

## *Strengthen microenterprise support*

The economic success Michigan experienced in the last century with the boom of the auto industry was largely a product of an entrepreneurial spirit among influential Michigan residents. Entrepreneurs like Henry Ford and William Durant drove innovation in their industry to position Michigan as one of the strongest state economies in the nation. Beyond large corporations like Ford and GM, entrepreneurs across the state started small businesses, driving local economies. Today, however, many in the business and policy arenas see Michigan's business environment as stifling to the entrepreneurship that drove our state economy for years. Strengthening microenterprise support will refuel the entrepreneurial efforts of engaged Michigan working residents.

For a number of Michigan workers, entrepreneurship represents a good opportunity for earning an income in tough economic times when unemployment is soaring and finding a job is increasingly difficult. Michigan's working families can develop their own microenterprises as a way to earn or supplement their income. By strengthening microenterprise support, Michigan can help give its entrepreneurial workers the opportunity to own their own small business, empowering Michigan's working families with both income and assets.

Across the nation, small businesses fuel local economies. Successful small businesses are a sign of vibrant communities, representing opportunities for entrepreneurial individuals and providing jobs for community members. In the U.S., nearly all businesses are small, 99% have fewer than 500 employees. Small businesses employ half of all U.S. workers.<sup>1</sup> Thus, local economies and small businesses are a significant component of American life. Entrepreneurialism is valued by American culture.

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<sup>1</sup> McKernan, Signe-Mary and Henry Chen. "Small Business and Microenterprise as an Opportunity- and Asset-Building Strategy. *Opportunity and Ownership Project*. The Urban Institute. 2005.

A microenterprise is a specific form of small business that fills a certain niche within local economies. Microenterprises are small businesses with no more than five employees who benefit from loans of \$35,000 or less.<sup>2</sup> Ownership of a microenterprise is a valuable opportunity for low-income individuals. People who are unemployed or experience barriers to employment like language limitations can harness their skills into ownership of a microenterprise when regular employment is difficult to obtain. Microenterprise can also provide supplemental income to individuals working low-paying jobs.

The opportunities afforded through microenterprise ownership have led to the inclusion of microenterprise development in asset-building program efforts. Microenterprise development is an income generating strategy that helps poor, low- to moderate-income, and other disadvantaged individuals start or expand microenterprises. Supporters of microenterprise development assert that it fulfills personal, family, and community needs by creating income, building assets, and contributing to local employment creation. Longitudinal analyses of participants suggest that microenterprise programs increase income, increase assets, and decrease enrollment in public assistance programs.<sup>3</sup>

Microenterprise development programs target individuals who may have trouble finding regular employment, but possess the skills and energy needed to own and operate a small business. These programs specifically aim to help individuals who have little to no access to traditional forms of credit from private lenders. Microenterprise owners can range from unemployed auto workers to college-educated mothers. While program participants come from various backgrounds,

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<sup>2</sup> "Microenterprise Development in the United States: An overview." *Microenterprise Fact Sheet Series*. The Association for Enterprise Opportunity. 2005.

<sup>3</sup> McKernan, Signe-Mary and Henry Chen. "Small Business and Microenterprise as an Opportunity- and Asset-Building Strategy." *Opportunity and Ownership Project*. The Urban Institute. 2005.

microenterprise development programs consistently identify participants that experience greater than usual barriers to business ownership: women, minorities, low-income workers, welfare recipients, the working poor, etc.

Traditionally, microenterprise development programs concentrate their assistance to microentrepreneurs in funding mechanisms. Programs offer microenterprises funding in the form of capital for loans, grants for training and technical assistance, and resources for the provision of equipment and services. Recently, however, microenterprise development programs have developed more comprehensive approaches to microenterprise assistance. In addition to funding, programs provide outreach services, training and technical assistance, market access services, asset development assistance, and financial education programs. Further, graduate services work with microentrepreneurs after the initial assistance process to provide help with marketing, quality control, legal issues, and business expansion.

The state of Michigan can aid microenterprise development by providing support to microenterprise development organizations. An example of a state policy that would accomplish this would be to establish a Center for Microenterprise Development with a Microenterprise Development Advisory Board and to create a Microenterprise Fund. The Center for Microenterprise Development would provide funding to microenterprise development organizations from the Microenterprise Fund.

The state can also support microenterprise through a variety of policy structures. A statewide bulk purchasing plan would allow small business owners to pay a small fee for the ability to leverage the bulk purchasing power of the state to reduce the costs of purchasing goods and services for their businesses. The state can provide access to health care for business owners by providing tax credits

based on the premiums paid by new business owners that offset the cost of health insurance for individuals and their families. Tax credits can also be provided to contributors and other funding sources who support microenterprise development programs. Thus, there are a number of mechanisms for state support of microenterprise development.

Michigan can look to other states as an example for policy that supports microenterprise. For example, the Washington State Microenterprise Association has enacted a self employment assistance program which extends the use of Unemployment benefits to individuals participating in self-employment training. Washington also allows entrepreneurial training as an activity in the state's workforce development system.

Microenterprise development is a significant asset building strategy because it offers individuals the opportunity to own a small business and increase their income, giving them greater flexibility to save. The ABPP strongly recommends strengthening state support for microenterprise. Expanded microenterprise development in Michigan will improve working families' ability to earn an income and build assets.

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