

Written Comments from the
California Association for Micro Enterprise Opportunity (CAMEO)
Before the **Assembly Committee on
Jobs, Economic Development and the Economy**

Hearing on the *Overview of the California Economy:
Supporting Upward Mobility through Economic Growth*
February 28, 2017

Panel: Entrepreneurship and other Strategies for Upward Mobility

Thank you Chair Quick Silva, Vice Chair Allen and members of the committee for the opportunity to talk about microbusiness ownership and upward mobility.

According to the Federal Reserve Chair, Janet Yellen, business ownership is a key strategy for wealth creation. The median net worth of a business owner is 2.5 times greater than the net worth of non-business owners.

This is true for all households, including those with a microbusiness owner. A household with a [microbusiness owner has \\$13,000 more in annual household income than a household without a microbusiness owner](#). This can mean the difference between buying a house or sending a child to college. That is upward mobility.

Self-employment is also used for upward mobility.

A new study by the Federal Reserve Board of Governors - [Survey of Enterprising and Informal Work Activities](#) found that 70 million Americans are engaged in some kind of independent work, whether it's to replace traditional wage work or supplement it - 70 million. That's one-third of our workforce.

And a new report by Inuit on the [on-demand workforce](#) found that 66% of people working in on-demand jobs have variable monthly income and 41% say they had a financial hardship in the last year.

They are using the on-demand job for income stability and to get over a hump; they are using these jobs for upward mobility.

These self-employed are business owners and need four things to succeed: coaching, capital, connections and climate.

Business - coaching: 80% of business owners who get coaching (mentoring, workshops, business planning classes) will be in business in 3-5 years, create 2 jobs in addition to their own, have higher revenues, and raise tax revenues for the state.

Small loans mean a lot. A research paper, [How Much Does Credit Matter for Small Business Success in the United States?](#), compared similar potential borrowers except for whether they received a loan or not. Applicants who receive a loan

- are 54% more likely to qualify for future business loans;
- are 54% more likely to survive; and
- increase their sales by an average of 41%.

A business can have a great idea, a great plan, and money to implement the plan, but without clients or customers, there is no business. In order to thrive and grow, small businesses need **connections to market opportunities**.

Climate includes the regulations and policies needed for a thriving entrepreneurial ecosystem. Our priorities for the state include:

- Invest in the federally recognized entrepreneurial training programs including the SBDCs, the WBCs, and others. They pay for themselves many times over. The SBDCs leveraged \$2 million to access \$200 million.
- Ensure that access to capital is responsible.
- Re-align institutions that were set up decades ago to reflect today's labor market realities, for example workforce and student loans.

I'm happy to elaborate in the questions.

CAMEO would like to thank the JEDE committee for giving us the opportunity to share our views.