

Self-Employment Assistance in the United States Economy

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Background

- U.S. is an entrepreneurial society. Value of the entrepreneurial spirit. Easy to start a business in the U.S. 700,000 new businesses each year
- SEA participants set up “microenterprises” – often one person businesses
- US service economy is ideal for setting up microenterprises. Professional, technical & business services. Small manufacturing
- Growing recognition of the importance of small businesses in employment growth
- American UI program was an impediment to extending entrepreneurship until SEA in 1993

Self-Employment Assistance Begins

- US came late to SEA programs
- SEA programs began in other industrial nations starting in the 1970s.
- European Union countries with SEA programs: Austria, Belgium, Czech Republic, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, Norway, Portugal, Slovakia, Sweden, Spain, United Kingdom

U.S. Experiments

- Would SEA programs work in the US? Be cost-effective for the federal government?
- U.S. Department of Labor conducted two SEA experiments in the late 1980s. Treatment & controls
- Massachusetts experiment tested the SEA approach:
 - Target permanently separated UI beneficiaries
 - Weekly self-employment allowances
 - Counseling and training

SEA Experiment Findings

- Higher participation in self employment.
- Low take up: < 2 percent: Interest & Risk
- Much higher incomes than a control group -- \$5900 per year – in both SE and W&S
- Benefit/Cost: benefits far exceeded program costs for society, individuals, and government
 - UI payments declined
 - Tax payments increased

Policy Issues

- SEA as an employment and economic development program
- Small but significant part of the UI program
- Potential shown by NY in 1997. 2,839 participants when NY SBDCs provided training for all
- National SEA program (NY model) might create up to 50,000 new business start-ups per year if US had a NY 1997 program – 7 percent of all US business startups
- Need for training funds and encouragement

For more information

- Katelin P. Isaacs. 2012. *The Self-Employment Assistance (SEA) Program*. Congressional Budget Office Report to Congress R41253 (July 12).
- Stephen A. Wandner. 2010. *Solving the Reemployment Puzzle: From Research to Policy*. Kalamazoo, MI: W. E. Upjohn Institute for Employment Research. See Chapter 8.