Entrepreneurship and the One-Stop Service Delivery System: Impacts of Project GATE

September 15, 2009

DOL Recovery and Reemployment Research Conference
Sheena McConnell
Presentation Overview

- The program and its evaluation

- Key findings
  - GATE increased business ownership
  - GATE had no impact on overall employment
  - GATE reduced earnings overall

- Further research
The Program and Its Evaluation
DOL’s Reemployment Strategies Include Helping People Become Self-Employed

- Many workers want to own their own business
  - But lack business expertise and access to credit

- Self-employment is important—over 10% of the workforce is self-employed

- Small businesses are important for the economy
  - Engine for economic growth
  - Contribute to innovations in products and production processes
The ARRA Encourages Business Development

- $730 million for SBA to encourage start-up ventures and help small businesses through recession
  - Temporary fee reductions on SBA loans
  - Increases SBA loan guarantees
  - New loan program to help businesses meet existing debt payments

- Expansion of SBA Microloan Program
  - $50 million in additional lending
  - $24 million in technical assistance grants to microlenders
GATE Provides Assistance to Entrepreneurs

- One-Stop Career Centers offer self-employment services as an additional reemployment service
- Nearly everyone is eligible
- Services are free
- “Cold shower” video needs to be viewed before application can be submitted
GATE Offers Three Services

- **Assessment**
- **One-on-one technical assistance**
- **Classroom training**
  - Introduction to business
  - FastTrac programs
  - Quickbooks
GATE Was Implemented in Five Sites

- Philadelphia
- Pittsburgh
- Minneapolis/St. Paul
- Northeast Minnesota (Duluth)
- Maine (Bangor, Portland, and Lewiston)
GATE Evaluated Using an Experiment

- Over 4,000 eligible GATE applicants were randomly assigned to either a program or control group.
- Program group participants were offered GATE services.
- Control group members could not participate in GATE but could receive other self-employment services offered in the community.
Evaluation Involved Extensive Data Collection

- Two follow-up surveys at 6 and 18 months after random assignment
- Administrative records on earnings and unemployment insurance receipt
- Program data
- Application forms
- Site visits
The Findings
GATE Applicants Were Diverse

- Applicants were 18–79 years old, most between 30 and 50
- Nearly half were women
- 54% White, 30% African American
- 74% had at least some college
- 35% had household income less than $25,000; 7% had household income of $100,000 or more
Most GATE Applicants Were Unemployed

Employment Status at Application

- Unemployed: 56
- Working at Wage/Salary Job: 25
- Self-Employed: 14
- Self-Employed and Working at Wage/Salary Job: 5
GATE Increased Receipt of Services, But Many Controls Got Services

Receipt of Self-Employment Services

- **Any**: 91*** (Program Group) vs. 71 (Control Group)
- **Classes**: 74*** (Program Group) vs. 50 (Control Group)
- **Technical Assistance**: 59*** (Program Group) vs. 27 (Control Group)

* /**/***Significantly different from zero at 0.10/0.05/0.01 level

Source: Follow-up surveys, Waves 1 and 2
GATE Increased Business Ownership

Percentage Owning a Business

- Program
- Control

*/**/***Significantly different from zero at 0.10/0.05/0.01 level

Source: Follow-up surveys, Waves 1 and 2
Impact on Business Ownership Larger for UI Recipients

Owned a Business During 18 Mos. After RA

- **59***:
  - All: 49
  - UI Recipients: 58***
  - Non-UI Recipients: 52

**/*/*/*Significantly different from zero at 0.10/0.05/0.01 level

Source: Follow-up surveys, Waves 1 and 2
GATE Reduced Employment in Wage/Salary Jobs

**Percentage Employed in Wage/Salary Jobs**

- Qtr 1: 50
- Qtr 2: 45***
- Qtr 3: 60
- Qtr 4: 63

* /**/***Significantly different from zero at 0.10/0.05/0.01 level

Source: Follow-up surveys, Waves 1 and 2
GATE Had No Impact on Employment

**Significantly different from zero at 0.10/0.05/0.01 level**

Source: Follow-up surveys, Waves 1 and 2
GATE Reduced Total Earnings

Quarterly Earnings from All Employment

- **Significantly different from zero at 0.10/0.05/0.01 level**

Source: Follow-up surveys, Waves 1 and 2
Key Findings

- GATE increased business ownership
  - Larger impact for UI recipients

- GATE decreased employment in wage/salary jobs
  - GATE had no impact on overall employment

- GATE decreased earnings overall
Next Steps
Further Research Needed

- But 18 months is a short period in the life of a business
  - Some businesses could be very successful
  - Data collection continuing for a third survey follow-up

- Second generation GATE demonstrations focusing on dislocated workers
  - Older workers
  - Workers in rural areas
For More Information

- Report available on www.doleta.gov

- **Project Officer**
  - Jonathan Simonetta
  - Jonathan.simonetta@dol.gov

- **Project Director**
  - Jacob Benus
  - jbenus@impaqint.com