

Intergenerational Impacts of Small Business Ownership

Findings from a Study of Businesses Supported by the Neighborhood Development Center



Neighborhood Development Center (NDC) is a nonprofit community financial institution that provides integrated business services to help low-income entrepreneurs start and grow their own businesses. Through financial and technical assistance to local entrepreneurs, NDC seeks to create thriving communities and support the well-being of business owners and their families. In 2019, NDC contracted with Wilder Research to do a study of the impacts of business ownership on owners' children, including changes regarding financial security, education, health, and career skills and interests. This summary describes key findings from that study.

About the study

A total of 22 NDC-assisted business owners completed a 30-minute phone interview from a sample of 69 NDC-assisted businesses (a response rate of 32 percent). To participate, respondents had to currently be in business and be the parent, guardian, or primary caretaker of at least one child. The interviews asked about how business ownership impacted their family's financial security, housing, transportation, access to health care and nutritious food, and children's education. Respondents were also asked about their children's involvement in the family business, currently and in the future. Respondents were invited to add their name to a drawing for a \$25 gift card upon completion of the interview.

About Neighborhood Development Center

Founded in 1993, Neighborhood Development Center (NDC) provides small business loans, entrepreneur training, leasing assistance, and individual support to prospective and current business owners in low-income neighborhoods throughout the Twin Cities. In addition, NDC has created and maintains six incubators, which are buildings purchased by NDC to create supportive commercial spaces for local businesses to grow. NDC serves around 800 businesses and entrepreneurs through its various programs annually. In the Twin Cities, around 550 active businesses have come through at least one NDC program.

Key findings

Children’s education and career experience

Owning a business helped almost half of respondents support their children’s education, out-of-school activities, or both. Forty-six percent of respondents said owning a business improved their family’s ability to give their children the opportunity to participate in activities outside of school, and 41 percent reported that it improved their ability to help their children do well in school (Figure 1). In contrast, 5 percent said their family’s ability to impact each of these areas was worsened by their business ownership.

1. Impacts on children’s education and participation in out-of-school activities (N=22)

How has owning your business impacted your family’s ability to...	Improved	No change and was fine already	No change but could use improvement	Worsened	I’m not sure/Not applicable
Give your children the opportunity to participate in activities outside of school?	46%	23%	9%	5%	18%
Help your children do well in school?	41%	27%	5%	5%	23%

Note. Total varies from 100% due to rounding.

Respondents who noted improvement discussed how being able to make their own hours allowed them to attend school activities, help with homework, and drive their children to school or to out-of-school activities. Several respondents also said they had more financial resources to sign their children up for out-of-school activities. However, some shared that the long hours made them less available for their children, and others said that they were committed to their children’s education regardless of whether they owned a business.

My schedule is flexible so I can be more attentive, [such as through] classroom visits, field trips, and being more available in general.

Definitely improved because I spend more time with my kids. I transport them to and from school and chat with them on the way. I spend more time at home with them to help do homework and things.

Though they're too young for school, we're financially able to take them out for more activities outside like the zoo.

Variable: it fluctuates. On the better side, I have been able to put my kids in programs I couldn't afford before. On the bad side, I [wasn't able to provide] consistent support for them because of the [hours].

Most respondents said their children were involved in the business in informal and formal ways. Sixty-eight percent of respondents reported that their children helped with the business, and 27 percent reported that their children worked for pay at the business (Figure 2). Of the respondents who said their children did not work for pay at the business, 63 percent thought their children would do so someday. Most who said their children were involved described small chores or helping with customers. Some described their children training under them to later enter the profession. Others reported official positions their adult children held within the business. Several described new skills their children brought back to the business after attending college.

[They] clean mirrors, sweep, take out the trash and fold towels.

He washes dishes, hands out sodas, and hands out samples.

My son helps me with ordering supplies. My grandchild organizes the supplies on the shelf by color in the basement.

I just got my instructor's license. My oldest son is working toward getting his barber license. I want to start a school in the spring and summer.

I have one son who works in the business who handles our operation aspect of our business. He brought in expertise with technology.

He helps with big things. He responds to the city and county about requirements and anything related to law and requirements. He answers all the letters, because he went to college and understands the language.

My daughters helped throughout high school and college. When they got out of college they came back and worked for a while, and I want them to take it over someday. I don't know if they will or not. Now, they help when they can.

2. Children’s involvement in the business (N=22)

Do any of your children help with the business?	%
Yes	68%
No	32%
Do any of your children currently work for pay at your business?	(N=22)
Yes	27%
No	73%
I’m not sure	-
If NO, is there any indication your children will work for pay for your business in the future? (N=16)	
Yes	63%
No	25%
I’m not sure	13%

Note. Total varies from 100% due to rounding.

Children learned how to work with people, as well as trade and business skills, through helping out at the enterprises. Respondents talked about the customer service skills their children learned through helping out at the businesses, as well as increased comfort in working with people more generally. Others talked about specific trade skills their children were learning, including construction, cooking, and cutting hair. Some talked about gaining organizational and business skills.

Learning to be comfortable with people of all walks [of life]. A lot of diversity in the [shop] because all kinds of people come [here] ... My youngest one has been with me at the [shop] almost every day. So he can hold a conversation and talk to people.

My granddaughter knows about [the business and has] a great quality for customer service.

Working with hand tools like hammers, tape measures, and screwdrivers.

At school, they had an entrepreneur day and [our daughter] said she knows how to price things, as a result of the business. She takes pride in our business.

They are a lot more organized and pay attention to detail a lot better. Their math skills have improved and their knowledge of business as a whole has improved.

Many respondents reported that their children were interested in owning their own business. Most respondents (84%) said that their children either currently own their own business (20%) or felt that their children would own a business in the future (64%) (Figure 3). Some described specific steps their children were taking to run their own business, such as pursuing additional training or education. Others commented on their children’s general interests in working for themselves. Several mentioned their children’s pride in the family business and how the family business has given them more confidence to be an entrepreneur because they have a family role model.

3. Children’s future business ownership (N=22)

Is there any indication that any of your children will own their own business one day?	%
Yes, they currently own their own business	20%
Yes, I think they will in the future but they do not currently	64%
No	9%
I’m not sure	9%

Note. Total varies from 100% due to rounding.

The decisions that he’s made in his college choice are things that will help him manage and run his own business. He switched to Communications, which will help him run his own business and with presentations.

Just having them see us working at home, it’s teaching my older daughter, “Oh hey, if I want to make money, I need to go work.” She’ll say if I want something, I have to go work. So she says I’ll write a book and sell it to my friends. So she understands that she has the power to create ways to earn money. It’s small, but huge.

There is pride from my kids that their dad owns this business, and it inspires them to explore entrepreneurship.

Financial security

Business ownership had varying impacts on families' financial security, especially in the early years of starting a business. Close to half of respondents (45%) said that their businesses accounted for 76-100 percent of their family's total household income (Figure 4). About half (55%) said that their household income grew since receiving assistance from NDC (Figure 5). Of the 10 respondents whose income grew, half had an increase of 25 percent or less.

Slightly less than half (46%) of respondents reported that their ability to pay bills improved after starting a business, and 14 percent said it worsened (Figure 6).

4. Percentage of household income from the business (N=22)

What percentage of your monthly household income comes from your own business?	%
0-25%	27%
26-50%	23%
51-75%	5%
76-100%	45%

5. Impact of NDC support on household income (N=22)

Since receiving training or support from NDC, have you increased your household monthly income from the business?	%
Yes	55%
No	46%
If Yes, by approximately what percentage have you increased your household monthly income from the business? (N=10)	
0-25%	50%
26-50%	30%
51-75%	10%
76-100%	10%

Note. Total varies from 100% due to rounding.

6. Impacts on families' financial security (N=22)

How has owning your business impacted your family's ability to...	Improved	No change and was fine already	No change but could use improvement	Worsened	I'm not sure/Not applicable
Pay bills?	46%	27%	14%	14%	0%
Have stable housing?	23%	64%	0%	14%	0%
Have transportation to get you and your family where you want to go?	18%	68%	0%	14%	0%

Note. Total varies from 100% due to rounding.

Respondents described some financial instability, but managed it through money management or supplementing their income with other jobs (either themselves or from their partner). Financial insecurity was especially an issue in the first few years of business or with seasonal fluctuations. Some missed the stability of having a regular paycheck at a salaried job, whereas others appreciated being able to earn more money by taking on more work as a business owner. One respondent felt that there were limits to how far they could advance in other organizations or businesses as a person of color. Owning a business offered the potential to earn more money and build a career on their own terms. Many respondents felt that the benefits of increased flexibility and sense of ownership outweighed the drawbacks of financial instability.

In the beginning it was hard. I took a pay cut to start my business. Last year things started getting better and this year things are moving along also.

Since I started my business, my income is now big. Compared to five years ago, we now don't have any problems paying our bills.

I still have to work my real job to pay my bills. I can't take any money from the company, I am not in that position.

It made me a better money manager... It made me a better saver for activities, trips, and birthdays for children and to plan in advance.

Owning your own business allows you to work at your own pace to earn more income. If you want to work harder, you can do so to earn more of a salary. So the flexibility to be able to work at our own pace gives us that opportunity.

Business ownership helped some respondents buy a home or car, but generally respondents reported that their ability to have stable housing and transportation was fine already. Sixty-four percent of respondents said their ability to have stable housing did not change as a result of business ownership, but was fine already (Figure 6). Twenty-three percent of respondents said it improved, and 14 percent said it worsened. Some respondents commented that it allowed them to buy a home or upgrade an existing home. Many said their housing situation had stayed the same, and some mentioned a spouse's income in helping to ensure stable housing. Likewise, 68 percent said that their ability to have transportation did not change, but was fine already, with 18 percent saying it improved and 14 percent saying it worsened (Figure 6). Some respondents mentioned that business ownership allowed them to afford a new car or have the money for necessary maintenance and repairs. Respondents who said their ability to have reliable transportation worsened described the wear and tear from using their vehicles for work.

It has improved it because I'm in a position to be able to buy a house, so I would say that being your own business owner or having your own business has improved our chances of securing a place for [my family] and their future.

I think it was fine already. We own our home already, so no change.

I am able to do a little remodeling.

We've owned our house for 13 years. My wife made me promise "Do not risk the house." She would not allow me to take a second mortgage as a condition of starting the business. That is why we went to NDC, because we couldn't find a lender that wouldn't take us to the cleaners when we needed more money for the business.

NDC loan provided the ability to purchase a vehicle.

Just having access to income allows me to pay a bill if I need to or if the car breaks down, [I am] confident to know that I can pay for a new car or repairs if something happens.

A lot of times I use my vehicle for work, so it's harder for the vehicle, for transporting supplies, more miles on it. They break down faster.

Health

Most respondents said their ability to afford enough nutritious food did not change as a result of business ownership, but was fine already. Twenty-three percent said their ability to afford enough nutritious food improved, but most said there was no change and improvement had not been needed (59%; Figure 7). Eighteen percent reported no change, but suggested there was room for improvement.

Those who noted improvement described being able to afford more nutritious food. Many respondents noted that they've been eating healthy foods all along. Others mentioned they were able to have enough to eat, but they had to budget to do so or that it varied based on income. Several people mentioned that they would like to buy more nutritious foods if they had more money.

It's helped because financially we're able to buy healthier foods. I always try to cook healthy and we're able to afford more organic foods.

We've been eating healthy all along, so I think it's the same.

I spend a little more now. I have a budget that I stay within. For us, too, I shop a little different. I might buy a meal to last a couple of days.

We are never hungry. We budget and sometimes we have to buy the lower-priced and lower quality foods.

It is variable due to time and income which fluctuates.

I would bring food from my business to my house and I still do that today.

7. Impacts on health (N=22)

How has owning your business impacted your family's ability to...	Improved	No change and was fine already	No change but could use improvement	Worsened	I'm not sure/Not applicable
Afford enough nutritious food?	23%	59%	18%	0%	0%
Help your children be healthy?	23%	77%	0%	0%	0%
Pay for health care when you or your family need it?	5%	64%	14%	18%	0%

Note. Total varies from 100% due to rounding.

Most respondents reported that their ability to afford health care for their family did not change as a result of business ownership, but often because their family was covered under a spouse's insurance. Two-thirds of respondents (64%) said that their ability to pay for health care for their family did not change, and was fine already (14% indicated that there was no change but that there was room for improvement). However, ability to afford health care was the only item where more respondents reported worse conditions rather than better conditions as a result of business ownership. Eighteen percent said their ability to pay for health care worsened, with 5 percent saying it improved (Figure 7).

Those who said it was harder to pay for health care noted that they had to buy their own health insurance rather than have it provided through a job. Two respondents said they did not have health insurance for that reason, and another said they avoided going to the doctor because of high costs under their current insurance. The majority of respondents had coverage through a spouse who had health insurance through their job. Some reported that their children were covered under the other parents' insurance, but were not covered under the plan themselves.

My wife's job is what pays for our health care. Because I am self-employed, it is impossible for me to get health care. I worry if she loses her job what we would do for health care.

My wife is working on getting [our children] health care through her work. I have NO health care.

The premium I pay is so high, I don't go. My deductible is so high. That has been a problem.

I have no insurance for myself, but I pay for my worker's health insurance and worker's comp.

Overall, respondents felt that owning a business improved their ability to support their family's physical and mental health. All respondents felt that their ability to help their children be healthy either improved (23%) or stayed the same, and didn't need improvement (77%; Figure 7). Respondents described being able to take their children to activities or afford more nutritious food. Several respondents talked about improved mental health, either through greater access to mental health care or improved mental well-being from being able to work for themselves.

It allowed us to get mental health therapy. Before, we weren't able to do it.

As far as health, there is mental, emotional, etc. As far as the vision of seeing their father getting up and going to work every day, that's setting that positive reinforcement. My boys are pretty well-rounded, they don't have everything, but they don't want for anything. I think it gives them a confidence or positive self-esteem. They can walk around with their head up.

[It has been] a little difficult to get in with appointments for doctor visits [because of] my having to work all the time.

Overall well-being

Although impacts across different domains varied, respondents described generally improved well-being as a result of owning a business. Respondents described other benefits they received from owning their own business, including increased confidence, lower stress and improved mental well-being, and a greater sense of ownership and independence.

My husband and his brother wanted to start this business for a long time. It gives them something to be proud of. He is already retired, but this gets him up and talking to people every morning. It helps his emotions.

It is not as lucrative, but I enjoy it far, far more... My stress level is lower as a self-employed person. I'm easier to be around now. I feel like I am more cheerful than I ever was working in an office job.

It's also helped give us confidence and joy; that's definitely impacted our children and given us power, allowed us [to] feel empowered. It helps us...teach them that they can create their own [future] and provide for [themselves]. Not having to rely on other people for jobs and the government, but to be able to create opportunities for themselves.

About the respondents

Respondents represented a wide array of businesses, including restaurants, barbers and hair salons, construction and design, and other services. Half of the respondents (50%) had been in business for less than six years, and 86 percent had been receiving support from NDC for less than six years (Figure 8).

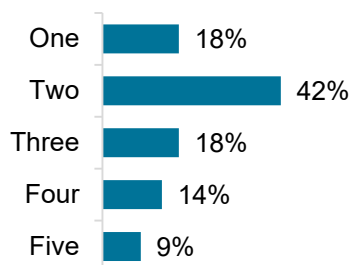
8. Number of years in business and receiving support from NDC (N=22)

	How many years ago did you start your business?	How many years ago did your business start receiving support from NDC?
2 or less	9%	27%
3-5	41%	59%
6-10	23%	9%
More than 10	28%	5%

Note. Total varies from 100% due to rounding.

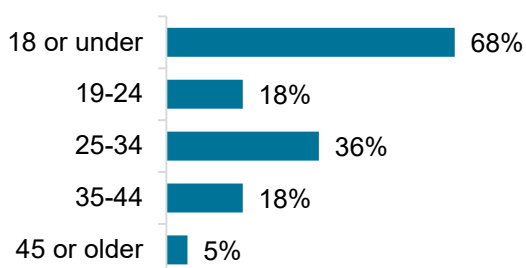
All respondents had at least one child for whom they were a parent, guardian, or primary caretaker, and 41 percent had three or more children (Figure 9). Two-thirds (68%) had children under the age of 18 (Figure 10).

9. Number of children (N=22)



Note. Total varies from 100% due to rounding.

10. Ages of children (N=22)



Note. Some respondents had children in multiple age categories.

Two-thirds of respondents (67%) reported a gross household income of more than \$42,000 annually (Figure 11). The remaining respondents reported annual incomes between approximately \$18,000 and \$42,000.

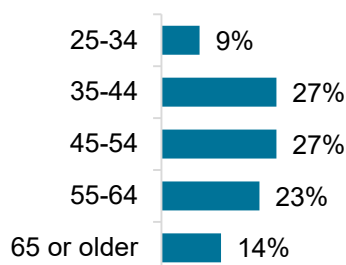
11. Household income of respondents (N=21)

What was your total household gross income from all sources, including your business in 2018?	%
Less than \$100/month (less than \$1,200/year)	0%
\$100-500/month (\$1,200-6,000/year)	0%
\$501-1,163/month (\$6,012-13,950/year)	0%
\$1,164-1,500/month (\$13,968-18,000/year)	0%
\$1,501-2,000/month (\$18,012-24,000/year)	5%
\$2,001-2,500/month (\$24,012-30,000/year)	10%
\$2,501-3,000/month (30,012-36,000/year)	10%
\$3,001-3,500/month (\$36,012-42,000/year)	10%
More than \$3,500/month (more than \$42,000/year)	67%

Note. Total varies from 100% due to rounding.

About half of the respondents were age 35-54, and 37 percent were 55 or older (Figure 12). Nine percent were under the age of 35.

12. Age of respondents (N=22)



About one-quarter (27%) of respondents had a bachelor's degree or higher, 55 percent had an associate degree or attended some college or a trade school, and 18 percent had a high school degree or a GED or less (Figure 13). None of the respondents had received general assistance or cash assistance from MFIP prior to working with NDC or did so currently (Figure 14).

13. Education level of respondents (N=22)

What is the highest grade or year of school you have completed?	%
8th grade or less	9%
High school graduate or GED	9%
Trade school (vocational, technical, or business school)	14%
Some college or associate degree (including community college)	41%
Bachelor's degree	18%
Graduate or professional degree	9%

14. Receipt of General Assistance or cash assistance

	Before receiving training or support from NDC, were you receiving any General Assistance or cash assistance from MFIP? (N=21)	Are you now receiving any General Assistance or cash assistance from MFIP? (N=22)
Yes	0%	0%
No	100%	100%

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