additional sources of income for each operation were taken into account. Estimated through information gathered about business activity, the annual incomes for the businesses are presented in Table 7. In addition, Table 7 approximates the percentage of overall income the business creates for households. These figures were generated by comparing the annual business incomes with a median household income in the North End of $18,611. Although the classifying of these businesses is not an exact science, I consider just over half of the businesses studied for this project to be dynamic enterprises due to their higher annual incomes and/or their owner’s dependence on them as a sole

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72 The labels “dynamic” and “sideline” were borrowed from the Aspen Institute’s study, Latino Enterprises at the Margins. These categories are used because they work effectively in describing the nature of the businesses studied.

73 Calculated using data from Census 2000.
source of income. The annual incomes of dynamic businesses ranged from $3000-10,000, representing 16-54% of the North End median household income. The remainder of the businesses in the sample, with lower annual income figures and less time devoted to their operations, can be characterized as sideline businesses. Annual incomes for these businesses peaked at $600 and constituted at most 3% of the overall household income. The breakdown of the sample businesses as either dynamic or sideline does not fall neatly along the lines of business type. Automotive businesses are the only type consistently labeled dynamic enterprises.

<table>
<thead>
<tr>
<th>Table 7—Dynamic vs. Sideline Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
</tr>
<tr>
<td>Dynamic</td>
</tr>
<tr>
<td>Ana</td>
</tr>
<tr>
<td>Gilberto</td>
</tr>
<tr>
<td>Ramon</td>
</tr>
<tr>
<td>Emilio</td>
</tr>
<tr>
<td>Juan</td>
</tr>
<tr>
<td>Carlos</td>
</tr>
<tr>
<td>Sideline</td>
</tr>
<tr>
<td>Julia</td>
</tr>
<tr>
<td>Celia</td>
</tr>
<tr>
<td>Jose</td>
</tr>
<tr>
<td>Lourdes</td>
</tr>
<tr>
<td>Maria</td>
</tr>
</tbody>
</table>

Again, findings from the FIELD study of informal Latino-owned enterprises are consistent with the conclusions of the current research project. Researchers for the FIELD study originally developed the dynamic/sideline framework for classifying informal businesses and—because of similarities across the projects—the categories have also been helpful in portraying the informal businesses examined in the North End. Regarding the total sample of businesses run by documented individuals, the FIELD
study calculated annual income figures that are somewhat higher than the numbers estimated for the North End. Median yearly income for businesses in the FIELD project was $5,880. However, only five of the businesses studied by the FIELD program were designated as dynamic ones, signifying, "the prospect of growth if conditions become favorable or with an entrepreneur interested in growth now." Dynamic business types include automotive, food-related and entertainment services. Nine other businesses were characterized as sideline operations with nowhere to go, due either to the specific product or the desire of the entrepreneur. These sideline businesses consisted of craft and specialty food operations. Although the businesses studied by FIELD reported generally higher annual incomes, it is interesting to note that fewer of the businesses from this sample are characterized as dynamic when compared to those interviewed as part of the North End research. Differences here could be a result of varying interpretations by the researchers in each project of what constitutes dynamic versus sideline enterprises. The FIELD program's definitions for each of these categories are linked to the issue of potential business growth. Subsequent chapters in this thesis will include a discussion of whether similar relationships can be asserted for those informal businesses in the North End sample and their aspirations for growth.

In reviewing the information obtained through the individual interviews, parallel studies such as that of the FIELD program are helpful comparisons for analysis, especially since the North End study faces challenges in its methodology. Table 8 provides a side-by-side comparison of the two samples for the data collected consistently across the studies. Despite the time and resource constraints of the North End study, its
sample of 11 owners and 13 businesses is not significantly smaller than the number of documented individuals and businesses studied by the FIELD program. The fact that the FIELD study relied upon a similar sample size as the current study lends support to the findings from the North End and mitigates against weaknesses in the research methods. Data from the FIELD study reaffirm a number of findings articulated through the North End research. Both studies demonstrate the stability of informal business owners with majorities in each sample having lived in the US over 10 years. In addition, the FIELD and North End research findings suggest that informal business owners engage in income pooling activities. Parallels are also witnessed in the variety of business types captured in the two samples. While each study interviewed a range of business types, the samples overlapped in their examination of food, craft and auto-related enterprises. Although educational attainment and annual income data varied across the samples, the information in Table 8 illustrates that the overall nature of informal activity in the FIELD and North End studies is quite similar. The consistency between the two studies suggests that the findings from both research projects may be applicable to informal economies existing in other Latino communities as well.
<table>
<thead>
<tr>
<th>Table 8</th>
<th>Comparison: North End and FIELD Sample Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>North End Sample</td>
</tr>
<tr>
<td></td>
<td>Number</td>
</tr>
<tr>
<td># of Business Owners</td>
<td>11</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>5</td>
</tr>
<tr>
<td>Male</td>
<td>6</td>
</tr>
<tr>
<td>Years in US</td>
<td></td>
</tr>
<tr>
<td>Less than 10</td>
<td>0</td>
</tr>
<tr>
<td>10 and over</td>
<td>11</td>
</tr>
<tr>
<td>Schooling Completed</td>
<td></td>
</tr>
<tr>
<td>HS Diploma or GED</td>
<td>4</td>
</tr>
<tr>
<td>Income Pooling</td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>10</td>
</tr>
<tr>
<td>No</td>
<td>1</td>
</tr>
<tr>
<td># of Businesses</td>
<td>13</td>
</tr>
<tr>
<td>Business Type</td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>5</td>
</tr>
<tr>
<td>Childcare</td>
<td>0</td>
</tr>
<tr>
<td>Sewing/alterations</td>
<td>0</td>
</tr>
<tr>
<td>Crafts</td>
<td>2</td>
</tr>
<tr>
<td>Auto mechanics</td>
<td>2</td>
</tr>
<tr>
<td>Hair salon</td>
<td>2</td>
</tr>
<tr>
<td>DJ/entertainment</td>
<td>2</td>
</tr>
<tr>
<td>Construction</td>
<td>0</td>
</tr>
<tr>
<td>Car wash</td>
<td>0</td>
</tr>
<tr>
<td>Business Earnings</td>
<td></td>
</tr>
<tr>
<td>Median annual business income</td>
<td>$3000</td>
</tr>
<tr>
<td>Characterization</td>
<td></td>
</tr>
<tr>
<td>Dynamic</td>
<td>6</td>
</tr>
<tr>
<td>Sideline</td>
<td>5</td>
</tr>
</tbody>
</table>

<sup>5</sup> In comparing the two samples, I used a subset of the overall FIELD sample that includes only the 20 documented individuals as these respondents are likely to be most similar to those of the North End sample. The total number of respondents interviewed in the FIELD study is 38.

<sup>6</sup> For those percentages that do not total to 100, this indicates that information was unknown for some respondents.

<sup>7</sup> For the remaining characteristics in the table, FIELD provided data for the 15 respondents (and their 17 businesses) who are documented but not connected to any microenterprise program, rather than for all of the 20 documented respondents.
Conclusion

The findings presented in this chapter suggest implications for the kinds of assistance required to support informal business activity in the North End. While the sample size connected to this research is quite small, the descriptive information collected from interviews highlights the stability of North End residents and the businesses they run. The long-standing nature of these enterprises makes a case for strengthening and incorporating them as a key factor in the economic development of the community; however, it may also signal less interest from business owners in accessing assistance or making change since they have functioned so long without intervention. The data collected on business size and activity argues for increasing service provision within the North End. A large share of the businesses in the sample is characterized as dynamic, based on high levels of business activity, and this presence could indicate a demand for more microenterprise development services in the community. As dynamic enterprises, these businesses likely have the potential for growth. In order to achieve this growth, informal businesses may require assistance from microenterprise programs.

Employment and income data gathered in the interviews emphasize that income packaging is a tool often used by business owners in the sample to adequately provide for their families. Microenterprise programs need to recognize this practice in the North End community: informal businesses, while essential, are often part-time operations. As a result, the pace of change in these operations may be slower than for full-time enterprises. Service providers must also acknowledge the challenges to growth facing entrepreneurs who are tied to both formal employment and informal business activity. Often these business owners are hesitant to leave jobs in the formal economy even though they may
act as barriers to the continued success of their businesses. The diversity of businesses represented in the sample may also present challenges to service providers because these informal enterprises may require assistance tailored to their specific business types. Accordingly, microenterprise programs may need to expand their current capacity or draw on the resources of other organizations to meet the varied needs of these businesses. These research findings and their potential implications emphasize the importance of understanding the ways in which informal enterprises operate when attempting to maximize their benefits to the community.
Chapter Four: Motivations, Goals and Needs of Informal Business Owners

The discussions in this chapter begin to offer responses to the primary research questions guiding the study. This chapter considers the motivations, goals and needs of the informal business owners interviewed as part of the research. Information about these three areas provides insights into the nature of informal businesses operating in the North End. This inquiry is necessary in order to effectively strengthen these businesses and the economic activity they generate. As part of the discussion, initial hypotheses regarding motivations and goals are revisited and compared with findings from the sample. To corroborate the findings drawn from the sample, supporting literature from previous research is discussed as well. While separate findings are shared for motivations, goals and needs of informal business owners, the discussion also makes connections across these areas suggesting that motivations influence the goals and needs that business owners identify for their informal activities. Relationships are also observed among the significance of informal businesses and the motivations and goals articulated by the owners. The substance of this chapter is coupled with an analysis of western Massachusetts’ existing microenterprise service landscape in Chapter 5 to develop recommendations for the North End community in regards to appropriate assistance for its informal businesses.

Motivations for Business

At the outset of the research project, a set of hypotheses were developed that sought to explain the reasons why North End residents are engaging in informal business activity. Based on experience in the community and a review of relevant literature, I proposed that informal business activities in the North End are central to residents’

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economic survival strategies. I suggested that North End residents likely face barriers to succeeding in the formal economy and therefore often rely upon informal economic activities as a means for achieving financial stability. The explanations all possess an economic orientation. My sense was that economic reasons for informal activity would be more salient within the North End than non-economic motivations.

**Economic Motivations**

The sample of business owners interviewed for the study cited several reasons for why they started and continue to run informal enterprises. Table 9 provides the complete list of motivations offered by respondents. However, only a limited subset of these reasons offer support for the original hypotheses proposed. Three respondents identified motivations that most strongly echoed the hypothesis that informal activities were central to their economic survival. All three respondents rely upon the money they make from their businesses to provide the income needed for their households to survive. One of these respondents, Carlos, receives all of his income from his informal auto repair business and therefore without the business, he could not survive financially. In the interview with him, the income from his business was referred to as his “bread and butter”\(^\text{78}\). When asked if he would prefer a job in the formal economy, Carlos responded

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\(^{78}\) Carlos. Personal interview. (1/16/04)
by saying he is not good at working in a factory and if employed in one, the management would “throw him out”. The other two respondents with similar motivations receive income in addition to their business profits, but these other sources of income alone are not sufficient to provide for their households. For example, Lourdes has full-time employment with which she must support a family of five. The salary she receives from her formal employment is not sufficient for the size of her household, and her husband has been unable to find employment that could generate additional income. Therefore, with limited options available to her, she has turned to informal business activity to help her family survive from one paycheck to the next. She finds sometimes that she is not able to buy milk or butter for the house or she does not have money to buy herself lunch. The income Lourdes makes from her business enables her to provide these necessities for her family. Responding to a similar situation, Juan uses the income he makes from selling cars to supplement the benefits he receives from Social Security and SSI. He describes his public assistance income as not being enough, and although he knows it is against policy, Juan feels he must deal cars informally in order to have the income he needs to survive. Each of these respondents speaks to some challenge in succeeding through formal economic means, whether it is barriers to accessing and retaining formal employment or an inability to obtain a family-sustaining income. In response to these challenges, these residents seek out informal opportunities to ensure their economic survival. It is the experiences of these three respondents that support the original hypotheses outlined for the research study. While these three residents do not make up a majority of those interviewed, they provide evidence that the motivations I proposed as

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79 Lourdes. Personal interview. (1/15/04)
80 Juan. Personal interview. (1/15/04)
being important do have some bearing in the North End neighborhoods. The experiences of these three residents also demonstrate the vital role informal activity can play in raising household incomes within the North End.

Findings from the FIELD’s study of Latino enterprises also emphasize that the original hypotheses articulated in this study are not without merit. In their examination of informal businesses within Latino communities, researchers found that economic necessity drives many individuals into informal economic activity. Several of the women interviewed for the study pointed to their minimum wage jobs that fail to provide benefits as reasons for operating informal enterprises. In addition, some male respondents highlighted the lack of formal employment opportunities as a factor explaining their participation in the informal economy. Clearly, economic survival is a key concern of many individuals engaging in informal activities, although the results of the current North End study do not highlight this motivation as the primary one within the sample.

A second motivation articulated by North End business owners can be considered economically oriented, but not as an economic survival strategy. For these three respondents, who also pool together multiple sources of income, the money from their informal businesses allows them to obtain something extra for their households. In Gilberto’s case, he originally started making crafts, such as handbags, because he didn’t want his family to have to support him while he was incarcerated. Now that he is no longer in jail, his informal business allows him to give his daughter things he was not able to provide for his older children. As his business is now transitioning into a formal operation, Gilberto will soon be able to invest some of the profits from his business into a

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college fund for his daughter\textsuperscript{82}. A second respondent, Ramon, describes the extra income he receives from his DJ business as “playing around money”. While he has a full-time job that provides the majority of his income, Ramon views his informal income as a little extra money that he can use in a number of ways, including doing more shopping or buying new clothes\textsuperscript{83}. The third respondent, Emilio, who works formally in a hair salon, uses the money he makes from cutting hair after hours in his home to supplement his formal income. Because the formal business in the salon is slow at times, working after hours provides him with additional income. Of particular note is the fact that Emilio is able to attract a significant number of clients to his home by charging less than what customers would normally pay at the formal salon\textsuperscript{84}. Although these three business owners engage in informal activity for economic reasons, their motivations are distinct from the first set of business owners because their informal businesses are less central to their economic survival. While not a matter of survival, the informal activity of these respondents still serves to increase their incomes such that they are able to achieve a somewhat higher standard of living.

**Non-Economic Motivations**

In addition to the economic-oriented explanations cited above, respondents had other motivations for their participation in informal business activity. Four business owners described a social purpose, in which they viewed the activity as a means for helping out others in the community. For example, Julia noted that sometimes she makes pasteles just to give them away to people in the community. While she normally charges

\textsuperscript{82} Gilberto. Personal interview. (1/8/04)
\textsuperscript{83} Ramon. Personal interview. (1/13/04)
\textsuperscript{84} Emilio. Personal interview. (1/15/04)
for the food she makes, Julia emphasizes that her business is not always about the money. She sees necessity in some community members and she wants to take care of that through making food. Julia says she enjoys giving back to people\textsuperscript{85}. A second respondent, Celia, related similar experiences in describing her catering business. While she also charges customers for her services, she does not receive much income from the business because she is careful to keep her prices quite modest. Celia views her catering skills as a way to help other people and institutions within the community. She too notes that everything is not always about the money but about passing good things on to others\textsuperscript{86}. Jose also reports only modest income from his business due to a reluctance to charge other residents market rate prices. He only cuts hair for people in the community he knows and as a result, the prices for his services are much less than would be found in the formal economy. He gives children free haircuts and charges men five dollars at most. Jose notes that if people don’t have money, then he won’t charge them\textsuperscript{87}. A fourth respondent, Maria, describes the business she runs making specialty foods as a way to help others. While in the past, she used to sell food for the extra income to pay bills or buy groceries, now she wants to take care of other people in the community. Because she doesn’t have a lot of money, Maria helps others by sometimes giving away the food she makes\textsuperscript{88}. While this desire, articulated by four business owners, to help others in the community may seem less relevant to the economic well-being of residents, this social function of informal businesses may be significant for residents who engage in and

\begin{itemize}
\item \textsuperscript{85} Julia. Personal interview. (1/9/04)
\item \textsuperscript{86} Celia. Personal interview. (1/13/04)
\item \textsuperscript{87} Jose. Personal interview. (1/15/04)
\item \textsuperscript{88} Maria. Personal interview. (1/22/04)
\end{itemize}
benefit from it. Although less income is generated from these businesses\(^9\), they are still valuable within the community because they provide needed goods and services in the North End, often at a lower (or no) price than is regularly available in the formal economy.

Characterizations of informal activity similar to these findings from the North End are documented within the literature on informal economies, although the details from one community to another may vary. In their research, Jensen and his colleagues report one of the reasons of greatest importance for participating in the informal economy is as a way to help out neighbors\(^9\). Gaughan and Ferman describe this kind of informal activity as part of a social economy that arises partly in response to family or community needs rather than for financial gain\(^9\). All Our Kin, Carol Stack’s ethnography of informal exchanges in an African American community, is also often mentioned when discussing the casual bartering that can occur in poor neighborhoods, however, there seem to be significant variations between the reality of this particular African American community and the North End. In Stack’s work, much of what was described included one-to-one swapping of possessions from one household to another\(^9\). Having pressed this issue with residents, it seems that in the North End, while informal exchanges do occur and play a social role, the activity is not arranged in this one-to-one manner and more often draws upon the talents of residents, who are skilled at providing particular goods or services. From my experiences in the North End, I sense that knowledge of this

\(^9\) In fact, all four of these respondents run businesses characterized previously as sideline activities.
social economy and who participates in this network exists in the community but this information may not reach all residents and it is certainly not publicized to those outside the community. Disseminating knowledge of this social economy may help to increase its benefits to the community, expanding the number of residents who are able to take advantage of the affordable goods and services offered through this network.

One respondent, Julia, cited a related reason for participating in informal activities. In discussing her business, she explains that she started making pasteles in part because this Puerto Rican specialty was not available in the stores, particularly not those made in the traditional way that she prepares the food. Although this reason was only mentioned by one business owner, it is often referred to in the literature on informal economies. Researchers often interpret this motivation as a response to gaps that exist in the mainstream, formal economy. Sassen-Koob in her work on the informal economy in New York City characterizes this response as part of the development of a neighborhood sub-economy. These neighborhood structures include activities that meet the demand for goods and services inside the community that is not met by the formal economy.

Because this reason was only mentioned by one business owner, it is unclear whether this idea of a neighborhood sub-economy fits into the reality of the North End community. This idea of a neighborhood sub-economy seems to have parallels to those activities that were characterized earlier as part of a social economy. Part of the picture of informal businesses in the North End may include some kind of hybrid of these two concepts in which social and economic functions are carried out to provide access to the goods and

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93 Julia. Personal interview. (1/9/04)
services needed by community residents. Although its exact characterization is unclear, building upon this network seems likely to only increase the benefits it provides to the North End neighborhoods.

The final motivation highlighted by informal business owners was also the reason most frequently cited by entrepreneurs for engaging in informal economic activity. A significant number of respondents, six of the eleven, mentioned that they operate their businesses because they enjoy the work. Many of these respondents described the pleasure they gained from their business and view these enterprises as a kind of hobby. In this respect, many of these businesses are valued because they keep the people that operate them active and engaged. A couple of respondents depicted their businesses as providing a therapy that allows them to handle the stress in their lives, whether brought on by illness, work or just everyday life. For example, Juan, who notes that the money he makes from the business is central to his survival, also acknowledges that working with cars helps to alleviate his stress\textsuperscript{95}. Maria also emphasizes the satisfaction she gets out of making food. She sells food to residents in the community not only for the money but also because it makes her happy. Having learned how to cook from her grandmother, Maria describes this activity as a tradition in her family that she plans to continue\textsuperscript{96}.

Having examined the motivations behind North End residents’ involvement in informal economic activity, it is clear that there are a number of explanations for these businesses that vary across the sample of owners. However, looking across the sample, associations do exist between the significance of the businesses and the motivations cited by owners. Of the six residents operating dynamic businesses, five identified economic-

\textsuperscript{95} Juan. Personal interview. (1/16/04)
\textsuperscript{96} Maria. Personal interview. (1/22/04)
oriented motivations, emphasizing that their business income is either central to their survival or provides them with extras for their households. Only one of the businesses characterized as a sideline enterprise was described by its owner as necessary in helping the household survive financially. In this case, Lourdes makes between $500-600 each year through her business, but this income is considered crucial because without it the family could not make it from month to month on their formal income alone. Clearly, this business is indeed significant to its owner however, it does not generate income equivalent to the other businesses highlighted as dynamic. With the exception of Lourdes' business, findings from the sample generally demonstrate that those residents with economic-oriented motivations operate dynamic informal businesses that produce higher annual incomes than those characterized as sideline enterprises.

Goals

In addition to exploring the motivations of informal business owners, this study also attempts to understand the goals that North End residents have for their informal business activity. Prior to completing the research, I proposed that North End informal businesses are less likely to be oriented towards goals of significant growth and expansion. This hypothesis was based on my beliefs that the informal businesses are operating more as economic survival strategies and are geared more towards achieving financial stability than growth. However, given the motivations cited by informal business owners in the North End, it is clear that most businesses are not viewed as survival strategies, though more than half are driven by economic motivations. With

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97 Lourdes. Personal interview. (1/15/04)
these businesses operating for reasons other than financial stability, the hypothesis offered in light of the goals of North End business owners is called into question.

In fact, the hypothesis developed regarding the goals of informal business owners is only partly supported by the findings generated in interviews with North End residents. While five respondents did not identify any goals for their informal operations, six individuals did highlight business goals, all of which hinted at potential growth. This result, including 54% of respondents in the North End sample, is even greater than the comparable finding (29%) from the FIELD’s study of informal enterprises in Latino communities. The goals mentioned by North End respondents included plans such as formalization, increasing business activity, making more money and obtaining a formal place of business. Each of these goals suggests possible expansion of current operations but whether this growth can be considered significant is somewhat unclear. While the situation of most of the owners highlighting goals suggests opportunities for growth, at least one respondent is experiencing tension between his desired goal and reality. In an interview with Juan, he emphasized a goal of making additional business income, however he also hinted at the possibility of closing his informal car dealing operation since it is in conflict with Social Security/SSI policies. However, with each of the goals mentioned there is the potential that assistance will be required to achieve the desired outcomes. This is true even for Ana, whose goal is to open a formal bakery in Puerto Rico. Although much of the work to realize her goal will occur on the island, Ana can start on the path to accessing property now by obtaining assistance to organize the

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98 Latino Enterprises at the Margins (?)
99 Juan. Personal interview. (1/16/04)
financial records and information necessary for accessing space\textsuperscript{100}. Thus, informal businesses in the North End are considering making changes to their operations, such that support from microenterprise programs is likely to be a valuable resource. Assistance in achieving these goals is especially important as it is likely to maximize the economic impact these businesses can have in the community.

Within the sample of informal businesses interviewed in the North End, there exist significant links between those businesses identified as dynamic enterprises and stated goals of expansion. As Table 10 illustrates, five of the six individuals that identified one of the previously cited goals operate dynamic businesses. Only one respondent that runs a dynamic business, Emilio, failed to highlight goals for his business. He explained that he has as many customers coming to the informal salon in his home as he can manage effectively. Therefore, the fact that Emilio did not mention any goals may reflect limited time and capacity to expand within his current situation. In continuing to work full-time at a formal salon, the growth of Emilio’s informal business may be restricted\textsuperscript{101}.

<table>
<thead>
<tr>
<th>Table 10—Goals &amp; Formalization</th>
<th>Total</th>
<th>Dynamic</th>
<th>Sideline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Businesses with identified goals</td>
<td>6</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Businesses interested in formalizing</td>
<td>5</td>
<td>4</td>
<td>1</td>
</tr>
</tbody>
</table>

In addition, most of the businesses characterized as sideline enterprises failed to highlight goals for their informal activity. Only one of these respondents, Lourdes, described a goal for her business—operating it on a more regular schedule. Whether this goal

\textsuperscript{100} Ana. Personal interview. (11/21/03)
\textsuperscript{101} Emilio. Personal interview. (1/15/04)
suggests that she would like to expand her current business is unclear. The fact that
Lourdes complained of not having enough time to spend on her business implies that
growth may not be possible while she maintains full-time formal employment and cares
for her family. In light of the experiences of both Emilio and Lourdes, it seems that
whether or not these businesses are considered dynamic or sideline, residents face
challenges in bridging both the formal and informal economies.

There is also a correlation between businesses with economic motivations and
those identifying plans for growth. Of the six respondents highlighting business goals,
five also cited economic-oriented motivations driving their informal activity. The three
business owners who described their informal activities as central to their survival are
included among those with goals for their businesses. This association between
economic motivations and articulated goals is logical, as those driven by financial profits
are often geared toward increasing those profits through continued growth.

Formalization

A final observation on the goals of informal business owners in the North End
concerns the desire to formalize operations. Business owners were asked whether they
would pursue the steps necessary to formalize their informal enterprises. Of the eleven
individuals interviewed, five expressed a desire to transition their business from an
informal to formal status. The majority of those interested in formalizing (4 of 5) wanted
to obtain the appropriate licenses for their businesses. The fifth respondent, Ana, wanted
to open a formal bakery if/when she returns to Puerto Rico. Again, regarding the issue
of formalization, links exist between those owners interested in making the transition to a

102 Lourdes. Personal interview. (1/15/04)
103 Ana. Personal interview. (11/21/03)
formal business and those operating dynamic enterprises. Four of the five individuals wanting to formalize run dynamic businesses. It may be that those owners with larger profits and increasing activity realize that the consequences of operating informally will become more severe as they expand and thus view formalization as a necessary next step. Only one of the business owners who runs a sideline operation, Jose, expressed interest in formalizing. Although he indicated a desire to obtain the proper licenses, Jose does not want to increase his informal business activity due to his satisfaction with formal employment.\(^{104}\)

**Business Needs**

In addition to exploring the informal businesses’ motivations and goals, efforts were also made to identify their business needs that could potentially be addressed through microenterprise development services. Challenges related to meeting these needs were also investigated. These challenges inform the design of services geared towards supporting the informal businesses in the North End. Generally, informal business owners discussed three categories of needs, presented in Table 11, including obtaining licenses, equipment and space.

<table>
<thead>
<tr>
<th>Need</th>
<th>Number in Sample</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>License</td>
<td>4</td>
<td>36%</td>
</tr>
<tr>
<td>Equipment</td>
<td>6</td>
<td>55%</td>
</tr>
<tr>
<td>Space</td>
<td>5</td>
<td>45%</td>
</tr>
</tbody>
</table>

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\(^{104}\) Jose. Personal interview. (1/15/04)
Licenses

Four informal business owners expressed an interest in obtaining the required licenses for their enterprises. One of these individuals, Gilberto, is currently in the process of obtaining the necessary licenses as part of the transitioning of his business from an informal to formal status\textsuperscript{105}. Of the remaining respondents, one has never tried to get a license before and another has made an attempt but was unable to successfully complete the required exam. The final respondent that wants to obtain a license has not yet done so because he has not had the training necessary to become a licensed barber. Jose has not been able to access the training because of the costs involved in attending school. Although he had not considered it before, Jose was open to the idea of obtaining an educational loan to access the training necessary to become a licensed barber\textsuperscript{106}. These examples make it clear that the need for a license can be much more complicated than simply filling out an application. In fact, North End leaders emphasized this point when a list of business needs was presented to them. Community leaders responded to this desire for a license by cautioning that many business owners may be discouraged in their attempt to become licensed by the numerous regulations that must be met\textsuperscript{107}. This feedback from North End leaders helps to clarify the challenges involved in licensing informal businesses. Clearly, technical assistance provided to owners around licensing must include a thorough explanation of the permitting process and its benefits so that residents can make an informed decision about whether or not they want to commit to this step towards formalization. Business owners that decide to pursue licenses must be

\begin{flushleft}
\textsuperscript{105} Gilberto. Personal interview. (1/8/04)  \\
\textsuperscript{106} Jose. Personal interview. (1/15/04)  \\
\textsuperscript{107} North End focus group. (3/5/04)
\end{flushleft}
supported throughout the process by service providers to ensure successful outcomes. As informal business owners realize that a system of support exists, particularly around the issue of licensing, it is likely more of them will express interest in and follow through with this goal.

**Equipment**

Six individuals in the sample expressed a general need for equipment or materials but the specifics of these needs vary by business type as do potential forms of assistance. It is likely that only four of the six business owners identifying this need would meet the minimum loan amounts required by lending organizations. The two remaining business owners require only small amounts of money to purchase ingredients for the specialty foods they sell in the community. It is unlikely that these women would seek out loans to obtain these materials. Instead credit cards or micro-loans may be more appropriate options for accessing these resources. The four individuals who could potentially use loans operate dynamic businesses with equipment needs requiring larger sums of money. For example, Ramon emphasized the importance of having up-to-date deejay equipment for the success of his business\textsuperscript{108}. He estimates that this kind of equipment costs $2000. For her baking business, Ana mentioned needing a larger mixer, one that costs $3000\textsuperscript{109}. Equipment needs such as these would qualify for small business loans. Whether these four business owners have the necessary financial records and credit history to apply for these kinds of loans is uncertain. Regardless, only two of the four business owners who could potentially use a loan displayed interest in doing so. The other two individuals noted plans to save money over time to purchase the equipment they need. This

\textsuperscript{108} Ramon. Personal interview. (1/13/04)

\textsuperscript{109} Ana. Personal interview. (11/21/03)
reluctance to apply for loans is also echoed by business owners interviewed as part of the FIELD study. Business owners in the Latino communities studied by FIELD researchers were also more open to saving than borrowing due to fears that they could not successfully access or repay loans. Given the hesitation of some North End business owners to access loans, this form of assistance is not appropriate for them. Instead, options such as individual development accounts (IDAs), which assist residents in saving to acquire additional assets, may be more feasible. At a more basic level, workshops or counseling to demystify the lending process may also prove helpful to residents who are unfamiliar with this potential business resource. While (micro)loan funds may seem like the obvious choice for business owners with equipment financing needs, other forms of assistance such as IDAs may be just as or even more useful to informal business owners, particularly those in the North End.

Space

The final category of needs, a desire for space, was articulated by five of the informal business owners interviewed for the study. While the number of respondents highlighting this need is significant, only one of these individuals specifically mentioned wanting to acquire the necessary space outright. Ana described her desire to open a formal bakery one day but would only do so in Puerto Rico. The remaining respondents indicated a desire to have space in which to operate their businesses but it appears that they would not want to rent or own the property itself. For example, Jose

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110 Latino Enterprises at the Margins (?)
111 The Edgecomb study reports only 12% of respondents were interested in accessing loan assistance.
112 Ana. Personal interview. (11/21/03)
hopes to be able to use a chair in someone else’s formal barber shop. Similarly, Carlos also identified a need for space in which to fix cars but his plans do not seem to include opening his own auto repair shop. Gilberto represents another situation in which he is currently seeking out stores where he could display the handbags he creates for sale. This need for space represents an area of assistance that is less common across microenterprise programs; however I believe there are potential forms of support that can be developed to meet this need. Microenterprise organizations could play a brokering role for business owners helping them to identify and access potential space options. In addition, microenterprise services could help business owners prepare for property ownership by working with them to strengthen their credit histories, financial documentation, and savings. Related to this work, microenterprise programs can also assist business owners in making the transition from informal to formal status, particularly if this is required for accessing space. In drawing upon creative responses, it is possible for microenterprise programs to adjust their services to meet the needs of informal business owners operating in their targeted communities.

The preceding discussion demonstrates that addressing the needs of informal business owners is a complex endeavor. Adding to this level of complexity is the fact that the needs of informal business owners are often interrelated. While I have discussed the business needs of the sample in three distinct categories, this is rarely how business growth proceeds. Often a business owner might articulate a single need—space, for example—that initiates the development process, but this is likely followed by the

113 Jose. Personal interview. (1/15/04)
114 Carlos. Personal interview. (1/16/04)
115 Gilberto. Personal interview. (1/8/04)
identification of additional needs such as equipment to be used in the new space or licensing to become eligible to obtain space in the first place. Thus, it is important for microenterprise programs to think about informal business needs as interconnected and to address these needs in a holistic manner. Informal business owners will likely require a significant amount of support in managing the growth of their enterprises. They may become overwhelmed by the range of needs they identify for their businesses. Therefore, microenterprise programs should seek to maintain their relationships with business owners through the development process. While efforts to address the informal business needs holistically may require greater time and investment on the part of microenterprise programs, these approaches are more likely to ensure the continued success of these enterprises and increase their impacts on the economic development of the community.

Conclusion

This chapter has included discussions of the findings regarding the motivations, goals and needs of informal business owners in the North End. These discussions have highlighted a number of conclusions concerning the reality of informal business activity and its potential economic development role in the North End community. Concerning motivations for business activity, more than half of the respondents identified economic reasons for engaging in the informal economy, although in only a few of these cases could the activity be considered central to economic survival. Overall, this finding demonstrates that informal enterprises are a key factor in augmenting the incomes of North End households. Additional motivations focused more on a social role for the economic activity, as a means for helping other community members and keeping residents engaged in the life of the neighborhoods. While playing a critical social role,
these businesses also provided needed goods and services within the community.

Regardless of the specific motivation driving the various informal activities, all of the businesses studied as part of this research can and should be considered assets to the community. Although the businesses studied vary somewhat in their activities, each of them provides either a significant economic or social function within the North End neighborhoods. The residents interviewed invest their time and effort into informal activities because they enjoy a positive return from them, whether it is essential income, extras for their families or even social capital within the community. While these returns are significant, the North End could realize even greater benefits if a stronger network of support existed to strengthen this neighborhood business activity.

Information collected from North End business owners also provides evidence of a number of growth-oriented informal enterprises within the community. Most of these businesses identifying goals for future business activity are ones characterized as dynamic operations in Chapter 3. In addition to demonstrating that North End businesses include growth-oriented enterprises, the data gathered through the research also indicates that many of the informal businesses are considering formalizing their operations. The formalization step most often cited is obtaining the required business or professional licenses. This interest in growth and formalization signals a valuable opportunity that the North End can capitalize upon to increase the economic prosperity of its neighborhoods. Businesses seeking expansion and formalization have the potential to increase the economic impacts informal activity has within the community; however for these additional benefits to materialize, assistance in achieving business growth is necessary.
The information gained from interviews with informal business owners demonstrates that while informal businesses are indeed highlighted as community assets, these enterprises are not without needs themselves. The three primary areas of need articulated by business owners focused on licensing, equipment and space. Having discussed these needs in greater detail above, it is clear that the needs are ones that can be addressed through service provision, however this assistance may vary from traditional forms of microenterprise development. Rather than concentrating solely on lending and generic technical assistance, effective microenterprise assistance in the North End will also require more creative responses geared specifically to the community’s informal businesses. Specific support can include approaches that address the fundamentals of business management such as financial literacy and entrepreneurship workshops as well as alternative strategies for business development including IDAs and public market spaces.

Effective provision of microenterprise assistance is vital to improving the economic health of the North End. Informal businesses already play an economic role in the community, and many are positioned to increase the impacts they have on the community with goals of growth and formalization. However, these businesses also have specific needs that require assistance. Without responsive microenterprise development services, the expansion of business activity (and its economic benefits to the neighborhoods) may be limited. Thus, Chapter 5 delves further into a discussion of effective support for informal businesses by examining microenterprise programs currently available in western Massachusetts and how well they address the needs highlighted in the North End.
Chapter Five: Potential Assistance and Recommendations for Support

The goal of this chapter is to suggest recommendations of support for the North End community and its informal businesses. The recommendations aim to ensure an effective microenterprise service system exists to strengthen the role informal enterprises are able to play in the economic development of the North End. These recommendations have been informed by the reality of the North End businesses and their needs (discussed earlier in this thesis) as well as observations and data on existing microenterprise services in the western Massachusetts region. The chapter begins with an analysis of a sample of existing microenterprise services in the region. The analysis explores how well current microenterprise development services serve informal businesses in the North End. In assessing the current system in Springfield, several criteria are considered. The analysis searches for parallels between program services and North End business needs. In addition, the outreach efforts of programs are considered, with particular attention paid to strategies focused on Latino/North End clients. Program partnerships with neighborhood organizations are also deemed important as this approach is an effective means for building trust with community residents, particularly those running informal enterprises. Finally, previous experience in working with informal enterprises, specifically around the issue of formalization, is explored.

With a sense of the local landscape regarding microenterprise development, recommendations are then provided to address the challenges and gaps surfaced in the preceding analysis. The recommendations are subdivided into long and short-term approaches based on the resources and capacities they require. Because this is a practice-

\footnote{Latino Enterprises at the Margins, 65.}
oriented research study, an overarching approach for the North End is envisioned through both long-term strategies and more immediate action steps.

Microenterprise Organizations

To better understand the current system of microenterprise services in the western Massachusetts region, eight organizations were contacted and interviewed during the research study. Table 12 lists the organizations by name and category. For a list of organizational representatives interviewed, please refer to Appendix C. Several types of organizations providing microenterprise services were contacted and interviewed during the research. The first three organizations listed in Table 12—ACCIÓN, Western Mass Enterprise Fund and the Small Business Development Center—are either statewide or regional organizations serving Massachusetts residents or businesses. These organizations have multiple offices across the state but for the purposes of this research, staff members at the Springfield sites were interviewed based on the assumption that these employees would have the most knowledge of clients and needs within the North End community. The next two organizations in Table 12—the Springfield Planning Department and the Entrepreneurial Institute at Springfield Technical Community

<table>
<thead>
<tr>
<th>Name</th>
<th>Type</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCION</td>
<td>State/regional</td>
<td>Springfield office</td>
</tr>
<tr>
<td>Small Business Development Center (SBDC)</td>
<td>Statewide</td>
<td>Springfield office</td>
</tr>
<tr>
<td>Western Mass Enterprise Fund (WMEF)</td>
<td>Regional</td>
<td>Springfield office</td>
</tr>
<tr>
<td>Springfield Planning Department</td>
<td>Local govt</td>
<td>Springfield</td>
</tr>
<tr>
<td>Entrepreneurial Institute (Springfield Tech)</td>
<td>Local college</td>
<td>Springfield</td>
</tr>
<tr>
<td>Nueva Esperanza</td>
<td>CDC</td>
<td>Holyoke</td>
</tr>
<tr>
<td>Solutions CDC</td>
<td>CDC</td>
<td>Holyoke</td>
</tr>
<tr>
<td>Brightwood Development Corporation (BDC)</td>
<td>CDC</td>
<td>Springfield</td>
</tr>
</tbody>
</table>
College (STCC)—are agencies oriented to serving the local Springfield community. The two organizations in Table 12 following these local institutions—Nueva Esperanza and Solutions CDC—are both community development corporations based in Holyoke, MA, a city neighboring Springfield and with communities that closely resemble the North End. While outside of Springfield, these two CDCs were selected as part of the research because they offer models for organizations serving microenterprise clients from Latino, and particularly Puerto Rican, communities. The final organization is the Brightwood Development Corporation, a community development corporation located within the North End and dedicated to meeting the needs of its residents through housing, commercial and economic development. Data collected from these eight organizations serve to inform an analysis of current microenterprise service provision in Springfield and adjustments that can be made to this system so that it more effectively increases the impact of informal businesses toward the economic development of the North End.

**Microenterprise Services**

Through conversations with staff at the eight organizations interviewed, it is evident that a variety of small business and microenterprise services are available throughout Springfield and western Massachusetts. The sheer number of organizations providing these types of services demonstrates the opportunities available for small business assistance. In addition to the organizations listed in Table 12, there are other organizations geared to serving small and micro-business including local chambers of commerce in Springfield and one specifically targeted to Hispanic-owned businesses; the Service Corps of Retired Executives (SCORE) with offices across the country pairing experienced business owners with those just starting out; and at least two small business
incubators located in Springfield\textsuperscript{117}. Because of their number, all of these organizations could not be directly interviewed for this research, but, at a minimum, basic information about each was collected through interviews with staff at the organizations listed in Table 12. Fortunately, a cluster of the microenterprise organizations serving Springfield is located within the Springfield Enterprise Center at STCC in the city’s downtown. This common location not only facilitates access for small business clients but also allowed me to get a better sense of the overall climate for microenterprise services in Springfield by visiting one central site.

Lending and technical assistance services, the two most common forms of microenterprise development, are available throughout Springfield in a variety of offerings. In addition to traditional lenders such as local banks, three of the organizations interviewed—ACCIÓN, WMEF and BDC—provide lending opportunities to small and microenterprises with loan amounts ranging from $500 to $100,000. Most of these lenders rely heavily on business plans, credit history, and financial documentation in determining whether loans should be awarded to applicants. However, there are lenders such as ACCIÓN that implement alternative models in their lending practices. With a mission to serve clients (often low-income residents and recent immigrants) who are traditionally unable to access loans, ACCIÓN looks more closely at the details of a client’s current situation, basing loan decisions on references, initiative and character of the applicant\textsuperscript{118}.

Technical assistance available throughout Springfield takes many forms including one-on-one counseling, workshops and classes on a number of topics, such as business

\textsuperscript{117} Gilberto Amador (1/28/04) and Tony Taylor (2/9/04). Telephone interviews.
\textsuperscript{118} Juan Gomez. Telephone interview. (1/27/04); ACCIÓN USA<www.accionusa.org>
planning, financial analysis, marketing, entrepreneurship and more. One-on-one technical assistance is able to respond directly to a client’s specific questions while workshops and courses provide more general information on popular topics within business development. While some organizations, such as the SBDC, are specifically designed to provide staff technical assistance and counseling, other organizations, such as ACCION and WMEF, offer limited direct assistance and instead focus on referring their clients to a network of TA providers and consultants. For example, in several organizational interviews, a special technical assistance program of the Springfield Chamber of Commerce was highlighted as targeting resources to communities such as the North End. The program, funded through federal sources, provides local business owners with up to $2500 to access professional consulting services, such as accounting, bookkeeping and legal assistance for their businesses\textsuperscript{119}. Generally fee structures for technical assistance vary by organization, with some, such as ACCION, requiring an initial fee that is ultimately reimbursed, while others such as the SBDC are able to provide their services free of charge\textsuperscript{120}. Although the exact forms of lending and technical assistance vary by organization, these services are available from several sources throughout the city of Springfield.

In addition to lending and technical assistance, there are other creative responses that address small business needs throughout western Massachusetts. Due to resident concerns about automotive businesses in their neighborhoods, the Springfield Planning Department is preparing an inventory of all auto-related businesses in the city. Once this data is assembled, the identified businesses will be invited to training workshops to assist

\textsuperscript{119} Laura Howard. Personal interview. (1/29/04).
\textsuperscript{120} Dianne Randall. Telephone interview. (2/6/04).
them in achieving voluntary compliance with current regulations\textsuperscript{121}. Microenterprise programs in Holyoke in particular are offering business owners innovative opportunities to strengthen their operations. For example, Nueva Esperanza invites business owners to participate in its Mercado, an indoor market that is designed to recreate the feel of many markets in Puerto Rico. In the market, vendors can rent pushcarts in order to sell their products, which often include items such as crafts and baked goods. Nueva Esperanza also works with those clients interested in the pushcarts to transition their operations from informal to formal status. A staff member at the organization describes this approach as an attempt to legitimize the activities that business people in the neighborhoods are already doing and bring them out of the underground economy\textsuperscript{122}. Solutions CDC also employs a number of creative responses to the needs of minority business owners in Holyoke. The CDC’s Business Development program offers three levels of courses to business owners, which allows them to access training based on where their enterprise fits into the business development cycle. The three levels of training offer guidance to businesses moving from pre-development, through a start-up phase and on to more growth-oriented activities. In addition, the CDC also offers clients a Business Savings program, in which owners can accumulate money to invest or purchase additional assets for their businesses. The Business Savings program follows a model for individual development accounts (IDAs), in which the program sponsor (in this case the CDC) matches the money individuals deposit in the account. If a client is able to save $75 in the account over the course of a month, Solutions CDC will match that investment at a rate of 3 to 1. The money saved through the account over time then can be invested in

\textsuperscript{121} Katie Stubbens. Telephone interview. (2/9/04)
\textsuperscript{122} Tony Taylor. Telephone interview. (2/9/04)
the client's business; however the CDC requires the submission of a business plan before the client can access the savings. Microenterprise programs, such as those mentioned above, are particularly valuable in that they offer business owners opportunities beyond the traditional lending and technical assistance provided by business development organizations. It is these opportunities that have the potential to meet the needs of business owners that are often not addressed through traditional microenterprise services.

The preceding description of the existing microenterprise services must be compared with the needs highlighted by North End businesses, including licensing, equipment and space, as a first step towards evaluating the system's effectiveness for North End clients. While most of the organizations interviewed provide some form of technical assistance, only a few offer specific assistance with business licensing. The SBDC and the Planning Department are the only programs in Springfield that offer workshops focused on the licensing process. The SBDC provides general assistance in navigating the licensing process, while the Planning Department is concentrating on working with automotive businesses to achieve the voluntary compliance necessary for licensing. Most other organizations simply refer clients to the city offices where applications for licenses can be completed. Solutions CDC also offers courses about the licensing process, but the program's mission is to serve residents of Holyoke, rather than Springfield. With regard to equipment needs, three organizations, ACCION, BDC and WMEF, offer loans for this purpose. For those clients not seeking loans, there appears to be no alternative assistance available within Springfield. Solutions CDC offers Holyoke residents an alternative in the form of IDA savings programs that business owners can

123 Harry Montalvo. Telephone interview. (2/13/04)
apply towards the purchase of equipment; however no parallel program exists to meet the
needs of North End community members. Space needs are the most difficult to satisfy
through existing microenterprise programs. Only two organizations address this need and
both are located in Holyoke, making them inaccessible to North End residents. Nueva
Esperanza hosts vendors in its Mercado while Solutions CDC can help more advanced
business owners acquire real estate. This initial analysis suggests that there are limited
resources available for North End business owners seeking assistance with licensing and
equipment. The space needs of North End residents are currently unmet by Springfield
microenterprise programs. Even for those services that are available, North End
residents’ access to them may be constrained by current program capacity and
qualifications necessary for service. As the following discussion suggests, some services
matching the needs of North End businesses may be available but this does not mean
residents are successfully accessing them.

Challenges to Service Provision

While the infrastructure for small business and microenterprise services in
Springfield does exist, these organizations face challenges, particularly in the areas of
capacity and outreach, in providing services for North End clients. Staff capacity within
these organizations is constrained by resource and time limitations. Of the organizations
interviewed, the SBDC has the largest program staff with three counselors, including the
Director of the Center\(^\text{124}\). The other organizations interviewed face similar or even more
severe staff constraints. The Springfield office of the Western Mass Enterprise Fund is

\(^{124}\) Diane Randall. Telephone interview. (2/6/04)
run by two part-time staff. At the time of the interview, ACCION’s Springfield office was only open the two days per week that staff from the Worcester office could travel to the area. Even less encouraging is the fact that Brightwood Development Corporation, the North End’s community development corporation, had no staff at the time the interview was conducted. While all of the programs mentioned here recognize a great need in Springfield for business development services, they cannot respond fully to this observed need without additional capacity and resources.

Compounding the challenge of limited staff capacity are the poor outreach and marketing efforts of the organizations interviewed. Although many of these organizations would like to conduct more outreach and targeted marketing of their programs, they are unable to do so with limited resources. Of the organizations interviewed in Springfield, only two do some marketing. ACCION uses the media to target their programs within low-income and immigrant neighborhoods in Springfield. In addition, Springfield Technical Community College (STCC) does some broad marketing for the programs of the college as a whole, but these efforts are not focused on specific services such as those offered by the Entrepreneurial Institute. Without resources to market their programs, most of the organizations interviewed rely on clients either calling or walking into their offices, a strategy that can be hampered if staff capacity is limited and offices are not always open.

125 Laura Howard. Personal interview. (1/29/04)
126 Juan Gomez. Telephone interview. (1/27/04)—Note: Since the interview, I have heard suggestions that ACCION’s Springfield office will close entirely and Solutions CDC will assist their Springfield area clients.
127 Jane Malone. Telephone interview. (2/10/04)
128 Juan Gomez. Telephone interview. (1/27/04)
129 Gilberto Amador. Telephone interview. (1/28/04)
Furthermore, these programs’ efforts targeted at Latino communities such as the North End are quite limited and are likely to develop as a matter of chance rather than intention. Clearly language is an important issue to consider when focusing outreach in Latino communities. However only two of the Springfield-based organizations interviewed—ACCION and SBDC—specifically mentioned either having Spanish speaking staff or materials available in Spanish. While the other organizations may have resources for Spanish speaking clients, it was unclear from the interviews the extent of this capacity. Beyond language, possessing relationships of trust within Latino communities is also key in working with these populations. For example, WMEF, despite limited outreach, is able to work with Latino clients who contact them because one of the loan analysts they consult with is well connected with the North End\textsuperscript{130}. The Entrepreneurial Institute is also fortunate to have a person on staff that has had considerable experience in the North End. While this person is also an independent business consultant, he refers Latino clients that approach him to the variety of services available at STCC\textsuperscript{131}. These individuals’ connections to Latino communities such as the North End are central to their organizations’ ability to draw Latino residents into their services. These staff resources are not always available to microenterprise programs but are vital in developing trust within Latino communities, where needs for business assistance are often high.

While the microenterprise programs studied provide referrals to one another, they do not work with the neighborhood or community-based organizations that could assist them in reaching more clients throughout Springfield. Although WMEF works with

\textsuperscript{130} Laura Howard. Personal interview. (1/29/04)
\textsuperscript{131} Gilberto Armador. Telephone interview. (1/28/04)
member organizations and affiliates throughout western Massachusetts, only two of these organizations are located in Springfield, and only one, the Mason Square CDC, can be considered a neighborhood organization. Relationships between the SBDC and other organizations are usually initiated by the partner organization rather than the SBDC. For example, a few organizations in Springfield have asked the SBDC to run workshops for their clients, and this has been the primary means through which the SBDC has built relationships with other organizations. Aside from these examples, two organizational representatives I spoke with offered their thoughts on why small business and microenterprise programs at the local level do not partner with community-based groups. Both perceived a desire on the part of microenterprise programs to work with neighborhood organizations, but believed that community organizations are not open to partnerships. One representative characterized the area’s neighborhood-based organizations as attempting to provide comprehensive services for their residents within a single organization rather than partnering with other organizations to offer the range of services people need. While he saw this strategy by community organizations as a response to scarce funding opportunities, it results in reluctance among neighborhood groups to cooperate with one another to better serve the community.

In light of this discussion, it is important to note that Brightwood Development Corporation, the community development corporation serving the North End, mentioned that it does partner with citywide organizations such as the Chamber of Commerce and ACCION. In fact, the representative from Brightwood described the organization’s role as being a clearinghouse for North End residents to all the technical assistance services

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132 Western Mass Enterprise Fund <www.wmef.org>
133 Dianne Randall. Telephone interview. (2/6/04)
available in Springfield. While BDC may articulate this as its role, the other organizations interviewed did not express a similar view of the organization. Because the organization currently has no staff and only sees a handful of microenterprise clients per year, BDC’s claim to be the entry point for residents to business development services throughout the city is questionable.

Despite the weaknesses that microenterprise programs possess in providing services to Springfield communities, many of the organizations interviewed are willing to work with informal businesses and several of them have done so. While these organizations most often assist informal businesses that make the transition to formal status, some have more flexibility to work with these clients than others. Western Massachusetts Enterprise Fund, due to its funding sources, needs certain financial documentation, particularly for tax purposes, before it can agree to work with clients. Fortunately, the organization can refer clients without this information to technical assistance providers in its network to help them develop the documentation needed.

Somewhat less constrained, ACCION, BDC and Solutions CDC often work with informal businesses to help them navigate the process for creating a legal enterprise. The SBDC also works with a number of what they call pre-venture clients; however they find that the amount of time they spend working with these clients is significantly less than with formal business owners. In addition to these efforts, Nueva Esperanza in Holyoke is planning to develop a protocol that will guide informal businesses through the process of formalization and the Planning Department in Springfield will offer

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134 Jane Malone. Telephone interview (2/10/04)
135 Laura Howard. Personal interview. (1/29/04)
136 Juan Gomez (1/27/04), Jane Malone (2/10/04), Harry Montalvo (2/13/04). Telephone interviews.
137 Dianne Randall. Telephone interview. (2/6/04)
workshops to automotive businesses on how to achieve voluntary compliance. These examples illustrate a willingness on the part of Springfield microenterprise programs to provide support to informal business owners. Most of the current assistance is focused on facilitating the transition to formal business status, which is an important goal of many of the North End business owners interviewed. While this assistance represents an opportunity for some informal businesses, these activities can also serve as a foundation on which additional and more responsive services can be developed to effectively address the needs of informal businesses.

The discussion to this point has highlighted a number of challenges that microenterprise programs within Springfield face in providing business development services. These weaknesses are evidenced at least partly (and most relevant to this research) in the fact that North End residents, particularly those clients with informal businesses, are not accessing these services. Most of the interviewed organizations serve very few North End clients and even fewer North End clients operating informal enterprises. Although Western Mass Enterprise Fund has recently served two businesses in the North End, neither of these were informal operations. A staff person from the Entrepreneurial Institute at STCC observed that of all the microenterprise programs at the college, ACCION receives the most Latino clients, and even in this case the numbers served are still small. Most of the Latinos that come to STCC are seeking temporary employment at the day labor business that operates from the college’s small business incubator. Despite its mission to target the North End, the Brightwood Development

138 Tony Taylor (2/9/04) and Katie Stubbens (2/9/04). Telephone interviews.
139 Laura Howard. Personal interview. (1/29/04)
140 Gilberto Amador. Telephone interview. (1/28/04)
Corporation also fails to serve a significant number of neighborhood residents with regard to its microenterprise program. At most, the organization assists ten clients per year and only has one current loan\textsuperscript{141}.

Some explanations for why North End residents, especially those with informal businesses, are not accessing the available services emerged from discussions with representatives of microenterprise programs, informal business owners and those familiar with the North End community. More than one organizational representative spoke of a hesitation within Latino populations to approach institutions for assistance, particularly those outside the community. A fear of accessing institutions could be especially salient for those residents running informal businesses, which often operate outside of city regulations. Representatives that I spoke with suggested that this hesitation might be influenced by negative experiences that others in the community may have had with these institutions in the past\textsuperscript{142}. Another related explanation is that, due to the limited outreach and marketing efforts of microenterprise programs in Springfield, North End residents may not have accurate information about existing services and how to access them. Finally, the fact that North End residents do not seek services could reflect the failure of current microenterprise programs to respond to the needs of North End businesses. The research conducted with informal business owners highlighted the fact that although some residents lack enough money to purchase equipment, they were unwilling to apply for loans. This finding was echoed not only by previous research but also in the experience of representatives from microenterprise programs as well. Although it is merely one example, this finding suggests that traditional microenterprise services such

\textsuperscript{141} Jane Malone. Telephone interview. (2/10/04)
\textsuperscript{142} Gilberto Amador (1/28/04) and Tony Taylor (2/9/04). Telephone interviews.
as lending programs are unlikely to attract certain North End residents. Rather, to engage more informal business owners in the North End, it may be necessary to develop new services to address the specific needs and desires of this community.

**Recommendations for Support**

Based on the research that has been completed for this thesis through existing literature, interviews with informal business owners and microenterprise programs, and discussions with community leaders, a set of recommendations have been developed to ensure that a microenterprise development system exists to harvest the economic development potential of North End informal enterprises. The research presented in Chapter 4 demonstrates that a significant portion of residents interviewed run dynamic yet informal businesses, generating thousands of dollars in annual income. In addition, both dynamic and sideline enterprises provide needed goods and services that are accessible to community residents. Many of the businesses studied indicate goals of expansion and even formalization. With these aspirations, informal business owners are poised to markedly increase their impact on the economic development of the neighborhoods. However, many of these business owners have expressed a desire for assistance in achieving their goals. While limited assistance in obtaining needs such as licenses and equipment is available, North End clients are not accessing these resources. It may be that clients are not aware of these services, are not comfortable accessing them, or cannot find the appropriate assistance. Whatever the reason, it is unlikely that informal businesses will be able to maximize their contributions to the economic development of the North End without services to address their needs. Therefore, I offer recommendations in the following sections that will enable the North End to capitalize on
the economic development role of its informal businesses. My recommendations are
summarized by one overarching approach that guides more specific strategies set forth in
the conclusion of this chapter.

**One Overarching Approach**

In order to more effectively support the informal businesses operating in the North End, I recommend a strategy that combines efforts to bridge gaps in existing microenterprise services and the development of new, community-based services that respond to the needs of neighborhood businesses, which are unmet by the current system. In discussing this approach, I want to offer both a long-term goal for the North End neighborhoods to work towards, as well as more short-term objectives that can address the more immediate needs of informal businesses in the community.

**A Long-Term Goal for the North End**

Ideally, the most effective vehicle to achieve this combination of bridging to existing microenterprise services and designing alternative ones is a community-based organization focused on and experienced in economic development activities. This type of organization has the potential to develop the relationships of trust and in-depth knowledge of the community that can facilitate effective service provision. It is this kind of organization that is best suited to bridging the gaps between residents and citywide agencies as well as responding to specific needs within the community. Studies of microenterprise practice acknowledge the strength of trusted neighborhood organizations in conducting outreach to prospective clients. As part of its recommendations, the FIELD’s study of informal enterprises in Latino communities encouraged microenterprise programs to work with institutions and individuals of trust in order to
open doors to potential clients. Their findings highlighted the fact that local services in the communities studied were unknown to the business owners they interviewed. Therefore, this particular recommendation offers a way to improve the marketing of these services in ways that are accessible to members of the Latino communities that were studied. The Self Employment Learning Program (SELP) has also produced reports that describe successful microenterprise program practice in ways that suggest community-based organizations could play this role. One report notes, ‘’client effective’ programs will have strong links to communities and a close knowledge of microentrepreneurs and the economy in which they operate and will tailor particular services (various kinds of training and/or technical assistance, and different sizes of loans) to specific target groups based on their needs’’. Often, community-based organizations are the ones that possess both strong connections to neighborhoods they serve and a well-developed knowledge of the activities that occur there. It is for these reasons that I recommend a neighborhood organization driven by an economic development mission fulfill this dual role of bridging and service provision within the North End.

Having read through the findings of this research, it may seem that Brightwood Development Corporation (BDC), as the neighborhood CDC, is the obvious choice to take on this role in the North End. As a community-based organization with economic development as part of its mission, the BDC is structurally a natural fit with the recommended approach. However, in reality, the organization is not functioning as it was intended and, as a result, its ability to perform these roles successfully for the community is severely constrained. As I mentioned earlier in the chapter, the BDC

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143 Latino Enterprises at the Margins, 65.
144 EDA study by Servon cites Clark & Kays, p 9.
currently has no staff and its microenterprise portfolio consists of only one active loan.

In reviewing the organization’s history and achievements, it is evident that the CDC’s focus has been on housing and commercial development. Estimates of the volume of microenterprise clients served peak at ten residents per year\(^{145}\). Anecdotal evidence from North End leaders suggests that the CDC and its leadership are not focused on serving community residents, but rather are externally focused on gaining recognition and resources within the greater Springfield community. Because BDC is ineffective as a community-based organization, at least two alternative options exist for fulfilling the roles needed for microenterprise service provision—either the existing CDC can be reinvented with new leadership and programming or an entirely new CDC must be created. I focus on these two options because I believe the North End must (re)develop local capacity to address issues of economic development. While the North End can and should draw upon the resources of innovative organizations such as those in Holyoke, I believe that the community must also create local programs that can concentrate fully on improving the economic health of the neighborhoods. Through discussions with North End leaders, suggestions have been made indicating that the second of these alternatives may be pursued in the near future. Although these discussions signal a ripe opportunity, developing a completely new organization takes considerable time and effort. Therefore, in addition to suggesting ways in which this organizational and programmatic development may proceed, short-term action steps will be shared to assist in addressing more immediate needs of North End business owners. But before moving into a discussion of short-term responses, I want to first discuss some considerations that I

\(^{145}\) Jane Malone. Telephone interview. (2/10/04)
believe will be important in (re)designing an effective neighborhood-based organization that can support informal microenterprise within the North End.

As the organizational structure and staff capacity for a new CDC are developed, the programmatic content for its efforts can also be designed. If the organization is to effectively deliver services for its microenterprise clients, it is essential that its staff understand the range of needs existing within the community. While the current research can assist with this understanding, the methodology for this project clearly highlights its limitations as well. With limited time and resources, this study only skims the surface of informal business activity within the North End community. Before microenterprise programs can be created in response to the needs of the community, additional research must be completed to obtain a more developed knowledge of the informal activity in the neighborhoods. It is important to know how widespread the needs for assistance with licensing, equipment and space are throughout the community. In addition, other needs of business owners may also be surfaced through further research efforts. In carrying out this research, I recommend that community residents who possess strong networks of relationships across the neighborhoods take the lead. Because the issue of informal economic activity is of a sensitive nature, trusted community members are best equipped to succeed in gathering this information from informal business owners. It is likely that North End residents who are known within the community will be more effective in identifying informal business needs than I have been able to do as part of this research project.

Once a more complete needs assessment has been conducted with informal business owners in the North End, efforts can then be made to provide microenterprise
services that address the needs articulated by residents in the community. It may be that some of these identified needs can be met by connecting business owners to existing services offered by the microenterprise system in Springfield. For example, some business owners’ needs for equipment and licensing, highlighted by the current research, can be met by existing Springfield services. For business owners seeking loans for equipment, ACCION and WMEF are two local organizations providing resources. For North End residents interested in licensing, the SBDC and the Planning Department at Springfield City Hall offer free assistance. In these cases, a reinvented neighborhood organization can act as the bridge connecting residents to these organizations. Based on these needs and others identified through further research, a local organization can be strategic in developing relationships with the organizations that offer resources appropriate for North End business owners.

For those needs not served by current programs, the neighborhood CDC can work to design a range of services that engage local business owners around the challenges they face as part of their informal activities. While a number of more traditional lending and technical assistance services are available throughout Springfield, some North End business owners require more creative responses or assistance that prepares them to access more advanced citywide services. An initial list of informal business needs within the community includes forms of assistance such as IDA savings programs, vendor space, and a variety of technical assistance and individual counseling focused on the earliest phases of business development. For those businesses that are not interested in or do not qualify for equipment loans, an IDA savings program may be a more appropriate response. For businesses that are not ready to obtain their own space, pursuing ideas
such as business incubators or shared vendor markets may be more feasible. Observations of the businesses interviewed also suggest few owners actually keep records of their business activity. In response, a neighborhood organization will need to provide basic services such as financial literacy and entrepreneurship trainings to move informal businesses to a level at which they can access more advanced technical assistance such as business plan development that is available at the city level.

Based in Holyoke, both Solutions CDC and Nueva Esperanza present models that may prove helpful when considering the development of services for the North End community. Solutions CDC hosts a Business Savings program that offers individual development accounts (IDAs) for Holyoke business owners. Nueva Esperanza assists Holyoke vendors with space needs through its indoor market, El Mercado, where business owners can rent pushcarts to sell their products. In addition, both CDCs offer basic technical assistance around financial literacy that addresses the root causes preventing informal businesses from expanding. A North End organization focusing on economic development and informal businesses in particular can draw upon the resources of these two organizations to build its own capacity. Because CDCs are often bounded geographically in their service provision, the Holyoke organizations are most likely to be limited in their capacity to serve North End business owners directly. However, this does not prevent a local organization in the North End from developing strategic partnerships with the Holyoke CDCs in order to benefit from their successes as it designs similar programs. The Holyoke CDCs serve a population quite similar to that of the North End with creative responses targeted to the needs of informal business owners. As a
neighborhood organization in the North End considers the development of new microenterprise services, it should look to Holyoke for guidance in this process.

With regard to developing new forms of assistance in the North End, the resources existing within the community should not be overlooked. North End residents, particularly those with previous business experience, should be recognized as potential business development resources. Peer assistance is likely to be effective within the North End as many respondents cited informal means for gaining skills, most often through friends and family. Informal business owners may more readily access assistance from their neighbors as relationships of trust are pre-existing between most North End residents. The North End community is also home to the Spanish American Merchant’s Association, a volunteer organization of business owners. A neighborhood CDC could approach the Association about developing a mentoring relationship between their members and informal business owners needing assistance. Bringing together informal business owners throughout the North End in some form of peer support group offers another opportunity for assistance. Informal business owners could offer lessons from experience to others in the group facing similar situations with their businesses. The support groups could also provide opportunities for informal business owners to pool resources such as equipment and labor. The groups could eventually develop into something similar to the peer lending model used by ACCION and even take on lending functions as well. Clearly, there are a number of resources—both within the North End and outside the community—that a neighborhood organization can draw upon in the development of new microenterprise services.
In addition to considering the content of microenterprise assistance needed in the North End, it is also essential that services are delivered in ways that are accessible to community residents. In designing processes for service delivery, location, timing and staffing must all be determined with the needs of neighborhood residents in mind. Recommendations from the FIELD’s study of informal entrepreneurs in Latino communities emphasize the importance of these considerations for microenterprise programs. The authors stress, “Prospective clients and referral organizations need to identify microenterprise programs as accessible and nonthreatening . . . Access needs to be easy . . . the place needs to be convenient and the time needs to be right”\textsuperscript{146}. The FIELD researchers recognize that informal business owners, particularly those patching income from multiple activities, have limited time in their schedules. What this means for the North End is that new microenterprise services will be most effective if located within the community and during hours (most likely evenings and weekends) when informal business owners are not otherwise engaged. The North End is currently involved in a design and development process for a community center that will utilize the public facilities located throughout the neighborhoods to offer after-school and weekend activities to residents. This community center project presents a prime opportunity for a neighborhood-based microenterprise program interested in offering its services in an accessible location. The staffing of these business development services also is a key concern. Ideally those delivering microenterprise assistance should have both a strong knowledge of business development as well as an in-depth understanding of the community they are serving. Findings presented earlier in the chapter noted the increased

\textsuperscript{146} Latino Enterprises at the Margins, p 66-67.
effectiveness in service delivery of programs that included staff or consultants with a pre-existing relationship to the North End. Staff that are able to bridge potential language and cultural barriers will be most successful in providing accessible opportunities for assistance to North End business owners. In seeking out those people with a well-developed knowledge of the community and its business needs, a community organization can also offer job opportunities to North End residents who possess significant business skills and experience. It is approaches such as those mentioned above that can work to present community residents with accessible and appropriate options for microenterprise assistance.

**Short-Term Action Steps**

Because the development of new services and an organization to provide such services requires a considerable amount of time, the following recommendations suggest ways to build bridges to existing services and offer new forms of assistance to address more immediate needs. The research conducted for this project has surfaced a set of existing needs of informal business owners that can and should be addressed within a relatively short time frame. One NEON outreach worker has subsequently contacted me about assisting informal business owners who have identified themselves and articulated needs since the research phase was completed. Clearly, efforts must be made to respond with relative haste to those needs identified as a result of the research study. In the absence of a separate neighborhood organization that can take on this role, existing North End organizations can fill in the gaps in service provision for the short-term. Because existing community organizations have their resources and capacity focused on other community needs, their dedication to this role is likely to be only temporarily effective.
However their ability to provide solutions in the short-term is essential to supporting informal business activity in the neighborhoods. In fulfilling a bridging function, existing community organizations can host microenterprise program staff in their North End offices so that services generally available throughout Springfield are made more accessible to neighborhood residents. In this way, the staff in North End organizations are able to personally introduce outside agency staff to neighborhood residents. With community organizations sponsoring these staff and their services, microenterprise programs are able to draw upon the relationships of trust that neighborhood groups have developed with their residents. Nueva Esperanza, a CDC serving primarily Latino communities in Holyoke, has used this approach successfully to encourage resident business owners to access the lending resources available throughout the city.\textsuperscript{147}

Similarly existing North End community organizations can host staff from lending and technical assistance agencies such as ACCION and the SBDC that offer services meeting the needs of neighborhood businesses. In response to the number of informal business owners who expressed interest in obtaining licensing, North End community organizations could bring these residents together in their offices to receive training on this topic. Community organizations interested in taking on this role could partner with agencies that have experience in providing this kind of assistance. For example, findings presented earlier in this chapter identified workshops hosted by the Planning Department to assist auto related shops in achieving voluntary compliance. North End community organizations could approach the Planning Department, with whom they already have well-developed relationships, about leading training workshops on licensing for other

\textsuperscript{147} Tony Taylor. Telephone interview. (2/9/04)
business sectors. These suggestions are two relatively simple ways in which existing community organizations can work in the short-term to support the informal business activity in the North End.

A drawback of the recommendations suggested thus far in the chapter is that they focus mostly on strengthening the informal businesses in the North End that are growth-oriented. While the informal businesses interested in increasing their activity constituted a significant number of those interviewed, it is also important to consider ways to support or complement the remaining informal businesses, many of which perform vital social functions in the community. One way to strengthen the social role that these businesses play is to consider how to expand the impact they have within the community. Thinking along these lines, I suggest further efforts and discussion focus on how knowledge of these businesses and their functions can be more consistently disseminated across the neighborhoods. Such a proposal raises several issues as to how this might be done and whether such actions would be received favorably by the community and the businesses involved. Because these informal businesses are accustomed to escaping attention, increasing knowledge of them throughout the North End may not be welcomed. However if such a goal is acceptable to the community, this knowledge of informal business activity could be shared through a community website, accessible only to North End residents. This particular idea is offered because it builds upon a current North End project, which is focused on creating a community web portal for neighborhood organizations and residents. Once the North End site is developed, information about the products and services generated through informal business activity can be shared via the web portal so that community members can take advantage of the assets existing in their
neighborhoods. The community web portal presents one opportunity for supporting those informal businesses characterized through the research as more sideline operations. Although these businesses may not be growth oriented, they do serve an important social function within the community that should be encouraged. It is my hope that the present discussion can serve to initiate a longer conversation focused on how best to increase the impact of these businesses throughout the North End.

Conclusion

The concluding chapter of the thesis has presented recommendations for a more effective microenterprise development system, which ultimately can maximize the impact informal business activity makes within the economic development of the North End. While previous chapters focused on exploring the nature of these informal businesses, this chapter has taken a closer look at how well the existing service landscape supports informal activity and based on this analysis, offers suggestions for how to more effectively develop these businesses for the economic benefit of the community. One overarching approach has been proposed to guide the efforts of the North End in this endeavor. Based on this strategy, both long-term goals and more immediate action steps have been presented to address the reality of informal business activity in the North End. Because this study has been limited by constrained time and resources, the recommendations offered should be understood as general guidelines for how microenterprise development might be pursued by neighborhood organizations, in light of the resources and opportunities currently existing in the North End. My goal for the project has been that this research will encourage subsequent efforts within the community to address microenterprise as part of broader economic development needs.
that have been left untouched in the past. Hopefully the discussions presented throughout the chapters of this thesis have provided observations and insights that will stimulate further interest in and progress towards improving the economic health of the North End community.
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Western Massachusetts Enterprise Fund. Laura Howard. Personal interview. (1/29/04).

Western Mass Enterprise Fund< www.wmef.org>
Appendix A—North End Maps

- Map of North End Community
- Map with NEON zone boundaries and North End census tracts
Appendix B—Individual Business Owners

- List of Individual Business Owners Interviewed
- Interview Guide—Individual Business Owners
## Appendix B--Individual Business Owners Interviewed

<table>
<thead>
<tr>
<th>Name</th>
<th>Business Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ana</td>
<td>Cakes</td>
</tr>
<tr>
<td>Gilberto</td>
<td>Handbags, Belts, Frames made from recycled chip bags</td>
</tr>
<tr>
<td>Julia</td>
<td>Pasteles &amp; Knitting</td>
</tr>
<tr>
<td>Celia</td>
<td>Catering</td>
</tr>
<tr>
<td>Ramon</td>
<td>DJ services</td>
</tr>
<tr>
<td>Jose</td>
<td>Barber</td>
</tr>
<tr>
<td>Lourdes</td>
<td>Entertainment for children’s parties &amp; candy</td>
</tr>
<tr>
<td>Emilio</td>
<td>Hair stylist</td>
</tr>
<tr>
<td>Juan</td>
<td>Auto repair &amp; dealing</td>
</tr>
<tr>
<td>Carlos</td>
<td>Auto mechanic</td>
</tr>
<tr>
<td>Maria</td>
<td>Pasteles</td>
</tr>
</tbody>
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Appendix B—Interview Guide: Individual Business Owners

Date:
ID Number:

Personal Information
- Age
  - □ 18-25 □ 25-40 □ 40-55 □ 55-70 □ Over 70
- Gender
  - □ Male □ Female
- Ethnicity
  - □ Hispanic □ African American □ White
- Nationality
  - □ Puerto Rico □ Mexico □ Guatemala □ El Salvador
  - □ Ecuador □ Caribbean other
- Place of Birth
  - If outside the US, how long have you lived in the US?
    - □ Less than one year □ 1-3 years □ 3-5 years □ 5-10 years □ over 10 years
- How long have you lived in the North End?
  - □ Less than one year □ 1-3 years □ 3-5 years □ 5-10 years □ over 10 years
- How much schooling have you completed?
  - □ Less than five years (elementary) □ 5-8 years □ 9-12 years (high school)
  - □ College □ Post-college/graduate training
- How have you gained the skills to run your business?
  - □ From family’s business □ From work experience/apprentice
  - □ School/training program

General Business Data
- What type of business do you operate?
- When did you start your business?
- Is your business seasonal or year-round?
- How many hours per week do devote to your business?
- Do you have other people that work with you? If so, how many? Do you pay the people that help you out with the business? Do family members or friends help you out?

Employment/Income Data—many of these questions will be asked for both the individual and the household
- How many people are in your household?
- Do you as an individual currently have any other employment or other businesses? If not do you want to? (were you not able to find a job?) What about the other members of your household?
- Is this business your/your household’s only source of income? If not, what are other sources of your/your household’s income? How much of your/your household’s overall income does your informal business provide?
What did you do before you started this business? Did you have a job? Were you in some other form of business (self employment)?

Was this employment or business located in the US or your country of origin? If in a different country, how was that employment/business different from your current business?

**Motivations for Business**
- Why did you start your business? (Additional income, hobby, etc)
- What were your goals for the business when you started it?
- What are your business goals now?
- Do you have plans to expand your business?

**Current/Formal Status**
- Is your business registered?
- Do you pay fees/taxes for your business?
- Do you have a license to ______ (dependent on type of business, carpentry, auto mechanic, barber, etc)?
- Do you have a place of business outside the home?
- Do you plan on obtaining registration, licenses, location outside home, etc?
- How has the way that you run your business created challenges for you reaching your business goals?

**Business Activity**
- Who are your customers? Are they primarily from the neighborhood? Do you serve people outside the neighborhood?
- What problems or difficulties have you had operating your business??
- Do you need assistance (loans, equipment, training) with your business? If so, what kinds?
- Have you received assistance (training, advice, financing) for your business before? If so, from who? How did it help?

**The Informal Experience**
- What has your overall experience with your business been like? What benefits has your business provided you/your household with? What problems have you/your household had with your business?
- What has been the most important contribution your business has made to you or your household?
Appendix C—Microenterprise Organizations

- Microenterprise Organizations & Staff Representatives
- Interview Guide: Microenterprise Organizations
Appendix C—Microenterprise Organizations & Staff Representatives Interviewed

<table>
<thead>
<tr>
<th>Organization</th>
<th>Staff Representative</th>
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<tbody>
<tr>
<td>ACCION</td>
<td>Juan Gomez</td>
</tr>
<tr>
<td>Western Mass Enterprise Fund</td>
<td>Laura Howard</td>
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<tr>
<td>Small Business Development Center</td>
<td>Diane Randall</td>
</tr>
<tr>
<td>Entrepreneurial Institute (STCC)</td>
<td>Gilberto Amador</td>
</tr>
<tr>
<td>Springfield Planning Department</td>
<td>Katie Stubbens</td>
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<td>Nueva Esperanza</td>
<td>Tony Taylor</td>
</tr>
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<td>Solutions CDC</td>
<td>Harry Montalvo</td>
</tr>
<tr>
<td>Brightwood Development Corp</td>
<td>Jane Malone</td>
</tr>
</tbody>
</table>
Appendix C—Interview Guide: Microenterprise Organizations

Name of organization:
Contact person:
Contact information:

What programs/services do you offer to assist small businesses?

What kinds of data, information, documentation do you require from the businesses that you assist?

How do your programs target participants? By geography? Income? Gender? Informal vs. formal nature? What types of businesses do you normally serve (sector)? What kind of outreach do they do into communities?

What experience/clients do you have in Springfield? In the North End?

What are your perceptions/knowledge of business activity in the North End? What needs or opportunities do you know of for business growth in the North End?

Do you know who is serving business in the North End? What organizations? Do you know of any service gaps for the North End?

Do you currently or have you in the past served informal businesses? If so, did you face any challenges in serving them? How were you able to overcome those challenges?

What obstacles do you see in serving informal businesses in the North End?

Other than your programs or services, what other kinds of assistance are you aware of that serve the needs of informal businesses (as taken from my interviews)?

- Wanting to obtain license
- Needing equipment, mini loan
- Needing assistance in formalizing
Appendix D—COUHES documents

- COUHES application
- Informed consent document, English
- Informed consent document, Spanish
APPLICATION FOR APPROVAL TO USE HUMANS AS EXPERIMENTAL SUBJECTS (STANDARD FORM)

Please answer every question. Positive answers should be amplified with details. You may mark N/A where the question does not pertain to your application. Any incomplete application will be rejected and returned for completion. A completed CHECKLIST FOR STANDARD APPLICATION FORM must accompany this application.

I. BASIC INFORMATION

1. **Title of Study**
   - Informal Microenterprise in the North End community--Springfield, MA

2. **Principal Investigator**
   - Name: Cesar McDowell
   - Building and Room #: 7-307
   - Title: Director--Center for Reflective Community Practice
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   - Phone: 617-253-7587

3. **Associated Investigator(s)**
   - Name: Tara Kumar
   - Email: tkumar@mit.edu
   - Title: Master in City Planning--2nd year
   - Phone: 617-256-9226
   - Affiliation: MIT graduate student

4. **Collaborating Institutions.** If you are collaborating with another institution(s) then you must obtain approval from that institution's institutional review board, and forward copies of the approval to COUHES.

5. **Location of Research.** If at MIT please indicate where on campus. If you plan to use the facilities of the Clinical Research Center you will need to obtain the approval of the CRC Advisory Committee. You may use this form for simultaneous submission to the CRC Advisory Committee.
   - North End community, Springfield, MA

6. **Funding.** If the research is funded by an outside sponsor, please enclose one copy of the research proposal with your application. A draft of the research proposal is acceptable.
   - Source: N/A
   - Contract or Grant Title:
   - Contract or Grant #:
   - OSP #:

7. **Human Subjects Training.** All study personnel MUST take and pass a training course on human subjects research. MIT has a web-based course that can be accessed from the main menu of the COUHES website. COUHES may accept proof of training from some other institutions. List the names of all study personnel and indicate if they have taken a human subjects training course.
   - Tara Kumar: has taken and passed MIT's Human Subjects Training course

8. **Anticipated Dates of Research**
   - Start Date: 1/04
   - Completion Date: 3/04

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*APPLICATION FOR APPROVAL TO USE HUMANS AS EXPERIMENTAL SUBJECTS (STANDARD FORM) – revised 7/23/2003*
II. STUDY INFORMATION

1. Purpose of Study. Please provide a concise statement of the background, nature and reasons for the proposed study. Use non-technical language that can be understood by non-scientist members of COUHES.

I am conducting this study as my thesis project in the Masters of City Planning program hosted by the Department of Urban Studies and Planning at MIT. I have developed relationships with a community organization, the North End Outreach Network, and many residents in the North End of Springfield, MA as part of my work with the department’s Center for Reflective Community Practice. The North End of Springfield is a predominantly Puerto Rican community (75%) and is one of the poorest areas in the city of Springfield. Unemployment rates are high in this community (16-20% reported in the 1990 Census) while per capita incomes are the lowest in the city (less than $6000 as reported in the 2000 Census). In the spring of 2003, a course within our department worked with a community organization in the North End, the North End Outreach Network, to do some asset mapping work with the community. The organization identified as one type of asset, the informal businesses that are operated by community residents. These businesses are considered informal because they lack the proper licensing, registration, and/or tax compliance that formal businesses possess. In order to assist the community in improving its economic health, I am proposing to interview a sample of informal business owners in the North End to better understand their motivations and goals for running informal operations. My hypothesis is that many of these entrepreneurs in the community have turned to the informal economy as a means for surviving financially because they have faced significant barriers to entering and succeeding in the formal economy. Once I better understand the motivations of these entrepreneurs I hope to recommend ways that the community can support informal microenterprise as an economic asset. These recommendations for support will be based on data gathered in interviews with informal entrepreneurs and the staff of regional small business development organizations.

2. Study Protocol: For biomedical, engineering and related research, please provide an outline of the actual experiments to be performed. Where applicable, provide a detailed description of the experimental devices or procedures to be used, detailed information on the exact dosages of drugs or chemicals to be used, total quantity of blood samples to be used, and descriptions of special diets.

For applications in the social sciences, management and other non-biomedical disciplines please provide a detailed description of your proposed study. Where applicable, include copies of any questionnaires or standardized tests you plan to incorporate into your study. If your study involves interviews please submit an outline indicating the types of questions you will include.

You should provide sufficient information for effective review by non-scientist members of COUHES. Define all abbreviations and use simple words. Unless justification is provided this part of the application must not exceed 5 pages.

Attaching sections of a grant application is not an acceptable substitute.

The informal economy, and in particular informal enterprises, can include a wide range of business activity. In order to focus my inquiry, I have chosen to study informal businesses in the North End community of Springfield that produce products that in themselves are legal commodities although they are produced in an illegal manner.

The informal businesses included within this focus still contain much variety, particularly in the types of informal businesses that exist. In my research efforts I want to achieve as much breadth as possible to capture this variety of informal enterprise within the North End. However, I am constrained by the time I have to complete my thesis and limited resources. Therefore I am proposing to work with NEON, a community-based outreach
organization, to produce a broad scan of informal businesses in the area. Once a broad list of informal business owners is identified, I will work with NEON staff to select a representative sample of business owners to interview regarding their motivations and goals for their business. I imagine that this sample will include approximately 15 informal business owners in the North End. In conducting the initial scan of business owners, I will work with NEON staff to identify informal businesses in the community. While a neighborhood census would be ideal and perhaps more methodologically sound, I do not have the resources to achieve this. I also do not want to place this burden on the community organization as it would inevitably strain relationships between the organization and MIT. However, guiding NEON outreach workers through a process of identifying informal microenterprise has advantages as well. In order to facilitate its work, NEON has divided the North End neighborhood into ten geographic zones of approximately 1000 residents each. Each zone has an outreach worker assigned to it. The job of the outreach worker is to go door to door through their zone developing relationships with residents, collecting data from households and providing referrals to residents when necessary. As a result of this work, the outreach staff have developed impressive networks of relationships within their zones as well as a commanding knowledge of the activity that takes place in their zones. By working with NEON staff, I will be able to access a large amount of information about the community in a short amount of time and with limited resources. My plan is to guide each of the outreach workers through a process of identifying the informal businesses that exist within their zones. This approach will allow me to get a broad view of informal businesses in the North End and will allow the outreach workers to share their zone-based knowledge with one another, which is important for their organizational learning and capacity. Once a broad list of informal businesses is created, I will continue to work with NEON staff to select a representative sample from this list, in terms of the types of businesses that exist in the community and their frequency. As a representative sample is determined, I will work with appropriate NEON staff to contact these business owners and develop relationships with them. Again for this to occur, working with NEON staff is essential because the outreach workers already have gained the trust of their residents. Working with NEON staff will facilitate my ability to gain the trust of residents I hope to interview regarding information that is of a sensitive nature. [An individual interview guide follows at the end of this discussion and details the kinds of questions I will be asking informal business owners].

In addition to interviewing business owners, I also plan to interviewing staff of regional small business development and community organizations to better understand potential assistance that could be offered to business owners to further support their informal microenterprise. These organizations include ACCION (Springfield office), Nueva Esperanza, Western Mass Enterprise Fund, Spanish American Merchants Association and New North Citizens Council.

Once these initial rounds of interviewing have been completed, I will compile the information and begin analysis to better understand the motivations and goals North End informal business owners have for their enterprises. I will also analyze potential forms of assistance for these enterprises to determine which are most appropriate. To help me in determining what kinds of assistance are most appropriate for North End business owners, I will host a focus group of North End business owners, community leaders and
residents to get their feedback on the potential forms of assistance I will have collected in previous interviews. The feedback from this focus group will help me to determine which recommendations for assistance will be most appropriate for the North End community.

3. Drugs and Devices. If the study involves the administration of an investigational drug that is not approved by the Food and Drug Administration (FDA) for the use outlined in the protocol, then the principal investigator (or sponsor) must obtain an Investigational New Drug (IND) number from the FDA. If the study involves the use of an approved drug in an unapproved way the investigator (or sponsor) must submit an application for an IND number. Please attach a copy of the IND approval (new drug), or application (new use).

If the study involves the use of an investigational medical device and COUHES determines the device poses significant risk to human subjects, the investigator (or sponsor) must obtain an Investigational Device and Equipment (IDE) number from the FDA.

Will drugs or biological agents requiring an IND be used? YES ☐ NO ☑
If yes, please provide details:

Will an investigational medical device be used? YES ☐ NO ☑
If yes, please provide details:

4. Radiation. If the study uses radiation or radioactive materials it may also have to be approved by the Committee on Radiation Exposure to Human Subjects (COREHS). COUHES will determine if you need COREHS approval.

Will radiation or radioactive materials be used? YES ☐ NO ☑
If yes, please provide details:

5. Diets.

Will special diets be used? YES ☐ NO ☑
If yes, please provide details:

III. HUMAN SUBJECTS

1. Subjects

A. Estimated number: 15

B. Age(s): 18 and over
C. Inclusion/exclusion criteria
   i. What are the criteria for inclusion or exclusion?
      Subjects that are to be interviewed will be people operating informal businesses located within the North End community of Springfield, MA. In order to achieve a representative sample of business owners to interview, I will choose entrepreneurs whose businesses reflect the types and frequency of informal businesses that exist throughout the North End community. Therefore if approximately 20% of informal businesses in the North End are auto repair shops, I will try to identify and interview entrepreneurs such that 20% of those interviewed own informal auto repair shops in the North End.
   ii. Are any inclusion or exclusion criteria based on age, gender, or race/ethnic origin? If so, please explain and justify
      No

D. Please explain the inclusion of any vulnerable population (e.g. children, cognitively impaired persons, non-English speakers, MIT students), and why that population is being studied.
   It is possible that some of the informal entrepreneurs identified will be non-English speakers. This is a reality because the North End community is predominantly Puerto Rican with many residents speaking only Spanish and even more who prefer Spanish over English in conversation. I am not solely focusing on Spanish speakers but because I am focusing my study on informal entrepreneurs in the North End community, it is likely that I will interview non-English speakers. It is quite possible that non-English speakers are overrepresented in the informal microenterprise community in the North End because this group, which lacks English language skills, is likely to face more barriers to entering and succeeding in the formal economy within Springfield.

2. Subject recruitment
   Identification and recruitment of subjects must be ethically and legally acceptable and free of coercion. Describe below what methods will be used to identify and recruit subjects
   Individual interview subjects will be chosen with the assistance of staff at NEON, a community-based organization that has extensive relationships within the North End. As mentioned previously, I will work with NEON staff to identify a broad list of the informal business owners in the North End. From this broad list, I will work with NEON staff to select a representative sample of 15 business owners to interview. The sample aims to be representative of informal enterprise in the community by reflecting the types of informal businesses in the community and their frequency. Once a sample is selected, business owners will be contacted about the study, either in person or over the phone. The nature of the study and the time required of business owners will be explained and owners will be asked if they would like to participate. Informed consent documents will be provided to subjects to review and sign prior to the interviews. Subjects have the right to refuse participation in the study. Business owners will be contacted until a sample of approximately 15 have agreed to participate in the study.
   Organizations to be interviewed have been selected on the basis of their knowledge of small business development and/or the North End community. The list was developed from research that was done on the presence of small business development organizations in the region. Again, each organization will be contacted (most likely by phone) and the nature and time commitments of the study will be explained. Each organization will be asked to participate in the study and each has the right to refuse participation.
Participants for the focus group will include informal business owners, community leaders and residents. All business owners contacted during the research will be invited to attend the meeting. In addition, community leaders and residents who have knowledge of the North End and its organizational capacity will be invited to attend the focus group. Everyone invited to the focus group will have the right to refuse participation. The focus group participants will be able to decide upon the most appropriate assistance for North End informal enterprises as they know the capacity of the North End to provide support and the nature of the businesses they need the assistance.

Please attach a copy of any advertisements/ notices and letters to potential subjects

3. Subject compensation Payment must be reasonable in relation to the time and trouble associated with participating in the study. It cannot constitute an undue inducement to participate

Describe all plans to pay subjects in cash or other form of payment (i.e. gift certificate)

N/A

Will subjects be reimbursed for travel and expenses?

There should be no expenses incurred for subjects to participate in the interviews.

4. Potential risks A risk is a potential harm that a reasonable person would consider important in deciding whether to participate in research. Risks can be categorized as physical, psychological, sociocultural, economic and legal, and include pain, stress, invasion of privacy, embarrassment or exposure of sensitive or confidential data. All potential risks and discomforts must be minimized to the greatest extent possible by using e.g. appropriate monitoring, safety devices and withdrawal of a subject if there is evidence of a specific adverse event.

What are the risks / discomforts associated with each intervention or procedure in the study?

The risk involved in my study concerns the privacy of informal business owners. During interviews, I will be asking informal business owners about their business operations, which technically are illegal in some form, either due to incompliance with regulations, certifications or tax payments. Interview subjects will be concerned that this information they share with me remain confidential. The risk involved is that if this business information were made public, the business owners could face legal and economic consequences.

What procedures will be in place to prevent / minimize potential risks or discomfort?

In order to ensure that the confidentiality and privacy of business owners is maintained, no names or identifying information will be included with the data collected in the interviews. Each interview will be given an ID number and this will be the only identifying information that is recorded along with the data collected in interviews. An interview key will be created that includes each subjects name and his or her ID number. This key will be secured and locked in a drawer in the Center for Reflective Community Practice (CRCP) office at MIT. Once the research phase of my project is complete, the interview key will be destroyed. Data collected during research will only be used in ways that protect the confidentiality of research subjects.

5. Potential benefits

What potential benefits may subjects receive from participating in the study?

Potential benefits for the subject can include gaining information of potential forms of assistance that could support their businesses. This includes gaining awareness of regional organizations that can assist with small business development. In addition, if the
recommendations for support that I present are implemented, new forms of assistance may be available to assist informal entrepreneurs.

**What potential benefits can society expect from the study?**
Benefits for society are particularly relevant for the North End community itself. If informal businesses, as one type of economic asset in the area, are further supported and strengthened, then the economic health of the entire neighborhood could potentially be improved. If these informal businesses are able to grow or expand as a result of the study, more products and services will be potentially available within the neighborhood. Strengthened informal businesses could also translate into additional jobs for neighborhood residents.

### 6. Data collection, storage, and confidentiality

**How will data be collected?**
Data will be collected through interviews and a focus group. In collecting the information, I will take notes as well as audiotape the conversations with the subjects' permission. I will transcribe the information into data files on a computer. No names or identifying information for individual interviews will be kept with the recorded data collected from these sources. Instead, an ID number will be used to match the recorded data with the source. A key will be created linking ID numbers and subjects. This document will be tightly secured.

**Is there audio or videotaping? YES ☑ NO ☐ Explain the procedures you plan to follow.**
If interview subjects agree to the procedure, I would like to audiotape interviews as this will allow me to record all of the richness of the conversation. In audiotaping, I will ensure that no names or identifying information is recorded along with the interview data. Only an ID number will be used to identify the tapes to the researcher. Informed consent documents will make clear to subjects that audiotaping will only occur at their permission. I may also want to audiotape the focus group proceedings but will not do so unless all participants agree to this procedure.

**Will data be associated with personal identifiers or will it be coded?**
Personal identifiers ☐ Coded ☑ Explain the procedures you plan to follow.
Data will not include individual subjects' names or identifying information. Instead an ID number will be assigned to each subject to organize the findings. An interview key will be created that links the subjects' names to their ID numbers. This key will be kept under tight security and will be destroyed after the research phase of the project.

**Where will the data be stored and how will it be secured?**
All of the data will be stored within my personal computer files and on disks. The data will be secured through passwords needed to access my files and disks with copies of the information will be kept locked in a drawer at the CRCP office. Hard copies of the data will be kept locked as well in the same location.

**What will happen to the data when the study is completed?**
After the study is completed, I will keep a copy of the data within my personal computer files and then transfer the project over to the CRCP archives. Because this data and thesis project may be of value to the North End community and to the CRCP in the future, I am hesitant to destroy the data (other than the interview key) after the project is completed. In conversations with Cesar McDowell, director of the CRCP, he has indicated that they would like to keep a copy of the project as part of their archives. They will only receive this information after agreeing to only use the data in ways that maintain the confidentiality.
of research participants. A copy of my masters thesis will also be kept in Rotch Library at MIT. Data in my thesis will be presented in such a way as to maintain the confidentiality of subjects. Data will either be used in the aggregate or if individual cases need to be cited the presentation of the data will be made in a way that does not allow the source to be identified.

Can data acquired in the study affect a subject's relationship with other individuals (e.g. employee-supervisor, patient-physician, student-teacher, family relationships)?

7. Deception: Investigators must not exclude information from a subject that a reasonable person would want to know in deciding whether to participate in a study.

Will information about the research purpose and design be withheld from subjects?
YES ☐ NO ☒ If so, explain and justify.

8. Adverse effects: Serious or unexpected adverse reactions or injuries must be reported to COUHES within 48 hours. Other adverse events should be reported within 10 working days.

What follow-up efforts will be made to detect any harm to subjects and how will COUHES be kept informed?
I will maintain regular contact with NEON throughout the course of my research and even after the research is complete. I will leave contact information for myself and NEON with each interview subject so they can reach me if necessary. If I am aware of any adverse effects or interview subjects I will contact COUHES as soon as possible and within the time frame mandated by the committee.

9. Informed consent: Documented informed consent must be obtained from all participants in studies that involve human subjects. You must use the templates available on the COUHES web-site to prepare these forms. Draft informed consent forms must be returned with this application. Under certain circumstances COUHES may waive the requirement for informed consent.

Attach informed consent forms with this application.

10. The HIPAA Privacy Rule: If your study involves disclosing identifiable health information about a subject outside of M.I.T., then you must conform to the HIPAA Privacy Rule and complete the questions below. Please refer to the HIPAA section, and to the definitions of protected health information, de-identified data and limited data set on the COUHES web-site.

Do you plan to use or disclose identifiable health information outside M.I.T.?
YES ☐ NO ☒
If YES, then the subject must complete an Authorization for Release of Protected Health Information Form. Please attach a copy of this draft form. You must use the template available on the COUHES web-site.

Alternatively, COUHES may grant a Waiver of Authorization if the disclosure meets criteria outlined on the COUHES web-site.

Are you requesting a Waiver of Authorization?
YES ☐ NO ☒
If YES, explain and justify.

Will the health information you plan to use or disclose be de-identified?
YES ☐ NO ☒

Will you be using or disclosing a limited data set?

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YES □  NO ☒

If YES, then COUHES will send you a formal data use agreement that you must complete in order for your application to be approved.

IV. INVESTIGATOR'S ASSURANCE

I certify the information provided in this application is complete and correct.

I understand that I have ultimate responsibility for the conduct of the study, the ethical performance of the project, the protection of the rights and welfare of human subjects, and strict adherence to any stipulations imposed by COUHES.

I agree to comply with all MIT policies, as well all federal, state and local laws on the protection of human subjects in research, including:
- ensuring all study personnel satisfactorily complete human subjects training
- performing the study according to the approved protocol
- implementing no changes in the approved study without COUHES approval
- obtaining informed consent from subjects using only the currently approved consent form
- protecting identifiable health information in accord with the HIPAA Privacy Rule
- promptly reporting significant or untoward adverse effects

Signature of Principal Investigator __________________________ Date __________

Print Full Name and Title ____________________________________________

Signature of Department Head __________________________ Date __________

Print Full Name and Title ____________________________________________

Please return a signed hard copy of this application to the COUHES office at E32-335.

Please also return additional copies, either by email or regular mail, in accord with the instructions on the COUHES web-site.
CONSENT TO PARTICIPATE IN RESEARCH

INFORMAL MICROENTERPRISE IN THE NORTH END COMMUNITY

You are asked to participate in a research study conducted by Ceasar McDowell, Ed.D., and Tara Kumar, Masters Candidate, from the Department of Urban Studies and Planning at the Massachusetts Institute of Technology (M.I.T.). The results of this study will be used as the basis for the researcher’s thesis in fulfillment for the requirements of a Master in City Planning degree. You were selected as a possible participant in this study because you operate an informal business in the North End community. You should read the information below, and ask questions about anything you do not understand, before deciding whether or not to participate.

• PARTICIPATION AND WITHDRAWAL

Your participation in this study is completely voluntary and you are free to choose whether to be in it or not. If you choose to be in this study, you may withdraw from it at any time without penalty. You may also refuse to answer any and all questions that are part of the interview.

• PURPOSE OF THE STUDY

The purpose of the study is to better understand the motivations and goals of informal business owners in the North End community of Springfield, MA. With an understanding of the reasons people operate informal businesses in the community, appropriate forms of assistance and support for these businesses will be identified based on the information collected from business owners.

• PROCEDURES

If you volunteer to participate in this study, we would ask you to do the following things:

  o Participate in a two-hour interview with the researcher.
  o Answer questions of the researcher about your informal business, your business goals and motivations.
  o Suggest potential forms of support that could assist your business.
  o Consider participating in a focus group after the interviews are complete to provide feedback on appropriate forms of assistance for North End informal businesses.

Interviews should last no more than 2 hours. Interviews will be conducted by the researcher, Tara Kumar. The only other person that may be present during the interview is a translator if needed. The focus group should last no more than 2 hours. Participants
in the focus group will include informal business owners, community residents and leaders.

- **POTENTIAL RISKS AND DISCOMFORTS**

The potential risk of this study is that you will be asked to share private information about your informal business, which could have potential legal and economic consequences for you as the owner if this information is not kept confidential.

- **POTENTIAL BENEFITS**

The potential benefit of this study is that based on your responses to interview questions forms of assistance and support could be offered to you to strengthen your business, including information about regional small business development organizations and their programs.

- **CONFIDENTIALITY**

Any information that is obtained in connection with this study and that can be identified with you will remain confidential and will be disclosed only with your permission or as required by law.

The researcher would like to use audiotaping during the interviews if the participant agrees to this. You have the right to refuse audiotaping during the interview and focus group. If you agree to taping, you as participant will have the right to review and edit the audiotapes. The researcher will be the only person, other than participants, who have access to the tapes. The tapes will be kept locked in an office at MIT. The tape recordings will only be used in such a way that the identity of participants remains confidential. After the project is completed, the tapes will be stored securely at the Center for Reflective Community Practice at MIT. If the tapes are used after the completion of this project, it will be done in a way that maintains the confidentiality of interview subjects.

For all data collected, no names or identifying information will be kept with the recorded information. Instead ID numbers will be used to identify the data to the researcher. An interview key will be created for linking the names of individuals with ID numbers. This key along with the collected data will be kept tightly secured and only the researcher will have access to the information. Data will be presented in ways that ensure that privacy is maintained. If individual data must be presented, no identifying information will be presented with the individual data to ensure confidentiality.

- **IDENTIFICATION OF INVESTIGATORS**

If you have any questions or concerns about the research, please feel free to contact:
Tara Kumar—Researcher
Ceasar McDowell—Principal Investigator
92 Howard Street
Cambridge, MA 02139
(Cell) 617 256 9226
tkumar@mit.edu

77 Massachusetts Ave, Bldg 7-307
Cambridge, MA 02139
(617) 253-7587
ceasar@mit.edu

Karl Seidman—Faculty Sponsor
77 Massachusetts Ave, Bldg 9-511A
Cambridge, MA 02139
(617) 253-3964
seidman@mit.edu

- **RIGHTS OF RESEARCH SUBJECTS**

You are not waiving any legal claims or rights because of your participation in this research study. If you feel you have been treated unfairly, or you have questions regarding your rights as a research subject, you may contact the Chairman of the Committee on the Use of Humans as Experimental Subjects, M.I.T., Room E32-335, 77 Massachusetts Ave, Cambridge, MA 02139, phone 1-617-253 6787.

### SIGNATURE OF RESEARCH SUBJECT OR LEGAL REPRESENTATIVE

I understand the procedures described above. My questions have been answered to my satisfaction, and I agree to participate in this study. I have been given a copy of this form.

__________________________
Name of Subject

__________________________
Name of Legal Representative (if applicable)

__________________________ Date
Signature of Subject or Legal Representative

### SIGNATURE OF INVESTIGATOR

In my judgment the subject is voluntarily and knowingly giving informed consent and possesses the legal capacity to give informed consent to participate in this research study.

__________________________ Date
Signature of Investigator
CONSENTIMIENTO PARA PARTICIPAR EN ESTUDIO INVESTIGATIVO

MICROEMPRESAS INFORMALES EN LA COMUNIDAD DEL NORTH END—SPRINGFIELD, MA

Por medio de este documento, le estamos pidiendo que participe en un estudio investigativo dirigido por Cesar McDowell, Ed.D., y Tara Kumar, Candidata de Maestría en el Departamento de Estudios Urbanos y Planificación del Massachusetts Institute of Technology (M.I.T.). Los resultados de este estudio serán utilizados como base para la tesis requerida para completar el grado de Maestría en Planificación Urbana. Usted ha sido seleccionado como un posible participante en este estudio debido a que usted opera un negocio informal en la comunidad del North End en Springfield, MA. Le pedimos que por favor lea la información incluida en este documento y que aclare cualquier pregunta que tenga antes de decidir si va a participar.

PARTICIPACION Y RETIRADA

Su participación en este estudio es voluntaria. Usted tiene completa libertad de decidir si quiere participar o no. Si decide ser parte del estudio, puede retirarse en cualquier momento sin penalidad alguna. También tiene el derecho de no contestar alguna o todas las preguntas que se le harán en la entrevista.

PROPOSITO DEL ESTUDIO

El propósito del estudio es llegar a tener un mayor entendimiento de las motivaciones y metas de las personas que tienen negocios informales en la comunidad del North End en Springfield, MA. La información proveida por los propietarios entrevistados ayudará a identificar distintos programas de ayuda y apoyo para estos negocios.

PROCEDIMIENTO

Si decide participar en este estudio, le pedimos que por favor tome las siguientes acciones:

- Participar en una entrevista de dos horas con la persona conduciendo el estudio.
- Conteste las preguntas sobre su negocio informal, sus metas y sus motivaciones.
- Sugiera posibles programas o ayudas para apoyar su negocio.
- Considerar participar en un ‘focus group’ después de que todas las entrevistas estén completadas para proveer comentarios sobre las formas que se utilizarán para asistir a los negocios informales en el North End.

Las entrevistas serán llevadas acabo por Tara Kumar y no deben de durar más de dos horas. La única otra persona que podría estar presente durante la entrevista sería un traductor si es necesario. Los ‘focus groups’ no deberán de tomar más de dos horas. Los
DERECHOS DE LOS SUJETOS DE LA INVESTIGACION

Usted no esta resignando ningun derecho o demanda legal debido a su participacion en este estudio de investigacion. Si usted siente que ha sido tratado injustamente o si tiene alguna pregunta acerca de sus derechos como sujeto de investigacion, puede contactar al Jefe del Comite sobre Uso de Humanos como Sujetos Experimentales, M.I.T., Oficina E32-335, 77 Massachusetts Ave, Cambridge, MA 02139, telefono 1-617-253 6787.

FIRMA DEL SUJETO DE INVESTIGACION O REPRESENTANTE LEGAL

Entiendo los procedimiento descriptos anteriormente. Mis preguntas han sido contestadas satisfactoriamente, y estoy de acuerdo en participar de este estudio. Me han dado una copia de este formulario.

Nombre del Sujeto

__________________________

Nombre del Representate Legal (si corresponde)

__________________________

Firma del Sujeto or Representante Legal    Fecha

FIRMA DEL INVESTIGADOR

A mi juicio el sujeto ha dado su consentimiento informado en forma voluntaria y conciente y posee la capacidad legal de dar consentimiento informado para participar en el estudio de investigacion.

__________________________    Fecha

Firma del Investigador

Fecha
participantes de los ‘focus groups’ incuirán a los propietarios de negocios informales, residentes de la comunidad y líderes

- POSIBLES RIESGOS E INCOMODIDADES

El riesgo potencial de este estudio es que a usted se le va a solicitar que comparta información privada sobre su negocio informe, lo cual podría tener potenciales repercusiones legales y económicas para usted como el propietario si es que esta información no se mantiene confidencial.

- POSIBLES BENEFICIOS

Basado en la información que nos va a proveer, podrían surgir varias formas de apoyo o ayuda que le ayudarán a fortalecer su negocio, incluyendo información sobre el desarrollo de compañías regionales pequeñas y sus programas.

- CONFIDENCIALIDAD

Cualquier información obtenida en conexión con este estudio y que se pueda indentificar con usted se mantendrá en pura confidencia y sólo se hará saber con su permiso o como es requerido por ley.

Al conductor del estudio le gustaría utilizar una máquina de grabar durante la entrevista si el participante lo decide así. Usted tiene el derecho de negar el uso de las máquinas de grabar. Si decide dar el derecho a utilizarlas, usted tendrá el derecho de ver y editar las cintas de grabar (audiotapes). El conductor del estudio será la única otra persona, además de los participantes, que tendrá derecho a las cintas de grabar. Las cintas se mantendrán en un lugar seguro bajo llave en una oficina de MIT. La grabación sólo será utilizada de forma que la identidad del participante quede en confidencia. Después de que el proyecto haya finalizado, las grabaciones se guardarán en un lugar seguro en la oficina del “Center for Reflective Community Practice” en MIT. Si es que las grabaciones se fueran a utilizar después de que haya terminado el proyecto, se hará de forma que la identidad del participante quede en confidencia.

No se guardarán nombres ni información que lo pueda identificar junto con el resto de la información proveida. En vez, se utilizarán números de identificación (ID) que servirán el propósito de identificar la información a la persona conduciendo el estudio. Toda la información proveida en las entrevistas estará atada al ID. Este número, junto con la información capturada, permanecerá guardado y sólo la persona conduciendo el estudio lo podrá accesar. La información se presentará de forma que su privacidad será guardada. Si surge el caso de que una pieza de información individual va a ser presentada, se hará sin la información personal del individuo para asegurar su privacidad.

- INFORMACION DE LOS CONDUCTORES DEL ESTUDIO

Si tiene alguna pregunta o duda sobre el estudio, puede contactar a: