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greenpaper [grĕn-pā-per] -noun

1. a document that shares with those interested in the field of public markets marketumbrella.org's findings and learnings as practitioners
2. statements by marketumbrella.org, not of policy or practices already determined, but of propositions for discussion
3. produced for the policymaking process, they hope to inform interested parties on specific topics in a brief, easy-to-digest format

Pastabilities | from public assistance to private enterprise

Executive summary

In 1996, **marketumbrella.org**, as part of its mission to “initiate and promote the ecology of local economies,” became one of 13 recipients of a USDA Community Food Projects grant. The grant supported **marketumbrella.org**'s proposal “to incubate micro-enterprise businesses among low-income residents of the St. Thomas Public Housing Development.” Other project sponsors included the City of New Orleans' Economic Development Fund and the Catholic Campaign for Human Development.

The goals of the multi-year project were to:

- include low-income, inner-city residents in the economic opportunities that were being created each week at the nearby farmers market;
- expand opportunities for small-scale farming by developing linkages between growers and emerging value-added enterprises based in public housing;
- support development of micro-enterprises;
- develop innovative linkages between the for-profit and non-profit food sectors; and
- encourage multi-system, interagency approaches to such complex issues as welfare-to-work.

Four years later, the proposal has resulted in Riverside Pasta, a tiny owner-operated enterprise that, at the end of 2000, is Louisiana's newest LLC. Riverside Pasta makes,

packages, and sells fresh pasta, ravioli, and savory butters to shoppers at the Crescent City Farmers Market, as well as to local restaurants. It provides a small but growing livelihood to its co-owners, Joanika Davis and Nyja Horton, and a delicious, locally produced line of specialty products to New Orleans residents and visitors.

Perhaps more important are the intangible results the project has generated. First, it stands as a rare demonstration to public housing residents of a viable alternative to public assistance, a minimum-wage job, or criminal activity. Second, it has boosted the self-esteem, life skills, and capacity to dream of its two young owners, while it has taught them the nuts and bolts of running a business.

Interestingly, project benefits also include its many failings or difficulties (described below), which stand as valuable lessons for others seeking to help welfare recipients become entrepreneurs.

It's a sobering but well-known fact that the majority of small businesses fail. Yet it is also true that the U.S. economy is based upon small businesses. In a just society, the benefits of small-business ownership would extend to the urban poor, who have the most to gain...and very little to lose...by making the personal investment in it. This is why **marketumbrella.org** is pleased to have been involved in the (still fragile) success of Riverside Pasta, LLC.



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200 Broadway, suite 107 New Orleans, Louisiana 70118-3578 504.861.4485

Welfare reform is a thorny problem for policymakers and bureaucrats. It is no less a dilemma for those most directly involved: as recipients. The problem of envisioning a self-sufficient lifestyle after a lifetime of public assistance can be particularly acute among residents of large public housing developments, where, by design, there are no self-sufficient role models in residence. (Those who can support themselves no longer qualify for rent subsidies.) The only residents are those on public assistance; those living at the same subsistence level by means of minimum wage employment; and those selling drugs, sex, or other contraband to an underground economy. Business ownership is particularly rare among public housing residents. Thus, it is one of the most radical of proposed welfare-to-work solutions. In addition to the capital required, business ownership requires a profound change in attitude from the helplessness one must demonstrate to qualify for public assistance. Changing one's response to life from one of victimization and lack of control to one of ownership is a radical change.

Another psychological hurdle is the fact that business ownership promises no steady paycheck to those who put in their requisite hours. Instead, it offers something greater, yet also more elusive: the promise of open-

ended success—on many levels, personal and professional—to those who can create something from nothing.

Yet these attitudinal barriers, added to the difficulty of creating a successful small business under the best of circumstances, give some indication why micro-enterprise may not be the most widely adopted welfare-to-work alternative.

Why marketumbrella.org got involved

Despite the challenges, marketumbrella.org had several reasons for wanting to share the possibility of business ownership with the urban poor in its community. One, “creating new commercial infrastructure” is a specific line-item in its mission, “to initiate and promote the ecology of local economies.” Two, marketumbrella.org wanted to extend the benefits of its Saturday morning farmers market to nearby residents of the St. Thomas Housing Development, very few of whom participated in the market as shoppers or vendors. Three, the project was an extension of the ei's philosophical commitment to “asset-based economic development,” or in other words, economic development activity that creates an asset (which will generate many paychecks over its life), rather than activity that merely attracts external dollars to a community. As Richard McCarthy, marketumbrella.org's executive

director, explains, “We weren't interested in just participating in welfare reform through the creation of a new working class. We wanted to take an opportunity—the critical mass of shoppers at the farmers market and a low-overhead point of sale—and share it with a group of people who could benefit from it if they got their skills up to speed. In other words, if they got the business support that would help them identify a market need and fill it.”

In retrospect, McCarthy admits that the organization vastly underestimated the difficulty of the task it was attempting. For starters, it was extremely difficult to attract even a handful of welfare recipients willing to participate in so risky an undertaking.

To identify micro-enterprise trainees, Kay Roussell, marketumbrella.org's micro-enterprise coordinator, contacted seven welfare-to-work agencies, who referred their job training participants to Roussell. Nevertheless, 75% of interviewees failed to keep their appointments. As Roussell later learned, “the women only had to make phone calls to fulfill the training requirements.” Eventually, Roussell hired two trainees from this pool of applicants. Each worked a day and was never seen again.

Altogether, Roussell estimates that the fledgling organization hired more than 30 trainees “to find two who have stuck it out.” The two, Joanika

Davis, who has been with the project since its inception, and Nyja Horton, who was hired a year ago, are the proud new owners of the micro-enterprise. Most of the other trainees, who have since come and gone, were Joanika's personal contacts from the neighborhood. The reason they didn't stay, Joanika says, is that "they were looking for a job. This is not a job. This is something we're trying to make happen. A lot of them don't want that responsibility. They want a sure thing."

The fact that Joanika and Nyja were willing to invest of themselves in the creation and success of Riverside Pasta says a lot about the faith and determination of these two women.

Identifying a product
At the outset, no one knew what product the micro-enterprise would produce. Although trainees and the ei staff initially suggested more culturally relevant food products, such as cornbread, gumbo, or sweet potato pie, a survey of farmers market shoppers revealed the strongest interest in fresh pasta. Since the goal was to produce a product that would sell, trainees readily dropped their cultural preferences and listened to their customers, thereby learning business rule #1. The choice was a fortuitous one for other reasons, as well. As Roussell points out, the safe food handling require-

ments for fresh pasta are less burdensome than for some of the other product lines that were contemplated.

Learning to produce and package pasta was the next hurdle. From leased kitchen space in the St. Thomas Housing Development, Roussell and the Riverside Pasta trainees began experimenting with pasta recipes. Over the past four years, Roussell believes that this has been Riverside Pasta's major improvement: greater product consistency. "After tinkering with the product for over a year, buying a better grade of flour, using frozen eggs instead of fresh, and drying the pasta a longer time before packaging, the pasta has advanced remarkably," she says. Sales figures confirm her estimation.

The young business also invested in attractive containers and labels, creating a professional, upscale product appearance. This, along with Riverside Pasta's consistent presence at the Saturday (and now Tuesday) morning farmers market, has gained the entrepreneurs a loyal following among shoppers. That following also has been enhanced by the trainees' custom of offering free samples. Although initially distressed to be "giving away the product," Joanika and Nyja now recognize this as an invaluable marketing tool: sales increased as soon as

they began offering tastes. On slow sales days, Joanika has been known to step out from behind the table and offer samples to everyone who passes her way, with direct and positive bottom line results.

The technique has had a remarkable effect on the trainees, as well. Roussell reports that "confidence in their product increased as soon as they began hearing the shoppers' compliments." Greater confidence also translated into more smiles and greater eye contact as the women waited on shoppers.

Running a business

Acquiring the job skills necessary to run a successful business has been a continuing challenge. As Roussell explains, "Most of the trainees had really never worked before. Basic job skills like punctuality, following a routine, and making efficient use of one's time had to be taught, and were not easily acquired."

Over the last four years, the trainees have attended seminars and workshops in food production and safety, sales, accounting, marketing, and other business basics. Yet in many ways, experience has been the best, albeit the harshest, teacher. For example, it wasn't until the trainees thought they were being shorted on their paychecks that they started keeping faith-

ful track of their own hours, as Roussell had asked them to do. Again, it wasn't until their paychecks reflected actual package sales that the trainees started completing paperwork as they packaged the pasta. And it wasn't until the financial underpinnings of grant support were gradually withdrawn that the business owners fully grasped the equation: sales = profits.

Because they now rely on sales, minus production costs, rather than an hourly wage for their earnings, Nyja and Joanika have become better, more active salespeople. And in the last year, sales have more than doubled, further fueling their enthusiasm. Adapting to the psychological demands of business ownership has been another hard-won accomplishment. For Joanika, the hardest thing has been firing people who were hired as friends. "I let them go if I see that they are not in it to build the business," Joanika says, well aware that a struggling enterprise can't afford any dead weight. Roussell confirms that Joanika maintains high expectations of her employees, insisting that they keep a regular schedule, work hard, and be reliable—all lessons that Joanika had to learn during her first two years with Riverside Pasta. For Nyja, the biggest challenge has been learning "that things don't always go well. Just because I made pasta, doesn't

mean it's going to sell." She has learned to take the bad days in stride, confident that things will pick up, and that she will do what it takes to make sure that happens.

Small but thrilling successes And the business has "picked up" remarkably in the last year. Sales have climbed from just over \$8,000 for the year ending August 1, 1999, to \$21,437 for the year ending August 1, 2000. While that doesn't translate into riches, especially when divided by two partners, it must be remembered that these sales are generated solely during two four-hour periods a week—the Saturday and Tuesday farmers markets.

As Riverside Pasta's reputation grows, the possibility for expanded sales through additional channels is increased. Already, Riverside Pasta, through connections made at the Crescent City Farmers Market, has been able to place its product on the shelves of one specialty grocery and sell to one local restaurant. There have been other exciting developments, as well. Joanika and Nyja have expanded the product line to include new pasta flavors, cheese ravioli, hand-twisted tortellini, and savory butters. In the summer of 1999, Riverside Pasta co-hosted and catered a Food Security Conference held in New Orleans, which brought it national atten-

tion. The micro-enterprise also has hosted four delegations of visitors from Czechoslovakia, Mexico, and 20 African nations. The delegations included business, government, and education leaders, all interested in entrepreneurial projects, particularly those involving impoverished women with little education. Perhaps most exciting for Joanika and Nyja was the visit by Italian representatives of the Slow Food Movement, who sampled their pasta and pronounced it good. Nyja was elated: "Real Italians from Italy like our pasta! I know the product is good."

Also encouraging has been the support of local restaurateurs such as Leah Chase and Dick Brennan, who have passed on words of encouragement and made the young entrepreneurs feel members of an esteemed circle: famous New Orleans food purveyors.

Now Riverside Pasta has found a low-interest loan and is about to embark on its own as Louisiana's newest LLC. Although the business will leave behind the safety of its non-profit association with marketumbrella.org, Joanika and Nyja are not daunted. While aware of their growing responsibilities, they are also most aware of all that Riverside Pasta has given them.

Nyja says, "My life has changed for the better because of Riverside Pasta. I can't see myself

applying for another kind of job. This is something I do. Some of the recipes are mine. I meet the people, get their comments face-to-face. This is my life.”

Joanika, too, realizes that Riverside Pasta is more than a job. It has become her livelihood, as well as her hope for the future. She sometimes brings her 8-year-old twins to the kitchen “to help,” and realizes the business is something she could one day pass on to them. In the meantime, she is pleased of the example she is setting for them.

Eyes on the future

Although the income the women currently receive from Riverside Pasta is only slightly better than the cash benefits they received from welfare, this is not how Joanika and Nyja keep accounts. The two partners have their sights set on the future, where their dreams include pasta shipments to other states, a glass-enclosed commercial kitchen so that passers-by could watch the pasta being made, plus a restaurant and storefront alongside. They know it will take hard work, more sales, and saving their capital...and that knowledge alone speaks to the value of the Riverside Pasta project. How many other young women from the St. Thomas Housing Development have such a dream and know how to make it come true?

Lessons learned: No job skills without life skills

As the preceding discussion has indicated, the road from welfare to business ownership is a long and rocky one, beset with challenges that have only been alluded to here. Elizabeth Tuckermanty, of the USDA’s Research, Education, and Extension Services, confirms the difficulty of imparting job skills without a foundation of life skills in any welfare-to-work program. Experience has taught her that life skills generally must be addressed first, or at least simultaneously, for any job-training program to be effective.

Among the life skills that typically need to be addressed are literacy training, time management, childcare, and family planning; although in actuality, life skills might include any pressing personal issue that prevents or distracts a trainee from giving full attention to acquiring employment skills.

The upside of life skill training, however, is that recipients quickly apply the empowerment they gain to other areas of their lives. Tuckermanty’s experience with Agricultural Extension meal planning and budgeting classes has shown her that “As soon as participants acquire a measure of control over even one area of their lives, they are immediately motivated to gain additional control over other areas of their

lives. We even see leaders emerge out of something so basic as food budgeting classes.”

Knowing how much support to give

The Riverside Pasta experience taught its sponsors that there is a push-pull tension between financial support for a fledgling micro-enterprise and its eventual success. In Riverside Pasta’s case, grant funding enabled the micro-enterprise to get off the ground, paying for food costs, packaging, and leasing kitchen space for the first several years. It also provided a safety net, which gave the trainees time to learn from their mistakes without compromising the business’s financial survival.

Yet by their very existence, the grant subsidies also impeded the trainees’ acquisition of a genuine understanding of business operations. It wasn’t until the subsidies began to be withdrawn that the true dynamics of a successful business could be felt. Future micro-enterprise endeavors will have to wrestle with this problem: how much support is necessary to incubate a start-up business, and at what point does that support begin to impede progress?

Perhaps the metaphor of a newborn child is applicable here. While an infant needs a lot of parental attention its first few years, it needs to be capable

of independent functioning by the time it reaches kindergarden age. Similarly perhaps, a welfare-to-work micro-enterprise needs considerable support in its first two years of existence, but should begin to function increasingly on its own thereafter.

The dilemma of health insurance

While the experience of Riverside Pasta points up the need for a bridge of continuing financial, technical, and moral support while a fledgling business gets off the ground, it also reveals a continuing dilemma that faces small businesses of any age or origin in the United States: what to do about health care?

Clearly, an enterprise such as Riverside Pasta will be hard-pressed to provide employee benefits for the foreseeable

future. Nor are most other welfare-to-work participants likely to land jobs that include paid benefits. The withdrawal of subsidized health care thus remains a fly in the ointment of welfare-to-work programs, as well as an ongoing challenge for small businesses.

Encouraging multi-agency cooperation

One of the **marketumbrella.org's** goals in establishing the micro-enterprise project was to "encourage multi-system, interagency approaches to such complex issues as welfare-to-work." Somewhat surprisingly, Riverside Pasta participants encountered substantial resistance from staff at the Office of Family Services, who were reluctant to

consider their participation in the micro-enterprise as legitimate employment. Higher level cooperation among micro-enterprise developers and public assistance agencies would be helpful in smoothing the path of future entrepreneurs. ■

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200 Broadway | Suite 107
New Orleans, LA 70118 USA
tel: 504-861-4485
fax: 504-861-4489
admin@marketumbrella.org
www.marketumbrella.org

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