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REPORT

FINAL REPORT

A Study of the Self-Employment Assistance Program: Helping Unemployed Workers Pursue Self-Employment

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EXECUTIVE SUMMARY

Individuals who lose their jobs may have the skills and desire to start their own businesses. Some states have taken action to help unemployed workers create their own jobs by establishing Self-Employment Assistance (SEA) programs, which allow Unemployment Insurance (UI) eligible individuals who meet SEA program requirements to receive a weekly self-employment allowance while they are setting up their businesses. This allowance is equal in amount and duration to regular UI benefits. SEA program participants are also exempted from actively seeking wage and salary jobs so they can devote their energies to self-employment activities while they receive SEA allowances.

The SEA program was created in 1993 and permanently reauthorized in 1998. The program's scope and funding were expanded and under the Middle Class Tax Relief and Job Creation Act of 2012, P.L. 112-96 (the Act). Section 2183(b)(2) of the Act required the Secretary of Labor to provide a report describing the operations and effectiveness of SEA programs to Congress by February 22, 2017. To help meet this legislative requirement, the U.S. Department of Labor (DOL) contracted with Mathematica Policy Research to conduct this study of the SEA program. The study focused on learning about states' motivation for establishing SEA programs, states' experiences with implementing it, and outcomes of SEA participants and their businesses.

Study components and research questions

This study has three components: (1) documenting the differences between state SEA program designs and implementation experiences, (2) describing characteristics and outcomes of SEA program participants, and (3) describing characteristics of businesses established by SEA program participants. Research questions across the three components cover program targeting, content and monitoring, as well as the characteristics and outcomes of SEA participants and their businesses, such as the amount of SEA allowances received by SEA participants and the tax revenues collected from their businesses.

All three components of the study are fundamentally descriptive, and no causal inferences about the effectiveness of the SEA program should be drawn from the findings of this study even though we examine outcomes of SEA program participants and their businesses. The research design includes quantitative analysis of participant data from New York and Oregon, state-level aggregate data from DOL, and qualitative analysis of information collected through site visits and review program materials from New Hampshire, New York, Oregon, Rhode Island, and Vermont. We purposively selected for inclusion in the study five states that varied in their length of time administering SEA programs. Differences in the outcomes of SEA program participants and other UI recipients cannot be attributed definitively to the program because they could be driven by unmeasured differences between the two groups, such as prior skills, experience, and motivation.

States' decisions about and implementation of SEA programs

Although establishing SEA programs has always been optional, the Act offered grants to states to establish or improve the program, and to promote the SEA program and enroll unemployed individuals in the program. It also gave states the authority to expand SEA

participation to certain claimants in the Extended Benefits (EB) program and the temporary, now-expired Emergency Unemployment Compensation of 2008 (EUC08) program. Our examination of state and individual participation in SEA programs and how they have changed over time relied heavily on data reported by states to DOL. We found that: (1) at the end of 2015, six states had an active SEA program; (2) from January 2013 through June 2015, close to 5,000 UI recipients entered SEA programs; and (3) in states with active programs between January 2013 and June 2015, the SEA program was about one percent or less of the size of the UI program.

Motivation for and implementation of SEA programs

SEA administrators were motivated to implement SEA programs because of interest in self-employment among UI recipients, the potential of SEA to contribute to state economy's through the small business development, and a state context favorable toward entrepreneurship, and support from service delivery partners as well as other states that have SEA programs. Findings include:

- Program champions were instrumental in the establishment and maintenance of the program: they built support for the program among partners and within the state labor departments.
- States adapted elements from other states' SEA programs to meet their own unique needs, and they also adapted their programs over time.
- Because state SEA staff lacked expertise in small business development, they drew heavily on the expertise of partners such as Small Business Development Centers (SBDCs).
- On a per-person basis, state staff thought they expended more resources to serve SEA participants than regular UI recipients.

SEA program targeting and the application process

The SEA program is designed to serve only a portion of those UI recipients who are identified as likely to exhaust benefits and interested in becoming self-employed. Key findings related to SEA program targeting and the application process include:

- States typically added state-specific eligibility requirements to supplement federally mandated requirements.
- SEA staff questioned the usefulness of the federally-mandated requirement that SEA participants be identified as likely to exhaust benefits because it may screen potential SEA participants who could be successful in the program.
- In states that evaluate the feasibility of the applicant's business idea as part of the application process, SEA program staff collaborate with partners with expertise in such assessments.
- SEA staff prefer targeted outreach to broad program promotion because it enables them to pique program interest only among individuals likely to be eligible for the SEA program.

- SEA staff expose potential participants to the program's expectations and the challenges of establishing a business prior to accepting applicants into the program to ensure that participants make well-informed decisions about their participation.

SEA program participation

Each study state's SEA program had requirements for participants to maintain their eligibility for program services and also offered supports to foster the participants' business development efforts. Findings related to SEA program participation include:

- All states require SEA participants to work full time on establishing their business and certify regularly that they are meeting program requirements.
- Some states prescribe specific activities to SEA participants; others have more self-directed programs, in which participants more independently chart their own path to launching their business.
- SEA programs typically rely on partners to provide important business development supports, including counseling, mentoring, or training, to program participants.
- The breadth and intensity of SEA services and supports offered in study states often changed over time, usually in response to fluctuations in available funding.

Tracking SEA claims, program participation, and outcomes

Administrators reported collecting three main types of SEA program data, related to claims, participation, and outcomes. These data were used primarily to ensure that SEA program allowances were being paid properly and to meet federal reporting requirements. Data were also used to respond to questions from state officials and to fulfill special requests. Findings related to SEA program data include:

- Because of the relatively small number of individuals involved, tracking SEA program participation was often a time-consuming manual process.
- States had different interpretations of DOL reporting requirements, including whether to report on their outcomes during program participation or afterwards as well; these interpretations influenced their approach to collecting outcome data.
- States' use of different data sources for reporting to DOL, variation in the data collected through surveys, and low response rates for SEA program surveys raise concerns about the quality and comparability of SEA program data across states.

SEA program participant characteristics in New York and Oregon

An important aim of this study was to examine the characteristics and outcomes of people who participate in the SEA program. In addition to providing insights about whom the program serves, an understanding of the characteristics and backgrounds of those who participate and their interaction with the UI and SEA programs helps to contextualize the outcomes.

In New York and Oregon, the study states that administer the largest SEA programs, we compared SEA participants to comparison group of individuals who received UI benefits and

were profiled/identified as likely to exhaust their benefits, and thus might have qualified to participate in SEA, but who did not participate in an SEA program.[1] We report differences between the groups if they are statistically significant at the 5-percent level. Key findings related to SEA participant characteristics include:

- Between January 2013 and June 2015, a very small proportion of UI recipients applied for the SEA program in either state (0.3 percent in New York and 1.0 percent in Oregon).
- SEA program participants differed significantly from comparable UI recipients in their demographic characteristics and previous labor market experiences. For example, SEA participants were on average older, less likely to identify themselves as Hispanic, and more likely to have worked in professional, scientific, and technical services and management in their previous job.
- In both states, SEA program participants had larger benefit[2] entitlements, on average, than the comparison group—mainly because they had higher base period wages.

SEA program participant outcomes in New York and Oregon

The Act also required an evaluation of the economic outcomes of individuals who participated in an SEA program, and special attention was to be given to how they compared to individuals who received UI benefits. Findings in New York and Oregon include:

- On average, SEA program participants in New York and Oregon claimed about 23 weeks of benefits. In contrast, the comparison group of UI recipients in these states claimed 14 to 20 weeks of benefits, on average.
- SEA program participants also collected significantly more money in benefits, on average, than the comparison group of UI recipients. This was partly because they were entitled to higher weekly benefit amounts, on average, but also because they collected benefits for more weeks on average—potentially because it takes longer to establish a successful business than to find wage and salary employment.
- In the quarters after filing an initial claim, SEA program participants had consistently lower rates of wage and salary employment and earnings from such employment than the comparison group, which might be expected since SEA participants are likely to focus on establishing their businesses instead of pursuing wage and salary employment.

[1] We refer to this group of UI recipients as a "comparison group" since we compare the characteristics and outcomes of SEA participants to members of this group, as required by the Act. However, this group is not an ideal comparison group from a statistical perspective, given that it is constructed based on a single criterion by identifying UI recipients who are not SEA participants but who have WPRS scores or WPRS codes that are eligible for SEA participation. This does not mean that all members of the comparison group would be determined eligible for the program if they were to apply, because it is possible they would not meet other eligibility conditions that could be assessed only through the application. The two groups vary considerably in background characteristics (as shown in Chapter VIII); furthermore, there might be many unmeasured differences between the two groups, such as in prior skills, experience, and motivation, which could affect their outcomes.

[2] Throughout the report we use the term "benefits" when the payments are received both by SEA participants and comparable UI recipients, "SEA allowance" when the payments are received by SEA participants only, and "UI benefits" when the payments are received by the comparable UI recipients only.

- The wage/salary earnings gap (conditional on employment) between the SEA program participants and the comparison group is mostly driven by lower earnings among the SEA participant group during the year following their enrollment in the SEA program, when they are likely still participating in the program and working to establish their businesses. By the second year, the wage/salary earnings gap (conditional on having employment) has largely disappeared in New York, and in Oregon, SEA program participants out-earn the comparison group, on average.

Business outcomes of SEA programs

The quantitative analysis of the characteristics and outcomes of businesses established by SEA program participants relied primarily on individual-level survey data from New York. We refer to the businesses that SEA program participants set up as "SEA establishments." To learn about the operations and outcomes of SEA establishments, we examine the number of businesses SEA program participants launch as well as information about the number of employees, wages and gross revenues and, when feasible, business survival. We also provide qualitative insights regarding the types of businesses established by SEA participants based on information collected from site visit interviews with SEA program administrators. We also estimate the amount of federal and state tax revenues collected from businesses established through the SEA program in New York. The analysis focuses on SEA program participants approved during 2013 and 2014 so we are able to observe their outcomes. The analysis found:

- Fewer than one-third of New York SEA participants who responded to a state-administered survey reported that their business was operating at any point in the first four quarters after they enrolled in the program.
- In New York, average gross and net revenues, the number of non-owner employees, and the wages paid to those employees were all substantially higher for SEA establishments that were operating in the fourth quarter, compared to SEA establishments that were operating in the first quarter after participation began.
- Among individuals who reported operating a business in the first quarter after being approved for the SEA program, 40 percent were still operating a business three quarters later.
- Our tax revenue analysis suggests that, in 2014, the SEA program in New York generated $536,937 in federal income taxes and $140,136 in state income taxes.

Importantly, due to the non-experimental nature of this study, the findings from this analysis should not be interpreted as evidence that the SEA program services caused these outcomes.

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I. INTRODUCTION

States that want to help unemployed workers create their own jobs can establish a Self-Employment Assistance (SEA) program, which allows Unemployment Insurance (UI) claimants who meet program eligibility requirements to receive a weekly self-employment allowance while they are setting up their businesses. This compensation is equal in amount and duration to the claimants' regular UI benefits. Unlike regular UI claimants, SEA program participants are exempt from the requirement that they be actively seeking wage and salary jobs. The expectation is that SEA program participants devote their energies to self-employment activities while they receive an SEA allowance.

SEA program history

- The SEA program was created under the North American Free Trade Agreement Act in 1993 (P.L. 103-182) as a temporary program. Its purpose was to give people who experienced job loss the option of becoming reemployed by starting their own businesses.
- SEA programs were permanently authorized in 1998 under the Noncitizen Benefit Clarification and Other Technical Amendments Act (P.L.105-306).
- The Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96) (the Act) further authorized states to expand the program to long-term unemployed people receiving benefits under the Extended Benefits (EB) and Emergency Unemployment Compensation Act of 2008 (EUC08) programs, which provided additional weeks of unemployment benefits to long-term unemployed workers under certain conditions.
- Section 2182 of the Act also appropriated $35 million for grants to states to establish or improve the administration of an SEA program and to promote SEA programs and enroll unemployed individuals in such programs. Funding was available to states in proportion to the state's share of total U.S. unemployment. The majority of the funding (about 86 percent, or $30 million) was available for implementation and improved administration of the SEA program; the remainder was available to promote the program and enroll individuals into the program.

The SEA program was created under the North American Free Trade Agreement Act in 1993 (P.L. 103-182) as a temporary program. Its purpose was to give people who had experienced job loss the option of becoming reemployed by starting their own businesses. SEA programs were permanently reauthorized in 1998 under the Noncitizen Benefit Clarification and Other Technical Amendments Act (P.L.105-306). The Middle Class Tax Relief and Job Creation Act of 2012, P.L. 112-96 (henceforth referred to as the Act) further authorized states to expand the program to long-term unemployed people receiving benefits under the Extended Benefits (EB) and Emergency Unemployment Compensation Act of 2008 (EUC08) programs, which provided additional weeks of unemployment benefits under certain conditions to workers who remained unemployed for longer periods of time. Section 2182 of the Act also appropriated $35 million for grants to states to establish or improve the program and to promote the SEA program and enroll unemployed individuals in the program. Funding was available to states in proportion to the state's share of total U.S. unemployment. Most of the funding (about 86 percent, or $30 million across all states) was designated for implementation and improved administration of the SEA program. The remaining $5 million was available to promote the program and enroll individuals. States had until August 14, 2013, to apply for the grant funds (UI Program Letter [UIPL] No. 20-12, issued May 24, 2012; UIPL No. 20-12, Change 1, issued April 3, 2013 to extend the application deadline). Five states (Mississippi, New York, Oregon, Rhode Island, and Vermont) received SEA grants that collectively amounted to about $2.87 million.

Section 2183(b)(2) of the Act required the Secretary of Labor to provide a report describing the effectiveness of SEA programs to Congress within five years (that is, by February 22, 2017). The text from Section 2183(b)(2) of the Act regarding the evaluation is provided below.

Middle Class Tax Relief and Job Creation Act of 2012[3]
Section 2183(b)

(2) Evaluation. Not later than 5 years after the date of the enactment of this Act, the Secretary shall submit to Congress a report that evaluates the effectiveness of self-employment assistance programs established by States, including—

(A) an analysis of the implementation and operation of self-employment assistance programs by States;

(B) an evaluation of the economic outcomes for individuals who participated in a self-employment assistance program as compared to individuals who received unemployment compensation and did not participate in a self-employment assistance program, including a comparison as to employment status, income, and duration of receipt of unemployment compensation, or self-employment assistance allowances; and

(C) an evaluation of the state of the businesses started by individuals who participated in a self-employment assistance program, including information regarding—

(i) the type of businesses established;

(ii) the sustainability of the businesses;

(iii) the total income collected by the businesses;

(iv) the total number of individuals employed through such businesses; and

(v) the estimated Federal and State tax revenue collected from such businesses and their employees.

To help meet this legislative requirement to report on the operations and effectiveness of SEA programs, DOL contracted with Mathematica Policy Research to conduct this study of SEA. The study has focused on learning the motivation for states' engagement in SEA, states' experiences with implementing SEA, outcomes of SEA participants and their businesses, and considerations for other states that are interested in implementing SEA. Using a mixed-methods approach that utilized four types of data sources, we developed a broad perspective of state SEA engagement as well as an in-depth depiction of program implementation, participation, and outcomes for selected study states. For the analysis, we relied on qualitative data collected through site visits and discussions with state staff and their service partners from five states. These data were augmented with quantitative analysis of data reported by states to DOL plus data from two of the study states to learn more about SEA participation and outcomes. A more detailed description of the research design for the study is provided in Appendix A.

Despite the unique aspects of states' SEA programs, we expect that the qualitative findings from this study are likely to be similar and generalizable to other states with active SEA programs because we collected qualitative information from most (five of seven) states with active or pilot programs in 2015. In addition, when selecting states to include in the study, we tried to ensure that the study states were broadly reflective of all SEA states on the basis of their program's size and length of time their programs had been operating. The study's quantitative findings, particularly those findings based on the two study states who provided data, may be less generalizable to other states with SEA programs because the two states are significantly

[3] http://www.gpo.gov/fdsys/pkg/PLAW-112publ96/html/PLAW-112publ96.htm.

larger than the other states and have had SEA programs operating for a much longer period of time.

In this chapter, we provide an overview of the SEA program (Section A), describe the research questions and objectives of the study (Section B), and explain the structure of the rest of the report (Section C).

A. Overview of the SEA program

State participation in the SEA program has always been voluntary. States may adopt SEA programs for a variety of reasons, including providing an alternative option for employment when jobs are scarce. To enact an SEA program, a state must pass legislation that allows it to (1) waive work-search requirements for SEA program participants and offer them SEA allowances equal to their UI benefits, (2) exempt self-employment income from being considered disqualifying income for UI program purposes, and (3) make the program available to those who would otherwise be eligible for UI benefits. In addition, states must ensure that no more than 5 percent of their regular UI benefit claimants participate in the program. State SEA programs must also be budget-neutral (that is, the program should not result in any cost to the Unemployment Trust Fund in excess of the cost that would be incurred if the state did not have an SEA program).

To be eligible for SEA, people must (1) qualify for UI benefits, (2) have experienced a permanent separation from prior employment, (3) be identified as likely to exhaust UI benefits based on the state' Worker Profiling and Reemployment Services (WPRS) system, and (4) be willing to take part in the self-employment activities required by their state's UI agency. States may add additional eligibility or participation requirements. Table 1.1 summarizes the key features of the SEA program and how they are similar or different from the UI program based on federal program rules (provided in UIPL No. 20-12 and 26 U.S.C. 3306(t)).

Although the SEA program has historically been available only to individuals who would otherwise be eligible for regular UI benefits, the Act also gave permissive authority to states to expand access to the SEA program to those individuals who would otherwise be eligible for EB or EUC08 program benefits. Historically, individuals who were participating in the SEA program in lieu of receiving UI benefits were ineligible for EB or EUC08 benefits (when those programs were in operation in the recipient's state) because they would not meet the rule that restricted eligibility to individuals who were determined to have exhausted regular UI benefits. The Act did not waive this eligibility criterion, though states were allowed—but not required—to offer the SEA program to UI claimants who would otherwise be entitled to benefits through the EB or EUC08 programs. For a recipient to be eligible to participate in an SEA program in lieu of EB or EUC08, the state had to have a reasonable expectation that the recipient would be entitled to at least 13 weeks of EB or EUC08 benefits. States also could impose other SEA program eligibility and participation requirements.

Table I.1. Key federal parameters regarding eligibility, benefits, and program requirements of the UI and SEA programs

	UI	SEA
Eligibility		
Participant satisfies UI eligibility criteria	X	X
The state WPRS system must identify the participant as likely to exhaust UI benefits[a]		X
Benefits		
Participant receives cash payment in an amount, duration, and frequency determined by state UI payment formulas	X	X
All earned income, including income earned through self-employment, is subject to state requirements related to disqualifying income	X	
Income earned through self-employment is exempt from state requirements relating to disqualifying income		X
Participants who collect all of their entitlement to benefits might be eligible for an entitlement of EB or EUC08 benefits (when those benefits are available in the state)	X	
Program requirements		
Participant must be available for work	X	
Participant must actively search for work	X	
Participant may not refuse an offer of suitable work	X	
Participant must work full time on establishing a business		X
Participant must participate in self-employment assistance activities approved by the state agency such as business counseling and technical assistance		X
All other terms and conditions for receipt of UI benefits must be satisfied	X	X
Other		
Participant is considered to be unemployed for the purpose of federal and state laws applicable to Unemployment Compensation	X	X

EB = extended benefits; EUC08 = Emergency Unemployment Compensation Act of 2008; WPRS = worker profiling and reemployment services.

[a]UI recipients must reach a threshold of probability of exhaustion before being admitted to the SEA program.

In practice, states have not been able to capitalize in the past few years on the flexibility offered through the Act to operate SEA programs in lieu of the EB and/or EUC08 programs. The EB program has not been active in any state except one (Alaska, which has never had an SEA program) since 2012, and the EUC08 program expired for all states near the end of 2013.

B. Study objectives and research questions

The objectives of this study are to help DOL meet the Congressional mandate to report on the operations and outcomes of SEA programs established by states. To achieve these objectives, the SEA study has three components.

1. **Documenting the differences between state SEA program designs and implementation experiences.** We identify the significant facets of states' take-up, implementation, and operation of SEA programs and the context in which these occur. This component involves a mixed-methods approach using quantitative analysis of states' aggregate data on participation along with qualitative analysis of site visit interviews and available program documents from five states that have recently operated SEA programs (see Appendix B for description of each study state's program). We describe states' approaches to and experiences with adopting and operating the SEA program.

2. **Describing characteristics and outcomes of SEA program participants.** We describe SEA participants' characteristics and outcomes. We also match them against comparable UI recipients. To accomplish this, we primarily relied on quantitative methods to compare participant-level characteristics and outcomes with people who are similar in some ways to SEA participants but who are not participating in the SEA program.
3. **Describing characteristics of businesses established by SEA participants**. We describe the number, type, and outcomes of businesses that SEA participants established, including information about the number of employees, wages, gross revenues, and sustainability. We also estimate the amount of federal and state tax revenues collected from businesses established through the SEA program. This component primarily involves using quantitative analysis of the characteristics of businesses that SEA participants established but is supplemented with insights from qualitative information we collected through site visit interviews.

All three components of the study are fundamentally descriptive, even though we examine outcomes of SEA participants and their businesses. No causal inferences about the effectiveness of the SEA program should be drawn from the findings of this study. Specifically, any differences in the outcomes of SEA participants and the comparison group of UI recipients cannot be attributed definitively to the program because they could be driven by unmeasured differences between the two groups, such as prior skills, experience, and motivation.

Table I.2 summarizes the key research questions we address under each of the three study components.

Table I.2. Research questions associated with the three study components

Study components	Research questions
I. SEA program design and implementation	1. **Which states have participated in the SEA program?** Which states have new or well-established SEA programs? What patterns of SEA program participation were observed in these states?
	2. **What is the context for SEA program decisions (program adoption, continuation, design) and operations?** What was the rationale for states to decide to adopt the SEA program? How has support for the SEA program within these adopting states changed over time, and why? What role (if any) do advocates of the SEA program play, and what is their role on the success, visibility, or scale of the program? How does the SEA program fit in with the overall UI program?
	3. **What are states' experiences implementing the program?** How are key elements of the SEA program designed and implemented? What do states consider to be the key elements of the SEA program? What is the conceptual model underlying these key program elements? To what degree can and does the program leverage state resources for program implementation? What factors facilitated or impeded program implementation? What are the lessons learned?
	4. **How is the program targeted?** What are the eligibility requirements, and what is their rationale? To what degree are eligibility criteria and procedures modified over time, and why? What challenges do staff face in determining whether applicants meet these criteria? What are staff perspectives on the appropriateness and effectiveness of eligibility criteria? What conditions are participants required to fulfill to continue participating in the program?

Table I.2 (*continued)*

Study components		Research questions
		5. How does the SEA program recruit and admit participants? How is outreach planned and conducted? What outreach approaches have been successful and which have not? What modifications have been made over time, and why? What steps are required for people to apply to the program? What is the rationale for these requirements?
		6. What benefits, services, and supports does the SEA program offer program participants? What are the range and intensity of services planned and delivered? What is the rationale for selecting these services? How are participants' needs assessed? Who provides training and delivers other services and supports? What partnerships and resources do states use to facilitate implementation and service provision? Which staff are involved in providing SEA program services? What is their capacity for providing the supports needed? What are staff experiences assessing participants' needs and delivering services? What modifications have been made over time to the services offered, and why were they made? What factors facilitated or impeded service delivery?
		7. How do SEA programs track participants and monitor outcomes? What are their monitoring procedures and rationale for their design? What procedures do they have in place for following up with program participants? What are staff experiences with conducting monitoring and follow-up? What modifications have been made over time, and why? What resources does the state use to facilitate participant tracking? What data are tracked on participants and their outcomes? What factors impede or facilitate participant tracking and collection of outcome data?
II.	Characteristics and outcomes of SEA program participants[a]	**8. What are the rates of program application, acceptance, and take-up among the target population?** How many people apply to the SEA program? What proportion are accepted? What proportion actually participate in the program? What proportion do SEA program participants comprise of all eligible UI claimants and the total UI population in the state?
		9. What are the characteristics of SEA program participants? What are their demographic characteristics? In what occupations/sectors did they work before becoming unemployed? How are their demographic characteristics and previous labor market experiences similar to and different from SEA-eligible nonparticipants in the state?
		10. What benefits and services do SEA program participants receive? What are the durations of SEA program participation and benefit receipt? What services do participants receive? How do the benefit durations of SEA program participants compare with the benefit durations of UI recipients that may have been SEA-eligible?
		11. What are SEA program participants' rates of wage and salary employment and self-employment? How do employment rates of SEA participants compare with those of SEA-eligible nonparticipants?
		12. What are SEA program participants' wage and salary earnings? How do these compare with wage and salary earnings among SEA-eligible nonparticipants?

Table I.2 (*continued)*

Study components	Research questions
III. Businesses established by SEA participants	**13. How many businesses are established by SEA participants?** What portion of SEA participants establish businesses?
	14. What are the characteristics of businesses established by SEA participants? What types of businesses are SEA participants operating? In what industries are these businesses?
	15. How well are these businesses doing in terms of number of employees they hire, their annual payrolls of wages paid to employees, and sustainability of the business over time? What is their stage of business development? What are their business revenues? Does business performance vary by owner characteristics or by type of business?
	16. How much federal and state tax revenues were collected from businesses established through SEA?

[a] Eligibility for the SEA program is determined in part based on information that UI recipients provide through applications to participate in the SEA program and in part based on information contained in UI administrative records, such as the recipient's WPRS score. Without an extensive effort to collect data from UI recipients who do not apply for SEA, much of the information recorded in a SEA application is not available for those who do not apply to SEA. Therefore, we do not have information on some characteristics of UI recipients who do not apply to SEA that are relevant to eligibility to be approved for SEA, such as whether they are seeking to expand an existing business or have owned a similar business in the past. Because of that, it is infeasible to determine which UI recipients who do not apply to the SEA program would meet all of the SEA eligibility criteria if they were to apply. For comparisons with SEA participants, we identified a group of UI recipients who are not SEA participants but who have WPRS scores or WPRS codes similar to those of SEA applicants and used this group as the "comparable UI recipients" in our analyses even though it is likely that many of them would be determined ineligible for the program if they were to apply because they would not meet the eligibility conditions that could be assessed only through the application. The results of comparisons between SEA participants and this group of "SEA-eligible nonparticipants" will provide insights about how SEA participants differ from or are similar to other UI recipients who had a similar WPRS score or code, but it will be important to keep in mind that the comparison group required by the Act is not an ideal one from an analytical perspective due to data limitations.

C. Structure of the report

The remaining chapters of the report describe the research design and findings to answer the research questions. In Chapter II, we provide a summary of the research design, including describing the selection of states for the study sample, the data sources, and the methods used to analyze those data sources. In Chapter III, we document state and individual participation in SEA programs. The findings regarding program implementation and operations from these study states are in the next three chapters. Chapter IV describes the states' motivations to adopt SEA and their administration of the program, Chapter V discusses SEA program targeting and the application process, and Chapter VI describes SEA program requirements and supports for participants. Chapter VII describes how study states tracked SEA claims and outcomes. Information about outcomes of SEA program participants and their businesses is in the following chapters: Chapter VIII describes SEA participant characteristics in New York and Oregon, Chapter IX describes participant outcomes in New York and Oregon, and Chapter X depicts business outcomes and estimated tax revenues from businesses in New York. The report concludes with Chapter XI, which synthesizes the findings and provides additional insights of SEA programs in five states.

Supplemental information is also contained in seven appendices to this report. Appendix A describes the study design, data and research methods. Appendix B contains a description of each study state's SEA program. Appendices C, D, and E describe the data and analysis methods used in chapters VIII, IX, and X, respectively. Appendix F discusses issues with the quality of

ETA 9161 state-level data about business outcomes of SEA participants and presents tax estimates based on those data. Finally, Appendix G describes findings from previous studies that examine SEA and similar programs.

II. RESEARCH DESIGN

Quantitative and qualitative sources of information were used in this study to develop a comprehensive set of insights about the implementation, operations, and outcomes of the SEA program. Some of the research questions are addressed using available data from all SEA-participating states; other questions are answered using a more detailed but narrower focus on a few selected study states. In this chapter, we provide a summary of the study's design, including the selection of states for the study sample (Section A), the data sources (Section B), and methods to analyze the data (Section C). A more detailed description of the research design for the study is provided in Appendix A.

A. Selection of states for study sample

With input from DOL, we identified, recruited, and obtained agreement from five states to participate in the study: New York and Oregon, which have well-established SEA programs, and New Hampshire, Rhode Island, and Vermont, which have recently launched programs. We intended to exclude from our sample states that did not have active SEA programs. But between the time when we selected states to include (in early 2015) and when we interviewed staff from these states (in late 2015 and early 2016), Rhode Island terminated its SEA program due to lack of funding.

Given the varying amounts of time that states have been participating in the SEA program, some of the study components and research questions were more pertinent for some states than for others. However, taken as a whole, the data from these study states shed light on the experiences of states that recently implemented SEA programs, operated and maintained long-running programs, and—in the case of Rhode Island—decided to end the program.

We interviewed program leaders and partners in the five states and reviewed their SEA program materials. We also requested participant-level data from the two states with well-established SEA programs (New York and Oregon). Participant-level data was only requested from these two states because they served the greatest number of SEA participants and have a long history of administering the SEA program—characteristics that facilitate a rich analysis for the study. Additional details about these data sources from the study states are in the next section.

B. Data sources

To answer the research questions, the study uses four sources of information.

1. **Site visits and interviews.** One or one-and-a-half day site visits were conducted in four of the study states (New Hampshire, New York, Oregon, and Rhode Island). For Vermont, we conducted a telephone interview because the state's effort to implement the SEA program had only just started. We also conducted follow-up telephone interviews after the site visits to clarify questions or obtain additional information.
2. **Program documentation**. For each of the study states, we collected materials about the SEA programs: program promotion and recruitment materials, application forms, procedural

guidance, claims forms, participant survey forms, and reports or presentations that states prepared about their SEA program.

3. **Participant-level UI and SEA program data from New York and Oregon.** We received individual-level data from New York and Oregon for both regular UI recipients and SEA participants.

4. **State-level program data from DOL.** To provide descriptive information about SEA participation nationally, we received aggregate data from DOL on all states participating in the SEA program. These data include statistics reported by states on UI claims and payment activities (from the Employment and Training Administration (ETA) 5159 report) and SEA program activities (from the ETA 9161 report).

C. Methods

Both qualitative and quantitative methods were used to analyze the data sources to address the research questions. Qualitative analysis was used to analyze the information collected through site visits and interviews plus SEA program documentation from each of the five study states. Quantitative analysis was used to analyze the participant-level UI data from New York and Oregon and the state-level aggregate data states provided to DOL. In this section, we provide an overview of the methods used for each study component.

1. Component 1: SEA program design and implementation

To answer the research questions about SEA program design and states' experiences with implementation, we relied primarily on qualitative analysis of site visit and interview data supplemented with information from SEA program documents. The qualitative analysis was focused on describing states' motivations for participating in the SEA program, the key elements of the program and how they have been adapted, staff perceptions of and experiences with designing and implementing the program, and the lessons learned.

The qualitative analysis was augmented with quantitative analysis of state-level data, specifically data reported by states to DOL on UI claimants (through the ETA 5159 report) and SEA program participants (through the ETA 5159 and ETA 9161 report). Descriptive analysis of these data were conducted to provide a broad overview of all states that implemented the SEA program. We describe states' participation in the SEA program, the scale at which they implemented it, and how the scale of each SEA program compares with the scale of the states' UI programs. We also describe individuals' participation in SEA programs between January 2013 and June 2015 in the eight states that had SEA programs in that period.

2. Component 2: Characteristics and outcomes of SEA program participants

This study component relied on a descriptive analysis of the characteristics and outcomes of SEA participants. The main source of information was participant-level administrative data from New York and Oregon. The analysis assessed the characteristics and outcomes of SEA participants who filed their initial UI claim in each state from January 1, 2013, through June 30, 2015, as well as those of a comparable group of UI recipients who did not participate in SEA but who may have qualified for the program based on their WPRS information. Although this comparison provides context for the findings about SEA participants, we expected from the outset that there would be significant differences between the two groups of individuals given the

eligibility criteria for participating in the SEA program, as well as the structure and goals of the program. In addition, we are unable to control for certain characteristics that are likely to predict participation in the SEA program, such as risk preferences, family circumstances, and prior experience with entrepreneurship.

To augment the quantitative analysis findings from the New York and Oregon participant-level data, we included findings from all five study states about participant characteristics and outcomes from our qualitative analysis, as well as findings from the aggregate-level federal reporting data.

3. Component 3: Businesses that SEA participants established and tax revenues generated by them

To address the research questions about the businesses SEA participants launched, the analysis primarily relied on the individual-level data from surveys of SEA participants in New York. In addition to the quantitative analyses, we analyzed qualitative data about businesses established by SEA participants from the study states through information collected during the site visit interviews.

The analysis of tax revenues generated by SEA programs focused on New York and relied on the individual-level data from surveys of SEA participants to estimate the federal and state income taxes, UI taxes, and Social Security and Medicare taxes generated by SEA businesses that were reported by SEA participants.

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III. STATES' AND INDIVIDUALS' PARTICIPATION IN THE SEA PROGRAM

This chapter shares findings from the quantitative analysis of state and individual participation in SEA programs. These findings rely heavily on data from the ETA 5159 report and the ETA 9161 report.[4] Section A describes the extent to which states have engaged with the SEA program, while Section B discusses the participation of UI recipients in the SEA programs in those states.

Key findings from these analyses include the following:

- At the end of 2015, six states had an active SEA program.
- From January 2013 through June 2015, close to 5,000 UI recipients entered SEA programs.
- In states with active programs between January 2013 and June 2015, the SEA program was about 1 percent or less of the size of the UI program.

A. State engagement with the SEA program

Despite the monetary incentives provided in the Act, few states have recently launched SEA programs. Of the six states with an active SEA program at the end of 2015 (Table III.1),[5] three have SEA programs that have operated since the mid-1990s and the others established programs more recently. Eight other states have or recently had state authority to establish an SEA program, but did not have an active program at the end of 2015. Of those, four had SEA programs until recent years: New Jersey (until 2012), Pennsylvania (until 2012), Maine (until 2013), and Rhode Island (until 2015).

B. Individuals' participation in states with SEA programs

Individual participation in SEA programs tends to fluctuate considerably over time, and this pattern holds even in states with well-established SEA programs. To illustrate participation trends in the two states with the largest SEA programs, Figure III.1 shows the number of individuals per month who entered SEA programs in New York and Oregon between January 1996 and June 2016. During this 20-year period, participation rates have varied considerably. The maximum number of SEA entrants observed for New York during the two decades was in

[4] The ETA 5159 report, which states must submit to DOL on a monthly basis, provides information on claims activities in programs for UI, Unemployment Compensation for Ex-Service Members (UCX) and Unemployment Compensation for Federal Employees (UCFE), and includes information about the number of participants entering the SEA program, the number of weeks of allowances paid to SEA participants, and the dollar amount of allowances paid to SEA participants. States with SEA participants must provide the ETA 9161 report to DOL every quarter; the first quarter in which the form was required was the second quarter of 2012.

[5] Our definition of active is at least one individual participating in and receiving allowances while in the SEA program (as per the ETA 9161 report for the fourth quarter of 2015) or at least one individual entering the SEA program during December 2015 (as per the ETA 5159 reports). (There are three ETA 9161 reports: one is about participants who are receiving SEA allowances in lieu of regular UI, UCX, and/or UCFE benefits and the other reports provide data on participants who are receiving SEA allowances in lieu of EB or EUC08.) No state operated a program for SEA participants who were receiving allowances in lieu of EB or EUC08 during 2015 because those programs were not active during that calendar year.

August 1997 when 510 individuals entered the program. The next year, in August 1998, 25 individuals entered the program. More recently, between 2015 and 2016, New York's intake into the SEA program also has varied. The state enrolled 90 people in May 2015 and 184 people in May 2016. Oregon also has had some fluctuations in its intake: during the 20 years, monthly enrollment has ranged from 0 to 138.

Table III.1. State engagement with the SEA program in 2015

Well-established SEA programs (year established)	Recently established SEA programs (year established)	No active SEA program, but has/had law authorizing SEA ** previously operated SEA program (year ended)*
Delaware (1996)	Mississippi (2014)	California* (1997)
New York (1995)	New Hampshire (2013)	Louisiana
Oregon (1995)	Vermont (2014)[a]	Maine* (2013)
		Maryland* (2010)
		Minnesota* (2006)
		New Jersey* (2012)
		Pennsylvania* (2012)
		Rhode Island* (2015)

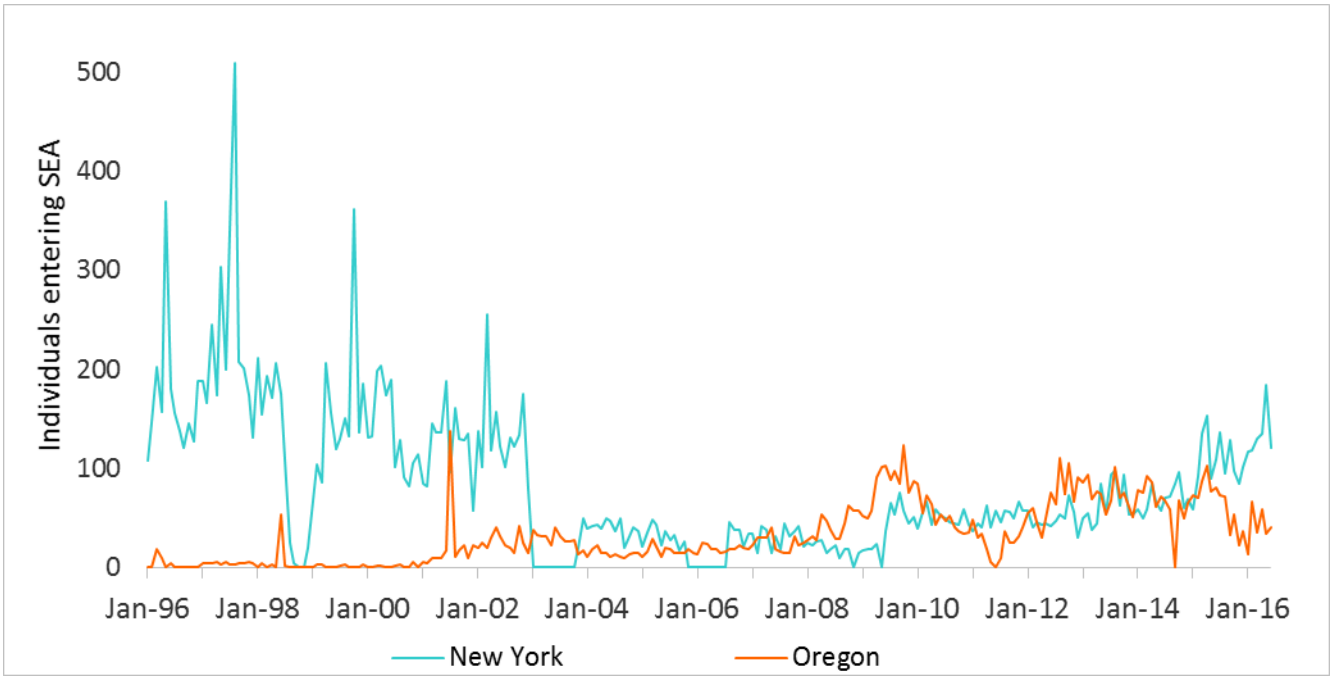
Source: 5159 data on individuals entering SEA programs, 9161A data on individuals receiving allowances from SEA programs, state UI websites, the Congressional Research Service's Self-Employment Assistance Program report, and a comparison of state UI laws available from the ETA website https://www.doleta.gov/).

[a] In 2013, Vermont operated the SEA program for EUC08 recipients. In 2014–2015, one pilot participant participated in SEA in lieu of the regular UI program. When we interviewed state staff in March 2016, Vermont was still developing its SEA program for people who will be allowed to participate and receive SEA allowances in lieu of regular UI benefits.

It is likely that some of the fluctuations in self-employment participation are a response to changes in economic circumstances, mirroring the manner in which unemployment claims as a whole run countercyclical to the economy. However, some of the fluctuation in SEA participation is likely a response to changes in the SEA programs. The fluctuations notwithstanding, it is notable that New York and Oregon enrolled 12,341 and 7,782 individuals in their programs over the entire 20-year period—or a little more than 1,000 participants per year from the two states combined. To place these numbers in context, in 2014, 56,653 establishments started up in New York and 12,426 establishments started up in Oregon (Bureau of Labor Statistics 2016). Therefore, the number of individuals enrolling in these two self-employment programs is a small portion of the total number of people establishing businesses in these states.

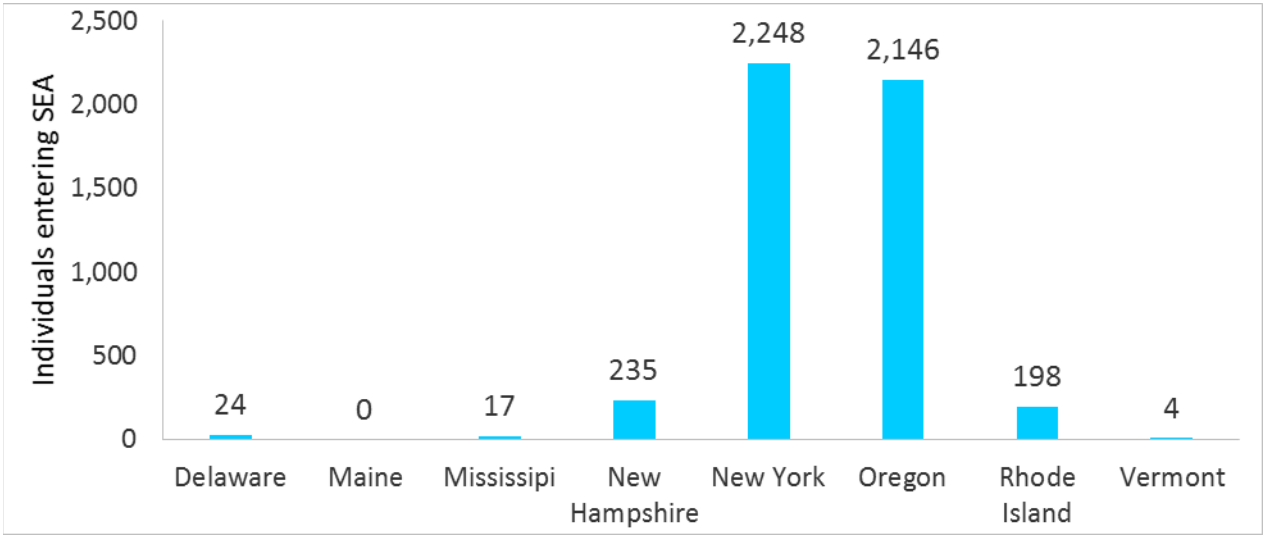
Across the eight states with active SEA programs at some point between January 2013 and June 2015, 4,872 individuals entered SEA programs over that 30-month period. The number who entered SEA programs for each state during this time period is depicted in Figure III.2. New York and Oregon, with the nation's largest SEA programs, accounted for 90 percent of SEA participants nationwide; the other five states show much smaller numbers, partly because some of the programs were active for only a portion of this time period. Maine shows 0 SEA entrants because the program stopped enrolling new participants at the end of 2012 (but paid allowances to existing participants through 2013).

Figure III.1. Number of individuals entering SEA programs in New York and Oregon between January 1996 and June 2016



Source: Figure constructed based on the 5159 report data on number of individuals entering SEA programs.
Note: The 5159 report data do not differentiate between participating in SEA in lieu of regular UI, UCX, or UCFE.

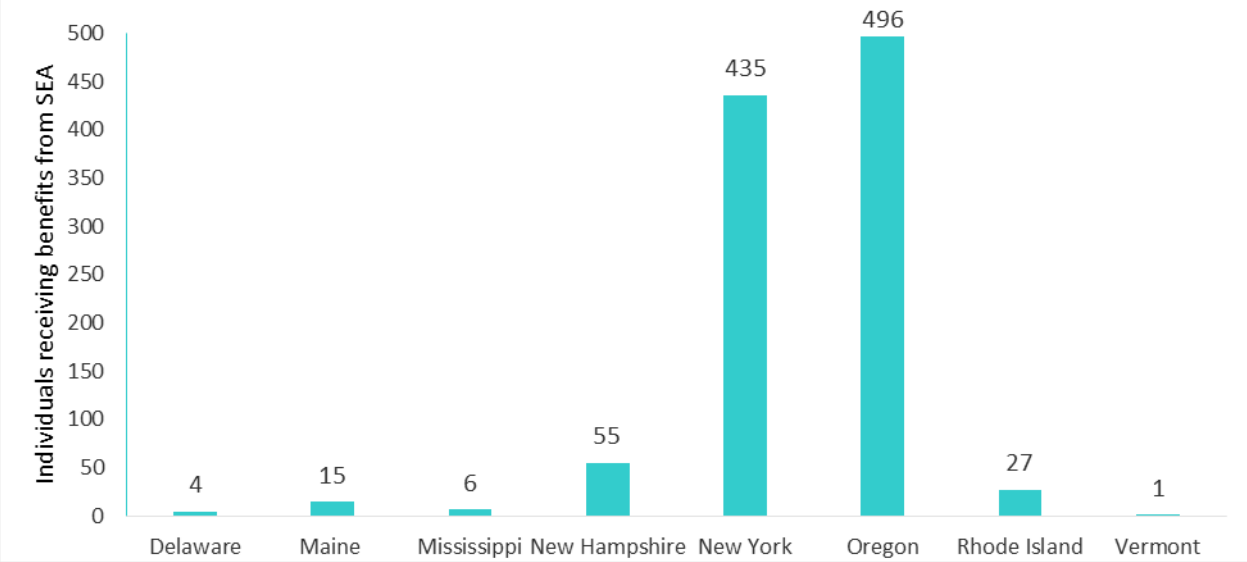
Figure III.2. Number of individuals entering SEA in states with active SEA programs between January 2013 and June 2015



Source: Figure constructed based on the 5159 report data on number of individuals entering SEA programs.
Note: The 5159 report data do not differentiate between participating in SEA in lieu of regular UI, UCX, or UCFE.

At any point in time, SEA programs serve both new and continuing participants, and Figure III.3 shows the average number of SEA participants engaged in and receiving allowances per quarter for the SEA programs in eight states. Because some states had active SEA programs for only part of this period, we calculated the average based on quarters during which the states had active participants. New York and Oregon's SEA programs served the most participants (more than 400 per quarter); Delaware had the fewest (4 per month). The number of SEA participants served per quarter is generally related to the size and stage of the state's program, which is to say it tends to be smaller in states that are just building up or winding down a program. But, this is not uniformly the case, given that Delaware has operated an SEA program since the 1990s and served relatively few participants.

Figure III.3. Number of individuals participating in and receiving allowances from SEA per quarter that the programs were active between January 2013 and June 2015



Source: Figure constructed based on the 9161A report data on number of individuals participating and receiving allowances from SEA in lieu of regular UI, UCX, or UCFE benefits.

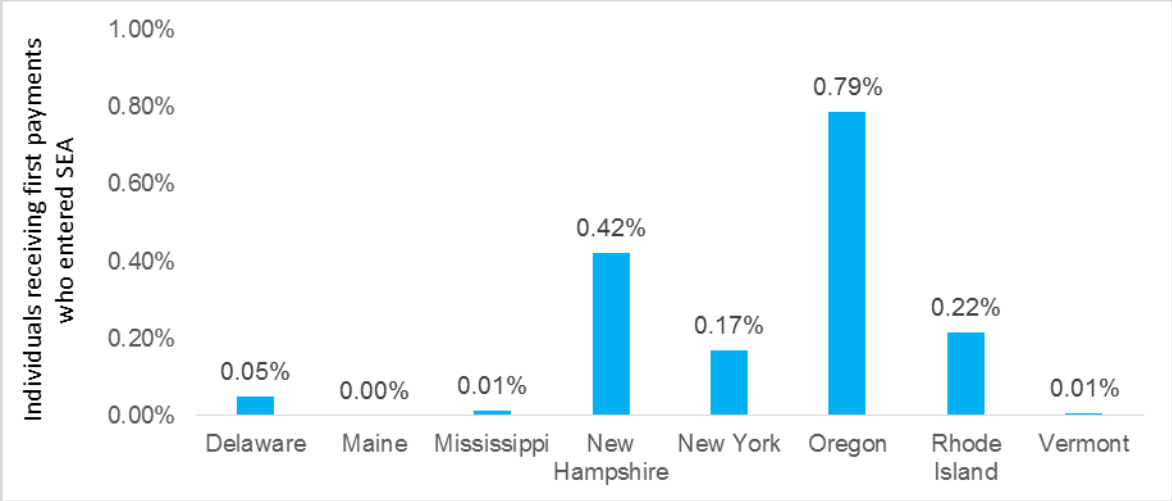
Note: Some states had active SEA programs for only a portion of the time between January 2013 and June 2015. Therefore, the average for those states is based upon quarters during which the states had at least one active participant.

Based on the Figures III.2 and III.3, we can estimate that SEA participants in Oregon and New York during this period were involved in the program for about two quarters on average (1.9 in New York and 2.3 in Oregon).[6] We further explore the flow into the SEA program and recipients' monthly program participation in our analysis of the individual-level data in Chapters VIII and IX.

[6] We first calculated the total number of person-quarters of participation in the SEA program between January 2013 and June 2015 (4,350 in New York and 4,960 in Oregon). Then we divided this by the number of individuals known to have entered SEA over the same period (2,248 in New York and 2,146 in Oregon).

Overall, a very small percentage of individuals who receive a first payment (across the UI, UCX, and UCFE programs) enter the SEA programs. Even in states with large and well-established SEA programs, the proportion never reaches 1 percent during the time period included in our analysis. Figure III.4 shows the number of people entering SEA programs as a proportion of individuals receiving first payments in states that had active SEA programs between January 2013 and June 2015. This figure likely underestimates the proportion of *eligible* UI recipients who enter SEA programs because SEA eligibility requires that the individuals be identified by the state's worker profiling system as likely to exhaust benefits, among other criteria.[7]

Figure III.4. Percentage of individuals receiving first payments who entered the SEA program in states with active SEA programs between January 2013 and June 2015



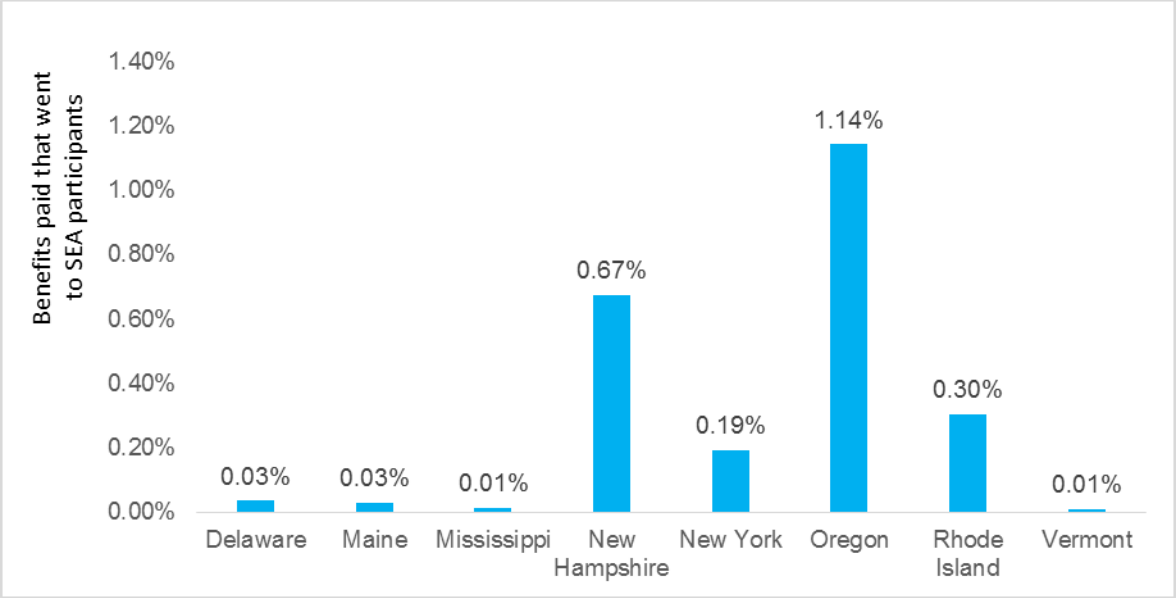
Source: Figure constructed based on the ETA 5159 report data on number of UI claimants entering SEA programs.

Note: The ETA 5159 report data do not differentiate between participating in SEA in lieu of regular UI, UCX, or UCFE. We chose to use the number of UI recipients receiving first payments as the denominator instead of the number of individuals filing a UI claim, because acceptance into the SEA program is contingent upon being eligible for UI benefits and not simply filing a claim for UI benefits.

Figure III.5 illustrates the amount of benefits paid to SEA participants as a proportion of all benefits paid (across the UI, UCX, and UCFE programs) in states with active SEA programs between January 2013 and June 2015. For all states, the proportion of benefits that went to SEA participants is in the same order of magnitude as the proportion of recipients of first payments that entered SEA (Figure III.4), though the precise estimates are slightly different.

[7] The aggregate ETA 5159 report data do not provide information on individual-level characteristics, making it impossible for us to identify the "UI recipients of first payments who were eligible for SEA" in the eight states with active programs during the study period. However, using individual-level data from New York and Oregon, we are able to approximate the number of people entering SEA programs as a proportion of eligible UI recipients, which is higher than the numbers shown in Figure III.4. In New York, between January 2013 and June 2015, individuals whose applications for SEA were approved represented 41.4 percent of recipients with a WPRS score above the minimum of 50 required for SEA eligibility. In Oregon, SEA entrants represented 83.9 percent of recipients with WPRS codes that were eligible for SEA. Please see Chapter VIII for a detailed discussion.

Figure III.5. Percentage of all benefits paid (UI, UCX, and UCFE) that went to SEA participants in states with active SEA programs between January 2013 and June 2015



Source: Figure constructed based on the ETA 5159 report data on number of UI claimants entering SEA programs.

Note: The ETA 5159 report data do not differentiate between participating in SEA in lieu of regular UI, UCX, or UCFE or between regular UI benefits and SEA allowances received in lieu of regular UI, UCX, or UCFE benefits.

For each state, the percentages shown in Figures III.4 and III.5 might differ because there can be differences between the amount of benefits paid to SEA participants and the benefits paid to UI recipients that do not participate in SEA. This could be driven by differences in benefit entitlements and differences in benefits collected relative to entitlements. We examine these issues in detail in Chapters VIII and IX. Our analyses show that, on average, SEA participants had larger benefit entitlements and collected a higher portion of their entitlements than did members of a comparison group of UI recipients, who did not participate in the SEA program.

Another reason the percentages shown in Figures III.4 and III.5 might differ pertains to the timing of the program enrollments in relation to the time window to which the figures pertain. For example, in Maine, no one entered the SEA program during the time period shown in the figures. However, participants who had enrolled before 2013 continued to receive benefits through 2013. Thus, the two figures show that, in Maine, SEA participants were 0 percent of UI recipients who received first payments during this time period, but the portion of all benefits paid to SEA participants was a positive value (0.03 percent). But, even in other states, fluctuations in program enrollments or the amount of benefits collected per SEA participant or UI recipient might lead to slight differences in estimates of the size of the SEA program in relation to the UI program.

From these analyses, we nevertheless draw the same conclusion regardless of whether we examine the percentage of UI recipients who participate in the SEA program or the percentage of benefits paid to SEA participants from January 2013 through June 2015. The SEA program was about 1 percent or less of the size of the UI program in all states with active programs.

IV. SEA PROGRAM ADOPTION AND ADMINISTRATION

Program administrators from the five study states for which we conducted site visit or telephone interviews reported that their states were motivated to implement SEA programs because of interest in self-employment among UI recipients, the state's economic situation and climate of entrepreneurship, leaders who served as champions for the program, and support from partners and other states that have implemented an SEA program. These factors also influenced how states incorporated SEA programs within their UI and workforce programs. Despite contextual differences across the study states, they shared some similar experiences with SEA program development and implementation, and also leveraged common funding sources, such as SEA grants, to support and improve their programs. Key factors for successful implementation are summarized in Table IV.1.

Table IV.1. Key factors for successful SEA program implementation

- Program champion within state government or administration
- Collaboration among staff working for different programs administered by the state labor department
- Collaboration with partners that specialize in business development
- Flexible adaptation of the program to meet state-specific needs

Drawing on data from a review of each state's SEA program documents and from interviews with SEA and partner staff, we provide in this chapter a summary of states' rationale and support for adopting SEA programs (Section A), followed by a description of the structure of SEA programs (Section B), and funding sources to support them (Section C).We find that:

- SEA programs are attractive to state administrators and state government representatives as a means of meeting the needs of UI recipients interested in self-employment and creating new jobs.
- Program champions were instrumental.
- States adapted program elements from other states to meet their own unique needs, and they adapted their programs over time.
- Because SEA staff from state departments of labor did not regard themselves as experts in small business development, they drew on the expertise of partners, such as staff from SBDCs.
- States report that they expended more resources on a per-person basis to serve SEA participants than to serve UI recipients, who do not participate in SEA.

A. Rationale and support for adopting SEA programs

Because SEA is an optional program, states must be proactive to adopt and implement it. They must adopt legislation, develop program rules, incorporate SEA program operations within their existing UI and employment services systems, perform federal reporting of SEA participation and outcomes, and work with partners who can provide business development services. Although the study states said their rationale for adopting SEA programs was reflective of their specific state's context, there were common reasons among states for wanting to implement the program.

SEA program administrators from all five study states were able to speak about the various supporters of the program, including key program champions and partners. Administrators in the three study states that more recently implemented the program had first-hand knowledge of the reasons their states adopted the program; administrators from the two study states with SEA programs that started in the 1990s shared information that predecessors had passed on.

1. Rationale for adopting SEA programs

Program administrators from the study states uniformly noted that the state had been interested in implementing the SEA program because it provided an opportunity to meet the needs of UI claimants interested in self-employment. They also commented on the SEA program's political appeal, remarking that voters and politicians alike generally would support the creation of employment opportunities for UI claimants generated by the SEA program and the financial boon to the state if the participants were successful in launching new businesses. These factors motivated states to take the legislative and administrative steps necessary.

In Vermont in the pre-SEA program days, UI claimants had long expressed a desire for having self-employment activities count toward fulfilling the requirements for benefits. A program administrator from this state noted that prior to SEA adoption, UI claimants articulated their interest in self-employment activities: several UI claimants had complained that their desired route for re-employment was self-employment, yet they were unable to count self-employment activities toward their UI work search requirement and were required to accept offers of suitable work.

Another consideration, administrators said, was the potential for self-employment to create employment opportunities in economically struggling areas. In some study states, we learned that state labor departments were concerned about the lack of employment opportunities during times of recession or in specific geographic areas. These states saw the SEA program as a creative strategy for possibly generating employment for individuals who would otherwise be collecting UI benefits and unlikely to find other employment when jobs were scarce. State program officials also noted that successful SEA participants who start businesses might employ others.

Finally, many state SEA program administrators noted that a pro-entrepreneurship climate made the program particularly appealing. For example, in Oregon, administrators think that SEA was attractive because self-employment was already a commonly used strategy among workers along the Pacific coast to supplement seasonal jobs that did not provide sufficient year-round income. In Rhode Island, the governor's pro-business orientation was cited as a key factor in prompting and encouraging SEA program implementation.

2. Support for SEA implementation

Among the states we studied, support from program advocates was important for initial implementation of the program. Initial support came from program champions, including political leaders and state agency staff, as well as SEA program partners. Support was also needed to sustain SEA programs over time, and changes to support over time affected the program's structure, size, and duration.

Champions. In most study states, a strong program champion, who had typically learned about the program's existence in other states, came to regard the SEA program as a means of helping the state create employment opportunities. There was variation in who had been a champion for the SEA program, but it was often the governor, legislators, or administrators in state labor departments. In New Hampshire, the governor's office wrote the state's SEA legislation; in Oregon, a U.S. Senator was a strong supporter. In New York, the commissioner of the state's labor department viewed the program as integral to a broader economic strategy focused on small business development, and the SEA program director aggressively sought funding and promoted the program to UI and employment services staff (Wandner 2010).

The interest that champions have in SEA was piqued in a variety of ways, including through networking or attending conferences with other state labor departments that implemented SEA, or receiving DOL guidance describing SEA. A Rhode Island labor department administrator said the interest generated by UIPL No. 20-12, which announced one-time grant funding, combined with support from other state administrators and the newly elected, pro-business governor, created a "perfect storm" for implementing a new incarnation of the state's long-dormant SEA program.

Partners. In all five states included in our qualitative analysis, partners provided support during initial program implementation as well as for program continuation. During implementation, they helped design programmatic aspects of the SEA program. For example, in Vermont, the state labor department and the SBDC collaboratively designed the SEA program orientation. In New York, the SBDC helped to design program benchmarks, a hallmark feature of the program design that established milestones of progress for SEA participants.

Other states. All of the study states that more recently implemented SEA programs—New Hampshire, Rhode Island, and Vermont—noted that they leveraged the experience and design of SEA programs from other states. Vermont drew heavily from Oregon's program design and Maine's program rules when it developed its program. When New Hampshire had to quickly implement its SEA program due to a tight time schedule specified in the authorizing legislation, SEA administrators contacted SEA program administrators in Maine, New Jersey, Oregon, and Rhode Island to collect details and identify aspects they could adopt. In addition to gaining insights about program design, states borrowed from the assessments and program forms developed by other states so they did not have to develop them from scratch.

Changes in support over time. Throughout the initial implementation and ongoing maintenance of an SEA program, changes among administrators and elected officials, and changes in legislation, funding sources, and economic context affected the level of support for the program. In New York, a confluence of factors, specifically administrative and legislative changes, affected support for and the size of the SEA program. When the Job Training Partnership Act (JTPA) was repealed in 1998, the SEA program lost this source of funding. The departure of a significant program champion—the first SEA director—coincided with this legislative and funding change. Without this champion and the JTPA funding, SEA program enrollment decreased from more than 2,000 in 1997 to fewer than 500 in 2004, though the trend has not been linear. Over this time, New York's partnership with the SBDC also weakened, and the SBDC is now less involved with providing SEA program orientations and serving SEA participants than had previously been the case.

Further, program administrators in one state noted that, without a champion in place, it can be challenging to maintain support for small programs that might not get a great deal of attention from senior leaders in state labor departments unless problems arise. Administrators from this state noted that "because [the SEA program] works, it is not on anyone's radar" among leaders in the state labor department.

Concerns of existing businesses. Some states learned that established entrepreneurs may feel threatened by the program. SEA administrators noted that business owners worried about the possible competition businesses established through the SEA program might create. This concern was especially prevalent during recessionary periods. Program administrators noted that programmatic and legislative compromises can help address concerns of businesses worried about increased competition from SEA businesses. In New Hampshire, for example, business interests initially blocked the passage of state legislation that would establish the SEA program. However, the 2013 attempt to pass legislation was successful, and administrators thought that improvement in the New Hampshire economy likely played at least a partial role in this success.

The Center for Women and Enterprise (CWE), which provided SEA services in Rhode Island, also encountered resistance to the SEA program from existing businesses when it tried to identify mentors for SEA participants. Staff reported it was difficult to recruit mentors within the same fields as SEA participants because business people did not want to "mentor the competition." SEA program staff and partners responded by assigning mentors who were outside of the mentee's planned field of business.

B. Structure of SEA programs

Each state labor department included in this study has a unique organizational structure through which it administers the SEA program. Key players in SEA program administration and service delivery often included staff from more than one administrative division within state labor departments, including UI staff, Wagner-Peyser/Employment Service staff, and state-level labor market information staff, as well as staff from partner organizations, most notably SBDCs and other partners with expertise in business development.

1. Program administration within state agencies

Administration of the SEA program is often a collaborative process between divisions within state departments of labor. In each state we examined, the UI division, and sometimes a special program unit in it, played a key role due to its responsibility for processing SEA claims (in lieu of UI claims). In some states, workforce services divisions or labor market information units were also involved. In three states, the SEA program relied on staff from American Job Centers (AJCs) to help with activities, including conducting orientations, providing applications to interested UI claimants, and helping with check-in meetings with SEA participants.

For example, in Rhode Island, the program was administered collaboratively within the Department of Labor and Training between the Workforce Development Division–which made programmatic decisions, administered programming, and oversaw the frontline staff who conducted orientations—and the UI division, which certified the claims of SEA program participants. In New Hampshire, the Employment Services Bureau collaborates with the

Unemployment Compensation Bureau to administer the SEA program, and the Economic and Labor Market Information Bureau helps determine program eligibility.

When Oregon began the SEA program in the 1990s, it administered the program through the call center in which all UI claims were processed. However, in 2005, program administrators moved the SEA program to the Training Programs Unit, which had been recently established within the UI division to focus on special programs implemented for specific populations (such as the Trade Adjustment Assistance and apprenticeship programs), which could better attend to the needs of these programs and the participants served.

2. Program partners and their roles

Many state administrators noted that the business expertise of program partners was a necessary complement to the administrative role of state SEA staff. Partners' roles in the SEA program stemmed primarily from their greater familiarity than staff from departments of labor with the steps necessary to launch and sustain a business and, hence, their ability to help SEA participants complete these steps.

SEA partners served in a variety of roles to support the implementation and operations of SEA programs in the states we studied. Some provided input on the SEA program design. In New York, for example, SBDC staff helped to design systems for keeping participants on track to achieve key milestones. In Vermont, SBDC staff helped to design the program orientation curriculum. We provide more details about partners' roles in program application in Chapter V and information about partners' roles in service provision in Chapter VI.

C. SEA program costs and funding

SEA program costs include administrative costs for operating the program and the costs for delivering SEA services. Most states aim to cover the cost of administering the SEA program through regular UI administrative funding. However, program administrators in the four states that had fully launched the program noted that administering it is more expensive than serving claimants in the regular UI program. States sought other government funds, funding from partners, and federal grants to cover the additional costs, though these sources were not always sustainable over time.

Administrative costs. As we discuss throughout Chapters IV through VII, there is a fair amount of administrative work involved in operating an SEA program, which program administrators say lead to higher per-person administrative costs for the SEA program than for the regular UI program. Staff must field questions about SEA from potential applicants, provide orientations, review applications, and process claims. The cost of fielding calls and providing orientations is unique to SEA; the existence of SEA likely generates questions that would not have been asked in the absence of the program and, for the most part, SEA orientations are conducted separately from any existing orientations for UI claimants. The application review step is also specific to SEA as this application occurs after the determination that the UI claimant is eligible for UI benefits. Reviewing SEA applications can be time-consuming because the review is not currently automated in any of the study states. Evaluating the feasibility of a business idea requires consideration of a variety of factors, a process which takes time and often

involves several parties (not just SEA program staff but also SBDC or other partner staff) reviewing the application.

Reviewing weekly SEA claims certifications, too, is generally not automated. Staff in New York and Rhode Island pointed out that they not only enter the information manually, they spend time reviewing the forms and following up with participants who might not be meeting program requirements. For example, in Rhode Island, if a participant reported spending many hours launching a website but not completing other activities, a staff person might follow up to see whether the report was accurate, whether the participant needed help completing other activities, and whether the participant wanted to continue in the SEA program. Some UI certification reviews also trigger the need for an adjudication and require staff time, but SEA staff noted that the manual nature of the SEA claims process and the individual attention that SEA participants receive contributes to SEA claims processing being more time-consuming.

Service provision costs. In most states, SEA participants are required to receive some services to support their efforts to start a business. The direct costs associated with providing such services typically are borne by the service providers, except in states where SEA grant funds have been used to provide financial assistance to providers (Rhode Island and Vermont). Even when states do not directly pay for the costs of delivering business development services or where such services are not required, SEA program staff spend time making referrals to optional services. SEA participants also tend to be relatively intensive users of services. The typical UI recipient is informed of the availability of job search assistance at an AJC, and some are required to participate in such services to remain eligible for UI benefits, but many feel equipped to find work without little or no support. In comparison, SEA participants are often required to, or feel the need to, obtain mentoring or training to launch a business. However, data limitations preclude us from determining the extent to which SEA participants would have, in the absence of an SEA program, used services available through an AJC, such as services they became aware of through a WPRS or Reemployment Eligibility Assessment meeting and how the costs associated with those services would compare with the cost of providing SEA services.

Employment and training funds. Some states leverage other government employment and training funding sources to help cover the costs of administering their SEA programs. For example, because self-employment is a re-employment strategy and Wagner-Peyser funds are designated for re-employment supports, program administrators in New Hampshire and New York used Wagner-Peyser-funded frontline staff to conduct some SEA program functions, such as orientations. However, SEA administrators in other states were reluctant to use Wagner-Peyser and Workforce Innovation and Opportunity Act (WIOA) funds due to restrictions on the use of these funds for self-employment assistance and/or the impacts that using these funds to serve entrepreneurs could have on performance measures. Specifically, an administrator noted that when performance measures are based on achieving employment in a timely manner, using WIOA training funds for those seeking self-employment, which takes time to establish and may not be captured in employment outcomes, can be a disincentive since they may not positively impact those measures.

SEA grants. Four of the five study states used federal SEA grant funds to help implement, improve and promote their SEA programs, as well as to enroll participants. These states applied these funds to costs associated with administering the program and providing services. Table IV.2 displays the funding awarded for SEA grants under the Act.

Rhode Island and Vermont (as well as Mississippi, which was not in the study) used SEA grant funds to launch their SEA programs. State administrators in these two study states thought it was especially helpful that they were able to use grant funds to establish relationships with partners, and both states paid their program partners using SEA grant funds. Initially, Rhode Island paid partner CWE $950 per participant served and $50 per business established, but moved to a flat fee of $1,000 per participant because it was complicated to develop and administer criteria that defined what it meant to "establish a business." No separate compensation was paid for assistance with designing the program, conducting group orientations of potential applicants, and reviewing applications. Vermont paid the SBDC a $10,000 stipend for its help with program design, program orientation, reviews of applicants' business plans, and any other work associated with SEA that goes beyond normal SBDC program operations.

New York and Oregon used their grant funds to enhance or improve their long-standing programs. At the time of our site visit, New York had been using funds to transition from an in-person to an online orientation, to implement an online application and certification system for SEA (similar to the regular UI certification system), and to launch a promotional SEA website. The state administrators planned for the website to feature case studies, testimonials, and customer success stories they obtained from interviewing 50 successful SEA participants. The grant, however, will not support ongoing maintenance of the website. Oregon used its grant funds to formalize and strengthen the relationship with its partner, the SBDC. Although the SBDC in Oregon had not been previously paid by the SEA program for services to its participants, the grant allowed establishment of a contract to pay the SBDC for up to four hours of counseling to each SEA participant. About one-third of Oregon's SEA participants used SBDC services. Oregon also planned to use funds for broad promotional efforts. For example, with partnership and funding support from other programs, some of the SEA grant funds were being used (in collaboration with other funds) to purchase video screens to share information about the SEA program and the other programs in the state's AJCs.

Table IV.2. Funds awarded in 2013 for SEA grants under the Act, by state

State	For establishment or improved administration	For promotion and enrollment	Total
Mississippi	$305,447	$50,824	$356,271
New York	$1,696,285	$282,714	$1,978,999
Oregon	$265,850	$66,726	$332,576
Rhode Island	$136,915	$22,819	$159,734
Vermont	$42,282	$7,047	$49,329
Totals	**$2,446,779**	**$430,130**	**$2,876,909**

Note: All awards were announced in 2013.

At the time of the qualitative interviews, conducted between November 2015 and March 2016, the states that received grant funds did not have a definite strategy for sustaining their grant-funded initiatives or further improving SEA program operations after the SEA grant funds ended. The states were conscious of issue and hoped to locate more sustainable funding, though none yet had. SEA program administrators in several study states noted that additional sustainable funding would help implement more intensive programming, such as cohort-based service models or access to training not offered free of charge. Some states were looking to WIOA as a future funding source.

Partner funds. Some SEA partners sometimes used their own funding to provide services to SEA participants. For example, when the SEA program launched in New Hampshire, the SBDC had an influx of new clients, increasing its caseload by 15 to 20 percent. To provide services to these SEA participants, whom they serve as they would any other individual seeking assistance to help start a business, the SBDC conducted private fundraising before transitioning to more sustainable funding from the Council of Development Finance Agencies and Community Development Block Grants.

Although the SBDC in New Hampshire was able to cover the cost of serving SEA participants without financial support from the state's labor department, and to maintain a strong and collaborative relationship with it, other states could not maintain partner services without steady sources of funding. In Rhode Island, funding to CWE was initially paid through the state's SEA grant; upon exhaustion of those funds, the state government provided one-time funding to continue the program. When those funds were exhausted, however, the state discontinued its SEA program because of the cost of the intensive, cohort-based model provided by CWE that was the core component of the program. (Both CWE and state labor agency staff expressed interest in resuming the program if new funding is secured.) In Oregon, the SBDC had been involved in screening the SEA applications for business feasibility. However, when SBDC funding constraints several years ago prevented the SBDC from continuing this type of involvement, this responsibility was transferred to state SEA staff who screened the applications using a scoring approach developed by the SBDC. More recently, with SEA grant funds, Oregon was able to pay the SBDC to provide services to SEA participants, but the SBDC did not resume its review of applications.

Oregon and Rhode Island sustained productive collaborations with their partners in the face of funding constraints. In contrast, another state found it impossible to maintain the relationship in the absence of funding. When the state could no longer pay the partner, that partner would no longer work with the SEA program in the way it had previously. Some branches of that partner organization continued to serve SEA participants, but would not sign SEA paperwork documenting that participants had received their services.

V. SEA PROGRAM TARGETING AND THE APPLICATION PROCESS

In this chapter, we examine states' strategies to target specific UI recipients for participation in the SEA program. In Section A, we discuss each state's SEA program eligibility criteria and staff's challenges with and lessons learned applying these criteria. In Section B, we describe the broad and targeted promotional strategies that states have used to boost awareness of the program and to recruit applicants. In Section C, we describe the SEA program application process in more detail, including the steps that an individual must take to submit an SEA application and how that application is reviewed. Findings are drawn from interviews with SEA and partner staff in five states, and from reviewing these states' SEA program documents. Key findings include:

- States typically added eligibility requirements to supplement federally mandated requirements.
- SEA staff questioned the usefulness of the federally mandated requirement that SEA participants be identified as likely to exhaust benefits.
- In states that evaluate the feasibility of a business idea as part of the application process, SEA program staff collaborate with partners who have business expertise.
- SEA staff prefer targeted over general approaches to program promotion because they pique interest only among people who are likely to be eligible for the program.
- SEA staff provide information and expose potential participants to the expectations of the program and the challenges of establishing a business prior to accepting applicants into the program.

A. Initial SEA program eligibility[8]

Federal law establishes some eligibility requirements for initial acceptance into the SEA program but each state can design its own set of eligibility criteria to supplement the federally required criteria. Thus, eligibility criteria vary by state, though there are some common elements, as illustrated in Table V.1. For example, states commonly impose eligibility criteria related to the applicant's business idea. Other criteria are state-specific.

SEA program administrators and SEA partners offered insights about the ease of administering program eligibility criteria and the strengths and limitations of the criteria for effectively identifying UI recipients suitable for the program. The most-discussed criterion was the requirement that SEA participants be identified by the state worker profiling system as likely to exhaust regular unemployment compensation. Although some respondents noted the important role this plays in preserving the state's trust fund balance, others questioned its usefulness.

[8] Ongoing SEA program eligibility requirements are discussed in Chapter VI, Section A.

Table V.1. Initial SEA eligibility requirements for receipt of SEA, by state

	Federal requirement	New Hampshire	New York	Oregon	Rhode Island	Vermont
Limitations on aggregate number of individuals receiving SEA allowance						
Number limitation-individuals receiving SEA[a]	5% of regular UI recipients	2.5% of regular UI recipients	5% of regular UI recipients	5% of regular UI recipients	5% of regular UI recipients	35 participants
Participant characteristics						
Eligible to receive regular UC under the state's law[b]	X	X	X	X	X	X
Willing and available to be actively engaged full time in activities to establish a business	X	X	X	X	X	X
Willing and available to participate in self-employment activities approved by the state	X	X	X	X	X	X
Identified by state worker profiling system as likely to exhaust regular UC[c]	X	X	X	X	X	X
Minimum number of weeks of UI benefits remaining		18	13		13	13
State resident					X	X
No prior experience owning a similar business			X			
Never participated in SEA before			X			
Computer proficient					X	
Quality of proposed business idea/plan						
Specificity of business idea		X	X	X	X	X
Feasibility of business idea		X		X	X	X
Quality of business plan						X
Type of proposed business						
Limitations based on business type[d]		X	X	X	X	X
Will be established in state			X			X

Source: States' SEA program documents and interviews with SEA program staff conducted between November 2015 and February 2016.

[a]Information in the table pertains to SEA in lieu of regular UI; states that offered SEA in lieu of EB or EUC08 were subject to federal legislation that restricted the percentage of SEA participants to a maximum of 1 percent of the number of individuals in each of those programs.

[b]In the case of SEA in lieu of EB or EUC08, to be eligible for SEA the applicant must be eligible for EB or EUC08.

[c]In the case of SEA in lieu of EB or EUC08, this requirement does not apply (UIPL No. 20-12).

[d]For example, no gambling, may not be the sales representative of a larger business, no real estate agents, and so on.

1. Federally required eligibility criteria

All SEA programs are governed by federal requirements, which include some eligibility criteria for participants. For example, participants must be eligible for UI benefits. This means that the individual must have been determined monetarily eligible for benefits and has no nonmonetary eligibility issues that would prevent him or her from being entitled to benefits.

Federal requirements also mandate that participants be committed to work full time on establishing a business, including by participating in self-employment activities required by the state agency. Other requirements include limitations on the aggregate number of people receiving SEA allowance and that SEA participant be identified as likely to exhaust regular UC.

Limitations on aggregate number of individuals who receive SEA allowance. Federal requirements cap the number of SEA participants who are participating in the program in lieu of regular UI benefit receipt at 5 percent of regular UI recipients, though New Hampshire and Vermont set their caps lower.[9] Because these caps had never been approached when we interviewed state staff, states had not activated policies to limit SEA participation (though Vermont planned to establish a waiting list for applicants who expressed interest when the program was full).

Identified as likely to exhaust regular UC. The federal law requires that SEA participants be identified by the state worker profiling system as likely to exhaust regular UI benefits. Each state uses its own WPRS scoring formula to identify potential applicants with a high likelihood of exhaustion. This formula uses data elements collected from recipients during their UI application process—such as occupation and industry, and labor market information—to calculate a score. Recipients projected to be most at risk of exhausting benefits have higher scores than those projected as less likely to exhaust their benefits. Study states compare the calculated score value for each SEA applicant to a pre-specified WPRS threshold score value used as a cutoff to determine eligibility for the program. Applicants whose score values are below the threshold are not eligible; applicants whose score values are at least as high as the threshold are not denied eligibility based on this criterion (although they must meet other program eligibility criteria to be eligible).

Although SEA program administrators noted that it is desirable to target the program to individuals unlikely to find employment through other means, some questioned the utility of the WPRS score as a screening mechanism. They noted that using a WPRS score threshold can feel like an arbitrary cutoff: two similar individuals could have slightly different profiling scores, resulting in one being able to participate in the SEA program and the other not. Some program administrators questioned the underlying logic of limiting SEA participation to applicants identified as likely to exhaust regular UI because they thought that entrepreneurial skill was likely to be uncorrelated with WPRS scores. Further, they noted that, because of the way WPRS scores are calculated, it is possible for entire groups of people who might benefit from the program to be categorically screened out. For example, occupational groups such as plumbers or construction workers could be screened out if individuals from those occupations are determined through the state's WPRS formula to have a low likelihood of benefit exhaustion. An SEA administrator raised the concern that geography can be used as a factor in calculating the profiling score, and if a region in the state has a high level of reemployment, it might be rare for an unemployed individual in that area to be profiled as likely to exhaust benefits. This could be

[9] SEA program administrators in New Hampshire and Vermont did not explicitly state their reasons for implementing a lower cap than the 5 percent. However, New Hampshire administrators expressed a need to preserve the trust fund balance, so the decision to implement a cap lower than that required by the federal government might have been made to limit the size of the program in response to a concern that SEA participants would receive benefits for longer periods of time than UI claimants who might more quickly be re-employed.

the case even in rural and other regions that program advocates had in mind when they pressed their state to establish an SEA program. Other staff thought the SEA program should be available to any UI-eligible person with interest in entrepreneurship and a strong business idea, with priority given to applicants likely to succeed.

An additional complication in some states, including New York and Vermont, is that the states use a common "likely to exhaust" WPRS score threshold to determine eligibility for a variety of programs targeting UI recipients who are likely to exhaust benefits. This threshold may be chosen to generate an appropriate number of participants for other, more universal programs, but it might not yield a sufficient number of participants for the smaller, more specialized SEA program (which does not appeal to a large proportion of the UI-eligible population). Because the threshold is common across programs, it cannot be easily adjusted to increase or decrease levels of participation in SEA.

Finally, several SEA program administrators raised the challenges they had discussing this eligibility criterion with UI recipients who were interested in participating in the SEA program but whose profiling scores made them ineligible. They said it was difficult to explain to claimants the reason for their score and the scoring process and claimants often objected to the idea of being "profiled" or being unknowingly assigned a score that affected their eligibility for services. We discuss strategies that states have used to address this challenge in Section C of this chapter.

2. Eligibility criteria voluntarily adopted by states

Other eligibility requirements, although not federally mandated, were common across states. For example, four states require that participants have a certain number of weeks of UI benefits remaining (18 weeks in New Hampshire; 13 weeks in New York, Rhode Island, and Vermont) at the time of SEA enrollment, and three states require that SEA participants reside in their state. Several states noted the challenges associated with providing information about the SEA program, processing applications, and enrolling participants within a timeline that also maximized the likelihood that applicants would still have the required number of remaining UI weeks. To address this, Rhode Island structured its SEA program enrollment process within a single-week schedule. That is, on Mondays they offered orientations, the deadline for applications was Wednesday, and the eligibility determination was on Friday. (The three-week intensive entrepreneurship training class that was the centerpiece of the state's SEA program started the following Monday.) In at least one state, SEA program administrators accelerated the schedule to provide an SEA orientation to applicants nearing the cutoff for number of weeks of UI benefits remaining. At the time of our site visit, New York was planning to roll out an online orientation so that program applicants would not have to wait for an in-person orientation.

Quality of proposed business idea. All states had requirements regarding the applicant's proposed business. All required that participants have a clear business idea at the time of application. Several interviewees—SEA program administrators and partners alike—noted that because of the short time frame of the SEA program, there was no time for business exploration. To be successful, SEA participants must have a firm and specific business idea from the start, so their time in the program focuses on implementing the idea rather than generating it.

Four states also required that the business idea be feasible. Oregon's feasibility assessment form consists of nine topics, including an overview of the business, the applicant's qualifications and skills, start-up costs for the business, licensing and regulations required to run the business, marketing strategies, an analysis of the potential competitiveness of the business, and risks and challenges. Oregon also required that the proposed business be of sufficient scale to provide a primary source of income. Oregon's SEA program administrators score the feasibility assessment using a rubric developed in conjunction with the SBDC, and they said they can offer coaching session with applicants whose feasibility assessment scores are below the acceptance threshold. Vermont imposed the most stringent business-related eligibility conditions and required that applicants submit a viable business plan with the application. In the other four states, business plans were developed as part of the SEA program.

Type of business. All states placed some restrictions on the types of businesses that SEA participants could propose to establish. State commonly disallow businesses that are multi-level direct sales entities, and they prohibit SEA participants from working as real estate agents or sales representatives. States also disallowed businesses that might be associated with illicit activity, such as gambling.

3. Voluntarily eligibility criteria unique to a single state

Finally, some SEA eligibility requirements were unique to a single state. Rhode Island was the only state among those we studied that required computer proficiency for participation.[10] This requirement was motivated by the state's use of a cohort model for its SEA training course, for which Excel proficiency is needed. New York was the only state to require that participants not have previously established a similar business and not have participated in the SEA program before. This helps ensure that New York's SEA program targets individuals who would be creating a new business rather than continuing an existing project. The requirement that SEA participants have never before participated in the program is designed to guard against "serial participants"—participants who might repeatedly participate in SEA but never successfully launch a business (the requirement was in place though staff recalled no one who had tried to participate more than once in the program).

B. SEA program recruitment and program promotion

To recruit participants, states used strategies ranging from broad program promotion to targeted outreach. Some states pursued both strategies. States worked to develop approaches that were resource-efficient and would generate interest among eligible UI recipients but not attract people who were not eligible for SEA. State administrators noted the tradeoffs between promoting the program widely, which can reach a broad swath of people but have the unintended consequence of attracting interest from non-eligible people, and taking a targeted approach, which narrows outreach strategies and informs only individuals who are likely eligible.

Targeted program promotion. All study states except Vermont, which at the time of our interview had not yet fully implemented its SEA program, had used targeted approaches to

[10] Participants self-reported computer proficiency. In one case, a participant who self-reported that she was not computer-proficient was allowed to participate in SEA, conditional on her simultaneous enrollment in a Microsoft Excel training course at the local community college.

promoting their SEA programs. The most common targeted approach was sending letters (in paper or electronic forms) to all UI recipients who met the basic eligibility criteria of being identified as likely to exhaust benefits and having a sufficient number of weeks remaining in the UI claim. SEA program administrators noted that they considered targeted letters to be the most efficient strategy because it reached eligible UI recipients without generating interest from categorically ineligible individuals. Notably, because of the rising costs of mailings and a desire to reword its SEA program notification letters, Oregon stopped mailing paper letters to recipients in 2015, and the state was transitioning to an email-based notification system at the time of our site visit to the state in late 2015.

In some states, SEA program administrators noted that letters could be misinterpreted by some UI recipients. For example, a UI recipient in Rhode Island called the UI office because she thought that she was required to participate in SEA but did not want to be an entrepreneur. Staff in another state expressed concern that recipients might interpret the wording of the letter as implying that the recipient would never get a job again. Overall, SEA program administrators addressed these misunderstandings by updating the template language used for the letter or explaining that the program was optional even if the UI recipient was eligible to participate.

Broad program promotion. States also promoted the program broadly, casting a wide net in their advertising of the SEA program without concern about possibly reaching individuals unlikely to be eligible. When we made our site visits, New York and Oregon were using SEA grant funds to pursue broad promotional efforts and to make recruiting changes to be more efficient and inform more potentially eligible participants about the program.

New York was planning to place the SEA orientation video on the state labor department's website, which is visible to the general public. It was also developing an SEA-specific web page on the state's website that would include case studies, testimonials, and customer success stories. As part of this effort, the New York state labor department interviewed 50 successful SEA participants to inform the design of the SEA-specific webpage.

Oregon, too, had pursued broad promotional approaches using funding from the SEA grant. With partnership and additional funding from other programs, SEA program staff purchased video screens to share information about the SEA program (and the other programs) in AJCs. The state also was considering using public service announcements. In Oregon, the program was also promoted broadly through the UI application process. Staff pointed out there is a check box on the web-based UI application that allows applicants to indicate that they are interested in learning more about the SEA program. If they check that box, a pop-up window provides more information, including the SEA program office's phone number.

Other states employed broad promotional strategies to reach UI claimants whose interest would not be piqued by a letter and to build broader community support for SEA. Rhode Island displayed fact sheets about the SEA program at its AJCs; in New Hampshire, information about the program is provided during group orientations delivered at the state's AJCs to all UI recipients not returning to work within two weeks. Staff also noted that interest in SEA can be generated through word-of-mouth, when SEA participants share their experiences with others. Staff acknowledged, however, that broader approaches can generate interest among individuals who are ineligible.

C. Program application

States in this study used several steps to screen potential SEA applicants and to review applications after submission. Common features of the pre-application process included (1) having staff determine if someone met basic eligibility criteria prior to completing an application, (2) delivering SEA orientations, and (3) having partners help applicants develop a suitable business idea. These steps were designed to discourage applications from people unlikely to be eligible for, or unlikely to succeed in, the program before they became invested in the idea of participating, and to encourage participation by people likely to succeed. After the pre-application steps, SEA program administrators and sometimes other labor department or partner staff reviewed the applications submitted by individuals still interested in the program to make admission decisions.

Pre-application screening. To reduce unnecessary frustration among UI claimants potentially interested in self-employment but unlikely to qualify for the SEA program, some programs try to limit access to applications. For example, in Oregon, SEA program administrators give applications only to prospective applicants who are WPRS-eligible and have spoken with them about the program. In Rhode Island, only applicants who are WPRS-eligible can receive applications.

New Hampshire, Oregon, and Rhode Island instituted a practice of screening for eligibility before providing detailed information about the SEA program to interested UI claimants. In these states, when someone called state labor department staff designated to field the calls (usually AJC staff) to express interest in applying to SEA, the staff would begin by checking the potential applicant's WPRS score and, when relevant, the number of remaining weeks on the UI claim. Ineligible callers were informed that participating was not an option for them. In Rhode Island, staff were instructed to not to use the word "profiling" when conveying this information. In New Hampshire and Rhode Island, those who were determined preliminarily eligible could receive basic information about the SEA program and be scheduled for an orientation. In Oregon, those who passed this initial screen received information about the program requirements and the application form.

Orientation. In all study states, SEA administrators considered it crucial to provide detailed information to applicants about the SEA program prior to application. New Hampshire, New York, and Rhode Island required that applicants attend an orientation. Vermont also did so during its pilot of the SEA program and planned to maintain this requirement when its program launched more broadly. Rhode Island and New Hampshire also required a one-on-one meeting with frontline staff, which generally were located in AJC offices. In Oregon, detailed information about SEA program participation was provided during a call between an SEA program administrator and interested UI recipients who passed the initial screens. Also, as of November 2015, SEA applicants in Oregon were required to watch an orientation video explaining the SEA program and application process.

In general, orientations covered two types of information: (1) SEA program requirements and (2) the realities of life as an entrepreneur. During orientations, AJC staff typically reviewed SEA program requirements and services, stressing that a high level of work is expected from participants to meet SEA requirements. In New York, Rhode Island, and Vermont, partners were

often involved in the "reality check" component of SEA orientations. Topics commonly discussed include the amount of time and capital one needs to invest in launching a business, the high rates of failure among first-time entrepreneurs, and characteristics of successful entrepreneurs. By sharing this information, SEA orientations sought to ensure that SEA participants were well informed about the effort involved in launching a business and the realities of entrepreneurship. During the one-to-one meetings with SEA and/or partner staff that immediately follow group orientations, these themes are reinforced and potential applicants' questions are answered.

Some staff highlighted some of the tradeoffs in how orientations could be delivered. On one hand, geographically large states, such as New York, find it difficult to make in-person orientations available to individuals who live far from an AJC. Using SEA grants, New York and Oregon were moving (at the time of our visits) to offering orientations online through videos and webinars to increase accessibility. However, administrators in New York also acknowledged some limitations of online orientations. They felt that in-person orientations were more engaging; presenters could develop connections with potential SEA participants and more clearly convey information about program requirements. In addition, through an in-person orientation, they could answer the specific questions of attendees, which is not possible with a pre-recorded video orientation.

Application processes. SEA applications typically asked claimants to provide some information about themselves and the business they planned to launch. The SEA application in Oregon, for example, collects contact information and asks for the business name; type of business; required licenses, permits, and certificates; the date the licenses were (or will be) obtained; and certification by the applicant that he or she understands the requirements of the program. In New York, the application requires applicants to describe their business idea; previous ownership of similar businesses; relevant training and employment history; and proposed business name, location, and description of products/services to be provided. New York applicants also certify that they understand program requirements and indicate whether they anticipate that their proposed business will compete with their former employer. Although information about competition with previous employers is not currently used as a criterion for determining program acceptance, SEA administrators in New York noted that they would prioritize applicants who indicated that they would not compete with former employers if they had more eligible applicants than available slots.

Some states have requirements beyond the application. Vermont requires applicants to submit a business plan. In New Hampshire, prospective participants also complete an interview with SBDC staff to discuss the applicant's background, business idea, entrepreneurial skills, entrepreneurial resources, and the feasibility of securing start-up capital.

Four of the study states assess business feasibility as part of the application process. Because of the limited expertise of state labor department staff with business development, partner staff reviewed SEA applications in three of the four states. In Oregon, state staff administering the SEA program reviewed applications applying a rubric developed by the SBDC which included an overview of the business, applicant qualifications and skills, start-up costs, financial due diligence, licensing and regulations, market research, marketing strategies, competitive analysis, and risks and challenges. A feasibility score for the business is calculated

and only applicants whose scores are above a pre-specified threshold are accepted into the program. New York does not include business feasibility as an eligibility criterion reportedly due to the challenges that state staff would have assessing it.

SEA program administrators in each state review applications but other reviewers are often included in the process. For example, in Rhode Island, partner staff worked with SEA program administrators to decide on each application. State labor department staff and partner staff examined all aspects of the application, but the state labor department staff generally deferred to the partner staff in evaluations of business feasibility.

In New Hampshire, applications are reviewed by three types of staff—staff from the state labor market information (LMI) unit, SBDC partners, and SEA program administrators—so as to consider a wide variety of issues and perspectives on whether the applicant is a good match for the SEA program. Staff from the LMI unit review the applicant's self-employment experience and the amount of money the person must bring into the household on a monthly basis. They then use LMI to determine whether the proposed business aligns with in-demand occupations in the applicant's geographic area and if, based on average occupation-specific wages and the applicant's background, it seems possible for the applicant to meet his or her monthly income needs. Using a phone interview and the application materials, SBDC staff assess the entrepreneurial abilities and resources of the applicant as well as the context in which he or she plans to launch the business. The final decision on whether to accept the applicant is made by SEA program administrators, who give weight to the assessments by LMI and SBDC staff.

All states notified applicants electronically or via letter of the decision made. As with other UI program decisions, appeals processes are available for denied applicants. In some states, the appeals process is identical to the UI appeals process. In other states, it is tailored to SEA. For example, in Rhode Island, applicants sent a letter of appeal to be reviewed by a three-person panel consisting of a representative from the UI division, a representative from the workforce development division, and a representative from the Center for Women and Enterprise, Rhode Island's program partner.

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VI. PROGRAM REQUIREMENTS AND SUPPORTS FOR SEA PARTICIPANTS

Each study state's SEA program had requirements for participants to maintain their eligibility for program services and also offered supports to foster the participants' business development efforts. In most states, partners provided important business development supports, including counseling, mentoring, or training. In this chapter we describe SEA program requirements and supports. In Section A, we discuss participation requirements, including ongoing certification and other state-specific requirements. In Section B, we describe the supports available to SEA participants. The data reported in this chapter come from interviews with SEA and partner staff and from a review of each state's SEA program documents.

We have four main findings:

- All states require that SEA participants work full time to establish their business and certify regularly that they are meeting program requirements.
- Some states prescribe specific activities to SEA participants; others have more self-directed programs.
- SEA programs typically rely on partners to provide training and mentorship.
- The breadth and intensity of SEA services and supports offered often changed over time, usually in response to fluctuations in funding.

A. Requirements of participation

To be part of the SEA program, participants must meet various participation requirements. Some requirements, such as certification for SEA program allowances, were generally consistent across states, while others varied and were distinctive to the states' specific program features.

Certification. All states required respondents to work full time on establishing their business and to certify that they were meeting this requirement. Certification for SEA allowances happened at the same frequency and on the same schedule as UI benefit certification in each state—weekly or biweekly. At certification, SEA participants report all gross earnings, including income garnered from their business (though this is not counted against their SEA allowance amount) and income from part-time wage or salary work. Certification also involved applicants verifying they have worked full time on establishing their business and usually involved specifying what activities they were engaged in to help them launch their businesses.

Methods for certification varied by state. In Vermont, a system is in place so that, after the program is rolled out, SEA participants will certify using the same web-based methods UI recipients use. In Rhode Island, the electronic system the state uses to certify UI claims could not incorporate the fields necessary to collect SEA certification information so staff conducted certification through a paper system. In New York, SEA participants must mail or fax "coupons" to indicate their continued eligibility, and they cannot claim SEA allowances by phone or the Internet; however, the state reported plans to move to electronic certification in the near future.

Although not commonly reported, in one state, the manual process caused delays in processing SEA allowances. Specifically, we heard from an SEA staff person that some SEA participants withdrew their participation to return to the regular UI program because it took several days longer to access SEA allowances when certification was processed manually rather than electronically (UI certification was processed electronically). This was not reported as a problem in other states, which were able to process SEA allowances in a timely manner despite the manual process.

Other requirements. States varied in the amount of flexibility and discretion they allowed SEA participants to define their program activities. Some states required them to work directly with staff or partners. In Rhode Island, every SEA participant had to complete the entrepreneurship program offered by the CWE. In New Hampshire, participants worked with an SBDC counselor to tailor a plan for working full time to establish a business, and they received the SBDC's help in completing the plan. New Hampshire participants were also required to check in with AJC staff assigned to the SEA program every three weeks. Often, the first check-in meetings take place in person, and subsequent meetings are by phone.

Other states required participants to achieve specific benchmarks as a way of ensuring that they made progress in their business development. In New York, SEA program participants must complete at least 20 hours of classroom training (online or in person); attend two meetings with a business counselor; and meet 13 additional benchmarks—such as opening a business checking account and obtaining business insurance—over the course of their SEA claim. These benchmarks are the same for all SEA participants in New York, though in some rare instances they may be deemed not applicable. Each participant has a timeline for completing the benchmark depending on the number of weeks of benefits remaining in the claim when they are accepted into the SEA program. As part of documenting their achievement of benchmarks, participants must to obtain the instructor or training provider's signature, as well as a signature from the business counselor or mentor.

Among study states, Oregon gave SEA participants the most discretion and latitude with business development activities. Within 45 days of program acceptance, they must submit their business plan and obtain all required licenses. They have the option of working with an SBDC counselor to establish their business, but the state's only other requirement for SEA participants is to certify that they are working full time to establish their business.

B. Supports available to SEA participants

The SEA programs in this study rely exclusively on partner organizations to provide services and supports to SEA participants. Common SEA program partners in the five states we visited included business development organizations funded through the U.S. Small Business Administration, such as SBDC, the SCORE Association (SCORE), and Women's Business Centers (see Table VI.1). We also learned of other types of organizations serving as SEA program partners. In New York, for example, the SEA program has a unique partnership with the New York Public Library, which provides assistance as SEA participants search for business development resources and possible funding sources. These partners frequently noted that their missions aligned with that of the SEA program. Partners collaborated with SEA program administrators to accomplish their shared goal—helping state residents to establish their own

businesses. Although not identified as formal partners among the study states, educational institutions such as community colleges were peripherally involved with SEA programs. SBDCs are co-located at community colleges, and SEA participants sometimes pursued entrepreneurship training at community colleges.

Across all states, the SEA program staff had an important role in connecting participants with partner organizations. Some states require that participants receive services from a particular partner; others provide information about the services and supports that are available from partners and the participant decides whether or not to seek help.

Table VI.1. Services provided by program partners

	Partners	Services provided
New Hampshire	SBDC	Application review, individualized assistance to each program participant, referrals to training and mentorship, provision of such resources as sample business plans
New York (selected partners)	SBDC, SCORE, public library, Urban League	Assistance with program orientation, provision of training and mentorship
Oregon	SBDC	Assistance with application review criteria design, mentorship
Rhode Island	CWE	Assistance with program orientation, application review, and provision of all training and mentorship
Vermont	SBDC	Conducting program orientation, business plan development assistance in advance of application submission, business plan assessment as part of application review, provision of assistance to participants as needed

Note: The table shows the main service providers and their main roles in the SEA program, as reported to us during interviews with SEA program and partner staff between November 2015 and March 2016. The table aims to reflect the range of SEA program partners and the variation in their involvement in the program across states. It is possible that partners in the table support the program or program participants in ways other than those shown. It also is possible that other partners, not shown in the table, support the program. This table is not intended to be an exhaustive list of partners or services provided.

Training. Only two of the five study states—New York and Rhode Island—required that SEA participants receive training. However, the other three states also referred participants to partners where they could access in-person or online entrepreneurship training. Table VI.2 displays a list of common topics covered in SEA training across the five SEA study states, although the training could cover other topics as well. New York required participants to seek out and complete 20 hours of training covering entrepreneurship topics of their choice—and training related to the substantive area of their business would not fulfill this requirement. For example, an individual hoping to launch a business as a florist could take classes in bookkeeping or marketing, but not in flower arrangement because program administrators felt participants should already have the substantive skills necessary to operate the business. In Rhode Island, participants received three weeks of classroom training in a cohort format, which was an exception to the more individualized training participants received in other states. Rhode Island's

partner (CWE) provided the training, and Rhode Island SEA program and partner staff said the cohort format generated peer support among participants. In New Hampshire and Oregon, training was not a program requirement but the partner SBDCs helped match participants with training opportunities when they determined the person needed training or the participant indicated an interest in training.

Table VI.2. Topics commonly covered in SEA training

- Bookkeeping
- Business planning/ business plan development
- Business licensing
- Cash flow projections and financial statements
- Financial analysis
- Financing
- Forms of business organization
- Frameworks for decision making
- Insurance issues
- Legal issues
- Long- and short-term goals
- Market analysis
- Marketing
- Resources and information on getting started
- Record keeping and taxes

Mentorship and business development counseling. Partners such as SBDC and SCORE offered mentorship and business development advising for participants. In New Hampshire, New York, and Rhode Island, SEA participants were required to receive mentorship. In New Hampshire, each participant received individualized mentoring from the SBDC counselor in his or her region while working to develop a business. New York required SEA participants to engage with mentors, but the definition of who could be a mentor was broad. A mentor did not have to be affiliated with an entrepreneurship organization, and he or she could be a friend or acquaintance with business expertise. SEA program administrators leave it up to the participants to assess whether the mentor—and the mentoring relationship—is conducive to completing program benchmarks. In Rhode Island, mentoring was provided by a mentor employed by the CWE. The role of mentors in all three states was to help SEA participants address the specific issues that they faced—whether accessing training, developing a business plan, locating a site for a brick-and-mortar business, or accessing capital—and to connect SEA participants to other helpful individuals in the business community.

Although having a mentor was not required in Oregon or Vermont, SEA program administrators would connect participants who were interested to the state's SBDC. At the time of our interviews (November 2015), Oregon reimbursed the SBDC for up to four hours of individualized counseling to each SEA participant and approximately one-third of SEA participants received those services. Prior to 2009, Oregon required each participant to receive SBDC business counseling but discontinued the requirement because the SBDC did not have the capacity to serve this volume of clients.

Other supports. Training and mentoring were the foundational services provided, but some program partners offered other types of assistance. New Hampshire staff reported that an important way in which the SBDC supports SEA participants is by providing example business plans, which participants can use as models as they develop their own plans, and the Brooklyn Public Library in New York helped SEA participants access the business library for resources.

In Oregon, specifically in the greater Portland metropolitan area, SEA applicants also were able to apply to the Self-Employment Training (SET) demonstration program. If accepted into the SET program, participants had access to additional intensive business development services. Services include self-employment training and consultation, ongoing guidance and support from experienced business development advisers, and up to $1,000 in micro-grant funds. After completing key program milestones, participants could use the micro-grant funds to purchase equipment or supplies, obtain relevant licenses, or defray other initial business establishment costs. More information about the SET demonstration can be found in Appendix G.

Cost to SEA participants. In most situations, SEA participants could access free or low-cost services to meet SEA participation requirements. In Rhode Island, all costs for required training and mentoring were borne by the SEA program through the contract with CWE. In New Hampshire, the required services from SBDC were provided free to SEA participants and paid for through SBDC fundraising efforts. In New York, participants had to access training and mentorship but no funding was provided, though SEA staff referred participants to low- or no-cost services. Vermont and Oregon had no requirement for participants to receive any specific training or mentorship, but SEA staff referred participants to the state's SBDC for no-cost services and the cost of the services was partially offset with funding from states' SEA grants.

Service delivery across geography. In addition to the difficulty of providing services with limited funds, SEA programs also faced challenges with delivering services to distant locations. To address the issue of serving clients across many miles, the New Hampshire SBDC connected each SEA participant to an SBDC counselor in his or her region. In Oregon, SBDC counselors are not always available in close proximity to all participants and there is a need for business counseling in rural areas. One SEA program administrator in Oregon suggested that a possible strategy would be to provide business counseling in AJCs, though that option was not yet being pursued. In New York, different partners serve different areas to reach the various geographic areas, and individuals can link up with virtual training when they live far away from service providers. SCORE training is available online, and public libraries can connect participants to free trainings through their subscription to an online business training portal.

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VII. TRACKING SEA PROGRAM CLAIMS, PARTICIPATION, AND OUTCOMES

SEA program administrators reported collecting three main types of data related to SEA program participants' claims, participation, and outcomes. The data were used primarily to ensure that SEA program allowances were being paid properly and to meet requirements for federal reporting. Data were also used to respond to questions from state officials and to fulfill special requests.

Federal reporting requirements drove some of the decisions states made about what data elements to collect and how to collect them. States must submit to DOL data related to the SEA program on two reports (Table VII.1). The Self Employment Assistance for UI Claimants Report (the ETA 9161 report) focuses exclusively on the SEA program, requires data on participation, benefits, and outcomes.[11] The Monthly Claims and Payment Activities Report (the ETA 5159 report) is a broader report that includes data on all UI claimants, not just those in the SEA program. It does not require information on SEA program outcomes, but does require information on SEA program participation and benefit claims.

Table VII.1. Federal reporting requirements for SEA programs

Reporting form	Filing frequency	Type of data required	Specific data element
ETA 9161	Quarterly	SEA program benefit claims and participation	• Number of participants in the SEA program • Number of claimants in the SEA program who discontinue participation • Amount of benefits paid to all SEA program claimants • Number of claimants in SEA program who received a final payment
ETA 9161	Quarterly	SEA program outcomes	• Number of establishments created by SEA program claimants • Cumulative number of SEA program participants' establishments operating • Number of individuals employed by SEA program establishments • Gross revenues earned by SEA program establishments • Wages paid to individuals by SEA program establishments
ETA 5159	Monthly	SEA program benefit claims and participation	• Number of participants entering the SEA program • Number of weeks compensated through the SEA program • Amount of benefits paid through the SEA program

Note: The ETA 9161 report focuses exclusively on the SEA program. The ETA 5159 report contains information on all UI claimants and benefits, including SEA-program-specific information.

[11] While payments to SEA participants are typically referred to as SEA allowances, here we refer to these allowances as "benefits" to maintain consistency with the terminology that is used in the ETA 5159 and 9161 reports.

Most states could only partially adapt their UI data systems to accommodate distinct aspects of the SEA program and had to rely also on manual, labor-intensive processes for some activities, though one state established a separate system to help track SEA-program-specific information. To collect data on outcomes, states with long-standing SEA programs relied primarily on surveys specific to that program, and each of these states administered its survey differently. Across all five study states, administrators noted common challenges relating to adapting UI data management information systems, recording results from SEA program surveys, and gathering data for federal reporting.

In this chapter, we discuss states' needs for tracking claims and program participation. We describe the data systems states use (Section A) and those they use specifically to measure SEA program outcomes (Section B). We then describe how the data are used for federal reporting (Section C).

Key findings related to SEA program data in this chapter include the following:

- Tracking SEA program participation was often a manual process.
- Most study states reported that collecting data on SEA program claims, participation, and outcomes was inefficient and time-consuming.
- Given states' different interpretations of DOL reporting requirements, they used different approaches to collecting outcomes data. One state collected comprehensive and accurate information through the SEA certification process. Others used surveys of current and former SEA participants, which had low response rates.
- Low response rates for SEA program surveys and variation in data collected through the surveys some states used for DOL reporting, as well as states' use of different data sources for reporting, raise concerns of the quality and comparability of data across states.

A. Tracking SEA claims and program participation

States must use data to track SEA claims and program participation. The study states that had implemented an SEA program at the time of our site visits used manual processes and data systems. One state re-purposed fields in existing UI data systems to track SEA program information; another developed an SEA-specific database.

1. States' needs for tracking claims and program participation

States track program participation beginning with program application. In New York and Oregon, for example, data are transferred from paper applications to an electronic database. Fields include the date of application, date of application decision, application decision, and—in the case of application disapproval—the reason for disapproval.

After approved applicants begin participating in the program, states must ensure that participants are meeting program requirements. SEA program administrators keep records of SEA allowances claimed by (and paid to) participants and verify that they are meeting requirements each week for which allowances are paid. This tracking and reporting is analogous to the tracking and reporting that occurs for UI participants: SEA participants must report claims certifications on the same schedule as regular UI recipients—typically weekly or biweekly.

Although the regular UI and SEA program certification processes are analogous, SEA program staff must track program-specific requirements that are not tracked for regular UI program purposes. For example, SEA program participants must verify they are working full time to establish a business each time they certify, and states that require reaching SEA program benchmarks must track those as well. Oregon must track the date it received the business plan and the business's registration number; New York must track participants' training providers and hours of training. Additionally, some UI program requirements that are tracked in existing UI systems, for example being available for work, are not required of SEA participants and thus do not need to be tracked.

2. States' systems for tracking claims and program participation

Because the SEA programs tend to be small and the data needs are unique, study states generally made adaptations in their existing UI data processes to the degree possible or relied on manual processes to collect necessary information from SEA program participants. One study state—New York— developed and used a SEA-specific automated system and other states are aiming to implement more automated systems, as of when we interviewed program staff in study states.

States worked creatively to collect data on claims and program participation within the constraints of their existing systems. For example, in New Hampshire, SEA program administrators begin by reviewing participants' paper claims forms. They then manually enter the information in re-purposed special fields in the UI claims database. For example, the UI claims database includes a special field tracking the educational activity of UI recipients who are permitted to engage in educational activities while receiving UI benefits. This field is not applicable to SEA participants, so SEA staff record in this data field the number of hours that SEA participants reported spending on business development activities. Because there are a limited number of fields in the UI data system available for re-purposing, other staff enter onto an Excel spreadsheet the data on program participation that SEA program participants report on paper.

Only one study state, New York, had an SEA-program-specific database as part of its larger case management data system. New York's database captured data on SEA program participation, claims, and survey responses. This data can also be linked via a data warehouse to the UI claims data. The SEA program database includes program administrative information on applications, approvals, withdrawals, and dates for achieving SEA program benchmarks required for participation in New York. SEA program staff can query the data to complete federal reporting on the number of SEA program participants and to provide information for ad hoc data requests. As of our visit to New York in December 2015, the state was using SEA grant funds to automate its application and certification systems, allowing SEA program applicants and participants to apply and certify online. This system also will track benchmarks and will be integrated with the existing UI claims processing system.

Although New York was the only study state that was using SEA grant funds to convert from a paper-based application and recording process to an online system, SEA program staff in other states noted that their manual processes for entering data from program claims forms into the UI data system and tracking additional data elements separately can be frustrating and inefficient. Several SEA program administrators said they wish they could improve their UI data

systems for collecting and reporting SEA claims data. In addition to assisting with more streamlined tracking of program participation, one state administrator noted that if all the SEA program data were included in the UI database, they would be better able to analyze the data to better target recruitment for the SEA program and to identify the outcomes of SEA program participants. This administrator acknowledged it would cost more upfront to improve the UI database but thought it would save staff time in the long run.

New Hampshire did not apply for an SEA program grant to improve their data system because, according to staff, the amount would not have covered the full cost of improving the state's data system. The SEA grant that Rhode Island received from DOL provided $12,000 to update data systems so that SEA program certifications could be processed through the normal UI claims system. However, at the time the funds were received, the Rhode Island labor department was also preparing for a major upgrade of its UI claims processing systems. Because of the impending system change, the state labor department decided that it was not worthwhile to invest the money in a change that would quickly be phased out so it did not use these funds to improve the system.

B. Tracking SEA program outcomes

Study states draw on a variety of data sources to measure SEA program outcomes. The chief use of these outcome data is federal reporting but they are also used to respond to questions from state officials and to fulfill special requests. State SEA program staff expressed concerns with the quality of the data collected on program outcomes, especially because of low response rates on surveys.

1. Data sources

To track program outcomes, states draw on participant surveys; UI earnings data; data tracked by partner organizations; and information collected during the weekly certification process, business registration records, and business websites. For states with longstanding programs, participant surveys are the primary data source.

SEA program surveys. Surveys were an important source of outcome data. One state administrator noted that the SEA program survey is the only means to systematically follow up with SEA program participants and obtain information about their outcomes. Although all study states (except Vermont, which only implemented a small pilot program) had conducted at least one survey of SEA program participants to capture information about outcomes, they differed in how they used the data. As of when we interviewed state staff, New Hampshire and Rhode Island used survey information primarily for their own purposes; New York and Oregon used the information primarily for federal reporting.

SEA program surveys typically ask questions regarding whether the participant (or former participant) is operating a business, if it is still operating, the type of business it is, how many employees it has, the amount of wages paid, and gross revenues. Also, if businesses were no longer operating, surveys sometimes asked when and why the business closed. Some states also collected feedback about the SEA program. The similarity in the content of SEA surveys likely stems from two factors: (1) states using them for federal reporting were probably aiming to

collect the same, federally mandated data elements and (2) states share survey instruments and adopt one another's questions and formats.

Some survey items did, however, vary across states. Rhode Island included unique questions about whether the SEA participant found a wage/salary job and, if so, what position and with which company. A few study states also included open-ended questions to solicit narrative responses. For example, New York included a question soliciting feedback about its SEA program. New York also tailored its survey questions to the respondent's stage of business development. If the respondent previously reported he or she had not started the business, the survey asks whether the business is now active, and if so, what type of business, the number of employees, wages paid, and revenues. If the person does not have an active business, there is an open-ended question about why the business is not operating. If the respondent previously reported starting a business, the question is whether the business is still active, the number of employees, wages paid, and gross revenues. If the business ceased operating, the participant is asked what date that occurred and why it stopped.

SEA program administrators from study states reported that the survey questions rarely changed over time. However, New York's open-ended question soliciting feedback on the state's SEA program is a recent addition. The state's SEA program administrator noted that because participants have very little direct contact with administrators, the open-ended responses provide an important window into how the program affects individuals' lives. The state had not yet systematically used these responses as a way improve program activities or processes.

Although surveys had changed little as of the time of the site visits, some states were exploring future modifications. Oregon was interested in changing how the questions were asked, the formatting, and the mode of survey delivery to improve the quality of responses and response rates.

States used similar methods of survey administration. Of the three study states (New Hampshire, New York, and Oregon) that conducted surveys regularly, all used mailed paper forms. Only Rhode Island reported having emailed surveys to SEA program participants and allowing email answers, but Oregon was exploring the possibility of emailing surveys because the state was shifting to an email-based system of communication.

Because of the perceived high cost of automating survey administration and data collection, once the study states received survey responses they used manual processes to record and review responses. Oregon tabulated results manually using hand counts and tick marks on paper; in New York, staff entered survey responses into a database. SEA program staff in New York estimated that the process to manually enter the survey data takes a staff person about 10 hours over a one- to two-week period. New Hampshire and Rhode Island did not describe any systematic review or cataloging of survey responses.

UI earnings records. Guidance from DOL to states indicates that, in many cases, the best way to track outcomes of SEA program participation is to require that participants follow up with the state directly to report outcomes rather than relying on UI wage records or state business tax records because of the possibility of underreporting (UIPL No. 20-12). But some states used UI earnings data to track the (wage and salary) employment and earnings outcomes of program

participants, often in conjunction with other sources. For example, Rhode Island used wage records in cases where SEA program participants or former participants are registered employers with the state. (However, many of them are not registered.) Oregon SEA administrators noted that although UI wage records could be used to look at businesses established and sustainability of businesses, the use of UI wage records is limited.

Partner data. Some partners track participation in the SEA program as part of their own efforts to track service provision. For example, in two study states—New York and New Hampshire—the SBDCs discussed the data they collected on SEA program participants. In New York, the SBDC tracks the number of SEA program clients it serves; in New Hampshire, the SBDC uses a management information system—commonly used by SBDCs across the country—which collects information about each client interaction, such as topics discussed in counseling sessions. Other data elements the SBDC in New Hampshire tracks include statistics it must report to the SBA, such as business starts, capital formation, and client retention. The SBDC partner noted that these data are useful for staff allocation, and creating impact numbers for SBA reports, as well as for tracking SEA program outcomes. Because of this, New Hampshire created a memorandum of understanding with SBDC that includes data sharing. Similarly, when Vermont implements its SEA program, the state plans to share data with its state SBDC. At the time of our interview, Vermont's labor department was developing ways to link data from the SBDC system with its own data system.

Other data sources. Sometimes SEA program staff pursued additional methods for tracking outcomes. In addition to a participant survey, New Hampshire collected outcome information in fields added to the weekly claims certification form. To track business outcomes for federal reporting, Rhode Island staff conducted Internet searches to determine whether SEA program participants had business websites. They also checked to see if SEA participants had registered business with the state. Rhode Island SEA program administrators also reviewed participants' certification records, in which they had to report earnings from their business, to tally aggregate business earnings during their participation in the SEA program. Staff reported that securing and processing data from these sources is labor-intensive.

2. Uses of outcomes data among study states

States used survey and program data for a variety of purposes other than federal reporting. All study states with fully implemented SEA programs reported that they used data to respond to questions from state officials, including the state labor department, the state legislature, and the governor's office. For example, New Hampshire outcome data appears in a weekly report to the governor and periodic reports for the state's UI advisory committee. In New York, outcome data were used to provide information the state assembly requested and to fulfill special requests.

3. Data quality

An important concern regarding the quality of data, especially about SEA program participants' business outcomes, is the low response rates to surveys. In New Hampshire, for example, program staff estimated the response rate to be about 40 percent. We also were told during the New York site visit that the response rates are low, although participants with established businesses had higher response rates than those without established businesses. Staff in New Hampshire, New York, Rhode Island, and Vermont commented that once participants

complete the SEA program they are less cooperative in data collection efforts necessary for federal reporting. Moreover, there could be a response bias. A few SEA program administrators suspected that they were more likely to receive survey responses from those who have started a business than those who have not, which is consistent with New York's response rates. Therefore, survey data may be biased to disproportionately reflect the experiences of successful SEA program participants.

Furthermore, a few states expressed concerns about the accuracy of data reported. They noted that responses are self-reported and there is no mechanism to verify responses. Moreover, administrators in Oregon noticed inconsistent responses within survey forms, which suggests that at least some information collected is inaccurate. Other data sources states use also have potential problems. Administrative data, such as that on business registration and UI-covered earnings, might not capture all businesses started by SEA program participants, particularly those in the early phases of development. Data they collect through web searches for businesses may not be collected systematically enough to yield consistent, reliable information.

Still, administrators in New Hampshire said they were quite happy with the quality of the outcome data they collect through the SEA program claims forms. The state has designed its certification forms with fields that map directly onto the reporting fields for the ETA 9161 and 5159 reports, and staff can easily pull the data, with 100 percent response rates for fields related to SEA program participation. However, this information pertains only to SEA program participants while they are involved in the program and provides no insights about any post-program outcomes.

C. Using data on SEA program claims, participation, and outcomes for federal reporting

Data on SEA program claims, participation, and outcomes are provided to DOL through the ETA 5159 and ETA 9161 reports. All study states filed the ETA 5159 and ETA 9161 reports but there were differences in how states interpreted the reporting requirements, possibly leading to data inconsistencies across states.

Federal reporting requirements. States implementing the SEA program are required to collect and submit to DOL the ETA 5159 report and the ETA 9161 report (Table VII.1). As per the reporting instructions, states should be reporting all SEA participants who received at least one payment during the reporting period. The ETA 5159 report contains a larger number of data elements about all UI claimants and benefits, and three data elements were added in the 1990s (around when the first SEA programs began) specifically to provide information about the number of new SEA program participants as well as the weeks compensated and amount of benefits they received. States must submit this report monthly. DOL began requiring states with SEA programs to complete the ETA 9161 report starting with the second quarter of 2012. It pertains exclusively to the SEA program and is required on a quarterly basis. It includes data elements on SEA program participants, the benefits they receive, and SEA program outcomes.

The general reporting instructions for ETA 9161 data elements (UIPL No. 20-12) state that in most states the only effective way to collect some of this information, such as about business outcomes, is through follow-up contact with SEA program participants. The instructions also

encourage states to include a condition in the document that explains the UI recipients' responsibilities for participating in the SEA program that they have a responsibility to follow up and respond to requests by the state to provide information about their businesses. Furthermore, the reporting instructions specify that states should not rely on UI wage records or state business tax records because outcomes of many self-employed individuals might not be captured by those data sources. Perhaps in response to this guidance, New York and Oregon relied on their surveys to provide information for reporting.

The differences in how the five study states interpreted the reporting requirements, and what the goal of the reporting was, influenced their decisions about when to gather these data from SEA program participants, particularly outcomes measures, as displayed in Table VII.2. For example, New Hampshire assumed DOL would be most interested in SEA program outcomes while SEA program participants were receiving SEA program allowances, so it reported on outcomes only during the time frame in which participants were active in the program. Given the state included questions on outcomes for SEA participants on their weekly certifications, this was the most efficient means to collect data from all active participants; however, the approach is limited because it cannot provide information about post-program outcomes.

However, most other study states gathered and reported information from SEA program participants while they were in the program and afterward, with the aim of obtaining information about both in-program and post-program outcomes. To gather this information, these states relied on surveys and other sources of data that were less reliable or comprehensive than New Hampshire's approach to collect this information using the weekly certifications. Although the study states typically administered the surveys quarterly, they dramatically differed in when they first administered them and the duration and frequency in which participants received surveys. For example, in New York, the state administered the first survey to people who were approved for the SEA program between March 2013 and June 2014 all at the same time, in July 2014; however, between the third quarter of 2014 and mid- 2016, the state generally administered the first survey during the quarter after the participant is approved to enroll in the SEA program, and participants receive four quarterly surveys over the course of the subsequent year. Oregon mails the survey to all those who were in the SEA program in the quarter prior to the federal reporting quarter and who claimed at least one week of SEA allowances in the reporting quarter. For example, the survey administered during the first quarter of 2015 was sent to all who were in the SEA program during the third quarter of 2014 and who claimed SEA allowances during the fourth quarter of 2014, which is the reporting quarter.

Federal reporting processes. Study states' SEA program administrators noted that federal reporting for the SEA program was a time-consuming, mostly manual process. Most study states relied on manual counting of survey results to calculate numbers to report for data elements on ETA 9161. In one study state, for example, a program administrator makes tick marks to count the number of responses or calculate the values for data elements on the form. A program administrator in another state noted staff manually transfer survey responses to Excel spreadsheets.

Table VII.2. Sources for federal reporting on program outcomes in study states[a]

Study state	Data source	Initial period of data collection	Follow-up period	Frequency of data collection	Estimated response rate or sample (as reported during site visit)
New Hampshire	Claims certification questions	First week of SEA program claim	Duration of allowance receipt	Weekly	100%
New York[b]	Survey	Quarter after they start the SEA program	1 year	Quarterly	30%–50%
Oregon	Survey	Quarter after they start the SEA program	Duration of allowance receipt	Quarterly	27.6%
Rhode Island	• UI wage records • Web searches for participant businesses • Business registration records • Observation of business earnings during SEA program participation • Earnings reported on SEA program certification paperwork	As needed	n.a.	As needed	n.a.

Source: Information collected from state administrators during interviews conducted between November 2015 and March 2016.

[a] At time of data collection (March 2016) Vermont had not yet fully implemented its SEA program so did not provide information about the sources for federal reporting. For this reason, Vermont is omitted from the table.

[b] The information shown in the table is as of when we interviewed state administrators. As explained in the main text, the state used a different approach prior to the third quarter of 2014.

n.a. = not applicable.

Several state administrators noted that automated processes would help make federal reporting more efficient and produce higher quality data. In study states that adapted their UI data systems to track SEA program participants, program administrators had limited ability to leverage the reporting capacity of the UI data system to respond to federal or state SEA program reporting requests. This limitation stemmed both from the functionality of the data systems and from the time necessary to query those systems. One administrator noted that after staff manually enter the SEA program survey data into the UI data system it would be better if the state could report its federally required information directly from the UI data system.

Consistency of federally reported measures. The differences in how states interpreted the federal reporting data elements as well as the data sources, respondent samples, and time frames they used to gather information for reporting on these data elements suggest that the information contained in the federally required reports is not comparable across states. In the states that rely on survey data for federal reporting—New York and Oregon—there were differences in when they first administered them to participants and the duration and frequency in which participants were surveyed. Also, as explained, not all study states relied on surveys for the information they included in their federally required reports. Rhode Island used business registration and UI wage records to provide information about outcomes, although these records might not fully capture information about self-employment if the SEA program participant did not register the business or hire employees. New Hampshire asked SEA program participants to provide information to be

used for federal reporting as part of its weekly claims certification to ensure it obtained this information from everyone. New York collected this information on a quarterly basis, including for a period of time after participants exited the program.

VIII. SEA PROGRAM PARTICIPANT CHARACTERISTICS IN NEW YORK AND OREGON

An important aim of this study is to examine the characteristics of people who have participated in the SEA program and their outcomes. In addition to providing insights about who the program serves, an understanding of the characteristics and backgrounds of those who participate and their interaction with the UI and SEA programs helps to contextualize the outcomes. We compare information about SEA participants with similar information about regular UI recipients who might be eligible for the program but who did not participate in it—that is, a comparison group. This chapter shares findings from the quantitative analysis of SEA program participants' characteristics. Section A lays out the basic analytic approach; Section B discusses findings related to program participation; and Section C describes our findings about the characteristics and experiences of SEA program participants. From our analysis, we conclude:

- Between January 2013 and June 2015, a very small proportion of UI recipients applied for the SEA programs in New York (0.3 percent) and Oregon (1.0 percent).
- SEA program participants differed significantly from the comparison group of UI recipients in demographic characteristics and previous labor market experiences.
- In both states, SEA program participants had larger benefit entitlements, on average, than the comparison group. This is mainly because, on average, they had higher base period wages.
- SEA program participants who completed the program took an average of 105 days (15 weeks) in New York and 146 days (about 21 weeks) in Oregon to do so.

A. Data and analysis approach

This section provides a summary of the overall analytic setup underlying the findings presented in this chapter, while an in-depth discussion of the data and empirical methods is provided in Appendix C. The quantitative analysis was based on data on all eligible UI claimants who filed new UI initial or transitional claims between January 1, 2013 and June 30, 2015. Throughout this report, the term UI initial or transitional claims refers to the claim for UI benefits that any SEA participant or comparable UI recipient files prior to being approved for UI benefits and potentially becoming eligible to admission to the SEA program. The analysis sample is restricted using the date of filing the UI initial or transitional claim, rather than the date of filing an SEA application. This approach enabled us for sample construction purposes to use a date that is applicable to both SEA participants and UI recipients (who did not participate in the SEA program) and which fosters consistency across the two groups in when they established their benefit entitlements—especially because an SEA application may be submitted several weeks after the initial or transitional claim for UI benefits is filed. The base sample comprised 1.27 million records in New York and 341,749 records in Oregon of UI recipients who filed UI new initial or transitional claims between January 2013 and June 2015, received benefits as a result of the claim, and had complete information on their entitlements to and collections of benefits. Our analysis treats each record of a benefit year as a separate observation.

We examined how SEA participants differed from comparable UI recipients, i.e., UI recipients who did not participate in the SEA program but could have been eligible for the program based on individuals' WPRS information, since the SEA programs in New York and Oregon use UI recipients' WPRS scores to screen for program eligibility. To construct this comparison group in New York, we identified UI recipients who had never been approved for SEA but met the New York SEA program's eligibility criterion of a minimum WPRS score of 50. Oregon could not provide data on WPRS scores but did give us WPRS codes which indicate an individual's status in the WPRS system. We were able to eliminate from the comparison group the observations where the WPRS code would definitely have excluded the individual from SEA participation. Oregon's comparison group was relatively larger than (and potentially less similar to) the group of SEA program participants than New York's. Because we used two different methods of constructing the comparison groups for the two states, we consider our analyses of New York to use a better approximation of the ideal comparison group for this analysis. However, as explained in Chapter V, many factors influence whether or not a UI recipient applies for and is accepted into the SEA program, and we could not take all factors into account when we formed our comparison group for each state. This limitation should be kept in mind when interpreting results about the similarities and differences between the SEA program participants and comparison group of UI recipients, who did not participate in the SEA program.

B. SEA program participation

1. SEA program applications

Fifty percent of the 1.27 million UI recipients in New York who filed new initial or transitional UI claims between January 2013 and June 2015, and who received UI benefits or SEA allowances as a result, had a WPRS score of at least 50, the minimum score that New York requires to be approved to participate in the SEA program (Table VIII.1). The SEA program in New York received 3,280 SEA applications, representing 0.3 percent of all UI recipients with paid claims. This proportion is generally consistent with Figure III.4, which shows that in New York 0.17 percent of UI recipients receiving first payments were approved for and entered the SEA program between January 2013 and June 2015. Using New York's WPRS criterion as a screening mechanism for SEA eligibility, this implies that 0.6 percent of the state's UI recipients who met the WPRS score eligibility condition applied to the SEA program. In New York, SEA staff make the approval or disapproval decisions on the majority of applications (87 percent) the day they receive them.

Our data consisted of 341,749 recipients in Oregon who filed UI new initial or transitional claims between January 2013 and June 2015 and who received UI benefits or SEA allowances as a result of the claim (Table VIII.1). About 79 percent of recipients were assigned a WPRS code that would not have automatically disqualified them from SEA program participation. The SEA program received 3,267 applications from these individuals, representing 1 percent of the state's population of UI recipients with paid claims. Oregon staff make approval or disapproval decisions the day the state receives the application about 10 percent of the time. One possible reason for the lower rate of same-day decisions in Oregon is that the state requires submission of a business feasibility study with the application, and it takes some time for the state to review it. In cases where a same-day decision was not reached, the average time to reach a decision was 13 days in New York and 37 days in Oregon.

Table VIII.1. SEA program application and review in New York and Oregon

	New York	Oregon
Number of UI recipients	1,276,106	341,749
Percentage with WPRS scores/codes that would be qualified for participation in the SEA program	50.2%	79.3%
Number of SEA program applications received	3,280	3,267
Percentage that submitted an application for the SEA program	0.3%	1.0%
Percentage of WPRS-eligible recipients that submitted an application to the SEA program[a]	0.6%	1.26%
Of the applications received:		
Decision made on the same day	90.7%	9.7%
Average number of days until a decision was made, if not made on the day the application was received	12.6	37.1

Source: Individual-level New York and Oregon UI claims and SEA program data files.

Note: The analytic sample consists of individuals who filed UI new initial or transitional claims between January 2013 and June 2015 and who received UI benefits or SEA allowances as a result of the claim.

[a] In New York, WPRS-eligible recipients refers to those who had a WPRS score of 50 or higher. In Oregon, WPRS-eligible recipients refers to those who did not have a WPRS code that would have definitively disqualified them from SEA program participation.

2. SEA program approval

Of the 3,280 applications for the SEA program submitted in New York, approximately 81 percent received approval (Table VIII.2). Individuals whose applications were disapproved could appeal the decision and reversal of the decision was possible. Our final sample of approved SEA program participants in New York consisted of 2,655 claims. Among cases that were not approved in New York, the most common reason was that the applicant's WPRS score was lower than 50—the threshold the state for SEA program eligibility. A significant number of applications were also rejected because the claimant was not eligible for a sufficient period of benefits (13 remaining weeks of benefits were required in New York), the applicant wanted to expand an existing business, or he or she had previously owned a business similar to the one proposed in the application. Twenty-two percent were rejected for some other reason (see Table VIII.2). The data did not have information on the denial reason for about 9 percent of the SEA program applications in New York.

In Oregon, approximately 65 percent of the 3,267 applications submitted to the SEA program were approved, resulting in a final sample of 2,133 approved participants in the state. The lower acceptance rate in Oregon compared to New York could be because Oregon has more stringent eligibility criteria that an applicant must satisfy for approval. For example, in Oregon, staff evaluate the feasibility of the business idea; in New York, the staff ascertain only that the applicant has a specific business idea. Furthermore, in Oregon, an SEA program application by an individual might be disapproved if staff determine that he or she does not have or is not able to obtain financial backing needed to start/sustain the business; financial backing is not considered in the approval process in New York. If an SEA application is denied, 52 percent of the time it is because it did not pass the feasibility assessment. The next most common reason for disapproval (23 percent) is that the applicant proposed a business idea that would not have met the SEA program's definition of self-employment (that the claimant/business must be free from

direction and control of another entity)–for example, certain types of franchise restaurants. In addition, 16 percent of denied applications are disapproved because the applicant's WPRS score did not meet the eligibility threshold.

Table VIII.2. SEA program approval rates and reasons for disapproval in New York and Oregon, January 2013 to June 2015

	New York	Oregon
Outcome of SEA program applications (percentages unless otherwise indicated)		
Approved	80.9	65.3
Disapproved	19.1	34.7
Among those disapproved, the reason		
Not eligible for sufficient period of benefits	16.0	n.a.
Profile score is not in the acceptable range for eligibility	42.4	16.0
Business feasibility score[a] was too low	n.a.	52.0
Claimant had previous similar business or wants to expand business	11.1	n.a.
Business idea would not constitute self-employment [b]	n.a.	22.9
Missing documents or information or incorrect format	n.a.	4.5
Business idea or applicant has legal barriers [c]	n.a.	4.2
Other reason	21.9	0.5
No reason selected	8.8	n.a.
Number of applications	3,280	3,267

Source: Individual-level New York and Oregon UI claims and SEA program data files.

Note: The analytic sample consists of SEA applicants who filed UI new initial or transitional claims between January 2013 and June 2015 and received UI benefits or SEA allowances.

[a] The business feasibility score was calculated using a tool developed by SBDC.

[b] The claimant's business idea would not meet the definitions of being an independent contractor or self-employed under the rules of the SEA program, e.g., real estate agents and certain types of franchise operators. To be deemed self-employed under the SEA program, the claimant/business must be free from direction and control of another entity.

[c] The claimant proposed a business that cannot legally operate at the time. This may be due to lack of proper certification or proper insurance, or because they are affiliated with a product or service that is deemed illegal either under state or federal law.

C. Characteristics and experiences of SEA program participants

1. Demographic and pre-UI employment characteristics

SEA program participants, defined as individuals whose applications for the SEA program were approved, differed significantly from the comparison group of UI recipients on demographic characteristics (Table VIII.3). In New York, more than half of the SEA program participants are female, and the pool of participants had a statistically significantly higher proportion of women than the comparison group (52 percent versus 49 percent). The average SEA program participant in New York was 44 years old at the time of filing the UI claim, slightly older than the average individual in the comparison group—42 years old. The New York SEA participant group had a lower portion of individuals age 34 or younger, and a higher portion of individuals 35 to 54 years old than the comparison group. Most SEA program participants (53 percent) in New York identify as non-Hispanic white; the next most common categories were those who chose not to self-identify race and/or ethnicity (23 percent) and those who self-identified as non-Hispanic black (12 percent). The percentage who self-identified as Hispanic

was 8 percent. In contrast, only 40 percent of comparable UI recipients self-identified as non-Hispanic white. Relative to the comparison group, SEA program participants in New York were more likely to identify as non-Hispanic white or to not self-identify race and ethnicity, and they were less likely to identify as being Hispanic or non-Hispanic black.

Table VIII.3. Demographic characteristics of SEA program participants and comparison groups of UI recipients in New York and Oregon, January 2013 to June 2015

	New York SEA program participants	New York comparison group	Oregon SEA program participants	Oregon comparison group
Gender				
Male	48.5%*	51.5%	56.4%	58.1%
Female	51.5%*	48.5%	43.6%	41.9%
Age	†		†	
Younger than 25	1.8%*	10.4%	1.2%*	9.1%
25 to 34	23.8%*	28.1%	19.0%*	26.0%
35 to 44	25.7%*	21.2%	27.4%*	22.3%
45 to 54	29.5%*	21.1%	27.2%*	22.7%
55 or older	19.2%	19.2%	25.1%*	19.8%
Average (years)	44.3*	41.6	46.09%*	42.2
Ethnicity/race	†		†	
Hispanic	7.5%*	19.3%	4.6%*	12.6%
Non-Hispanic black	12.3%*	15.8%	0.2%	0.4%
Non-Hispanic white	53.4%*	40.4%	6.8%*	12.0%
Non-Hispanic other	4.2%	4.5%	0.6%*	1.3%
Did not self-identify	22.6%*	20.0%	87.8%*	73.6%
Sample size	**2,655**	**638,152**	**2,133**	**268,856**

Source: Individual-level New York and Oregon UI claims and SEA program data.

Notes: The analytic sample is limited to individuals who filed UI new initial or transitional claims between January 2013 and June 2015 and who received UI benefits or SEA allowances. The analytic sample comprises individuals who were approved for the SEA program as well as a comparison group of UI recipients. The New York comparison group had WPRS scores that met the state's threshold criterion for SEA program eligibility. The Oregon comparison group had WPRS codes that would not automatically exclude the UI recipient from SEA program participation. Age is the difference in years (rounded down) from the date of birth to the date of the initial claim was filed. The ethnicity/race category of "did not self-identify" includes individuals who identified a race but not ethnicity or vice versa.

* Significantly different from the comparison group at the .05 level, two-tailed t-test.

† Significantly different distribution from the comparison group at the .05 level, two-tailed chi-squared-test.

In Oregon, males comprise the majority of SEA program participants (56 percent), unlike in New York. However, the gender composition of the SEA program participants is not significantly different from that of the comparison group. The average SEA program participant is older than the average person in the comparison group (46 versus 42 years old). In Oregon, the vast majority of SEA participants did not self-identify their race and/or ethnicity (88 percent); 7 percent identified as being non-Hispanic white.[12] The proportion of SEA program participants that do not self-identify their race or ethnicity is higher than that of the comparison group. SEA program participants are less likely to identify as Hispanic, non-Hispanic white or non-Hispanic other races, relative to the comparison group.

[12] In the Oregon data, the rate of missing information for race information is very high. Sixty-three percent provided information for ethnicity but not race; 1 percent provided information on race but not ethnicity; and 7 percent provided no information on either.

The individual-level data extracts the states gave us did not contain information on the region of residence for SEA program participants and comparable UI recipients, but New York SEA program administrators we interviewed in different states noted that there are more SEA program participants in certain parts of the state. In New York, staff thought that SEA program participants were disproportionately from the southern region. This is the area of the state with the greatest population density, and the SEA program partner staff also believes unemployed individuals in "the north country" had less confidence as entrepreneurs and less interest in entrepreneurship. They also noted that in upstate New York, there was further variation by city, with more SEA program participants from cities with unemployed skilled workers rather than low-skilled workers.

Relative to the comparison group of UI recipients, New York SEA program participants were much more likely to have had professional and technical services and management jobs and less likely to have had leisure and hospitality jobs immediately prior to the UI claim (Table VIII.4). Across industry categories, the differences between the SEA program participants and comparison group are almost always significant, partly due to the large sample sizes.[13] Specifically, SEA program participants in New York are significantly more likely to have previously worked in professional and technical services and management, and considerably less likely to have worked in construction, mining and utilities, and transportation and arts, entertainment, recreation, accommodation, and food services. During our interviews, SEA program administrators in New York shared anecdotal observations that SEA program participants were more likely to be highly educated and to have professional/management occupational backgrounds–however, the quantitative analysis was not able to verify this anecdotal information as the data does not contain information on education and occupation.

On average, SEA program participants earned $61,828 in base period wages in New York (Table VIII.4 and Figure VIII.1).[14] SEA program participants had higher base period wages than UI recipients in the comparison group, who earned an average of $41,405 in base period wages in New York. As per Figure VIII.1, compared to comparable UI recipients, SEA program participants in New York were significantly less likely to earn less than $50,000 in wages in their base period (57 percent versus 77 percent), and more than twice as likely to have earned wages greater than $75,000 in their base period (24 percent versus 12 percent). This difference in base period wages is not unique to New York.

In Oregon, SEA program participants were also most likely to have worked in professional and technical services and management, with a significantly higher proportion reporting that industry for their most recent employer than the comparison group (16 percent versus 5 percent;

[13] The UI data contained industry information at the level of the North American Industry Classification System (NAICS) 2-digit classification system. However, to prevent disclosing identifiable information due to small cells, we collapsed some categories together to form the industry categories presented in Table VIII.4.

[14] We top-coded all values of base period wages above $200,000 to reduce the influence of the outliers and to ensure no identifiable information was published.

Table VIII.4).[15] Here too, the differences between the SEA program participants and the comparison group appear to be almost always significant across industry categories, partly due to our large sample sizes. In particular, relative to the comparison group, Oregon SEA program participants were considerably more likely to have worked in information and finance and insurance and education services industries, and less likely to have worked in agriculture, forestry, fishing and hunting, construction, mining and utilities, transportation, and leisure and hospitality services.

Table VIII.4. Pre-claim employment of SEA program participants and comparison group of UI recipients in New York and Oregon, January 2013 to June 2015

	New York SEA program participants	New York comparison group	Oregon SEA program participants	Oregon comparison group
Industry of most recent employer [a]	†		†	
Agriculture, forestry, fishing and hunting	0.0%	0.1%	0.9%*	5.0%
Construction, mining, and utilities	2.4%*	4.8%	5.5%*	11.2%
Manufacturing	7.8%*	5.9%	10.8%*	12.9%
Wholesale and retail trade	16.4%	15.9%	13.3%	14.2%
Transportation and warehousing	1.6%*	2.8%	1.2%*	3.6%
Information	6.5%*	4.6%	6.3%*	1.8%
Finance and insurance	7.6%*	6.1%	4.6%*	2.7%
Real estate rental and leasing	1.7%*	2.8%	1.6%	1.5%
Professional, scientific, and technical services and management	17.6%*	10.0%	16.2%*	5.0%
Business support services	10.5%*	13.5%	8.4%*	12.3%
Education services	5.5%*	3.9%	5.9%*	2.3%
Health care and social assistance	10.4%*	13.0%	10.4%	11.5%
Arts, entertainment, recreation, accommodation, and food services	3.4%*	8.6%	4.9%*	9.7%
Other	5.0%*	3.6%	6.3%*	2.7%
Public administration	3.7%	4.5%	3.7%	3.6%
Average base period wages	$61,828.19*	$41,405.36	$57,503.58*	$29,871.30
Sample size	2,655	638,152	2,133	268,856

Source: Individual-level New York and Oregon UI claims and SEA program data.

Notes: The analytic sample is limited to individuals who filed UI new initial or transitional claims between January 2013 and June 2015 and who received UI benefits or SEA allowances as a result. The analytic sample comprises individuals who were approved for the SEA program as well as a comparison group of UI recipients. The New York comparison group had WPRS scores that met the state's threshold criterion for SEA program eligibility. The Oregon comparison group had WPRS codes that would not automatically exclude the UI recipient from SEA program participation.

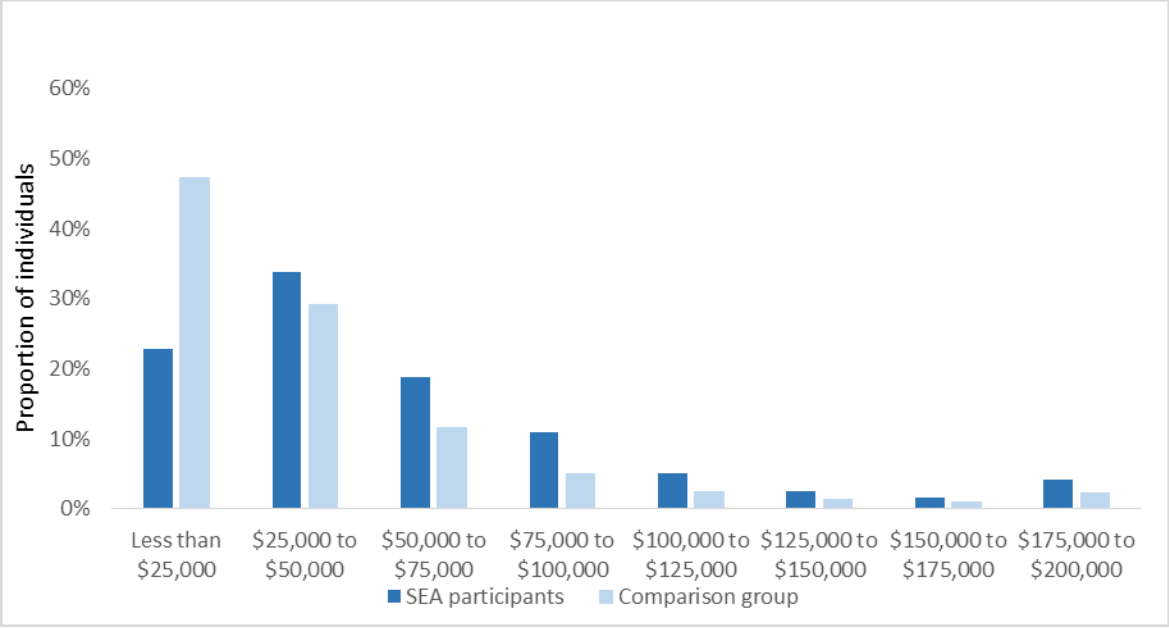
[a] Oregon gave us information on the most recent employer at the time the data extract was created. Therefore, for 45.6 percent of sample members, the industry of separating employer refers to employment that occurred after the initial or transitional claim was filed.

* Significantly different from the comparison group at the .05 level, two-tailed t-test.

† Significantly different distribution from the comparison group at the .05 level, two-tailed chi-squared-test.

[15] Oregon gave us information on the most recent employer at the time the data extract was created. Therefore, for 115,672 sample members (about 42 percent of the sample), the information in the table is from employment that occurred after the initial or transitional claim was filed.

Figure VIII.1. Distribution of base-period wages of SEA program participants and comparison group of UI recipients in New York, January 2013 to June 2015



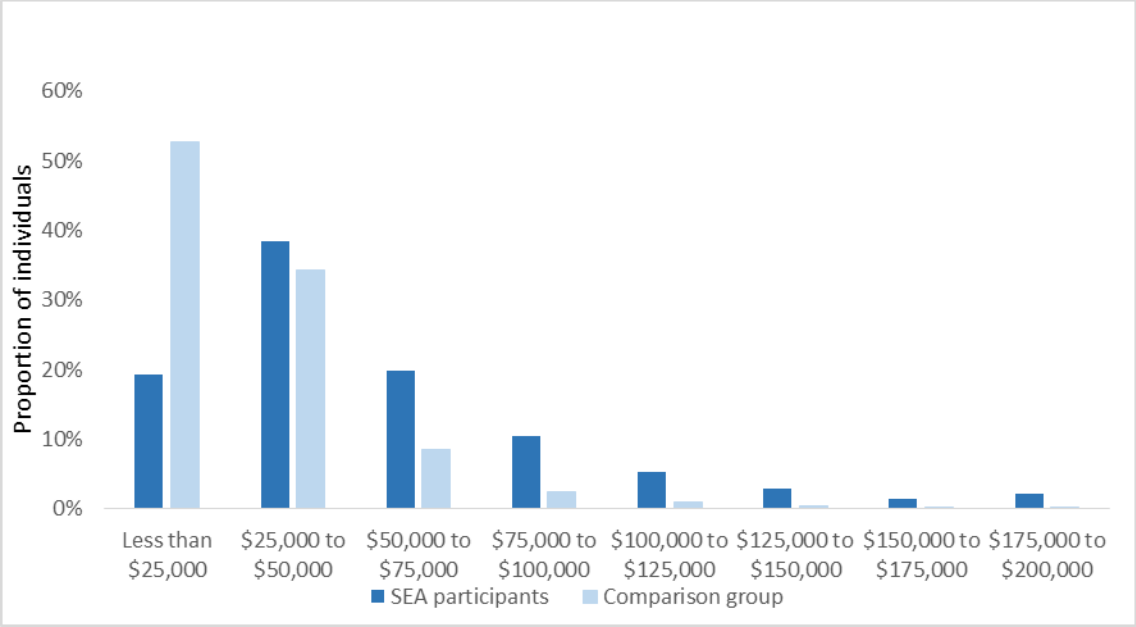
Source: Individual-level New York and Oregon UI claims and SEA program data.

Notes: The analytic sample is limited to individuals who filed UI new initial or transitional claims between January 2013 and June 2015 and who received UI benefits or SEA allowances as a result of the claim. The analytic sample comprises individuals who were approved for the SEA program as well as a comparison group of UI recipients. The New York comparison group had WPRS scores that met the state's threshold criterion for SEA program eligibility.

On average, SEA program participants earned $57,504 in base period wages in Oregon (Table VIII.4 and Figure VIII.2).[16] That was higher than the UI recipients in the comparison group, who earned, on average, $29,871 in base period wages. Relative to the comparison group, SEA program participants in Oregon were significantly less likely to earn below $25,000 in wages in their base period (53 percent versus 19 percent), and more than four times as likely to have earned wages above $75,000 in their base period (22 percent versus 4 percent).

[16] We top-coded all values of base period wages above $200,000 to reduce the influence of the outliers and to ensure no identifiable information was published. Base period wages included a small number of cases with $0 in reported wages in New York.

Figure VIII.2. Distribution of base-period wages of SEA program participants and comparison group of UI recipients in Oregon, January 2013 to June 2015



Source: Individual-level New York and Oregon UI claims and SEA program data.

Notes: The analytic sample is limited to individuals who filed UI new initial or transitional claims between January 2013 and June 2015 and who received UI benefits or SEA allowances. The analytic sample comprises individuals who were approved for the SEA program as well as a comparison group of UI recipients. The Oregon comparison group had WPRS codes that would not automatically exclude the UI recipient from SEA program participation.

Although we do not have individual-level data about the education or occupations of the SEA program participants or the comparison group of UI recipients, our interviews with SEA program administrators suggest differences in those characteristics across the two groups among SEA program participants.[17] Staff in some states emphasized there were a lot of professional workers among SEA program participants. For example, SBDC staff in New Hampshire noted that, in comparison to other SBDC clients, SEA program participants are more likely to be classified in the SBDC database under the North American Industry Classification System (NAICS) code for professional/scientific/technical or other services: 40 percent received this classification. New Hampshire's state labor department staff also noted that, relative to UI recipients who do not participate in the SEA program, the SEA program participants tend to have had higher earnings prior to the UI claim, possibly because some people with histories of high earnings see entrepreneurship as a way to replace higher earnings when job openings offer lower wages. In Rhode Island, program staff and participants mentioned that SEA program participants had such varied backgrounds as insurance company vice presidents, registered nurses, a former professional baseball player, writers, plumbers, engineers, and office workers, and SEA partner staff noted that there were more CEOs and CFOs in the SEA program than is typical in their other business development programs. However, staff also mentioned that some SEA program participants came from occupations typically thought of as providing low wages. This suggests

[17] We do not have reliable individual-level data on occupation. Fifty-eight percent of New York's records had no information on the recipients' occupation at separation.

that in the total pool of SEA program participants across states, there is broad diversity in occupational backgrounds.

2. Claim characteristics

Conditional on meeting New York's minimum threshold score of 50 for entry into the SEA program, SEA program participants do not typically have the highest range of WPRS scores in the general UI population (Table VIII.5). The average WPRS score of SEA program participants in New York was 65, which is lower than the average of 67 in the comparison group. This suggests that when the average UI claimant who goes on to participate in the SEA program first enters the worker profiling system of New York, the individual is assessed to have a slightly lower predicted probability of exhausting benefits, relative to the average individual in the comparison group. SEA program participants in New York were about 10 percentage points more likely to have a WPRS score in the 50–64 range, and were significantly less likely to have a score above 64. In New York, among both the SEA program participants and the comparison group, about 98 percent of claims filed by SEA program participants group were UI claims, as opposed to other types of claims (such as UCX or UCFE claims).

Table VIII.5. Claim characteristics of SEA program participants and comparison group of UI recipients in New York and Oregon, January 2013 to June 2015

	New York SEA program participants	New York comparison group	Oregon SEA program participants	Oregon comparison group
Proportion with WPRS scores in range				
50 <= WPRS score < 65	49.0%*	38.8%	NA	NA
65 <= WPRS score < 80	44.4%*	53.4%	NA	NA
80 <= WPRS score <= 100	6.6%*	7.9%	NA	NA
Average	64.8*	67.1	NA	NA
Claim type			†	
UI	98.3%	97.8%	96.3%*	94.2%
Other[a]	1.7%	2.2%	3.7%*	5.8%
Length of time between date of the pre-UI job separation and date of filing the initial claim				
1 week or less	41.7%	39.9%	59.5%*	65.5%
1 to 2 weeks	17.9%	17.8%	17.8%*	13.2%
2 weeks to 1 month	12.4%*	14.4%	9.4%*	8.2%
1 to 3 months	16.7%	17.4%	6.7%	7.6%
3 or more months	11.3%	10.6%	6.7%*	5.5%
Average (days)	34.5	33.1	27.63	32.72
Sample size	**2,655**	**638,152**	**2,133**	**268,856**

Source: Individual-level New York and Oregon UI claims and SEA program data.

Notes: The analytic sample is limited to individuals who filed UI new initial or transitional claims between January 2013 and June 2015 and who received UI benefits or SEA allowances. The analytic sample comprises individuals who were approved for the SEA program as well as a comparison group of UI recipients. The New York comparison group had WPRS scores that met the state's threshold criterion for SEA program eligibility. The Oregon comparison group had WPRS codes that would not automatically exclude the UI recipient from SEA program participation.

[a] Other claims include those that are part of the UCX, UCFE, CWC programs or a combination of these programs.

* Significantly different from the comparison group at the .05 level, two-tailed t-test.

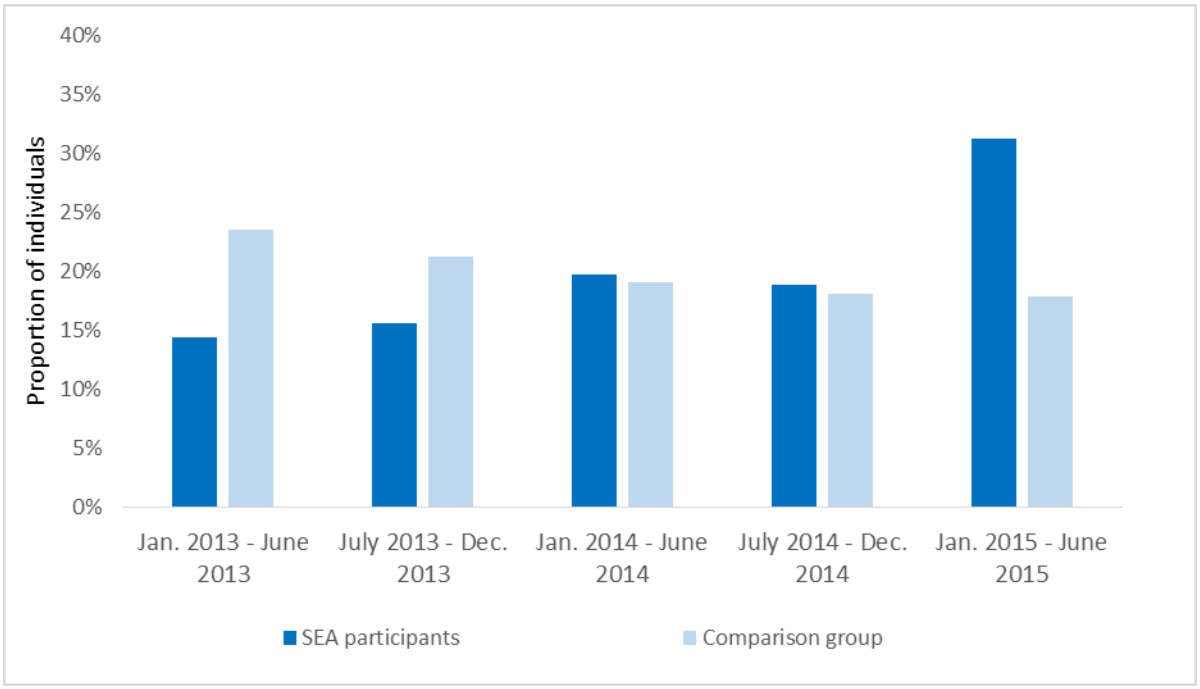
† Significantly different distribution from the comparison group at the .05 level, two-tailed chi-squared-test.

NA = not available.

On average, New York SEA program participants had 34 days (about five weeks) between the date of job separation and the new initial or transitional claim date, which is not significantly different than the average time between these two dates for the comparison group (Table VIII.5).

A large proportion of SEA program participants in New York filed their claims later in our observation period than the comparison group (Figure VIII.3). Relative to the comparison group, New York SEA program participants were less likely to have filed their claims in the first two quarters of 2013 (14 percent versus 24 percent) and more likely to have filed their claims in the first two quarters of 2015 (31 percent versus 18 percent). During our interviews with state staff, they noted it was common for the number of new participants to vary over time, and this was consistent with the state-level aggregate data that the state gave DOL about SEA program participants (see Chapter III for more details).

Figure VIII.3. Distribution of timing of claims filed by SEA program participants and comparison group of UI recipients in New York, January 2013 to June 2015



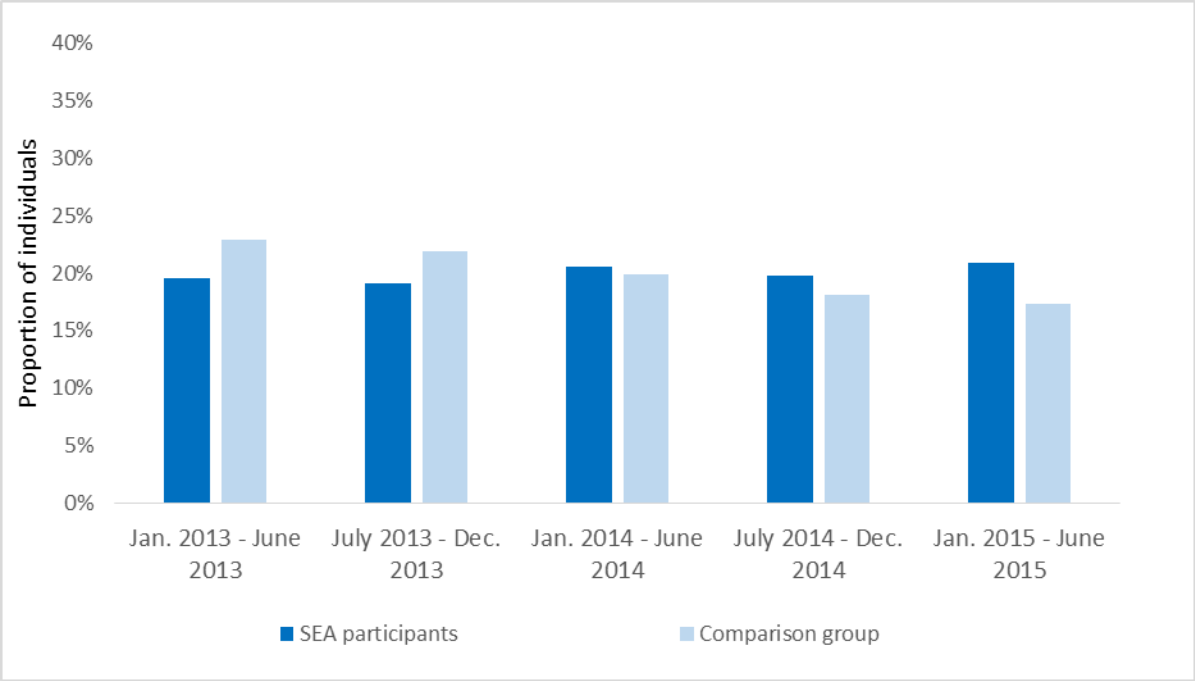
Source: Individual-level New York UI claims and SEA program data.

Notes: The analytic sample is limited to individuals who filed UI new initial or transitional claims between January 2013 and June 2015 and who received UI benefits or SEA allowances. The analytic sample comprises individuals who were approved for the SEA program as well as a comparison group of UI recipients. The New York comparison group had WPRS scores that met the state's threshold criterion for SEA program eligibility.

As explained, the data from Oregon do not provide detailed information on WPRS scores for individuals, so it is not possible to examine how the WPRS scores of SEA program participants differed from those of comparable UI recipients (Table VIII.5). In Oregon, 96 percent of claims filed by SEA program participants were UI claims rather than other types of claims, which is slightly higher than the proportion of UI claims in the comparison group (94 percent). SEA program participants in Oregon filed UI claims an average of 27 days after separating from their

employers, which is not significantly different from the average for the comparison group.[18] The distribution of claims in Oregon is quite even across time for SEA program participants in Oregon, and is similar to that of the comparison group (Figure VIII.4).

Figure VIII.4. Distribution of timing of claims filed by SEA program participants and comparison group of UI recipients in Oregon, January 2013 to June 2015



Source: Individual-level Oregon UI claims and SEA program data.

Notes: The analytic sample is limited to individuals who filed UI new initial or transitional claims between January 2013 and June 2015 and who received UI benefits or SEA allowances. The analytic sample comprises individuals who were approved for the SEA program as well as a comparison group of UI recipients. The Oregon comparison group had WPRS codes that would not automatically exclude the UI recipient from SEA program participation.

As part of New York's UI policy, all individuals who are eligible for UI benefits are entitled to 26 weeks of regular benefits, but the state's SEA program participants were entitled to a higher weekly benefit amount than the comparison group because they had higher base period earnings (Table VIII.6). Note that we therefore use the term "regular benefits" to describe the total amount of regular UI benefits and/or SEA allowances in lieu of UI benefits, since in the individual-level data, we cannot distinguish between UI benefits received by SEA participants prior to their entry to the SEA program and SEA allowances received after their entry to the program. The information is presented separately for claims with benefit year beginning in 2013 (approximately 30 percent of the sample) because those individuals could potentially have been

[18] As noted earlier, Oregon reported the most recent separating employer recorded at the time the data extract was created, and therefore included employment after the initial claim began for 115,672 observations. We exclude those observations when calculating time between the job separation date and the date of filing a new initial or transitional claim for Oregon.

eligible for EUC08 benefits before the program expired at the end of 2013. Among claims with the benefit year beginning in 2013 or earlier, the average amount of weekly benefits available to SEA participants was $364, which is higher than the $308 for the comparison group. Eighty-eight percent of New York's SEA program participants whose benefit year began in 2013 or earlier had no entitlement for EUC08 benefits, and the rest were entitled to 15 or more weeks of EUC08 benefits.[19] This is significantly different from the comparison group: only 76 percent had no entitlement for EUC08 benefits, and the rest were entitled to 15 or more weeks of EUC08 benefits. Therefore, on average, SEA program participants in New York with a benefit year of 2013 had an entitlement to 2.2 weeks of EUC08 benefits, half that of the comparison group (4.8 weeks).

Table VIII.6. Benefit entitlements of SEA program participants and comparison group of UI recipients in New York and Oregon, January 2013 to June 2015

	New York SEA program participants	New York comparison group	Oregon SEA program participants	Oregon comparison group
Benefit year beginning in 2013[a]				
Potential duration of regular benefits			†	
12 weeks or less	0.0%	0.0%	0.1%*	2.0%
12 to 25 weeks	0.2%	0.1%	1.5%*	10.6%
26 weeks[b]	99.8%	99.8%	98.4%*	87.4%
Average (weeks)	26.0	26.0	25.9*	25.0
Weekly benefit amount	†		†	
$150 or less	3.0%*	12.5%	3.9%*	20.4%
$151 to $250	8.1%*	20.0%	10.5%*	22.7%
$251 to $350	13.4%*	17.1%	11.4%*	17.9%
$351 to $400	8.2%	7.1%	5.1%*	7.1%
$401 to $450	67.3%*	43.2%	6.7%	6.0%
$451 or more	n.a.	n.a.	62.4%*	25.8%
Average (dollars)	364.1*	307.7	435.9*	311.1
Potential duration of EUC08 benefits	†		†	
0 weeks (no entitlement)	88.0%*	76.1%	84.7%*	91.0%
1 to 14 weeks or less	0.0%	0.1%	11.4%*	6.2%
15 weeks or more	12.0%*	23.9%	3.9%	2.8%
Average (weeks)	2.2*	4.8	2.5*	1.5
Sample size	**805**	**290,346**	**857**	**124,706**

[19] Through 2013, New York was eligible for the first three of four tiers of EUC08 benefits. The first, second, and third tiers offered up to 14, 14, and 9 weeks of additional benefits, respectively, during the time period of our study. This means that, had the EUC08 program continued past calendar year 2013, eligible recipients could have received up to 37 weeks of EUC08 benefits. However, generally speaking, a claimant's entitlement to a higher tier of EUC08 benefits was to be established only after the claimant collected all benefits from lower tiers. Therefore, given the timing of our sample frame, the timing of when the EUC08 program ended, and the sequential nature of benefit entitlement and collection mean that sample members were unlikely in practice to have been able to collect all of the EUC08 benefits to which they might have been entitled.

Table VIII.6 *(continued)*

	New York SEA program participants	New York comparison group	Oregon SEA program participants	Oregon comparison group
Benefit year beginning in 2014 or 2015				
Potential duration of regular benefits			†	
12 weeks or less	0.0%	0.0%	0.0%*	1.3%
12 to 25 weeks	0.3%	0.5%	1.6%*	9.1%
26 weeks[b]	99.7%	99.5%	98.4%*	89.5%
Average (weeks)	26.0	26.0	25.93*	25.2
Weekly benefit amount	†		†	
$150 or less	4.3%*	12.8%	3.1%*	17.0%
$151 to $250	8.5%*	20.7%	9.2%*	21.9%
$251 to $350	12.3%*	17.3%	9.2%*	18.6%
$351 to $400	7.1%	7.2%	6.3%	7.5%
$401 to $450	67.7%*	42.0%	5.3%	6.3%
$451 or more	n.a.	n.a.	67.0%*	28.5%
Average (dollars)	370.2*	310.8	455.3*	328.0
Sample size	**1,850**	**347,806**	**1,276**	**144,290**

Source: Individual-level New York and Oregon UI claims and SEA program data.

Notes: The analytic sample is limited to individuals who filed UI new initial or transitional claims between January 2013 and June 2015 and who received UI benefits or SEA allowances. The analytic sample comprises individuals who were approved for the SEA program as well as a comparison group of UI recipients. The New York comparison group had WPRS scores that met the state's threshold criterion for SEA program eligibility. The Oregon comparison group had WPRS codes that would not automatically exclude the UI recipient from SEA program participation.

[a] This category includes a small number of claims (8,782 in New York; 7,265 in Oregon) where the date that the initial or transitional claim was filed is recorded as 2013 but the benefit year begin date is recorded as 2012.

[b] This category includes entitlements of more than 25 weeks and less than 28 weeks. We calculated weeks of benefits available by dividing the maximum amount of benefits available to an individual by his or her weekly amount of benefits available. In New York, the ceiling on weekly benefits available increased in 2013 and 2014. Correspondence with New York state staff revealed that although the data was always updated to change the maximum amount of regular benefits available to an individual, the weekly benefits available in the data extract might not have always been updated, making our calculation of weeks of benefits available imprecise. Therefore, when this calculation resulted in an entitlement of more than 26 weeks, given that New York is a uniform duration state (that is, everyone who is entitled to UI benefits is entitled for 26 weeks), we imputed weeks of benefits available to be 26.

n.a. = not applicable.

* Significantly different from the comparison group at the .05 level, two-tailed t-test.

† Significantly different distribution from the comparison group at the .05 level, two-tailed chi-squared-test.

This pattern likely arises due to the timing of the claims in New York and the eligibility criteria for EUC08 benefits. As shown in Figure VIII.3, there is a difference in the timing of when SEA program participants filed their initial or transitional UI claim and when the comparison group members did so. The group of SEA program participants who began collecting benefits during the first six months of 2013 is slightly smaller than the group who began collecting benefits during the second half of the year. In contrast, the comparison group members who began collecting benefits during the first six months of 2013 is slightly larger than the group who began collecting benefits during the second half of the year. Thus, at a very basic level, and relative to SEA program participants, a higher portion of the comparison group would have had time prior to when the EUC08 program expired at the end of 2013 to have exhausted all of the regular benefits to which they were entitled and to have established entitlement to EUC08

benefits. As explained in Chapter I, after the Middle Class Tax Relief Act was passed and prior to the expiration of the EUC08 program, it was possible for an individual to participate in the SEA program in lieu of the EUC08 program. However, an individual who had completed the SEA program in lieu of receiving regular UI benefits and had collected all of the benefits to which he or she was entitled was not allowed to collect EUC08 benefits.[20]

Therefore, someone interested in pursuing entrepreneurship during the time when EUC08 benefits were available might have found the SEA program less appealing than regular UI benefits. By participating in the SEA program in lieu of regular UI benefits, he or she would be eligible for up to 26 weeks of benefits; by not participating in the SEA program in lieu of regular UI benefits, he or she might be eligible for those weeks plus other weeks of benefits available through the EUC08 program (including SEA in lieu of EUC08 benefits prior to January 1, 2014).[21] Of course, other factors, such as changes in how widely the SEA program was promoted, could also explain some of the difference in the timing of when SEA program participants and the comparison group filed for benefits.

Among claims in New York with benefit year beginning in 2014 or 2015, the average amount of weekly benefits available to SEA participants was $370, which is higher than the average of $311 for the comparison group. Across the full sample in New York, SEA program participants were considerably more likely to have a weekly benefit entitlement in the highest range available.[22] This is consistent with both the distribution of base period wages in Figure VIII.1 and what we heard when we interviewed program staff.

SEA program participants in Oregon were entitled to more weeks of regular benefits on average, and a higher weekly benefit amount, relative to the comparison group (Table VIII.6). This is likely due to the higher base period wages of SEA participants relative to the comparison group, as can be seen in Table VIII.4 and Figure VIII.2. In Oregon, there is variation in the number of weeks to which individuals are entitled, given the state's UI policy. Nevertheless, 98.4 percent of SEA program participants were entitled to the maximum 26 weeks of regular benefits, considerably higher than the comparison group (between 87 to 90 percent, depending on when the benefit year began). Among those with a benefit year of 2013 or earlier, SEA program participants had a weekly benefit entitlement of $436, more than $100 higher than the average for the comparison group ($311). In Oregon, the SEA program participants with a benefit year of 2013 or earlier were entitled to more weeks of EUC08 benefits, on average, relative to the comparison group (2.5 weeks versus 1.5 weeks), although the difference is smaller than was the case in New York. This is largely because SEA program participants were more likely to have any EUC08 entitlement than the comparison group (15 percent versus 9 percent). (As shown in Figure VIII.4, the timing of when SEA program participants and the comparison group filed for

[20] This was also the case for the Extended Benefits program, but benefits through that program ceased to be available in New York and Oregon during 2012.

[21] It was possible for a SEA program participant to withdraw from the program before collecting all of the benefits to which he or she was entitled so as to attain eligibility for EUC08 benefits. In our data, we cannot observe whether an SEA program participant participated in the SEA program in lieu of UI benefits or in lieu of EUC08 benefits.

[22] Between January 2013 and June 2015, the weekly benefit amount for any individual could be a high of $425 and a low of $64 in New York, and a high of $549 and a low of $118 in Oregon.

benefits was more nearly comparable in Oregon than in New York.) Among those with a benefit year starting in 2014 or 2015, SEA program participants had a weekly benefit entitlement of $455, significantly higher than the average for the comparison group ($328).

3. SEA program participation

In both New York and Oregon, the majority of individuals who were approved for SEA were observed completing the program, and they took less than 6 months to do so. In New York, of the 2,655 individuals whose applications for the SEA program received approval, 57.2 percent had completed the program at the time the data extract had been created in April 2016, taking an average of 105 days (15 weeks) to do so; another 8.5 percent were in progress (Table VIII.7). About 16 percent of SEA program participants had withdrawn from the program; most of these (87.4 percent) were eligible for UI benefits after having done so. An additional 18.4 percent of the individuals whose applications for the SEA program approved had "unknown completion status," which means that they did not complete the program (or had withdrawn) and their benefit year had expired or been invalidated at the time the extract was created. This could be because they were suspended due to incomplete forms or requirements, or they formally terminated their association with the SEA program. The 1,518 individuals who had completed the SEA program in New York took an average of 40 days (about 6 weeks) to submit the individual service plan, 69 days (about 10 weeks) to submit the business strategy, and 87 days (about 12 weeks) to submit the individual progress report. On average, SEA program participants in New York who completed the program recorded 23 hours of training, which is more than the 20 hours mandated by the state.

In Oregon, of the 2,133 individuals whose applications for the SEA program were approved, 74 percent had completed the program at the time the data extract had been created in August 2016 (Table VIII.7). Twenty-two percent had withdrawn from the program and were no longer eligible for UI benefits; about 3 percent had withdrawn and were still eligible for UI benefits. About 1 percent had unknown completion status. Individuals who completed the SEA program in Oregon took 145 days (about 21 weeks) to do so. Among those who completed the program, it took an average of 34 days (about 5 weeks) to submit the business registry number (they had 45 days to do this). The higher proportion of SEA program participants who completed the program in Oregon versus New York is likely due partly, but not fully, to a higher proportion of the New York study sample entering SEA later in the observation period (see Figure VIII.3 and Figure VIII.4). Given that the Oregon data extract was made more than a year after all sample members filed their UI initial claims, no sample members in this state were still participating in the program. However, it is likely that some New York sample members who were still participating in the program when that state's data extract was made have successfully completed the program, but we do not observe this outcome in the data for them.

Another possible factor that could have influenced program outcomes in the two states is that, during the timeframe of the SEA study data, SEA participants in the Portland, Oregon, metropolitan area were eligible to participate in the SET demonstration, which provided enhanced self-employment support services. The SET demonstration also included the availability of up to $1,000 in micro-grant funds that could be accessed after participants completed program milestones. The micro-grant funds could be used to purchase equipment or supplies, obtain relevant licenses, or defray other initial business establishment costs. This

monetary incentive from the SET program may have contributed to a high completion of the SEA program by Oregon participants. However, SET participants cannot be identified in the data extract that we received for the SEA study, so we cannot assess the prevalence of access to SET services by SEA participants.

Table VIII.7. SEA program participation and completion rates of SEA program participants in New York and Oregon, January 2013 to June 2015

	New York	Oregon
Program status, among all approved SEA applicants		
Completed the program	57.2%	74.2%
Still in progress	8.5%	0.00%
Withdrew from program; still eligible for UI	13.9%	2.9%
Withdrew from program; not eligible for UI	2.0%	21.8%
Unknown completion status	18.4%	1.1%
Sample size	**2,655**	**2,133**
Achievement of program benchmarks, among participants who completed the SEA program		
Days between approval and when SEA program staff received:		
Individual service plan	40.2	n.a.
Business strategy	68.9	n.a.
Business registry number	n.a.	33.6
Progress report	87.0	n.a.
Days in the program prior to completion	104.7	145.3
Hours of training recorded	23.3	n.a.
Sample size	**1,518**	**1,583**

Source: Merged individual-level New York and Oregon UI claims and SEA program and SEA survey data.

Notes: The analytic sample is limited to individuals who filed UI new initial or transitional claims between January 2013 and June 2015 and who received UI benefits or SEA allowances. The analytic sample comprises individuals whose applications to the SEA program were approved.

n.a. = not applicable.

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IX. SEA PROGRAM PARTICIPANT OUTCOMES IN NEW YORK AND OREGON

The Middle Class Tax Relief and Job Creation Act of 2012 required an evaluation of the economic outcomes of individuals who participated in an SEA program, and special attention was to be given to how they compared to individuals who received UI benefits and did not participate in an SEA program. This chapter presents findings from the quantitative analyses about the duration, amount, and proportion of benefits that SEA program participants received, as well as how they fared in terms of wage and salary employment and earnings after filing a UI claim. These results can shed light on such policy-relevant matters as how long SEA program participants rely on the UI system for benefits, and the extent to which SEA program participants, relative to a group of comparable UI recipients, have wage and salary employment and earnings after their benefit collection ends. Section A discusses the data and analytic approach of the quantitative analyses, and Section B presents findings from the quantitative analysis of outcomes of SEA participants.

This component of the study relied heavily on individual-level data from New York and Oregon. We present descriptive results that compare outcomes of SEA program participants to those of comparable UI recipients and results from regression analyses to assess whether there are differences in outcomes after accounting for the individuals' recipients' observable characteristics. Due to the non-experimental design of the study, the comparisons should be interpreted as providing only descriptive information about differences in outcomes, not estimates of the causal impacts of the SEA program. This is because the analysis could not control for all the factors that influence a person to select into SEA participation, and furthermore, it is not known what outcomes SEA participants would have experienced had they not participated in the SEA program. From the analyses we conclude that:

- On average, SEA program participants in New York and Oregon claimed a total of about 23 weeks of regular benefits (prior to their entry to the SEA program) or SEA allowances (after their SEA program entry).
- On average, SEA program participants collected significantly more money in benefits than the comparison group, partly due to their higher average weekly benefit amounts and, in the case of Oregon, longer potential durations of benefits. Even after controlling for observed background and claim characteristics in regression analyses, SEA participation is associated with a higher amount of benefits collected, greater proportion of benefits collected, and higher probability of exhausting benefits.
- After filing a UI claim, the proportion of SEA program participants with wage and salary employment is significantly lower than the proportion of the comparison groups with wage and salary employment, even after controlling for observed characteristics in regression analyses. This is not surprising, since SEA participants are likely to be focused on pursuing self-employment rather than wage and salary employment, particularly in the first year after entering the program.
- In the quarters after filing an initial claim, SEA program participants had lower average quarterly wage and salary earnings than the comparison group, and these differences become larger once regression analyses control for individuals' observed characteristics.

- Conditional on having wage and salary employment, the earnings gap between the SEA program participants and the comparison group is mostly driven by lower earnings among the SEA participant group during the year in which they could be participating in the SEA program. By the second year, the wage/salary earnings gap (conditional on having employment) has largely disappeared in New York, and in Oregon, SEA program participants out-earn the comparison group, on average.

A. Participant outcomes

This section presents study findings about the outcomes of New York and Oregon SEA program participants, in terms of the amount and duration of the benefits that they collected, wage and salary employment after filing their UI claim, earnings from such employment, and other outcomes.[23] The analysis of participant outcomes in New York and Oregon utilized UI claims data, administrative UI wage data, and SEA program participant data for individuals who filed a UI initial or transitional claim between January 2013 and June 2015. Identical to the analyses presented in Chapter VIII, the analysis was restricted to UI claims with complete information on the individual's entitlements and collections of regular benefits, where the individual's entitlements were within the expected range, and where the individual collected some benefits. The comparison groups of UI recipients in both states were the same as those used in the previous chapter. For an in-depth discussion of the data and empirical methods used for the analyses presented in this chapter, see Appendix D.

1. Benefits collected

For the analysis of participant outcomes, weeks of regular benefits collected are calculated by subtracting the remaining balance from the maximum benefits available to an individual, and then dividing by the weekly benefit amount available to him or her. The amount of benefits collected is the difference between the maximum amount of benefits available to an individual and the balance of benefits remaining when the data extract was made by the state. The proportion of benefits collected is defined as the amount of regular benefits collected as a proportion of the maximum amount of regular benefits available to that individual. An exhausted claim is one where the balance on the claim is equal to zero.

In New York, the average weeks of regular benefits claimed by SEA program participants was 23 weeks, which is significantly higher than the comparison group (18 to 19 weeks) — though it should be kept in mind that it took participants on average 15 weeks to complete the requirements of the SEA program. Table IX.1 presents results separately for claims with a benefit year beginning in 2013 or earlier and for claims with a benefit year of 2014 or 2015 because individuals in the former group might have been eligible for EUC08 benefits. Approximately 30 percent of the full sample had a claim with a benefit year of 2013 or earlier and could potentially have had a benefit entitlement because the EUC08 program had not ended

[23] In this chapter, "benefits collected" refers to the total amount of regular UI benefits and SEA allowances that an individual may have collected, as the individual-level data do not distinguish between the two types of benefits.

yet.[24] Among those claims, 88 percent of SEA program participants in New York did not collect any EUC08 benefits, which is significantly different from the comparison group, where 76 percent collected no EUC08 benefits.[25] The lower proportion of SEA participants receiving EUC08 benefits is likely due to the fact that an individual who had completed the SEA program in lieu of receiving regular UI benefits and had collected all of the benefits to which he or she was entitled was not allowed to collect EUC08 benefits. Therefore, a person who was interested in collecting a longer duration of benefits might have found the SEA program less appealing than regular UI benefits in the period when EUC08 was available. Nearly 10 percent of SEA program participants in New York with a benefit year in 2013 collected between 1 and 14 weeks of EUC08 entitlements, and about 2 percent of SEA program participants collected 15 or more weeks of EUC08 benefits. The average SEA participant collected 0.9 weeks of EUC08 benefits; the average person in the comparison group collected 2.5 weeks—a statistically significant difference. Adding EUC08 benefits and regular benefits together, the average SEA participant in New York with a benefit year in 2013 collected 24 weeks of benefits, on average—2 weeks more than the comparison group.

Across all benefit years, SEA program participants in New York collected close to $8,500 in regular benefits. The comparison group collected a significantly lower amount of benefits—an average of just under $6,000. SEA program participants collected almost 90 percent of the regular benefits available to them; the comparison group collected about 75 percent of their benefit entitlement. Finally, a considerable proportion of SEA program participants exhausted their benefits—63.6 percent of those with benefit years in 2013 and 44.6 percent of those with benefit years in 2014 and 2015. The lower proportion of individuals exhausting benefits among those with later benefit years is likely due at least partly to our inability to observe the collection of benefits after the data extract was created in April 2016, but it also likely is at least partly as a result of an improvement in the state's economy over time.

Table IX.1. Benefits collected by SEA program participants and comparison group of UI recipients in New York and Oregon, January 2013 to June 2015

	New York SEA program participants	New York comparison group	Oregon SEA program participants	Oregon comparison group
Benefit year beginning in 2013[a]				
Weeks of regular benefits collected	†		†	
Less than 12 weeks	7.2%*	25.2%	7.5%*	47.9%
12 to 25 weeks	26.3%*	21.5%	15.9%*	25.4%
26 weeks[b]	66.5%*	53.3%	76.7%*	26.6%
Average (weeks)	23.3*	19.5	23.8*	14.8
Weeks of EUC08 benefits collected				
No EUC08 benefits collected	88.3%*	76.4%	86.0%*	91.1%

[24] When calculating EUC08 benefit collections, we include in this group individuals who had no EUC08 entitlements so the EUC08 collection incorporates EUC08 entitlements shown in Table VIII.6.

[25] After the Middle Class Tax Relief Act was enacted and prior to January 1, 2014, it was possible for an individual to participate in the SEA program in lieu of the EUC08 program, but an individual who had completed the SEA program in lieu of regular UI and collected all of the benefits to which he or she was entitled was not allowed to establish an entitlement to EUC08 benefits.

Table IX.1 *(continued)*

	New York SEA program participants	New York comparison group	Oregon SEA program participants	Oregon comparison group
Less than 14 weeks	9.7%*	17.1%	11.3%*	6.9%
15 weeks or more	2.0%*	6.5%	2.7%	2.0%
Average (weeks)	0.9*	2.5	1.4*	0.9
Total weeks of benefits collected	24.2*	22.0	25.2*	15.6
Regular benefits collected	$8,443.04*	$5,966.84	$10,505.14*	$4,695.87
Proportion of benefits collected	89.4%*	74.7%	91.8%*	59.4%
Whether exhausted benefits	63.6%	52.0%	77.0*	31.0
Sample size	**805**	**290,346**	**857**	**124,706**
Benefit year beginning in 2014 or 2015				
Weeks of regular benefits collected				
Less than 12 weeks	7.0%*	30.5%	7.8%*	51.7%
12 to 25 weeks	30.8%*	25.7%	18.5%*	24.1%
26 weeks	62.3%*	43.8%	73.7%*	24.2%
Average (weeks)	23.0*	18.2	23.7*	14.1
Regular benefits collected	$8,488.50*	$5,599.30	$10,850.26*	$4,714.25
Proportion of benefits collected	88.2%*	69.6%	91.1%*	56.1%
Whether exhausted benefits	44.6%*	39.7%	73.9%*	27.1%
Sample size	**1,850**	**347,806**	**1,276**	**144,290**

Source: Individual-level New York and Oregon UI claims and SEA program data.

Notes: The analytic sample is limited to individuals who filed UI new initial or transitional claims between January 2013 and June 2015 and who received UI benefits or SEA allowances. As explained in the main text, a small number of individuals (4.7 percent of the sample in New York and 1.4 percent in Oregon) still had open benefit years and benefit entitlement remaining at the time the data extracts were made; it is possible that these sample members collected more in benefits than what is shown in the table. The analytic sample comprises individuals who were approved for the SEA program as well as a comparison group of UI recipients. The New York comparison group had WPRS scores that met the state's threshold criterion for SEA program eligibility. The Oregon comparison group had WPRS codes that would not automatically exclude the UI recipient from SEA program participation.

[a] This category includes a small number of claims (8,782 in New York and 7,265 in Oregon) where the date that the initial or transitional claim was filed is recorded as 2013 but the benefit year begin date is recorded as 2012.

[b] This category includes claim durations between 25 and 26 weeks. A small number of people got more than 26 weeks of benefits because they were in the 599.2 training program, an option in New York that allows claimants in approved training programs to receive up to 26 additional weeks of benefits.

* Significantly different from the comparison group at the .05 level, two-tailed t-test.

† Significantly different distribution from the comparison group at the .05 level, two-tailed chi-squared-test.

In Oregon, the differences in benefit outcomes between SEA program participants and the comparison group were even larger. The average SEA program participant collected about 9 weeks of regular benefits more than the average person in the comparison group (24 weeks versus 14–15 weeks). This is not very surprising when one considers that it took SEA participants on average 21 weeks to complete the SEA program in Oregon (Table VIII.7). Less than 10 percent of SEA program participants collected less than 12 weeks of benefits (versus 48 to 52 percent of the comparison group), and about 74 percent collected at least 25 weeks (versus 24 to 27 percent of the comparison group). SEA program participants with a benefit year of 2013 or earlier were more likely to collect some EUC08 benefits. Combining regular and EUC08 benefits together, SEA program participants with a benefit year of 2013 or earlier collected 25 weeks of benefits, on average; the comparison group collected an average of 16 weeks of benefits.

Across all benefit years, SEA program participants in Oregon collected more than twice as much in regular benefits as the comparison group (more than $10,000 versus less than $5,000). On average, SEA program participants collected over 90 percent of their available benefits; the comparison group collected less than 60 percent of their available benefits. Finally, at the time the data extract was created, more than 70 percent of SEA program participants in Oregon had exhausted their benefits; in the comparison group, around 30 percent had done so.

The differences in benefit collections between SEA program participants and the comparison groups are consistent with the differences in observed characteristics presented in Chapter VIII. Our analysis showed that SEA program participants in New York and Oregon had, on average, higher base period wages and were therefore entitled to higher weekly benefit amounts than the comparison group–as a result, the former group would collect a larger dollar amount of benefits for a given number of weeks of benefits collected. In addition, relative to the comparison group, Oregon's SEA program participants also had a higher average number of weeks of benefits to which they were entitled. In New York, all SEA program participants and UI recipients are entitled to 26 weeks of benefits if they meet other eligibility conditions. These differences in benefit entitlements and program features together are consistent with the empirical finding in Table IX.1 that Oregon SEA program participants would be likely to collect a substantially larger amount of benefits than the Oregon comparison group, and the difference in benefit collection amounts between the two groups within New York is likely to be smaller (but still substantial).

For the regression analyses presented in Table IX.2, we chose to analyze outcomes that best captured individuals' patterns of benefit collections. The first outcome was the amount of regular benefits collected. However, as SEA program participants and nonparticipants may be entitled to different benefit amounts (as seen in Table VIII.6), we chose to also analyze the proportion of benefits collected and the exhaustion rate, which would capture the extent of their benefit collections relative to their entitlements. EUC08 benefits were not examined as part of the regression analyses because more than half of the claims in our data were filed after the EUC08 program ended, and even among the claims filed in 2013, only a small portion of individuals in the analytical sample collected any EUC08 benefits.

The results of regressions of benefit outcomes in New York show that SEA program participation is associated with an individual collecting $2,400 more in benefits than a similar individual in the comparison group, after controlling for demographic characteristics, previous labor market experiences, benefit entitlements, and WPRS scores (Table IX.2). It is also associated with collecting 17 percent more of one's benefit entitlement. In the regression examining exhaustion rates, marginal effects at the mean suggests that for the average person in the sample, SEA program participation would be associated with an increase of eight percentage points in the probability of exhausting benefits. This could be due to SEA participants differing from comparable UI recipients in certain unobservable characteristics which impact these outcomes, or because participation in the SEA program directly causes this difference in outcomes.

The regression analyses of Oregon show that SEA program participation in Oregon was associated with even larger effects on benefit outcomes (Table IX.2). SEA program participation is associated with an individual collecting $4,400 more in benefits than a similar individual in the

comparison group, after controlling for demographic characteristics, previous labor market experiences, benefit entitlements, and WPRS scores. This difference is statistically significant at the 5 percent level. SEA program participation is statistically significantly associated with collecting 27 percent more of one's benefit entitlement relative to the comparison group. For the average person in the Oregon sample, SEA program participation would be associated with a 30 percentage point increase in the probability of exhausting benefits. This difference could be driven by differences in unobservable characteristics between SEA participants and comparable UI recipients, or because SEA participation directly impacts these outcomes.

Table IX.2. Regression results: UI benefit outcomes

Outcomes	New York	Oregon
Amount of regular benefits collected (dollars)		
Marginal effect of SEA program participation	2,399.584*	4400.153*
	(51.942)	(76.341)
Difference in raw group means of SEA program participants and comparable UI recipients	2,708.185	6005.866
Sample size	640,807	271,128
Proportion of regular benefits available that were collected		
Marginal effect of SEA program participation	0.173*	0.271*
	(0.004)	(0.470)
Difference in raw group means of SEA program participants and comparable UI recipients	0.167	0.338
Sample size	640,807	271,128
Whether exhausted regular benefits		
Marginal effect of SEA program participation	0.083*	0.300*
	(0.009)	(0.007)
Difference in raw group means of SEA program participants and comparable UI recipients	0.051	0.463
Sample size	640,807	271,128

Source: Individual-level New York and Oregon UI claims and SEA program data.

Notes: The analytic sample is limited to individuals who filed UI new initial or transitional claims between January 2013 and June 2015 and who received UI benefits or SEA allowances. The analytic sample comprises individuals approved for the SEA program as well as a comparison group of UI recipients. The New York comparison group had WPRS scores that met the state's threshold criterion for SEA program eligibility. The Oregon comparison group had WPRS codes that would not automatically exclude the UI recipient from SEA program participation. Regressions for continuous outcomes use linear regressions and for binary outcomes use logit regressions. All regressions control for demographic characteristics, previous labor market experiences, benefit entitlements, and WPRS scores. Huber-White standard errors are in parentheses.

*Significantly different from zero at the .05 level, two-tailed t-test.

It is notable that for each outcome in both states, the marginal effect of SEA program participation after controlling for various characteristics is of a loosely similar magnitude to the differences in raw means for the two groups in the regression sample. This suggests that the differences in these outcomes for SEA program participants and the comparison group cannot be explained away by differences in demographic and claim characteristics, benefit entitlements, and WPRS scores of the two groups. This leaves open the possibility that the differences in benefit outcomes between SEA program participants and the comparison groups may be explained by differences in unobserved characteristics—soft skills or family circumstances, for

example. The difference in outcomes could also be a direct result of participation in the SEA program. It is not surprising, and it is even expected, that SEA program participants would generally need more time to establish their own business, and it may require some degree of risk taking and potentially overcoming extensive challenges. While the median number of weeks that an individual is unemployed has been found to vary from 5 to 10 weeks depending on the macroeconomic context, one of the few panel studies tracking business formation describes a longer timeline to generating self-employment earnings (BLS 2011; Robb et al. 2010). Among businesses established in 2004 that survived into 2008, average net profits were negative in the study's first calendar year (Robb et al. 2010). It is reasonable to suppose that entrepreneurs typically have negative earnings during the period leading up to businesses establishment as well. The SEA program is designed to provide income support during the initial period of business establishment and operation, as it is anticipated that the process of setting up one's own business will generally take longer than the process of finding wage and salary employment.

2. Employment and earnings outcomes

For this analysis, an individual was defined as having wage and salary employment in a quarter if they had a record with non-zero wage and salary earnings for that quarter in the administrative wage data. It is important to note that the administrative wage data used for the analyses of employment outcomes will likely underestimate the long-term success of SEA participants because these data are limited in two important ways. First, the data capture only wage and salary employment and therefore do not reflect any earnings from self-employment–a crucial measure of success for SEA participants pursuing self-employment. Second, our study's data can capture outcomes at most two years after someone applies for benefits, which is not very long term and overlaps with the period of time that we would expect SEA participants to be focused on establishing their own business and not pursuing wage and salary employment.

Since the wage data cover the same period of time as the UI claims data—January 2013 through June 2015—the length of the follow-up period for participants depends on when they filed their UI claim. For example, it is possible to observe the wage records of someone who filed a UI claim in January 2013 for nine post-claim quarters, but for only one post-claim quarter for someone who filed a claim in January 2015. Therefore, for many analyses of employment outcomes the analytic sample was defined to include only sample members for whom it would be possible to observe the outcome. For example, if the outcome is earnings in the fourth post-claim quarter, the sample is limited to people who filed UI claims before or during the second quarter of 2014.

Wage and salary employment and earnings in quarters after filing a UI claim. An economically and statistically significant difference exists between the proportions of SEA program participants and the comparison group in each state who are observed as having wage and salary employment after filing a UI claim (Table IX.3). Fifty-nine percent of SEA program participants in New York were observed having wage and salary employment at some point after their UI claim. For the comparison group, the rate of wage and salary employment is 77 percent. The size of the difference in the proportion of SEA program participants and comparison group participants with wage and salary employment does not change much between Years 1 and 2. When we stratify the claims by the time period that the claim was filed, we see that the probability of observing wage and salary employment decreases as we move from earlier claims

to later claims. This pattern is expected with right-censored data because individuals who filed claims in January 2013 would have had almost 2.5 years to find employment before our observation period ended, whereas those who filed claims in December 2014 would have had only about six months to find employment before the end of the observation period.

In Oregon, 56 percent of SEA program participants were observed having wage and salary employment at some point after their claim—significantly lower than the employment rate in the comparison group (83 percent). The proportion of SEA program participants in Oregon with any wage and salary employment increases from 52 percent to 56 percent between Years 1 and 2 after filing the UI claim; the proportion for the comparison group decreases, causing the gap between the two groups to fall over time.

Table IX.3. Employment of SEA program participants and comparison group of UI recipients in New York and Oregon

	New York SEA program participants	New York comparison group	Oregon SEA program participants	Oregon comparison group
Proportion that had wage/salary employment after filing an initial claim in the period				
January 2013–December 2014	58.8%*	77.2%	55.7%*	82.5%
Sample size	1,824	523,775	1,688	222,446
January 2013–June 2013	68.3%*	81.6%	64.9%*	85.8%
Sample size	382	150,552	419	61,472
July 2013–December 2013	67.4%*	80.5%	57.6%*	84.8%
Sample size	414	135,790	408	58,793
January 2014–June 2014	59.4%*	77.1%	55.5%*	82.3%
Sample size	525	121,864	438	53,520
July 2014–December 2014	43.9%*	67.7%	45.2%*	75.9%
Sample size	503	115,569	423	48,661
Proportion that had wage/salary employment, by year				
Year 1 after filing claim	57.7*	73.7	51.5*	80.6
Sample size	1,230	389,608	1,204	165,411
Year 2 after filing claim	54.9*	71.8	56.3*	76.2
Sample size	335	127,862	355	51,949

Source: Individual-level New York and Oregon UI claims, SEA program, and wage data.

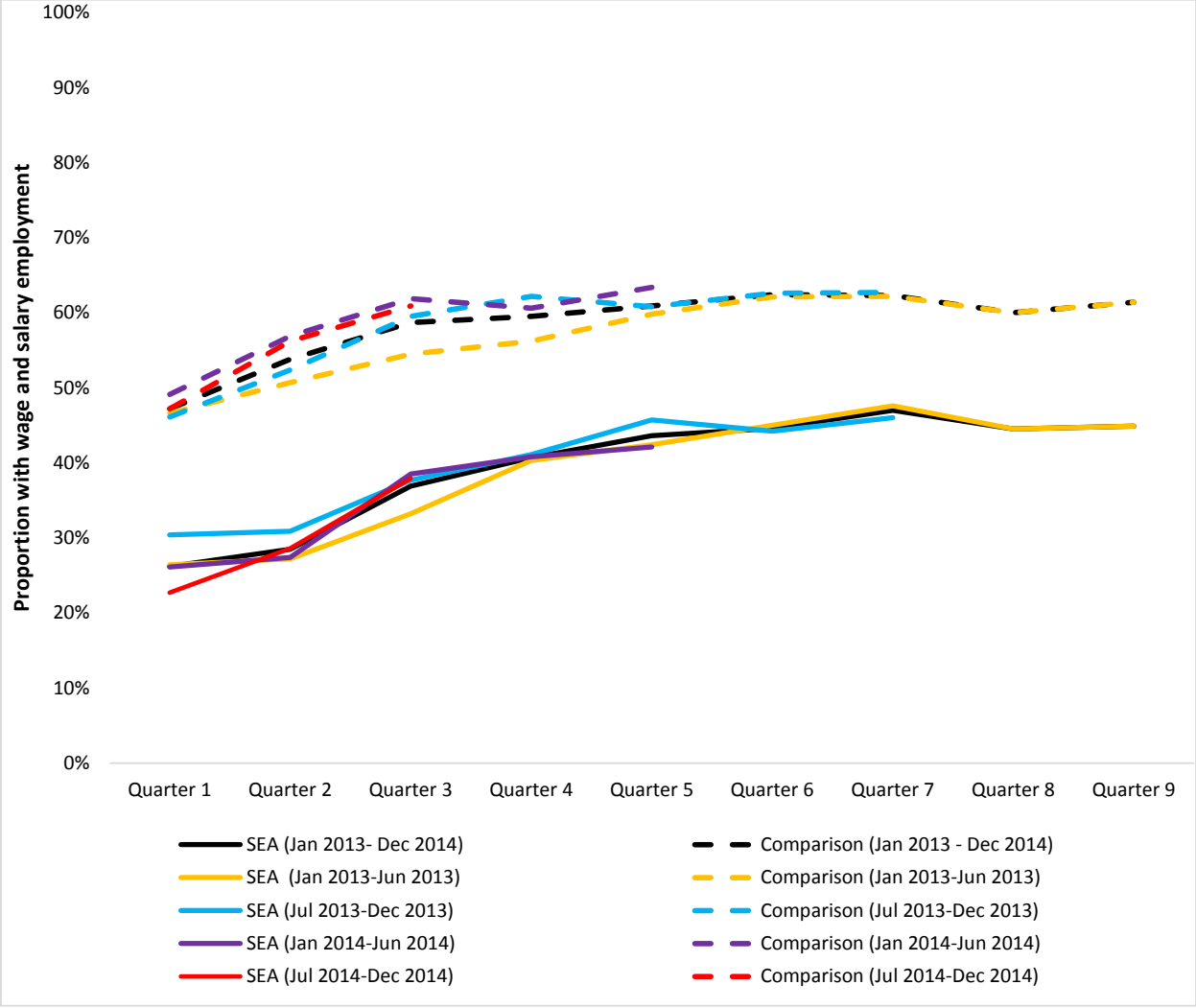
Notes: The analytic sample is limited to individuals who filed UI new initial or transitional claims between January 2013 and December 2014 and who received UI benefits or SEA allowances. The analytic sample comprises individuals who were approved for the SEA program as well as a comparison group of UI recipients. The New York comparison group had WPRS scores that met the state's threshold criterion for SEA program eligibility. The Oregon comparison group had WPRS codes that would not automatically exclude the UI recipient from SEA program participation.

*Significantly different from the comparison group at the .05 level, two-tailed t-test.

Figures IX.1 and IX.2 show the proportions of SEA program participants and comparable UI recipients who have wage and salary employment in each of the quarters after they file their new initial or transitional UI claim in New York and Oregon. Due to the right-censoring of the data, the employment probabilities of different samples of individuals (based on when they filed their claim) are shown using different lines in the graph. For example the black line represents the full sample of claims filed between January 2013 and June 2015 whereas the lightest blue line shows

the sample of claims filed between July 2014 and December 2014 (for whom only three quarters of post-claim employment could be observed). Each solid line shows employment trajectories of SEA program participants in a particular sample; the dashed line shows trajectories for the respective comparison group. As expected, regardless of when the claims were filed, the proportion of individuals with wage or salary employment is higher for quarters further away from the filing date because some sample members within the cohort who are not employed early on gain employment over time. The figures also confirm our findings from Table IX.3 by illustrating that the proportion of SEA program participants who have wage and salary employment is lower than that of the comparison group in any quarter after filing a claim.

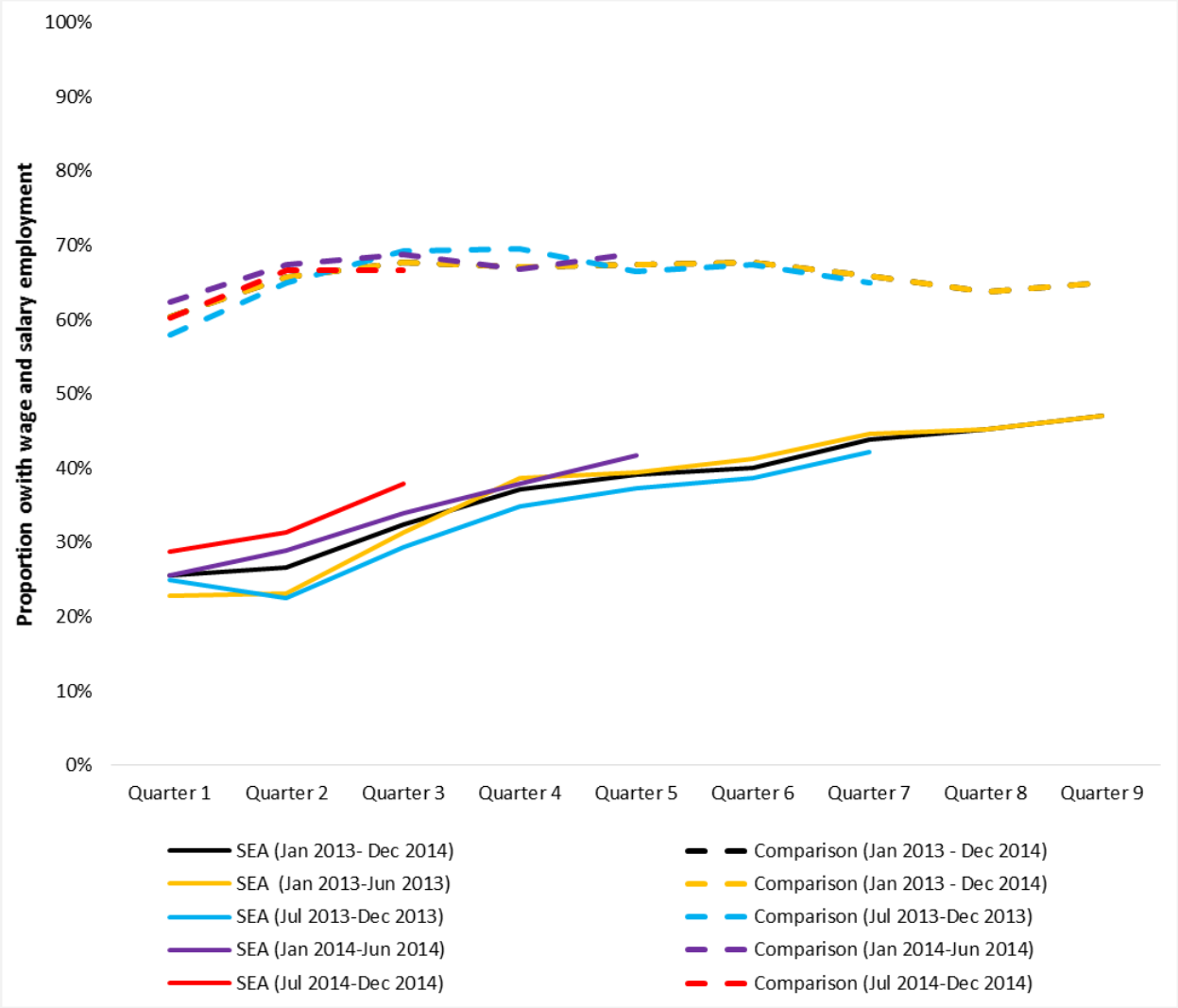
Figure IX.1. Employment of SEA program participants and comparison group of UI recipients in quarters after filing a UI claim in New York



Source: Individual-level New York and Oregon UI claims, SEA program, and wage data.

Notes: The X axis refers to the quarters after the individual filed their initial UI claim. The dates in parentheses identify the sample that each line is based on, referring to the time period during which the individuals filed their UI initial claim.

Figure IX.2. Employment of SEA program participants and comparison group of UI recipients in quarters after filing a UI claim in Oregon



Source: Individual-level New York and Oregon UI claims, SEA program, and wage data.

Notes: The X axis refers to the quarters after the individual filed their initial UI claim. The dates in parentheses identify the sample that each line is based on, referring to the time period during which the individuals filed their initial UI claim.

On average, in both New York and Oregon, SEA program participants have lower wage and salary earnings than the respective comparison groups (Table IX.4). SEA program participants in New York earned an average of $2,661 per quarter across all the quarters for which their wage and salary employment was observed. In contrast, UI recipients in the comparison group earned more than double that amount—an average of $4,838 per quarter. On average, wage and salary earnings are lower for individuals who filed their claims later in our observation period than those who filed their claims earlier. This is partly because those who filed earlier are more likely to be observed with wage and salary employment (see Table IX.3) and positive earnings; that is, the statistics about average earnings through wage and salary employment, in Table IX.4, include individuals who had zero earnings, and—relative to cohorts with earlier initial claim dates, later cohorts of sample members had higher portions of these individuals. Furthermore, those who

filed initial claims earlier are more likely to have had the opportunity to change to higher-paying jobs during the observation period. However, regardless of the timing of filing the UI claim, SEA program participants have significantly less wage and salary earnings than comparable UI recipients. The bottom panel of Table IX.4 shows that although both SEA program participants and the comparison group have higher earnings in Year 2 after filing the UI claim compared to Year 1, the difference in earnings between the two groups remained in the range of $1,900.

Table IX.4. Wage and salary earnings of SEA program participants and comparison group of UI recipients in New York and Oregon

	New York SEA program participants	New York comparison group	Oregon SEA program participants	Oregon comparison group
Average quarterly wage/salary earnings after filing an initial UI claim in the period				
January 2013– December 2014	$2,660.90*	$4,837.60	$2,630.12*	$4,489.63
Sample size	1,824	523,775	1,688	222,446
January 2013–June 2013	$3,443.10*	$5,301.00	$3,253.99*	$4,652.78
Sample size	382	150,552	419	61,472
July 2013–December 2013	$3,609.00*	$5,046.70	$2,557.97*	$4,574.54
Sample size	414	135,790	408	58,793
January 2014–June 2014	$2,244.00*	$4,764.70	$2,554.36*	$4,589.15
Sample size	525	121,864	438	53,520
July 2014–December 2014	$1,721.80*	$4,065.00	$2,160.18*	$4,071.49
Sample size	503	115,569	423	48,661
Average quarterly wage/salary earnings, by year				
Year 1 after filing claim	$2,630.10*	$4,546.70	$2,113.87*	$4,339.91
Sample size	1,230	389,608	1,204	165,411
Year 2 after filing claim	$4,143.20*	$5,987.00	$4,476.67*	$5,114.96
Sample size	335	127,862	355	51,949

Source: Individual-level New York and Oregon UI claims, SEA program, and wage data.

Notes: The analytic sample is limited to individuals who filed UI new initial or transitional claims between January 2013 and December 2014 and who received UI benefits or SEA allowances. The analytic sample comprises individuals who were approved for the SEA program as well as a comparison group of UI recipients. The New York comparison group had WPRS scores that met the state's threshold criterion for SEA program eligibility. The Oregon comparison group had WPRS codes that would not automatically exclude the UI recipient from SEA program participation.

*Significantly different from the comparison group at the .05 level, two-tailed t-test.

In Oregon, SEA program participants earned an average of $2,630 per quarter, significantly less than the comparison group average of $4,490 per quarter (Table IX.4). In Year 1 after filing the claim, SEA program participants earned $2,114 per quarter, on average, and in Year 2 after filing, they earned $4,477 per quarter. Furthermore, the difference in quarterly earnings between SEA program participants and the comparison group shrunk considerably between Year 1 and Year 2, and this was driven largely by the increase in earnings of SEA program participants.

Conditional on wage/salary employment, SEA program participants' earnings gap with the comparison group in New York and Oregon diminished over time (Table IX.5). In New York, SEA program participants earned an average of $4,301 per quarter in Year 1 after filing the UI claim, which is significantly lower than the average for the comparison group of $6,121. However, by Year 2 after filing the UI claim, SEA program participants who were employed earned an average of $8,225 per quarter, which is not significantly different from the average for the comparison group of $8,488. A similar pattern of diminishing differences in earnings conditional on employment is apparent in Oregon. In fact, in Oregon, by Year 2, the SEA program participants who are ever observed employed out-earn the comparison group. Overall, our findings suggest that in the short term SEA program participants are less likely to find wage and salary employment—presumably because they are instead pursuing self-employment—but if they do find employment, they eventually earn similar wage/salary amounts to the comparison group.

Table IX.5. Wage and salary earnings of SEA program participants and comparison group of UI recipients in New York and Oregon who have some wage and salary employment

	New York SEA program participants	New York comparison group	Oregon SEA program participants	Oregon comparison group
Average quarterly wage/salary earnings for those with any earnings				
Year 1 after filing claim	$4,301.10*	$6,121.00	$4,261.93*	$5,361.60
Sample size	1,073	404,263	941	183,539
Year 2 after filing claim	$8,225.40	$8,488.30	$8,262.20*	$6,899.75
Sample size	1,073	404,263	941	183,539

Source: Individual-level New York and Oregon UI claims, SEA program, and wage data.

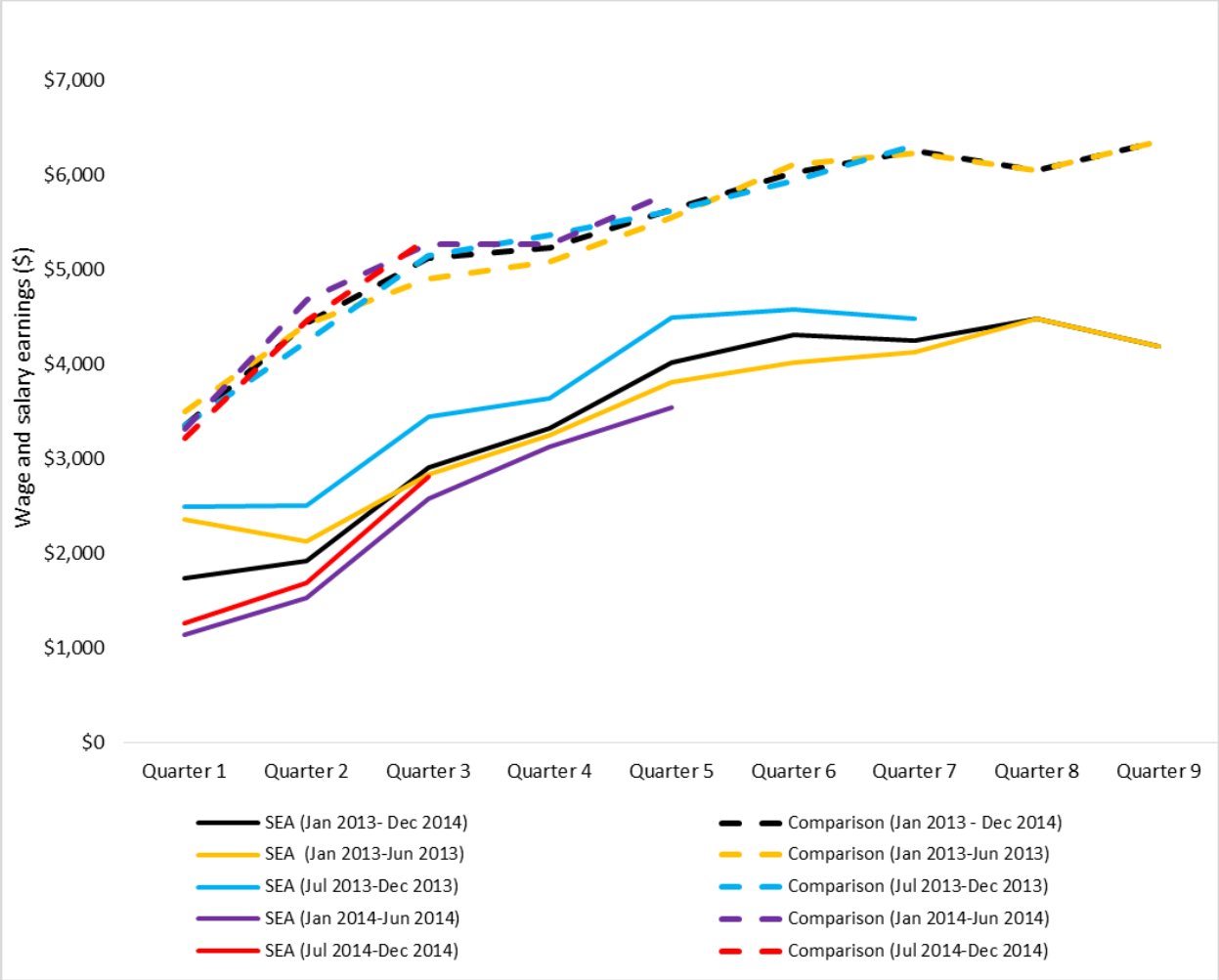
Notes: The analytic sample is limited to individuals who filed UI new initial or transitional claims between January 2013 and December 2014 and who received UI benefits or SEA allowances. The analytic sample comprises individuals who were approved for the SEA program as well as a comparison group of UI recipients. The New York comparison group had WPRS scores that met the state's threshold criterion for SEA program eligibility. The Oregon comparison group had WPRS codes that would not automatically exclude the UI recipient from SEA program participation.

*Significantly different from the comparison group at the .05 level, two-tailed t-test.

Figures IX.3 and IX.4 show the average wage and salary earnings of SEA program participants and comparable UI recipients in each of the quarters after they filed the initial claim. As with the earlier figures, the earnings trajectories of different samples are shown using different lines in the graph to account for right-censoring of the data. The solid lines show earnings trajectories of SEA program participants; the dashed lines show trajectories of the

comparison group. As expected, the overarching trend for all samples is that average earnings tend to be lower in quarters close to when the UI claim was filed, and they increase as time passes and the likelihood of finding wage/salary employment or switching to a better paying job increases. Figure IX.3 shows that, in New York, in any quarter after filing a claim, there is a consistent and statistically significant difference between the average wage and salary earnings of SEA program participants and the comparison group. However, Figure IX.4 shows that in Oregon, the gap in wage and salary earnings between SEA program participants and the comparison group shrinks over time, and by quarter 8 after a claim is filed, the difference is no longer statistically significant.

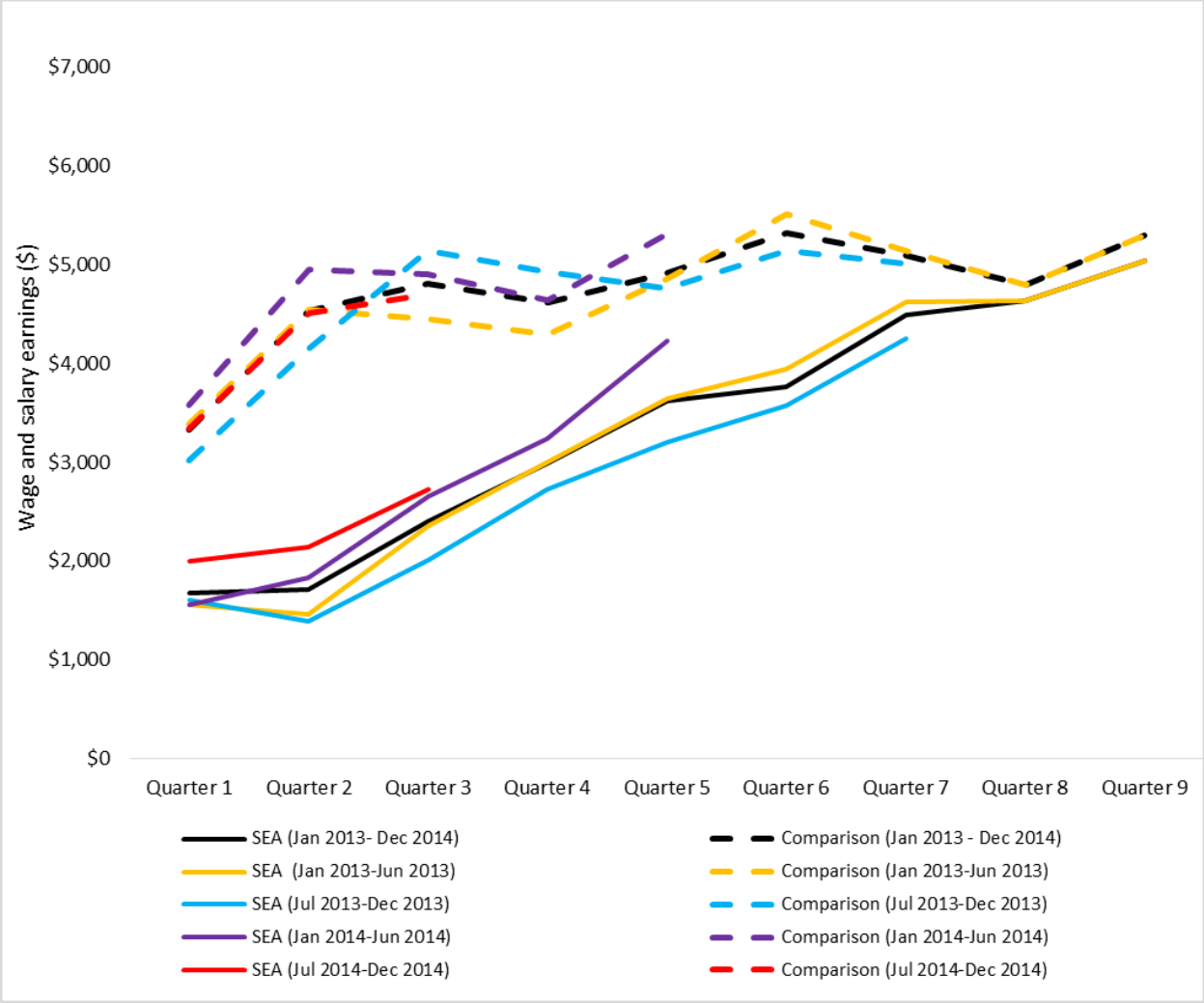
Figure IX.3. Trajectories of average wage and salary earnings per quarter of SEA program participants and comparison group of UI recipients in New York



Source: Individual-level New York and Oregon UI claims, SEA program, and wage data.

Note: The X axis refers to the quarters after the individual filed the initial UI claim. The dates in parentheses identify the sample that each line is based on, referring to the time period during which the individuals filed the initial UI claim.

Figure IX.4. Trajectories of wage and salary earnings of SEA program participants and comparison group of UI recipients in Oregon



Source: Individual-level New York and Oregon UI claims, SEA program, and wage data.

Note: The X axis refers to the quarters after the individual filed his or her UI initial claim. The dates in parentheses identify the sample that each line is based on, referring to the time period during which the individuals filed the UI initial claim.

For the regression analyses of employment outcomes, the analysis focuses on individuals' outcomes in the third and fourth quarter after filing the initial claim (not including the quarter of filing the claim), because the vast majority of UI recipients and SEA participants in New York and Oregon are entitled to 26 weeks of benefits (see Table VIII.6). Therefore, it is likely that an individual would be claiming benefits during the first two quarters after filing the initial claim. Because our data is right-censored, these regressions are run on the sample of claims filed between January 2013 and June 2014 so information in the third and fourth quarter after claim was filed would not be censored. Therefore, regressions for employment and earnings outcomes are run on a smaller sample than the regressions for benefit outcomes (Table IX.2). It should also be noted that the regression analysis of earnings included quarters with no wage and salary

employment and zero earnings so the outcome captures both whether the person was employed and the earnings during employment.

Regression results show that SEA program participation is associated with a lower probability of wage and salary employment and lower wage and salary earnings, even after controlling for various personal and background characteristics (Table IX.6). For the average person in the New York sample, SEA program participation is associated with an 18 percentage point lower probability of wage and salary employment. SEA program participation is also associated with $2,740 less in wage and salary earnings in quarters 3 and 4. In Oregon, SEA program participation is associated with a 23 percentage point reduction in the probability of wage and salary employment and $1,998 less in wage and salary earnings per quarter. Notably, the size of the marginal effects of SEA program participation on wage and salary earnings is very close to the differences in raw group means between SEA program participants and the comparison group in the regression samples.

Table IX.6. Regression results: Employment and quarterly earnings in quarter 3 or 4 after filing the UI initial claim

Outcomes	New York	Oregon
Any wage and salary employment in quarters 3 and 4 after filing a claim		
Marginal effect of SEA program participation	-0.185*	-0.230*
	(0.011)	(0.009)
Difference in raw group means of SEA program participants and comparable UI recipients	-0.199	-0.327
Sample size	409,527	175,049
Average wage and salary earnings in quarters 3 and 4 after filing a claim		
Marginal effect of SEA program participation	-2,739.890*	-1,997.950*
	(174.465)	(131.222)
Difference in raw group means of SEA program participants and comparable UI recipients	-1,999.273	-1,985.62
Sample size	409,527	175,049

Source: Individual-level New York and Oregon UI claims, SEA program, and wage data.

Notes: The analytic sample is limited to individuals who filed UI new initial or transitional claims between January 2013 and June 2014 and who received UI benefits or SEA allowances. The analytic sample comprises individuals who were approved for the SEA program as well as a comparison group of UI recipients. The New York comparison group had WPRS scores that met the state's threshold criterion for SEA program eligibility. The Oregon comparison group had WPRS codes that would not automatically exclude the UI recipient from SEA program participation. Regressions for "Average wage and salary earnings" (continuous measure) use linear regressions and for "Any wage and salary employment" (binary outcomes) use logit regressions. Huber-White standard errors are in parentheses.

*Significantly different from zero at the .05 level, two-tailed t-test.

An important caveat to these findings is that our analyses likely underestimate the long-term success of SEA participants because the data are limited in two important ways. First, the data capture only wage and salary employment and therefore do not reflect any success that SEA participants may have in their self-employment endeavors. In theory, one might even expect a negative effect of SEA participation on wage and salary employment if SEA participants succeed in establishing profitable and sustainable businesses and therefore do not seek wage and salary employment or earnings. For example, a study of self-employment assistance in Washington

using randomized controlled trials found that, over a three-year follow-up period, SEA participation had a positive impact on self-employment and related earnings but a negative impact on wage and salary employment and related earnings, such that there was no significant impact on total employment and earnings (Benus et al. 1995).

Second, our study's data can capture outcomes at most two years after someone applies for benefits, which is not very long term and overlaps with the period of time that we would expect SEA participants to be focused on establishing their own business and not pursuing wage and salary employment. Further, SEA may have helped improve participants' employability and work search activities in the long term even if the individual was not successful in starting their own business, by developing certain skills and experiences, which we may not be able to capture in these data. A prior study found that SEA participants in Maine, New Jersey, and New York were four times more likely to have obtained employment of any kind (either wage/salary or self-employment) and have higher total earnings one to five years after the program, relative to a comparison group of individuals who were profiled as likely to exhaust benefits and were offered enrollment in SEA but who chose to receive regular unemployment compensation and pursue wage/salary employment instead (Kosanovich et al. 2002). Similarly, a randomized controlled trial in Massachusetts found that SEA participation increased employment of any kind by 5 percent, time in employment by almost 1.9 months and total earnings since random assignment by nearly $6,000 over a 33 month observation period (Benus et al. 1995).

X. BUSINESS OUTCOMES OF SEA PROGRAMS

Perhaps the most fundamental question relating to the SEA programs is whether they succeed in helping individuals become self-employed—that is, what proportion of the people who enter an SEA program set up businesses. Another important measure of success from the SEA program participant's standpoint is the net revenues (or profit) generated by the business. From the broader perspective of public policy, it is also important to consider whether the business benefited society, for example, by employing other individuals and generating tax revenues for federal and state governments.

This chapter primarily presents findings from the quantitative analysis on the proportion of SEA participants who operate businesses and the characteristics and outcomes of businesses established by SEA participants. These analyses examine individual-level survey data from New York. As shown in Chapter III, New York served a large number of SEA participants during the time period for which we collected individual-level SEA participant data (2013 to mid-2015) and it was able to provide the survey data about participants' outcomes.[26] To help understand the operations and outcomes of SEA establishments (that is, businesses established by SEA participants), the analyses examine the number they launch as well as information about the number of employees, wages and gross revenues and, when feasible, business survival. This chapter also discusses the limitations of the quantitative data to assess types of businesses established by SEA participants, but includes insights from qualitative information gathered through site visits with study states. We also estimate the amount of federal and state tax revenues collected from SEA establishments.

Section A contains our findings about the characteristics and outcomes of SEA establishments, and Section B presents estimates of the federal and state tax revenues generated by New York's SEA program. The analysis focuses on SEA participants approved during the 2013 and 2014 program years since it is possible to observe their business outcomes. From our analyses, we conclude:

- Fewer than one-third of New York SEA participants who responded to a state-administered survey reported that their business was operating in the first four quarters after they enrolled in the program.
- In New York, average gross and net revenues, number of non-owner employees, and wages paid to those employees were higher for SEA establishments that were operating in the fourth quarter, compared to SEA establishments that were operating in the first quarter after participation began.
- Among individuals who reported operating a business in the first quarter after being approved for the program, 40 percent were still operating a business three quarters later.
- Our tax revenue analysis suggests that, in 2014, the SEA program in New York generated $536,937 in federal income taxes and $140,136 in state income taxes. It also generated $1,306,689 in Social Security and Medicare contributions, and $4,955 and $37,994 in

[26] Oregon, the other study state with a large number of SEA participants during this time period, did not keep its survey data in a form that would make it feasible for us to use in the analysis.

federal and state UI contributions. These findings should be interpreted with caution for both empirical and theoretical reasons. As explained in Appendix E, the research team had to make several assumptions for the analysis as a result of limitations in the data available. In addition, the non-experimental design of the study means that, while it was possible to examine the outcomes of SEA participants, it was not possible to draw conclusions about whether the SEA program services caused these outcomes. For example, had SEA participants not received the income support and services through the program, many of them might have eventually obtained a wage or salary job. Others might have successfully started their own businesses without SEA program support. From this study, we cannot tell what the outcomes of SEA participants would have been in the absence of this program and, hence, what the net effect of the program is on the outcomes we estimate in this chapter.

A. Characteristics and outcomes of businesses established

Among SEA participants in New York who were approved for the program in 2013 and 2014, we have survey responses from 1,049 individuals about the first quarter after they began SEA, and from 847 individuals about the fourth quarter after they began SEA. Thirty-two percent of the respondents to the first-quarter survey reported operating a business and 18 percent of the respondents to the fourth-quarter survey reported operating a business (Table X.1). Of the businesses operating in the fourth quarter, less than 10 percent had begun operating at some point after the first quarter; that is, almost all of the businesses in operation during the fourth quarter had been established relatively quickly after the owners began the SEA program, and few businesses that were newly established in the second and third quarters comprised a small portion of the quarter-4 businesses.

Table X.1. Outcomes per quarter of businesses of SEA program survey respondents in New York

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Percent who reported operated a business	32.1	23.4	19.8	17.5
Among respondents operating a business:				
Number of employees during quarter (excluding owner)[a]	0.18	0.39	0.45	0.67
Percent that reported any employees (excluding owner) [b]	9.2	10.9	11.1	15.6
Wages paid during the quarter [c]	$1,713.95	$2,732.55	$4,677.76	$5,971.40
Gross revenues during the quarter	$4,448.64	$9,158.58	$12,447.23	$15,909.55
Percent that reported positive gross revenues	64.1	69.9	73.9	74.3
Net revenues during the quarter	2,734.69	6426.03	7,769.47	9,938.15
Sample size	**1,049**	**1,181**	**1,143**	**847**

Source: Individual-level New York SEA program participant survey data file.

Notes: The analytic sample is limited to individuals who filed UI new initial or transitional claims between January 2013 and December 2014 and who received UI benefits or SEA allowances as a result. The analytic sample consists of individuals whose applications to the SEA program were approved and who responded to a survey during the relevant time period. The reported sample sizes are based on the number of individuals who provided a valid, non-missing response to the question about whether they were operating a business. To reduce the effect of outliers, gross revenues and wages were top-coded at their respective 99th percentile for each quarter.

[a] The survey asked respondents to report the "number of employees, including yourself." We imputed a value of 1 for operating businesses which reported 0 employees in order to account for the owner. This method would underestimate the true number of businesses with employees (excluding the owner) if survey respondents ignored the instruction to include themselves in the employee count.

[c] It is not possible to determine if the wages reported to be paid by survey respondents refer to wages paid to employees (excluding the owner) or to the owners themselves.

n.a. = not applicable.

Among SEA survey respondents in New York who reported operating businesses, there is a clear trend of increasing revenues, staff size, and wages paid over time (Table X.1). Operating businesses in quarter 1 reported employing 0.18 people (excluding the owner) on average, while 9 percent of businesses had any employees other than the owner.[27] In quarter 4, operating businesses reported 0.67 employees (excluding the owner), with 16 percent of businesses having some employees other than the owner. In comparison, among small businesses in the U.S., regardless of how long they have been operating, 80 percent have no employees other than the business owner (SBA 2015). Therefore, the low proportion of SEA establishments with employees other than the owner is not surprising, especially considering that they are in their first year of operation and therefore likely to have a smaller staff than all small businesses on average. SEA establishments operating in the first quarter reported paying $1,714 in wages, while establishments operating in the fourth quarter paid over three times as much ($5,971) in wages. On average, operating businesses in quarter 1 reported gross revenues of $4,449 in the past quarter; operating businesses in quarter 4 reported an average of $15,910 in gross revenues. There is a clear trend of increasing net revenues over time–with a difference in average net revenues of $7,203 ($9,938 minus $2,735) between quarter 1 and quarter 4. The largest jump in net revenues occurred between quarter 1 and quarter 2, when net revenues more than double, with smaller increases occurring in following quarters. Readers should keep in mind that this change over time in average net revenues could be attributable both to a change in net revenues for businesses that operated in both the first and fourth quarters and differences in the businesses that were operating in each quarter. To place these business outcomes in context, it should be noted that in general in New York, the median annual income for individuals who are self-employed at their own unincorporated firms is $22,208 (or roughly $5,507 per quarter) (SBA 2015). With these general statistics in mind, the net revenues of SEA participants who report operating a business look healthy – especially considering that the general statistics are for small businesses at any point in their life cycles whereas the SEA businesses are in their first year of operation, when businesses are expected to have low or negative profits (Robb et al. 2010).

To measure business sustainability, the analysis examined the proportion of individuals who reported operating a business in quarter 1 who also reported operating a business in the fourth quarter after beginning the SEA program, as these are respectively the earliest and latest points in time that the survey data can capture a business' operation status and enables us to examine survival across a period of one year. Among businesses that were reported operating during quarter 1, 40 percent were still operating in quarter 4. This estimated business survival rate across four quarters is lower than the SBA's general reported rate for new establishments in New York. For example, 81 percent of the businesses started in 2013 in New York survived through 2014 (SBA 2015). It is possible that it takes some time for individuals to establish businesses, therefore quarter 1 might be too early a starting point for assessing business sustainability. Therefore, we also examined individuals who reported operating a business in quarter 2 who also reported operating a business in quarter 4, and found that survival rate to be 55.3 percent. Lastly,

[27] The survey prompted respondents to include themselves when reporting employees. However, we saw several cases in which operating businesses were reported to have no employees. We imputed a value of 1 for these businesses to account for the owner. It should be noted it is possible that the survey respondents reported a positive number of employees and also forgot to include themselves, which would lead to an underestimate of the number of employees including the owner- but we have no way of identifying such cases.

61.4 percent of individuals who operated a business in quarter 3 also reported operating a business in quarter 4.

An important limitation of our reliance on data from surveys of SEA participants is that we have no information on the self-employment outcomes of comparable UI recipients, who may have pursued self-employment without the help of the SEA program. Our analyses therefore cannot determine if SEA participants establish businesses at a higher rate or establish more successful businesses than comparable individuals who do not participate in the SEA program. However, we know from past studies that participants in programs similar to SEA are more likely to be self-employed than comparable UI recipients, and they spend more time in self-employment per year (Benus et al. 1995; Kosanovich et al. 2002). Further, a study of self-employment assistance using a randomized controlled trial in Washington found that each program participant created jobs for 0.25 more nonparticipant employees compared to a control group (Benus et al. 1995).

Another important limitation of the survey data is that they only capture outcomes approximately one year after an individual enrolls in SEA, so we cannot see if the program impacted long-term self-employment. There is some suggestive evidence that the impacts of SEA on self-employment may peak two to three years after enrollment. For example, a study of SEA programs operating in the late 1990s found that the impacts on self-employment of programs similar to SEA in New York were higher in the period 25 to 36 months after enrollment, compared to 13 to 24 months after enrollment (Kosanovich et al. 2002). Unfortunately, our analysis is unable to replicate this analysis of long-term outcomes because we have no information on self-employment outcomes more than four quarters after enrollment in the SEA program. See Appendix G for more information about previous SEA studies.

To understand whether SEA participants' business outcomes varied across subgroups, we also examined whether the business outcomes of SEA program survey respondents in New York differed according to gender, age, WPRS score, or weekly benefit amount. The discussion below is focused on statistically significant results.

- Compared to male SEA program survey respondents, female respondents reported, on average, lower gross revenues but also lower wages paid in quarters 1 and 4. As a result, the difference in net revenues between males and females was not statistically significant.
- SEA program survey respondents younger than 40 years old were significantly less likely to report operating a business in the first or fourth quarter after being approved for the program compared to survey respondents aged 40 and older.
- SEA program survey respondents with above-average weekly benefit amounts were, on average, more likely to report operating a business in the first or fourth quarter after being approved for the program compared to survey respondents with below-average weekly benefit amounts.

When examining SEA survey respondents who reported operating a business, we found a high proportion of missing data about the type of business they established. For example, among SEA survey respondents who enrolled in SEA between January 2013 and June 2015 and reported operating a business in quarter 1, 76 percent did not report a business type in that survey.

Similarly, among those who reported operating a business in quarter 4, 82 percent did not report a business type in that survey. The large amount of missing data prevented us from conducting a rigorous quantitative analysis of the types of businesses that individuals chose to establish while participating in the SEA program.

Qualitative information obtained from site visits provide some insights regarding the types of businesses established by SEA participants. We consistently heard in our interviews with SEA program administrators that SEA participants wanted to start businesses in a wide variety of industries and no industry consistently emerged as dominant. Often, but not always, their businesses were as consultants in their prior lines of work. Others used the SEA program to pursue new entrepreneurial interests or expand a hobby into a business. Table X.2 depicts some of the examples of types of businesses among SEA establishments provided by program administrators during our site visits.

Table X.2. Examples of types of businesses among SEA establishments

- Consulting
- Digital media
- Video production
- Science and technology
- Restaurant
- Coffee shop
- Bakery
- Winery
- Food production
- Artisan business (garden sculptures, jewelry)
- Pet treats and products
- Gym
- Cleaning services

B. Tax revenue analysis

Among the 454 SEA participants in New York who reported operating a business at some point during 2014, 264 reported total revenues in excess of total wages paid, which suggests they might have had an income tax liability. In total, these 454 businesses generated more than $3.4 million in net revenues, or an average of $7,523 per participant who operated an SEA enterprise. The 263 businesses with revenue exceeding wages paid had a total net revenue of about $3.6 million and had a difference of $13,520 over the year.

It is estimated that, on average, SEA establishments with revenues in excess of wages paid in New York in 2014 paid about $2,574 in state and federal income taxes (Table X.3). Based on business revenues (and the wage and salary employment observed in the wage data), we also calculated the income tax liability of these SEA participants on their self-employment income:

- In total, it is estimated that $536,937 in federal income taxes were paid by the 454 SEA participants in New York who reported operating a business in 2014.

- On average, these businesses paid $1,183 in federal income tax. This translates into $2,042 in federal income tax, on average, across the 264 SEA businesses with revenue exceeding wages paid.
- At the state level, SEA establishments were estimated to pay $140,136 in income tax. On average, businesses faced an effective state income tax rate of 3.9 percent and paid, on average, $309. It is estimated that businesses with revenue exceeding wages paid contributed, on average, $533 in state income taxes.

Table X.3. Income taxes generated by SEA participants who reported operating businesses in 2014

	2014
Taxable base	
Number of operating SEA establishments	454
Number of SEA establishments with revenues exceeding wages	263
Total net revenues (gross revenues minus wages paid)	$3,415,360
Average net revenues of operating SEA establishments	$7,523
Total net revenues (gross revenues minus wages paid) of SEA establishments with revenue exceeding wages paid	$3,555,860
Average net revenues of SEA establishments with revenue exceeding wages paid	$13,520
Federal income tax	
Total federal income taxes of operating SEA establishments in New York	$536,937
Federal effective tax rate (percentage)[a]	15.1
Average federal taxes of operating SEA establishments	$1,183
Average federal taxes of SEA establishments with revenue exceeding wages paid	$2,042
State income tax	
Total state income taxes generated by all SEA establishments in New York	$140,136
Average state income tax rate (percentage)[b]	3.9
Average state taxes of operating SEA establishments	$309
Average state taxes of SEA establishments with revenue exceeding wages paid	$533

Source: Individual-level New York SEA program participant survey data file.

Notes: The analytic sample is limited to individuals who filed UI new initial or transitional claims between January 2013 and December 2014, and who received UI benefits or SEA allowances as a result of the claim. The analytic sample comprises individuals whose applications to the SEA program were approved before December 31, 2014, and who responded to at least one of the four surveys sent to them. Income taxes were calculated on the net income of gross revenues minus wages paid. Operating business refers to a business reported operating at any point in the year. To reduce the effect of outliers, gross revenues and wages were top-coded at their respective 99th percentile for each quarter.

[a] For 2014, we used the federal average effective tax rate for 2013 calculated by Quantria Strategies (2013).

[b] We used individuals' total taxable income (net revenues and wage and salary earnings) to calculate their income tax bracket according to Tax Foundation (2013).

New York SEA participants operating a business in 2014 paid about $2.26 million in wages over the year to their employees, and 54 of the 454 businesses employed at least one person other than themselves (Table X.4). SEA establishments with at least one employee made, on average, contributions of $92 in federal UI tax funds and $704 in state UI tax funds on their employees' wages. It is estimated that SEA establishments with at least one employee (excluding the owner)

or with revenue greater than wages generated an average of $4,650 in Social Security and Medicare taxes on employee's wages and the owner's self-employment income.

We also conducted a supplementary tax analysis for states with SEA programs during 2013–2014 using statewide aggregate outcome data that SEA states are required to report to DOL (ETA 9161) by assuming all SEA establishments within a state had the same gross revenues, number of employees, and wages paid. However, because of concerns about the accuracy of these data and the strong assumptions underlying these estimates, we treat these as secondary analyses and present those results in an appendix, Appendix F.

Table X.4. Employment-based taxes generated by SEA participants who reported operating businesses in 2014

	2014
Taxable Base	
Number of operating SEA establishments	454
Total wages paid by operating SEA establishments [a]	$2,256,112
Number of operating SEA establishments with at least one employee (excluding owners)	54
Average number of employees (excluding owner) of operating SEA establishments	0.45
Average number of employees (excluding owner) of operating SEA enterprise with at least one employee	3.78
Average wages paid by operating SEA establishments [b]	$4,969
Average wages paid to employees (excluding owners) of operating SEA establishments with at least one employee [c]	$20,947
Federal Unemployment Tax Act contributions	
Total federal UI tax contributions of operating SEA establishments [d]	$4,955
Average federal UI tax contributions of operating SEA establishments	$11
Average federal UI tax contributions of operating SEA establishments with at least one employee (excluding owners)	$92
State Unemployment Tax Act contributions	
Total state UI tax contributions of operating SEA establishments [e]	$37,994
Average state UI tax contributions of operating SEA establishments	$84
Average state UI tax contributions of operating SEA establishments with at least one employee (excluding owners)	$704
Social Security and Medicare taxes (FICA taxes)	
Total FICA taxes of operating SEA establishments [f]	$1,306,689
Average FICA taxes of operating SEA establishments	$2,878
Number of SEA establishments with at least one employee (excluding owners) or with revenue exceeding wages	281
Average FICA taxes of operating SEA establishments with at least one employee (excluding owners) or with revenue exceeding wages	$4,650

Source: Individual-level New York SEA program participant survey data file.

Notes: The analytic sample is limited to individuals who filed UI new initial or transitional claims between January 2013 and December 2014, and who received UI benefits or SEA allowances as a result of the claim. The analytic sample comprises individuals whose applications to the SEA program were approved before December 31, 2014, and who responded to at least one of the four surveys sent to them. Income taxes were calculated on the net income of gross revenues minus wages paid. Operating business refers to a business reported operating at any point in the year. To reduce the effect of outliers, gross revenues and wages were top-coded at their respective 99th percentile for each quarter.

[a] Total wages paid refers to all wages reported by SEA participants who report operating a business even if they did not report any employees (other than the owner). It is possible that this measure includes wages that the owner paid to him- or herself, although such payments should not technically be considered to be wages given our assumption that all SEA businesses are sole proprietorships. Accordingly, our tax estimates are based only on wages paid by businesses that report employees other than the owner.

[b] The measure of average wages paid by operating SEA establishments is calculated by dividing total wages by the number of operating establishments.

[c] Average wages paid by operating SEA establishments with at least one employee is calculated by dividing the total wages paid by establishments with at least one employee by the number of establishments with at least one employee.

[d] We used the normal net tax or employer-paid federal UI contribution rate of 0.6 percent, which is payable on the first $7,000 of wages per employee for 2014.

[e] We used New York's UI rate for new employers of 4.1 percent in 2014. This includes a 0.625 percent subsidiary tax and 0.075 percent re-employment services fund. We took into account the maximum taxable wages per employee of $10,300 in 2014.

[f] We added the estimates of Social Security and Medicare taxes paid on employee wages (at a rate of 7.65 percent) and on self-employment income (at a rate of 15.3 percent). For Social Security taxes, we used the maximum taxable wage limit of $117,000 per employee in 2014.

XI. CONCLUSIONS

This study of the implementation of the SEA program in five selected states yielded important findings and insights about operating SEA programs. This chapter highlights key conclusions by tying together the details from earlier chapters about how the study states designed and implemented their SEA programs and whom they served. We have grouped these conclusions into those related to (1) program eligibility requirements and application procedures; (2) program participation requirements and activities; and (3) other administrative issues encountered by SEA programs, including the costs associated with administering the SEA program and processes for tracking program outcomes.

The study findings and lessons are based primarily on the experiences and perspectives of state, frontline, and partner staff we interviewed in the study states, and analysis of data from the Monthly Claims and Payment Activities Report (the ETA 5159 report) and the Self Employment Assistance for UI Claimants Report (the ETA 9161 report). We obtained the information about staff's experiences and perspectives during one round of interviews in each of the five study states. We purposively selected for inclusion in the study five states that varied on length of time administering SEA programs. New York and Oregon had operated SEA programs since the 1990s; Rhode Island, New Hampshire, and Vermont launched new programs after 2010. The variation across the states on the length of program operation and other dimensions meant information on every study topic was not available from each state. For example, because the states with new SEA programs were at the very early stages of program implementation, we could gather no program maturation information from them, but information about this was obtained from study states with long-established programs. Although we purposively chose states for the study, we believe the experiences of these states can be generalizable to other states that administer SEA programs.

We also examine the outcomes of SEA program participants and, for context, compare these to the outcomes of other potentially eligible UI claimants in their same states. This part of the study's analysis was limited to outcomes that could be easily quantified through pre-existing data, such as the amount of UI benefits and SEA allowances that individuals collected and their employment and earnings in wage or salary jobs. We do not attempt to quantify the non-pecuniary improvement in well-being that an individual might experience through self-employment and employing others, as well as whether the experience in the SEA program had long term benefits for the participant even if his or her business was not successful, e.g., by honing skills and entrepreneurial interests that were an asset at a later point of time. However, other evidence suggests that SEA and similar programs may have non-pecuniary benefits to participants. Kosanovich et al. (2001) find that more than half of SEA participants report being very satisfied with their business, though they note that non-monetary benefits of SEA (such as job satisfaction and professional development) are difficult to quantify.

Furthermore, even for the analysis of easily-quantified outcomes, there were limitations on the ability to structure an analysis that would isolate the causal effects of the SEA program and determine whether the SEA program led to better outcomes for participants compared to what they would have experienced had they not participated in the program. For example, it was not possible to determine, in the absence of the program, if SEA participants would either (1) have

received UI benefits and searched for wage or salary employment or (2) foregone UI benefits and worked full-time at establishing a business without the support of the SEA program. However, evidence from two demonstration projects suggests that participation in programs like SEA induces increased earnings and that these earnings gains may increase over time (Benus et al. 1994; Michaelides and Benus 2012).

The themes and lessons described here provide valuable information about the SEA program. States have used the flexibility available through the various pieces of federal legislation authorizing the development or expansion of the SEA program to provide opportunities to individuals who are eligible for UI benefits and who, in lieu of seeking a wage/salary job, are interested in developing a business and becoming self-employed. This report documents the shape these programs take.

A. Program eligibility requirements and application procedures

The SEA program is targeted toward people who (1) are eligible for UI benefits, (2) are likely to exhaust regular UI benefits, (3) are interested in self-employment, and (4) are likely to succeed at starting and maintaining a business. These criteria are not clean-cut or always easy to quantify, and states cannot perfectly predict who will be most suitable for the program. To help manage the process of recruiting, admitting, and communicating with applicants, states craft eligibility criteria and procedures that supplement the criteria and procedures specified in federal legislation and guidance. The procedures are designed to identify potential participants who would be successful entrepreneurs and, as a result, yield a group of SEA program participants whose characteristics differ significantly from those of the typical UI recipient. Key insights emerging from our discussions with SEA program administrators and program staff on applying the federal- and state-mandated eligibility criteria for the SEA program include the following:

Because the SEA program is targeted to participants who might succeed in business creation, most study states developed procedures to assess applicants' business ideas and usually relied on partners to help assess the ideas. Identifying suitable candidates for this entrepreneurship program is a complex task, given that creating a business is a risky effort and requires certain traits in or assets (for example, perseverance, comfort with risk, and access to capital). As described in Chapter V, all states required as part of their application process some information from the applicant about the business idea and most states required information about the applicant's skills and assets that would help them to be successful entrepreneurs. But, assessing an applicant's likelihood of succeeding at their proposed business idea is complex, somewhat subjective, and falls outside of SEA program staff's area of expertise.

States assessed the quality of proposed business ideas in two main ways. In New York, SEA program staff assessed whether the applicant to the SEA program had a single, well-specified business idea in mind, which he or she could pursue immediately after acceptance into the program. New York staff considered having a specific business idea to be a necessary prerequisite for business success because the short timeline of the SEA program did not allow for business exploration. The other four study states considered the feasibility as well as specificity of the business idea. Program staff in these states partnered with experts in entrepreneurship who either helped to assess feasibility or who helped SEA staff develop a way to do so. To develop

processes to evaluate business ideas, the SEA staff developed relationships with partners, often backed with financial resources.

Some staff in all states thought the WPRS score is not always an accurate measure of suitability as an entrepreneur or SEA program participant. Federal law mandates that SEA program participants be identified as being likely to exhaust UI benefits. As described in Chapter V, some staff thought that SEA program participation should be available only to people who face difficulty finding a wage/salary job. However, these or other staff also shared drawbacks of their state's use of the WPRS score, which indicates a predicted probability of benefit exhaustion, as a screening mechanism for eligibility. The cut-off line can be arbitrary and people who might be good candidates for the SEA program can be categorically disqualified from the program, they pointed out. For instance, depending on how the score was calculated, the WPRS requirement could disqualify all potential participants from particular geographic regions or occupational groups, some of whom would likely benefit from program participation. The staff also noted that explaining this criterion to potential applicants was challenging: it was hard for potential applicants to understand the logic of the criterion, and many objected to the idea that they were "profiled." For this reason, staff strove to adopt procedures that minimized discussion of this criterion with potential participants. Additionally, they strove to manage the amount of information available about the SEA program to people unlikely to qualify. For example, many states publicized the program by sending letters about the SEA program to UI recipients with eligible WPRS scores, rather than advertising the program more broadly.

The SEA program serves a small, distinctive slice of the broad group of UI recipients. The composition of the group of SEA program participants results from three selection processes. One process is self-selection: a limited number of UI recipients are interested in the program when they learn of it initially and others select out when they learn more about the requirements of participation and entrepreneurship through SEA orientation procedures. Another selection process occurs when UI recipients are screened to ensure that they have an eligible WPRS score. Additionally, SEA program staff and partners apply more criteria when they decide whom to admit to the SEA program.

The three selection processes yield a group of SEA program participants that is small. Though federal and state legislation caps the proportion of SEA program participants at 5 percent of UI recipients or, in some cases, lower, these caps were not approached in any study state. For example, the number of people approved for the SEA program in New York and Oregon is less than 1 percent of the number of UI recipients. Our analysis of individual-level data on SEA program participants and comparable UI recipients in New York and Oregon confirmed the impression of SEA program staff that SEA program participants are not representative of the broad pool of UI recipients: they are disproportionately older, have higher base period earnings, and are more likely to have a background in professional, scientific, and technical services and management.

B. Program requirements and services

The core model of the SEA program is that some requirements for participating in the UI program are waived, but participants must meet SEA-program-specific requirements that support successfully launching a business rather than attainment of traditional wage and salary

reemployment. States might provide services to help participants meet these requirements. In this section, we provide an overarching perspective about states' program models and the sustainability of them. We also discuss program partners' funding needs.

SEA program requirements and services varied considerably across study states. Administrators in the three states that recently developed SEA programs frequently mentioned that they explored how other states ran their SEA programs and "borrowed" elements of already-functioning SEA programs. Yet each state adapted the materials and procedures to its own needs. This resulted in state-specific program models, described in Chapter VI and Appendix B, which varied in terms of the requirements participants had to fulfill and the level of autonomy they had to meet the requirements.

For example, Rhode Island delivered the most intensive services and had the most specific requirements of the study states. Rhode Island required SEA program participants to attend a three-week full-time group training course, followed by six weeks of weekly mentoring and twice-weekly workshops. Oregon gave participants a great deal of latitude and autonomy in shaping the activities they completed while in the SEA program: in addition to having SEA participants file weekly claims that certified that they were working full-time on establishing a business (a requirement similar to other states), the state only required SEA participants by day 45 to submit a business plan and provide documentation that they had registered their business. Although Oregon encouraged participants to receive services from the SBDC, they could decide whether or not to do so and, if they did, to what extent. New Hampshire required participants to receive services from the SBDC and check in with an AJC worker every three weeks, though the particular actions the participant needed to take toward establishing his or her business were determined together by the participant and the SBDC worker. New York required participants to meet 13 program benchmarks, such as developing a business plan and opening a business checking account, yet participants could decide how to achieve some of these benchmarks, such as choosing a specific mentor and which training course to pursue. Vermont's SEA program had yet to launch as of the time of our interview with program staff in March 2016, but the state indicated during our interview that it would have program requirements and services similar to those in New Hampshire, to be determined in conjunction with Vermont SBDC staff.

Access to funds to remunerate partners for providing services to enhance a state's SEA program can strongly influence its shape and sustainability. Program staff in all states prioritized having no-cost or low-cost entrepreneurship services available (or being able to make referrals to such services) so all participants could meet program requirements without significant out-of-pocket expense. In Rhode Island, all services were provided by partner CWE at no cost to participants. In other states, SEA program participants often received the no-cost services provided by SBDCs, which assist all entrepreneurs regardless of whether or not they are in the SEA program. In New Hampshire, Oregon, and Vermont, memoranda of understanding delineated formal partnerships between the SEA program and the SBDC, and New York participants were free to seek support from SBDC. Respondents across the study states reported that entrepreneurial training and mentorship provided at no cost by the SBDCs and other organizations were accessible in most communities.

Nevertheless, SEA program staff also stressed the importance of sensitivity to the funding considerations of the other organizations, given the dependence on them for providing services to

SEA program participants. Although the SEA program and some organizations in the community have a shared goal of supporting entrepreneurship, an SEA program's ability or willingness to provide compensation to a partner impacted the relationship and the services made available. For example, prior to 2009, Oregon required SEA program participants to receive services from the SBDC, but the state eliminated this requirement because the SBDC could not serve all of them. More recently, the state has used SEA program grant money to help cover the costs of the SBDC serving SEA program participants who seek its services, although the state has not reestablished its former requirement. In addition to fostering service delivery, state and SBDC staff believe the grant funds have facilitated an opportunity for the two organizations to develop statewide collaboration, improving upon a more informal process that led to different treatment of SEA program participants at SBDC locations in different parts of the state.

Rhode Island also used SEA program grant funds, and then state funding, to support the intensive services provided by its partner. However, once those funding sources were depleted in 2015, the state ended the SEA program. Another state reported that the SEA program's inability to continue providing financial assistance to one of its partners strained the relationship, hindering participants' ability to obtain documentation that they had met program requirements.

C. Other issues associated with the SEA program

In this section, we discuss the costs associated with administering SEA programs and the quality of outcomes that are tracked.

SEA program administrators in the study states uniformly expressed a view that the SEA program is more expensive to administer on a per-participant basis than is the UI program. They held this view even though none had directly assessed per-participant program costs, and the study team did not collect data to independently assess the costs of states' SEA programs relative to the costs of serving UI recipients who do not participate in the SEA program. Nevertheless, in addition to any payments to partners for training and mentoring SEA program participants (as described above), several factors likely underpinned administrators' conclusions about costs. One factor is the screening and application process, which is additional to the monetary and non-monetary separation eligibility determination processes that all UI recipients—including those who eventually become SEA program participants—go through. In addition to fielding questions about the program from interested individuals, staff review the applications, which is time-consuming because of their complexity and the need in all states to assess the clarity (and, typically, also the feasibility) of the business idea. Partner staff assist in reviewing the business idea in Rhode Island, Vermont, and New Hampshire, so program staff spend time coordinating with them and considering their input. Another factor is that states use paper-copy claims certification forms, and we consistently heard that the review and manual data entry of these forms was time-consuming. Given this, New York and Vermont anticipated at the time of our interviews with state staff in late 2015 and early 2016 that they would soon be able to use a more automated process for the collection and processing of these forms—akin to how regular UI weekly or biweekly certifications are handled.

A third factor influencing SEA program administrative costs is the practice of using a survey to collect follow-up data about participants' outcomes. All four states that had fully implemented an SEA program administered a survey at some point. As discussed in Chapter VII, two of those

states—New York and Oregon—used the surveys to generate information for the ETA 9161 report about business outcomes. As with other paper-copy documents, the surveys were labor-intensive to process.

The small size of the SEA program has likely contributed to the continued use of paper forms and manual processes for some SEA program administrative activities. Some state administrators said some SEA program tasks were handled by paper because it would not have been cost-efficient in the short run to automate the tasks. As of the time of our interviews with administrators, some staff reported that their states would be able in the near future to automate some processes, such as allowing SEA program participants to file their weekly claims by the Internet. But funding constraints make it unlikely that all SEA program states will fully automate every SEA-program-related process, including the application submission, claims certification, and survey administration in the near future. An administrator in New Hampshire said the state did not pursue an effort to obtain an SEA program grant, which could be used to automate the SEA program claims certification process, because the grant would be insufficient for the effort.

In addition to examining the administrative costs of the SEA program, it is also useful to examine the total amount of benefits paid (both regular UI benefits and SEA allowances) to SEA program participants. From our quantitative analysis of individual-level data in New York and Oregon, it appears SEA program participants will receive a larger amount of benefit payments than the most comparable group of UI recipients who did not participate in SEA but may have qualified via their WPRS information. This may of course be due in part to the length of time that SEA participants take in training and starting their business. This is also partly because SEA participants are entitled to higher weekly benefit amounts and—in the case of Oregon—more weeks of potential duration of benefits—than UI recipients who do not participate in the SEA program, due to their higher base period wages. However, as our regression results show, even controlling for an individual's background characteristics such as base period wages and weekly benefit amounts, SEA program participants collect more weeks of benefits than comparable UI recipients who do not participate in the SEA program. All else equal, the average SEA program participant collects a higher proportion of their benefit entitlement, and more in total benefits, than comparable UI recipients. This result might be expected, considering that these individuals are working on starting their own businesses during the time when they are claiming their SEA allowance.

States struggle to collect high quality data about participants' post-program business-related outcomes. The federal government requires states to provide information about SEA program participants and their outcomes through two reports, and the federal guidance for one of them indicates that states likely need to secure SEA program participants' cooperation to provide information not available through other sources. This is especially the case for outcomes related to participants' businesses because the information might not be available through state-maintained wage records data or business tax records. New Hampshire administrators assumed that DOL was interested primarily in the outcomes of participants while they are engaged in the SEA program; this state asks participants to provide information about their outcomes as part of the weekly certification process for allowances and, as a result, achieves a 100 percent response rate for the outcomes data.

However, other states try to collect information about participants' outcomes at two times—while they are participating in the program and after they have left it. Administrators in these states reported concern about the quality and usefulness of their data. Their surveys of former participants had low response rates because former SEA program participants have little motivation to cooperate when they are no longer collecting SEA allowance. Furthermore, the administrators suspected that survey respondents were not typical of all SEA program participants. They suspected that the respondents were more likely to have been successful. Although the survey data collected by a state are unlikely to provide administrators with accurate information about outcomes, it is one of the few means used by states that could provide some insights into post-programs outcomes of participants.

The potential for drawing conclusions across all states from an analysis of data about participants' business-related outcomes, as reported in ETA 9161 data, is hindered by differences across states in whom they collect data from, how they collect the data, and the time period for which they collect the data. As noted, New Hampshire relies on weekly claims certifications while individuals are in the SEA program to obtain information about participants' business-related outcomes. New York and Oregon conduct surveys of current and former SEA program participants to obtain this type of information, but the frequency and duration of the surveys differs. Rhode Island used a combination of administrative wage data, claims data, anecdotal information, and web searches to support its federal reporting about the business outcomes of participants. These variations in the data across states, coupled with low response rates and other issues, caused us to conclude that we would not have confidence in the findings from an analysis based on the ETA 9161 data elements about business outcomes provided by all SEA program study states.

Though we do not have the data necessary to assess what the outcomes of SEA program participants and their businesses might have been in the absence of the program, we learned from SEA program surveys that some participants successfully open businesses and that operating businesses report healthy revenue streams over time. New York's survey data show that, among participants approved for the SEA program in 2013 and 2014 who responded to SEA program surveys, 18 percent reported an operating business four quarters after enrolling in the SEA program. However, our analysis shows that, average gross and net revenues, number of non-owner employees, and wages paid to those employees were higher for SEA establishments that were operating in the fourth quarter, compared to SEA establishments that were operating in the first quarter after participation began. Our tax revenue analysis suggests that in 2014, businesses established by SEA program participants in New York at least $739,911 in federal income taxes and $236,620 in state income taxes. It also generated $847,582 in Social Security and Medicare contributions, and $4,109 and $36,102 in federal and state UI contributions.

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APPENDIX A

STUDY DESIGN, DATA, AND RESEARCH METHODS

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Appendix A provides a more detailed description of the study design, data and research methods which were summarized in Chapter II. The study relies on quantitative and qualitative sources of information to develop a comprehensive set of insights about the implementation, operations, and outcomes of the SEA program. Some of the research questions were addressed using available data from all SEA-participating states, while other questions used a more detailed but narrower focus on a few selected study states. In this appendix, we describe the study's design, including the selection of states for the study sample (Section A), the data sources (Section B), and methods to analyze the data (Section C).

A. Selection of states for study sample

States that have shown an interest in the SEA program can be grouped into three categories: (1) those with well-established programs (operating since the 1990s), (2) those with more recently established programs (operating since 2010), and (3) those that adopted SEA legislation but do not have active programs. Our study includes states from each of these categories; however, we focused on states with active SEA programs that have been running their programs for varying lengths of time. We also took into account the size of the program and aimed to select those that serve at least a moderate number of SEA participants. With input from DOL, we identified, recruited, and obtained agreement from five states to participate in the study: New York and Oregon, which have well-established programs, and New Hampshire, Rhode Island, and Vermont, which have recently launched programs.[28] We intended to exclude from our sample states that did not have active SEA programs. But between the time when we selected states to include (in early 2015) and when we interviewed staff from these states (in late 2015 and early 2016), Rhode Island terminated its SEA program due to lack of funding. As a result, we learned from Rhode Island about implementation experiences and its rationale for discontinuing the program.

Given the varying amounts of time that states have been participating in the SEA program, some of the study components and research questions were more pertinent for some states than for others. However, taken as a whole, the data from these study states shed light on the experiences of states that recently implemented SEA programs, those that operated and maintained long-running programs, and—in the case of Rhode Island—decided to end the program.

We interviewed program leaders and partners in the five states and reviewed their SEA program materials. Participant-level data was requested from the two states with well-established SEA programs (New York and Oregon). Participant-level data was only requested from these two states because they served the greatest number of SEA participants and have a long history of administering the SEA program—characteristics that facilitate a rich analysis for the study. Additional details about these data sources from the study states are in the next section.

[28] With input from DOL, we decided five states would be a sufficient sample for the study because they represent a range—some with relatively new programs and others with well-established programs, and they had served at least a moderate number of participants. When we selected the five states in 2015, only two others (Delaware and Mississippi) operated SEA programs. The latter two were not included in the set of states to be visited for the study because (1) Delaware serves only a small number of people, as noted in Figure III.2 and (2) Mississippi only relatively recently (2014) established the SEA program, as is true of three of the five study states.

B. Data sources

To answer the research questions, the study uses four sources of information.

1. **Site visits and interviews.** One or one-and-a-half day site visits were conducted in four of the study states (New Hampshire, New York, Oregon, and Rhode Island). For Vermont, we conducted a telephone interview because the state's effort to implement the SEA program had only just started. Follow-up telephone interviews were also conducted after the site visits to clarify questions or obtain additional information. SEA program administrators helped to identify key program and partner staff for these site visits and interviews. Specifically, we spoke with state agency staff (program administrators, managers, and frontline staff) and representatives from program partners to learn more about their SEA program design, recruitment, and services. Semi-structured interview protocols were used, with distinct questions crafted to the individuals' roles in the program. Site visits and interviews took place between November 2015 and March 2016.
2. **Program documentation**. For each of the study states, we collected materials about the SEA programs: program promotion and recruitment materials, application forms, procedural guidance, claims forms, participant survey forms, and reports or presentations that states prepared about their SEA program. We also collected program information posted on each state's website.
3. **Participant-level UI and SEA program data from New York and Oregon.** We received individual-level data from New York and Oregon for both regular UI claimants and SEA participants. Specifically,[29] we requested data on all UI claimants with a UI new initial or transitional claim filed from January 1, 2013, to June 30, 2015. The data included information about claimants' demographic characteristics, UI claims, benefit entitlements, SEA program application and participation, and SEA outcomes (including businesses established). We also obtained data from state wage records on the UI-covered earnings of UI claimants and SEA participants.
4. **State-level program data from DOL.** To provide descriptive information about SEA participation nationally, we received aggregate data from DOL on all states participating in the SEA program. These data include statistics reported by states on UI claims and payment activities (from the Employment and Training Administration (ETA) 5159 report) and SEA program activities (from the ETA 9161 report). The ETA 9161 report includes information about the number of UI claimants participating in the SEA program and receiving benefits; the amount of benefits paid; the number of SEA participants who discontinue participation; the number of businesses established by SEA participants; and the gross revenues, number of employees, and wages of these establishments.[30]We requested all available ETA 5159

[29] Oregon had participant-level data available only for the most recent three years, which limited our ability to obtain data before January 1, 2013. We used June 30, 2015, as the end date for the time frame in which to request participant-level data because there is a lag of one quarter in which UI earnings data are available, and we began working with states to establish data use agreements and request data from states during fall 2015.

[30] As is discussed in more detail in Chapter VII, ETA 9161 data on SEA participant outcomes is collected in some states through surveys of SEA participants and the states use different approaches for this data collection effort. In addition, response rates to these surveys tend to be low, and it is likely that SEA participants who were more

and 9161 data from all states, with ETA 5159 data starting in July 1995 and ETA 9161 data starting in the second quarter of 2012 (the first time period for which states operating SEA programs were required to complete the ETA9161 report), to the most recent data available. This gave us historical perspective for the program nationwide as well as contextual information for the five study states.

Table A.1 summarizes which data sources are associated with each research question.

Table A.1. Data sources to answer study questions

Study questions	Data sources			
	Site visits and interviews with all study states	Program documents from all study states	Participant-level UI and SEA data from New York and Oregon	DOL's state-level data on SEA programs
I. SEA programs design and implementation				
1. Which states have participated in the SEA program?				X
2. What is the context for SEA program decisions (program adoption, continuation, and design) and operations?	X			
3. What are states' experiences implementing the program?	X			
4. How is the program targeted?	X	X		
5. How does the SEA program recruit and admit participants?	X	X		
6. What benefits, services, and supports does the SEA program offer program participants?	X			
7. How do SEA programs track participants and monitor outcomes?	X			
II. Characteristics and outcomes of SEA program participants				
8. What are the rates of program application, acceptance, and take-up among the target population?	X	X	X	X
9. What are the characteristics of SEA program participants?	X		X	
10. What benefits/allowances and services do SEA program participants receive?	X		X	

successful or engaged in the program were more likely to respond to the survey. Given these considerations, and in light of our exploration of the quality and consistency of the data, we became concerned that we would be unable to use the data to confidently make statements about some SEA outcomes.

Table A.1 *(continued)*

Study questions	Data sources			
	Site visits and interviews with all study states	Program documents from all study states	Participant-level UI and SEA data from New York and Oregon	DOL's state-level data on SEA programs
11. What are SEA program participants' rates of wage and salary employment and self-employment?			X	
12. What are SEA program participants' wage and salary earnings?			X	
III. Businesses established by SEA participants				
13. How many businesses are established by SEA participants?[a]	X	X	X	
14. What are the characteristics of businesses established by SEA participants?[a]	X			
15. How well are these businesses doing in terms of number of employees they hire, their annual payrolls or wages paid to employees, and sustainability of the business over time?[a]	X		X	
16. What is the amount of federal and state tax revenues collected from businesses established through SEA?			X	X

[a] We had planned to use state-level data to provide insights about business outcomes. However, because of our concerns about the reliability of these data, we did not use them to present answers to address these study research questions as part of our main analysis results.

C. Methods

Both qualitative and quantitative methods were used to analyze the data sources to address the research questions. Qualitative analysis was used to analyze the information collected through site visits and interviews plus SEA program documentation from each of the five study states. Quantitative analysis was used to analyze the participant-level UI data from New York and Oregon and the state-level aggregate data states provided to DOL. In this section, we describe the methods used for each study component.

1. Component 1: SEA program design and implementation

To answer the research questions about SEA program design and states' experiences with implementation, we relied primarily on qualitative analysis of site visit and interview data supplemented with information from SEA program documents. To become familiar with the SEA program in the study states before our visits and to review or confirm program details after the visits, we reviewed each state's SEA program materials: program brochures, recruitment materials, invitation letters, and SEA participant surveys. The materials described program requirements and processes, such as eligibility, application, and participation.

We used a positivist approach to analyze our site visit notes, aiming to answer the specific research questions we generated in advance. Analysis was performed by the researchers who conducted the site visits and interviews, and they discussed any discrepancies or questions to identify a commonly supported resolution. For this component, we focused the qualitative analysis on describing states' motivations for participating in the SEA program, the key elements of the program and how they have been adapted, staff perceptions and experiences with designing and implementing the program, and the lessons learned.

The qualitative analysis was augmented with quantitative analysis of state-level data, specifically data reported by states to DOL on UI claimants (the ETA 5159 report) and SEA program participants (the ETA 5159 and ETA 9161 reports). Descriptive analysis of these data was conducted to provide a broad overview of all states that implemented the SEA program. We describe states' participation in the SEA program, the scale at which they implemented it, and how the scale of each SEA program compares with the scale of the states' UI programs. We also describe individuals' participation in SEA programs between January 2013 and June 2015 in the eight states that had SEA programs in that period.

2. Component 2: Characteristics and outcomes of SEA program participants

This study component relied on a descriptive analysis of the characteristics and outcomes of SEA participants. The main source of information was participant-level administrative data from New York and Oregon. We assessed the characteristics and outcomes of SEA participants who enrolled in the program in each state from January 1, 2013, through June 30, 2015, as well as those of a comparable group of UI recipients who did not participate in SEA but may have been eligible for it based on their worker profiling score. The UI claims data and SEA program data were analyzed to provide descriptions of the demographic characteristics (age, gender, and race/ethnicity) and prior employment characteristics (earnings during the base period and the industry of the most recent employer) of SEA program participants in each state. These data were also used to examine patterns of benefit/allowance collection (including entitlement, receipt, and exhaustion status). Administrative UI wage data was used to examine the extent to which SEA participants had wage and salary employment and how much they earned through such jobs. However, this data source cannot provide a comprehensive picture of the success of SEA participants in self-employment because earnings from self-employment are not included in administrative UI wage records.

To place in context the outcomes of SEA program participants, we compared their characteristics, benefit-receipt patterns, and employment outcomes to those of comparable UI recipients who might have been eligible during the same time frame. It was not possible to identify a rigorously constructed comparison group of people who are eligible for the SEA program and are similar to SEA participants on measurable and unmeasurable characteristics but who did not participate in the SEA program. This is because the people who express interest in becoming self-employed and who apply for (and are accepted into) the SEA program are likely to have some significant differences from comparable UI recipients, for example in their willingness to take risks or their previous experience with entrepreneurship, and only limited information regarding these differences is captured in the existing data. In addition to the issue of identifying an appropriate comparison group, it must be kept in mind that the outcomes of SEA

participants and comparable UI recipients are likely to differ due to the inherent length and goals of the SEA program.

In addition to comparing summary statistics for the SEA participants and comparison groups, we conducted regression analysis to assess whether there are differences in outcomes after we account for the individual-level characteristics that are available through the administrative data.[31] Linear regressions were used to examine continuous outcome measures (such as amount of benefits collected and amount of wage and salary earnings) and logit regressions for binary variables (such as exhausting benefits or having any earnings from wage and salary employment); robust (Huber-White) standard errors are estimated. The regressions included an indicator for SEA participation as a covariate, and controlled for demographic, pre-UI employment, and claim characteristics in the UI claims data. We interpreted the coefficient on the indicator for SEA participation as the average difference between SEA participants and comparable UI recipients, accounting for differences in the other covariates. The regression analyses for New York and Oregon were conducted separately to improve the fit of the regression models in each state because the potential existed for the underlying relationships between characteristics and outcomes to differ in the two states. Pooling the data would mask those differences.

Although we controlled for demographics and pre-UI employment characteristics available in the UI claims data, the analysis results should be interpreted as providing only descriptive information about differences in outcomes—including benefit receipt, employment, and earnings—between SEA participants and comparable UI recipients. That is, since it was not possible to know the outcomes SEA participants would have experienced had they not been involved in the SEA program, it cannot be determined whether the SEA program caused the differences in outcomes between SEA participants and comparable UI recipients. The comparisons do not show the estimated impacts of the SEA program because of the non-experimental design of the study means that differences between the two groups cannot be attributable to participation in the SEA program (versus the regular UI program).

To augment the quantitative analysis findings from the New York and Oregon participant-level data, findings from all five study states about participant characteristics and outcomes from our qualitative analysis were included.

3. Component 3: Businesses that SEA participants established and tax revenues generated by them

To address the research questions about the businesses SEA participants launched, the analysis primarily relied on the individual-level data from surveys of SEA participants in New York. Business establishment rates, their revenues, the number of employees hired, and wages paid to employees were examined. In addition to the quantitative analyses, we analyzed

[31] The data cover all SEA participants and a comparison group of UI recipients who do not participate in SEA during this time period. We report robust (Huber-White) standard errors for the population of SEA participants because this population can be considered as arising due to random fluctuations from among many possible populations from a state's SEA program. That is, we treat the SEA population as one population that is representative of a super-population.

qualitative data about businesses established by SEA participants from the study states through information collected during the site visit interviews.

The primary analysis of tax revenues generated by SEA programs focused on New York and relied on the individual-level data from surveys of SEA participants about the number of establishments, gross revenues of SEA establishments, individuals employed by SEA establishments, and wages paid by SEA establishments. The analysis used these data plus information on the tax rates faced by employers and self-employed persons in the state in 2013 and 2014 to estimate the federal and state income taxes, UI taxes, and Social Security and Medicare taxes generated by SEA businesses that were reported by SEA participants as operating in those years.

The study included a supplementary tax analysis for states with SEA programs during 2013–2014 using statewide aggregate outcome data that SEA states are required to report to DOL (through the ETA 9161 report) by assuming all SEA establishments within a state had the same gross revenues, number of employees, and wages paid. We present estimates of the federal and state taxes to be paid by a representative (average) SEA establishment in each state. However, because of concerns about the accuracy of these data and the strong assumptions underlying these estimates, we treat these as secondary analyses and present those results in Appendix F.

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APPENDIX B

DESCRIPTION OF SEA PROGRAMS IN STUDY STATES

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Federal law and guidance lead states to adopt some uniform features for their SEA programs but each state has flexibility to tailor its own program. This study included an in-depth look at the SEA programs in five states: New Hampshire, New York, Oregon, Rhode Island, and Vermont. An overview of the five states' SEA programs is provided in Table B.1 and summarized below. Additional details about key aspects of the SEA program are also discussed in the relevant chapters throughout the report.

Table B.1. Characteristics of state SEA programs

	New Hampshire	New York	Oregon	Rhode Island	Vermont
Years of SEA program operation	2013–present[a]	1995–present[a]	1995–present[a]	2013–2015[b]	2014[c]
Number of participants who entered the SEA program during 2015	101	1,282	780	39	0
Key program features	Participant check-ins with AJC staff every three weeks Participant-specific assistance from SBDC	Participants fill out benchmark forms to certify achieving specific milestones Relationships with varying partner organizations developed by local regions	Participants required to submit a business plan 45 days after the start of program participation Participants not required to receive training or mentorship	Required training and mentorship provided through an intensive participant cohort model	A business plan is required at program application Participation is capped at 35 participants
Partners	New Hampshire SBDC	(Varies by region) Urban League, SBDC, SCORE, public libraries	Oregon SBDC	CWE	Vermont SBDC

Source: Document review and interviews conducted with state administrators and partners in the five study states between November 2015 and March 2016, as well as state-level aggregate data provided in the ETA 5159 report by states to DOL.

[a] By "present," we mean as of the interviews with administrators that were conducted between November 2015 and March 2016.

[b] In the 1990s Rhode Island also operated an SEA program using a different model. This report focuses on the model implemented between 2013 and 2015.

[c] In 2013, Vermont operated the SEA program for EUC08 recipients. In 2014–2015, one pilot participant participated in SEA in lieu of the regular UI program. As of our interview with state staff during March 2016, Vermont was still developing the SEA program for participants who will be allowed to participate and receive SEA allowances in lieu of regular UI benefits.

AJC = American Job Center; SBDC = Small Business Development Center; SCORE = The SCORE Association; CWE = Center for Women and Enterprise.

A. New Hampshire

New Hampshire's SEA Program, known as Pathway to Work, was launched in 2013 as part of the New Hampshire Working initiative. Pathway to Work includes a high level of

involvement of New Hampshire Employment Services (NHES) staff plus involvement of the New Hampshire Small Business Development Center (SBDC), which tailors self-employment services to the needs of each SEA participant.

UI recipients who are profiled as likely to exhaust[32] their benefit entitlements receive notification via email or letter (depending on their preference) about the opportunity to participate in SEA, and interested claimants are directed to their local AJC where they can receive more information about the program and a program application. Applicants fill out an application form, including work history, business idea, prior self-employment experience, prior experience related to the proposed business, proposed business location, personal financial needs, demand for proposed business product, target customers, and plans for marketing the product. Applications are reviewed by NHES staff, including staff from the Labor Market Information (LMI) office, who use LMI to determine whether the business is likely to succeed based on which occupations are in demand in the applicants' geographic area, and the SBDC partner. The initial contact between SBDC offices and participants occurs when, as part of the application review process, SBDC staff review the applicant's business plan and call him or her to discuss the feasibility of a business launch. If the business idea is judged feasible, the applicant is accepted into the SEA program.

Those who are accepted have regular communication with both SBDC and NHES staff. NHES local office staff contacts participants to complete a progress report every three weeks. An SBDC counselor (the same one who did the participant's application interview) works with the participant to tailor a plan for completing the required minimum of 37.5 hours of work per week establishing a business. Depending on the needs of the participant, SBDC helps with marketing, choosing a business location, raising capital, and choosing training. No classroom or online instruction is required by the SEA program, but SBDC offers workshops on starting a business, bookkeeping, legal issues, and marketing specially tailored for SEA participants. There are no distinct phases of program participation or benchmarks to meet while proceeding through the program.

B. New York

New York's SEA program was launched in 1995. New York UI recipients profiled as likely to exhaust their benefit entitlements receive notification of their potential eligibility for SEA via letter. Interested individuals attend an SEA orientation and receive an application. State labor department staff who administer the SEA program review the application, which includes fields for business idea, previous experience with similar businesses, plans for business location, previous and future training related to the business idea, whether the business will compete with the applicant's former employers, employment history, and acknowledgment that the applicant understands program requirements. New York does not consider the feasibility of the proposed business when making acceptance decisions, but applicants must present a clear business idea.

In New York, SEA participants must achieve program benchmarks in addition to completing weekly certifications of their continued eligibility for SEA. The benchmarks include completing

[32] Note that all claimants are profiled with some likelihood of exhaustion. To be considered "likely to exhaust" these claimants' WPRS scores must have reached or exceeded a pre-determined threshold.

at least 20 hours of classroom training (online or in person); attending two meetings with a business counselor; and meeting 13 additional benchmarks over the course of their SEA claim, such as developing a business plan, opening a business checking account, and purchasing business insurance. These benchmarks are the same for all SEA participants, though in some rare instances benchmarks may be modified or participants may be assigned a different timeline for completing the benchmark depending on the length of time remaining in their SEA claim. AJCs in New York make recommendations for training and mentorship, but SEA participants can identify their own self-employment assistance activities (though the training program must provide a certificate of completion to meet the business training requirement). Participants are responsible for identifying and working with their own business counselors. Although staff do not monitor progress, participants must fill out benchmark forms that indicate the date they completed each benchmark.

C. Oregon

Oregon's SEA program launched in 1995. UI recipients in that state can learn about the SEA program through an informational window that pops up when UI claimants first file for benefits through the state's UI website, as well as through a mandatory orientation process[33] within the first two weeks of UI claim. Prospective program participants submit a business feasibility study at the time of application. It is reviewed by state agency program staff to ensure that participants have identified a feasible business idea and are ready to launch a business. Even before they are accepted into the program, SEA applicants are referred to the SBDC network for help in developing their business feasibility study.

After acceptance into the SEA program, participants identify self-employment activities to conduct while they are in the program. They are not required to pursue training or mentorship, but they must certify weekly that they are working full time toward establishing their business. In addition, within 45 days of entering the program, they must submit a business plan, obtain any required business licenses, and give the state's SEA office their business's federal and state ID numbers indicating the business is registered. Although not required, participants have the option of receiving services from the SBDC, and they are encouraged to do so. If needed, SEA program administrators might grant an extension of the deadlines for the business plan, licenses, and business registration numbers as long as the participant has been working with the SBDC.

D. Rhode Island

When we visited Rhode Island in December 2015, the state had recently ceased operating its SEA program. In the 1990s, Rhode Island had an SEA program—an eight-week entrepreneurial exploration program operated in conjunction with Bryant University. This report, however, focuses on the program that operated from 2013 to 2015. Until December 2013, Rhode Island operated only SEA for EUC08 recipients who were interested in participating in the SEA program. In this way, no SEA participants would be collecting SEA allowances in lieu of regular UI benefits and, as a result, be at risk of losing access to EUC08 benefits. (As described in Chapter I SEA participants who collected all of the SEA allowances to which they were entitled

[33] This orientation is mandatory for all UI recipients, regardless of WPRS score, and all UI recipients thus receive information about the SEA program. However, only UI recipients with WPRS-eligible scores may enroll in SEA.

and who did so in lieu of regular UI benefits were not eligible for EUC08 benefits.) After the EUC08 program ended in December of 2013, the state began efforts to implement SEA for individuals who were interested in the SEA program in lieu of the regular UI program. Rhode Islands' EUC08 SEA program and the SEA paid in lieu of regular UI both operated in the same way. Program administrators reported that they noticed no major differences between the two groups. The SEA program used a cohort model to provide participants with training and mentorship services administered by a partner organization, the Center for Women and Enterprise (CWE).

Rhode Island UI claimants having at least 13 weeks of benefits remaining on their claim and determined likely to exhaust them were notified of their potential eligibility for SEA via letter. Following an informational phone call with Rhode Island AJC staff and attendance at an orientation focusing on the realities of entrepreneurship held by CWE, program applicants submitted a paper application form and a self-assessment checklist on the applicant's entrepreneurial potential. Accepted applicants were grouped into cohorts and enrolled in a three-week intensive training program run by CWE specifically for SEA participants. Training modules covered the qualities of a successful entrepreneur, business finances, setting long- and short-term business goals, business plan development, market research and marketing, branding, cash flow projection and financial statements, record keeping, taxes, and legal and insurance issues. After the three-week training, CWE gave participants six weeks of weekly mentoring and twice-weekly workshops on topics such as the use of social media in business marketing and legal requirements associated with being an employer. Following these nine weeks of prescribed SEA programming, participants were expected to independently continue to spend 40 hours per week to work toward launching their businesses. Mentoring and other support from CWE continued to be available for SEA participants who sought it out.

State staff had been paying CWE for providing program services—first through SEA grant funds received from DOL and then through a dedicated amount the state made available. Although state and CWE staff thought that the SEA program was successful in helping participants work toward establishing businesses, the state stopped funding the program in 2015 and it ended.

E. Vermont

Vermont ran an EUC08-only SEA program in 2013 that served three clients. This report, however, focuses on the regular SEA program not yet launched at the time of study data collection in March 2016. At that time, SEA legislation was in effect, program rules had been adopted, and one pilot participant had completed the program, though it had not yet been launched with the broader population of UI recipients. Vermont anticipated launching SEA when its administrative staff had the capability of doing so, likely after when planned changes to the state's UI mainframe were completed.

The SEA program in Vermont was modeled after the experiences of other states, and was initiated in part because of requests by UI recipients interested in self-employment. The anticipated program flow is as follows. WPRS-eligible UI recipients will receive a letter notifying them of their potential eligibility for SEA. Interested recipients will be referred to an SEA program orientation run by SBDC. After orientation, potential SEA participants will submit

their applications, including a business plan to be reviewed by Vermont's partner, the SBDC, to determine whether the business idea is feasible. In contrast to other states, Vermont has established rules to limit SEA program participation to no more than 35 individuals at one time. Slots in the SEA program will be allocated on a first-come, first-served basis, and eligible applicants who apply when the program is full will be placed on a waitlist in the order their application was received. SEA participants will have to submit weekly claim cards certifying that they are working full time to establish their businesses.

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APPENDIX C

DESCRIPTION OF DATA AND ANALYSIS METHODS USED FOR ANALYSIS OF PARTICIPANT CHARACTERISTICS IN CHAPTER VIII

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A. Data and analysis approach

1. Individual-level data from New York and Oregon

We asked that New York and Oregon provide data on all eligible UI claimants with new initial or transitional claim filed dates from January 1, 2013, to June 30, 2015 with a separate record for each benefit year in which they collected benefits (See Chapter II). The UI data file from each state contained information on individuals' characteristics, such as date of birth (from which we could construct age), race, ethnicity, gender, industry of previous employer, and base period wages, claim type, the date of initial claim filing, benefit year begin date, benefit entitlements, the combined amount of benefit collections for regular UI benefits and SEA allowances and, when applicable, EUC08 benefits. We also asked for an SEA program data file about the individuals who applied to the SEA program, such as the date of the application submissions, decisions, disapproval reasons, and (for those who were approved) progress through the program. For the analyses in this chapter, we constructed a data set that merged the SEA and UI data files using the unique claimant ID and benefit year information to match a record in the SEA file to the original claim in the UI claim file.

2. Defining the analytic sample and empirical method

We restricted our analysis sample to individuals with complete information on their entitlements to and collections of regular UI benefits or SEA allowances so that we know their weekly benefit amounts, maximum benefits available, and the remaining balance of benefits.[34] We also restricted our analysis to UI claimants who received UI benefits or SEA allowances—that is, the balance of benefits remaining when the data extract made by the state was less than the maximum amount of benefits available for that claim.[35] After imposing these restrictions, we had samples of 1.27 million records in New York and 341,749 records in Oregon of individuals who filed UI new initial or transitional claims between January 2013 and June 2015 and who received UI benefits or SEA allowances as a result of the claim.[36]

Our analysis treats each record of a benefit year as a separate observation. However, on average, the same individual appears in the sample 1.23 times in New York and 1.19 times in Oregon. We use the term "UI recipients" or "SEA participants" to refer to the records in the data, but it must be noted that the data do not pertain to unique individuals because some individuals had more than one benefit year during the 2.5 years and each one is treated as a separate observation.

[34] We also removed 4,086 records where the weekly benefits amount or maximum benefits available were outside the expected range. Between January 2013 and June 2015, the weekly benefit amount for an individual could be at most $425 and at least $64; the maximum benefits available for an individual could be at most $11,050 and at least $1,664.

[35] This restriction means that we might have eliminated individuals whose balance of regular benefits equaled their entitlement at the time the data extract was created but may have gone on to collect some benefits afterward. However, because the data extracts were created at least nine months after the end of our observation period, this timing issue likely affected few records.

[36] Most records had a benefit year that began in 2013, 2014, or 2015, but the benefit year of 8,816 records in New York (about 0.6 percent) began in 2012. We excluded 8 that had benefit years from 2011 or earlier.

One objective of our quantitative analysis is to examine how the characteristics and outcomes of SEA program participants in a state compared to a group of similar UI recipients who did not participate in the SEA program but could have been eligible for it. As explained in Chapters I and V, the federal government requires states to restrict eligibility for the SEA program in lieu of regular UI benefits to people who are expected to exhaust their entitlements to those benefits. Therefore, states with SEA programs, including New York and Oregon, use UI recipients' WPRS scores to screen for program eligibility. States calculate WPRS scores for UI recipients using a statistical model based on individual-specific information available from the UI initial claims, as well as other information available to the state. Higher WPRS scores indicate a higher likelihood of exhausting benefits. The construction of the comparison groups for New York and Oregon differed due to differences in the availability of WPRS-related data.

To form a comparison group of New York UI recipients who did not participate in the SEA program but who might have been eligible, we identified UI recipients who met the New York SEA program's eligibility criterion of a minimum WPRS score of 50 but who did not participate in the SEA program.[37] It should be noted that someone with a WPRS score of 50 or higher might still be denied acceptance into the SEA program for other reasons, such as if she or he already owned a similar business. However, the individual-level data do not provide such background information so we constructed the comparison group only on the basis of whether UI recipients had WPRS scores that met the eligibility criterion.

Oregon could not give us data on the WPRS scores for all claimants in our data. However, the state did give us WPRS codes which indicate an individual's status in the WPRS system. Using these codes we were able to eliminate from the comparison group the observations where the WPRS code would definitely have excluded the individual from SEA participation. Oregon's comparison group was relatively larger than (and potentially less similar to) the group of SEA program participants than New York's. Because we used two different methods of constructing the comparison groups for the two states, it must be noted that we consider our analyses of New York to use a better approximation of the ideal comparison group for this analysis. However, as explained in Chapter V, many factors influence whether or not a UI recipient applies for and is accepted into the SEA program, and we could not take all factors into account when we formed our comparison group for each state. This limitation should be kept in mind when interpreting results about the similarities and differences between the SEA program participants and comparison group of UI recipients who did not participate in the SEA program.

[37] The data included 21 records of individuals approved for the SEA program but who had a WPRS score below 50. Correspondence with the New York DOL clarified that these observations could be explained in several ways, such as participation was in the SEA program under EUC08, which did not have a minimum WPRS criterion; SEA program redetermination for appealed decisions; and eligible WPRS scores which were overwritten with zeros. We recoded these 21 records (fewer than 0.1 percent of SEA participants) to have a WPRS score of 50.

APPENDIX D

DESCRIPTION OF DATA AND ANALYSIS METHODS USED FOR ANALYSIS OF PARTICIPANT OUTCOMES IN CHAPTER IX

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A. Data and analysis approach

1. Data

To analyze participant outcomes in New York and Oregon, we utilized UI claims data, administrative UI wage data, and SEA program participant data for individuals who filed a UI initial claim between January 2013 and June 2015. The UI claims data contained information on such participant benefits as the amounts of regular UI benefits or SEA allowances received and the amounts of EUC08 benefits received. The wage data extract from each state contained records of the wage and salary earnings of every individual for every employer and every quarter they were employed between January 2013 and June 2015, but it does not include information about the earnings from out of state employment.[38] For the analyses, we first reshaped the wage file so that we had a single observation per individual, with separate variables recording their employment status and wage earnings in every quarter. If an individual had multiple wage records (for different employers) in a single quarter, we added earnings across employers to calculate total wage and salary earnings in that quarter. We then merged the two files using the unique claimant ID to match every individual in the UI file to that individual's wage record. We then merged that file with the SEA program participant data file so we could identify the individuals who had participated in the SEA program. This resulted in 640,807 observations in New York and 396,692 observations in Oregon.

2. Analytic approach

We restricted our analysis to UI claims where we had information on the individual's entitlements and collections of regular benefits, where the individual's entitlements were within the expected range, and where the individual collected some benefits. We compared SEA program participants to a comparison group of UI recipients who did not participate in the SEA program but might have been eligible for it.[39] Our quantitative analysis examined three sets of participant outcomes: UI and SEA program benefit outcomes, employment outcomes, and earnings outcomes. For each set of outcomes, we present descriptive information, comparisons between SEA program participants and the comparison group, and results of regression analyses.

[38] UI wage records cover about 94 percent of workers (U.S. General Accounting Office 2001). For example, part-time service for nonprofit organizations exempt from federal income tax is not covered in either New York or Oregon. This coverage can also vary from state to state. Real estate agents on commission are excluded from UI coverage in both New York and Oregon, and do not show up in the wage data for either state; insurance agents on commission are covered in New York but not in Oregon (GAO 2001).

[39] The construction of comparison groups differed between New York and Oregon. We had information on UI recipients' WPRS scores in New York, so we defined a comparison group of UI recipients who met the New York SEA program's eligibility criterion of a minimum WPRS score of 50 but did not participate in the SEA program. In Oregon, we did not have information on WPRS scores but eliminated observations where the WPRS code would definitely have excluded the individual from SEA program participation. (See Appendix D for more details.)

We calculate benefit-related outcome measures in the same way for SEA program participants and comparison group members.[40] A continuous measure of weeks of benefits collected was calculated by subtracting the remaining balance from the maximum benefits available to an individual, and then dividing by the weekly benefit amount available to him or her. A continuous measure of the amount of benefits collected was calculated as the difference between the maximum amount of benefits available to an individual and the balance of benefits remaining when the data extract was made by the state. A continuous measure of the proportion of benefits collected was calculated as the amount of regular benefits collected as a proportion of the maximum amount of regular benefits available to that individual. Finally, a binary variable indicating an exhausted claim was created to indicate claims where the balance on the claim is equal to zero.

Note that the benefit collection outcomes are defined based on the remaining balance of benefits at the time the data extract was created (April 2016). The data extracts were created at least months after the last possible date someone could have filed a UI claim and still entered the sample (June 30, 2015). Therefore, a small number of individuals (4.7 percent of the sample in New York and 1.4 percent of the sample in Oregon) could have continued collecting benefits after the data extract was created, in which case we would underestimate their benefit collections. It should, therefore, be kept in mind that our analysis offers the lower bound of benefits collected by SEA program participants and the comparison groups, especially for individuals who filed a claim in 2015. Also note that for SEA program participants, we are not able to distinguish between dollar amounts paid through the SEA program and dollar amounts paid through the regular UI program in the administrative data, even though it is likely that many (or most) of these participants received some benefits through the regular UI program before their acceptance into the SEA program.

We created a binary measure of a participant's employment in a quarter, as defined by them having a wage record with non-zero wage or salary earnings in that quarter, based on the administrative wage data. If an individual did not have a wage record for a particular quarter, we assumed he or she had no wage or salary employment in that quarter and we imputed a value of 0 for earnings in that quarter. When examining the continuous measure of average earnings for an individual, we include the quarters in which the individual has 0 earnings or no employment (that is, we calculate average earnings without conditioning on employment). To account for outliers and to prevent publishing any identifiable information, we top-code the values of quarterly earnings at the 99th percentile for our sample.[41] Due to the short observation period of the analysis (30 months), inflation adjustments were not made for earnings data.

[40] Technically, an individual enrolled in an SEA program receives a weekly allowance in the same amount as his or her regular UI weekly benefit amount. Although benefits paid through the SEA program in lieu of regular UI benefits are often referred to as "SEA allowances," in our quantitative analysis using individual-level data we use the term "benefits" to refer to payments made through either the SEA program or the regular UI program, because the data do not allow us to distinguish between the UI benefits a person received before they entered the SEA program and the allowances they received once in it.

[41] For our sample of individuals who filed UI new initial or transitional claims between January 2013 and June 2015 and who received benefits as a result, the 99th percentile of wage and salary earnings is $52,631 in New York and $32,756 in Oregon.

For regressions using continuous outcomes, we used linear regression models. For regressions using binary outcomes, we used logit models and reported marginal effects evaluated at the mean. Robust (Huber-White) standard errors are estimated. Each regression model includes controls for the following factors measured using administrative sources:

- Demographic characteristics: gender (binary), race/ethnicity (binaries), and age (continuous)
- Labor market experiences: industry of previous employer (binaries) and log of base period wages (continuous)
- Claim characteristics: log of weekly regular benefits amount (continuous), whether UI or other claim type (binary), WPRS score (in New York) (continuous), and potential duration of claim (in Oregon) (continuous)
- Timing of claim: quarter in which the participant filed the new initial or transitional claim (binaries) and state unemployment rate in the quarter that UI claim was filed (continuous)

Our regression analysis sample includes only records with complete data on all variables in each model.

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APPENDIX E

DESCRIPTION OF DATA AND ANALYSIS METHODS USED FOR ANALYSIS OF BUSINESS OUTCOMES IN CHAPTER X

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A. Data and analysis approach

1. Analysis of business outcomes

To address the research questions about the characteristics and performance of businesses established by SEA participants, we primarily utilized the individual-level data from surveys of participants in New York. These surveys were the state's primary source of information about SEA establishments, which is required for federal reporting. (See Chapter VII for a more detailed description of the data and federal reporting requirements.) The timing of the surveys has evolved over the time frame for which we received survey data from the state (See Figure E.1).

- The state mailed a survey in April 2013 to SEA participants who were approved for the program from mid-February to mid-March 2013. Three additional surveys were sent approximately three, six, and nine months later.
- SEA participants who received approval for the program between mid-March 2013 and the end of the second quarter of 2014 received their initial survey in July 2014; subsequent surveys were sent quarterly.
- Starting with the third quarter of 2014, New York sent surveys to SEA participants (that is, applicants approved for the program) starting with the first survey in the first quarter following the quarter in which they were approved for the program. Additional surveys were sent to the participants for the next three quarters.[42]

Figure E.1. Approximate timeline of when state mailed surveys

Quarter of SEA approval	Calendar quarter and year that the state mailed the survey													
	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2
2013 Q1		X	X	X	X									
2013 Q2							X	X	X	X				
2013 Q3							X	X	X	X				
2013 Q4							X	X	X	X				
2014 Q1							X	X	X	X				
2014 Q2							X	X	X	X				
2014 Q3								X	X	X	X			
2014 Q4									X	X	X	X		
2015 Q1										X	X	X	X	
2015 Q2											X	X	X	X

Note: Because we have grouped participants by the quarter in which the application was approved, and the state did not follow a strict quarterly schedule for mailing surveys to participants, the timeline should be viewed as suggestive, but not definitive, of the actual schedule of when the state sent surveys to program participants.

To address the variation across SEA participants in the fielding of the surveys, and to make our analysis results meaningful, we have tied the timing of the surveys to intervals of time in relation to each participant's entry into the SEA program (defined as the date their application

[42] When SEA participants were approved within the last two weeks of a calendar quarter, the state did not send the first survey to them until the subsequent quarter.

for SEA was approved). That is, we refer to a survey as being conducted in "quarter 1" if it was fielded in the first calendar quarter after a participant's approval for the SEA program; we refer to it as having been conducted in "quarter 2" if it was fielded in the second quarter after SEA program approval, and so on. Figure E.2 shows by gray shading the follow-up quarters during which surveys were fielded for different cohorts of SEA participants. As shown in the figure, some SEA participants were not asked to complete a quarter 1 survey but others were. Similarly, some SEA participants were not asked to complete a survey for quarters 2, 3, or 4, but others were. This standardization across the follow-up periods for the New York survey data enables us to interpret participants' responses, such as about business outcomes, in a meaningful way—that is, we can assess outcomes in relation to the start of SEA program participation, and avoid "mixing apples with oranges" given that a particular round of survey administration by the state represents different follow-up periods for different participants.[43] However, it also means that some participants cannot be included in our analysis of outcomes because we have no follow-up survey data for some or all of the follow-up time periods. The analysis of outcomes in quarters 1 through 4 is based only on SEA participants and quarters for which we have available data, that is, on the quarters represented by the shaded cells for each group of SEA participants in Figure E.2.

Figure E.2. Follow-up quarter and year for analysis of business outcomes

Quarter of SEA approval	Calendar quarter and year that the state mailed the survey													
	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2
2013 Q1		1*	2*	3*	4									
2013 Q2			1	2	3	4*								
2013 Q3				1	2	3*	4*							
2013 Q4					1	2*	3*	4*						
2014 Q1						1*	2*	3*	4*					
2014 Q2							1*	2*	3*	4				
2014 Q3								1*	2*	3*	4			
2014 Q4									1*	2*	3*	4		
2015 Q1										1*	2*	3*	4	
2015 Q2											1*	2*	3*	4

Note: Asterisk in shaded cells indicate the quarters for which survey data were available for an analysis of outcomes during the first, second, third, or fourth quarter after SEA participants entered the program.

The survey asks SEA participants to report whether they are operating a business. Respondents who answered yes were asked about the type of business, the number of employees, the amount of wages paid, and gross revenues generated for the last quarter. If an individual reported not operating a business, a text box prompted him or her to give the reason. If the participant reported operating a business previously but reported that the business was now

[43] With almost any survey fielded through mail, variation in the length of the follow-up period is likely. However, the range in time between when someone enrolled in the SEA program to when he or she received the initial survey (from a few weeks to more than five quarters) is considerably wider than what is common. Therefore, we believe that grouping responses to the initial survey (or any subsequent survey) in regard to the length of the time since entry to the SEA program would make it difficult to sensibly interpret outcomes based on the data.

closed, the survey asked the date the business was closed and the reason why. After receiving participants' surveys, New York staff review the responses and manually enter them into a database.

Of the 2,655 SEA participants in New York who had filed UI new initial or transitional claims between January 1, 2013, and June 30, 2015, there were valid responses from 2,205 individuals.[44] This means that more than 83 percent of SEA participants responded to at least one survey. As anticipated (given differences in the timing of surveys over time), the availability of data are lower when we focus on surveys within the first four quarters after someone was approved for the program. For example, 58 percent of SEA participants provided information about the first quarter after they began SEA, but only 46 percent provided information about the fourth quarter after they began SEA. As with all survey data with a response rate below 100 percent, there is the potential for nonresponse bias (that is, bias which arises when survey respondents differ in meaningful, systematic ways from the people who do not respond to surveys). For example, if SEA participants whose establishments are most successful are least likely to respond to the survey (perhaps because they are too busy), we would have responses only from less successful individuals and would underestimate the positive outcomes of SEA participants. Alternatively, if the participants who did not establish a business are less likely to respond than those who did, the data would overestimate the positive outcomes of participants. Readers should keep in mind that our findings describe outcomes only for New York SEA participants who responded to the surveys for the particular follow-up quarters for which we conducted our analysis.

Furthermore, we limit our analysis of business outcomes to individuals who were approved for the SEA program between January 2013 and December 2014. We exclude those who entered the program in 2015 because there is a greater likelihood that they were not able to complete their quarter 4 survey before the data extract was created in April 2016. (In technical parlance, their survey responses are more likely to be "censored," as their entire follow-up period might not have been completed before the data extract was created.)

When examining SEA survey respondents who reported operating a business, we found a high proportion of missing data about the type of business they established. For example, among SEA survey respondents who enrolled in SEA between January 2013 and June 2015 and reported operating a business in quarter 1, 76 percent did not report a business type in that survey. Similarly, among those who reported operating a business in quarter 4, 82 percent did not report a business type in that survey. The large amount of missing data prevented us from conducting a rigorous quantitative analysis of the types of businesses that individuals chose to establish while participating in the SEA program. However, qualitative information obtained from site visits was analyzed to provide some antidotal insights regarding the types of businesses established by SEA participants.

[44] We define a valid survey response as a non-missing response to the question about the operating status of the respondent's business. There were 171 records in the survey data with a missing or invalid response about operating status.

2. Analysis of taxes

Our analysis of tax revenues generated by the New York SEA program through SEA establishments focuses on individuals who entered the program during 2013 or 2014 and who reported operating a business at any point in the 2014 tax year.[45] It utilizes the individual-level data from surveys of SEA participants in New York supplemented with survey respondents' wage and salary employment information from the administrative wage data. For our estimates, we assumed that all SEA establishments are non-farm sole proprietorships, such that business income is reported on individuals' income tax returns, and there is no legal separation between the business and the individual.[46] Data are not available on the legal structures of SEA establishments, but we believe this assumption is reasonable because non-farm sole proprietorships are the most common type of business entity for small businesses in the United States (U.S. Small Business Administration 2012). One important implication of this assumption is that in a sole proprietorship, the owner is not an employee and does not pay wages to him- or herself. As a result, we interpret any "wages paid" recorded in the survey as wages paid to non-owner employees, and we calculate self-employment income as the net revenues of the SEA establishment (gross revenues minus wages paid).

To calculate income taxes paid by SEA establishments, we first calculated the total amount of taxable income earned by SEA participants who reported operating a business in the tax year so we could identify the appropriate state income tax rate for the business.

- Total taxable income earned was calculated by adding net revenues (gross revenues minus wages paid) for the SEA establishment across the quarters in 2014 for which the participant responded to a survey, plus any wage and salary earnings of the participant in 2014. Importantly, if an individual did not respond to a survey in a particular quarter, it was assumed he had zero net revenues in that quarter.[47] Therefore, the estimated annual self-employment income and the corresponding taxes paid are likely to be underestimates. We used this calculated total taxable income to identify the appropriate tax brackets and tax rates at the federal and state levels for the business owners, and applied them to the net revenues of the business. Note that although wage and salary earnings were used to identify the appropriate tax bracket, the tax estimates only reflect the income taxes generated by the

[45] In the New York survey data, only 27 individuals reported operating a business in 2013, of which only 10 had revenues in excess of wages (and may have been, therefore, eligible to pay income taxes). The small number of observations is due to the variation in the fielding of the surveys, wherein individuals approved for the SEA program in any month of 2013 after April were not surveyed until the following year.

[46] Sole proprietorships are the most simple and common type of business entity in the United States (U.S. Small Business Administration 2012).

[47] In theory it is possible to impute missing information for some quarters using non-missing information from other quarters. However, the reasons for our missing information meant that such an exercise proved futile. A large portion of our sample began SEA towards the end of 2014 or 2015, such that they have missing information for early 2014 because they had not begun the SEA program yet. The participants who had begun SEA in the last 2 quarters of 2013 were not sent surveys until the third quarter of 2014, and therefore had poor response rates. Lastly, when a participant did respond to a survey they usually continued to respond for the subsequent surveys, therefore using mean imputation for missing information in an intermittent quarter would have only affected tax estimates for a handful of individuals.

net revenues of the business and not by the wage and salary earnings. For businesses that made net negative revenues, an income tax liability of $0 was assumed.

- Federal income taxes generated by the business were calculated using average effective tax rates, or the average rate at which earned self-employment income is taxed, for non-farm sole proprietorships based on predictions by Quantria Strategies (Quantria Strategies 2013).[48]
- State income taxes for 2014 were estimated based on data from the state's websites about personal income taxes (New York State Department of Taxation and Finance 2014). The federal and state income tax estimates do not reflect deductions for business expenses, tax credits or penalties, sources of income that are not related to the SEA program business, or other taxes that apply to business income. According to SBA (n.d.), small business owners can typically deduct business expenses (ordinary and necessary to conduct business) in full during the current year; capital expenses (assets lasting longer than 1 year and intended to grow the business) are likely to be deducted over time, and it seems reasonable to speculate that capital expenses are more likely to occur for new businesses like the SEA establishments being examined than for more well-established businesses.
- For all calculations, we assumed that the individual was a full-year resident of the state, and single or married but filing separately.

We also estimated the federal and state UI contributions generated by the wages paid to employees of SEA establishments. To calculate these types of taxes paid by the SEA establishments, we calculated the average wages paid per employee.[49] In addition, we estimated the federal insurance tax act contributions (FICA taxes) which cover Social Security and Medicare taxes on both the wages paid to employees of SEA establishments and the self-employment income of SEA business owners. We did so by adding the "employer contributions" on the wages paid to employees, and the "employer and employee contribution" business owners would make on their own self-employment income (ADP 2013).

Our estimates likely understate the full amount of taxes generated by SEA establishments because they are based on survey respondents' reports of gross revenues generated and wages paid. They do not include taxes paid by SEA participants who did not respond to any surveys; taxes paid by establishments during quarters for which no survey data are available, such as if the quarter was more than four quarters after SEA program participation began; and other taxes that apply to business income. However, our estimates are not necessarily lower bounds either,

[48] We used the 2013 effective tax rates to calculate federal income taxes in 2014 because comparable information for year 2014 was not available. The 2009 estimate of the average effective tax rate faced by small business sole proprietorships was 13.3 percent; the 2013 estimate was 15.1 percent (Quantria Strategies 2009; Quantria Strategies 2013). Because the rate changed by less than 2 percent over five years, we assumed that the rate did not change between 2013 and 2014. Assuming a slight increase in the 2014 effective tax rate (compared to the rate for 2013) would slightly increase the estimate of taxes paid for calendar year 2014.

[49] Because we do not observe wages per employee (only total wages paid), we assumed all employees were paid equally, and we calculated wages per employee by dividing the wages paid by the number of employees other than the business owner.

because they also do not reflect tax credits or penalties, and they are based on an assumption that all of the establishments are non-farm sole proprietorships, which face lower effective tax rates than other types of business entities.[50]

We also conducted supplementary tax analyses using the statewide aggregate outcome data that SEA program states are required to report to DOL (ETA 9161). Due to concerns about the accuracy of these data, we do not include these results in the main portion of this report. They can be found in Appendix F.

[50] The average effective tax rate faced by sole proprietorships in 2013 (15.1 percent) is lower than that faced by C corporations (17.8 percent), partnerships (29.4 percent) and S corporations (31.6 percent).

APPENDIX F

ISSUES WITH THE QUALITY OF THE ETA 9161 STATE-LEVEL AGGREGATE DATA AND TAX ESTIMATE RESULTS BASED ON THE DATA

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We included as part of our study design an analysis of state-level administrative data based on the ETA 9161 reports that states provide to DOL. The ETA 9161 reports are submitted by states that have active SEA programs, and they contain information about the number of individuals participating in the SEA program and receiving benefits, the amount of benefits paid to SEA participants, and other measures related to SEA program participants and their outcomes.[51] Our hope was that analyzing these data would enable us to make general inferences about the SEA program, including the business outcomes of individuals who participate in it, the extent of participation in the program, and the outcomes of program participants (especially in states for which we did not have individual-level data).

As we explored the quality and consistency of the aggregate data, however, we developed concerns that Section B of the report, which contains measures of outcomes about businesses established by SEA participants, suffers from significant quality and completeness problems. This undermined our confidence in using the data in it to make general statements about participants' business outcomes. After consulting with DOL, we limited the ways in which we used these data to draw conclusions for this report but we still include in this appendix analyses performed using these data.

In Section A of this appendix, we discuss the quality issues that we encountered with the ETA 9161 data. In Section B, we provide estimates of taxes paid by SEA establishments based on the aggregate ETA 9161 data. However, due to our concerns with the data upon which these estimates are based, we present them for reader reference only, without interpretation, and we advise readers who want to interpret them to use caution when doing so.

A. ETA 9161 data series and data quality

The ETA 9161 report was designed in response to the Middle Class Tax Relief and Job Creation Act of 2012 to gather information on the scope of activities states engaged in as part of their SEA program activities. Beginning with the second quarter of 2012, DOL has required states with active SEA programs to submit this report quarterly.

The report contains nine data elements in its two sections.[52] Section A contains information on (1) the number of UI claimants participating in and receiving benefits through the SEA program, (2) the amount of benefits paid to these claimants, (3) the number of claimants discontinuing participation, and (4) the number who received a final payment. These data elements are referred to as c1 through c4 on the report. We have been able to use information from Section A of the report for analysis included in Chapter III of this report.

[51] While payments to SEA participants are typically referred to as SEA allowances, here we refer to these allowances as "benefits" to maintain consistency with the terminology that is used in the ETA 5159 and 9161 reports.

[52] There are three different versions of the ETA 9161 report. ETA 9161A pertains to claimants who are participating in the SEA program in lieu of receiving regular UI benefits. ETA 9161B and ETA9161C pertain to claimants who are participating in the SEA program in lieu of receiving Extended Benefits and benefits through federal programs (such as the Emergency Unemployment Compensation Act of 2008 program), respectively. We have focused on the ETA 9161A report because it contains the preponderance of SEA program activity during the time period we examine.

Section B of the ETA 9161 report contains data elements c5 through c9, which present information on (1) the number of new establishments created by SEA claimants, (2) the number of establishments that were created by claimants in the SEA program in prior reporting periods that continue to operate during the current reporting period, (3) the number of people employed at establishments operated by SEA claimants, (4) the gross revenues earned by the establishments and (5) the wages paid by them.

The guidance in the UI Reports Handbook No. 401, ETA 9161 Self Employment Assistance for UI Claimants, Section D, General Reporting Instructions, state: "States should ensure that they are able to capture the necessary outcome data from the SEA program as requested on the report. In many cases, the only effective way to accomplish this is to build into the claimant's SEA agreement a responsibility to follow up with the state and to provide data on the continued operation of their establishment, whether it employs people and what wages these people are paid, and what sorts of revenues the establishment may be generating".

For the period from January 2013 through June 2015 for which we examine SEA establishment outcomes in this study, we have ETA 9161 reports from seven states: Delaware, Mississippi, New Hampshire, Maine, New York, Oregon, and Rhode Island. We asked administrators in New Hampshire, New York, Oregon, and Rhode Island about how their states generated the data to complete the ETA 9161 report about SEA participants' business outcomes. We learned from these interviews that states varied considerably in the method and timing of data collection for the ETA 9161 report, which means that some elements of the federally mandated data have different conceptual underpinnings across states. (See Chapter VII for a detailed discussion.) For example, New York and Oregon used quarterly surveys mailed out to SEA participants; New Hampshire collected information through the weekly claims certification process while participants were receiving SEA benefits (Table VII.2). Each method had advantages and disadvantages. By using mailed quarterly surveys for several quarters after the individual enrolled in the SEA program, New York and Oregon tried to gather information not only for a longer follow-up period than New Hampshire, but also from individuals who had completed or dropped out of the SEA program in addition to those who were actively participating in it. The downside of collecting information via mailed surveys rather than through the weekly certification process is that the data are contingent upon which current or former SEA participants respond to the survey, and survey response rates are low in New York and Oregon. In contrast, because New Hampshire collects the information as part of a form that SEA participants must complete to receive their SEA program benefits, the response rate in that state was 100 percent.

As noted, in reviewing the ETA 9161 data, we identified a variety of data quality issues, particularly with data elements about the business outcomes SEA program participants reported in Section B. These issues likely arise from the methodologies and schedules that states used to collect the data. In addition to its routine data quality checks that DOL conducts on data submitted by states, DOL worked extensively with states to help improve the accuracy and completeness of the data for use in this study, but concerns about the data remain. We discuss each of the data-related issue in turn.

Data quality issues stemming from inconsistent data collection. As noted, New York and Oregon field surveys of SEA program participants and, as described in Chapter VII and

Appendix E, New York has varied its schedule for fielding the survey over time. New Hampshire collects its information through the weekly claims certification process; Rhode Island collects the information on a more ad hoc basis; and although we did not learn about the data collection methods of states not in the study, the ETA9161 data suggest that non-study states were inconsistent in their data collection schedules.

A consequence of this variation in the timing of data collection is that there are reporting periods for which no data exist for Section B of the ETA 9161 data. For example, Maine did not collect any data for Section B and could not provide any data on outcomes in the ETA 9161 data. Oregon has missing data in Section B of the ETA 9161 data for the third quarter of 2013. In both cases, the states reported that there were active participants in their SEA programs, which suggests that there should have been at least some businesses created by participants for which outcomes information could have been collected.

Even when data are not missing, we are not confident the reports can be interpreted consistently and in a meaningful way across states or, in some cases, even within a state over time. For example, in one state, the total number of establishments and gross revenues reported in the data increased by implausibly large percentages (of more than 2,000 percent) from one quarter to the next; communication with state staff indicated that these increases were due to a temporary change in the methodology for the collection and processing of the data for the 9161 report—rather than real changes in outcomes over time.

Erratic fluctuations in data elements. We observed certain patterns in the ETA 9161 data that are not consistent across different periods or data items. For example, for most reporting periods, gross revenues remained in the same order of magnitude as the preceding quarter. However, in a few quarters for at least two of the states, we observed huge spikes in both the number of operating businesses and their total gross revenues. For New York, for example, we observe a sudden increase in the June 2016 report in the total (new and cumulative) number of operating businesses (718 percent) and gross revenues (1,311 percent). We also saw unusual changes in one data item without a corresponding change in others: in New York in the last quarter of 2014, for example, gross revenues increased 845 percent though the number of operating establishments increased only 39 percent. Similarly, in Delaware, the amount of gross revenues fluctuates considerably (from a minimum of $3,047 to a maximum of $49,374) even as the number of operating establishments remains fairly stable over time. Although the wide fluctuations in the numbers could reflect real information (such as if a single business were to have received an extremely large payment from a single customer), it would have been difficult to confidently interpret the data and patterns over time for our analysis given that the aggregate data are sensitive to which SEA program participants provide information and whether they are typical of other SEA program participants in their same state.

Likely errors in the reported number of employees, given the number of establishments. In several state reports, the number of people employed at SEA establishments (including the SEA program participants) was less than the total number of operating establishments in a state in a quarter, which is not possible. The ETA 9161 instructions ask states to include the SEA program participants when they record the total number of people employed by establishments created by SEA program claimants during either (1) that quarter or (2) prior quarters but which continue to operate during the current quarter. However, this instruction was

not always adhered to. In the individual-level survey data for New York, we observed many cases of SEA program participants reporting 0 employees, suggesting that they had not included themselves in their employee count despite the survey instructions asking them to do so. For the individual-level data, we could impute that each business had at least one person working at the business (the SEA program participant/owner)—an approach that provides at least a partial fix to misreported information. We did not have a sound approach for adjusting the aggregate data because we could not tell how many businesses in any given quarter were affected by the failure to include the SEA program participant/business owner in the count of employees. For example, if a state were to report 10 businesses and 15 employees, we could not tell whether (1) the number of employees is accurate or (2) the number of employees should be higher because the state aggregated individual-level data that sometimes included the business owner and sometimes did not. The examples of problematic reports in the aggregate data, coupled with the fact that we found underreporting in the individual-level data for New York, suggest that there is likely at least some underreporting in the aggregate data of employees including the business owner.

Ambiguity about whether values of zero are accurate or reflect missing data. There were some state reports for which we do not know whether a report of '0' represented a true zero or missing data. For example, for the last two quarters of 2013, New Hampshire reported a positive number of operating establishments and employees of these establishments, but reported 0 gross revenues and wages paid by these establishments. It is unclear whether all those businesses really made no revenues over the quarter (that is, whether those 0s represent true zeros), or whether the state was unable to collect information on revenues for that quarter (that is, whether those 0s represent missing information). Similarly for the first three quarters of 2015, Delaware reported $0 in wages paid but a positive number of employees at SEA establishments, and it is unclear whether those 0s represent true zeros.

Ambiguity about whether the cumulative number of establishments reported include new establishments created that quarter. For "cumulative number of SEA establishments operating," the ETA 9161 reporting instructions indicate that states should "report the number of establishments that were created by claimants in the SEA program in prior reporting periods that continue to operate during the current reporting period." This suggests that new establishments created in the current period should be included only in item c5 ("number of establishments created by SEA claimants"). However, several instances suggest that states included in their reports establishments created in the current quarter. For example, Mississippi reports that in the quarter ending December 31, 2014, there were four establishments newly created by SEA program participants and 4 cumulative SEA establishments operating. However, no new establishments were reported in the two prior reporting periods for which we have ETA 9161 reports from Mississippi. This suggests that Mississippi included the 4 establishments created during the quarter ending December 31, 2014, in its count of cumulative number of establishments operating. If a state provided information on the cumulative number of businesses ever established as a result of the SEA program, rather than the number of business established in prior quarters and still in operation in the quarter on which the ETA 9161 report is based, then we cannot know how many establishments generated the gross revenues included in the report.

Discrepancies between the ETA 5159 and ETA 9161 reports for the number of individuals participating in the SEA program and the amount of benefits compensated to

them. As described in Chapter VII, DOL requires states to provide some information about SEA program participants on the ETA 5159 report in addition to on the ETA 9161 report. The ETA 5159 report, which states must submit monthly, contains data elements about the number of participants entering the SEA program, the number of weeks compensated through the program, and the amount of benefits paid through the program. In addition to the issues noted, there were state reports with large discrepancies between the data from the ETA 5159 and the ETA 9161 reports. Some states (Delaware, Mississippi, New Hampshire, New York, and Oregon) corrected their ETA 9161 reports after we pointed out the discrepancies to DOL. However, the discrepancies in Rhode Island's data were not resolved in time for our analysis.

B. Additional tax estimates

In addition to the tax calculations based on individual-level data from New York, we conducted a supplementary tax analyses using the ETA 9161 data to estimate federal and state income taxes paid in 2013 and 2014 by states that operated SEA programs.[53] Due to differences in the nature of the aggregate and individual-level data, this supplementary tax analysis was based on different assumptions and methodology. For each of tax years 2013 and 2014, we calculated the estimated taxes for states that had reported a positive number of SEA claimants participating in and receiving benefits from the SEA program in at least one quarter. For any quarter, if the reported number of people employed at SEA establishments (c7) was less than number of establishments operating (the sum of c5 and c6), we imputed the number of employees to be equal to the number of establishments. We calculated total net revenues of SEA establishments in a tax year to be the sum of the business gross revenues across the four quarters of that tax year minus the sum of the wages paid across the four quarters of that tax year.

As with the tax analysis reported in Chapter X, which used New York's individual-level data, we assumed all businesses were sole proprietorships, which implies that all wages were paid to employees other than the owner. Therefore, taxable self-employment income comprised net revenues (gross revenues minus wages paid) minus the applicable standard tax deduction. Because the ETA 9161 data contain reports at the quarterly level, we had to aggregate each item up to an annual level. To calculate annual gross revenues and annual wages paid, we added these items across quarters. We could not observe revenues or wages at the establishment level, so we assumed annual wages and revenues in a state were evenly distributed across the number of operating establishments in that state to approximate the average establishment's net revenues and then calculated its tax liability. Although we would have liked to identify the annual number of unique operating establishments and the annual number of unique employees, it was not possible to ascertain whether or not establishments and employees overlapped between quarters—that is, it is not possible to establish the rate of churn among establishments and the people employed by them. Therefore, we assumed that the annual number of operating establishments (and their employees) was the average number of operating establishments (and

[53] We did not include Rhode Island because the state's SEA program was not operational when we completed the analysis.

their employees) observed across quarters.[54] For example, if a state reported 0 establishments in quarter 1, one establishment in quarter 2, 3 establishments in quarter 3, and 20 establishments in quarter 4, we made the assumption that the distribution of gross revenues followed that of 6 establishments operating year-round (the average).

We calculated federal taxes by applying the average effective tax rate of 15.1 percent to the sum of net revenues across SEA establishments of each tax year, and we calculated state income taxes paid by SEA establishments by identifying the average net revenues of an SEA establishment in the state and applying the state-specific tax formulae (Table F.1). In comparison to the tax estimates from individual-level data for New York shown in Table XI.3, the federal and state income tax estimates from aggregate data for New York are of a similar magnitude. The differences in the estimates derived from aggregate versus individual-level data reflect differences in our calculations. With the individual-level data, we could identify SEA program participants who made no positive net revenues and therefore had no income tax liability. This was not possible with the aggregate data and, therefore, we assumed the total net revenues observed for all SEA participants were evenly distributed across the participants. Further, with the individual-level data we placed certain conditions, for example that the individual have filed for UI between January 2013 and June 2015 and have non-missing information about their benefits, whereas for the aggregate data no such restrictions were placed.

We also estimated the federal and state UI contributions generated from wages paid to employees of SEA establishments. To estimate these taxes, we calculated the average wages paid per employee and the net business revenues.[55] We used the normal net tax or employer-paid federal UI contribution rate of 0.6 percent, which is payable on the first $7,000 of wages per employee for 2014. In addition, we estimated the FICA taxes which cover Social Security and Medicare taxes on both the wages paid to employees of SEA establishments and the self-employment income of SEA participants who operate these establishments. We did so by adding the "employer contributions" on the wages paid to employees, and the "employer and employee contribution" business owners would make on their own self-employment income (ADP 2013).

[54] The alternative was to approximate the annual number of operating establishments (and their employees) using the maximum number of operating establishments (and their employees) observed across quarters. Because the average would always be less than the maximum (assuming that the number of establishments was not constant across quarters), using the average increases the likelihood that we overestimate the average establishment's net revenues and the average employee's wages. As a result, we risk overestimating its state income tax liability and underestimating its employment tax liability. On the other hand, using the maximum would increase the likelihood that we underestimate the average establishment's net revenues and the average employee's wages. That would have increased the likelihood that we underestimate its state income tax liability and overestimate its employment tax liability.

[55] Because we do not observe wages per employee (only the total wages paid), we assumed all employees were paid equally and calculated wages per employee by dividing the wages paid by the number of employees (not counting the business owner). Inasmuch as the number of employees employed by SEA businesses fluctuates over the year, we used the annual average number of employees reported.

Table F.1. Estimated taxes paid by SEA establishments based on aggregate data from the ETA 9161 report

State	Federal taxes	State taxes	Social Security and Medicare taxes	Federal UI taxes	State UI taxes
Tax year 2013					
DE	$0	$0	$0	$0	$0
NH	$0	$0	$0	$0	$0
NY	$1,299,374	$396,444	$1,467,103	$6,006	$49,836
OR	$711,196	$403,651	$845,624	$2,793	$53,925
MS	n.a.	n.a.	n.a.	n.a.	n.a.
Tax year 2014					
DE	$5,190	$1,653	$5,259	$0	$0
NH	$82,740	$3,015,698	$89,625	$454	$1,665
NY[a]	$686,041	$133,027	$904,217	$19,068.00	$191,724.20
OR	$374,769	$64,809	$416,041	$2,848	$14,713
MS	$382	$0	$387	$0	$0

Source: Author calculations based on ETA 9161A data available through http://www.ows.doleta.gov/unemploy/DataDownloads.asp.

Notes: The annual numbers of operating establishments and employees at the establishments are assumed to be the average observed across the four quarters of the tax year. Annual gross revenues are assumed to be evenly distributed across the annual number of operating establishments and the annual wages paid are assumed to be evenly distributed across the annual number of employees. If a state reported no employees or no wages paid in any year, we assumed that no establishments paid employment-based taxes. If a state reported fewer employees than the number of operating establishments in a quarter, we imputed that the number of employees equaled the number of operating establishments.

n.a. = not applicable. (Mississippi did not report at least one person participating in the SEA program in the 2013 tax year.)

[a] Given a data quality problem, we imputed values for cumulative establishments, number of employees, revenues and wages, using information from the prior and subsequent quarter for one of the quarters in 2014.

We caution readers to use great care if they try to draw inferences from these estimates. As previously noted, the underlying aggregate data on which these estimates are based have important quality issues. Even if the data were of ideal quality, due to their aggregate nature, we had to make assumptions beyond those made for the tax analysis using individual-level data. It is not possible to determine whether these estimated tax amounts are lower or upper bounds.

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APPENDIX G

OTHER RESEARCH ON SELF-EMPLOYMENT PROGRAMS

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A. Previous research

This study fits into a larger body of literature that focuses on the outcomes of SEA and similar self-employment demonstration programs serving unemployed individuals. These studies have examined program participants' self-employment, their hiring of others, their participation in wage and salary employment, and their receipt of benefits. Although variation in methods precludes a direct comparison of results, most study authors conclude that SEA and similar programs do promote self-employment among UI-eligible individuals who are interested in entrepreneurship.

Research shows that participants in SEA and similar programs establish businesses and are self-employed at higher rates than comparable nonparticipants. In a study comparing the outcomes of SEA participants in Maine, New Jersey, and New York with those of nonparticipants with similar likelihoods of exhausting their benefits, Kosanovich et al. (2001) found that SEA participants were 19 times more likely to have been self-employed than nonparticipants at the time of survey. Benus et al. (1994) found similar results. They conducted an experimental study in which unemployed individuals in Washington and Massachusetts who wanted to start their own businesses were randomly assigned to a self-employment program (Washington SEED or the Massachusetts Enterprise Project [MEP], both of which were similar to the SEA program in our study states) or to receive UI benefits as usual. Twenty-one months after random assignment, participants in the Washington SEED program were estimated to be 25 percentage points more likely to have been self-employed than individuals in the control group. They also had longer spells of self-employment. Likewise, at 19 months, the MEP participants were 17 percentage points more likely to have been self-employed than nonparticipants. Finally, Michaelides and Benus (2012) examined the impacts of another program similar to SEA—Project GATE—finding that, among unemployed individuals, the average effect of GATE on self-employment in a GATE business at six months was 9.7 percentage points. The authors also found that GATE increased the likelihood of self-employment by over 50 percent 60 months after random assignment.

Studies show that SEA participants have equal or higher levels of self-employment earnings than nonparticipants, although the measurement of the higher earnings (and whether differences are statistically significant) varies by study. Three of four studies found differences that were not statistically significant. One study is Kosanovich et al. (2001), which examined the gross business earnings of SEA participants and nonparticipants in Maine, New Jersey, and New York. Another is the MEP study, although participants earned $1,219 more per year than people who were interested in MEP but assigned to the control group (Benus et al. 1994). Similarly, Project GATE also had no statistically significant impact on self-employment earnings after six months; however, at six months, the GATE group outearned the control group and that this difference was statistically significant (Michaelides and Benus 2012). The exception to these largely statistically insignificant findings is a study of the SEED program: the self-employment earnings of SEED program participants outstripped those of nonparticipants by larger amounts each year: they earned $2,208 more in business revenues than control group members in 1990; $6,836 more in 1991; and $7,997 more in 1992. These differences are statistically significant.

Participants in SEA and similar programs collect greater amounts of benefits than nonparticipants, likely because of the greater time investment required to start a business

compared with the time required to seek wage or salary employment. SEA participants in Maine, New Jersey, and New York collected $950 to $2,000 more than nonparticipants (Kosanovich et al. 2001). On average, Washington SEED participants collected about $1,000 more in benefits than control group members, and MEP participants collected nearly $900 more than control group members (Benus et al. 1994).

There is some evidence from the Washington SEED program that suggests participants in programs like SEA establish businesses that employ more workers and generate more taxes than do nonparticipants. At the end of the 33-month observation period, SEED participants employed 316 people, whereas control group members employed 128 people; yet MEP had no statistically significant impact on the number of workers employed (Benus et al. 1994). Benus et al. (1994) concluded that state tax receipt increased due to SEED by $150 per participant in 1991 and $270 per participant in 1992.

Although SEA is not intended to increase levels of wage or salary employment, SEA participants in Maine, New Jersey, and New York reported during focus groups that SEA training improved their hard skills (such as accounting and computer use) and soft skills (such as their "people skills"), which Kosanovich et al. (2001) noted could make them more attractive to employers. This sentiment was echoed by Michaelides and Benus (2012). At the same time, however, we might expect SEA to reduce the rates of wage or salary employment when individuals successfully launch businesses. As might therefore be expected, the evidence is mixed on how participation in programs like SEA affects wage or salary employment and earnings. Washington SEED significantly reduced claimants' likelihood of having wage or salary employment, and it also significantly reduced the time employed per year by 0.7 months (about three weeks), but there was no statistically significant difference in rates of wage or salary employment between MEP participants and the control group (Benus et al. 1994). Participation in Washington SEED is associated with $1,780 less in annual earnings from wage or salary employment, whereas MEP participation increased wage and salary employment by $3,053 annually. Kosanovich et al. (2001) found that, in some quarters, SEA participation is a statistically significant predictor of lower earnings in wage and salary employment but that this gap diminishes over time.

To better account for the combination of effects of the SEA program on self-employment and wage/salary employment, researchers have examined program participants' likelihood of being employed in any way, generally finding positive impacts. SEA participants in Maine, New Jersey, and New York were four times more likely than nonparticipants to have found jobs of any kind one to five years after the program (Kosanovich et al. 2001). MEP participants were a statistically significant 11 percentage points more likely to have an employment spell than control group members at the time of the study's Wave 1 survey[56] and a statistically significant 5 percentage points more likely to have had an employment spell at Wave 2. There was no difference in the likelihood of being employed between Washington SEED participants and control group members, though SEED participants were employed for a statistically significant 1.3 months longer than control group members at the survey's Wave 1 and 1.1 months longer at

[56] MEP participants completed a Wave 1 survey between one and a little over two years after random assignment, while SEED participants completed Wave 1 surveys 1.5–2.5 years after random assignment. MEP and SEED participants both completed Wave 2 surveys 9–14 months after completing their Wave 1 survey.

the survey's Wave 2 (Benus et al. 1994). Finally, participation in GATE increased the likelihood of employment at six months by 9.5 percentage points, though it had no impact at 18 or 60 months (Michaelides and Benus 2012).

Other studies focused on the combined value of earnings from self-employment and wage or salary employment, finding no statistically significant difference between the overall earnings of participants and nonparticipants, or that participants' earnings are higher. Kosanovich et al. (2001) found that the total self-reported income of SEA participants from both types of employment was a statistically significant $6,157 more than that of nonparticipants at the time of survey. But the authors found no significant difference when including control variables in a multiple regression analysis. In the Washington SEED program, there was no statistically significant difference in total earnings from wage or salary employment and self-employment between participants and control group members; however, MEP participants earned $5,940 more per year than control group members (Benus et al. 1994). Though the differences were statistically insignificant, the total earnings of the Project GATE participants were consistently higher than those of the control group at 6, 18, and 60 months after random assignment (Michaelides and Benus 2012).

Overall, these studies show that SEA and similar programs do encourage business formation among the unemployed, although program participants claim more benefits than nonparticipants. The studies also suggest that participation in programs like SEA leads to positive or neutral outcomes in the labor market when wage or salary employment and self-employment are examined together.

B. The current SET demonstration

In addition to the SEA study, DOL is currently pursuing other research to learn more about self-employment strategies. In 2011, DOL contracted with Mathematica to design and implement the Self-Employment Training (SET) demonstration for dislocated workers. The objective of the SET demonstration was to build upon lessons from existing research to develop a new model of self-employment supports and to rigorously evaluate the model. The SET program model includes intensive case management, business development training, and seed capital funding. Specifically, SET participants could receive up to $1,000 in micro-grant funding to cover business startup expenses. In order to receive these micro-grants, SET participants had to complete a satisfactory business plan with the assistance of their assigned SET provider; engage satisfactorily with the program according to their SET advisor; and propose to use the micro-grant for legitimate business startup expenses, such as buying inventory, equipment or software for the business, investing in a website, or marketing materials. The SET program model also embedded a random assignment process for which individuals could access SET services and supports, thus facilitating an evaluation of the program's effects on individuals' self-employment status, employment, and earnings. The SET demonstration program was implemented in four metropolitan areas (Chicago, Cleveland, Los Angeles, and Portland), between the summer of 2013 and December 2016. Data collection, analysis, and reporting for the evaluation is expected to continue through 2018.

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