



National Center for Neighborhood Enterprise

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ENTERPRISE ALLOWANCE INITIATIVE

European Enterprise Allowance Scheme

Since 1978, an estimated 200,000 unemployed British and French workers have started new businesses using public unemployment benefits.

In Britain's Enterprise Allowance Scheme, the government pays unemployed entrepreneurs \$42-44 per week for a year while their fledgling businesses are getting started. One unemployed former manager used the program to start a sheet metal fabrication plant that now employs 53 workers.

In France, laid-off workers can collect six months of unemployment benefits in a lump sum to invest in their own new businesses. Both countries also provide training and finance programs for start-up seed capital.

Participants in the French program collect up to \$4,000 for the business start-up, with bonuses for ventures that create additional jobs. France reports that 60-80 percent of the firms survive in the critical first year. In Britain, the rate is 88 percent. The British also found that for every 100 businesses in the program for nine months, 150 jobs were created. Service firms are predominate in the French program. The 43,145 British in the program as of last August ran businesses ranging from acupuncture to lampshade manufacturing, although most are also in the service sector.

U. S. Supporters

The National Governor's Association, National League of Cities, Corporation for Enterprise Development, and the Council for a Black Economic Agenda have studied the European models and recommend demonstrations of the Enterprise Allowance concept in the United States. Several states and cities have already experimented with new models for promoting entrepreneurship among low-income people. In St. Paul, for example, the one-year old Women's Economic Development Corporation, with the support of local banks, has helped more than 100 low-income women start successful businesses.

Issues

Current AFDC and unemployment compensation regulations provide legal obstacles and disincentives for the poor attempting to save money and start-up new small businesses.

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"Turning Problems Into Opportunities"

Limits on allowable assets and earned income, loss of Medicaid benefits on taking a job, and inadequate child care allowances keep people in a state of prolonged welfare dependency. While the 1984 Deficit Reduction Act broadened states' authority to experiment with AFDC funds for job placement and training, the legislation did not include entrepreneurship initiatives.¹

The Council for a Black Economic Agenda and the National Center for Neighborhood Enterprise will co-host an international Enterprise Allowance Conference with the Administration and others in Washington, D.C. in the fall of 1986. Policymakers and small business leaders who have benefited from the program will be key presenters. They will appear with Kimi Gray and others from across the country who have managed to start small businesses among low-income people.

Governors, members of Congress, and business leaders will be invited to attend. The purpose will be to learn if these successful efforts can be adapted to the United States. It is not intended to be the answer to welfare, but one part of alternative approaches to providing a ladder out of long-term welfare dependency. Grassroots leaders around the country who have been apprised of this program are overwhelmingly enthusiastic.

¹ Carol Steinbach, National Journal, March 9, 1985.