

A Case for Supporting Self-Employment as a Jobs Creation Strategy

1

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2

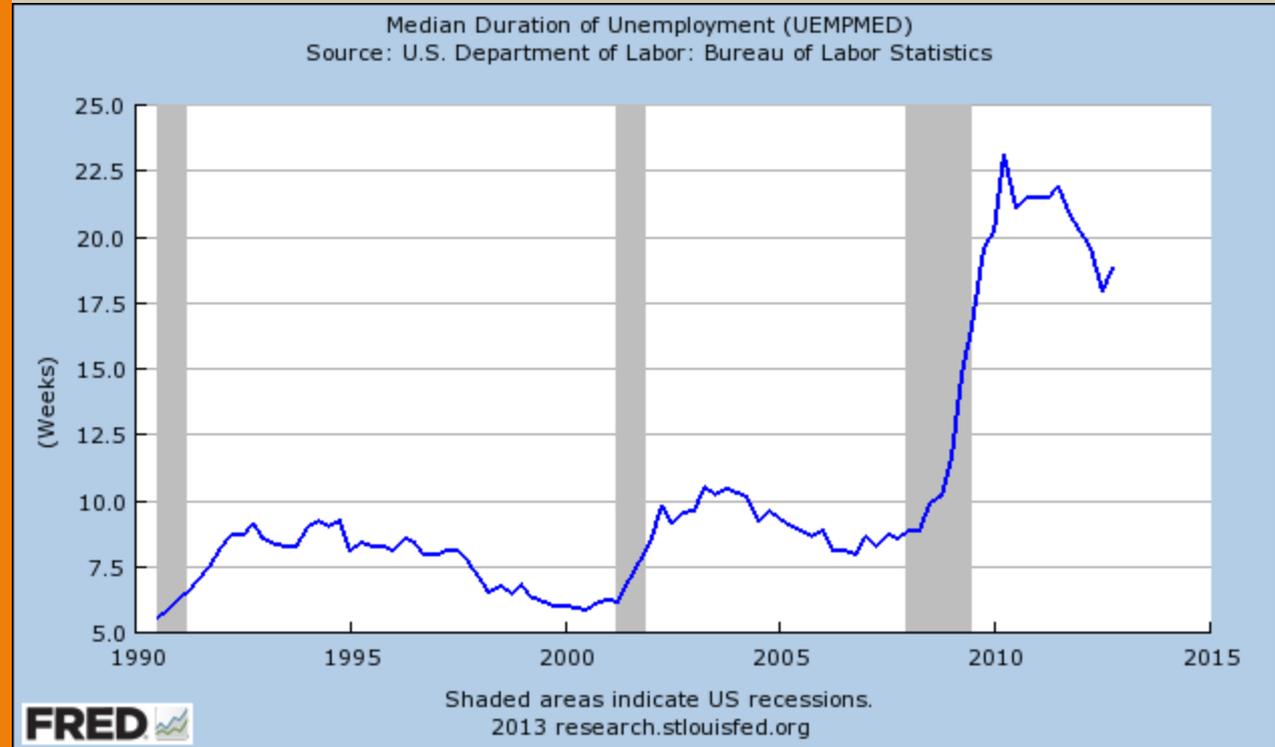
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People are unemployed longer.

In January 2013, 4.7 million people were chronically unemployed (27 weeks or over), lower than January 2012 (5.5 million).

Some may be doing something else while waiting for the job market to improve.

Median Duration of Unemployment

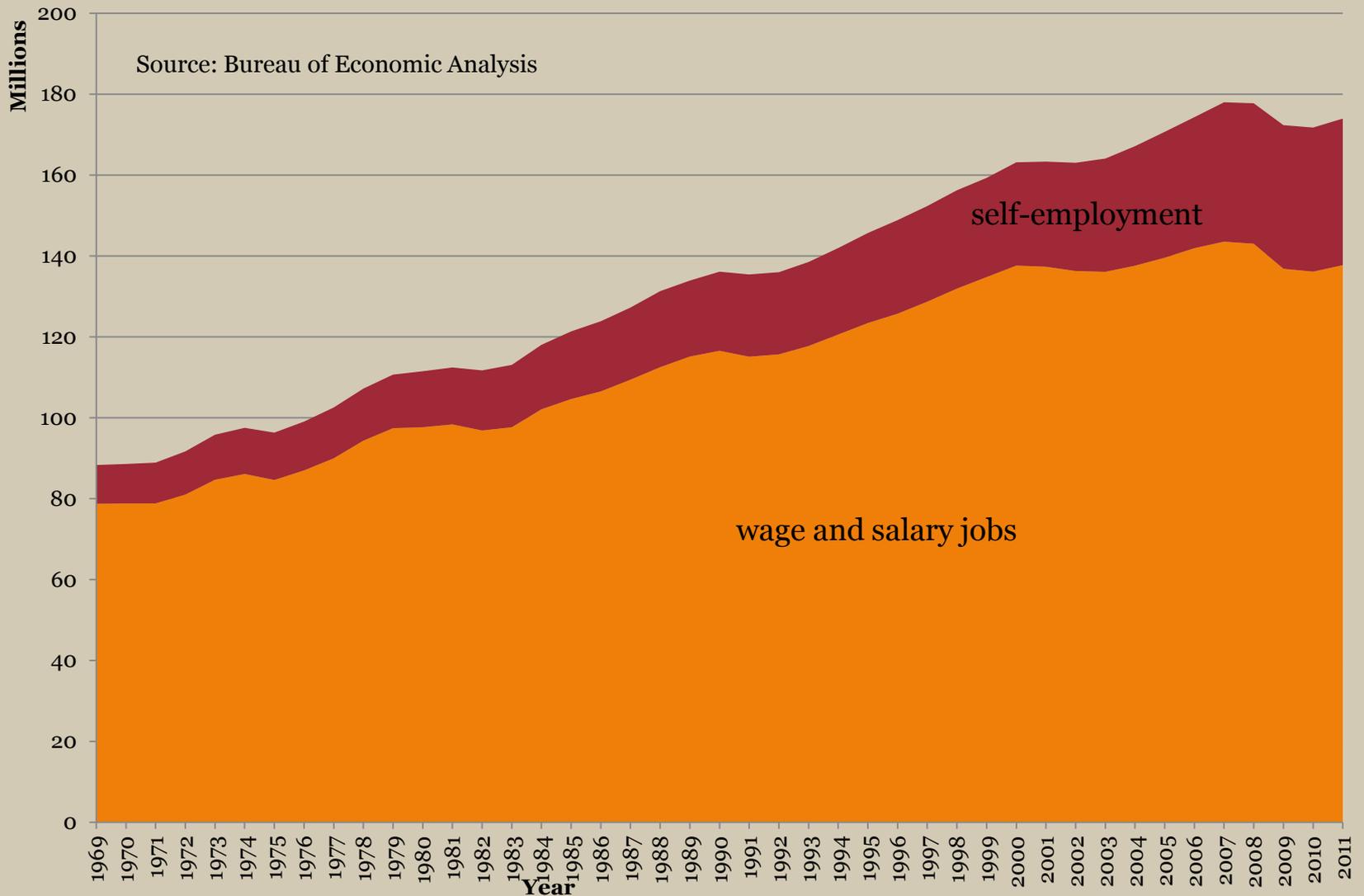


Self-employment may be a viable alternative for long-term unemployed

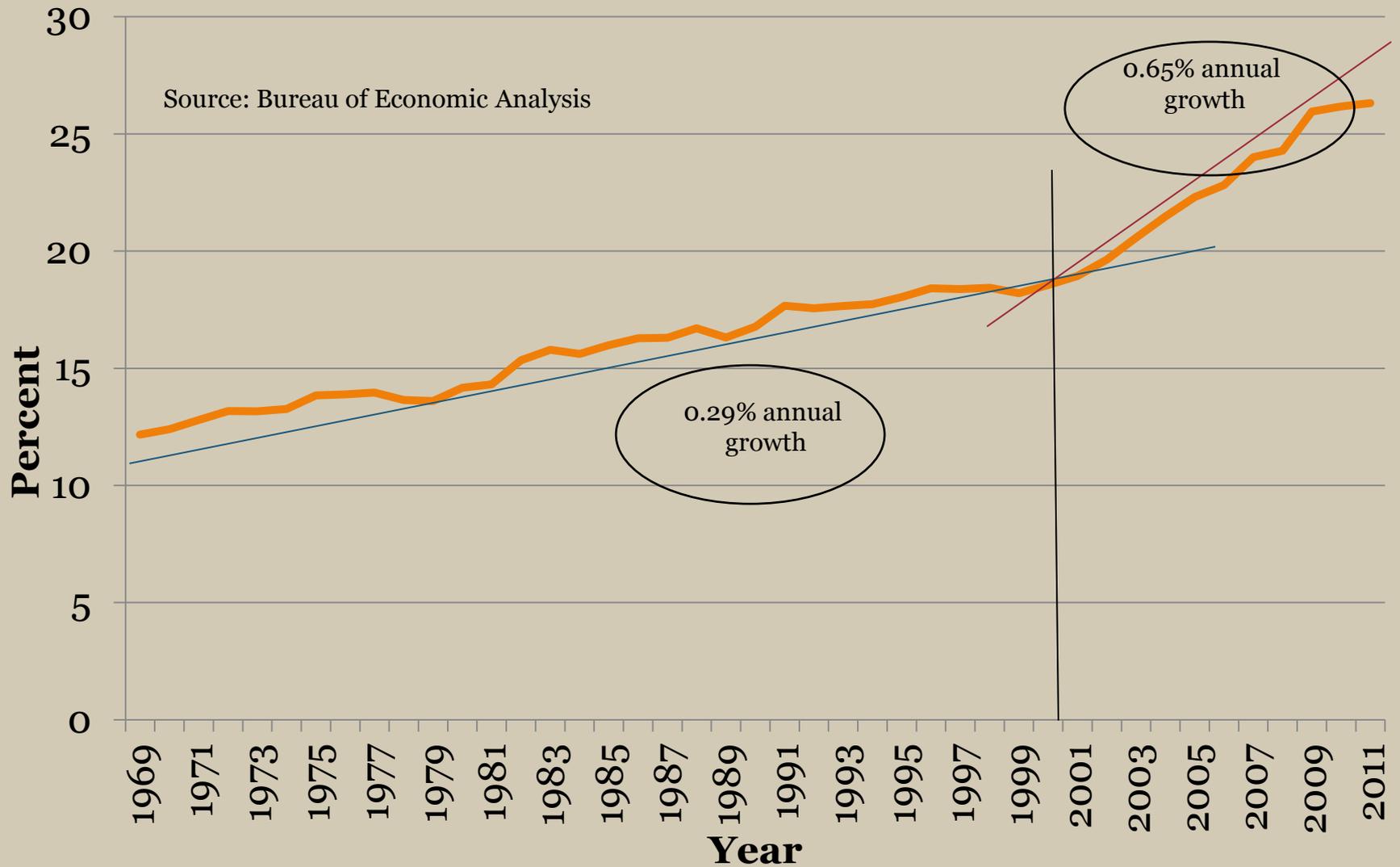
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- Over time, more people in the U.S. have turned to self-employment as a source of income
 - The long-term trend in the self-employment data has revealed a remarkable labor market phenomenon in the U.S.
 - More and more people seem to be choosing self-employment as an alternative or supplement to formal labor market
 - Surge in self-employment is likely to continue

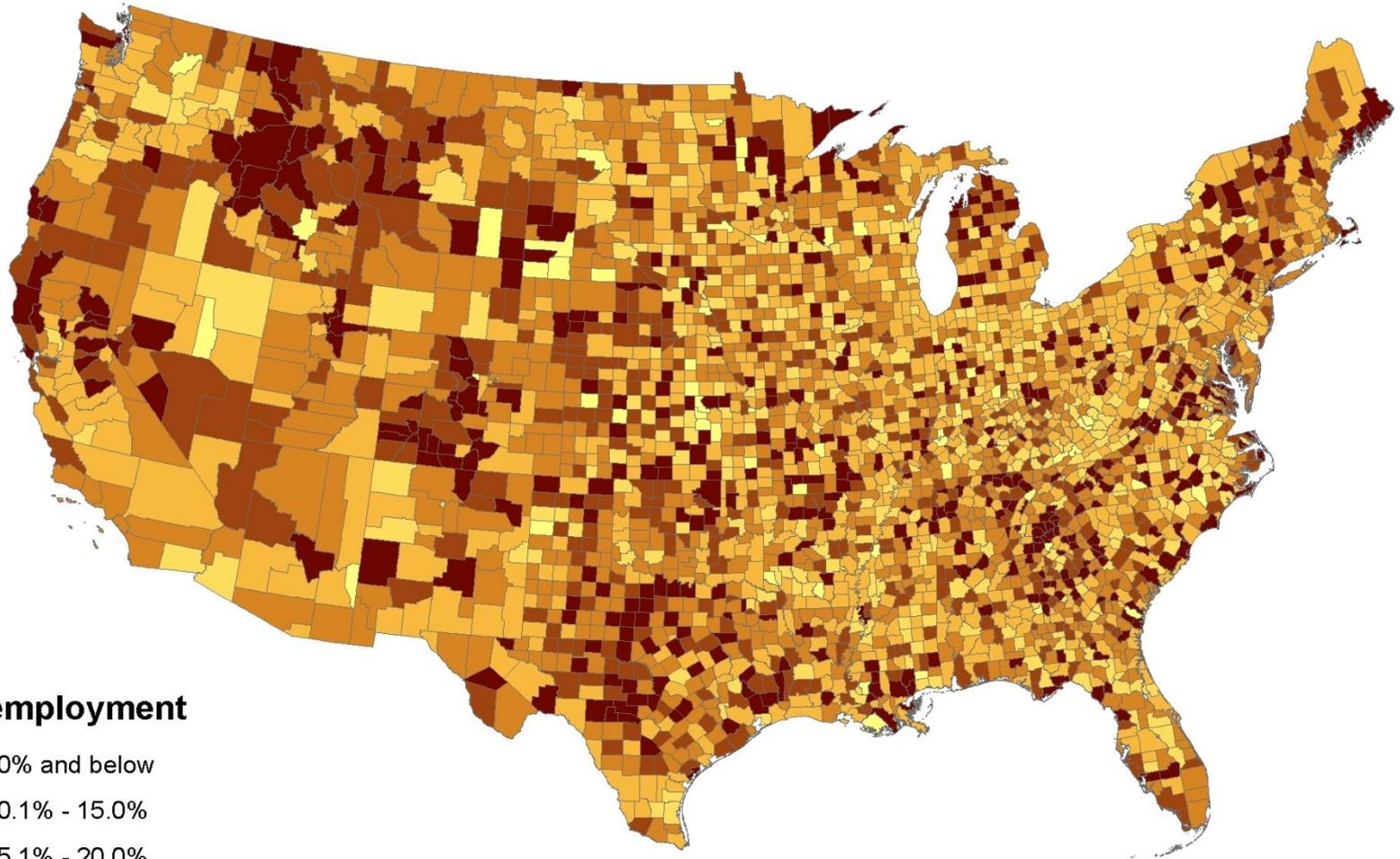
Self-Employment (Non-Farm Proprietorships) and Wage-and-Salary Employment, 1969-2011



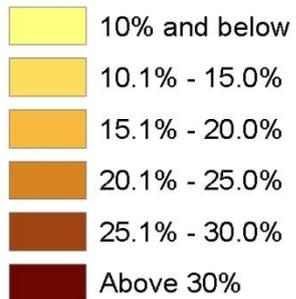
Share of Self-Employment as a Percent of Wage-and-Salary Employment, 1969-2011



Self-employment as a percent of total employment, 2008

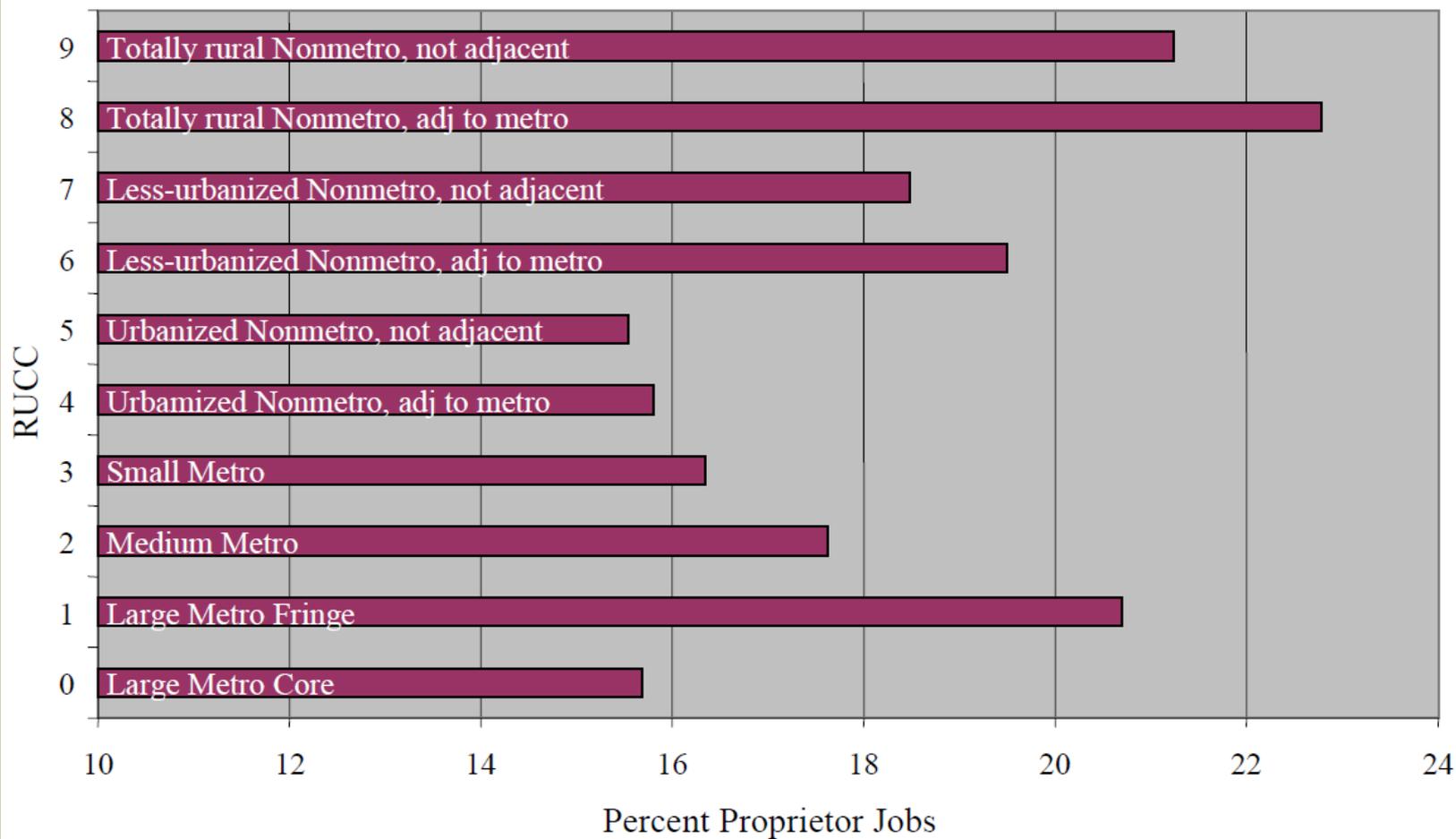


% Self-employment



Self-employment by rural urban continuum codes (RUCC)

8



Source: The Northeast Regional Center for Rural Development

Self-Employment as an Economic Development Strategy

9

- Less cyclical than larger firms (Roper and Hewitt-Dundas, 2001)
- Job creation in small firms may be more cost effective than other forms of industrial development assistance (Roper and Hewitt-Dundas, 2001)
- More likely adaptable to changing conditions (less capital intensive)
- Potential tool to alleviate poverty
- Income patching

Recent Research on Effects of Microenterprises / Self-Employment on Local Economies

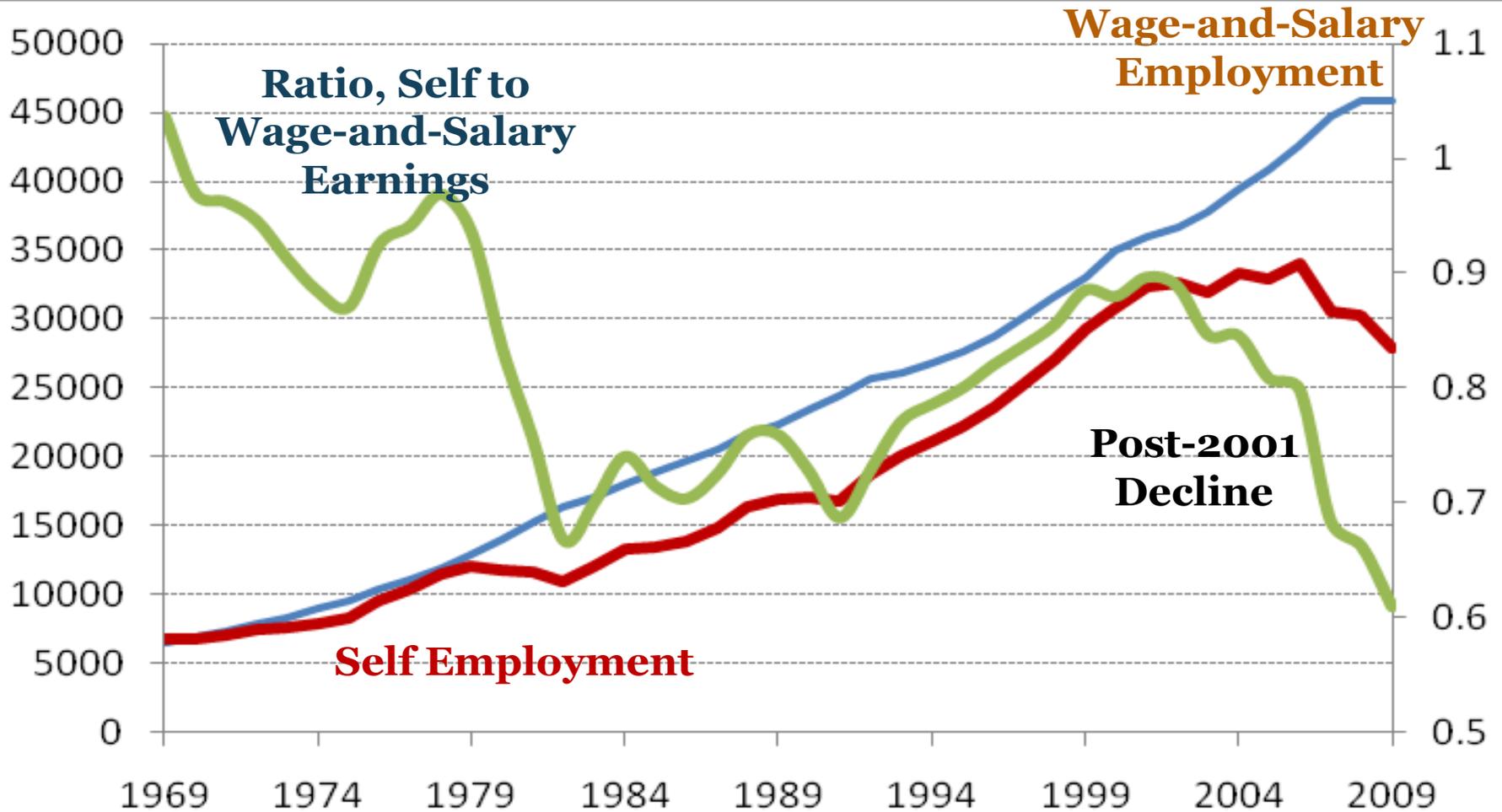
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Study	Measure of entrepreneurship	Geography	Measure of economic performance
Deller and McConnon (2009)	Establishments that employs 1-4 employees (County Business Patterns data from the Census Bureau)	US States	Employment and income growth
Goetz et al (2011)	Kauffman Entrepreneurship Index (KEI)	US States	Employment growth
Rupasingha and Goetz (2011)	The share of nonfarm proprietorships (Bureau of Economic Analysis data)	US Counties	Employment and income growth and change in poverty

Growth in NFPs has not been matched by increase in income for those proprietors

Earnings (\$/year)

Ratio



Ideas for Practice: Help for Self-Employed

12

- Technical assistance to increase productivity
- Help with business plans and marketing
- Promote general business services
- Provide programs that stimulate the entrepreneurial culture of a community
- Policy change with respect to issues such as healthcare, taxation
- Help with access to capital

Self-Employment Resources

13

- Self-Employment Assistance (DOL)
- Counseling and Training
 - The SCORE Association: a nonprofit association with volunteer business counselors
 - Small Business Development Centers (SBDCs)
 - The SBA's Women's Business Center Program comprises a national network of WBCs providing business training
 - The Veterans Business Outreach Program (VBOP) provides entrepreneurial development services for eligible veterans owning or considering starting a small business.

Micro-business: General Implications for Practice

14

- Alignment with workforce development efforts and perhaps targeted toward populations facing stubbornly high unemployment
- More recognition of micro-businesses as an income patching strategy for local economies
- Potential to improve farm and nonfarm earnings in rural communities
- Potential to decrease population loss in rural communities
- Potential employment opportunities for women

Thank You!



- **News You Can Use from the Atlanta Fed:**
 - ***Partners Update***...the latest new from the Federal Reserve System and community and economic development efforts in the southeast...www.frbatlanta.org/pubs/partnersupdate/
 - ***The Human Capital Compendium***...a collection of all resources from the Federal Reserve System on employment and workforce development...www.frbatlanta.org/chcs/compendium/
 - **Podcasts**...hear from national experts on what's working in economic development, foreclosure response, and other topics...www.frbatlanta.org/podcasts/