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

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.

Racial wealth gap

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

Growth in low-wage jobs

Net change in occupational employment, during and after the Great Recession

Jobs lost in the recession vs. Jobs gained in the recovery

- Higher-wage occupations
- Mid-wage occupations
- Lower-wage occupations

Source: www.nelp.org/LowWageRecovery

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## Growth in low-wage jobs

### Lower-wage occupations with the biggest growth during the recovery

(with median hourly wages)

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Median Hourly Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail salespersons</td>
<td>$10.97</td>
</tr>
<tr>
<td>Food preparation workers</td>
<td>$9.04</td>
</tr>
<tr>
<td>Laborers and freight, stock &amp; material movers</td>
<td>$11.44</td>
</tr>
<tr>
<td>Waiters and waitresses</td>
<td>$7.69</td>
</tr>
<tr>
<td>Personal and home care aides</td>
<td>$10.18</td>
</tr>
<tr>
<td>Office clerks</td>
<td>$13.51</td>
</tr>
<tr>
<td>Customer service representatives</td>
<td>$13.63</td>
</tr>
<tr>
<td>Miscellaneous assemblers and fabricators</td>
<td>$13.55</td>
</tr>
<tr>
<td>Construction laborers</td>
<td>$13.66</td>
</tr>
<tr>
<td>Grounds maintenance workers</td>
<td>$11.12</td>
</tr>
</tbody>
</table>

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.)
Growing role of self-employment

- 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

- 2003: 41.67%
- 2007: 61.62%
- 2010: 19.50%
- 2012: 16.44%

SBA 7(a) lending by race

Sources of small business credit

Growing demand and supply – online lending

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

Problems and Solutions

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

Irregular Work
- part time
- often informal
- may include combining wage and self-employment

Self-Employment
- part time or full time
- formal
- no employees

Stable Microbusiness
- 1-4 workers in addition to owner
- limited/no ambitions for growth

Growing from Micro to Small Business
- from 1-4 to 5 or more workers
- ambitions and potential for growth

Income generation
Financial capability and inclusion
Individual/household self-sufficiency
Wealth creation
Tangible assets
Job creation/economic growth
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

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In-depth interviews: Accion East

Hourly Wages

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Median</td>
<td>$10</td>
<td>$10</td>
</tr>
<tr>
<td>Mean</td>
<td>$12</td>
<td>$12</td>
</tr>
<tr>
<td>Min</td>
<td>$3*</td>
<td>$3*</td>
</tr>
<tr>
<td>Max</td>
<td>$21</td>
<td>$21</td>
</tr>
</tbody>
</table>

* 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

Wage Satisfaction

- 48% Mostly or Fully Satisfied
- 45% Partly Satisfied
- 07% Not at all Satisfied

Annual Job Compensation

- Median: $20,046
- Mean: $23,045
- Min: $5,200
- Max: $73,450
In-depth interviews: Accion East

- 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

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Microbusiness job quality:
www.gainfuljobs.org