Center for an Urban Future

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LAUNCHING LOW-INCOME ENTREPRENEURS

With middle-income jobs in decline, entrepreneurship offers an increasingly promising pathway out of poverty; but few low-income New Yorkers are currently taking this route to economic self-sufficiency

CONTENTS

INTRODUCTION 3

AN ALTERNATIVE ROUTE TO ECONOMIC SUCCESS 10
Entrepreneurship offers a vehicle to both economic self-sufficiency and neighborhood development, but many New Yorkers don't see it as an option

UNDERGROUND ENTREPRENEURS 12
If cultivated, the 'side-hustles' common in many low-income neighborhoods could blossom into mainstream businesses

BARRIERS TO ENTREPRENEURSHIP 13
For low-income New Yorkers born in this country owning their own business may be a foreign concept

OPENING DOORS 20
Although few service providers focus on low-income entrepreneurship, several promising organizations—and models—do exist

TEACHING ENTREPRENEURSHIP 22
Few schools provide instruction in these skills but some promising models exist for how it can be done

A NEW LAUNCH PAD FOR LOW INCOME ENTREPRENEURS 26
NYCHA is home to an unmatched concentration of low income New Yorkers, but few residents are turning to entrepreneurship

GETTING TECHNICAL 28
New York City has a number of small business assistance programs, but most of them aren't reaching low-income residents

THE WORKFORCE SYSTEM 30
The city's centers could provide a huge help to low-income entrepreneurs

RECOMMENDATIONS 31

ENDNOTES 35

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The Center for an Urban Future is a NYC-based policy institute dedicated to highlighting the critical opportunities and challenges facing New York and other cities, and providing fresh ideas and workable solutions to policymakers. The Center's primary focus is on growing and diversifying the local economy, expanding economic opportunity and targeting problems facing low-income and working-class neighborhoods. The Center does this through publishing fact-based research reports that are accessible to a wide audience and holding high-profile policy forums. For more information or to sign up for our monthly e-mail bulletin, visit www.nycfuture.org.

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LAUNCHING LOW-INCOME ENTREPRENEURS

NEW YORK CITY IS NOW IN THE MIDST OF A NEW GOLDEN AGE OF entrepreneurship. In recent years, mid-career investment bankers, lawyers and media professionals have bounced back from layoffs by striking out on their own, opening everything from food trucks and restaurants to digital marketing agencies. Twenty-something college grads facing the worst job market in decades have turned to entrepreneurship in droves, establishing Internet startups, design firms and countless other new ventures. And immigrants from Washington Heights to Sheepshead Bay have continued to open food carts, franchises and other businesses at a rapid clip.

One would think that recent economic conditions—not only an extremely high jobless rate, but a changing economy offering few middle-income jobs for individuals without a bachelor's degree—would also prompt a significant uptick in the number of native-born New Yorkers from low-income backgrounds who see entrepreneurship as a pathway out of poverty. However, this does not appear to be the case.

Interviews we conducted for this report with small business experts, microfinance groups, entrepreneurs and community leaders suggest that low-income New Yorkers who were born in the United States are starting businesses at a fairly low rate. Our analysis of self-employment rates in neighborhoods across the five boroughs confirms this. Each of the 10 ZIP codes in the city with the lowest rates of self-employment have median incomes below $33,000, and in all but one the share of the population that is native-born exceeds the city average. In contrast, neighborhoods with similarly low median incomes where most residents are foreign-born have higher-than-average rates of entrepreneurship. Meanwhile, native-born New Yorkers who live in affluent neighborhoods have among the highest rates of self-employment in the city.

Given how much capital it takes to start a business, and how much risk is involved, it is hardly surprising that many asset-poor New Yorkers have shied away from entrepreneurship. However, at a time when so many newly created jobs offer low wages and limited opportunity for economic mobility, it is time for policymakers, economic development officials and workforce development professionals to embrace entrepreneurship as one route for low-income New Yorkers to achieve economic self-sufficiency.

This report concludes that it is eminently possible to expand the number of low-income entrepreneurs in New York. As this report documents, while relatively few low-income minorities are starting formal businesses, there is no lack of entrepreneurial spirit or creativity among the native-born poor—and many earn money from "side-hustles." Ample evidence suggests that a more strategic focus on promoting, teaching and supporting entrepreneurship in New York and other cities could have a big impact.

This report provides the most comprehensive examination of low-income entrepreneurship in New York. Funded by the Ewing Marion Kauffman Foundation, the report documents current self-employment rates among low-income people (both native-born and foreign-born), details the obstacles that keep larger numbers of native-born individuals from starting businesses and assesses how entrepreneurship among low-income individuals is currently encouraged and supported in New York. The study also features a snapshot of programs in other cities and states that effectively promote and support low-income entrepreneurship. The report is based on an extensive data analysis and interviews with more than 75 entrepreneurs, small business and microfinance experts, community development leaders, workforce development practitioners, economic development officials and educators—both in New York City and around the nation.

Entrepreneurship has been a proven ticket to financial empowerment and economic mobility for countless immigrants—a fact that the Center documented in our 2007 report, "A World of Opportunity." In that study, we showed that massive numbers of immigrants in New York, Boston, Houston and Los Angeles have turned to entrepreneurship and in doing so have transformed neighborhoods as well as their own economic fortunes. Some of these entrepreneurs have been wildly successful, generating numerous jobs for their communities and significant financial rewards for themselves. Many others simply make enough to live on. Most turned to entrepreneurship in the first place because they saw it as the quickest and most logical path for them to provide for their families.

But while so many immigrants—including newcomers who are both poor and poorly educated—have turned to entrepreneurship, many fewer native-born poor people have done so.

Citywide, the native-born self-employment rate is 8.6 percent, which is considerably lower than the foreign-born self-employment rate of 10.9 percent.[1] But even this modest rate is inflated because it includes affluent native-born entrepreneurs, particularly in Manhattan and Brooklyn. For example, in Manhattan, roughly 97,000 native-born residents—or 13.3 percent of the working-age native born population—are self-employed, compared to only 124,000 (or just 6.7percent) in the other four boroughs combined.[2]

In the Bronx, Queens and Staten Island, the native-born self-employment rate is roughly half that of the foreign-born self-employment rate. In the Bronx, where working-age residents tend to be poorer and less educated than people in the rest of the city and nation, only 17,000 native-born residents (4.4 percent of the total) have started their own incorporated or unincorporated businesses, compared to 33,000 foreign-born residents (10.2 percent). In Queens, where nearly 48 percent of residents are foreign-born, 35,700 or 6.3 percent of native-born residents are business owners while nearly 90,000 or 11.5 percent of immigrants are. In Staten Island, 6.7 percent of native-born residents are self-employed, compared to 10.5 percent of immigrants.[3]

Similar trends are apparent within individual low-income neighborhoods. For instance, in the Highbridge/South Concourse section of the Bronx, the native-born self-employment rate (3.8 percent) is less than a third the foreign born self-employment rate (12.9 percent). Meanwhile, the native-born self-employment rate is less than half the foreign-born self-employment rate in several other disadvantaged communities, such as Central Harlem (7.3 percent native-born vs. 16.8 percent foreign-born), Jamaica (3.6 percent vs. 9.2 percent), Morissania/Belmont (4.1 percent vs. 11.5 percent) and Ozone Park/Woodhaven (4.9 percent vs. 13.4 percent).[4]

Overall, there is a remarkably strong correlation between self-employment, median income and place of birth at the neighborhood level. This was apparent when we examined self-employment rates in the city's 55 Census-defined neighborhoods. We divided the 55 neighborhoods into three groups—a bottom third, representing the 18 neighborhoods with the lowest rates of self-employment; a middle third featuring the 18 neighborhoods with the next highest rates of self-employment; and a top third of the 19 neighborhoods with the highest self-employment rates in the city.

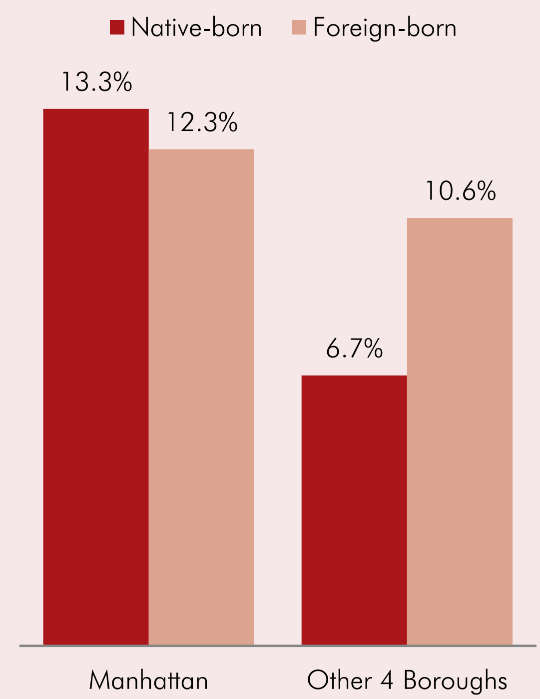
The bottom third—18 neighborhoods with self-employment rates between 3.9 percent and 7.4 percent—are both poorer than the rest of the city and have a disproportionate share of native-born residents.[5] Averaged together, the 18 neighborhoods with the lowest self-employment rates have a median income of $25,150, a foreign-born share of 32.2 percent and a 6.1 percent self-employment rate. For example, Brownsville/Ocean Hill has a 4.5 percent self-employment rate, a median annual income of $19,900 and a 72 percent native-born population. The Soundview/Parkchester area of the Bronx has a 5.6 percent self-employment rate, a median annual income of $22,700 and a population that is 70 percent native born. Additionally, East New York, Co-op City, the Rockaways, Morrisania, Bed-Stuy, East Harlem, Mott Haven and Staten Island's North Shore all have higher than average proportions of native-born residents, low median incomes and among the lowest self-employment rates in the city.

In comparison, the middle third—18 neighborhoods with self-employment rates between 7.4 percent and 9.8 percent—actually had lower median annual incomes than the bottom third ($23,718, on average) but much higher levels of foreign-born residents. In all but two of these 18 neighborhoods, the share of the population that is foreign-born exceeds the citywide average (36.8 percent). For instance, in Jackson Heights, where 63 percent of residents are foreign-born, the median annual income is $22,900, but the self-employment rate is 9.6 percent. In University Heights/Fordham (40 percent foreign-born), the median income is just $14,811 but the self-employment rate is 9.3 percent. Other neighborhoods with median incomes below $25,000 but fairly high rates of self-employment include Elmhurst/Corona (9.3 percent), Sunset Park (9.1 percent) and Bensonhurst (9.0 percent).

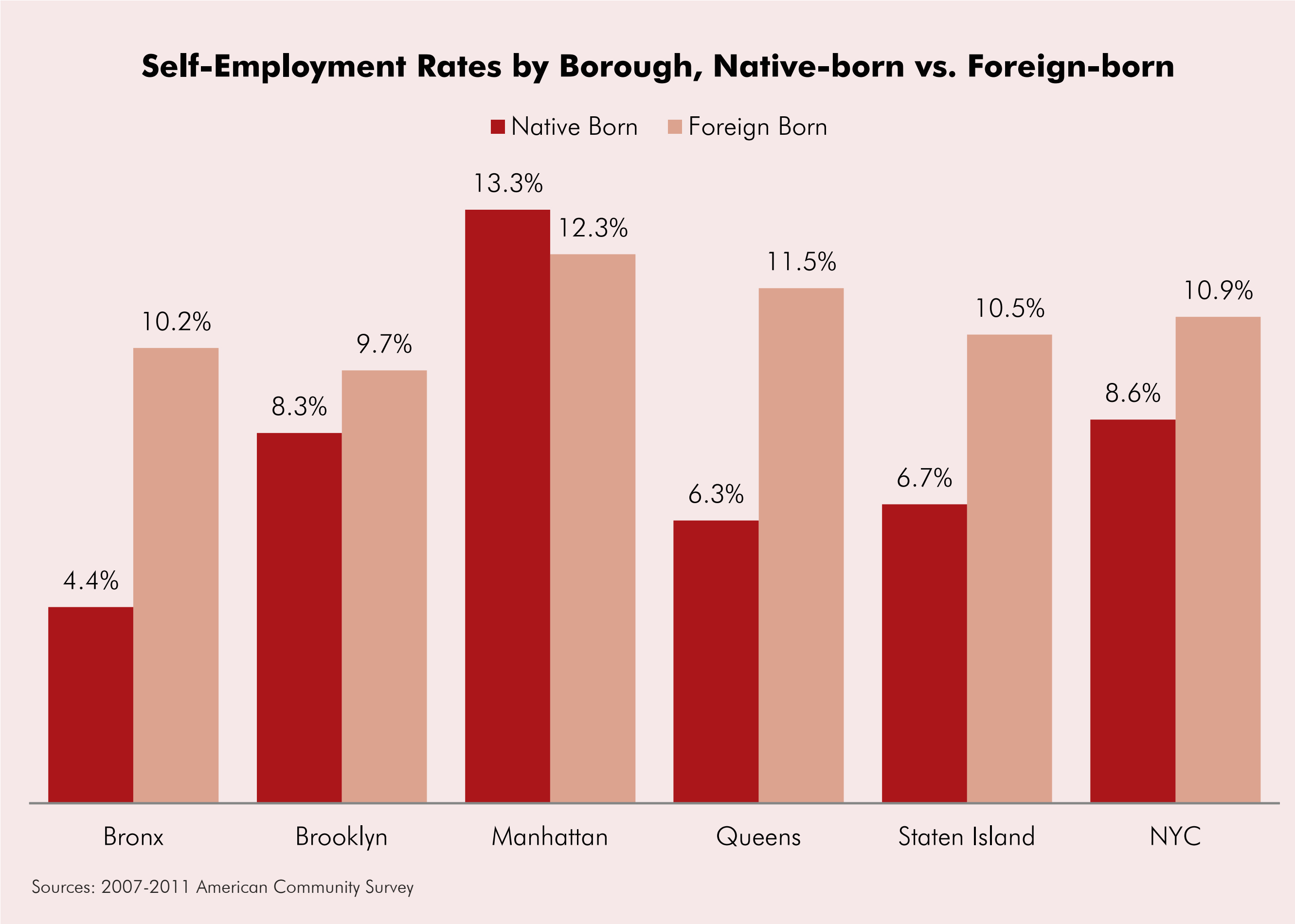
The native-born residents who are turning to entrepreneurship in greater numbers have more financial resources. Greenwich Village, the Upper West Side, the Upper East Side and Turtle Bay all have some of the highest self-employment rates in the city and are also among New York's wealthiest neighborhoods, with median annual incomes of between $59,600 and $70,700. Brooklyn's Park Slope, Carroll Gardens and Brooklyn Heights—with self-employment rates of 12.3 percent and higher—all have lower median annual incomes than the top neighborhoods in Manhattan, but they are still higher than average, and residents have much higher levels of educational attainment. (Overall, the 19 neighborhoods with highest self-employment rates have an average median income of $38,583, a foreign-born share of 32.5 percent and a self-employment rate of 12.6 percent.)

Our research uncovered additional data suggesting that low-income, native-born residents in New York are not pursuing entrepreneurship in large numbers. For instance, we examined the number of establishments per capita for the 50 ZIP codes in the city with the lowest median incomes—all of which have median individual incomes under $25,000.[6] The ZIP codes with a larger

Self-Employment Rates by Nativity, Manhattan vs. Other Boroughs



Sources: 2007-2011 American Community Survey



share of native-born residents than the city average have 1.2 establishments per capita, whereas the ZIP codes with a smaller percentage of native born residents than the city average have 1.9 establishments per capita. For example, there are just 0.7 establishments per capita in Bed Stuy's 11221 ZIP code, where the median income is $20,667 and 73.4 percent of the population is native-born. However, in Bensonhurst's 11204 ZIP code, which has a similar income level ($21,281) but a smaller share of native-born residents (54 percent), there are 2.4 establishments per capita.[7]

Additionally, public housing developments across the five boroughs—where nine out of ten residents are black or Latino, and the median household income is $20,700—appear to have the lowest rates of business formation in the city. In 2012, there were approximately 218,000 working-age residents living in New York City Housing Authority (NYCHA) buildings, but only 286, or 0.13 percent, reported owning their own business.

"Entrepreneurship among low-income, native-born minorities is quite low," observes Andre Taylor, founder of the Taylor Insight Group, a New York-based consultancy that encourages entrepreneurship among minorities. "While there have been statistics suggesting occasional surges in entrepreneurial activity among African-Americans, my experience among the minority population in general is a resistance to launching a business."[8]

Citywide, native-born Whites make up 39 percent of all self-employed workers (59 percent of whom have at least some college education), compared to just 5.6 percent for African Americans, 5 percent for native-born Hispanics and 1 percent for native-born Asians. In the Bronx, Brooklyn and Queens, foreign-born residents make up the majority of the self-employed, but among the native-born in those boroughs, whites predominate: In Brooklyn, 36 percent of the self-employed are native-born White, compared to 7 percent African American and 5 percent native-born Hispanic. In

Queens, where foreign-born residents make up the vast majority of business owners, 22 percent are native-born White, compared to just 5 percent African American and 3 percent Hispanic.

The different rates of entrepreneurial activity by nativity and race are not unique to New York. A 2013 report by the Kauffman Foundation found that 490 out of every 100,000 immigrants in the U.S. start a business each month (an entrepreneurial activity rate of 0.49 percent), nearly double the rate of native-born Americans (which have an entrepreneurial activity rate of 0.26 percent).[9] Additionally, the African American rate of business creation is just 0.21 percent, lower than the rates for whites (0.29), Asians (0.31 percent) and Latinos (0.40 percent).[10]

But while the rate of business formation among low-income minorities is low, many of those we interviewed believe there now exists a tremendous opportunity to change this. "There is a huge potential to increase the number of low-income non-immigrant entrepreneurs," says Donna Kelley, an associate professor of entrepreneurship at Babson College.

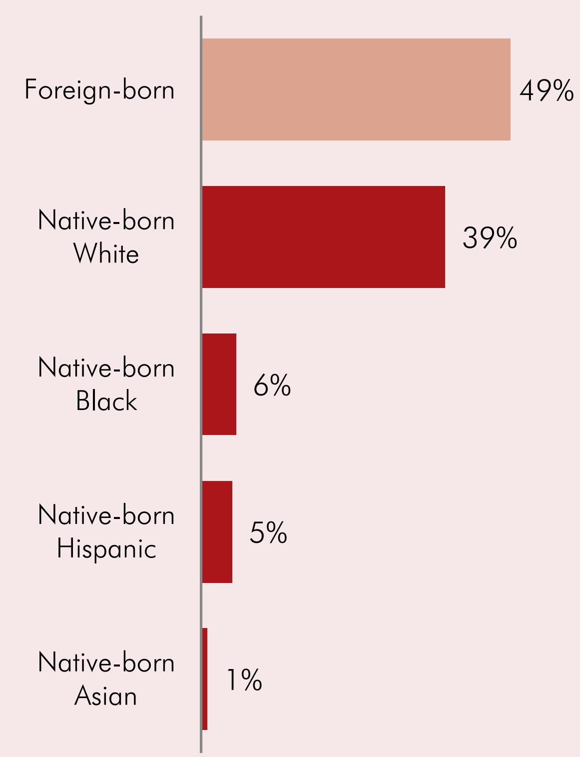
"There is an opportunity to do something in the Harlems and the Bed-Stuys and those other communities where you have folks who can be turned on and given the skills and tools to be entrepreneurs," adds Sheena Wright, president and CEO of United Way of New York City and former head of the Abyssinian Development Corporation. "There are real opportunities and resources that can be used to really move the needle on entrepreneurship for low-income people."

With fundamental changes to the economy punishing those without post-secondary credentials, Kelley, Wright and others believe more low-income individuals could begin to view entrepreneurship as an attractive option. After all, the manufacturing businesses that once offered decent-paying jobs and an opportunity for mobility for people with limited skills have largely moved overseas, and a significant share of the new jobs created in recent years offer extremely low wages, no benefits and little opportunity for upward mobility. In this economic environment, those who previously shunned the idea of starting a business in favor of the safer route of getting a job might view entrepreneurship in a whole new light.

There is also growing evidence that public and private sector initiatives in New York and elsewhere to promote and support entrepreneurship among low-income people can have an impact—from the annual Lemonade Day that gives young people the confidence that they can be a successful entrepreneur to programs that promote and teach entrepreneurship to kids in public schools or community colleges.

Perhaps most importantly, many residents of disadvantaged communities are already demonstrating significant entrepreneurial potential. Much of this is under the radar of policymakers and the media, but hundreds if not thousands of low-income residents in New York are earning income from informal "side-hustles," from cutting hair in their apartment to day care. "There

Share of NYC's Self-Employed by Nativity and Ethnicity



Sources: Bureau of Labor Statistics 2010 is a tremendous opportunity here, because there's just such a huge amount of entrepreneurial talent, energy and desire," says Magnus Greaves, a serial entrepreneur who co-founded 100 Urban Entrepreneurs, which supports young entrepreneurs from economically disadvantaged communities.

Increasing the number of low-income, native-born entrepreneurs in New York, however, may not be possible without first addressing the obstacles that prevent many from even considering entrepreneurship and make it difficult for those who do start businesses to get off the ground. For instance, people living in poverty often have limited exposure to entrepreneurial role models and mentors, a problem since entrepreneurs often get the confidence to start a business after seeing family, friends and members of their community succeed with their own ventures. Low-income individuals are also more likely to have limited financial literacy skills, not to mention paltry savings, poor credit histories and limited access to friends and family who can help finance a new business. And some are deterred from starting a business because earning even meager income from such a venture might cause them to lose government benefits, such as Medicaid, food stamps or housing subsidies.

Meanwhile, even as New York economic development officials have smartly ramped up support for entrepreneurs in recent years, there has been little focus on encouraging more low-income people to consider entrepreneurship. Although a number of centers offer workshops and one-on-one technical assistance for small business owners and would-be entrepreneurs, several low-income communities across the five boroughs lack these resources. "We have a lot of entrepreneurial assistance in New York City, but we have to do a better job at connecting them to urban entrepreneurs and being sure we have right mechanism of engagement in place," says Bishop Mitchell Taylor, founder and CEO of the East River Development Alliance, a community organization headquartered in Queensbridge Houses, the largest public housing community in the nation.

Meanwhile, the workforce development centers that help jobless New Yorkers find work generally steer clear of recommending entrepreneurship, and the already small number of programs that teach entrepreneurship in the city's public schools have been cut back in recent years.

New York certainly isn't the only city that could be doing more. Marc Morial, the president and CEO of the National Urban League and an entrepreneur himself, says that policymakers around the country have largely failed to make expanding low-income entrepreneurship an economic and educational priority. "We haven't created the kind of ecosystem which begins in high school or junior high through community college to nurture and support this idea."

New York could be a leader in this area. As we detail in this report, there are many achievable steps that city economic development leaders, community-based organizations, workforce development providers and education officials could take to expand the pool of low-income entrepreneurs. Doing so could make a world of difference for low-income New Yorkers, spark economic growth in many distressed neighborhoods and bolster the city's overall economy.

EDUCATION AND ENTREPRENEURSHIP

In New York City, 59 percent of individuals who are self-employed have at least some college education, compared to 53 percent nationally and 55 percent in New York State.[11]

Self-employment is highest among people with a bachelor's degree in every borough except for the Bronx, where the largest percentage of self-employed workers has no more than a high school diploma (though they are self-employed at a fairly low rate of 8.6 percent). In Manhattan, 29 percent of self-employed workers have bachelor's degrees, a greater portion than for any other level of educational attainment. This is also the case citywide—those holding bachelor's degrees make up the largest group of self-employed at 32.6 percent.

Nationally, entrepreneurial activity rates are highest among those with the lowest levels of educational attainment. According to the Kauffman Foundation, the rate of business creation is 0.52 for individuals with less than a high school degree, compared to 0.28 for college graduates.

Self-Employment Rates in New York City's 55 Census-Defined Neighborhoods

Neighborhoods with the lowest self-employment rates are predominantly low-income and native-born, while those in the middle range are still low-income but with much higher percentages of foreign-born residents

Bottom Third: Neighborhoods with Lowest Self Employment Rates

Neighborhood	% self employed	Median income for persons 15+ years (2010)	% of population that is foreign-born
East New York/Starrett City	3.9%	$20,572	33.6%
Brownsville/Ocean Hill	4.0%	$19,939	27.9%
Throgs Neck/Co-op City	4.3%	$31,441	18.9%
Williamsbridge/Baychester	4.8%	$27,524	38.4%
East Harlem	4.8%	$19,153	25.4%
Soundview/Parkchester	5.6%	$22,698	29.8%
East Flatbush	5.8%	$26,705	53.0%
North Shore	6.2%	$30,513	24.6%
Jamaica	6.5%	$25,958	40.0%
Mott Haven/Hunts Point	6.8%	$13,022	28.7%
Queens Village	6.9%	$33,032	42.0%
Rockaways	7.0%	$25,240	27.2%
Flatlands/Canarsie	7.1%	$32,873	41.0%
Pelham Parkway	7.1%	$27,086	35.0%
Morrisania/Belmont	7.2%	$13,741	28.1%
South Shore	7.2%	$41,180	14.3%
Coney Island	7.3%	$20,582	51.3%
Bedford Stuyvesant	7.4%	$21,441	20.1%
Average	**6.1%**	**$25,150**	**32.2%**

Middle Third: Neighborhoods with Middle Range of Self-Employment Rates

Neighborhood	% self employed	Median income for persons 15+ years (2010)	% of population that is foreign-born
Bushwick	7.4%	$18,432	37.2%
Washington Heights/Inwood	7.8%	$19,201	49.4%
South Crown Heights	7.9%	$24,036	45.4%
South Ozone Park/Howard Beach	7.9%	$27,083	46.5%
North Crown Heights/Prospect Heights	8.1%	$27,357	30.9%
Kingsbridge Heights/Mosholu	8.1%	$18,319	40.5%
Middle Village/Ridgewood	8.2%	$28,592	37.4%
Highbridge/South Concourse	8.8%	$16,001	39.4%
Riverdale/Kingsbridge	8.9%	$31,599	32.0%
Bensonhurst	9.0%	$21,870	52.9%
Sunset Park	9.1%	$21,286	46.8%
Elmhurst/Corona	9.3%	$22,384	66.9%
University Heights/Fordham	9.3%	$14,811	40.4%
Sunnyside/Woodside	9.4%	$28,700	58.5%
Bay Ridge	9.4%	$30,048	37.1%
Jackson Heights	9.6%	$22,916	63.4%
Astoria	9.7%	$28,479	43.7%
Flatbush	9.8%	$25,817	45.8%
Average	**8.8%**	**$23,718**	**45.2%**

Top Third: Neighborhoods with Highest Self-Employment Rates

Neighborhood	% self employed	Median income for persons 15+ years (2010)	% of population that is foreign-born
Sheepshead Bay/Gravesend	10.0%	$26,925	45.7%
Central Harlem	10.1%	$23,621	22.1%
Mid-Island	10.1%	$34,466	25.4%
Ozone Park/Woodhaven	10.1%	$27,531	49.9%
Hillcrest/Fresh Meadows	10.8%	$30,236	46.4%
Rego Park/Forest Hills	10.9%	$39,867	51.3%
Morningside Heights/Hamilton Heights	10.9%	$22,389	34.7%
Williamsburg/Greenpoint	11.4%	$24,655	24.9%
Flushing/Whitestone	11.7%	$27,695	54.7%
Borough Park	11.9%	$21,329	34.3%
Lower East Side/Chinatown	12.1%	$24,839	35.6%
Brooklyn Heights/Fort Greene	12.3%	$40,540	18.9%
Stuyvesant Town/Turtle-Bay	13.4%	$63,499	23.5%
Bayside/Little Neck	13.5%	$36,422	41.3%
Upper East Side	13.7%	$70,675	21.4%
Chelsea/Clinton/Midtown	14.8%	$51,129	25.8%
Park Slope/Carroll Gardens	16.1%	$47,011	17.2%
Greenwich Village/Financial District	17.9%	$60,680	23.1%
Upper West Side	18.3%	$59,584	21.2%
Average	**12.6%**	**$38,583**	**32.5%**

Source: 2007-2011 American Community Survey

AN ALTERNATIVE ROUTE TO ECONOMIC SUCCESS

Entrepreneurship offers a vehicle to both economic self-sufficiency and neighborhood development, but many New Yorkers don't see it as an option

Entrepreneurship should never be the primary route to economic empowerment for low-income individuals. After all, starting a business is inherently risky, and the failure rate is high even for the affluent and well-educated. However, there are compelling economic reasons why more low-income New Yorkers should turn to entrepreneurship in the years ahead.

For decades, New York's economy offered clear pathways to the middle class for individuals without a college degree. The city had hundreds of thousands of jobs in the manufacturing, construction and clerical fields that provided decent wages and career ladder opportunities, even for those with relatively little education. While some of these pathways still exist, today's economy is producing fewer and fewer middle-income jobs that are accessible to those without post-secondary career training. The result is that an alarming number of New Yorkers who don't have college degrees are unemployed or stuck in low-wage, dead-end jobs.

In this new economic environment, entrepreneurship offers a viable alternative path to economic self-sufficiency and upward mobility.

"We're no longer in a day when you work for one company for 40 to 50 years and get a gold watch at the end of the day," says dt ogilvie, dean of the E. Philip Saunders College of Business at the Rochester Institute of Technology and former director of the Center for Urban Entrepreneurship and Economic Development at Rutgers Business School. "In the old days, if your family came up from the South and you got a job working in the [manufacturing] plant, then you were able to obtain a middle-class lifestyle. That's more difficult today because they don't have that obvious path. For a lot of people, they're never going to be able to have that path, so they're going to have to create their own path. And entrepreneurship is a way to do it."

In 1950, manufacturing and trade comprised over 50 percent of the city's jobs and paid a higher hourly wage than the finance sector.[12] Now, the manufacturing sector accounts for less than 2 percent of the city's jobs.[13]

According to a 2012 report by the National Employment Law Project, since the first quarter of 2001, employment has grown by 8.7 percent in lower-wage occupations and by 6.6 percent in higher-wage occupations. However, jobs in mid-wage occupations have declined by 7.3 percent during this time. The report also found that three-fifths of all jobs lost during the recession paid middle-income wages, whereas about three-fifths of new jobs created during the recovery pay low wages.[14]

"When we look at where there are a large number of jobs that are growing, many of those are low-wage," says Stephanie Luce, a professor of labor studies at CUNY. "Unfortunately many of them are not career-track jobs. If you're a cashier or retail sales person, what we find is that there is just very little upward mobility."

Of the 20 occupations in New York City that are expected to grow at the fastest rate over the next decade, 16 pay less than the national median household income of $49,445, and four pay under the federal poverty threshold for a family of four.[15] The two occupations with the highest projected growth rates in New York City—home health aide and personal care aide—offer annual median wages of $20,000 and $19,000 respectively.[16] Meanwhile, the vast majority of higher paying jobs that are projected to increase over the next decade require post-secondary training.

These economic trends have led to high unemployment rates and low earnings for individuals with low levels of education. Indeed, the employment participation rate (the percentage of adults who either have jobs or who are seeking work) for New York City residents is only about 50 percent. In 2010, during the peak of the Great Recession, the unemployment rate for those with less than a high school degree was 14.9 percent and 10.3 percent for individuals with only a high school diploma or GED, compared to 5.4 percent for individuals with a bachelor's degree.

Black and Latino men, in particular, experience unemployment rates that are consistently higher than those for Whites and other ethnic groups. In fact, unemployment for black and Latino males more than doubled during the course of the recession, when the city lost over 170,000 jobs.

New Yorkers with limited educations are not only less likely to have jobs than more highly educated residents these days; they also earn a lot less. According to Census data, a high school graduate in New York City between the ages of 25 and 29 earns an average of about $17,000 a year. One year of college without a degree bumps the average income up to $22,000.

In recent years, the number of low-paying jobs in the city has been on the rise. In 2012, a whopping 35 percent of adult New Yorkers worked in low-wage jobs, up from 31 percent in 2007.[17] Alarmingly, 47 percent of residents in the Bronx and 40 percent in Brooklyn worked in low-wage jobs.[18]

Even though starting a business isn't a viable option for many low-skilled workers, creating new paths into the middle class is extremely important in this economy, says Thomas Boston, an economist at the Georgia Institute of Technology who specializes in entrepreneurship. "Even when the economy turns around and begins to grow again," says Boston, "it's not going to create the kinds of jobs that were available in the past."

"The low-wage worker is always going to be on the chopping block first," agrees Catherine Barnett, executive director of Project Enterprise. "So just out of necessity people are going to be—

OFF THE STREETS AND INTO A BUSINESS

Re-Connect is a small-scale entrepreneurship initiative based in Bedford-Stuyvesant run by Father Jim O'Shea, a Catholic priest from the Monserrate church. The initiative helps young men between the ages of 17 and 24 develop a taste for on-the-books entrepreneurship in an effort to get them off the streets and into a legitimate trade. Many participants have little education and have recently served time in prison.

Re-Connect organizes a stand that the young men both staff and supply which sells fruits, vegetables, and baked goods. Currently eight men sell these goods at farmers markets and church markets in Bedford-Stuyvesant. A local church provides the kitchen space for the production of baked goods. In addition to the entrepreneurial side of the operation, Re-Connect provides the men with nine hours a week of GED classes, allowing them to pursue their education while earning a modest income. Father O'Shea is looking to start a catering business with the food that the men currently sell and hopes to rent industrial kitchen space to expand.

Unlike some programs that help low-income young men throughout the city, at Re-Connect there is no time limit on a participant's involvement. After a young man leaves the program he is encouraged to return as a mentor to the younger participants.

Many of the eight young men that are involved in the project were drug dealers before they started working with Father O'Shea. While he does not condone selling drugs, Father O'Shea says the experience has equipped most of these young men with astute business acumen. "They all understand money and they know what it means to work." Father O'Shea says. The excitement of entrepreneurship also may appeal to these young men, already prone to risk taking, especially in contrast with the low-skilled jobs that are otherwise available to people with no marketable credentials or skills.

Re-Connect is just one of many programs that, if brought to scale, could provide opportunities for young people from poor and working-class neighborhoods to improve their economic prospects and participate in the city's formal economy. "There's no end to the amount of guys that qualify for this," says Father O'Shea.

UNDERGROUND ENTREPRENEURS

If cultivated, the 'side-hustles' common in many low-income neighborhoods could blossom into mainstream businesses

Many of the city's poorest neighborhoods have a dearth of locally-owned businesses, but this doesn't mean there aren't entrepreneurial people. Far from it. Indeed, thousands of low-income, native-born residents across the five boroughs are already engaged in entrepreneurial activities; they just take place outside normal economic channels.

All over the city, there are barbers cutting hair in their living rooms, people baking cakes for neighborhood birthdays, teens deejaying parties, moms operating informal child care centers, men washing windows of local businesses, kids selling M&M's on the subway, amateur photographers taking head shots for aspiring models and tech-savvy high school students building Websites for friends. On Harlem's 125th Street between Lexington and St. Nicholas Avenues, we found at least a half dozen people doing business informally, including a man who sells seafood cooked on-site and another who sells CDs out of his van.

"It's all over," says Catherine Barnett, executive director of Project Enterprise, speaking of the number of low-income New Yorkers who earn income by operating "side-hustles" like these. "It's very prevalent, particularly in this economic environment. People are always looking for a side-hustle because people need to patch income. That's the reality. That's not going away anytime soon."

For many low-income native-born households, the informal economy provides invaluable supplementary income and presents a dynamic vehicle for harnessing and promoting entrepreneurship. "You have a side-hustle, you are an entrepreneur," says Magnus Greaves, co-founder of 100 Urban Entrepreneurs. "It might not look like a traditional business, but that's a business. The problem is that not enough of them are turned into formal businesses."

Regina Smith, executive director of the Harlem Business Alliance, says local government should try to capitalize on the enterprise of low-income, native-born people. "We have nothing but talent and people who can operate businesses and do it well," she says. "The impediment [is] transitioning them from the underground economy to a legitimate business."

There's also a number of illegal side hustles, from the numbers joint to "the local street pharmacist," that are run by entrepreneurial-minded people. "There's a lot of creativity; we have to put people in situations where they can unleash that creativity," says dt ogilvie from the Rochester Institute of Technology. "Right now, the choice is limited for the kids to 'should I go on welfare, should I get into a life of crime to support myself and my family or maybe do side hustles on the side.' But if we can give them another choice where they can get remunerated for their work by having their own business, then they're going to be better off."

"We have nothing but talent and people who can operate businesses and do it well ... The impediment [is] transitioning them from the underground economy to a legitimate business."

BARRIERS TO ENTREPRENEURSHIP

For low-income New Yorkers born in this country owning their own business may be a foreign concept

There are a number of reasons why relatively few low-income, native-born New Yorkers start businesses. Not surprisingly, access to capital is a major challenge. After all, launching a business requires a significant amount of financing, and many low-income people have little of their own savings, limited connections to friends and family with wealth and, in many cases, poor credit histories. But our research finds that other more fundamental problems have kept many people in disadvantaged communities from even considering entrepreneurship. The following are some of the challenges.

Limited Exposure to Role Models

On a stretch of Liberty Avenue in Richmond Hill, immigrant-owned businesses abound. From Asian-owned corner markets, to Guyanese retail clothing or "fashion" stores, to the Hispanic-owned nail salon, the operators of these small businesses, more often than not, look like their patrons. But in many low-income communities with a large native-born population, there are not only few native-owned businesses, but few businesses at all. Even the handful of fast food franchises are owned by people from outside of the community, many of them immigrants.

This lack of role models is a major reason why the native-born go into entrepreneurship at a lower rate. Andre Taylor explained how seeing local business owners and entrepreneurs, including his father, opened up the realm of possibilities for him. "Seeing it happen reinforced that it was an option," says Taylor who grew up in Crown Heights in the 1960s and '70s.

Taylor recalls seeing the respect his father garnered in the community as he sold furniture door to door. He says seeing people like him who were well respected and financially self-sufficient—and then connecting the dots between their status and business ownership—made him believe that he too could be an owner. Exposure to examples of ownership in your own immediate reality is imperative to fostering entrepreneurship—you have to see it to believe it.

Regina Smith with the Harlem Business Alliance agrees. She says, in reference to the black native-born community in particular: "Our youth don't necessarily see enough examples outside of entertainment and sports. Unfortunately, other than barbershops and beauty salons and some restaurants, we don't own too many retail establishments, and we don't operate as many businesses as we used to."

Instead of seeing people who look like them owning and operating small businesses, they see them working for someone else. This sends a subconscious message to those born in the U.S. that ownership is not for them. "If your family background isn't entrepreneurship, becoming a first-generation entrepreneur is a heavier lift. It's a much bigger leap and the whole culture around being an entrepreneur is not familiar to you," says Nancy Carin, executive director of the Business Outreach Center Network.

On the other hand, seeing people within one's own culture and ethnic or racial group owning businesses can inspire others to become entrepreneurs. Timothy Stearns, executive director and founder of the Lyles Center for Innovation and Entrepreneurship in Fresno, CA, emphasizes the importance of role models. "They can see someone that looks a lot like them and they discover that they can do what they'd hoped to do," he says.

Failing to Promote Entrepreneurship as a Career Option

Without much exposure to entrepreneurs in their own family or neighborhood, low-income individuals may need encouragement from other

Establishments per Capita in NYC's 50 Poorest ZIP Codes

Low-income ZIP codes with high foreign born populations have significantly more local businesses.

ZIP Codes with Fewest Establishments per Capita

ZIP Code	Neighborhood	Number of Establishments	Population	Establishments / capita (%)	Population that is foreign-born (%)	Median Individual Income
11692	Arverne	90	18,540	0.5%	25.72%	$21,176
11233	Stuyvesant Heights	364	67,053	0.5%	24.20%	$24,008
11239	Starett City	76	13,393	0.6%	30.06%	$16,328
10456	Morrisania	581	86,547	0.7%	32.03%	$13,351
11221	Bushwick / Bedford-Stuyvesant	566	78,895	0.7%	26.56%	$20,667
10039	Central Harlem, North	183	24,527	0.7%	19.53%	$19,210
10472	Soundview	506	66,358	0.8%	37.73%	$17,621
11208	Cypress Hills	745	94,469	0.8%	35.46%	$21,082
10453	Morris Heights	630	78,309	0.8%	39.08%	$14,769
11691	Far Rockaway	490	60,035	0.8%	32.62%	$19,940

Zip Codes with Most Establishments per Capita

ZIP Code	Neighborhood	Number of Establishments	Population	Establishments / capita (%)	Population that is foreign-born (%)	Median Individual Income
11355	Flushing / Murray Hill	1,832	85,871	2.1%	70.41%	$21,999
11220	Sunset Park	2,175	99,598	2.2%	53.03%	$18,721
11204	Parkville / Bensonhurst	1,902	78,134	2.4%	44.05%	$21,281
11223	Gravesend / Homecrest	1,948	78,731	2.5%	45.40%	$22,269
11219	Borough Park	2,581	92,221	2.8%	39.84%	$18,870
11211	Williamsburg	2,766	90,117	3.1%	20.68%	$22,408
10002	Chinatown / Lower East Side	2,872	81,410	3.5%	44.57%	$20,103
11232	Industry City / Sunset Park	1,174	28,265	4.2%	45.51%	$20,973
11354	Flushing / Murray Hill	2,704	54,878	4.9%	61.90%	$23,920
10474	Hunts Point	663	12,281	5.4%	26.57%	$13,928

Sources: 2010 Census. Census County Business Patterns 2010.

In the Bronx, native-born individuals account for

67%	34%
of the overall population	of the borough's self-employed

sources if they are to see business ownership as a viable career option. "It's a matter of helping people see the potential that entrepreneurship can be a career," says dt olgilvie.

However, our research finds that there are very few efforts in New York City to promote entrepreneurship as a career path for individuals in disadvantaged communities.

New York City has a wealth of government offices and nonprofit intermediaries that support existing small business owners as well as individuals who wish to start their own businesses. These range from city-sponsored Small Business Solutions Centers and federally-funded Small Business Development Centers to chambers of commerce and microfinance groups like Accion, the Business Outreach Center and Project Enterprise. But these entities primarily serve individuals who already own a business or are inclined to start one. There is little effort to encourage other people to consider entrepreneurship.

The city's school system offers relatively few programs that teach entrepreneurship—and the number of such programs has declined in recent years. The city's workforce development system, which is often the first stop for unemployed New Yorkers who are seeking new opportunities, does virtually nothing to promote entrepreneurship as one option for economic self-sufficiency. And while city economic development officials have smartly embraced entrepreneurship in recent years, little attention has gone into initiatives that would increase the overall pool of low-income entrepreneurs.

"More people should be exposed to [entrepreneurship]," says Steve Mariotti, founder of the Network for Teaching Entrepreneurship (NFTE). "To me it's about self-actualization. Somebody can't be self-actualized if they don't know the alternatives."

"People need to understand that it's OK to become an entrepreneur just in order to make the $50,000 salary that you couldn't make elsewhere," adds Magnus Greaves. "Becoming an entrepreneur and starting your own business doesn't mean you have to go all-in and become a multi-millionaire. We need to encourage people and let them know that it's OK to start with different types of goals. We're not all trying to be Mark Zuckerberg."

The Importance of Mentors

In the absence of entrepreneurial parents and childhoods spent working in the family business, potential entrepreneurs need exposure to mentors with their own businesses. Knowing how to implement a business plan and manage a business day-to-day can't just be taught at a workshop, or even a nine-week course, because no one can anticipate all the hiccups and challenges in advance. Even more importantly, a classroom is

> "[T]hose individuals who are successful at starting a business generally have had someone in their immediate family or an associate who was also an entrepreneur."

not always an appropriate setting in which to pick up the skills of running a business. Based on their hands-on experience, mentors can provide direction in the context of real-world problems.

"Role models are really important," says Thomas Boston. "My research has found that individuals who start businesses, particularly those individuals who are successful at starting a business generally have had someone in their immediate family or an associate who was also an entrepreneur. And that desire to become an entrepreneur was nurtured within that environment."

Beyond solving business problems, mentors teach budding entrepreneurs a wide variety of soft skills, ranging from how to network and approach potential clients to how to behave at dinner. "If you're trying to work as a business person, trying to negotiate with someone and build a relationship, you want to make sure you know the proper way of going about doing that, how to present yourself to people, how to work a crowd, selling and negotiating—all of these elements are important," says Timothy Stearns at the Lyle Center.

However, like role models, mentors are few and far between in many low-income, native-born communities in New York.

Basic Financial Literacy

Financial issues like developing a savings plan, paying off debt and balancing a checkbook have a major impact on one's ability to raise capital and make smart decisions about running a business. Unfortunately, too many low-income residents were never taught about basic financial literacy. Many didn't learn it from their parents, and it simply wasn't taught elsewhere.

Catalina Castano, former director of the Brooklyn Small Business Development Center, says this is the biggest problem among her clients. "Financial management among the low-income is a huge problem—personal financial management. They came to us with credit issues that affect their ability to get loans to grow their business, so we tried to refer them to places where they can get a strong financial education on the personal side."

Central Harlem

Foreign-born Self-employment	Native-born Self-employment
16.8%	**7.3%**

When Diane Williams was a little girl, she remembers her father sitting at the kitchen table, balancing the family's finances and filing away bills. She says the family called him The Godfather because everyone came to him for loans, and, in her words, if you didn't pay him back, "He wasn't loaning you nothing else."

Williams' exposure to managing the family's finances, however, is exceptional. "Non-immigrants don't have the family and financial leadership," she says. "We were never taught how to … manage money, and a lot of times it was living paycheck to paycheck. Those that were on social services never had the opportunity to do anything but that, and it became generational."

Despite her own exposure to managing finances, Williams says that it remains one of her biggest challenges as an entrepreneur. "At the end of the day it's hard to do your balance sheet and separate your business expenses from your personal expenses," she says.

Williams is hardly alone in this. "A lot of people don't understand the difference between their business' money and their personal money," says Ed Rogoff, a professor at Baruch College. "We've run programs here for people who fit this description. So they need a level of financial literacy first and then they need some business knowledge," he says. "Take somebody who has never had a checking account, you start talking about starting a business it immediately sails into areas they're not familiar with."

Access to Capital

In another lifetime, Sheena Wright, president and CEO of United Way of New York City and former head of the Abyssinian Development

Highbridge/South Concourse

Foreign-born Self-employment	Native-born Self-employment
12.9%	3.8%

Corporation, practiced law at a technology company. She says she had a black friend and a white friend who were both trying to raise funding at around the same time. When her white friend and his partners passed the hat around to their family and friends, they raised over $500,000. When her black friend, who had come from a more modest family but went on to graduate from Harvard, passed the hat around to his family he wasn't able to raise much of anything. "He got a lot of congratulations and IOUs and 'Can you lend me some money?' but he could never get the money that he needed to [get] that beta product out to market," Wright says.

Like many immigrant entrepreneurs, Wright's white friend was able to call upon family and friends to give him that initial boost. While her black friend had the networks and financial management and literacy skills to put together a business plan, he lacked the ability to put some of his own skin in the game. The absence of generational wealth within his immediate circles was the difference between failure and success. This inability to access needed capital represents another hurdle for the low-income, native-born.

"You can have all of the skill and even have some of the networks to get to that second level, but if you don't have the angel investment—that friends and family round [of financing]—it can just stop you forever," says Wright. "There are lots of low-income people that are going to great schools and want to be entrepreneurs but don't have family and friends that can invest in entrepreneurial pursuits."

A 2006 study on barriers to entrepreneurship details how liquidity constraints, such as limits to the amount a person can borrow, significantly limited creation and growth of businesses.[19] Business counselors and loan officers that we spoke with for this report consistently cited this as one of the biggest hurdles their clients face in trying to start a business.

While access to capital is an issue for all entrepreneurs and small business owners, it's particularly acute for the very low-income.

Most entrepreneurs start a business using their own resources or their family's resources, he says, including home equity lines or credit cards. "They might bootstrap, meaning they take revenue earned from their jobs to put into their companies to get them going," says Thomas Boston. But, he adds, very low-income individuals may have poor credit reports and may not have credit cards, home equity to draw upon or a network of relatives to loan them money to get started. This makes it very difficult to launch a new venture.

Starting a business takes an estimated 4.4 times the median net worth of the average african-american household ($5,677) and four times the median net worth of the average Latino household ($6,325), compared to just 22 percent of the median net worth of the average White household ($113,149).[20]

Meanwhile, the microfinance organizations that do offer small loans for lower-income startups tend to focus their lending on immigrants. For instance, an estimated 75 percent of the small business loans in New York made by Accion, one of the country's largest microfinance organizations, goes to immigrants. And some potential entrepreneurs with very low incomes may not be able to get help even from non-profit micro-lenders because the prospective business owner does not have the collateral necessary to acquire a loan and may face a host of other issues including bad credit and high personal debt.

A Hole in the Safety Net

Starting a business involves taking a big risk, but many low-income, native-born New Yorkers are risk averse. One reason is that they have a lot to lose. While many immigrants don't have access to public benefits, from welfare and public housing subsidies to Medicaid, native-born poor people often depend on these safety net programs. Because of the way these systems function, recipients can risk losing their benefits if they attempt self-employment.

"New immigrant communities don't benefit from social safety nets to the extent that low-income, non-immigrants might," says Brian Gurski, a Queens-based business advisor and former director of the LaGuardia Community College Small Business Development Center.

Several people interviewed for this report told us that the possibility of losing public benefits was a major deterrent to low-income people starting formal businesses. Low-income people who are receiving public assistance "have a big concern with making more money than their benefits allow," says Elisa Balabram, director of the Women's Business Center in Brooklyn. According to Balabram, it's not just Temporary Assistance for Needy Families (TANF) benefits, but Section 8 housing vouchers, Medicaid, food stamps and many others.

This was also a finding of a 2003 study by FIELD, a center at the Aspen Institute that focuses on microenterprise. It found that while many benefits recipients were interested in entrepreneurship and primed to be self-employed part or full time, program stipulations and regulations often hindered them from pursuing self-employment for fear of losing their benefits.

The FIELD report also found that what counted as "work" and "employment" in the TANF program often conspired against recipients looking to self-employment, even though incorporating a path to self-employment and business creation has been successful in the few states that allow it. The FIELD study found that after two years in a TANF-sponsored self-employment program, 37 percent of participants were still self-employed, while 43 percent went on to find jobs with other companies. After two years, household income among participants increased by 87 percent on average.

Lack of Confidence

Historic bias has led some low-income people born in the U.S. to so mistrust the system that they are reluctant to try to go out on their own. "I think there is a burnout among American citizens who go, 'you know what, the system [is] against us, it's not going to happen.' Whereas that immigrant comes in and says, 'you know what, back home, they didn't have running water, here they do. This place is great, and I can make it happen,' So there's an optimism that they come with," says George Acevedo, coordinator of the Entrepreneurial Assistance Program.

This kind of confidence, trust and optimism exuded by so many immigrants is a crucial part of the entrepreneurial mindset that many low-income, U.S.-born lack. The immigrant entrepreneur has already taken a big risk just by leaving his or her country of origin to seek out better opportunities in the U.S. Compared with that, taking a chance on a new business venture may not seem nearly as daunting. But for a low-income, native-born person, even a very low-wage service job with little potential for growth is more reliable than taking a chance on a business venture.

Ozone Park/Woodhaven

Foreign-born Self-employment	Native-born Self-employment
13.4%	4.9%

The Entrepreneurial Ecosystem

Trish Truitt, special projects manager for the National Association for Community College Entrepreneurship has repurposed a well-known proverb: 'It takes a village to raise an entrepreneur.' "The biggest thing for entrepreneurs with no capital is they need community and they need infrastructure," says Truitt.

The four components that most interview subjects for this report identified as key to entrepreneurial success are networks, mentors, capital and knowledge. Together, these factors create a kind of entrepreneurial ecosystem, a structure and framework that provides support and a clear path to follow. Aside from city- and school-sponsored business incubators, however, few places pro-

Jamaica

Foreign-born Self-employment	Native-born Self-employment
9.2%	3.6%

vide access to a holistic entrepreneurial support system. Instead, most entrepreneurial training is done in a piecemeal fashion with a smattering of services focusing on everything from improving financial literacy to help writing a business plan.

Here again, immigrant entrepreneurs may have an advantage. The natural insularity of immigrant communities acts as an ecosystem, which entrepreneurs can tap into at any point in the process of starting and running a business. They may find informal mentors in their community who have opened a similar business, or be able to get capital from pooled community dollars through arrangements like Susus. These close community bonds are virtually non-existent in predominantly native-born communities. "Immigrants have a better support system whether it's getting financing, mentoring, working in teams—it's the community supporting you," said Judi Stearn Orlando, executive director of Astella Community Development Corporation in Coney Island.

The immigrant business ecosystem organically promotes and incubates small entrepreneurial endeavors. "Networks are vital and the classic [example] is the Korean market—they lend money through an informal system, they live upstairs above the market with the family, the whole family contributes downstairs working in the market and the whole community buys their groceries there. Most people don't have that kind of immediate access," says Timothy Stearns, executive director of the Lyles Center. "They all utilized each other's networks to expand and grow and that's where their success came from."

Lacking a similar close-knit community, non-immigrants in disadvantaged communities who decide to venture into entrepreneurship operate in somewhat of a vacuum. They have to identify a market, build their own networks and seek support. Derrick Guest, a local native-born minority entrepreneur who runs a video production business, says that being better integrated into some kind of network would help him get more exposure to potential clients. "There may be companies out there that are willing to purchase some of the services that all of us provide, but how are we going to get to them because, first of all, they don't know about us. People buy from people that they trust and that they have a relationship with," says Guest.

"Immigrants have a better support system whether it's getting financing, mentoring, working in teams—it's the community supporting you."

OPENING DOORS

Although few service providers focus on low-income entrepreneurship, several promising organizations—and models—do exist

Promoting entrepreneurship among low-income Americans has not been widely embraced as a way to alleviate poverty or grow the economy. But that is beginning to change. As more traditional routes into the middle class continue to disappear—and as the benefits of having small businesses in a community becomes harder to ignore—a number of promising entrepreneurial programs and initiatives have sprung up in New York and several other cities across the country.

Although these programs are diverse and can involve a number of different facets, they typically take one of three broad approaches: Some seek to change the culture in low-income native-born communities by doing outreach and introducing individuals, especially young people, to entrepreneurial models and mentors. Others mimic some of the naturally occurring services in immigrant communities by offering low-interest loans coupled with technical advice. Still others change the terms of ownership by giving low-income people the chance to become co-owners in a worker cooperative, where they not only come to own a business but gradually learn the skills necessary to manage it.

The first category includes programs like Operation Hope, which was founded in Los Angeles in the early 1990s by John Hope Bryant, an African American entrepreneur. Among other things, Operation Hope challenges disaffected inner city youths to come up with a concrete business plan they can pitch to mentors from their community. Participants get some basic training and, depending on their grade level, a minimal amount of funding (between $50 and $500), but the program is not supposed to feel like school, says Bryant. "I'm convinced that these kids all have unorganized economic energy," he says, "unorganized, unfunneled, unchanneled economic energy. I'm convinced that once you ignite these natural hustlers in a positive way you can change their culture."

Operation Hope also works to recruit and train volunteers to mentor young people in not only entrepreneurial matters but also basic financial literacy, including how to open a bank account and how to save and invest for the future. In 2007, the organization opened its Financial Dignity Center in Harlem that serves as a community platform for many of these activities.

Both Money Think and Lemonade Day take a broadly similar approach, if on a slightly smaller scale. Founded in 2009 at the University of Chicago, Money Think recruits and trains college students to serve as financial mentors to young people in low-income minority neighborhoods, while Lemonade Day gives children the opportunity to build a functioning business—a lemonade stand—if only for a day. Lemonade Day, which debuted in Houston in 2007, has grown to include over 150,000 kids in 36 different cities, with New York City participating for the first time in 2012. After registering, participants get a $20 loan and a kit that instructs them on how to set up the business, including how to market their wares and distribute profits to employees.

The People Fund, founded in Austin, Texas in 1994, falls in our second category by providing low-income entrepreneurs with technical assistance and start-up capital. The organization operates as a one-stop shop targeting low- and moderate-income communities; in addition to offering loans, it blankets participants with services and resources, including technical assistance and mentoring. Approximately 85 percent of clients are low- to moderate-income, he says, and 20 percent operate brand-new businesses.

Seattle's Washington Community Alliance for Self-Help (CASH) also provides clients with loans, technical assistance and networking opportunities. Through a peer-lending group, the organization offers microloans to start-ups of between $500 and $5,000, and larger loans to more established businesses of up to $35,000. The vast majority of CASH's clients are minorities and over half are women.

A New York-based non-profit called 100 Urban Entrepreneurs provides many of these same services but in a more competitive context. Drawing on the approach of venture capitalists and angel investors, the organization seeks promising business ideas among low-income minorities in inner city communities and offers their founders a $10,000 start-up grant while linking them to a network of contacts. It also enrolls them in a 12-month basic training course. Fifty percent of the current grant recipients make between $10,000 and $40,000 annually, and 41 percent are between the ages of 21 and 25. The organization also looks for businesses that will impact the surrounding neighborhoods.

Our last category features several prominent worker cooperatives located in two cities. In Cleveland, the Evergreen Cooperative Corporation was founded in 2008 with the goal of establishing 10 for-profit cooperatives in the city's poorest neighborhoods. Based on a corporation in Spain called Mondragan (which now has over 120 worker-owned companies with a combined $20 billion in combined annual revenues), Evergreen has already ushered into existence a worker-owned laundry, an urban farming company and an energy company. In New York, Si Se Puede, a worker cooperative in Brooklyn's Sunset Park neighborhood, specializes in both residential and commercial cleaning services, while another cooperative in the Bronx, called Cooperative Home Care Associates, focuses on home health care.

Worker cooperatives are businesses that are owned and controlled by the people who work for them. They represent an excellent opportunity for low-income entrepreneurs. As members of a cooperative, low-income workers not only share in company profits, but also have an equal say in all business decisions and in many cases take turns in most of the company's managerial positions. Members typically pay for their ownership stake gradually through their wages. Since all workers must "buy in" to the company to be an owner, the level of risk and the capital needed from any one person is greatly reduced. For individuals with less access to capital, this can considerably ease the barriers to starting entrepreneurial ventures.

Additionally all worker-owners must be trained in management, finance and business related activities. Third party non-profit "developers" have stepped in to provide training to entrepreneurs looking to establish these businesses and in doing so provide a framework that helps individuals navigate the complexities of starting a business. According to Melissa Hoover, executive director of the U.S. Federation of Worker Cooperatives, the cooperative model is far from new. She says that a number of worker cooperatives were founded in the 1970s when a wave of primarily White and college-educated individuals tried to create a more utopian society by forming companies that equitably shared profits. Their intentions were to form businesses based on a system of "collective ownership" that would place both the risk and the potential rewards of a business in the hands of the workers. But these days, instead of being used as a way out of the mainstream for idealistic college-educated Whites, cooperatives have become a way into the mainstream for low-income African Americans, Latinos and immigrants. With over 1,000 members, the Bronx-based Cooperative Home Care Associates is the "granddaddy" of large-scale co-ops, but Evergreen is also extremely ambitious and, despite being three years old, is already showing results.

Nationwide, the movement is still in its infancy. According to the National Cooperative Business Association (NCBA), there are only 223 worker co-ops out of an estimated 29,000 cooperatives of all types. These worker cooperatives support a total of only about 3,000 to 4,000 employees nationally, with an average of 11 workers per business. They are concentrated in the New York and San Francisco metropolitan areas with 13 worker co-ops in the state of New York and 56 in the state of California. Twenty state states currently have no worker cooperatives at all.

TEACHING ENTREPRENEURSHIP

Few schools provide instruction in these skills but some promising models exist for how it can be done

For most of this country's history, teaching entrepreneurial skills hasn't been a focus. In fact, for many years it was widely believed that entrepreneurship couldn't be taught at all. But as more people realize how important entrepreneurship is becoming for economic mobility and how few opportunities most people have to pick up entrepreneurial skills, the idea has started to gain traction.

In the absence of family members and other models and mentors engaged in entrepreneurship, schools offer one of the few avenues for students immersed in a culture of poverty to be exposed to a culture of business creation and stewardship. There a number of promising models and strategies for incorporating entrepreneurial instruction into curricula at the primary, secondary and post-secondary level—as well as after-school programs for students and programs geared toward people who are no longer in school. Worthwhile as these efforts are, they face serious constraints and challenges.

Kindergarten to High School

Teaching entrepreneurship in K-12 schools provides an opportunity to expose low-income minority and native-born students to fundamental concepts of money, ownership and wealth creation that they most likely will not get outside of the classroom. For these kids, the fabric of home and community life, and in turn, their relationship to money and how to make it, differs starkly from that of more privileged students.

Several prominent national programs with a foothold in New York City seek to introduce K-12 students to different facets of starting and running a business. The most established and well-known of these are Junior Achievement (JA), Virtual Enterprise and the Network for Teaching Entrepreneurship (NFTE).

In terms of the sheer number of students reached every year, JA is by far the largest of these programs, though the instruction it provides is comparatively shallow, amounting to just one full day per year per student. The JA curriculum, which has programs for students from kindergarten to 12th grade emphasizes experiential learning. On field trips and between classes during the school day or after school, students are introduced to basic concepts and practices like personal budgeting and creating business plans, as well as to real-world businesses and business owners. In the 2010-2011 school year, over 67,000 students in New York City and Long Island attended JA programs.

Virtual Enterprise and NFTE provide deeper entrepreneurial instruction than JA, but they serve a fraction of the students—and at least in the case of NFTE, the number of participating schools has been cut dramatically in recent years.

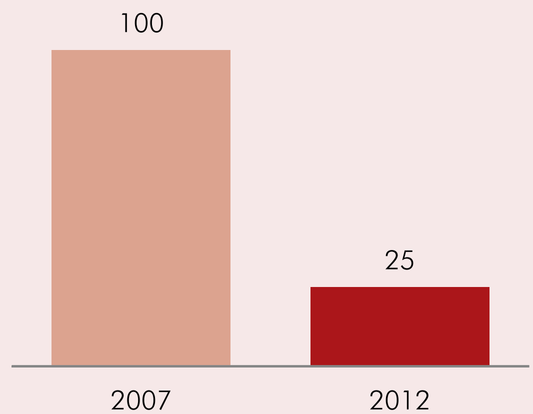
Virtual Enterprise, an elective course offering for 11th and 12th graders, served approximately 1,200 students at 40 different schools in New York City during the 2011-12 school year. Classes run a simulated business using an online platform with each student taking on different responsibilities throughout the semester. Teachers receive a short training course, though much of the learning happens online as the students produce business documents and manage transactions with other participating schools.

NFTE's entrepreneurship programs are diverse—pitched to students from the 6th through 12th grades—and comparatively intensive.[21] Students visit wholesale markets to purchase goods for resale, develop business plans and, at the end of school year, enter business plan competitions.

The teachers who manage the program receive four days of intense training at NFTE University and have to take 16 hours of ongoing professional training to maintain certification. Participating students receive 65 hours of instruction over the course of the school year, making it perhaps the most in-depth K-12 entrepreneurial program in the city, and probably the country.

Unfortunately, NFTE reaches significantly fewer kids in New York than it did five years ago. In 2007, NFTE was in 100 of the city's public schools, but in the 2012-13 school year it is down to just 25 city schools.[22] Although the organization was founded in the five boroughs and remains headquartered downtown, four other cities have more public schools with NFTE programs than New York—Los Angeles (32 schools), Chicago (32 schools), Dallas (26 schools) and South Florida (26 schools). Overall, NFTE serves approximately 2,800 students in New York (1,300 at the middle school level and 1,500 in high school).[23]

Number of NYC Schools with NFTE Programs



Source: NFTE

Although JA and Virtual Enterprise both try to introduce students to real-world entrepreneurs, NFTE's network of volunteer mentors from the business community is unique. In fact, NFTE founder Steve Mariotti credits much of the organization's success to its mentorship component, which in the New York region alone includes over 700 individual volunteers. "The entrepreneur is the artist of the business community," says Mariotti, "so it's hard to expose kids to [entrepreneurship] without having someone who's actually done the artwork come in, talk and work with the kids on their business plans."

All three of these programs—as well as several newer programs like Operation Hope, Project Restaurant, Lemonade Day and MoneyThink—have to contend with similar challenges and constraints: In the absence of a more integrated approach that treats financial and business concepts as a part of the official school curriculum, they have to find a way to reach students who already face extensive demands. Making matters worse, with the ongoing implementation of the common core curriculum—and the increased focus on testing in math and English—many if not most schools in New York City have dramatically cut down on extracurricular activities. A lot of schools, says Robert Piercey at NFTE, can't justify putting kids in an entrepreneurial class or focusing class time on entrepreneurial lessons, when so many need remedial work just to pass the Regents exams.

And yet low-income students in underprivileged communities are often the most alienated by this emphasis on testing. "If you talk to [at-risk students and dropouts]," says Mariotti, "they'll say that they were bored or that the program wasn't relevant to what they were interested in. And if you talk to them further, they all say they're interested in how to make money, how to make a living, because they don't have any money."

JA's low touch/high volume approach works around the constraints posed by testing by offering programs that can fit more easily into students' existing schedules during the day or after school. Virtual Enterprise and NFTE's in-depth courses require a more focused commitment on the part of the participating schools. Virtual Enterprise works a bit like a capstone course for high school students who are thinking about their next steps and even helps arrange post-high school internships for participating students at major companies. NFTE focuses on integrating an entrepreneurial component into a student's regular curriculum, but requires even more of a commitment than Virtual Enterprise on the part of the individual school. To be successful, administrative buy-in is essential.

Community Colleges

If primary and secondary schools are where the seeds of entrepreneurship are planted, then community college is the place where those seeds should be able to sprout and bloom.

Unlike most four-year colleges, community colleges are not just degree-granting institutions but community hubs serving a wide variety of local needs. In addition to offering an affordable route to a four-year degree and training for those looking for professional development, community colleges host technical assistance offices for local businesses and provide space for a whole host of information sessions and courses for residents who either already own businesses or plan to start one. The schools offer a wide spectrum of professional certificate programs in which lots of entrepreneurial training happens in bits and pieces. As a part of a licensing program for interior design, for example, a student may have to take a course on business and financial issues, such as sourcing materials, billing clients, filing taxes and the like.

So far, however, very little has been done either in New York or elsewhere in the nation to link all of these resources together to make entrepreneurship a viable option for any but the most driven students, particularly if they are enrolled in a degree program rather than a non-credit course. The National Association for Community College Entrepreneurship is at the helm of integrating entrepreneurial learning into community colleges. The association lists 278 NAACE members around the nation, but just two of the city's seven community colleges are members— Bronx Community College and Kingsborough Community College.

Upstate, Daniel Larson, president of Cayuga Community College near Syracuse, has created SUNY Engine, a consortium of community college campuses in the State University of New York (SUNY) system that helps elevate entrepreneurship as a goal for community colleges. With an eye

> "I think this idea of entrepreneurship has an opportunity to sit very well within the context of the mission of community colleges"

toward creating a more sustained and systematic array of entrepreneurship offerings, the consortium has begun to exchange information on best practices and to document what's already happening in terms of entrepreneurial learning at participating schools.

"I think this idea of entrepreneurship has an opportunity to sit very well within the context of the mission of community colleges, particularly in terms of workforce development" says Jamie Lester, a member of the Council for the Study of Community Colleges. As Lester notes, by working with municipal agencies and deepening their own sector-based training programs and relationships with employers, community colleges have been repositioning themselves as workforce development providers rather than just affordable pathways to a four-year degree. They train nurses, home health aides, computer technicians and dozens of others to take jobs directly after receiving their associates or program certification. But, as yet, there has been no systematic effort to roll in entrepreneurial training or even to offer the kind of add-on training given by organizations like NFTE in high schools. Lester says much more could be done to integrate financial literacy and business training in many of the existing credit courses, and nearly all community colleges need to create more linkages between the degree programs and the business resources and courses offered to non-credit students.

"We have math courses and English courses and social sciences—these are your requirements—but we don't think about [them] in an interdisciplinary way," says Lester. Focusing on entrepreneurship could provide students with a process for integrating these subjects, she says, and as is the case in high schools, make them much more relevant and practical to a lot of students.

As a way of engendering more of an entrepreneurial ecosystem on campus, community colleges could also embrace incubators for fledgling start-ups and link them meaningfully to programming offered to degree-seeking students. La Guardia Community College in Long Island City has housed an incubator for young design businesses since 2002, but like so many of CUNY's other entrepreneurial offerings very little effort has been made to link that initiative to any of La Guardia's credit programs or any of its other non-credit offerings.

For those campuses without the space or resources for a brick-and-mortar incubator, so-called virtual incubators may be an option. The American Association of Community Colleges (AACC), the National Association for Community College Entrepreneurship (NACCE), the National Business Incubation Association (NBIA) and the U.S. Small Business Administration have recently partnered to build a toolkit for virtual incubation. This includes information on how to establish virtual incubators, who the "clients" are, what services they need, how those services can be delivered and who the key players are at 11 of the nation's most successful campuses with virtual incubators.

However, while most people interviewed agreed that community colleges are uniquely positioned to bolster entrepreneurial learning, they also agreed that there is a capacity issue, since community colleges already address so many other community needs. Lester, for one, thinks the community college system has become overextended. "What's the tipping point? At what point can't they fulfill what we're asking them to do? And to fill it well."

AN ECONOMIC SPARK FOR LOW-INCOME COMMUNITIES

Expanding the number of low-income entrepreneurs isn't just a way to empower self-employed people. Their successes could also redound to the benefit of under-resourced neighborhoods as new businesses set up shop locally and hire from the community.

According to Thomas Boston, the Georgia Tech economist, low-income entrepreneurs, particularly minority entrepreneurs, are more likely than not to set up shop in their neighborhoods and hire from their communities. "Minority entrepreneurs are very committed to developing their communities," Boston says. "They also generally tend to hire from lower income segments of the community than non-minority businesses and that then adds to the income in the community that allows more successful retail establishments and professional establishments, medical practices and grocery stores and others to grow. It's all linked together in a giant chain."

This has certainly proved to be the case in many immigrant-dominated neighborhoods in New York, including Washington Heights, Richmond Hill, Jackson Heights, Brighton Beach, Sunset Park and Flushing. In the 1970s and '80s, many of these neighborhoods were plagued by high-levels of unemployment and crime; their main commercial corridors were dotted with empty storefronts and subpar buildings. But as more and more immigrant establishments, ranging from restaurants and grocery stores to dentists and doctors, moved in throughout the late 1990s and the 2000s these neighborhoods revived and are now among the most vibrant in the city.

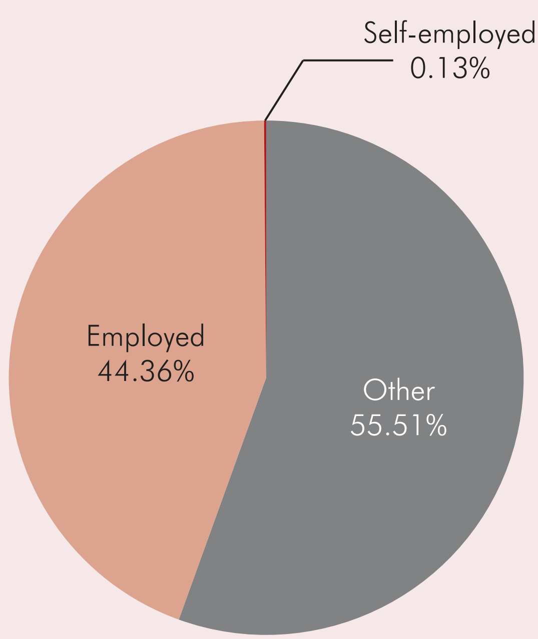
A NEW LAUNCH PAD FOR LOW INCOME ENTREPRENEURS

NYCHA is home to an unmatched concentration of low income New Yorkers, but few residents are turning to entrepreneurship

While public schools and community colleges may be the ideal setting to plant the seeds of entrepreneurship, the city's massive public housing properties provide another powerful opportunity. No other place has a greater concentration of poor and unemployed New Yorkers, many of whom could greatly benefit from self-employment.

The New York City Housing Authority (NYCHA) provides subsidized housing for 397,522 residents in public housing units and an additional 235,655 residents through the Section 8 voucher program, which gives low-income residents rent subsidies that can be used in privately-owned buildings.[24] These are some of the most disadvantaged residents in the city. Only 97,031 (44.5 percent) of the 218,108 NYCHA residents between the ages of 18 and 62 report any income from employment, and NYCHA-assisted households have a median income of $20,700.

Employment and Self-Employment Among Working-Age NYCHA Residents



Sources: NYCHA

At the moment, a strikingly low percentage of NYCHA residents own formal businesses. Of the 218,108 working-age NYCHA residents, only 286, or 0.13 percent, reported owning their own business.[25] With some support, however, it should be possible to expand the number of entrepreneurs living in NYCHA buildings.

The low rate of business formation is understandable given the huge financial challenges facing public housing residents. Thomas Boston, who has conducted extensive research on families living in public housing, says that these individuals find themselves "further outside the business network" and have far less access to capital or the knowledge that middle- and upper-income households have when starting a business. Furthermore, many public housing families are struggling on a daily basis to make ends meet, limiting their ability to choose how to earn money. "They don't have the luxury of devoting X number of hours to starting a business that they're not going to receive any revenue from for, say, a year or two," says Boston.

Yet, Boston contends that this demographic is "very, very interested in [entrepreneurship]," and has a "strong desire" to start their own business and be self-employed. The problem, he says, is that "that desire seldom translates into reality."

Nancy Carin, executive director of the Business Outreach Center Network, says that NYCHA residents may feel wary of entrepreneurship as a method of economic advancement: "If someone is reporting themselves as very low-income, and they live in a housing authority building and they start a business, it's a risk. It's not just a disincentive because the risk is that they will lose a lot of [welfare] benefits, and it's hard to get [those benefits] back if [the business doesn't] work out."

Although NYCHA residents are not currently starting formal businesses at a typical rate, there are some considerable advantages that NYCHA residents have over other New York City residents in starting their own business. These include the naturally occurring networks and social capital that many NYCHA housing developments provide because of the large numbers of residents living close together. "You have hundreds of thousands of people living there, you have a stable living, a great way to start and a natural population to sell to. It seems like a great opportunity," says Joan Bartolomeo, president of the Brooklyn Economic Development Corporation (BEDC).

Approximately 56 percent of low-income New Yorkers pass through NYCHA's doors as residents, Section 8 voucher holders or as households on the wait-list. This gives the agency unique access to their economic status and contact information, which is extremely valuable to local organizations that are trying to promote entrepreneurship. NYCHA already operates 135 community centers in their housing developments, which make excellent resources for reaching clients, tapping into social networks and giving out information about entrepreneurship initiatives.[26] Furthermore, NYCHA occupies a seat on the public-private Workforce Investment Board, which oversees New York City's broader workforce development programs.

Importantly, NYCHA already has a vehicle to promote and support entrepreneurship among its residents. In 2009, NYCHA created an Office of Resident Economic Empowerment & Sustainability (REES), which develops and implements programs with a focus on employment, financial literacy and occupational training. In 2010 nearly 1,000 NYCHA residents found employment through this office.

Understandably, most of the REES initiatives focus on getting residents into jobs—not promoting self-employment and entrepreneurship. But there is a clear opportunity to develop new entrepreneurship initiatives in the months ahead.

A NEW START(UP) AFTER PRISON

Adrienne Smalls served two years in New York's Westchester County Jail from 1989 to 1991. She spent much of the following five years shuttling from New York City to upstate to visit her son, who was jailed on a drug offense. This experience provided her with a business idea: she could sell toiletries and other small essentials to the family members of incarcerated individuals who frequently made the same journey upstate on her bus to visit their loved ones. Roughly 20 years later, her micro-entrepreneurial endeavor, Prisonhelp, still sells goods to visitors making the trip upstate and has expanded to provide counseling services for formerly incarcerated persons who are transitioning to life on the outside.

It's no surprise that a number of formerly incarcerated individuals turn to entrepreneurship. Many of those who served time in prison are enterprising and open to taking risks. Perhaps most importantly, the formerly incarcerated typically encounter serious barriers to securing full time gainful employment upon release, and often view self-employment as the least arduous path to economic self-sufficiency. But there is a clear opportunity to expand the number of formerly incarcerated individuals in New York who pursue self-employment or business formation. Doing so would not only give the formerly incarcerated a chance for a fresh start, but also potentially reduce rates of recidivism among returning prisoners, an important goal given the staggering number of New Yorkers serving time.

In 2008, approximately 650,000 people in the United States were projected to return from state or federal prison, and another 9 million were to cycle in and out of local jails.[27]

There are several programs throughout the nation that promote and support entrepreneurship among the formerly incarcerated. One of the most well-known is the Prison Entrepreneurial Program, an initiative based in Texas that provides entrepreneurial skills training to soon-to-be-released inmates. A mere 5 percent of participants in this program end up behind bars again, compared to 24 percent of all inmates in the Texas Department of Criminal Justice.[28] Last year, the organization got every single graduate a job within 90 days of release—70 percent of whom successfully found one within 30 days—with an average wage of $10 an hour. Over the past eight years, more than 100 business have been started by their 700 graduates in an array of industries, including landscaping, commercial print businesses, manufacturing, automotive services and contracting.

GETTING TECHNICAL

New York City has a number of small business assistance programs, but most of them aren't reaching low-income residents

New York City arguably has more places where small business owners and aspiring entrepreneurs can go to get counseling and technical assistance than any other American city. Some of these programs are run by microfinance organizations and chambers of commerce, and others by government agencies, such as the city's Business Solutions Centers and the federally funded Small Business Development Centers.

However, few of the entrepreneurial assistance programs across the five boroughs are concentrated in the city's poorest neighborhoods, particularly those with a disproportionate share of native-born residents. "You have pockets of certain neighborhoods where [these programs are] concentrated and then other areas where it's a wasteland," says Catherine Barnett, executive director of Project Enterprise.

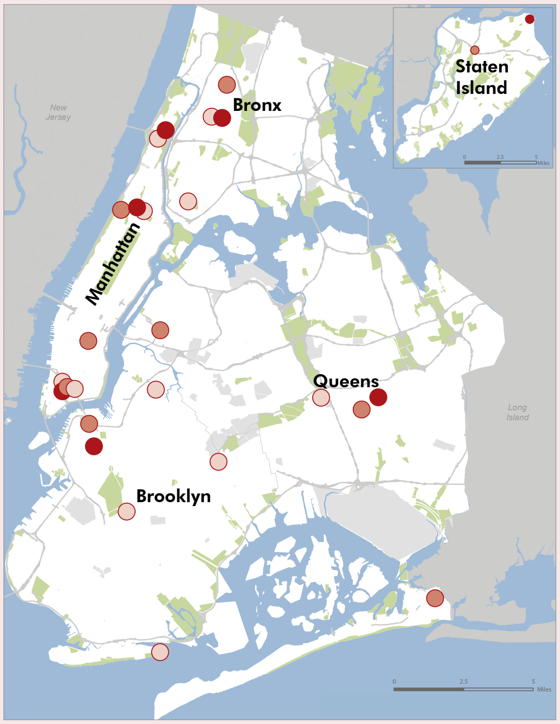
"What I'm finding is a lack of technical assistance as the biggest barrier to people meeting their dreams," adds Bishop Mitchell Taylor of the East River Development Alliance. "If I was to put a sign in my window saying, If you are interested in opening a business come down and sit down with a biz solutions specialist, his schedule will be booked."

It's certainly understandable that public agencies and non-profit organizations choose to set up small business assistance centers where there are fairly high rates of entrepreneurship. They are simply following demand. Moreover, many of these organizations are funded based on the number of clients they serve, a system that encourages them to steer clear of neighborhoods with low rates of business formation, even though there may be significant potential to increase levels of entrepreneurship.

Barnett believes that more must be done to attract service providers to the communities that need them the most. "You're funded a finite amount based on the number of people that you work with," she says. "Certainly you won't close your doors to [potential entrepreneurs in low-income neighborhoods] but you might spend more time trying to recruit or market toward more high-potential folks. There needs to be more funding allocated to organizations to do this kind of work [and] incentives for them to have sites in some neighborhoods where there's more of a need and a lack of services."

While many neighborhoods lack entrepreneurship assistance programs altogether, a related problem is that many potential entrepreneurs

GOVERNMENT-SPONSORED SMALL BUSINESS ASSISTANCE CENTERS IN NYC



NYC Business Solution Centers
Small Business Development Centers
Entrepreneurial Assistance Program Centers

in low-income communities aren't aware of the resources that do exist. Most of the entrepreneurship assistance organizations interviewed for this report rely heavily on word of mouth, email blasts, referrals and fliers to market their services. The limited outreach—primarily a function of small operating budgets with hardly any dedicated funding for marketing—means limited reach. Both service providers and clients say that even though aspiring entrepreneurs have become more active in seeking out resources, it's difficult to get initially connected and figure out what organizations are out there and what resources they offer.

"Technical assistance can be the lion's share of what someone needs to get started, but technical assistance is not something that's readily available, or they don't know it's available," says Bishop Taylor. "Although there is a Small Business Solutions center, a lot of people don't take advantage of it because they don't know it's for them. They think big business solutions even though it says small."

"I definitely think that if technical assistance was effectively marketed to people interested in opening a business," Taylor says, "it would definitely be a sea change for urban entrepreneurs."

A NEW LIFT

To its credit, the Bloomberg administration has greatly expanded its support for entrepreneurs over the past five years. The city's Economic Development Corporation has been at the center of these efforts, rolling out more than a dozen initiatives to support local start-ups—from new incubators to seed funds. Perhaps understandably, however, the bulk of these new programs have benefited college educated entrepreneurs in fields such as technology, fashion and media. Immigrant entrepreneurs have also been aided by a handful of initiatives, including a competition to fund organizations that develop innovative programs to support immigrant-run businesses.

Thus far, few of NYCEDC's programs have focused on supporting low-income, native-born entrepreneurs. But this may be changing. Earlier this year NYCEDC announced plans to build a new incubator space and technical assistance program in the Norwood/Bedford Park neighborhood of the South Bronx that will specifically target low-income entrepreneurs.

The goal of NYCEDC's LIFT Entrepreneurship Program is "to increase entrepreneurship and business development amongst low-income and unemployed residents of underserved communities." Beyond providing office space, the LIFT initiative will offer promising business owners one-to-one technical assistance in how to set up an incorporated business, create a business plan and market products. It will also link members to mentors in the neighborhood who can help them think through a wide variety of broader, more strategic issues. NYCEDC anticipates that the program will help 30 Bronx-based, low-income, minority entrepreneurs.

Smartly, NYCEDC has already worked with several anchor institutions in the area, including Montefiore Medical Center, the Bronx Botanical Garden, The Bronx Zoo and Fordham University, to research promising opportunities for new local businesses, whether it's setting up a flower shop on Jerome Avenue near the hospital or linking into the supply chain of one of the anchor institutions themselves. Joshua Winter, a senior vice president at NYCEDC, says that Evergreen's contract with the Cleveland clinic to provide laundry services was an explicit model for the program and that all four Bronx institutions have cooperated with NYCEDC to find similar sorts of opportunities in their own supply chains.

THE WORKFORCE SYSTEM

The city's centers could provide a huge help to low-income entrepreneurs

Perhaps the most underutilized asset for aspiring entrepreneurs is New York City's workforce development system, which operates one-stop centers in all five boroughs called "Workforce1 Career Centers." Unemployed adults enter Workforce1 Career Centers by the thousands seeking help getting a job, while small-business owners look for help managing or expanding a business.

Workforce1 centers provide an important resource for unemployed adults in New York City. In the early days of the Bloomberg administration, the Department of Small Business Services overhauled much of the city's workforce development infrastructure in order to create an employer-focused system of recruiting, training and placement. Workforce1 Career Centers opened in every borough and over time built up a large repertoire of services and clients. According to SBS data, the Workforce1 Centers collectively served more than 149,000 jobseekers in 2010 and placed roughly 31,000 in employment.

In theory, an unemployed adult could go to a Workforce1 Center and receive support in both finding a job and starting a business. In practice, however, the job seeking and entrepreneurship service lines remain entirely separate, squandering their potential synergy.

Because each Workforce1 Center houses a Business Solutions Center, some of the thousands of adults who enter seeking employment could also be encouraged to take advantage of services like FastTrac NewVenture, a series of seminars for aspiring entrepreneurs happening literally across the hall in many cases. But workforce development staff are expected to focus strictly on connecting job seekers with existing employment opportunities. In fact, the SBS policy guide, which defines the terms of the agency's performance-based contracts, explicitly states that "self-employment can never be entered as a placement."[29] Not only do contractors who run Workforce1 Centers lose money if they fail to meet stringent job placement standards; they can also lose their contracts—and some have.

Many organizations with Workforce1 Center contracts struggle with their dual mission to serve unemployed adults and small businesses. "The unfortunate issue is that if someone gets self-employed, it's not an outcome and we don't get paid," says one workforce development practitioner, noting that having Business Solutions Centers in the same building leads some job applicants to look into entrepreneurship anyway, but it is not an area of focus for intake personnel or counselors.

The same is true for SBS's website. Users can click on "Help for Jobseekers" to access online job listings and seminar schedules, but the page does not encourage jobseekers to visit a Business Solutions Center to explore entrepreneurial opportunities, or even link to outside agencies or organizations that could provide such assistance.

"There are lots of people who would like to consider starting their own business," says another workforce development expert, "but it's not sufficiently brought to their attention."

Community-based organizations that specialize in workforce development represent another opportunity to support entrepreneurism. These groups understand the needs of the low-income adults in their communities better than anyone else. Almost 200 groups that provide work readiness and training services collaborate closely with Workforce1 Centers, but they do not generally tackle subjects like entrepreneurism and self-employment, either on their own or in the work they do for the Workforce1 Centers.

"I have personally struggled with the entrepreneurship question in this job," says Jeanie Tung, director of training at Henry Street Settlement on Manhattan's Lower East Side. "To be honest, our first mission is just to connect people to employment. When people have their own ideas and want to start their own businesses there aren't a lot of resources."

Creating more synergy between the city's workforce development and small business service centers could benefit clients on both sides. Even those clients who are really driven to start their own business may benefit from being placed in a job in the short term, as developing a business plan, seeking licenses and lining up financing all take time. Others may simply be unready to climb the steep hill to starting a business and would benefit from getting a job with an employer instead.

To create this synergy, the city should consider establishing a rigorous system to count self-employment as the equivalent of a job placement. At Business Solutions Centers, a formal process already exists to register a business and document income generated through that business. Integrating self-employment outcomes into the workforce system, she says, would spur additional activity to promote entrepreneurism without lowering the standards of performance-based contracts.

RECOMMENDATIONS

Expand NYC's Entrepreneurship Initiatives to Target Low Income, Native-born New Yorkers

The city's Economic Development Corporation (NYCEDC) has impressively ramped up its support for entrepreneurs in the past four years, with a range of new initiatives—from creating new incubators to establishing seed funds. While the Bloomberg administration deserves ample credit for embracing the city's entrepreneurial economy, much of its focus has been on college-educated entrepreneurs, particularly in fields such as tech, fashion and food, or immigrant entrepreneurs. It's now time for NYCEDC and the Department of Small Business Services (SBS)—perhaps working in tandem with the New York City Housing Authority, the Center for Economic Opportunity, the Office of Financial Empowerment and the Department of Education—to develop a series of programs designed to expand the number of low-income, native-born entrepreneurs in the city and help more of the people who do start a business grow to the next level.

Encourage More Low-Income People to Turn to Entrepreneurship

Any new entrepreneurial initiative that targets low-income individuals should go beyond simply supporting existing business owners or assisting those who are already inclined to start a business. While those things make sense, a significant focus should be on promoting and encouraging entrepreneurship, and expanding the overall pool of low-income native-born New Yorkers who pursue business ownership. Currently, too few low-income people from disadvantaged communities ever consider entrepreneurship as a pathway to economic self-sufficiency (and thus never set foot in a publicly or privately run center that offers counseling for existing businesses and prospective entrepreneurs). City policymakers should set a goal of increasing the number of low-income, native-born entrepreneurs by 10 to 20 percent over the next four years.

Incorporate Entrepreneurship into Workforce Development Programs

At a time when the city's unemployment rate hovers over 9 percent and there is a dearth of middle-income jobs for individuals without a college degree, city policymakers should encourage at least some unemployed or underemployed New Yorkers to consider entrepreneurship as a career option. The city's workforce development system presents a golden opportunity to do just that, since tens of thousands of New Yorkers pass through the city-run Workforce1 centers and countless others seek help from private workforce preparation programs. Currently, however, New Yorkers who show up at these offices looking for help in finding a job or developing the skills they need for a career rarely ever hear about self-employment or entrepreneurship as an option. Indeed, current procedures and funding guidelines discourage workforce development staff from doing anything but placing someone in an existing job. The city's Office of Human Capital Development (OHCD) and Department of Small Business Services (SBS), which oversees the city's Workforce1 Centers, should require all job centers—including the Workforce1 Centers, to feature materials on self-employment and starting a business. SBS should also alter its policy guide to enable individuals pursuing self-employment to count as a "placement".

Expand Teaching Entrepreneurship Programs

In low-income communities with few entrepreneurial role models and mentors, exposing school kids to the world of business ownership is enormously important. Unlike immigrants and more affluent residents, the vast majority of kids in low-income, native-born communities don't have family members or friends who have started their own businesses. As a result, most won't even think to consider entrepreneurship as a possible career path. While school-based entrepreneurship programs, such as NFTE and JA, exist in New York, they have been cut back dramatically in recent years and even at their height reached only a tiny fraction of the city's 1.1 million students. Because in-school programs like these are the only way many low-income students will ever learn basic business and financial skills, they are a promising way to increase the number of businesses in low-income neighborhoods. But they are also a good way of capturing the imaginations of students who are failing in school. With the implementation of the common core curriculum and its emphasis on critical thinking, new opportunities exist to use entrepreneurship as a focus in project-based learning assignments. In fact, in-class assignments could easily play off of existing programs and resources, many of which are outlined in this report. But officials inside the NYC DOE need to make entrepreneurial learning a priority and make sure principals and teachers all understand what resources are available and how they might integrate them in their classrooms.

Develop Startup Competitions For Low-Income Entrepreneurs

Few weeks go by in New York without the city playing host to a startup competition, a pitch event or a demo day—all of which showcase local entrepreneurs and, in many cases, give them a chance to promote their company and get advice from investors and business experts. Unfortunately, few of these events bring low-income entrepreneurs into the mix. The city's Economic Development Corporation should fund a series of startup competitions around the five boroughs that specifically target low-income entrepreneurs—not focusing on tech entrepreneurs, but everything from neighborhood based retail to services. NYCEDC might include a competition at one or more of the city's community colleges and another for entrepreneurial-minded residents of a NYCHA complex. This seems ripe for partnering with private sector sponsors—such as a bank—that could fund the award money. But while a monetary prize would be a nice incentive, simply getting a number of low-income residents to participate in a business plan competition—and building their confidence—would be a huge win by itself.

Help Individuals Turn Side Hustles into Formal Businesses

One of the most encouraging findings of our report is that loads of low-income, native-born New Yorkers operate "side hustles" as a way to generate income. City economic development officials should develop a plan to work with these entrepreneurial individuals, and provide the support to help some of these side hustles grow into formal businesses. This might include everything from helping the individuals establish savings accounts to teaching them how to write a business plan and providing access to microloans.

Eliminate Disincentives to Self-Employment for Recipients of Government Benefits

Some low-income people shy away from entrepreneurship out of fear that they will make just enough money to cause them to lose longstanding government benefits. Policymakers should eliminate this kind of disincentive for those receiving different types of public assistance. Officials at the federal, state and city level should restructure existing policies so that those who receive payments from TANF (Temporary Assistance for Needy Families) or subsidized housing from NYCHA don't immediately lose their benefits if they start a successful business.

Philanthropic Foundations, CBOs and City Agencies Should Support the Formation of More Worker Cooperatives

Worker Cooperatives can be an effective way to deliver many of the benefits of business ownership—including on-the-job training in basic management and financial skills—while mitigating many of the risks. But worker cooperatives tend to have a hard time finding sufficient capital and technical assistance when starting out. Many banks, attorneys and other service providers aren't familiar with their unique organizational needs, and the founding members need extensive support in laying the legal and organizational ground work for future profit-sharing and member training. Philanthropic foundations in the city should work with CBOs to provide start-up funds for cooperatives in low-income neighborhoods, and NYCEDC and SBS should provide targeted technical support. In fact, the city could create an incubator for worker cooperatives and provide not only much-needed space for founding members but a wide variety of services around business and organizational development.

Create Opportunities for Successful Business Owners to Mentor Start-Ups.

Mentors play an enormously important role in not only educating potential new entrepreneurs, but in raising the profile of entrepreneurship in the first place. Mentors are common in many immigrant communities with high rates of self-employment, but they are lacking in many native-born, low-income neighborhoods in New York. One reason for that is the dearth of opportunities for established business owners to connect with new, would-be entrepreneurs in their community. Any effort to raise business incorporation rates in low-income communities across the city has to tackle this problem and create opportunities for existing business owners to share their knowledge and know-how with others. These could include networking events held by local development corporations or public programs at neighborhood library branches. With the help of the city or philanthropic foundations, community based organizations could also take the lead in pairing established business owners with young, high potential entrepreneurs in low-income neighborhoods.

Expand Technical Assistance Programming in Low-Income Neighborhoods

If efforts to encourage more low-income New Yorkers to pursue entrepreneurship are successful, many of the emerging entrepreneurs will need business counseling and technical assistance on everything from writing business plans to accessing capital. But many of the city's low-income neighborhoods currently lack these resources. Policymakers and philanthropic leaders should make a commitment to expanding technical assistance programs in low-income neighborhoods. There are at least a few options for this. First, existing government programs, like the SBS

Business Solutions centers, could partner with community based organizations or libraries, and offer regular workshops on starting or growing a business. They might even consider sending a business counselor into the community for one full day each week. Another option is to provide incentives that would allow microfinance organizations—the entities that are arguably best positioned to work with and support very small businesses run by low-income residents with limited collateral—to open offices into low-income neighborhoods that currently have relatively limited demand for their services. Finally, government agencies and philanthropic funders ought to consider providing new funding for microfinance organizations to better market their services, particularly to residents of low-income neighborhoods who may not currently be familiar with these opportunities.

Establish Entrepreneurship Initiatives for NYCHA Residents

With so many NYCHA residents disconnected from the world of work, the time may be ripe to create new programs aimed at expanding the number of public housing residents in New York who turn to entrepreneurship as a pathway out of poverty. There is a clear opportunity to make progress here. As it is, only 0.13 percent of adult New Yorkers living in NYCHA properties report owning their own business. NYCHA leaders and city economic development officials should set a goal of increasing these numbers, and work with community leaders to develop a new initiative that encourages and supports entrepreneurship. This could include bringing in successful minority business owners as speakers and mentors, new technical assistance programs, subsidized business spaces and competitions that award cash prizes—or discounted real estate—for the best business plans. This would be an ideal initiative for NYCHA's Office of Resident Economic Empowerment & Sustainability.

Expand and Improve Financial Education for School Kids

Too many low-income children grow up with only limited knowledge about the value of managing their money and little awareness that they could one day run a business. The city's public school system should expand efforts to teach financial education and bring in successful business owners from the community to speak about their experiences. This might even include raising awareness about successful minority business owners during Black History month. As one African American small business expert told us, "We are decades out, and people are still only learning about Rosa Parks, Malcolm X and Martin Luther King [in Black History month]. We're not learning about the inventors or the businessmen that are out there. You can tell them all about Magic Johnson, and don't focus just on his career scoring averages, but about how he is an amazing businessman. Teaching that in school is important and sets a mindset that 'I can have a business of my own.'"

Reform New York State's Occupational Licensing Laws

The state's onerous occupational licensing laws may serve as an obstacle for some low-income entrepreneurs, many of whom simply don't have the time or resources to complete the requirements. For instance, according to a 2012 report by the Institute for Justice, New York State requires those seeking a barber's license to complete 884 hours of education and training, more than all but one state (the average is 416), in additional three exams and $60 in fees. If these requirements were eased, it might prompt some of the low-income New Yorkers who cut hair as a "side-hustle" to set up formal businesses. Additionally, cosmetologists and massage therapists in New York need 233 days of education and experience to get a license, while child care workers require a year of training, more than every other state except for New Jersey. State officials should immediately undertake a review of its occupational licensing laws and restructure the training requirements so they are more in line with other states.

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23. Ibid.
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