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The Self-Employment Assistance (SEA) Program

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Summary

Self-employment is one potential pathway to exit a spell of unemployment. The regular Unemployment Compensation (UC) program generally requires unemployed workers to be actively seeking work and to be available for wage and salary jobs as a condition of eligibility for UC benefits. These requirements constitute a barrier to self-employment and small business creation for unemployed workers who need income support. The Self-Employment Assistance (SEA) program, however, provides an avenue for combining income support during periods of unemployment with activities related to starting one's own business.

Thus, within the joint federal-state UC program, the SEA program focuses on the reemployment of UC beneficiaries. State SEA programs help unemployed workers generate their own jobs through small business creation. SEA waives state UC work search requirements for those individuals who are working full time to establish their own small businesses. SEA provides a weekly allowance in the same amount and for the same duration as regular UC benefits. It is available only to individuals who would otherwise be entitled to UC benefits and have been determined likely to exhaust their UC benefits. Despite the unique configuration of SEA, which pairs self-employment activities and income support, participation in the program by states as well as unemployed workers is limited. Eight states have active SEA programs for UC claimants (Delaware, Mississippi, New Hampshire, New Jersey, New York, Oregon, Pennsylvania, and Rhode Island, as of 2022) and in one of these states—New York—authorization for the SEA program is scheduled to expire December 7, 2023. In 2022, there were 1,404 SEA participants nationwide. In part, the small-scale nature of the program is likely due to the authorizing legislation requirement that SEA be budget neutral; that is, no UC funds may be used to provide self-employment training.

P.L. 103-182, the North American Free Trade Agreement Implementation Act, created the SEA program on December 8, 1993. It was permanently authorized by P.L. 105-306, the Noncitizen Benefit Clarification and Other Technical Amendments Act, which was signed on October 28, 1998. Like the rest of UC, the SEA program is financed by federal taxes under the Federal Unemployment Tax Act (FUTA) and by state payroll taxes under the State Unemployment Tax Acts (SUTA).

More recently, provisions in P.L. 112-96, the Middle Class Tax Relief and Job Creation Act of 2012 (signed February 22, 2012), gave states the authority to expand SEA participation to certain claimants in the Extended Benefit (EB) and temporary Emergency Unemployment Compensation (EUC08) programs (authorized July 2008-December 2013). P.L. 112-96 also provided \$35 million in SEA grant funding for FY2012 and FY2013, which was distributed to states based on applications to the U.S. Department of Labor.

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The Self-Employment Assistance Program

In 2022, 9.9 million workers were self-employed, making up 6.2% of all workers.¹ The joint federal-state Unemployment Compensation (UC) program does not provide benefits to the self-employed.² To be eligible for UC benefits, individuals generally must be able, available, and actively seeking work in wage and salary jobs. The Self-Employment Assistance (SEA) program offers an exception to this eligibility framework. It pays a weekly SEA allowance, which is identical in amount and duration to what an individual would have received as a regular UC benefit. Unlike regular UC, however, SEA waives state requirements that individuals be actively searching for wage and salary jobs. Instead, UC-eligible individuals participate in self-employment activities and must meet additional requirements, including being determined likely to exhaust their UC benefits.

SEA allowances are available to individuals who are eligible for unemployment benefits and who meet certain other requirements. SEA is one of several programs operating within UC that focuses on the reemployment of UC beneficiaries. There are three other UC reemployment service programs: the Short-Term Compensation (STC) program, the Worker Profiling and Reemployment Services (WPRS), and Reemployment Services and Eligibility Assessments (RESEA). In participating states, STC programs provide pro-rated unemployment benefits to workers whose hours have been reduced in lieu of a layoff, thereby retaining workers.³ WPRS requires all states to establish systems to identify UC claimants likely to exhaust benefits and refer them to various types of reemployment services (e.g., orientation, assessment, counseling, placement services, a job search workshop, and referral to training). Beginning in FY2015, DOL funded state efforts “addressing individual reemployment needs of UI claimants, and working to prevent and detect UI [Unemployment Insurance] overpayments” through the voluntary RESEA program.⁴ RESEA provides funding to states to conduct in-person interviews with selected UC claimants to (1) assure that claimants are complying with the eligibility rules, (2) determine if reemployment services are needed for the claimant to secure future employment, (3) refer the individual to reemployment services as necessary, and (4) provide labor market information that addresses the claimant’s specific needs. In 2017, Section 30206 of P.L. 115-123 codified the authority for DOL under permanent law to administer a RESEA program.⁵

¹ Data on employment, including self-employment, are available from the Current Population Survey (CPS). Conducted by the Bureau of Labor Statistics, the CPS is a monthly survey of approximately 60,000 U.S. households. It provides information on the labor force status of the civilian population aged 16 and older, including by class of worker. Annual data for self-employed workers are available via <https://www.bls.gov/cps/cpsaat12.htm>. CPS data on self-employed workers are reported for “self-employed workers, unincorporated” in both agricultural and non-agricultural industries.

² For a brief overview of the UC program, see CRS In Focus IF10336, *The Fundamentals of Unemployment Compensation*. For more information on permanent-law Unemployment Insurance (UI) benefits and the now-expired, augmented, and expanded UI benefits created in response to the COVID-19 pandemic, see CRS Report R46687, *Unemployment Insurance (UI) Benefits: Permanent-Law Programs and the COVID-19 Pandemic Response*, by Julie M. Whittaker and Katelin P. Isaacs.

³ Currently, more than half of the states and the District of Columbia have STC programs. For more information on short-time compensation, see WorkforceGPS, “Welcome to STC,” <https://stc.workforcegps.org/>.

⁴ Since FY2005, DOL has provided some type of reemployment services through discretionary appropriations. For additional background, see CRS Report R43044, *Expediting the Return to Work: Approaches in the Unemployment Compensation Program*, by Julie M. Whittaker; and ETA, “Unemployment Insurance Program Letter,” UIPL 3-17, December 8, 2016, p. 2, https://wdr.doleta.gov/directives/attach/UIPL/UIPL_03-17.pdf.

⁵ The law created a new Section 306 of the Social Security Act. RESEA is a permanently authorized program with funding scheduled to increase over future fiscal years. The RESEA authority sets out various requirements for states to

Thus, in addition to the job-sharing of STC, the profiling of WPRS, and reemployment services provided through RESEA, SEA attempts to reemploy UC beneficiaries through self-employment. Although SEA offers this alternative route out of unemployment, participation in the program by states and unemployed workers is low, partly as a result of a budget neutrality requirement.

P.L. 103-182, the North American Free Trade Agreement Implementation Act, created the SEA program in 1993.⁶ P.L. 105-306, the Noncitizen Benefit Clarification and Other Technical Amendments Act of 1998, made the program permanent. The SEA program is financed—as is the case with UC, in general—by federal taxes on employers under the Federal Unemployment Tax Act (FUTA) and by state payroll taxes on employers under the State Unemployment Tax Acts (SUTA). The operation of SEA programs in states may not cost more than what would have been spent if a state had not participated in the program (i.e., budget neutrality). The number of individuals participating in the SEA program in states may not exceed 5% of all UC beneficiaries.

P.L. 112-96, the Middle Class Tax Relief and Job Creation Act of 2012, authorized the expansion of SEA to permit states to set up SEA programs available to certain claimants in the Extended Benefit (EB) and temporary, now-expired Emergency Unemployment Compensation (EUC08) programs.⁷ P.L. 112-96 also provided \$35 million in grants to states for FY2012 and FY2013 for the purposes of establishing or improving administration of SEA programs for regular UC, EB, or EUC08 claimants as well as promoting and enrolling eligible individuals.

SEA Eligibility for UC Claimants⁸

To participate in a state SEA program, workers do not need to be actively searching for jobs. Rather, SEA beneficiaries must engage in full-time activities related to the establishment of a business and becoming self-employed.

To be eligible for a SEA allowance, workers must meet the following requirements:

- Eligible for UC
- Permanently laid off from previous job
- Identified as likely to exhaust UC benefits

use certain types of evidence-based interventions for UC claimants and allocates discretionary funding for RESEA across three categories (base funding, outcome payments, and research and technical assistance). State RESEA programs must include reasonable notice and accommodations for UC beneficiaries selected for participation. On August 8, 2019, DOL published a notice that sets out the RESEA allocation formula effective beginning in FY2021 (ETA, “Allocating Grants to States for Reemployment Services and Eligibility Assessments [RESEA] in Accordance With Title III, Section 306 of the Social Security Act [SSA],” 84 *Federal Register* 139018-20, August 8, 2019, <https://www.govinfo.gov/content/pkg/FR-2019-08-08/pdf/2019-16988.pdf>).

⁶ Section 3306(t) of the Federal Unemployment Tax Act (FUTA) defines the Self-Employment Assistance (SEA) program. Section 303(a)(5) of the Social Security Act permits the use of expenditures from the Unemployment Trust Fund (UTF) for SEA.

⁷ Authorization for the EUC08 program expired the week ending on or before January 1, 2014 (i.e., December 28, 2013, or December 29, 2013, in New York State). No EUC08 benefits are payable for weeks of unemployment after this expiration date. For more information on EUC08, see CRS Report R42444, *Emergency Unemployment Compensation (EUC08): Status of Benefits Prior to Expiration*, by Katelin P. Isaacs and Julie M. Whittaker.

⁸ This section describes eligibility for SEA under state UC programs. The eligibility requirements for SEA programs authorized by P.L. 112-96 are generally similar to the requirements for SEA for UC claimants—with some additional restrictions as well as the need for state action to set up SEA programs for EB (and EUC08 when the program was still authorized). For more information on eligibility for SEA allowances for EB (and EUC08 when authorized) claimants, see the “SEA Expansion Under” section in this report.

- Participating in self-employment activities including entrepreneurial training, business counseling, and technical assistance

States identify UC claimants likely to exhaust benefits through the same worker profiling mechanism used in the WPRS program.⁹ As described above, the WPRS program establishes a targeting system to deliver a variety of reemployment services to unemployed workers deemed at risk of benefit exhaustion.

SEA Amount, Duration, and Program Interaction for UC Claimants

Weekly SEA allowances are the same in amount and duration as a qualifying individual’s regular UC benefit.

Participants in state SEA programs for UC claimants are not generally eligible for any temporary, federal UI programs created in response to recessions or eligible for the permanent-law EB program, which may provide additional weeks of benefits for unemployed workers.¹⁰ As described below in the section on “SEA Expansion Under P.L. 112-96,” however, SEA allowances for certain claimants of EB (and EUC08 when it was authorized) may be available in states that have established SEA programs for EB (or EUC08 when it was authorized).

State Availability of SEA for UC Claimants

As of 2022, 8 states have active SEA programs (authorization for the SEA program in New York is scheduled to expire December 7, 2023). In four of these states (Delaware, New Jersey, Pennsylvania, and Rhode Island), there were no SEA participants in 2022. In addition, two states (Louisiana and Maine) have the authority in law for SEA, but do not have an active program. Details are provided in **Table 1**.

Table 1. States with SEA Programs for UC Claimants in 2022

State	Active SEA Program	Law Authorizing SEA, but No Active Program
Delaware	X	
Louisiana		X
Maine		X
Mississippi	X	
New Hampshire	X	
New Jersey	X	
New York	X (expires 12/7/2023)	

⁹ P.L. 103-152, the Unemployment Compensation Amendments of 1993, requires all states to establish WPRS systems. These systems must identify UC claimants who are likely to exhaust regular UC benefits. Most states use statistical methods to identify these workers.

¹⁰ For additional details on EB and recent, temporary UI programs created in response to the COVID-19 pandemic, see CRS Report R46687, *Unemployment Insurance (UI) Benefits: Permanent-Law Programs and the COVID-19 Pandemic Response*, by Julie M. Whittaker and Katelin P. Isaacs.

State	Active SEA Program	Law Authorizing SEA, but No Active Program
Oregon	X	
Pennsylvania	X	
Rhode Island	X	

Source: U.S. Department of Labor (DOL), Employment and Training Administration, *2022 Comparison of State Unemployment Insurance Laws*, at <https://oui.doleta.gov/unemploy/comparison/2020-2029/comparison2022.asp>. According to DOL, Mississippi reactivated its SEA program as of 7/27/22.

Note: Authorization, as well as the current expiration date, for the SEA program in New York is set out under Consolidated Laws of New York, Labor, Article 18, Title 7, §591-a.

Barriers to Participation in SEA for UC Claimants

Nationally, 6.2% of workers are self-employed (9.9 million workers). Some studies suggest that workers may be more likely to move into self-employment during economic recessions and to move out of self-employment during periods of economic growth.¹¹ Yet, as described below, participation in SEA is low. Less than 1% of UC claimants participate in the program; in large part, because few states have active programs.¹² Additional reasons for this low participation most likely include barriers at both the state and individual levels.

State-Level Barriers

Under current law, no more than 5% of individuals receiving regular UC benefits in a state may participate in the program. The authorizing legislation also requires that a SEA program be budget neutral. State SEA programs may not incur additional costs above what the state would have spent on the regular UC program. Despite this budget neutrality stipulation, states are required to provide entrepreneurial training, business counseling, and technical assistance to SEA participants. Most state unemployment agencies partner with the relevant agency responsible for employment and training programs or Small Business Development Centers (SBDCs) to provide SEA training and services. According to an estimate published in 2001, SEA program administration may cost \$300-\$600 per participant and entrepreneurial program services may cost \$200-\$1,200 per participant.¹³ States must locate non-UC funds to pay for these SEA-specific costs. Thus, participation in SEA is capped, and states must also seek out their own money to finance program administration and training. Both of these issues likely contribute to low SEA participation rates.

Individual-Level Barriers

In addition to state-level barriers, there are individual-level barriers that may explain why unemployed workers do not participate in SEA programs, even if they are available. First, SEA

¹¹ See Ellen R. Rissman, *Self-Employment as an Alternative to Unemployment*, Federal Reserve Bank of Chicago, Working Paper no. 34, Fourth Quarter 2003; Daniel Aaronson, Ellen R. Rissman, and Daniel Sullivan, “Assessing the Jobless Recovery,” *Economic Perspectives*, Second Quarter 2004 (Federal Reserve Bank of Chicago), pp. 6-9.

¹² Stephen Wandner, “Employment Programs for Recipients of Unemployment Insurance,” *Monthly Labor Review*, October 2008, pp. 17-27.

¹³ Heather Fleck and William Kosanovich, *Comprehensive Assessment of Self-Employment Assistance Programs*, DOL, Employment and Training Administration, ETAOP 2002-01, 2001.

participation generally makes workers ineligible for other unemployment benefits (i.e., EB and temporary, federal UI programs created in response to recessions, as described above).¹⁴ Therefore, individuals may prefer to access the additional income support rather than participate in SEA. Additionally, recessionary periods, when economic growth is low, may provide a challenging environment for starting a new business. For example, in 2020 and 2021 SEA participation was lower than in prior years, likely in part due to altered business opportunities because of the COVID-19 pandemic.

As a result of these restrictions and challenges, the number of individuals participating in state SEA programs for UC claimants is relatively small. In 2022, there were 1,404 SEA participants nationwide. **Table 2** presents data on SEA participants by state in 2002 through 2022.

¹⁴ Under P.L. 112-96, however, states may set up SEA programs for certain EB (and EUC08 when authorized) claimants. See section on “SEA Expansion Under P.L. 112-96 P.L. 112-96” for more details.

Table 2. Number of Participants in the Self-Employment Assistance (SEA) Program for UC Claimants, by State, 2002-2022

	DE	MD	ME	MS	NH	NJ	NY	OR	PA	RI	VT	All SEA Programs
2002	17	22	118	0	0	524	1,634	305	550	0	0	3,170
2003	43	11	202	0	0	486	70	338	147	0	0	1,297
2004	56	10	482	0	0	557	475	166	9	0	0	1,755
2005	31	0	351	0	0	626	309	204	0	0	0	1,521
2006	21	21	252	0	0	632	177	226	0	0	0	1,329
2007	22	21	201	0	0	496	369	295	152	0	0	1,556
2008	35	15	130	0	0	477	219	507	86	0	0	1,469
2009	13	6	158	0	0	429	461	1,011	46	0	0	2,124
2010	7	0	159	0	0	604	599	619	0	0	0	1,988
2011	8	0	97	0	0	30	615	305	0	0	0	1,055
2012	7	0	90	0	0	6	582	828	0	0	0	1,513
2013	12	0	0	0	42	0	782	881	0	27	3	1,747
2014	6	0	0	13	134	0	828	774	0	132	1	1,888
2015	6	0	0	9	101	0	1,282	780	0	39	0	2,217
2016	4	0	0	10	98	0	1,579	463	0	0	0	2,154
2017	12	0	0	21	108	0	2,456	632	0	0	0	3,229
2018	12	0	0	19	83	0	2,773	685	0	0	0	3,572
2019	18	0	0	7	87	0	2,795	575	0	0	0	3,482
2020	7	0	0	3	29	0	610	254	0	0	0	903
2021	1	0	0	0	4	0	443	221	0	0	0	669
2022	0	0	0	3	6	0	1,005	390	0	0	0	1,404

Source: DOL, Employment and Training Administration.

Notes: These SEA participant numbers come from administrative data provided to the DOL by state workforce agencies.

A “0” in this table indicates that there were no SEA participants in a state in a given year, which may be due to a state (1) no longer having the authority in law for a SEA program; (2) having an inactive SEA program; or (3) having no SEA participants in an active SEA program. DOL data do not distinguish between these three conditions.

Three states are excluded from this table because they either (1) had an active SEA program in the past, but never had any SEA participants (Washington); or (2) previously had a law authorizing an SEA program for UC claimants, but never had an active SEA program (California and Louisiana).

SEA Expansion Under P.L. 112-96¹⁵

Under P.L. 112-96, states are authorized to set up SEA programs for individuals who (1) have at least 13 weeks of remaining benefit entitlement through the EB program (or EUC08 program, when it was authorized) and (2) are participating in entrepreneurial training activities.¹⁶ To set up a SEA program for EB claimants, states must enact state legislation.¹⁷ In states that establish SEA programs for EB, individuals may not participate unless the state UC agency has an expectation that the individual has a remaining EB entitlement of at least 13 weeks.¹⁸ Because authorization for the EUC08 expired the week ending on or before January 1, 2014 (i.e., December 28, 2013, or December 29, 2013, in New York State), states may no longer set up SEA programs for any claimants in the EUC08 program.¹⁹

Participation in SEA programs for EB claimants (and EUC08 claimants when EUC08 was authorized) is capped at 1% in each state for each program.²⁰ SEA benefits available to EB claimants (and EUC08 claimants prior to EUC08 expiration) are paid in the same amount as UC benefits and participants are exempt from any work availability and work search requirements. An individual receiving these SEA benefits may stop participation and receive any remaining EB (or EUC08 benefits when authorized).

P.L. 112-96 also provided \$35 million in SEA grant funding for FY2012 and FY2013 to be distributed to states based on applications to the U.S. DOL. These funds could have been used for the purposes of establishing or improving administration of SEA programs for regular UC, EB, or EUC08 claimants as well as promoting and enrolling eligible individuals. These grant funds were to be distributed to states with approved applications based on the percentage of unemployed individuals in that state relative to the percentage of unemployed individuals in all states.²¹ The

¹⁵ For additional details on SEA expansion under P.L. 112-96 <LISRef number="96" congress="112" title="Middle Class Tax Relief and Job Creation Act of 2012" type="publicLaw" url="http://www.congress.gov/cgi-lis/bdquery/R?d112:FLD002:@1(112+96)" id="4068743607" />, see DOL, Unemployment Insurance Program Letter no. 20-12, May 24, 2012, at http://wdr.doleta.gov/directives/attach/UIPL/UIPL_20_12.pdf.

¹⁶ For information on the EB program, see CRS Report R46687, *Unemployment Insurance (UI) Benefits: Permanent-Law Programs and the COVID-19 Pandemic Response*, by Julie M. Whittaker and Katelin P. Isaacs. For information on the now-expired EUC08 program, see CRS Report R42444, *Emergency Unemployment Compensation (EUC08): Status of Benefits Prior to Expiration*, by Katelin P. Isaacs and Julie M. Whittaker.

¹⁷ Alternatively, a state may establish a SEA program for EB claimants through regulation or executive order, if the state has the authority to do so. For additional details on SEA expansion under P.L. 112-96, see DOL's Unemployment Insurance Program Letter no. 20-12, May 24, 2012, at http://wdr.doleta.gov/directives/attach/UIPL/UIPL_20_12.pdf.

¹⁸ Individuals in states with fewer than 26 weeks of regular UC benefits may not participate in a SEA program for EB claimants unless the state is in a high unemployment period (HUP) period of EB. For an explanation, see DOL, Unemployment Insurance Program Letter no. 20-12, at http://wdr.doleta.gov/directives/attach/UIPL/UIPL_20_12.pdf. For information on states that have acted to reduce their UC duration to less than 26 weeks, see CRS Report R41859, *Unemployment Insurance: Consequences of Changes in State Unemployment Compensation Laws*, by Katelin P. Isaacs.

¹⁹ Previously, when EUC08 was authorized, states were able to set up SEA programs for certain EUC08 claimants through an agreement with U.S. DOL (i.e., no state legislation required). EUC08 claimants were not able to participate in these SEA programs unless the state UC agency had an expectation that the individual had a remaining entitlement to at least 13 weeks of EB or EUC08.

²⁰ Prior to the expiration of the EUC08, the combined SEA benefits available from SEA programs for EB and EUC08 were not authorized to exceed 26 total weeks for any particular individual.

²¹ For a breakdown of U.S. DOL SEA grant funds by state, see DOL, "US Labor Department Announces Availability of \$35 Million in Grants to Implement or Improve Self-Employment Assistance Programs," news release, 12-1073-NAT, May 24, 2012, at <https://www.dol.gov/newsroom/releases/eta/eta20120524>.

following five states received these SEA grants under P.L. 112-96: Mississippi,²² New York,²³ Oregon,²⁴ Rhode Island,²⁵ and Vermont.²⁶

Assessment of SEA Programs

Prior to the authorization of SEA, two self-employment demonstration projects were conducted in the early 1990s in Massachusetts and Washington. Findings from this pilot are generally positive. Researchers concluded that the self-employment demonstration projects increased the likelihood of self-employment and the amount of time participants were employed.²⁷ In addition, the demonstration evaluation determined that the structure of the Massachusetts program, which became the model for the future SEA program authorization, was a cost-effective approach to promoting reemployment among workers.

A 2001 comprehensive evaluation provides details on the state SEA programs established between 1995 and 1999 as well as SEA program participants.²⁸ It also evaluates SEA program outcomes using survey data in three states: Maine, New Jersey, and New York. Based on a group comparison between SEA participants and SEA-eligible (but non-participating) individuals, the study highlights several positive outcomes. First, the analysis concludes that SEA participants were 19 times more likely than eligible non-participants in sample states to be self-employed at any point after their period of unemployment. Second, the study finds that SEA program participants were four times more likely to have obtained any type of employment (i.e., self-employment or wage/salary employment) than eligible non-participants. Finally, SEA program participants reported high levels of satisfaction with self-employment and the training they received as part of the SEA program.

The evaluation also has several limitations. Because the study failed to use a randomized, experimental design, the findings may be due not only to the impact of the SEA program, but also to unobserved differences between SEA participants and eligible non-participants. Additionally, this study was conducted during a time of relatively low unemployment in the three target states.

²² Total grant: \$356,271, which included \$305,447 for the improved administration of the program and \$50,824 for promotion and enrollment activities; see DOL press release announcement, September 11, 2013, available at <https://www.dol.gov/newsroom/releases/eta/eta20131860>.

²³ Total grant: \$1,978,999, which included \$1,696,285 for the improved administration of the program and \$282,714 for promotion and enrollment activities; see DOL press release announcement, September 11, 2013, available at <https://www.dol.gov/newsroom/releases/eta/eta20131860>.

²⁴ Total grant: \$332,576, which included \$265,850 for the improved administration of the program and \$66,726 for promotion and enrollment activities; see DOL press release announcement, August 19, 2013, available at <https://www.dol.gov/newsroom/releases/eta/eta20131722>.

²⁵ Total grant: \$159,734, which included \$136,915 for improved administration of the program and \$22,819 for promotion and enrollment activities; see DOL press release announcement, February 13, 2013, available at <https://www.dol.gov/newsroom/releases/eta/eta20130213>.

²⁶ Total grant: \$49,329, which included \$42,328 for development and implementation of the program and \$7,001 for promotion and enrollment activities; see DOL press release announcement, July 31, 2013, available at <https://www.dol.gov/newsroom/releases/eta/eta20131559>.

²⁷ Jacob M. Benus, Michelle Wood, and Neelima Grover, *Self-Employment as a Reemployment Option: Demonstration Results and National Legislation*, DOL, Employment and Training Administration, Unemployment Insurance Occasional Paper no. 94-3, 1994.

²⁸ Heather Fleck and William Kosanovich, *Comprehensive Assessment of Self-Employment Assistance Programs*, DOL, Employment and Training Administration, ETAOP 2002-01, 2001.

Consequently, it remains unknown how SEA program participants might fare under different economic circumstances or state contexts.

Although not an analysis of SEA programs specifically, results from a 2008 evaluation of Project GATE (Growing America Through Entrepreneurship) also shed light on the impact of self-employment support for unemployed workers. Project GATE was a federally funded demonstration project implemented in seven sites in three states (Minnesota, Pennsylvania, and Maine) between 2003 and 2005. Designed to help individuals start or expand their own businesses, Project GATE provided self-employment training and other services. Although SEA programs are available only to eligible UC claimants likely to exhaust their unemployment benefits, Project GATE was designed for a wider population (i.e., anyone interested in starting or growing a small business).

Researchers conducted an impact analysis of one subgroup of Project GATE participants composed of recent unemployment benefit claimants in Minnesota, providing a parallel with SEA participants. This analysis finds both positive and negative outcomes for these Project GATE participants.²⁹ For this subgroup of recent UC benefit claimants, participation in Project GATE increased the probability of owning a business and being employed. Yet, participants in this SEA-like program earned less in wage and salary jobs and earned no more in self-employment than non-participants. Finally, for recent unemployment benefit claimants, Project GATE increased the duration of unemployment benefit receipt by about three weeks.

Most recently, Section 2183(b)(2) of P.L. 112-96 included a requirement that DOL complete an SEA evaluation study and submit it to Congress within five years of enactment (i.e., by February 22, 2017). This evaluation was required to include an analysis of SEA implementation and operation by states, of economic outcomes for SEA participants compared with UC claimants, and of businesses started by SEA participants. In order to meet this evaluation deadline, DOL contracted with Mathematica Policy Research, which produced a final report, “A Study of the Self-Employment Assistance Program: Helping Unemployed Workers Pursue Self-Employment,” that was released on January 11, 2017.³⁰

The findings from this 2017 Mathematica report are descriptive. Therefore, no causal relationships were established for the purposes of SEA outcomes. With that limitation in mind, the study documents heterogeneity across state SEA programs in terms of implementation, program targeting and application process, and participation. For example, this study finds that overall SEA participation remained low—about 1% or less of UC recipients—during the January 2013-June 2015 evaluation period. The study also notes the importance of program champions in states for the establishment and operation of SEA programs; the role of access to funding for partners to provide entrepreneurial training and services; reporting by state staff that they expend more resources per-claimant serving SEA participants than on regular UC claimants; and state struggles to collect high-quality data related to business outcomes for SEA participants.

This report also compares SEA participant outcomes to outcomes for regular UC claimants in the two states with the largest SEA programs, New York and Oregon. Findings include differing profiles for SEA participants who were older; less likely to identify as Hispanic; more likely to have been employed in professional, scientific, and technical services and management in prior jobs; and higher benefit entitlements based on previous wages, all compared with other UC

²⁹ Jacob Benus et al., *Growing America Through Entrepreneurship: Findings from the Evaluation of Project GATE*, DOL, Employment and Training Administration, ETAOP 2008-08, 2008.

³⁰ See <https://www.dol.gov/asp/evaluation/completed-studies/SEA-Study-Report.pdf>.

claimants. The study also finds that, compared with UC claimants, SEA participants received benefits for longer periods of time, collected more total money (i.e., due to higher benefit

amounts and longer receipt) and had lower rates of wage and salary employment in the quarters after SEA participation, which may be anticipated due to a focus on establishing new businesses rather than seeking wage and salary employment. Again, all of these SEA participant findings are descriptive and could be due to underlying differences between SEA participants and UC claimants.

This 2017 report also examines business outcomes for SEA participants in New York. For example, the report finds that, of those who responded to a survey, less than one-third of SEA participants reported that their business (or *SEA establishment*) was operating at any point during the first year after enrolling in SEA and 40% of SEA participants who reported operating their business in the first quarter after SEA enrollment were still operating the business three quarters later. The study also finds that SEA establishments operating in the fourth quarter had higher revenues, more employees, and higher wages for employees, compared with SEA establishments in the first quarter. The study also estimates that the SEA program in New York generated \$536,937 in federal income taxes and \$140,136 in state income taxes in 2014. Since the evaluation of these business outcomes—like the rest of this 2017 report—is not based on a randomized, experimental design, the findings should not be interpreted as causal. The SEA outcomes described in this study may be related to unobserved differences between SEA participants and UC claimants rather than the impact of the SEA program itself.

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