

Microenterprise in a Changing Economy

Asset Funders Network

April 8, 2015

Dallas, TX



FIELD

at the Aspen Institute

Advancing microenterprise through knowledge and innovation

Economic challenges



- Growing asset and income inequality
- Growth of low-wage/low-quality jobs
- Growth in un-/underbanked
- Growing role of self-employment and “irregular” work
- Low levels of bank lending to businesses; growing role of nonbank lenders

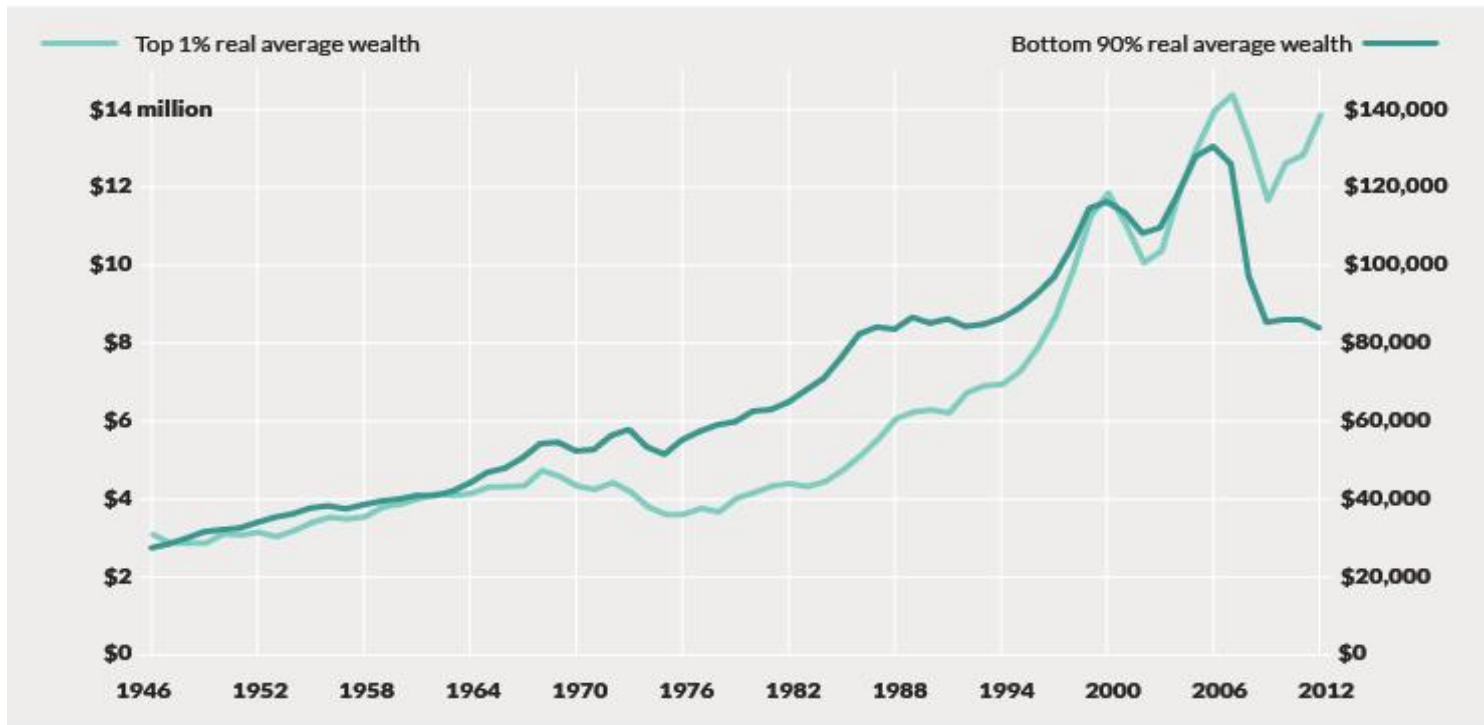
Growing wealth gap



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The New Wealth Divide in the United States

The average wealth of families in the bottom 90 percent and the top 1 percent of the wealth distribution, in constant 2010 U.S. dollars, 1946-2012



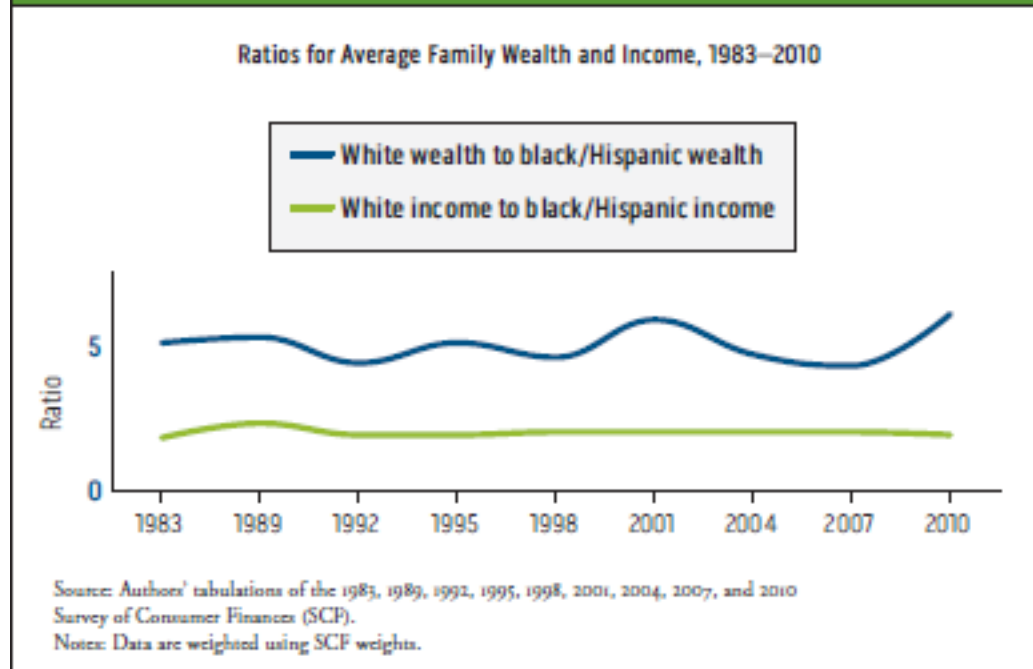
Notes: The figure depicts the average real wealth of bottom 90 percent of families (right y-axis) and top 1 percent families (left y-axis) from 1946 to 2012. The scales differ by a factor 100 to reflect the fact that top 1 percent of families are 100 times richer than the bottom 90 percent of families. Wealth is expressed in constant 2010 U.S. dollars, using the GDP deflator.

Source: Saez, Emmanuel and Gabriel Zucman "Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data", NBER Working Paper, October 2014, online at <http://gabriel-zucman.eu/uswealth/>

Washington Center
for Equitable Growth

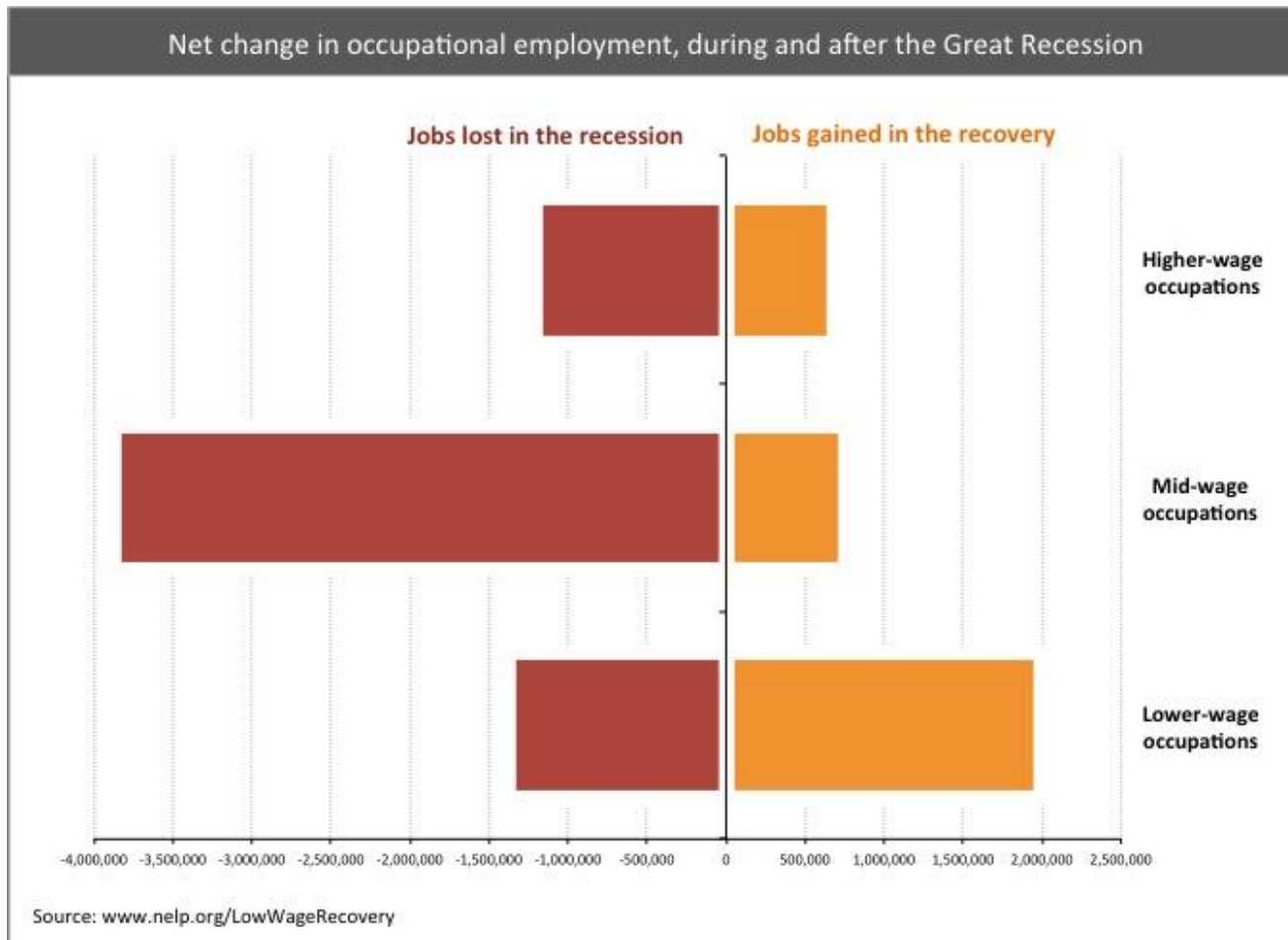
Racial wealth gap

Figure 2. The Racial Wealth Gap Is Three Times Greater Than the Racial Income Gap



Source: Signe-Mary McKernan, Caroline Ratcliffe, Eugene Steurle, and Sisi Zhang, *Less than Equal: Racial Disparities in Wealth Accumulation*. Washington, D.C.: The Urban Institute, April 2013.

Growth in low-wage jobs

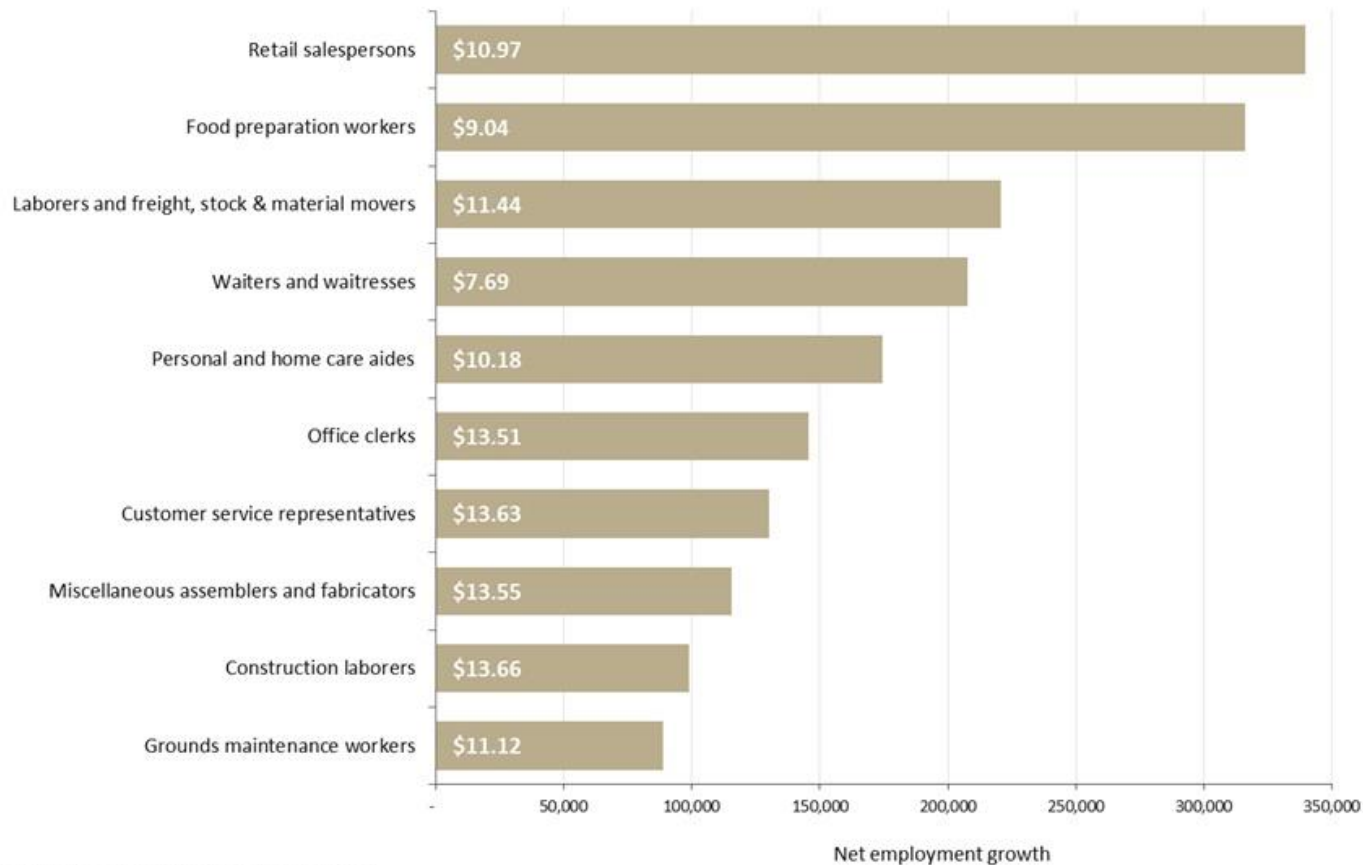


Growth in low-wage jobs



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Lower-wage occupations with the biggest growth during the recovery
(with median hourly wages)



Source: www.nelp.org/LowWageRecovery

Growing underbanked

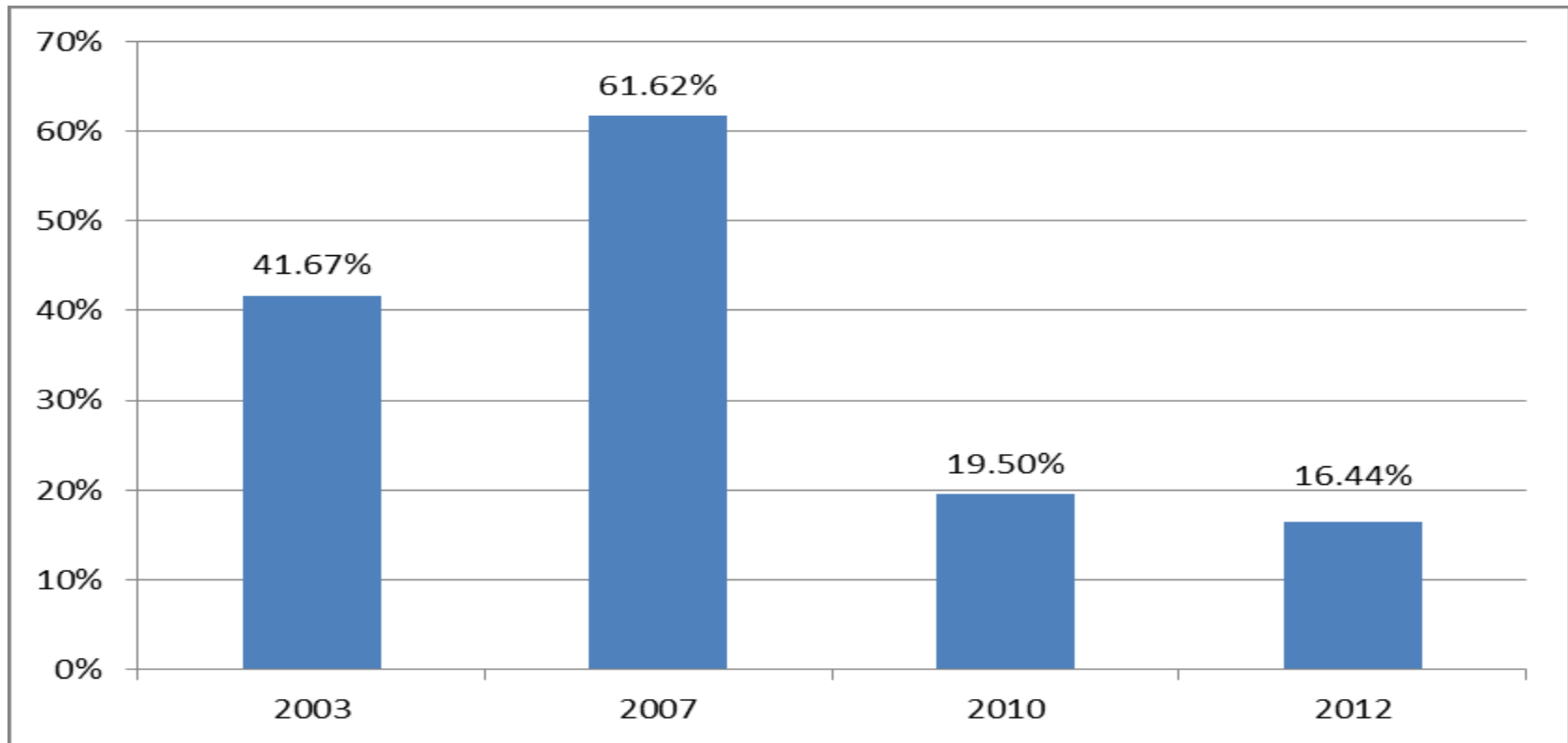


- In 2013, 7.7% of Americans were unbanked, and 20.0 underbanked.
- 53.6% of African-Americans and 46.5% of Hispanics were un- or underbanked, compared to around 20% for White, non-Hispanic non-blacks and Asians.

Source: *2013 FDIC National Survey of Unbanked and Underbanked Households*. (Washington, DC: FDIC, October 2014).

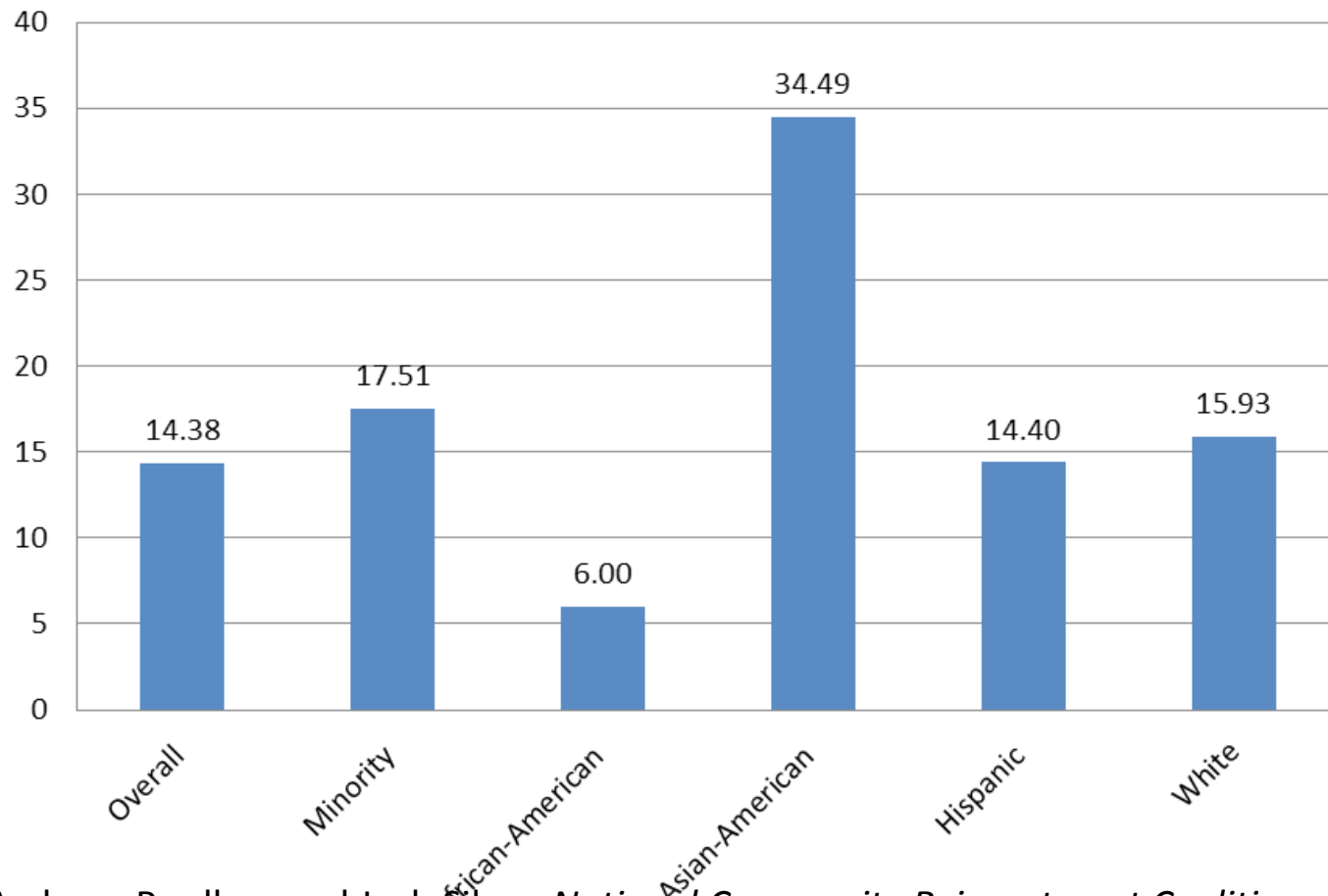
- Number of ***independent workers*** estimated to grow from 16.9 million in 2012 to **23 million in 2017** (MBO Partners, *State of Independence* report).
- **34% of the workforce** currently engages in ***freelancing*** (*Freelancer's Union*).
- **63% of households** in U.S. Financial Diaries project engaged in ***self-employment or irregular*** work.

Percent of Small Businesses receiving loans



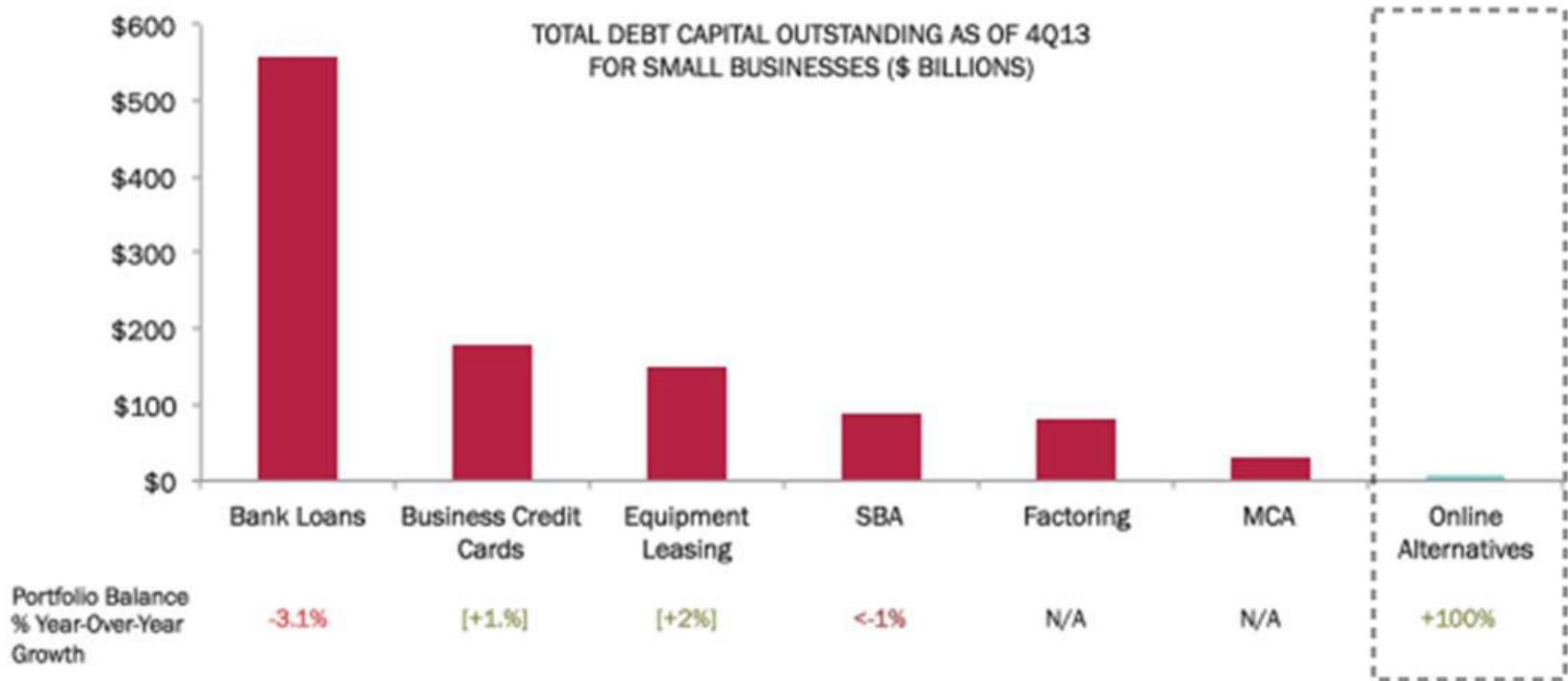
Source: Archana Pradhan and Josh Silver, *National Community Reinvestment Coalition Analysis: Small Business Lending Deserts and Oases*. (Washington, D.C.: NCRC, September 2014).

SBA 7(a) lending by race



Source: Archana Pradhan and Josh Silver, *National Community Reinvestment Coalition Analysis: Small Business Lending Deserts and Oases*. (Washington, D.C.: NCRC, September 2014).

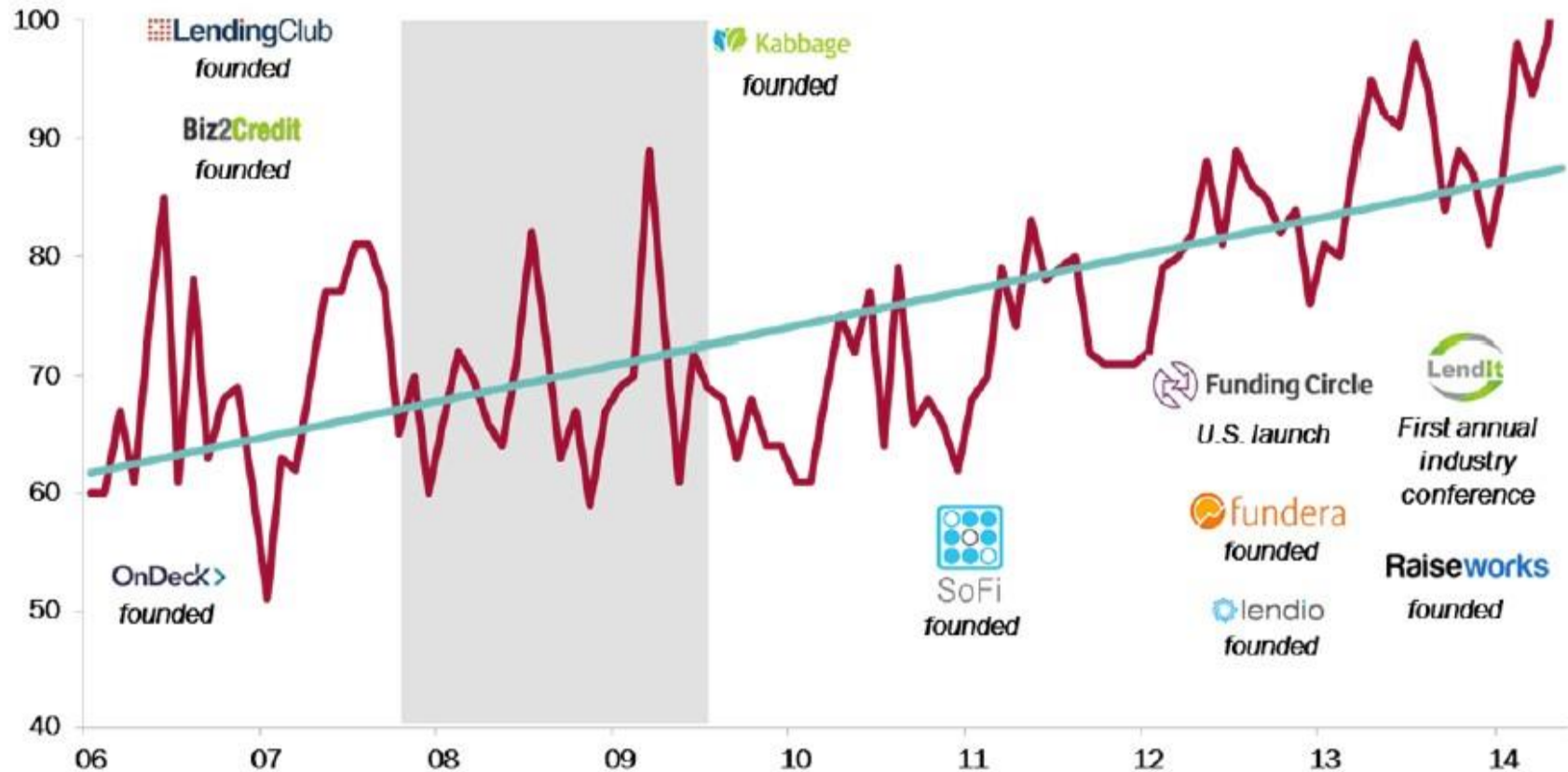
Sources of small business credit



Source: Mills, Karen G., and Brayden McCarthy. ["The State of Small Business Lending: Credit Access During the Recovery and How Technology May Change the Game."](#) Harvard Business School Working Paper, No. 15-004, July 2014.

Growing demand and supply – online lending

Figure 29: Small Businesses Clearly Want Online Loan Options
Average Monthly Google Searches of “Term Loan”



Source: Mills, Karen G., and Brayden McCarthy. ["The State of Small Business Lending: Credit Access During the Recovery and How Technology May Change the Game."](#) Harvard Business School Working Paper, No. 15-004, July 2014.

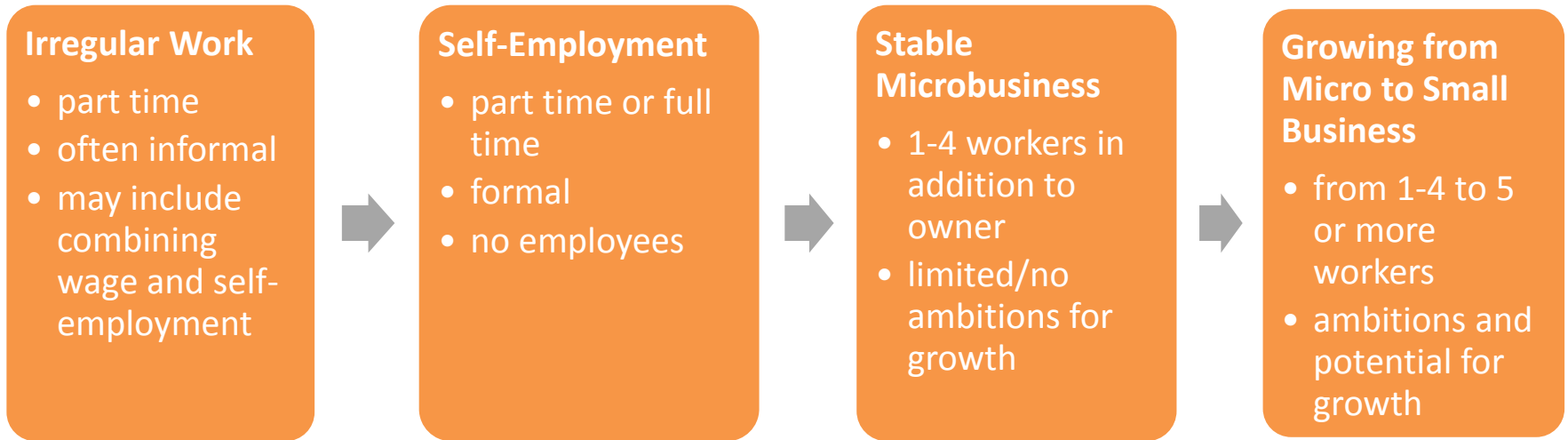
Problems:

- Growing asset and income inequality
- Growth of low-wage/low-quality jobs
- Growth in un-/underbanked.
- Growing role of self-employment and “irregular” work.
- Low levels of bank lending to businesses; growing role of nonbank lenders.

Microenterprise Role in Solutions:

- Creating jobs
- Creating “good” jobs
- Creating wealth
- Pathways to opportunity and income
- Delivery of affordable financial products
- Building credit

Microenterprise: A range of roles and outcomes



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Advancing microenterprise through knowledge and innovation

Microenterprise: A range of roles and outcomes – data findings



EntrepreneurTracker FY 2013 Client Outcomes data:

Irregular/part-time business:

35% of business owners -- 26% year-round, 9% seasonal

Revenues – median \$12,000; mean \$57,045

Owner's draw: median \$3,000; mean \$9,015



Full-time business:

63% of business owners:

Revenues – median \$96,000; mean \$191,684

Owner's draw – median \$20,000; average \$28,149



Microbusiness employer firms

1-4 workers in addition to owner
37% of businesses



Small businesses:

Five or more workers

14% of businesses

- 10% 5-9 workers
- 3% 10-17 workers
- 1% 18 or more workers

Self-employment – business owner only:

49% of businesses

28% worked another job; 51% of them worked full-time at that job

Job creators: 51% of businesses

Job characteristics:

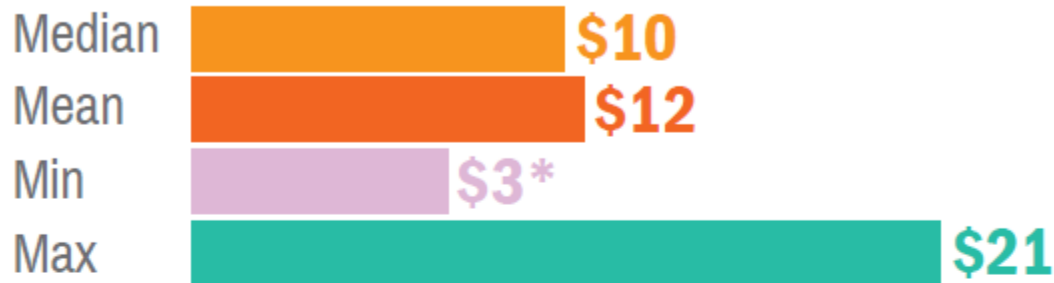
- 38% full-time, 62% part-time
- Median hourly wage: \$12
- Median annual wage: \$9,600

In-depth interviews: Accion East



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Hourly Wages



* base wage for restaurant worker.

Hourly Wage*



35% Above “low-wage”
threshold

65% Below “low-wage”
threshold

* All 2013 hourly wages were converted to 2010 dollars before comparing to the 2010 low-wage threshold of \$11.73.

In-depth interviews: Accion East



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Wage Satisfaction

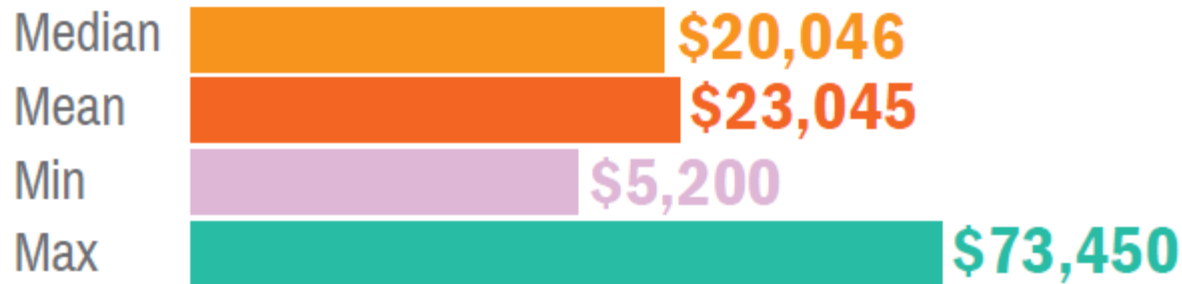


48% Mostly or Fully Satisfied

45% Partly Satisfied

07% Not at all Satisfied

Annual Job Compensation



In-depth interviews: Accion East



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Paid Vacation?



59% No
41% Yes

Health Insurance?



85% No
15% Yes

Paid Sick Leave?



89% No
11% Yes

Other Benefits?



96% No
04% Yes



Microbusinesses, Gainful Jobs

WHAT MAKES A JOB GOOD?

It may not strictly be about the wage. This study on [microenterprise](#) employees helps paint a fuller picture of job quality. [THIS IS WHAT WE LEARNED >](#)

WHAT WE HEARD

- [STABLE & FLEXIBLE >](#)
- [OPPORTUNITIES & CONNECTIONS >](#)
- [KEEPING IT POSITIVE >](#)
- [BUILDING LADDERS >](#)
- [MORE THAN A COG >](#)
- [A LAUNCHING PAD >](#)

BY THE NUMBERS

\$10.00 MEDIAN HOURLY (\$ WAGES)

[SEE ALL THE DATA >](#)

ABOUT THE NUMBERS CASE STUDIES DOWNLOADS

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