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<https://doi.org/10.15017/1654560>

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出版情報 : 言語文化叢書. 17 (1), pp.71-105, 2006-03-20. Faculty of Languages and Cultures, Kyushu University

バージョン :

権利関係 :



# **Women, Welfare, and Microenterprise Development Programs in the United States: The Role of Social Work**

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## **Abstract**

Microenterprise Development Programs (MDPs) attempt to help the poor and low-income groups to start or expand small businesses. Although no single approach for poverty alleviation can solve poverty, one of many strategies attempting to assist poor through self-employment is microenterprise programs and recently more attention has been made to this approach not only in developing countries but also in developed countries. This paper provides an overview of the origins of microenterprise programs as one of the anti-poverty strategies in developing countries and covers review of literature dealing with empirical studies with particular reference to “welfare to work” programs as well as research studies on MDPs as a specific welfare to work initiatives in the United States. Finally, implications for the social work profession in assisting the poor through MDPs are also explored and discussed.

**Keywords:** Microenterprise, self-employment, poverty alleviation, role of social work, welfare to work, women on welfare, social development

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## **INTRODUCTION**

Starting from late 1980s, microenterprise programs have grown rapidly in the United States. Dallinger (2001) estimates that the number for the MDPs has reached at least 700 by 2001 in the U.S. alone. Microenterprise programs provide microloans, business advice, and training to the poor. Many policymakers in industrialized countries are paying more attention to microenterprise development as a strategy to move women, particularly women on welfare, to become economically self-reliant. This is viewed as one of many strategies to reduce dependence on public assistance and help the poor to move them out of poverty. The term "microenterprise" is defined as a sole proprietorship that has fewer than five employees and lacks the collateral and credit to borrow money from traditional banks and borrows relatively small amounts of money from non-profit agencies which require far less collateral (Burritt, 1997). Microenterprise development programs have been suggested as one of the solutions for the social issue of long-term dependence on public assistance (Clark & Huston, 1993; Else & Raheim, 1992; Raheim, 1995; Raheim & Alter, 1995).

### **Social Issue under Consideration**

Long-term dependence on public assistance has been a topic for discussion for many years in the U.S. The debate over how to reduce the problem of long-term dependence on public assistance has been raging in academic and policy communities for many years (Popkin, 1990). There have been arguments on both sides of this debate. Some have suggested that the current welfare system encourages people to stay out of the labor force because the recipients consider welfare to be a "free ride" and a means to get maximum reward for the least effort (Murray, 1984; Mead, 1986; Butler & Kondratas, 1987). On the other hand, Wilson (1987), Rainwater (1969), and Ellwood (1988) have suggested that welfare recipients are so socially and economically isolated that they envision welfare as a way of life. Piven & Cloward (1987) stated that "welfare benefits may have become more attractive simply because work has become less so" (p. 83). They suggest that recipients of welfare are forced to use welfare as a matter of economic necessity and as the best alternative from a narrow range of unattractive choices.

The solutions that are suggested by various authors depend on which of the two sides of

the issue they favor. Some suggest mandatory work requirements and restricted access to benefits as the solution, while others suggest expanding the Earned Income Tax Credit (EITC) and increasing the size of AFDC benefits as the solution (Popkin, 1990).

The recent trend in dealing with this social issue has been toward mandatory work requirements. This began in 1988, when the Congress passed a major legislation instituting work requirements from some recipients (Family Support Act of 1988). This Act however also required all states to provide benefits to two-parent families and established new policies for collecting child support. This Act represents the first major attempt in recent years at removing people from the welfare rolls of the Federal government. This was further solidified in 1996 when the Federal government passed the Personal Responsibility and Work Opportunity Reconciliation Act (P. L. 104-193). President Clinton signed the Act into Law on August 22, 1996. The Act represents the nation's retreat from its commitment to provide a safety net for economically vulnerable populations in the United States. Under this law, the provision of welfare programs becomes much more restrictive as the federal government's responsibility shrinks to merely providing block grants and enforcing the law. The Act specifically includes the following provisions (P. L. 104-193):

- Welfare mothers will be required to work after two years of assistance.
- Cash payments will be provided for no more than five years during recipients' lives.
- Unwed mothers under 18 are ineligible for assistance unless they live in the home of an adult relative or in another adult-supervised arrangement.
- States will be allowed to deny cash payments to children born into families already receiving assistance.
- Eligibility for Temporary Assistance to Needy Families (TANF), which will replace Aid to Families with Dependent Children (AFDC), will not guarantee eligibility for Medicaid, although the act requires states to provide Medicaid to families who meet the income standards for AFDC.
- Criteria for children's receipt of Supplemental Security Income (SSI) will be more stringent, and maladaptive behavior will be eliminated as a medical criterion.

- Current legal immigrants will be barred from receiving SSI and food stamps until they become U.S. citizens, and those currently receiving these benefits will be screened after enactment; illegal immigrants are already prohibited from receiving these benefits.
- Future legal immigrants will also be barred from receiving Medicaid and other means-tested benefits for five years, and states will have the option of extending this ban until the immigrants become citizens.

It can be seen from the above provisions that the Act significantly targets women who are economically dependent on welfare as a means of support. Critics of the current Act argue that cutting funds and putting time limits on the eligibility to receive welfare will have dire consequences. Kemp, Jenkins, & Biehl (1996) stated that most of these proposals depend on optimistic assumptions about job opportunities for participants when they are no longer eligible for welfare. This is not supported by the current reality in the United States. Malveaux (1985, 1990) has reported that the economic opportunity structure for poor and low-income people in the United States has become increasingly restricted. The author adds that for women, particularly women of color, options for work have been limited to pink collar jobs in low wage segments of the economy, including the service sector, where nearly half the jobs are part-time.

Blank (1994) and Malveaux (1990) also stated that the unemployment rate of black women is nearly twice that of white women and the unemployment rate of Latina women is about 50% higher than that of white women. The economic status of these women is eroded not only by the high unemployment rates they experience but by the likelihood that if they find work, it will probably be part-time and for low wages (Raheim & Bolden, 1995). It is clear that the idea of moving women on welfare into the job force in two years, as suggested by the current Act, does not reflect the realities of market conditions that exist today. If women's economic status is to be improved, social welfare programs must address either the availability and quality of jobs or other options for financial stability.

Women's job opportunities have been stagnant and entry level jobs for low skilled workers have significantly gone down (Blank, 1994). Raheim and Bolden (1995) stated that inequity in pay, lower employment and occupational status than men, and limited potential for economic growth characterize the welfare women's world. The net result of these

negative factors is that these women often work what is equivalent to full-time and still live in poverty. Woody (1992) stated that the only two groups of occupations that are projected to grow rapidly in the future are occupations that require high levels of education and occupations that require only low entry skills (service work). Statistics show that few women under extreme economic disadvantage and on welfare have high levels of education. This means that the women on welfare are forced to look for the low skill jobs in the service sector which are not likely to offer wages that can make these women self-sufficient. Labor market limitations have ensured that the transition of women from welfare to work is not as easy as the Act suggests. Miller (1990) noted that these welfare to work programs do nothing to change societal patterns of women's employment but only further women's dependency on the welfare system. Cloward and Piven (1993) stated:

There is no economically and politically practical way to replace welfare with work at a time when the labor market is saturated with people looking for jobs. There is no reason to think that AFDC mothers can become self-sufficient when growing millions of currently employed workers cannot (p. 693).

It is thus clear that the current welfare to work programs are not the answer to move women on welfare to economic self-sufficiency. It is also clear that new options need to be looked at in fostering economic self-sufficiency among women on welfare. The need for new options can be well understood by the following statement made by Malveaux (1990) on the current occupational reality for women's employment.

Occupational segregation has had a comprehensive effect on the labor market status of women, affecting occupational choice, the sector of employment [where] women [are concentrated], the possibility of promotions, and, most importantly, the level of pay. Because occupational segregation crowds women into a few occupations, employers are able to suppress wages in those occupations.... The view that, as women choose jobs that are not segregated, their pay levels will increase and the pay gap will shrink, ignores labor market realities, including the projected growth in

low-wage occupations where women are heavily represented(pp. 29-30).

It is also clear that requiring welfare recipients, especially women, to return to employment in any fixed period of time is not based on the current realities of the American work force. It is not the answer to the issue of long-term public assistance dependence. Just as the reasons for why women find it difficult to get out of the welfare system are myriad, so do the answers to this problem need to be diverse. The multifaceted nature of the problem demands a combination of different approaches in a package of solutions. One of the approaches that has been suggested as a probable solution is the approach of microenterprise development. This study focuses on microenterprise development as a strategy for economic self-sufficiency of women on welfare.

## **MICROENTERPRISE DEVELOPMENT**

There has been an enormous amount of interest focused on female entrepreneurs and their small, self-generated businesses known as microenterprises. "Microenterprise" is defined as a sole proprietorship that has fewer than five employees and lacks the collateral and credit to borrow money from traditional banks. The business borrows relatively small amounts of money from non-profit agencies which scrutinize loan requests but require far less collateral (Burritt, 1997). These loans are termed as micro credit loans. The Small Business Administration (SBA), a federal agency administering and supporting the establishment of small businesses in the U.S., classifies anything under US\$25,000 as a micro credit loan (Kadetsky, 1995). However, Bob Freedman, Chairman of the Association for Enterprise Opportunity, an umbrella group for microenterprise programs, defines a micro credit loan as a loan under US\$10,000 and most often under US\$5,000, with initial loans under US\$1,000 (Shenitz, 1993). A typical microenterprise program combines micro credit loans with training and support in starting and maintaining the business. These programs aim to build entrepreneurship of lower income people who would traditionally be denied this opportunity either because of a lack of knowledge and skills in running a business or because of the inaccessibility of traditional credit services.

## History of Microenterprise Development

Microenterprise programs, such as the Grameen Bank and Bangladesh Rural Advancement Committee (BRAC) in Bangladesh, the Self-Employed Women's Association (SEWA) in India, and ACCION International in Latin America are often referred as pioneers for promoting this approach for antipoverty strategy (Ssewamala & Sherraden, 2004). The program that has received most scholarly attention and scrutiny is the achievement of the Grameen Bank. The vast majority of microenterprise development programs in the world are modeled after the popularity and financial success of the group-based credit program of the Grameen Bank in the country of Bangladesh (Khandker, S. R., Khalily, B., & Khan, Z, 1995). Bangladesh, a former state of India, is a country located in South Asia bordering India.

After Bangladesh gained independence in the early 1970's, the new government in Bangladesh faced a desperate set of socioeconomic conditions. There was wide spread poverty, very few farmers owned land, there was huge population growth, and declining food production (Wahid, 1993). Dr. Muhamed Yunus, a local university professor, was teaching economics in Bangladesh during this period. He started studying poor people and their problems in the villages and observed that poor villagers, having virtually no assets, worked hard at a variety of crafts and managed to survive against all odds. Dr. Yunus felt that their inability to accumulate capital was primarily due to two reasons: first, their income was quite low; and second, out of this income, any surplus was going to the high interest loans of money lenders from whom they had borrowed (Hossain, 1988). Dr. Yunus decided that credit was the key to financial success of poor villagers and decided to do something about this. He formed a model of credit to poor people called the Grameen Bank model.

The "Grameen" (local Bengali term for village) Bank model started as a modest action research project in a little village in Bangladesh. Moved by the desperate situation of rural poor, particularly women, Dr. Yunus challenged the reluctance of commercial banks in the area to provide loans to these people (Rahman, 1996). To prove his point that the rural poor were both capable of running self-employment programs and were trustworthy of returning money loaned to them, he provided a small loan from his own pocket to a small group of villagers. This modest demonstration project was so successful that Dr. Yunus decided to implement similar projects to other rural areas of Bangladesh.

In October 1983, the Grameen Bank Project was transformed into an independent bank



by government legislation. The Grameen Bank, which the project is now called, has grown from a few people in 1976 to providing services to 5.58 million borrowers in December 2005. With 1735 branches, Grameen Bank provides services in 59,912 villages, staff of 16,142 covering (Yunus, 2005). Ninety-six percent of the beneficiaries of Grameen Bank are women. The success of the Grameen Bank in helping rural women in poverty at starting income generating programs has gained international attention and spawned a growth of similar programs in all areas of the world (Jain, 1996).

The Grameen Bank model combines the provision of financial support to poor women along with training and support in developing business skills, and financial management skills. The principal features of Grameen's credit delivery system, prior to the inception of the Grameen Generalized System (also known as Grameen Bank II) in August 2002 (Yunus, 2002) are the following:

- Exclusive targeting of the bottom poor to fully capitalize the productive potential of very large numbers of poor people. Priority is quite logically given to women from the poorest households.
- Organization of borrowers into small homogenous groups and building group solidarity through a participatory process.
- Special loan conditionalities which are particularly suitable for the poor i.e., loans without collateral, small amounts of loans payable in weekly installments, timely but regular repayment by the borrower creates entitlement for subsequent loans.
- Strict credit discipline is enforced through peer group pressure and close supervision.
- Realistic interest rates are charged to ensure a financially viable system and entrepreneurial development on a sustainable basis.
- Various compulsory and optional saving schemes which help mobilize individual savings and at the same time enable the group to cope with risks to which the poor are particularly vulnerable i.e., illness in the family, natural disasters which can quickly destroy the fragile asset base of the micro-enterprise (Shams, 1996).

The Grameen Bank has turned into a global movement. There are hundreds of similar programs both in developing as well as the developed countries which have based their models on some adaptation of the Grameen Bank approach (Shams, 1996). By the end of 2004, according to the report by the Microcredit Summit Campaign, a Washington-based nonprofit organization, more than 3,164 microcredit institutions have reported reaching 92,270,289 clients, 66,614,871 of whom were among the poorest when they took their first loan. Of these poorest clients, 83.5 percent, or 55,622,406 million, are women (Silverman, January 6-8, 2006).

## **Microenterprise in the United States**

The past two decades has been witness to a mushrooming of microenterprise development programs in the United States. It started with the optimism shown by economic analysts of the value of the informal economy sector as a source of income for poor women (O'Regan, 1992). This was followed by a prodigious growth of programs offering minimal business training and loans as tiny as US \$50. The FY 2002 survey conducted by the Fund for Innovation, Effectiveness, Learning and Dissemination (FIELD), a project of the Economic Opportunities Program (EOP) - one of 19 policy programs housed at the Aspen Institute in Washington, D.C., reported that there exist more than 500 microenterprise programs across the country, have adopted some form of Grameen Bank model, and turned it into their own brand of rural or urban poverty alleviation.

The report released by the Aspen Institute of Humanistic Studies in 1994 (Clark, Huston, & Meister, 1994) reported the following about current microenterprise programs in the U.S.

- Most of the 195 lending programs are less than 5 years old
- Average size of loan to an individual via group sponsorship is \$1,983
- 71% of lenders work with low-income clients
- 64% of lenders work with Aid to Families with Dependent Children recipients
- 78% of borrowers are women
- 62% of borrowers are from a racial or ethnic minority
- 37% of borrowers work another job besides that which is financed by a micro credit loan
- 83% of borrowers are high-school graduates.

Many of the current microenterprise programs include both the business training and lending components (Raheim, 1995). The training may include business plan preparations, business management, self-esteem training, and personal financial management. The training differs from the formal classrooms that include setting up peer lending groups and/or internship, and mentoring programs. The lending programs also have opted for a variety of approaches. Most programs maintain revolving loan funds and provide loans to individuals. Others provide loans only through self-selected peer lending groups modeled after the Grameen Bank approach (Yunus, 1988, 1998, 2005). Such kinds of programs in the United States have been initiated by several types of agencies using funding from diverse sources.

Community action agencies in New York and Vermont first began operating self-employment programs with funding under the Demonstration Partnership Program of the Office of Community Services, Department of Health and Human Services (U.S. Department of Health and Human Services, 1990). Women's economic development organizations emerged in the 1980's to encourage female business ownership by providing access to credit, business training, and technical assistance with sensitivity to the concerns and needs of women (Raheim, 1995). Many of these organizations started with funding from various foundations and corporations.

The first national publicly funded microenterprise program for low-income people that was initiated in the United States was the Self-Employment Demonstration Program (SEED). It was specifically designed to test the viability of self-employment as an economic self-sufficiency strategy for AFDC recipients and remove the policy barriers that prevent AFDC recipients from moving to economic independence (Guy, Doolittle, & Fink, 1991). Five states participated in this Demonstration Program - Iowa, Michigan, Minnesota, Mississippi, and Maryland. The federal government, with enthusiastic support from President Clinton, had earmarked 48 million dollars through the Small Business Administration Agency for micro credit loans and related grants in 1993 (Shenitz, 1993). The President has also asked the Congress in 1997 to appropriate \$1 billion over the next 5 years for micro credit loan programs in the United States (Buntin, 1997).

US-based microenterprise development is not directed only at welfare recipients. It has been strongly promoted as an alternative business development strategy for people normally not serviced by banks or other financial institutions. It has been particularly promoted as a viable alternative for women and racial ethnic minorities. The numbers from 1982 to 1987

support this. Gould (1995) stated that in this time period, the number of women-owned firms rose from 2.6 million to 4.1 million, more than twice the growth rate of all U.S. businesses in the same period. In 2004, nearly half (48%) of all privately-held U.S. firms are women-owned. In other words, 5.3 million firms are owned by woman or women. (Center for Women's Business Research, 2005).

## **Popular Response to Microenterprise Development in the U.S.**

The response to the transfer of the Grameen Bank model to the United States has been almost exclusively positive. Gugliotta (1993) stated that the concept of microenterprise has been widely praised in public and private sectors as "one of the hottest anti-poverty strategies" currently available in the United States. Various policy analysts have stated that microenterprise is an idea whose time has come in the United States. Various authors have suggested that microenterprise can help overcome key obstacles to female entrepreneurship such as lack of access to information and capital, business management experiences, and informal networking opportunities (Gould, 1986; Gould & Parzen, 1990; Keeley, 1990).

Raheim & Bolden (1995) stated that microenterprise programs can offer options to women on welfare that can circumvent most of the disempowering obstacles that women face in the path towards economic self-sufficiency. In this sense, they suggest that microenterprise development is an empowering strategy for women on welfare. They also suggest that these programs can improve the women's sense of personal control, self-esteem, and self-efficacy. Microenterprise development has been furthered as a strategy that can bridge the economic gap between low-income women and the mainstream labor market (Solomon, 1992). Many other authors have supported and praised the role of microenterprise development as an alternative strategy to alleviate poverty among welfare recipients (Cooper, 1992; Friedman, 1994; Klein, Keeley, & Carlisle, 1992).

Microenterprise development has received wholehearted support from the Federal government in the form of increasing budget allocations for micro credit loans and public statements of support from visible governmental figures. Microenterprise has been offered as a key strategy by the U.S. government in moving people out of welfare rolls and into the work force. The following message delivered by Hillary Clinton to the Preparatory Meeting of the Microcredit Summit in 1997 is indicative of the overwhelming support for

microenterprise development in the United States.

Microenterprise is the heart of development because microenterprise programs work --- they lift women and families out of poverty. It's called "micro," but its impact on people is macro. We have seen that it takes just a few dollars, often as little as \$10, to help a woman gain self-employment, to lift her and her family out of poverty. It's not a handout; it's a helping hand. Through my travels in my own country and around the world, I have seen the profound impact that microenterprise initiatives are having on families.... I have met women whose lives are being transformed because, for the first time, they have access to credit.

The proceedings of the Microcredit Summit of 1997 held in Washington D. C. read like a glowing tribute to the promise and success of microenterprise development. The following statements, reproduced from the proceedings, reflect the general tone towards microenterprise development in the United States.

"The microenterprise initiative will maintain a particular concern for very poor entrepreneurs, especially women, who may be more difficult to reach, but who depend for survival on microenterprises" (Charter of the USAID Microenterprise Initiative, 1994).

"I share with you a deep enthusiasm for what this remarkable tool [microcredit] can be in the future of poverty eradication" (Speth, 1995).

There have been very few published reports that are negative in their evaluation of microenterprise programs. Ehlers & Main (1998) have suggested that microenterprise development is more detrimental and problematic than it is suggested to be. They stated that microenterprise training programs only reinforce business segregation of women into small scale, undercapitalized, and very profitable businesses. They also stated that these programs maintained the economic vulnerability of women.

## **LITERATURE REVIEW: RESEARCH ON WELFARE TO WORK PROGRAM**

### **Context of Welfare to Work Programs**

It is necessary to understand the history of welfare policy with regard to welfare mothers before one understands the recent research interest in welfare to work initiatives. In the past decades, social welfare policy responses to poverty, particularly to women on welfare, have focused on providing job training. There has been increasing pressure placed on welfare recipients to move off the welfare rolls.

The primary welfare policy that has been used in the U.S. to deal with impoverished women has been Aid to Families with Dependent Children (AFDC), which has now been renamed as Temporary Assistance to Needy Families (TANF). The change in name is the best indicator of the shifting philosophy of providing financial assistance to women on welfare. The addition of the word “temporary” in the new naming of the policy denotes the current view of the administration that dependency on welfare is the primary problem with welfare mothers!

The history of AFDC/TANF is an illustrating narrative of changing philosophies with regard to women on welfare. Spalter-Roth, Burr, Hartmann, and Shaw (1995) stated that AFDC has always been a distrusted and poorly funded public program, perhaps because the recipients-husbandless women and their children-are stigmatized for living in a family form that deviates from the widely accepted male bread-winner model. As recipient families headed by divorced mothers and those never married have superseded widows, the AFDC program has been repeatedly targeted for reforms aimed at reducing the rolls, requiring welfare recipients to work, and provide job training to make recipients more employable (Spalter-Roth & Hartmann, 1994).

In 1967, the first major AFDC reform included the establishment of the Work Incentive Program (WIN), which required welfare recipients with school age children to participate in welfare to work programs or face reductions or cancellation of their AFDC benefits (Gueron & Pauly, 1991). In 1981, funding for WIN was reduced and deduction for childcare and other work expenses of welfare mothers were capped (Levitan & Shapiro, 1987). The

amount of federal responsibility for AFDC was also reduced during this period by giving states more flexibility in designing programs for welfare recipients. Many states started “workfare” programs called Community Work Experience Programs (CWEP). CWEP required that AFDC benefits be paid off by welfare mothers through working in community services at the minimum wage. The Family Support Act of 1988 replaced WIN with Job Opportunities and Basic Skills (JOBS) program. It can be seen that moving welfare mothers away from using welfare benefits seems to be a much greater concern in AFDC/TANF policies than in providing better services to this population. The following statistic from U.S. House of Representative records illustrates this best. The net result of the federal reforms to date, in combination with State actions, has been a decline in average AFDC benefits of 45 percent in real terms, from \$676 monthly in 1970 to \$373 monthly in 1993 (U.S. House of Representatives, Committee of Ways and Means, 1994:324).

The latest Personal Responsibility and Work Opportunity Reconciliation Act of 1996 is the culmination of this trend in welfare policy. Two specific requirements of the Act of 1996 are that welfare mothers will be required to work after 2 years of assistance and that cash payments of welfare will be provided for no more than 5 years during recipients’ lives (P.L.104-193). Welfare to work programs have assumed a very critical role as a result of the above-mentioned changes to AFDC/TANF policy. I shall now analyze specific research studies that have evaluated such welfare to work initiatives.

## **Empirical Studies on Welfare to Work Programs**

Marcenko and Fagan (1996) conducted a study to examine the personal and family resources available to a group of 77 women who were receiving AFDC benefits and participating in an urban Head Start Program in Pennsylvania.

The study made use of a battery of measurement instruments. The Comprehensive Adult Student Assessment System (CASAS) was used to measure functional writing skills ability. The instrument was a Likert-type scale measuring competencies in consumer economics, community resources, government and law, computation, and domestic skills. The study also used a modification of the Addiction Severity Index (McLellan, Luborsky, Woody, & O’Brien, 1980). This instrument was used to measure the use of alcohol, cigarettes, and drugs among the subject sample. The Center for Epidemiologic Studies Depression Scale

(Radloff, 1977) was used to measure the levels of depressive symptomatology. The study also used the Family Coping Scale (McCubbin, Larsen, & Olson, 1982) to measure problem-solving attitudes and behavior that families use to resolve difficulties. The sample for the study was a convenience sample and the subjects of the study were paid \$15 for participation. The sample was 92 percent African-American, 2.6 percent Hispanic, and 2.6 percent White with an average age of 29 years. Ninety-six percent of the sample were single mothers. Data analysis was primarily done using descriptive statistics like frequencies and means.

The results of the study indicated that the majority of the sample population possessed a number of personal and family resources which could assist them in gaining employment. A majority of the sample also had some work history and a third were currently looking for work. The study also reported that 29 percent of the sample had high levels of depression and suggested that this needs to be taken into consideration, given the fact that it could influence the ability of women to function in training programs or employment. The study also concluded that a majority of the women in the study were primarily responsible as caregivers in their family and thus would not have enough time for full-time employment. The study also reported that the barriers to employment for these women were not related to substance abuse, health problems, deficits in literacy, or a lack of interest in work. However, most caregivers were not found to have adequate training or education to prepare them to compete in the job market. The study concluded that lack of education, job skills, and support for child care are the primary personal barriers to employment for poor women.

This study uses a variety of measurement instruments to look at a wide range of factors that could affect the employability of poor women. The study is quantitative and the methodology used is well thought out. The study pointed out that common misconceptions about why poor women are failing to work such as substance abuse, lack of literacy, and lack of interest in working were myths and not reflected in reality. This is a strength of the study. However, the majority of measurement instruments used in this study come from a background of psychopathology. There seems to be an assumption that the problems that women face in working somehow reside primarily within them. The use of instruments does not give credibility to structural barriers and discrimination issues that could play a vital role in the movement of poor women from welfare to work. The study also fails to use any advanced statistical techniques such as regression analysis and correlational analysis that



would have provided greater inferential power to the results of the study. The use of purely quantitative measurements should have permitted greater statistical analysis and power to the study rather than mere description.

Popkin (1990) conducted a study with the purpose of determining how AFDC recipients felt about their encounters with public assistance programs. The sample consisted of 149 AFDC recipients in Chicago randomly selected from the Illinois Department of Public Aid payroll registers. The response rate to requests to participate in the study was 73.5 percent.

Nearly two-third of the sample had been on AFDC for at least five years. The majority (83.2 percent) were Black, 10 percent of the sample was White, and 6.7 percent were Hispanic. Data collection was done through qualitative open-ended interviews which focused on the respondents' beliefs about what caused them to need AFDC and their views about what obstacles prevented them from getting off AFDC. The study also used a quantitative measurement of self-efficacy by using a set of close-ended statements. These statements were used from a measure of self-efficacy created by Bandura (1990). In order to determine the strongest predictors for self-efficacy, the quantitative data in this study was analyzed using a regression analysis. The qualitative responses were grouped together in terms of major themes.

The results of the study indicated that the number of months on AFDC was the strongest predictor of self-efficacy for the sample. In other words, the longer the respondents had been on AFDC, the lower was their sense of self-efficacy. Forty percent of the sample said that they had applied for AFDC because they could not find work and another forty percent said that they applied because of pregnancy or having small children to support. About a third of the sample said that they believed that AFDC makes it hard for them to become self-supporting. They spoke of program rules they believe have kept them from taking steps that would enable them to become self-sufficient. A number of respondents were concerned that obstacles created by the AFDC program itself made it difficult for them to become self-supporting. An actual quote from one of the respondents explains this best:

If you get a job and or just making barely more than your aid check, it's a problem. But If you work a little on the side so you can start to get ahead, they [Department of Public Aide] take it away. So you can never really get going unless you can find a good job at good wages... the Department of

Public Aide held me back from furthering my education. I've got a couple of girlfriends, like one who actually did start [college] and tried to cover it up. The Department found out and cut off her [Food Stamps] completely. Then, when they restored them, they gave back less than half of what she had been getting....She's the one that scared me out of trying [to go to school] (Popkin, 1990, p. 72).

Most believed that living on AFDC had negative consequences for their family lives and the majority felt that they had few viable alternatives. A majority of the respondents also believed that being on AFDC had a negative effect on their family life. Negative effects reported by the respondents included feelings of depression or shame, children feeling ashamed, problems of not having enough money, and the fear that they were setting a bad example for their children.

The study concluded that based on the views of AFDC recipients, there was an urgent need to devise strategies to help AFDC recipients move back into the labor force before they become discouraged. They suggested that the current structure of AFDC, which does not allow people to work and receive benefits at the same time, and provides little or no assistance with education, essentially discourages people from trying to improve their status. The author of the study strongly supported the need for transitional assistance such as childcare and medical benefits to assist recipients who are beginning new jobs.

Popkin's study combines qualitative and quantitative approaches to study AFDC recipients' views about the benefits they receive. The combination of approaches permits the author to use triangulation of methods to achieve a more comprehensive look at the topic of the study. The study is well designed and represents a refreshing look at what welfare recipients feel about their programs. It is important to understand the views of the recipients if we agree that the program is primarily meant to benefit their needs. Traditional research in the field of welfare has often overlooked the views and opinions of welfare recipients. This study goes against this traditional approach and establishes the usefulness and need to study the views of welfare recipients.

Edin (1991) conducted a qualitative study on AFDC recipients from Cook county in Chicago. The purpose of the study was to determine how AFDC recipients make ends meet. The study was conducted between 1988 and 1990 and interviewed 50 AFDC recipients over

that period of time. The sample for the study was a purposive sample with one of the major aims in sampling being the representation of racial diversity in the sample. Another purpose of the sampling procedure was to maximize the chances of finding a recipient who lived on welfare alone.

The sample consisted of 46 percent African American, 38 percent White, 10 percent Hispanic, and 6 percent Asian women. Data collection was conducted by using in-depth open-ended interviews that ranged in time from one to three hours. The interview was primarily focused on income and expenditures of the sample population and details on where and how they made money to pay for various expenditures that they incur. The interviews also focused upon what they felt about the benefits of AFDC. The results of the study indicated that for almost all recipients finding a job that paid more than welfare was nearly impossible.

Furthermore, leaving welfare had serious economic costs since working mothers typically incurred more health, transportation, and clothing expenses than their welfare counterparts. However, the women could not live on AFDC benefits alone either. All women who were interviewed supplemented their AFDC and Food Stamp benefits with at least one of two sources of unreported income: assistance from family, friends, boyfriends, or absent fathers, and income from work. The author of the study concluded that the so-called "dependency welfare trap" is not primarily one of behavioral dependence but one of economic survival. According to her,

in a society where single mothers must provide financially for their children, where women are economically marginalized into unreliable jobs that pay little more than minimum wage, where child support is inadequate or non existence, and where day care costs and health insurance are unaffordable for most, it should surprise no one that half the mothers supporting children on their own choose welfare over *reported* work (p. 473).

This study is very important as a counterpoint to the general view of AFDC recipients who were seen as lazy people who do not want to work and that the government pays them enough incentives to discourage them from seeking work. The view that welfare creates dependency by setting up a system of incentives that reward dependency rather than work

has been written about by various authors (Mead, 1989; Murray, 1984; Novak, 1987). The study proves that AFDC does not pay enough to make living on their benefits alone either feasible or possible. The study shows that dependency is created more because of economic realities of American society regarding women and work rather than the behaviors or motives of the recipients themselves.

## **Overview of the research on welfare to work programs**

The increasing emphasis on welfare to work programs within the arena of welfare policy has concentrated enormous research interest on the topic. The majority of such research efforts is funded by public money and is therefore biased towards finding successful stories in welfare to work initiatives. There have been various studies over the past two decades which have spoken about welfare to work programs, such as JOBS, as successful and effective (Spalter-Roth, Burr, Hartmann, & Shaw, 1995; Gueron & Pauly, 1991; Gueron, 1987; Gordon & Andrew, 1988; Ford Foundation Project on Social Welfare, 1989; Kathryn, 1990). Most of these studies have three common characteristics. First, they are all funded by either public money or by foundations that are conservative and support welfare reduction or elimination. Second, all studies are primarily quantitative and use statistics to prove that such initiatives work, are cost-effective and result in reduced dependency. Third, all the above studies do not attempt to understand the views of the recipients of welfare. They determine success on quantitative and objective indicators that are decided by people/experts who are not made up of recipients.

Many studies that have been conducted independently by various academic researchers have pointed out to the fact that AFDC welfare to work initiatives do very little in actual terms. In other words, they do not provide meaningful changes in the recipients lives to make them economically self-sufficient. The studies that have been detailed in the beginning of this section are examples of such research. When studies have used inputs from welfare recipients about welfare to work programs, their results have supported the idea that welfare to work programs led only to modest increases in recipient incomes and that they are not the answer to removing people from welfare rolls.

The most positive gains from welfare to work programs are actually for government budgets! Statistics have proved that such programs have a positive impact on government

budgets. Such programs have reduced public investment in welfare programs. Research has only documented increased welfare savings for state and federal budgets but not very significant earning gains for welfare recipients. The above facts beg the question: whose *welfare*? These programs seem to be doing more for the *welfare* of the government rather than *welfare* for the poor!! It is clear that new approaches need to be introduced and evaluated in order to search for economically viable options for women on welfare. The latest trend in such approaches is that of women's self-employment.

## **RESEARCH ON MICROENTERPRISE DEVELOPMENT PROGRAMS IN THE U.S.**

### **Context of Microenterprise Programs in the U.S.**

One of the latest additions in solutions towards economic self-sufficiency of women on welfare has been self-employment programs. The increase in women business owners is apparent in the U.S. economy. Since 1970, the percentage of businesses owned by women has increased from 5 percent to 30 percent (New Economic Realities, 1988), representing nearly 3 million of the nation's 12 million small businesses (Report to the President, 1985). According to the Internal Revenue Service, from 1977 to 1985, the number of women-owned sole proprietorships nearly doubled from 1.9 million to 3.3 million, an increase of about 9.4 percent per year versus 4.3 percent for men during the same period (New Economic Realities, 1988). Similarly, a recent survey released by the Census Bureau notes that the number of women-owned firms has increased from 2.6 million in 1982 to 4.1 million in 1987 representing a 57 percent increase (Nation's Business, April, 1991). A significant proportion of this growth in women entrepreneurship can be credited to a program called microenterprise development.

Microenterprise ownership (usually defined as a sole proprietorship with fewer than five employees) has received increasing attention in the past decade and the number of programs that provide lending and training options for these ventures is on the rise (Spalter-Roth, Soto, & Zandniapour, 1994). Clark and Huston (1992) stated that over the last five years, more

than 300 groups across the country have adopted microenterprise development and turned it into their own brand of poverty alleviation.

This strategy of economic self-sufficiency has been extensively promoted in the recent past as an avenue to help women on welfare achieve economic independence. Gugliotta (1993) stated that the concept of microenterprise has been widely praised as “one of the hottest anti-poverty strategies” currently available in the United States. Microenterprise development has received support for being an empowering strategy for women on welfare (Raheim & Bolden, 1995), as a strategy to improve women’s sense of personal control, self esteem, and self efficacy and as a means to bridge the economic gap between low-income women and the mainstream labor market (Solomon, 1992).

As a strategy to get welfare mothers economically self-sufficient, microenterprise development has received extensive support from the federal government. The federal government, with enthusiastic support from President Clinton, had earmarked 48 million for microenterprise development in 1993 (Shenitz, 1993). The President had also asked the Congress in 1997 to appropriate 1 billion dollars over the next five years for microcredit programs in the United States (Buntin, 1997). It is clear that microenterprise programs are here to stay for some time as one of the solutions for moving welfare mothers from welfare to work. While support for such programs has been overwhelming and has resulted in mushrooming growth of microenterprise programs in the U.S., research interest and the availability of empirical information regarding these programs is limited and only now developing. I shall analyze the few studies that exist in this context.

## **Empirical Studies on Microenterprise Programs in the U.S.**

While there has been extensive literature on the promise of microenterprise, the history of microenterprise and how microenterprise can work in the U.S. in theory, there have been very few research studies conducted on evaluations of microenterprise programs. Among the research studies that are available, the majority of studies have been either funded or conducted by agencies that run the programs. I will now review the few empirical studies that exist with regard to microenterprise development as a strategy for economic self-sufficiency of women on welfare.

Alter (1993 a) conducted an evaluation of the Self-Employment/Economic Development Program (SEED). SEED was a demonstration program of the Institute for Social and Economic Development (ISED), a private non-profit organization in Iowa. The goal of SEED was to enable low-income individuals to start self-employment businesses and help them to achieve economic self-sufficiency. This was done by providing participants in SEED with business training, mentoring, and support and technical assistance for seeking loans and running the business. SEED is atypical of general microenterprise programs in that it does not provide loans directly to the participants but only assists them in acquiring loans. The evaluation of the program was funded by the Office of Community Services, Department of Health and Human Services in Iowa. Assistance for the evaluation was provided by the staff at ISED.

The evaluation was primarily quantitative and was based on outcomes of the program. The major outcomes of SEED were determined to be the ability to support participants to start self-employment businesses (Intermediate Program Result) and the ability to help participants achieve economic self-sufficiency (program outcome). Economic self-sufficiency was defined as a movement toward self-sufficiency measured by increases in earned income from self-employment that resulted in reduced size of AFDC grants. Data collection instruments consisted of a series of forms which were made up of close-ended questions that related to background and business plans of the clients and staff reports that tracked the movement of the clients through the program. A total of 185 SEED clients formed the sample for this evaluation. Their average age was 35, 69.2 percent of the sample were women, and 68.6 percent of these women started their own businesses. Eighty two point two percent of the sample was Caucasian and 11.7 percent were African American. Data analysis was conducted using descriptive statistics and using test of significance like the t-test. In order to determine movement toward economic self-sufficiency in SEED, the participants at SEED were compared to a similar group of AFDC clients in Iowa who were not participants of any microenterprise program.

The study concluded that the SEED program was successful in assisting a significant number of low-income individuals in starting commercial enterprises. The author also stated that in comparison to AFDC participants who were not on SEED, the program group achieved independence from AFDC much quicker. They found a statistically significant difference between SEED participants who averaged only 6.4 months on AFDC after

enrollment to the comparison group which averaged nine months. Therefore, the program was evaluated as being successful in achieving its goal of economic self-sufficiency for participants.

This study is very well designed and has good methodological rigor. Various statistical techniques and the use of comparison groups increases the validity of the result. However, it is not clear what SEED really achieved in terms of meaningful changes in participants lives. Without adequate statistical control of extraneous variables, it is difficult to state that either increasing levels of income among SEED participants or their relatively shorter stay with AFDC had anything to do with the program. Also the data collection techniques give very little depth of information with regard to what SEED meant to the participants. The use of quantitative close-ended questions provided descriptive statistics which are of limited value if one wants to understand what microenterprise means to the participants.

The above study is more typical of currently available research information on microenterprise programs. They are mostly quantitative, use objective indicators of success, and provide little information about the process of microenterprise development as a strategy for women on welfare. Similar studies which give statistical estimates of microenterprise programs have been conducted by ACCION International (1998) and Alter (1993 b).

Ehlers and Maine (1998) conducted the only study that I could find which used the views of the participants of microenterprise programs as the primary source of evaluating the program. The study evaluated a microenterprise program of MicroFem, a private non-profit organization in the Western United States. The primary data collection methods used for this study were ethnographic, qualitative interviews over a period of three years from 1994 to 1996. The authors conducted 56 in-depth interviews and asked them to talk openly about their plans, their life, and their experience with the MicroFem program. The authors also continuously met with staff and members of various Advisory Boards at MicroFem to talk about the program, its mission, history, and goals. The qualitative data was supplemented with quantitative information which was in the form of an formal and informal survey of 96 ex-clients of MicroFem. The authors do not provide details of their sample in terms of demographics but provide the general make up of MicroFem clients as being 47 percent Anglo, 26 percent Hispanic, and 20 percent African American. Two thirds had never been self-employed. Sixty six percent made less than \$20,000 a year and 20 percent made less than \$10,000 a year.



The results of the study deviate sharply from positive findings of microenterprise that have been reported in literature. The authors concluded that microenterprise development funneled women into small scale, undercapitalized, and barely profitable “pink-collar” businesses. They also contended that these programs reinforce business segregation of women by discounting the socio-cultural conditions that women bring with them to business and instead emphasizes the personal growth of individuals. They suggest that economic, socio-cultural, and gender constraints make it extremely difficult for most women to turn microenterprises into viable income producers. They even titled their study “Women and the false promise of microenterprise”.

The above study deviates significantly from positive evaluations of microenterprise programs. The results of the study suggest that greater attention needs to be paid to microenterprise and its effects before they are promoted as the “new hope” for women on welfare. The study is important in that it also provides an avenue for the voices of the participants to be heard. The study, however, seems to carry negativity about microenterprise to its extreme. For example, the study does not report anything positive about MicroFem. There is great amount of generalization of the results from the study to microenterprise development in its entirety. Many points raised by the authors are relevant and significant. However, the reporting of the results seems to be more about the philosophical orientations of the authors toward the issue rather than the results of the study.

While this is important, in my view, a research report should be more about the respondents’ views than about the authors’ views. Nevertheless, this study establishes the need for more empirical evaluations of microenterprise programs. It is important to conduct more studies which look at the meaning of these programs to the participants and the impact they have on participants lives. We need to understand the process of microenterprise development so that we may strengthen the positive aspects and modify and eliminate the negative aspects in our search for answers to the problem of economic dependence on welfare.

## IMPLICATIONS FOR SOCIAL WORK

### Direct Practice

Microenterprise development is a strategy that arose within the field of social development. Midgley (1995) defined social development as a process of planned social change designed to promote human welfare in conjunction with a comprehensive process of economic development. MDPs assist the poor and low-income people to develop small business by offering small loans, training, technical assistance, and other support. The direct association with economic development is often what separates social development from social work. Midgley called microenterprise development as an example of a developmental approach to improving social welfare. The last decade has seen an increasing call by social work authors for the field of social work to become more actively involved in social development (Livermore, 1996; Midgley, 1996). Livermore (1996) also argued that since the profession of social work originated to serve the poor and underprivileged populations, it has direct relevance with the field of social development where social work has many roles to play and promote (Hare, 2004).

In addition, both the International Federation of Social Workers (IFSD) and the International Association of Schools of Social Work (IASSW) agreed to adopt the following international definition of social work in Copenhagen in June 2001 (Sewpaul & Jones, 2005):

The social work profession promotes social change, problem solving in human relationships and the empowerment and liberation of people to enhance well-being. Utilizing theories of human behaviour and social systems, social work intervenes at the points where people interact with their environments. Principles of human rights and social justice are fundamental to social work.

This new definition, particularly the concept of empowerment and liberation, also encourages social workers to expand their professional vision in furthering practice areas.

The mushrooming growth of microenterprise programs in the United States has resulted in increased attention on microenterprise development as a strategy of economic and social development for welfare recipients (Keeley; 1990; Raheim & Bolden, 1995; Speth, 1997). As welfare policy in the U.S. changed to require welfare recipients to work after two years of assistance, the support for microenterprise programs in the U.S. has significantly increased. This has also led to social work authors examining microenterprise development as a strategy to be employed by social workers (Livermore, 1996; Raheim, Alter & Yarbrough, 1996; Raheim, 1996). These authors have suggested that microenterprise development needs to be looked at as a social work strategy in working with women on welfare. Raheim (1996) suggested that microenterprise development among social work clients forms an important element in new thinking about social welfare. She also stated that the challenge for profession is to become more knowledgeable about the existence of microenterprise organizations and to form alliances with them to improve the material well being of their clients.

## **Management**

Few empirical researches (Inaba, 2000; 2001) attempted to examine microenterprise development program with a focus on eliciting the views of the people who are involved in the program by employing qualitative research method and examined the role of social work. The results of this study suggested that social workers need to understand and determine if their clients would benefit by participating in the microenterprise program. Social workers need to be aware that the economic viability of microenterprise development for women on welfare is not very promising and microenterprise program may be more useful to a particular kind of welfare client (higher education, minimal childcare responsibilities, ability to access extra capital, and determination and experience in business). This information can be useful to social workers as they evaluate their clients for possible involvement in the microenterprise programs. The results of this study also showed that it is crucial for social workers to inform and educate any of their clients who are interested in participating in microenterprise development regarding risks, the loss of benefits from welfare, and other pertinent factors related to their starting a business.

Another study by Crofts and Gray (2001) on the relevance of social enterprise, microenterprise development as an example of this type of initiative, to social work practice

argued that it is precisely because of social work's community development skills that social workers are ideally placed to make a contribution to promoting social enterprise practice. Securing and linking participants to various services and support requires extensive knowledge of community resources as well as skill in making effective referrals and facilitating the participants' connections to available services.

## **Policy Analysis and Advocacy**

At a larger level, social work need to engage in activities that can make microenterprise development a more useful development strategy for women on welfare. This can include advocacy and social policy action to change welfare provisions with specific emphasis on temporary assistance in childcare and medical care for microenterprise participants. Social workers can also help microenterprise programs serving as liaisons between implementing organization and other community/social service organizations to provide a better package of services for microenterprise participants. This could include networking with organizations that can provide temporary support in childcare and medical care to women who have just started small businesses through the organization. Because social workers constantly interact with different community/social service organizations, they can serve as valuable information resources to the program staff about possible support in this regard for their participants.

Thoughtful and comprehensive policy analysis in TANF and MDPs while keeping the profession's values and commitment to disadvantaged population will lay out the social work's advocacy agenda. In past decades, most welfare debates are around welfare dependency of the recipients but the broader issue is poverty. Social work profession needs to pay attention to the structural and policy barriers that prevent the ability of many women with children from becoming economically self-sufficient. It is social work's advocacy role to be a voice for disadvantaged and poor people in society through policy analysis and advocacy.

## **Research**

Social work also has a role to play in the research on the MDPs. The microenterprise programs are not a panacea of economic self-sufficiency for women on welfare. It rather suggests that it is not a viable economic option for most women on welfare. However, it is

true that there are women on welfare who have successful businesses that helped them to move out of poverty. Future research can be directed at studying these successful women in determining the possible reasons/factors involved in their success. This information can be used in making necessary changes to programs in order to increase the possibility of success for their participants. Future research also needs to be directed towards eliciting information related to the type of business, the amount of microcredit loans, and the optimal period of transitional support that improves the success of microenterprise development. As the TANF legislation undergoes more revisions in future, social work researchers must be in the forefront with findings on how MDPs and other initiatives directly affect those who participate.

## CONCLUSION

The primary mission of the social work profession is to enhance human well-being and help meet the basic human needs of all people, with particular attention to the needs and empowerment of people who are vulnerable, oppressed, and living in poverty (NASW, 2005). Microenterprise development has emerged as an important concept and one of the strategies for creating economic opportunity and participation for the poor and other vulnerable groups. With an understanding of problems and prospects of microenterprise development programs as one means to move out of poverty, social workers can make a major contribution.

Social workers possess extensive knowledge of assisting vulnerable populations and a number of skills such as community organization, needs assessment, enhancing community participation, and empowerment-oriented practice. If social work is to realize its mission of promoting social justice and enhancing human well-being, it is important for social work profession to broaden its roles beyond the traditional ones such as the administration and provision of social services programs. In order to assist the poor and other disadvantaged groups in society, economic development is crucial and must be seen as integral part of social work practice.

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