



California Association for Micro Enterprise Opportunity

BUILD YOUR OWN BUSINESS JOBS INITIATIVE

INTRODUCTION:

Now is time to embrace new job creation strategies that build on our cultural advantage of entrepreneurship and utilize the untapped entrepreneurial capacity in our diverse communities. We are ready to rely on America's historical enthusiasm and support for our Main Street entrepreneurial spirit that is generating and expanding small businesses to create jobs and grow the economy.

- 64% of new jobs are created by very small businesses, most of them without employees.
- Self-employment grew 28% over past 5 years, a true labor market trend; 20% of all workers are '1099 free agents.'
- Homegrown, locally owned businesses hire locally.

CAMEO's Build Your Own Business (BYOB) Jobs Initiative is based on the recognition that 1) self-employment is job creation and 2) self-employment needs to be integrated into workforce development policies. This can be accomplished by:

1. building existing Micro Enterprise organizational infrastructure; and
2. fostering innovation within the Department of Labor's (DOL) Workforce Investment Board (WIB) system.

Jason T. left the Marines in 1997 after serving in the first Gulf War and earning more than a dozen medals. Since leaving the Corps, he worked for a ground reclamation company, a boat company and tried all types of sales including lingerie. He was the first male Victoria Secrets salesman in the country and broke every sales record in ten months. Despite his strong work ethic, he couldn't take full advantage of his positions, because he wasn't the boss.

Around the same time, Jason joined the American Legion to reconnect with his military life. One day the American Legion leaders were complaining about parking issues, checking id's and other security issues. Volunteers were supposed to be on the job, but they would order drinks or wouldn't show up. Jason chimed in "we're vets, we know how to guard a gate." With the help of Future Business Owners Class at **Goodwill of Orange County**, he developed a business plan and presented it to the board. Four months later, Semper Fi Security was born. He took out a credit-building loan for \$5,000 from **CDC Small Business Finance**. Semper Fi has added new clients and has nine employees, mostly guys who just got out of the service and go to school. Jason often says that the greatest part of owning a company is that he helps his fellow veterans.



MICRO-BUSINESSES ADD UP TO BIG NUMBERS

- 88% of businesses
- Generate \$2.4 trillion in receipts
- Account for 17% of U.S. GDP
- Employ more than 31 million Americans

(U.S. Census Bureau)

Semper Fi is one of the 25 million businesses in the United States considered a micro-business – a business with five or fewer employees and/or start-up capital of under \$50,000. Micro-businesses are everywhere - the organic tomato stand at the Saturday market, the childcare center at work, your favorite neighborhood restaurant, the new fancy food truck, your drycleaner, your camera repairman – the businesses you frequent on a daily or weekly basis. Microentrepreneurs work hard to become self-sufficient. They hire locally, pay taxes and give back to their communities.

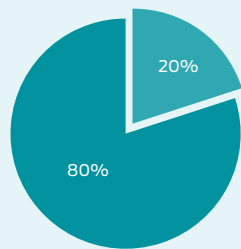
PART I: Support Existing Micro Enterprise Infrastructure

Jason and other micro-business couldn't do what they do without the support they get from places like Goodwill of Orange County and CDC Small Business Finance. These two organizations and the other 100 CAMEO members provide small business loans and business technical assistance (TA) support to entrepreneurs in California who lack access to traditional forms of credit. Business TA includes:

- **Training and Business Management Consulting:** Business planning, marketing, accounting, taxes, etc.;
- **Loan Packaging:** Credit analysis, preparing financial statements and projections to qualify for a loan;
- **Post-Loan Support:** Periodic checking in on business owners and their financial health, dealing with issues before they become problems; and
- **Business Incubation:** Low cost rent and office services, intensive business assistance, access to capital.

The U.S. is home to 696 organizations like Goodwill and CDC Small Business Finance. These organizations - Community Development Financial Institutions (CDFI), and non-profit business counseling organizations - are known as Micro Enterprise development organizations (MDOs.)

Micro-business Success Rates



- With Training and TA
- Without Training and TA

Four out of five micro-business owners that receive training and technical assistance succeed. Without this support only one in five succeed. (Source: annual surveys of CAMEO members and Field project at the Aspen Institute.)

CAMEO member clients who start their own businesses grow to create (on average) **two jobs in addition to their own**, over a three to five year period.

Effective microlending depends on good business TA. Business coaching and loan packaging services create the pipeline of loan-ready customers. Without this TA, capital cannot flow into Main Street. For example, one CAMEO member returned \$750,000 in lending capital to a bank investor because there wasn't a pipeline of loan-ready businesses.

The current SBA has been raising the ceiling of its definition of small business. The average SBA loan used to be \$125,000. Today, the average SBA loan is \$670,000. SBA lenders are abandoning the very small businesses, those underserved businesses they are supposed to help and the populations that many times need jobs the most.

To keep the American Dream a reality for the millions of micro-business owners, the relatively small investment in technical assistance must be preserved. We recommend:

- Federal investments in the Micro Enterprise industry should be maintained at FY2010 levels as outlined in the following table.
- In better economic times, the investments should be increased.

| Program | FY2010 | President's FY2012 |
|---|---------------|--------------------|
| SBA PRIME | \$8 million | \$0 |
| SBA Microloan Technical Assistance Fund | \$22 million | \$10 million |
| SBA Women's Business Centers | \$14 million | \$14 million |
| SBA Veterans Business Outreach Centers | \$2.5 million | \$2.5 million |
| USDA RBEG | \$39 million | \$30 million |
| HUD CDBG | \$4 billion | \$3.7 billion |
| Treasury CDFI | \$256 million | \$233 million |

PART II: Innovation within Workforce Investment Boards

With unemployment rates hovering around 9% and long-term joblessness is at its highest level in decades, government agencies responsible for providing services to the unemployed must innovate.

Self-employment, particularly Micro Enterprises, should be an integral part of national economic and workforce strategies. Self-employment can be a valuable option for job seekers and the unemployed 1) who wish to work, and have the capability to own their own business, or 2) have barriers to employment which can be minimized through self-employment.

In 2010, the Department of Labor (DOL) released directives encouraging Workforce Investment Boards (WIBs) to support entrepreneurial training as a job creation strategy:

- **TEGL-12-10:** Supporting Entrepreneurship and Self-Employment Training through the Workforce Investment System
- DOL Study: **Think Entrepreneurs: A Call to Action; Integrating Entrepreneurship into the Public Workforce System throughout America**

MDOs are ready to contract with local WIBs to provide vital training, business technical assistance, and access to small business loan programs. However, the Workforce Investment system is reluctant to embrace entrepreneurship, which requires different performance measures.

Now that it has laid the groundwork, DOL needs to provide incentives for WIBs to use WIA money, retrain staff, and adopt new performance measures. The pending reauthorization of WIA must include new language on performance measures for self-employment.

WIA PERFORMANCE MEASURES FOR SELF-EMPLOYMENT SERVICES

Common performance measures are different for self-employment than for wage employment. This has been a barrier to support the self-employed and job creation. **Performance measures for self-employment training and business technical assistance programs can be based on Supplemental Data Sources, Administrative Records and Average Earnings.** CAMEO suggests that WIBs work with their local partners to decide which measures are most useful. Following are recommendations for each category of performance measures:

Supplemental Data Sources (currently has to be documented and recorded outside the WIB database)

1. Proof of an ITIN number with the IRS corporate ID number
2. Proof of DBA registration or local business license
3. Business plan
4. Proof of established business checking account
5. Copy of IRS Schedule C tax return
6. Copy of current purchase orders
7. Copy of business office or store lease
8. Proof of receipt of business loan

Administrative Records

Self-employed persons do not show up on the state Unemployment Wage records, so staff must follow up with individual enrollees to verify the status of their business development. The grantee's staff would make a phone call or in-person visit and ascertain the enrollee's business status from descriptive information the enrollee provides on the location of business, number of customers, and financing strategy for business growth.

Average Earnings from Supplemental Data Sources

WIB staff can collect a revenue and expense statement from the client and/or an affidavit from the owner of their 'owner draw' for 3-12 months after start up. Divide this amount by 30 hours and compare to the minimum wage for that state.

The U.S. Department of Labor estimates that 5% of the unemployed have entrepreneurial potential, meaning about 685,000 people in the U.S. could benefit from self-employment training offered through the 700 Micro Enterprise Development and Small Business Development Corporations. If only half of those unemployed entrepreneurs obtained help in starting a business (442,000), they would create a total of 822,000¹ jobs over 3 to 5 years (the owner plus 2 employees).

1. 822,000 jobs = 442,000 business start-ups * 80% success rate * 3 jobs per business

CALIFORNIA MICRO-BUSINESS MEANS BUSINESS – CREATING JOBS AND ECONOMIC PROGRESS



Reign Free graduated from Women's Initiative in Oakland in June 2008. She owns and runs **The RedDoor Catering** with her team of 20 employees and contractors.

CAMEO businesses create jobs and generate income.

In 2009, CAMEO members served 21,000 businesses with training, technical assistance and loans. These firms, which were largely start-ups, brought 42,000 new jobs into California's economy.

- The businesses created a total of \$1.5 billion in economic activity – raising state revenues, decreasing demand for government services, and putting more money into local and state economies.
- Federal taxes paid increased 35% over a five-year period.
- We've seen \$1 invested turn into a \$30 Social Return on Investment (local multiplier effect, more tax revenue, less government assistance, etc.)
- Traditionally, CAMEO members have served the emerging majority, the underserved - women, minorities and low income – or those who have high barriers to entry into the business world.
- Because of the Great Recession, CAMEO members are serving new populations - struggling Main Street businesses and unemployed who have turned entrepreneurial.

Small business is a key job generating strategy.

- 4.2 million Californians are employed by micro-businesses in 2007 (latest census).
- 3 million micro-businesses are sole proprietors.
- The multiplier effect for a small local business on a local economy is twice that of a national chain.

Technical assistance is the key to success.

- Microentrepreneurs that have gone through training programs and receive technical assistance from CAMEO members have an 80% success rate (versus the 50-80% failure rate of small businesses that don't seek help.)
- CAMEO member clients who start their own businesses also on average create two jobs in addition to their own, over a three-five year period.
- For every \$3,000 in technical assistance provided, a company generates \$70,000 in sales.
- The CAMEO cost of creating a job averages between \$1,000-\$3,000 a job. That's cheap when you consider a public works infrastructure project costs \$50,000 a job.
- If 1 of 3 million micro-businesses in the U.S. hired one person, the economy would be healthy rather than in recovery.

ABOUT CAMEO

CAMEO reclaims the American Dream, one micro-business at a time. The mission of CAMEO is to promote economic opportunity and community well-being through Micro Enterprise development. CAMEO is the voice for Micro Enterprise in California - expanding resources and building capacity for its member organizations.

CAMEO members **create jobs** for entrepreneurs, help Main Street **businesses survive and thrive** during difficult economic times, **revitalize neighborhoods** through business development, and provide infrastructure that **strengthens families**. CAMEO members work with every day entrepreneurs to harness their innovative ideas and creativity and galvanize them to become their own bosses by providing small business financing, technical assistance and business management training.

CAMEO is California's statewide Micro Enterprise association made up of over 160 lenders, training programs, job creators, agencies and individuals dedicated to furthering Micro Enterprise development in California.