

Quality Work Through Self-Employment

By Karuna Jaggur

Traditional wage employment doesn't work for everyone, and many people dream about the flexibility, earning potential, and control of being their own boss. Since 1988, Women's Initiative for Self Employment (WI) has provided training, financing, and technical support to low-income women micro-entrepreneurs in the Bay Area. Clients come to WI for many reasons. Many find that they are unable to provide for themselves and their families in low-wage jobs, minimum wage is no living wage for Bay Area families. United Way finds that one of four Bay Area families—nearly half a million households—has income too low to pay for housing, food, transportation, childcare, healthcare, and taxes.¹ This problem is particularly acute for immigrants with limited English abilities.

Outcome evaluation research with WI graduates shows that the majority are self-sufficient after participating in the program. Whether or not they start their own business, WI participants see their incomes rise on average \$10,000 in the first year. After two years, median household income jumps to \$37K from \$14K at intake. In addition to the economic advantages of starting a business, WI graduates report that, as entrepreneurs, they are able to do business according to their values—using environmentally sound practices, giving back to the community through volunteerism,² and philanthropy.³

Micro-businesses Paying Living Wages

Wage increases are often portrayed as damaging to small businesses. The argument suggests that these businesses will not survive if the profit margin is reduced by paying higher wages to workers. Contrary to such claims, research with low-income micro-entrepreneurs who have graduated from training with WI demonstrates that even the smallest businesses owned and operated by individuals with a variety of personal, social, and economic challenges are able to succeed while providing high-quality, well-paying work for others.

Every day, WI works with business owners who supposedly would be hardest hit by mandatory wage increases—those operating on razor-thin budgets with

few external resources. WI clients are all low-income women; 83 percent are ethnic minorities; 22 percent have limited or no English-language proficiency; 20 percent are single parents; 12 percent have a documented disability; 33 percent have a high school equivalency education or less. Approximately one in three clients enters the program at or below federal poverty level.

Contrary to common expectations about the ability of microenterprises to pay adequately, WI's research shows that the average wage paid by graduates—over \$15 per hour—is more than double California minimum wage and also significantly exceeds San Francisco's city-mandated minimum wage. This wage is especially impressive given that many client businesses operate in traditionally low-wage sectors, such as housekeeping and food service.

The Story of Franchesca Valdez

A case in point is Franchesca Valdez, who came to WI in 1996 after closing Club Arte, a failing nightclub business she had owned with two partners. Ms. Valdez came to WI to acquire business management skills and financing. Just 10 months after closing the doors of her joint venture, and with only \$20 in cash and a beat up Toyota as capital for a loan with WI, Ms. Valdez reopened her nightclub under a new name, Broadway Studios.

In the decade since, Broadway Studios has grown from a nightclub in a rented building employing two people, into a successful club with more than 20 people in a mix of full-time, part-time, and contracted positions, paying on average \$25 per hour. “A lot of the employees have been here five or 10 years,” reports Ms. Valdez. “We’re like a family.”



Creating Quality Work

Franchesca Valdez is not alone. WI’s research, following up with program participants for up to five years after their graduation, shows that every year, more than 200 new jobs are created in Bay Area communities by WI graduates. Since that figure includes only jobs reported by clients who stay in touch with the agency, the actual number is significantly higher.⁴ WI graduates provide quality jobs for food preparers, retail sales representatives, band members, construction workers, magazine editors, ecological cleaners, light manufacturers for clothing and accessories, and many others. Also, WI clients often specifically seek to provide quality work for youth, single mothers, monolingual immigrants, and people with criminal histories, who otherwise might be unable to get work.

Wages are Just the Start

Despite the common belief that a high wage equals a high-quality job, WI research shows job satisfaction closely tied to other factors, including flexibility, autonomy, stability, opportunities for professional advancement and personal growth, and meaningful work that is aligned with personal values.

Providing flexible, quality jobs was a major motivator for Shoshana Frumkin, who started her business, On the Spot Massage, after being on welfare for 14 years. Just six years after graduating from the WI program, Frumkin provides jobs for 50-55 massage practitioners, and two administrative staff.⁵ She estimates that most workers have been with the company for at least two years. As someone

who had found wage work unsatisfying herself, Ms. Frumkin put a lot of thought into providing work that met more than just the income needs of local massage practitioners.

What she has created in On the Spot is a unique

employment model that combines flexibility and stability for the therapists. Many practitioners find that the demands of marketing, scheduling, and bookkeeping detract from their core passion, and they benefit from On the Spot’s handling of the bulk of the administrative work. This model allows massage practitioners to gain regular clientele in a visible environment, while building a private clientele for their own businesses.

The economic benefits from WI’s work in the Bay Area, though multifaceted, can best be illustrated with a simple statistic: For every dollar invested in WI, \$23 are generated for the local community. These economic benefits are complemented by a range of benefits to the community when clients give charitably, volunteer and mentor, create environmentally responsible businesses, and take on leadership roles in the community.

WI research shows that when low-income women create well-paying, quality work for themselves and others, everyone wins. For WI graduates, quality work allows people to care and provide for themselves and their families, and benefits business owners, workers, and the entire community. ■

Endnotes

1. United Way of the Bay Area, “The Bottom Line: Setting the Real Standard for Bay Area Working Families,” September, 2004.
2. In surveys with over 200 women selected at random, nine of 10 WI clients report spending time volunteering or mentoring each month.
3. In the past year, 75 percent of WI clients donated money or made in-kind donations, compared to 45 percent of all Californians. The average value of client gifts over the previous year is \$734, more than \$500 of which was in cash and over \$200 in kind.
4. Research shows that 70 percent of program participants are running a business making consistent sales within a year of starting the program. Between one in four and one in five of these businesses will create paid work for others.
5. Ms. Frumkin, like many WI clients, also does business with other local women-owned businesses and hires a WI graduate to do all bookkeeping for On the Spot Massage LLC.

Photo: Franchesca Valdez in front of her business.

Courtesy of WISE

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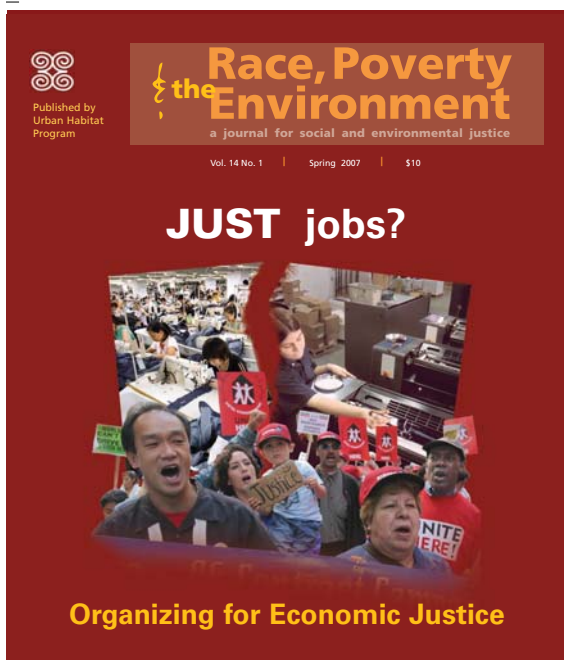
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