



Business Training: A Great Return on Investment

INTRODUCTION

For every government dollar invested in Momentum's Self Employment Program over \$7 is returned to the community, reveals a new economic evaluation.

Momentum's Self Employment Program has been offering business training to Calgarians with employment barriers since 1998. Barriers to meaningful employment may include a disability, income level, cultural or language, limited access to capital and limited education. The 26 week program includes 10 weeks of in-class group learning and business plan development followed by an additional 16 weeks of business start-up supported through classroom instruction and individual coaching sessions.

Since 1998 over 400 people have participated in Momentum's Self Employment Program, launching themselves into a career that offers flexibility, financial security and a sustainable livelihood. In many cases, these business owners go on to employ others who are also often marginalized. In addition to the program success, many of Momentum's Self Employment participants go on to contribute to the Calgary economy by starting a business, employing others, exiting social assistance and increasing their taxes paid.

PROGRAM EVALUATION

In the fall of 2014 Momentum contracted Dr. J.C.H. Emery, PhD and Dr. R. D. Kneebone, PhD to identify the impacts of the Self Employment Program on the incomes of program participants and the budgets of the governments of Canada and the province of Alberta. The evaluation was conducted on the most recent three year contract with Alberta Human Services (July 2010 – March 2013).

THE PARTICIPANTS

The evaluation was conducted on the 71 program participants who entered the program and completed at least their Business Plan at the 10 week point in the program. Of those participants, 47% were funded through the federally-funded Employment Insurance (EI) program or provincial Income Support. The remainder of the participants were self-funded or using other means to participate. Two thirds of participants were either immigrants, persons with disabilities or older workers.

Over the past 30 years, when comparing the income gains of university and college graduates (over a high school graduate) to the cost of those degrees and diplomas, the Internal Rate of Return is generally less than 10%, but the investment in that education is considered a good one since it yields double the return of a benchmark asset like a government bond at 5%.

When applying the same methodology to valuating the return to investment on Momentum's Self-Employment Program the annual returns are between 96% and 400%. This reflects the high social costs and impacts of barriers to employment for the population the Momentum program is serving. For not a lot of money invested, society gets a very high rate of return.

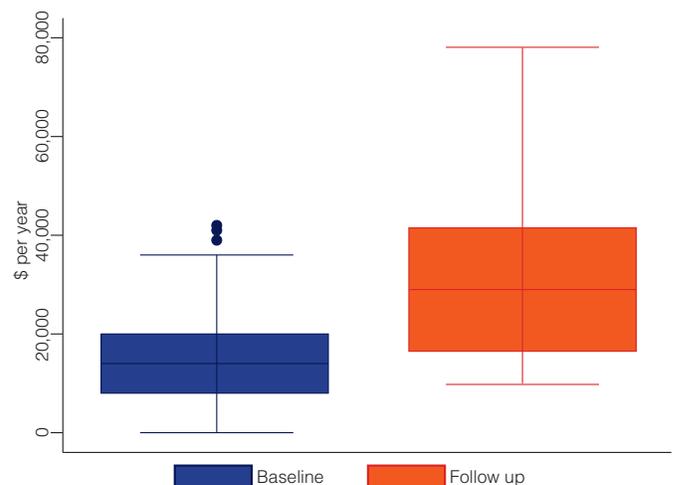
J.C.H. Emery, PhD
Co-author, Evaluating the Budgetary Implications of the Momentum Self-Employment Program

INCOME

It is estimated that the income of the average participant grew by 250% as a result of taking the Self Employment Program.

Momentum's Self Employment Program has a return on investment of between \$7.54 and \$19.80

Box Plots of the Baseline and Follow up Incomes for Momentum Participants (n=27)



The boxplots in the figure above show the distribution of incomes at baseline and at follow up. The median income has increased from around \$17,000 at baseline to \$30,000.

QUALITY OF LIFE

Self-employment training programs can be transformational for the participating individuals. Not only do they build entrepreneurial skills and know-how, they also promote economic independence and help people living on low incomes build self-confidence and improve their view of their own potential.

- Seven program graduates reported a total of 24 employees, with 4 graduates accounting for 21 of those.

- Eight graduates reported having a better job than they held at the start of the Self Employment Program.
- Seventeen graduates reported that they had participated in further education and training ranging from Toastmasters to an MBA.
- 20% of participants accessed Peer Support Coaching at Momentum, a service designed to support business owners with mental health challenges.

88% of survey respondents reported that their circumstances had improved as a result of participating in the Self Employment Program.

- More income
- Debts paid off
- Greater job stability
- Able to support their families, including children to attend Alberta universities
- Courage to run a business
- Increased confidence
- Better able to solve problems
- Improved health and ability to support family members in improving their health

GOVERNMENT SAVINGS/BENEFITS

Certain government expenditures that are directed toward aiding the unskilled find jobs will realize cost savings:

1. Graduates of the Self Employment program will no longer need to rely on the provincial Alberta Works program.
2. In a similar way, by providing a skill to those currently or habitually collecting Employment Insurance (EI), the Self Employment program generates considerable saving realized by the federally funded EI program. This is a saving to the federal treasury not accounted for in the calculations presented above.
3. The higher incomes of those who completed the Self Employment Program would also reduce the reliance of these individuals on social benefits provided to low income Albertans and their families.



IN SUMMARY

A legitimate concern of governments, and taxpayers, is whether they are receiving good value for their money. Training programs like Momentum's Self Employment Program are attractive for governments to fund because they:

- a. Benefit citizens
- b. Yield direct benefits to the government's bottom line, its budget.

This is so because by financing the acquisition of entrepreneurial and labor market skills, the government enables program participants to earn higher incomes and pay more in income taxes. The higher income reduces reliance on government programs and income transfers, and reduces use of health care services. Dynamically, the improved income of the program participant can also enable other family members to invest in human capital through education and training. The return on this investment is particularly high because this one-time expenditure yields a long term benefit in the form of higher income tax receipts for however long the program participant works. This report has shown that the Self Employment Program delivered by Momentum generates an attractive return for both the Alberta and federal governments. The net returns to the federal and provincial treasuries from financing this program are large.

LEAH - Double Elle Bakery

<http://www.doubleellebakery.ca/>

Before I entered the Self Employment Program at Momentum, I was going through a period in my life where I was tired of working every day and not doing something I loved. I was basically at a point where I knew I had to make drastic changes in order for me to be fulfilled in life. These feelings of unhappiness and discontent led me to the decision to take the Self Employment Program at Momentum. I thought running my own business would be challenging and rewarding at the same time.

I happened to be talking to a friend one day about wanting to run my own business and open a bakery. She mentioned the program at Momentum and I immediately went to their website. I sent in my application, participated in two interviews and was subsequently accepted into the program in the spring of 2011. I was elated—this meant I could learn the skills I needed to successfully run my own business.

I found the hardest thing to deal with in the course was the emotional change and how I had to completely shift the way I thought about everything. I love a challenge though, so I enjoyed every class and every step we went through to successfully complete a business plan. Once my plan was complete, I could focus on putting it into action. This was not an easy task. I came up against all sorts of barriers such as financial issues, personal support, emotional turmoil and my own bad habits.

I initially opened my bakery alongside another business, but I am now taking over the property as the current owners are retiring. I was also interviewed by CBC and the Calgary Herald and I didn't waste any time taking advantage of these excellent marketing opportunities. Along with focusing more attention on getting my name and logo out to the public, I'm seeing a marked increase in customers. Everything is coming together nicely and I am proud of myself for not giving up.

My financial concerns are no longer an issue but I would never be in this situation unless I had demonstrated extreme dedication and commitment to my business. I look forward to the next few years and am certain I will only grow and be more successful with every step.

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It is just a 5 minute walk
from the LRT to Momentum

