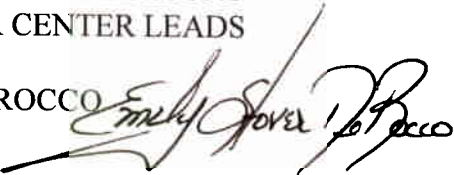


EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION Self-Employment
	CORRESPONDENCE SYMBOL OPDR
	DATE February 23, 2005

TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 16-04

TO : ALL STATE WORKFORCE AGENCIES
ALL STATE WORKFORCE LIAISONS
ONE-STOP CAREER CENTER LEADS

FROM : EMILY STOVER DeROCCO 
Assistant Secretary

SUBJECT : Self-Employment Training for Workforce Investment Act Clients

1. **Purpose.** To encourage the workforce investment system to make entrepreneurial training opportunities available for people interested in self-employment under Title I of the Workforce Investment Act of 1998.

2. **References.**

Section 134(d) of the Workforce Investment Act of 1998, Public Law 105-220, Title 1, Subtitle A, Chapter 5, 112 Stat. 936 (August 7, 1998);

Chapter V of 20 C.F.R., Parts 660 through 670;

Department of Labor, Employment and Training Administration, 20 C.F.R. Part 652 *et al.* Workforce Investment Act, Final Rules (65 FR 49294)

Self-Employment Assistance program information at www.workforcesecurity.doleta.gov/unemploy/self.asp.

Benus, Jacob, Terry Johnson, Michelle Wood, Neelima Grover, Ted Shen. "Self-Employment Programs: A New Reemployment Strategy: Final Impact Analysis of the Washington and Massachusetts Self-Employment Demonstrations." Unemployment Insurance Occasional Paper No. 95-4. Washington, DC: U.S. Department of Labor, 1995. http://ows.doleta.gov/dmstree/op/op95/op_04-95.pdf

RESCISSIONS	EXPIRATION DATE Continuing
-------------	-------------------------------

Clark, Peggy and Amy Kays. *Microenterprise and the Poor*. Washington, D.C.: The Aspen Institute, 1999. <http://www.fieldus.org/li/microenterprise.html>

Kosanovich, William and Heather Fleck. "Comprehensive Assessment of Self-Employment Assistance Programs." ETA Occasional Paper 2002-01. Washington, DC: U.S. Department of Labor, 2002. <http://www.doleta.gov/reports/searcheta/occ/papers/sea.pdf>.

Lind, Patti. "Getting Down to Business: A Blueprint for Creating and Supporting Entrepreneurial Opportunities for Individuals with Disabilities." Washington, DC: The President's Committee on Employment of People with Disabilities. 1999 <http://www.dol.gov/odep/archives/business/toc.htm>

Robinson, John G. "New Forms of Activity for the Unemployed and Measures to Assist the Creation of Self-Employment; Experiences and Opportunities in Combating Unemployment." Unemployment Insurance Occasional Paper, 93-2. Washington, DC: U.S. Department of Labor, 1993. http://ows.doleta.gov/dmstree/op/op93/op_02-93.pdf

Vroman, Wayne. "Self-Employment Assistance: Revised Report." Washington, DC: The Urban Institute, 1997.

Wandner, S.A. (Ed.). (1992) "Self Employment Programs for Unemployed Workers." Unemployment Insurance Occasional Paper No. 92-2. Washington, DC: U.S. Department of Labor, 1992. http://ows.doleta.gov/dmstree/op/op92/op_02-92.pdf

3. Background. The past two decades have seen a rapid increase in the number of self-employment assistance programs in the United States. Typically administered by community-based agencies, community development corporations, or women's economic development centers, the programs are often targeted to low-income populations, the unemployed, welfare recipients, women, refugees, individuals with disabilities, and other groups. Funding for these programs comes from federal, state, or local governments as well as private foundations.

Self-employment can be a valuable option for populations who wish to work, but have the desire to own their own business, or have barriers to employment which can be minimized through self-employment. For example, many individuals with disabilities are turning to entrepreneurship as a career choice because self-employment provides flexibility and income opportunities unavailable through traditional wage employment.

The Department of Labor (DOL) has recently made self-employment assistance for unemployed workers a focused policy initiative. ETA's goal is to ensure that every available worker has the education, training, and skills to fill the gap so that no worker is left behind. To reach this goal, ETA is bringing the resources of employment, education, and economic development together to better serve the employees and employers of the future. Through this linkage, called the power of e^3 , ETA is building a demand-driven

system of workforce investment. Self-employment leverages the power of e^3 by strengthening the linkage between economic development and workforce investment.

The basis for much of the DOL's work surrounding self-employment stems from two experimental projects DOL sponsored in the States of Massachusetts and Washington, beginning in 1987. These projects tested the effectiveness and efficiency of this approach in returning unemployed workers to productive employment. Based on the results of the projects, the Department has recommended that self-employment assistance be emphasized as a reemployment strategy for dislocated and/or unemployed workers.

In 1993, Congress authorized states to establish Self-Employment Assistance (SEA) programs for recipients of Unemployment Insurance (UI) benefits. SEA programs are targeted to UI recipients who are identified through State worker profiling and reemployment service (WPRS) models as likely to exhaust their UI benefits. The program provides two main benefits: (1) training and technical assistance in self-employment; and (2) SEA allowances in lieu of regular UI benefits.

The authorization for SEA was for a temporary five-year period, after which DOL was required to submit a report to Congress on the status of the programs. As a result of the recommendations of this Congressional Report (Vroman 1997), Congress passed new legislation permanently authorizing SEA programs in 1998. While the SEA legislation authorized all states to implement the program, a majority of states chose not to participate. Only eleven states passed enabling legislation, and eight states implemented the programs: California, Delaware, Maine, Maryland, New Jersey, New York, Oregon, and Pennsylvania. California, however, terminated its program in July 1998 and Pennsylvania ceased funding its program at the end of June 2003.

The Small Business Administration (SBA) estimates that 47% of small businesses are still operating after four years with another 29% determined to have been successful when closed. Survival rates of micro businesses compare very favorably to the general population of small businesses. One study conducted by the Self-Employment Learning Project (SELP) of the Aspen Institute, showed 57 percent of businesses surviving after five years, with average revenues increasing 27 percent and profits doubling in that period. Ninety percent of businesses started by participants in the Washington and Massachusetts Self-Employment Demonstrations survived after 2.6 years.

4. Legal Authority For Self-Employment Training Through One Stops. The Workforce Investment Act of 1998 (WIA) established a national workforce investment system to expand the array of coordinated and customized services that can be provided to individuals who need assistance to achieve their goals for economic self-sufficiency through employment or self-employment. Title I of WIA allows States to “provide adults and dislocated workers occupational skills training, including training for nontraditional employment, and *entrepreneurial training.*” (Emphasis added)

Self-employment training programs and providers of these programs can and should be included on the statewide and locally maintained eligible training provider lists. WIA regulations require

that “[t]raining services, whether under ITA’s or contract, must be provided in a manner that maximizes informed customer choice in selecting an eligible provider.

The Preamble to the regulations further explains, “...maximizing customer choice requires that Governors and Local Boards ensure that eligible training provider systems offer a diverse array of high-quality programs that meet the varying career interests, skill levels, and training needs of WIA customers, including low income adults, dislocated workers, and other priority groups under WIA.” It also strongly encourages states and local boards to take affirmative steps to ensure that programs offering non-traditional training are included on such lists. Further, DOL strongly encourages Governors and LWIBs to provide outreach, technical assistance, and leadership to different types of providers, including providers of non-traditional employment and training opportunities, in order to ensure a diverse array of high-quality training options.

5. **Current DOL Self-Employment Activities.** The following self-employment initiatives are currently underway in the workforce investment system.

A. Project GATE: While many Americans dream about starting their own business and have the necessary skills and motivation to do so, lack of access to credit and business expertise often prevent them from realizing their dream. Recognizing this untapped potential, the DOL has teamed up with the SBA to create a demonstration project designed to assist people interested in self-employment to create or expand their own businesses. This project is called Project GATE (Growing America Through Entrepreneurship). Participants in Project GATE are offered classroom training and one-on-one technical assistance on developing their businesses and applying for an SBA micro loan or other source of business finance. The demonstration began in August and September 2003 in seven sites in three states—Maine, Minnesota, and Pennsylvania. The demonstration will be evaluated to address whether Project GATE could be replicated successfully, whether it is effective, and whether its benefits exceed its costs.

More information on Project GATE can be found by visiting <http://www.projectgate.com> or calling 1-866-677-GATE.

B. Self-Employment Assistance Programs: ETA also administers the Self-Employment Assistance Program. This program is part of the Department’s unemployment insurance program, and offers dislocated workers the opportunity for early re-employment. The Self-Employment Assistance Program is designed to encourage and enable unemployed workers to create their own jobs by starting their own small businesses. Under this program, States can pay a self-employed allowance, instead of regular unemployment insurance benefits, to help unemployed workers while they are establishing businesses and becoming self-employed. Participants receive biweekly allowances while they are getting their businesses off the ground. The program is voluntary and only seven states currently operate Self-Employment Assistance Programs.

More information on the SEA Program can be found by visiting

<http://www.workforcesecurity.doleta.gov/unemploy/self.asp> or by calling 1-877-US-2JOBS.

C. Small Business Self-Employment Service (SBSES): The SBSES is a service that provides comprehensive counseling and referrals about self-employment and small business ownership opportunities for people with disabilities. It also includes links to other entrepreneurship sites. SBSES is a part of the Job Accommodation Network (JAN), a toll-free information and referral service on job accommodations for people with disabilities; on the employment provisions of the Americans with Disabilities Act; and on resources for technical assistance, funding, education, and services related to the employment of people with disabilities. Individual assistance is available toll-free by telephone: 1-800-526-7234 or 1-800-232-9675/V/TTY.

More information can be found at <http://janweb.icdi.wvu.edu/sbSES>.

D. Strategic Alliance Memorandum (SAM): It should be noted that the DOL and SBA signed a Strategic Alliance Memorandum (SAM) on December 11, 2003, part of which implements a coordinated interagency initiative to improve opportunities for people with disabilities to work for or own small businesses. ETA issued TEN 01-04 announcing this partnership to the workforce investment system.

E. Customized Employment Grants: The Office of Disability Employment Policy currently funds 26 demonstration grants to develop and implement customized employment services through the workforce investment system. Self-employment and small business ownership opportunities are being used in several of the grant projects to achieve employment goals for individuals who have significant disabilities. More information about customized employment can be found at <http://www.onestops.info/website.php?page=customized>

6. Self-Employment Partnership Opportunities. Successful entrepreneurship programs that truly marry workforce and economic development involve collaboration and coordination of several partner programs. Partners can provide expertise and resources on small business development and entrepreneurial training. The workforce investment system can expand its comprehensive menu of services to serve a broader segment of the community by initiating partnerships with public and private agencies to provide self-employment training. Many potential partnering organizations are local and state sponsored intermediaries. Workforce Investment Boards and One-Stop Career Centers are encouraged to develop memoranda of understanding or other formal and informal agreements with appropriate partners to promote self-employment services. Following are some examples of partnership organizations that promote self-employment:

A. The Small Business Administration (SBA): The SBA provides training, counseling, and funding assistance to entrepreneurs and small businesses. The Office of Entrepreneurial Development (OED) oversees a network of programs and services that support the training and counseling needs of small business. It is SBA's technical assistance arm with resource partners located throughout the country. Programs and services within OED's network include:

1. Small Business Development Centers (SBDC): The SBA administers the Small Business Development Center Program to provide management assistance to current and prospective small business owners. SBDCs offer “one-stop” assistance to individuals and small businesses by providing a wide variety of information and guidance in central and easily accessible branch locations.

For more information: Small Business Development Centers, Small Business Administration, 409 Third Street, SW, Washington, DC 20416; 202-205-6766; <http://www.sba.gov/sbdc/>.

2. Service Corps of Retired Executives (SCORE): The SCORE Association, a resource partner with the SBA headquartered in Washington, D.C., is a nonprofit association dedicated to entrepreneurial education and the formation, growth and success of small businesses nationwide. As of 2004, SCORE's 10,500 volunteers provide small business counseling and training through a network of 389 chapters and 800 branches.

For more information: SCORE Association, Small Business Administration, 409 Third Street, SW, Washington, DC 20416; 800-634-0245; <http://www.score.org>.

3. Women's Business Centers: Through the Office of Women's Business Ownership (OWBO), the SBA promotes the growth of women-owned businesses through programs that address business training and technical assistance, and provide access to credit and capital, federal contracts, and international trade opportunities. With a women's business ownership representative in every SBA district office, a nationwide network of mentoring roundtables, women's business centers in nearly every state and territory, women-owned venture capital companies, and the Online Women's Business Center, OWBO is helping unprecedented numbers of women start and build successful businesses.

For more information: Office of Women's Business Ownership; Small Business Administration; 409 Third Street SW, Fourth Floor; Washington, DC 20416; 202-205-6673; <http://www.onlinewbc.gov>.

4. The Office of Veterans Business Development: The Office of Veterans Business Development (OVBD) is dedicated to serving the veteran entrepreneur by formulating, executing and promoting policies and programs of the SBA that

provide assistance to veterans seeking to start and develop small businesses. OVBD offices are located in all fifty states. To find the office nearest you, visit: <http://www.sba.gov/vets/reps.html>.

For more information: The Office of Veterans Business Development, Small Business Administration, 409 Third Street, SW, Washington, DC 20416; 202-205-6773; <http://www.sba.gov/vets>.

B. The Department of Veterans' Affairs: The U.S. Department of Veterans' Affairs (VA) conducts several joint activities with the SBA and DOL to provide entrepreneurial assistance to veterans.

In 2000, pursuant to Title IV of the Veterans Entrepreneurship and Small Business Development Act of 1999, the VA, SBA and DOL signed a memorandum of understanding (MOU) in which they agreed to work together to improve networking efforts for all veterans by enabling local representatives and resources to take a team approach to providing services. The MOU requires the SBA to coordinate technical, managerial and financial assistance to veterans interested in forming or expanding small businesses. The VA is required under the MOU to participate with the SBA and DOL in coordinating vocational rehabilitation services and technical, managerial, and financial assistance to veterans who seek employment through forming or expanding small business concerns. Most importantly, DOL's Veterans' Employment and Training Administration is responsible for informing veterans, DOL employees, Disabled Veterans Outreach Program staff, and Local Veterans' Employment Representatives that various programs and services are available to veterans interested in entrepreneurship and successful employment.

Following are some of the self-employment programs the VA administers:

1. National Veterans Business Development Corporation – The Veterans Corporation provides veterans with the tools they need to be successful in business including: (1) access to capital, (2) entrepreneurial education, (3) electronic marketplace, (4) access to services, and (6) business networking. The Veterans Corporation, a 501(c)3 non-profit corporation, was created in 1999 by Public Law 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999, which also set a 3 percent set-aside goal for Veteran-owned businesses in Federal procurement.

For more information: The Veterans Corporation, 1800 Diagonal Road, Suite 230, Alexandria, VA 22314; 866-283-8267 (866-2VETCORP); <http://www.veteranscorp.org>.

2. Vocational Rehabilitation and Employment Service (VR&E) - The VR&E program offers a variety of employment services as a means to obtain suitable employment that include: assistance in finding employment; job seeking skills

training; on-the-job training and apprenticeships; job development; self-employment services (based on eligibility); vocational training; 1-year certification programs; 2-year diploma programs; and 2 and 4 year post-secondary training programs.

For more information: <http://www.vba.va.gov/bln/vre/index.htm>.

3. Center for Veterans Enterprise – The Center supports economic empowerment for veteran entrepreneurs and provides resource assistance for veterans and service-disabled veterans who are considering business ownership.

For more information: U.S. Department of Veterans Affairs; The Center for Veterans Enterprise, 810 Vermont Avenue, N. W., Washington, D.C. 20420; 202-303-3260 or 800-584-2344; <http://www.vetbiz.gov/library/contactus.htm>.

C. Vocational Rehabilitation Programs: On July 24, 2000, the Rehabilitation Services Administration of the U.S. Department of Education issued a Technical Assistance Circular describing the legal authority for state vocational rehabilitation programs to accept and provide funding for self-employment, telecommuting and small business start ups as employment goals. The circular can be found at <http://www.ed.gov/policy/speced/guid/rsa/tac-2000.html>.

7. Action Requested. States and SWA's are requested to encourage local workforce investment boards to consider entrepreneurial training programs for WIA customers as part of their menu of services and to explore the appropriate partnerships to support these training programs. States are encouraged to include entrepreneurial training providers on their eligible training provider lists.

8. Inquiries. Questions or comments can be directed to the appropriate regional office. Additional information can be found at www.doleta.gov.