

Microenterprise Development Good for California's Economy

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CAMEO: The California Assoc. for Micro Enterprise Opportunity

- The Statewide Network of 130 nonprofits, individuals and groups
- Mission: to promote economic opportunity through Microenterprise Development
- Programs:
 - Build members' capacity & best practices
 - Scale up services
 - Advocacy to build public awareness and direct resources

Microenterprise Defined:

- Businesses of 5 or less employees
- Start up on less than \$35K
- Targets low and moderate income individuals; women, emerging/minority populations, disabled
- businesses operating in lower income communities
- Locally owned; small farms

Microenterprise Development is:

- Broad spectrum of "economic opportunity"
- Business assistance
 - Training; networks; business incubation; technical assistance; mentoring; loan packaging
 - Financing: Micro and small business loans
- Planning and managing the start up and growth stages
- Helping informal businesses become stable and keep financial records, pay taxes, etc.
- Creating an asset, the income from which will leverage other assets, e.g. homeownership

Trends Affecting CA ME

- Self Employment is THE labor market trend: increased 24% 2001-05
- Changing Demographics: immigrant and women entrepreneurs; retirees starting businesses; 75% of college students want own business.

Trends, (con.)

- Technology
 - Broadband expanding in rural areas
 - Home-based businesses increasing
 - Business starting but not adding jobs as in past.

Trends, (con.)

- **Rise of “Artisan Economy”**

- Creative freelancers providing highly targeted, and customized services & products
- Outsourced innovation from large companies.
- Require less capital and fixed assets to start up

– [from Intuit Institute for the Future’s “Future of Small Business Report”, Feb. 08 www.intuit.com/futureofsmallbusiness]

- Trends indicate increased needs for entrepreneurship education and small amounts of capital
- Microenterprise development both reduces barriers to entry and enhances success:
 - 80% of clients of MDOs succeed as opposed to 50-80% failure of small businesses overall.

Microenterprise Development in CA

- CA’s Microenterprise Development Organizations (MDOs) reaching less than 1% of estimated 2 million low and moderate income entrepreneurs with training, business assistance and micro loans (under \$25K)
- 80 MDOs served 18,000 businesses in 2007.
- 30 nonprofit Micro Lenders made 1,500 loans for \$12 M. Avg. loan size-\$8,700

Microenterprise Development in CA (con.)

- Need long term grants
- Low cost capital investments
- Partnerships between organizations to increase lending capacity and reach underserved markets

CAMEO’s Goals

- Scale up services and loans
 - Reach new markets: Latinos, self employed
 - 100,000 entrepreneurs served by 2017
 - Raise \$50 million in new capital
 - \$15 M in operating funds

CAMEO’s Role

- Advocate for State policies to support ME
- Provide research on impacts

CAMEO's role

- Promote Microenterprise as an asset building strategy:
 - Economic self sufficiency for families
 - Economic opportunity for new entrepreneurs
 - Locally owned businesses
 - Micro Business = Job growth

Impacts on State Economy

- New data from Senate Office of Research www.senate.ca.gov/sor
- ME growing – by 24% over 5 years to 3.4 million in 2005
- Net job creation = 6 x total of net jobs from larger businesses
- Federal taxes from sole props. (w/out employees increased by 34% (\$142.4B)

Impacts, (con.)

- Data from Women's Initiative for Self Employment demonstrates impact at very low income levels
- Women clients: within 2 years of graduation, increased household net worth 3 x
- Highest % increases and net worth among Latina and Afr. American clients overall

Impacts (con.)

- Microenterprise is a powerful tool for bridging wealth gaps
- Business networks create synergies between business owners
- Workforce Investment Strategy
- Import substitution
 - Support locally owned; locally grown
- Takes investment and time to evolve

Policy Implications

- Increase funding for Self Employment through Dept. of Labor programs
 - AB2998: ME guidelines for WIB
- Create special initiative through BTH for Microenterprise Development
- Commit CALPers/CALSters for Micro Loan capital
- BOE fund self employment tax assistance programs
- Health Insurance
- Focus on Rural regions
- Focus investment on Locally Owned Business
 - See BALLE research www.livingeconomies.org