

Social service organizations are important sites for the construction of client identities and the transmission of dominant cultural discourses about deservedness and entitlement (Miller 1989; Trethewey 1997; Holstein & Miller 1996). Historically, social service organizations generally, and welfare organizations in particular, have been charged with distinguishing deserving from undeserving program applicants. Ironically, this process has produced a situation wherein despite their ostensible role in extending opportunities to the disadvantaged, welfare agencies promote discourses, ideologies, materials, and practices that reinforce images of many poor as undeserving and unentitled (Quadagno & Fobes 1995; Schneider & Ingram 1997).

In recent years, political discourse has been filled with the rhetoric of welfare reform. “Reform” advocates allege that welfare benefits create dependency among recipients, and strain state and federal resources (Naples 1997). The increasingly negative imagery and accompanying political rhetoric surrounding welfare recipients have fueled movements to “reform” the welfare system (MacLeod, Montero & Speer 1999). The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (typically referred to as welfare reform legislation) restricted the availability of welfare subsidies, emphasized work requirements, and otherwise sought to promote “self-sufficiency” in lieu of “welfare dependency” (Bartle 1998:24). Although proponents claim that such changes will promote the independence and empowerment of the poor, the net effect of reform rhetoric and legislation has been to deny that the poor are entitled to long term economic assistance or “safety net” programs (Naples 1997).

During the decade prior to welfare reform and in the years since, microenterprise development programs (MDPs) gained increasing popularity in the United States (Howells 2000). Microenterprises are typically defined as very small owner operated businesses with less than \$20,000 in capital investment and five or fewer employees. MDPs extend lending and training opportunities to individuals starting their own very small businesses.

Like economic development and welfare job training programs of the past, MDPs aim to alleviate poverty and extend opportunities to least advantaged citizens, e.g., women and persons of color. Unlike traditional welfare programs, MDPs want to help poor and low income persons gain independent means of earning an income (Edgcomb, Klein & Clark 1996:1). Rather than seeking to change the personalities of the poor, MDPs promise to invest in them through business loans and training (Servon 1999; Stoesz & Saunders 1999). MDPs offer the hope of a practitioner movement that could reconstruct the images of society's poor from helpless dependents to that of resourceful, motivated entrepreneurs (see Schneider & Ingram 1997: 102).

MDPs also promise to challenge images of entrepreneurship as the strict domain of elite, white, men (Servon 1999; Light & Pham 1998). A number of programs target poor and low income mothers, often women of color, who need to both earn an income and care for small children. Many MDPs also target men of color (Ryan 1997).

This chapter focuses on the construction of client identities in an MDP, and on the ways in which those identities frame client access to program services. Our data reveal that MDPs do extend some economic opportunities to many women, minority, low and

middle income individuals. However, we also find that just as in traditional welfare programs, MDP staff evaluate client worthiness, and attempt to resocialize as well as shape access to further services. Some roots of these client constructions are found in extra-organization demands from funding sources that programs simultaneously assist disadvantaged clients, but avoid loan losses and large operating costs. Staff assessments of successful and unsuccessful clients are also influenced by white, middle class, and male-centered standards of business. Such imagery is problematic for many women, minority, and poverty-level clients.

Literature Review and Research Questions

Conservatives and liberals alike have criticized welfare programs for promoting client dependency and passivity (Moynihan 1965). Progressives point out the oppressive role of welfare programs in the cultural reproduction process. Research shows that welfare programs not only replicate existing societal divisions of labor and remuneration, but also construct clients as passive recipients of benefits, and as victims whose defective personality or culture leaves them vulnerable to joblessness and poverty (Schneider & Ingram 1993; Quadagno & Fobes 1995). Staff definitions of clients as morally unworthy or unwilling to change often lead to denial of benefits regardless of their case eligibility (Sarat 1990). Programs use therapeutic language that isolates clients as individuals and obscures the structural roots of their problems (Quadagno & Fobes 1995; Trethewey 1997; Young 1990).

MDPs purport to avoid welfare paternalism by taking a “business-like” approach to clients (Servon 1999; Stoesz & Saunders 1999:397). U.S. MDPs were inspired by and, in many cases, directly imported from programs in developing countries (e.g., the Grameen Bank and Accion) (Balkin 1989). There are now over 300 MDPs operating in the U.S. (Langer, Orwick & Kays 1999). They base their lending decisions on the feasibility of clients’ business plans, and money is loaned, not granted (Edgecomb et al. 1996). The dispensing of money is a business transaction that encourages active client self-help (Light & Pham 1998). Advocates argue that this business-like orientation avoids the traditional welfare focus on resocialization and moral assessment of clients (Light 1998; Stoesz & Saunders 1999:397).

The popularity of MDPs as a solution for persistent unemployment and poverty compliments neo-liberal policies of tight money, shrinking government expenditures and the demise of safety net programs (Joankin & Enriquez 1999; Jurik & Cowgill 1998; Howells 2000). MDPs exemplify a post-welfare trend described by Jill Quadagno (1999:3) as a societal shift from the welfare state to the “capital investment welfare state” (also referred to as welfare capitalism by Stoesz & Saunders 1999). This shift is visible in efforts to shrink government and restructure public benefits to better reflect the operating principles of the private sector. In this vein, programs aim to promote individual rather than collective responsibility through incentives for personal investing, savings, and accumulation (Quadagno 1999:3; Stoesz & Saunders 1999). Thus, MDPs appeal to the post-welfare mentality of U.S. liberals and conservatives alike by emphasizing investment and self-help through business ownership.

Microenterprise has been praised as an avenue for mothers to combine paid work and childcare. Until recently, masculine models of entrepreneurship dominated research and development efforts. Women entrepreneurs had to meet male-centered visions of motivation, management style, and growth objectives to be treated as legitimate candidates for counseling, training, or loan assistance. Brush (1992) argues that while men tend to see businesses as distinct economic units, women are more likely to view their businesses as an interconnected system of relationship. MDPs promise to direct attention toward women's entrepreneurship. Numerous programs were designed to focus on women clients and help them overcome barriers such as lack of access to capital, business expertise, and social networks (Servon 1999).

Many MDPs function as non-profit service providers. Despite sharp contrasts with government welfare programs, MDPs still exhibit key elements of human service organizations. They offer scarce services that are, to some extent, subsidized by governmental and philanthropic funding (Hasenfeld 1992). In contrast to popular images of nonprofit organizations as altruistic, innovative and devoid of red tape, research reveals that successful social movement and non-profit organizations often grow dependent on government funding for support, and consequently become bureaucratized and professionalized over time (DiMaggio & Powell 1983). Program services become less innovative and client-oriented (Smith & Lipsky 1993).

Despite the excitement surrounding MDPs, they do not have access to unlimited resources. Research on human service delivery and organizational resource allocation

argues that attempts to resocialize and/or morally assess client worth are inevitable in any organization where staff must allocate scarce resources to clients (Lipsky 1980; Holstein & Miller 1996). Staff evaluate client attitudes, comportment (language and dress), and work practices (Quadagno & Fobes 1995). Moral judgements of client character often accompany these evaluations.

In a case study of one MDP geared for low income and welfare women, Tracie Ehlers and Karen Main (1998:424) found that program staff encouraged women to start businesses in “small-scale, under-capitalized, barely profitable ‘pink-collar’ businesses.” Training classes socialized them to accept traditionally male entrepreneurial models (e.g., competitiveness, aggressive marketing, risk taking) that ignored the often unique strategies and practices that women bring to the world of business. Special barriers and problems facing poor women entrepreneurs (e.g., conflicts between business and family responsibilities) were ignored, and women were told that they could succeed in business if they had sufficient determination to do so. Clients learned to blame their failure on a lack of determination, or “lack of the right entrepreneurial stuff;” the structural forces that produced marginalization went unnoticed (438).

This paper focuses on the construction of client identities in MDPs, i.e, images of deserving and undeserving clients. We focus on client-staff negotiation of entrepreneurial identities. We consider several dimensions of the identity production process, including the dynamics of staff ideologies, job demands, and staff-client

interactions. We also consider the extra-organizational context of staff concerns about, and definitions of clients.

We find that to sustain funding, MDP staff had a vested interest in recruiting clients who would be successful in their program. Despite the best of intentions, staff developed guiding definitions of worthy and successful clients, e.g., their orientation, loyalty, and productivity. These definitions were linked to the need to show funding sources demonstrable outcomes of program success. Individuals who did not fit staff definitions of worthiness were viewed negatively, and labeled dreamers and entitlement seekers. With varying degrees of salience, these assessments were also class-laden, gendered, and racialized. Program training content and outcome measures tended to rely on business models that ignored the racial, ethnic and gender disadvantages so often faced by women and minority entrepreneurs (Jurik 1998). In line with the findings of Ehlers and Main (1998), we find that instead of promoting woman-oriented models of entrepreneurship, the program tended to rely on traditional models of business. The more concerned they became about program success, the more staff relied on traditional models.

In the following sections, we discuss our research methodology. Then, we turn to an outline of the extra-organizational pressures that encouraged MDP staff to screen out high risk clients. Next, we describe the process whereby staff attempted to select and mold successful clients. Then, we discuss the negative funding consequences when

MDPs are proclaimed to be poverty alleviation programs, but weed out too many poor clients. We conclude with a description of our study's implications for social policy.

Methods

Our analysis draws on case study and cross-sectional data. The case study follows the planning and first six years of operation in one MDP. The cross-sectional study included surveys and telephone interviews with key program staff at 50 MDPs across the U.S.

The case study was based upon the experiences of Micro-Enterprise, Inc (a pseudonym, hereafter referred to as ME) an MDP located in a large, western U.S. metropolitan area (population of over 2 million).¹ ME was a non-profit community organization governed by a board of directors that included representatives from large private companies, local human service agencies, city government, a university, and several small business owners. ME began providing training and loans to clients in 1994. Loans were provided through a peer lending methodology, whereby clients formed borrowers' circles of up to eight individuals to make lending decisions, provide peer support, and encourage loan repayment.²

During its first six years of operation, approximately 64 percent of ME clients were women; 62 percent were persons of color. Sixteen percent were unemployed when they entered the program, but less than five percent received welfare or food stamps at the time of entry. Seventeen percent had incomes at or below the federal poverty line and another 53 percent met the low income criteria of the U.S. Department of Housing and Urban Development (HUD) (see Table 1). Like the clients of most U.S. MDPs, ME

clients were well educated: about 61 percent had at least some years of college (Edgcomb, et al. 1996).

Prior to borrowing, ME clients were required to complete a training course and develop a business plan. The 14-week training classes were divided into a four-week course for people who were starting new businesses, and a ten-week course for those already in a business and for “graduates” of the four-week session. The training covered basic business skills such as marketing, preparing financial reports, and constructing business plans. Clients met with business counselors for additional technical assistance. ME began with two paid staff and some volunteers, had five paid full-time staff by its third year of operation, and nine paid staff by year six. Business counselors and instructors were paid as hourly consultants. After completing the ten-week course, clients were eligible to join a borrowing circle.

After forming a circle, ME borrowers faced a six to eight week certification period in which they were asked to forge business relations, develop peer support, elect officers, write by-laws, and make lending decisions. Loan amounts for first loans were \$1,200, up to \$3,000 for second loans, and up to \$5,000 for third loans. Once lending decisions were made, circles met bi-weekly to make loan payments, provide peer support and repayment pressure, and receive continuing education. A ME staff member attended the circles to facilitate meetings and repayment. To remain eligible for subsequent loans, members had to make timely payments and attend circle meetings. ME also ran an alumni association and mentoring network for graduates.

The case study data included observations and interviews with ME staff and clients. Between September 1994 and October 2000, we conducted observations of training sessions and meetings of circles, staff, and board of directors. We conducted approximately 40 formal interviews with clients, staff, board members, training instructors, circle facilitators, and bank officers working with the program. Both staff and clients appeared to welcome an opportunity to speak about organizational strengths and weaknesses, and to make recommendations for future improvements. We conveyed their suggestions to staff and board members in ways that would promote organizational improvement while safeguarding confidentiality.

Our national MDP data came from a combination of purposive and random sampling techniques. Sources for the sample included the Self Employment Loan Project's directory of U.S. MDPs, and the registration list of program participants at the 1996 annual conference of the Association for Enterprise Opportunity, a national association of microenterprise providers and supporters (Severens & Kays 1997). From these sources we developed a list of MDPs grouped by lending methodology (peer, individual methods, both). We oversampled programs with peer lending components for two reasons: (1) We wanted to compare peer lending programs with those using more traditional, individual lending methodologies. (2) Less than 19 percent of US MDPs at the time of our study used peer lending. We mailed short questionnaires to the 104 programs selected, and asked for their participation in telephone interviews. Fifty-nine programs (57 percent) agreed to our requests, but we eliminated nine programs from our sample because they did not offer microloans (loans of \$25,000 or less). We conducted

phone interviews with key staff (executive directors, program managers, lending officers) at the remaining 50 programs. Peer lending-only programs comprised 20 percent of this final sample, 18 percent of our sample offered both peer and individual loans, and 62 percent offered individual loans only.

While the crux of our analysis relies on case study data from the ME program, we draw on findings from our national 50 program sample as well as findings from other research studies to better address the generalizability of the ME experience to the larger US MDP population.

Extra-Organizational Pressures on MDP Program and Staff

In order to understand staff constructions of MDP clients, it is necessary to examine the extra-organizational demands on these programs. Staff exhibited a strong desire to assist their clients in a sensitive and respectful manner, but they were constantly confronted with the need to balance competing demands of providing quality client services and maintaining program resources. Demands with respect to clients included recruiting new clients, overseeing training, managing circles, handling client complaints, promoting client business successes, and ensuring loan repayment. Organizational demands included running the program office and securing funding for lending and program operations.

Only eight percent of our sample programs were part of state agencies, and even they had to justify their continued existence, and attract additional funding from local community, government, and private sector sources. Staff fund-raising activities

included grant-writing and networking with local business leaders, community advocates, and lending sources. MDP staff named increasing competition for funding as their most serious program problem:

As we ...open more and more...programs, there's actually becoming less and less money ...to be distributed among more and more programs....

[My] experience is that you find a lot of non-profits that are sort of competing with each other (#26).

Programs had problems obtaining sufficient funds for staff salaries, client training, and the day-to-day management of their program. Many funding agents, especially banks who needed to meet federal Community Reinvestment Act requirements for lending to low income communities, were willing to provide loan pools for MDPs (Santiago, Holyoke, & Lebi 1998). However, funding sources were less interested in providing operations monies. Thus, most programs sought to keep these costs to a minimum:

We want to provide services without...building a whole new bureaucracy. We have total assets of...around \$400,000, and operating costs of around \$65,000.... I look at most loan programs and they have a loan pool of about \$100,000 and operating costs of about \$400,000. Then, you have to go after grant money to pay for your \$400,000 staff (#18).

Funding appeals necessitated the development of measures of program effectiveness (service utilization, loan repayments rates, and increasing clients' employees, business profits, and household incomes). Chief among the outcome measures was the rate of loan default and delinquency. Some staff

argued that funding concerns pressured MDPs to sacrifice program quality by promoting “quick and easy success measures” (#44). Although most programs emphasized the importance of accountability, respondents also argued that concerns with meeting outcome measures often discouraged a focus on less easily measured, longer-run outcomes:

And it’s coming from a desire to do something good, but we all get caught up in numbers. And you get so caught up in that [and] you get very confused as to who your target market is...who you’re going to serve, and how to really give them quality education. It should be working with people, and not just to fulfill a number... It’s basically learning how to balance ...answering to your grants and answering to your customers (#26).

The ME program experienced these funding pressures. Its operating funds came from a variety of sources -- city, state and national grants, private foundations, and corporate or individual donations. The loan fund was provided first by a community development bank, and later by an SBA loan fund. Its use of the peer lending method was a deviation from traditional lending, but the peer model has been credited with high rates of repayment around the globe (Balkin 1989; Microenterprise Summit 1997). Despite the reputation of peer lending, local bankers were leery of it. It was clear to ME staff and board members that continued funding would be dependent upon demonstrating that ME could replicate the Grameen repayment record. Before agreeing to lend to ME's "high risk" clients, the lending bank insisted that all loans be 100 percent guaranteed since the businesses were “quasi start-ups [with] no historical operations.”

During the first phase of lending, loans were delayed four to six weeks as the city, state department of commerce, and ME solidified an agreement to cover any unpaid loans.

We got the backing from the state on our loan pool. Now we have to keep the support from our funding sources. We have to show that our model works, that people pay the loans back (ME board member).

Despite guarantees, upon reviewing ME clients' proposed businesses, one bank officer balked at making the first loans. A ME staff member describes his reaction:

It is the midnight hour, the loans are supposed to go out, and Arthur says they are not going to loan us the money. He thought their business ideas were just crazy. I could not imagine how I was going to tell the clients who have already waited longer for these loans than they think they should have. I called Fred (board member and bank officer at another bank). ... He said his bank could loan us the money. I called Arthur back and told him (about arrangements to borrow from another bank). Then he said. "Well, wait, I think we can work things out to loan you the money."

Staff and board members reiterated that it was important to "show a good repayment record to prove to the CDB and other funding sources that ME and its clients were good risks." They realized the importance of organizational impression management in maintaining and attracting funding sources, and wanted "to identify several successful clients as quickly as possible, and feature them in the local newspapers and program

newsletters” to attract public interest and support. Similarly, a staff member in our national sample said:

The first [concern] is making sure that you have enough funds.

My...agency...put out approximately \$30,000 a year for my salary, my part-time secretary,... space rent, telephones. And, you know, they’re not going to ...do that forever (#20).

Therefore, in addition to a primary objective of high quality service delivery, MDP staff were concerned with organizational impression management. They viewed strong repayment records as integral to organizational longevity (Gulli 1998). Identifying clients with success potential became an element central to ME board and staff member agendas.

Screening

Staff in both our case study and national sample selected clients who were most appropriate for their services, and who were most likely to be successful after the program. Screening clients occurred at different stages across programs: before being admitted, during training, during technical assistance, and before lending (see also Balkin 1993; Servon 1999).

While all MDPs screened clients at the admission stage to make sure they met the organization’s target population requirements (e.g., income, gender, and geographical restrictions), some reported more in-depth methods to select potential clients. The executive director of a program serving Asian Immigrants explained their screening process:

We screen our potential clients first by income, annual gross income...And, number two, [we look] into their income [to see] where they get it from (#51).

While some screening processes may work to guarantee that a program serves disadvantaged clients, many programs screened to select the most capable clients (Edgcomb et al 1996; Jurik & Cowgill 1998). A staff member described her program's rationale for screening:

[W]ith this more streamlined process, we might be able to reach just as many people, or granted, by creaming them a little bit. Because now we're not dealing with the people who say "yeah, I'm *thinking* about a business." ...We can provide loans to people who already exhibit strong entrepreneurial characteristics, and that's a key distinction (#21).

An example of one of the more rigorous screening processes was described by a staff member of a Northeastern program that offers both peer and individual lending:

We have a very intense screening process to even get into the program. [People] have to turn in an application, take a math test, submit a writing sample, do a group activity, [take] an individual interview, and [complete] a personality interview...We usually have 75-80 people apply...then we select 30 of them (#10).

We observed client screening in the ME case to be an emergent process that entailed both assessment and socialization of clients in terms of basic eligibility,

orientation, loyalty and productivity. The evaluation of moral worthiness was a component of this process. As ME grew more concerned about loan repayment rates, it increased efforts to screen clients. A board member suggested:

Now that we have been doing this a few months, we need to identify some methods for selecting clients for circles and loans who are right for our program, clients who will be likely to succeed.

This screening pattern coincides with reports that we received from staff in our 50 program sample. In the next section, we focus on the process of client screening as it emerged in the ME case and as it paralleled programs in the national sample.

The Successful ME Client – True Entrepreneurs

ME's ostensible focus was on the quality of a client's business idea. Lending was made without traditional forms of collateral, so to a degree, the lending was character-based. Unlike small local communities in which peer lending models developed (e.g., rural Bangladesh), in large urban communities, little is known of an individual's reputation. ME staff, and later, ME circle members, had limited information upon which to base decisions about distributing training and loan money. Staff developed theories about the client personality-type that would most likely be successful in the program. Often implicit were moral assumptions about clients. From the program's inception through its first four years of operation, we observed that staff and board members became more concerned with recruiting the "right type" of client for the program.

In the following subsections, we demonstrate how staff identified clients as legitimate recipients of ME's resources. Staff viewed successful clients as on the path toward becoming “true entrepreneurs.” These were individuals who exhibited 1) an orientation toward self-improvement, professionalism, and training, 2) loyalty to ME, and 3) productivity in meeting- prescribed program and business outcomes. True entrepreneurs were contrasted with negative counterparts—“entitlement seekers and dreamers.” Staff came to define entitlement seekers as those who confused ME with traditional welfare programs, who thought loan money was an entitlement rather than a business transaction. Dreamers had unrealistic expectations for themselves and their business.

Orientation

True entrepreneurs were oriented toward self improvement, presented themselves in a professional manner, and focused more on training than on borrowing. Staff constructions of true entrepreneurs were informed by U.S. cultural images of professionalism and rationality. A staff member described his preferred clients as being “sincere, committed, hardworking, and disciplined” individuals who had a “rational, practical dream”.

One indicator of a successful client orientation was a "professional" demeanor in the client's "presentation of self" (see Goffman 1963). This included personal appearance (e.g., clothing, speech, demeanor), social capital (e.g., networking ability), and symbolic factors (e.g., a typed business plan).

Dominant images of professionalism have been criticized for reflecting white, middle class notions of propriety (Young 1990). Staff promoted traditional notions of professionalism even as they tried to respect clients' social and economic positions. They viewed clients as "unsophisticated," but believed that with training, hard-working and realistic clients could become good business people. Although staff members mentioned clothing, they did not expect "the clients to be dressed up, just to present themselves as neat and tidy." A staff member said:

It goes back to attitude and how you think of yourself and your business. If they take this seriously, they dress appropriately. ...[T]hey don't need a business suit ...but they should show that they take themselves and their business seriously. They need...to make an effort to say this is my business and it's important to me.

Another indicator of a successful orientation was a client's willingness to focus on the training rather than lending aspects of the program. From the outset, loans clearly drew clients to the ME program. However, when early classes began to grumble about the length of training and other "obstacles" that delayed borrowing, staff began to emphasize training and networking opportunities over the small loan offerings. Moreover, client interest in training became an indicator of worthiness. As one staff member described it: "Serious clients realize the value of this educational process." Participants who focused primarily on loans, who spoke about training as a barrier to loans, were suspected of being entitlement seekers. A staff member said:

We have some that may have had ulterior motives. ... They're not really there for the spirit of the program like we want it. And the program was new... [and] some of these people may have slipped through and [just wanted] the loans, [but they] didn't get into the spirit of the program which is educational.

Another staff member said:

It is our job to get them to recognize that these are business loans and not something that they are entitled to. People are so used to welfare that they slip into this mentality.

Initially, the ME program aimed to assist the poor, especially women and minorities. The images of loans to women selling tamales on the streets, and of helping welfare mothers to get off welfare by starting their own businesses were frequently referenced in planning session discussions of ME's target population. When initial contacts with funders discouraged a predominant focus on welfare and poverty level clients, ME adopted HUD standards as their criteria for low income clients. HUD low income guidelines are significantly higher than are federal poverty guidelines (again see Table 1). Despite their acquiescence to pressures for targeting upwards, ME planners reiterated a commitment "to preserve at least some part of our resources for lending to these very poor women."

Within the first year of program operations, ME board and staff members became increasingly aware of the negative images of welfare programs and of the greater needs and risks associated with poverty-level clients (see Quadagno 1999). Eighty-eight

percent of the first client cohort was comprised of poor or low income individuals; slightly less than half of this cohort either had numerous late payments or defaulted on their loans. Alarmed staff and board members sought to disassociate ME from a welfare clientele. A board member said, "I think it is clear that our program works best for low income individuals, and not the very poor. The very poor just do not have the resources to get their businesses off the ground." A staff member said:

Our program has appeal because it is not a welfare program. It is a business program. We do not have the resources to work with welfare clients and the risks are just too great. They think the money is a right not a loan.

ME officials feared that potential funders would see them as similar to welfare programs. Drawing on assumptions that resembled conservative versions of a culture-of-poverty perspective (Moynihan 1965), staff and board members increasingly worried about client behaviors and attitudes that they associated with low income, unskilled and less educated people. One staff member said:

We don't have a lot of people on welfare in the program now and I think part of the reason for that is entrepreneurship requires a certain mentality in order to be successful at it. I think a lot of people on welfare get bogged down in their current situation and have troubles looking forward to things, which makes it hard to start a business.

This was also a common theme in our national sample:

Our primary objective...is to help people to produce their own income and not to rely on welfare (#51).

[W]e're not trying to develop a pattern of dependency; we're trying to facilitate and provide a tool which helps people get on their feet (#21).

Although ME clients faced many structural disadvantages, training classes focused on traditional models of business planning, emphasizing success through hard work and deferred gratification. Guest speakers recounted Horatio Alger-type stories of how their businesses went from rags to riches. Clients were told that if they just worked hard enough, they too could be successful in business (Ehlers & Main 1998). ME training classes devoted little attention to societal barriers such as racial ethnic and gender discrimination, work-family conflicts, monopolistic business practices, or governmental regulatory and tax structures that disadvantage very small businesses (Van Auken 1999).

Despite traditional course content, ME business trainers and staff were concerned with developing training that was suited to clients. An instructor said that ME clients differed from the established business people she worked with:

Some ME clients haven't taken any ...classes since high school or college. We assumed a certain level of knowledge on a certain subject, and if we could see that we weren't getting through...we would back up [and] do something more basic.

ME staff wanted to help clients, but also to reinforce the view that business success was the individual client's responsibility, not the program's. In response to client objections about guest speakers who were elite, white, and owners of large businesses, staff invited more minority and smaller business owners to visit classes. However, discussions of structural barriers to client success remained "outside the program's purview" (Ehlers & Main 1998; Van Auken 1999).

Loyalty

Staff were sensitive to a second dimension of clients' behavior -- whether they were team players. Specifically, they wanted clients who would obey ME rules and negotiate organizational problems without rancor. For example, in the first cohort of clients, ME faced service delivery dilemmas that included delays in the lending process, instructors inexperienced in working with low income clients, incomplete training workbooks, and an untrained circle facilitator. These problems created tensions between ME staff and clients.

Staff preferred clients who negotiated hurdles without openly criticizing the program. For example, one participant, Ben, challenged an early ME policy. Instead of complaining, Ben turned a training session into a forum to express his concern and discuss solutions. His diplomacy led to the termination of the policy. Karen, an instructor, said that Ben's feedback was invaluable and helped her improve subsequent classes:

A lot of the changes we made were due to Ben. Ben came in during the second session and he was all excited. He said, "This is really great, Karen, but there are some things that you could do and you're not." Boom, boom and I was writing like a madwoman.

In contrast to clients who threatened to take complaints outside the ME organization, Ben's more "constructive approach" was welcome. He became a key source of feedback for the program.

Productivity Outcomes

Staff judged client success by outcomes that would bolster funding efforts. Prior to joining borrowers' circles, clients had to have an approved business plan. Staff examined the plan to see if it was a realistic idea. Clients were expected to be realistic about their planned needs, including start-up capital, profitability, cost projections, and marketing. Staff viewed it as essential that businesses grow out of clients' prior work experiences. For example, a low income woman who wanted to manufacture environmentally safe laundry disks was dismissed as a dreamer. Her business plans were "unrealistic" for someone of her income status, work experience (waitressing), and lack of previous business experience. A realistic business was also supposed to be commensurate with the client's financial and time restrictions. It should be compatible with personal demands such as other paid work and child care demands. Clients whom staff perceived as having unrealistic business plans were described as "dreamers."

Of course, staff desires for "realistic" business ideas were practical and well intentioned. They were also sensitive to the differential resources of clients generally, and to the childcare demands for women clients in particular. Yet in the long run, this "realistic" concept also reinforced the marginalized status of ME clients. Given the gender, racial ethnic, and class positions of clients, the encouragement to keep business ideas compatible with resources and past work experiences meant that most client businesses were under-capitalized, labor intensive, and low profit (Servon & Bates 1998). Pressures to be "realistic" also reinforced existing gender stratification patterns in business because most women clients' prior work experiences were in "pink collar" occupations. ME women clients' enterprises were typically in this category. Business

ventures in pink collar industries tend to be even more under-capitalized and low paid than those in stereotypic male ventures (Ehlers & Main, 1998).

Staff often recommended changes in client business ideas to make the ventures “more realistic.” At times, staff assessments of client business ideas were implicitly racialized or class-biased. One short-term instructor criticized a client who wanted to sell photographic art in the southern part of the city. This area was known as a low income African American and Latino/a community. The instructor told her that most people would not view the materials from that area as art. Client responsiveness to staff suggestions was important. For example, one training instructor commented on the clients’ business ideas:

Sometimes I can tell they have unrealistic expectations of what their business is going to be all about. ...If they refuse to change it early on, or refuse to be even receptive to it [change], they won't make it.

Staff believed that a realistic business plan should produce timely and measurable results. Modest goals and quick successes were important to ME staff. They believed that it was important for clients, many with low self esteem, to experience some success as soon as possible. Also, ongoing efforts to raise funds were facilitated by client successes. Staff encouraged clients to start their businesses promptly and show small, quick returns. Clients who did not follow this advice were viewed negatively. One staff member said:

We don't need a lot of procrastinators...the way that we're getting rid of those people is we're basically going to start having them prove that they have done something in the six months of the first loan for a [new] business. ...If they haven't done anything with their business in six months, I don't think we'll be dealing with them any further. We're talking certification, licensing, business cards, customer base, income statement.

Because it gave clients a quick sense of success and gave the program some successful outcomes, this strategy was practical in the short run. Unfortunately, this strategy further pressured clients to start very small, under-capitalized, labor intensive businesses in lieu of waiting for better financing opportunities, or seeking to build cash reserves. It also excluded clients who might not be able to handle the added financial burdens (e.g., taxes liability), or to meet citizenship requirements for quickly formalizing their businesses.

These quick, small goals complimented ME's concern about losses. During the first year of ME operation, loan amounts were lowered from \$1200 to \$500 for people with start up businesses. When combined with prompt loan repayment and good circle attendance, quick, even-if-small successes showed staff that clients were serious about their businesses. Such clients were more favorably considered for future loans.

Staff avoided the technical terms "microenterprise" and "microentrepreneur," because they believed that such terms demeaned clients. They emphasized that despite

limitations confronting client businesses, there was considerable continuity between micro-entrepreneurs and large-scale entrepreneurs. One instructor said:

An entrepreneur is just somebody who wants to take risks and doesn't necessarily need to have a steady paycheck all the time,...and on a micro-scale, we're just talking smaller dollars, but we're talking the same kind of risks psychologically.

Despite staff sensitivity to client status, an emphasis on shared characteristics underestimates the greater relative barriers confronted by ME microentrepreneurs when compared with those faced by entrepreneurs in large businesses and corporations (Van Auken 1999).

Successful Circles

In addition to shaping individuals into professional business owners, MDPs that used a peer lending approach also had to be concerned about developing successful circles. The circle served as the collateral of the peer lending method, and successful circles were believed to increase the likelihood of loan repayment. One staff member in the national sample said:

The peer group lending model has been exciting..[and] it is a challenge, because when you bring groups of women together...it becomes difficult sometimes to get people to want to work together over the long period....[A]n enterprise agent has a very sensitive position in that they can't tell a circle what to do, but they have to find these very creative ways to guide them through group dynamics (#42).

Over time, ME staff also developed notions about successful circles. Staff wanted circle members to support each other, but also to critically assess each other's business plans and repayment prospects prior to lending. ME staff pressured circles to avoid letting supportive functions overshadow their roles as "rational lending decision makers." Staff devalued circles who based decisions on personal allegiances instead of on analysis of business plans:

We want to bring out more...that this is a business. [At first,] we had wanted them [circles] to have a family atmosphere. We found that's not really what we wanted. [We know] that you let family run over you, sometimes and do things that you would not let a person do in business. We want them to look at it in a business manner always.

Successful circles demonstrated commitment to the program through regular attendance at circle meetings and smooth, organized circle meetings. Dissension among circle clients upset the flow of meetings and consumed extra staff time. Circle members who were unable to mediate potentially volatile situations were especially problematic for staff.

Circles also had to negotiate program hurdles. For example, delays in lending and unclear policies sometimes posed problems for ME clients, especially those in earlier cohorts. Circles that responded to such problems by complaining and challenging staff and program legitimacy were viewed as troublemakers and entitlement seekers. In contrast, true entrepreneurs belonged to circles that supported and worked with ME staff to solve problems. A staff member from our national sample described successful circles as being comprised of individuals who were active in the program and developing their business, and who had "a good relationship" with the program. Staff hoped that these

sort of circle characteristics would lead to a successful circle with successful businesses and strong repayment records.

Staff Efforts to Create Successful Clients and Circles

Over time, ME staff assumed greater control over virtually every stage of the ME program. This tendency was triggered initially by circle attendance problems, staff-circle conflicts, and the loan delinquencies of the first client cohort. However, even after these problems were stabilized, staff continued to exert control over more program areas, especially client circles. In line with processes identified in the literature on social movements and social organizations, these later changes appeared to coincide with increases in staff size, grant reporting requirements, and with overall program growth (Smith & Lipsky 1993; DiMaggio & Powell, 1983). The changes included increased staff screening of clients joining borrowers' circles, exerting control over circle meetings and lending decisions, and developing additional client socialization activities. A ME staff member said:

There are people in the [current] borrowing circles now that we wish weren't. We just didn't think they were ready to take that step... Now we are taking a more careful look at the business plans before letting clients join circles. ...We are also going to require staff approval for loans. The circles will still recommend, but a staff committee will have to give final approval after we consider the soundness of the request.

Staff also sought greater control over the structure of circle meetings. They provided sample by-laws and monitored circle officer elections. A staff member discussed these changes after she implemented parliamentary procedures:

Used to be ... there was no structure, ... and one individual would dominate the ... meeting. We don't allow that [any] more. Basically, we got a rule: If we're trying to get something passed and somebody wants to talk, you know to sway the vote or something then ... we will dictate how many minutes we're going to give them to talk.

More rigorous controls included compulsory training to apply for additional loans, and denying additional loans to those with excessive circle absences.

Socialization activities included providing business mentors, alumni association, client business directory, and "trade fairs" to promote client businesses. Staff also developed mock circle demonstrations to encourage the critical assessment of circle member business plans.

These sorts of programmatic changes were common among the peer lending programs in our 50 program sample, especially for those with peer lending components. Three programs eliminated peer lending altogether because of the "problems and costs" associated with managing circles. Four programs kept peer lending, but modified it in ways that were similar to ME program changes: one program added a tracking mechanism to monitor circle attendance; three programs increased staff control and supervision of circle activities and decisionmaking. A staff member in our national sample stated: "Our facilitator has final say on the loans. He hasn't rejected any, but he does evaluate them" (#39).

Interestingly, there were three or four programs in our national sample that maintained a high degree of participation among poor and very low income clients, significant autonomy for circles, and even client participation in program governance. A few programs also incorporated coverage of issues of racism and sexism and other structural concerns into their training and mentoring curriculum. Ten programs (20%) developed partnerships with child care providers and twelve programs (14%) obtained funding for transportation assistance to aid clients in their business pursuits. For the most part, however, MDP respondents described business-as-usual curriculums, and increasing efforts to screen, monitor, and control clients as programs matured. **The**

Consequences of Screening: Service Delivery & Funding Issues

Policymakers and social scientists (e.g., Edgcomb et al 1996; Microenterprise Summit 1997) suggest that poverty alleviation is and should be a primary MDP goal. MDPs are frequently presented as an alternative to welfare in today's era of welfare reform (Else & Raheim 1992; Howells 2000). Another goal is to assist women, minorities, and other marginalized people (e.g., refugees, the disabled) to start businesses. In our national sample, 12 percent (n=6) of the programs targeted the poor, and 64 percent (n=32) targeted low income individuals as their service population. Forty-percent targeted women, and 46 percent targeted minorities.

In addition to fueling the popular support of MDPs, poverty alleviation goals generated considerable funding for programs. Initiatives from the U.S. Small Business Administration, Housing and Urban Development, Community Development Block Grant Programs, and private support from banks seeking credits under the Community Reinvestment Act all required that funded programs target the needs of poor and very low

income groups, especially women and minorities (Howells 2000). Some MDPs were developed as demonstration programs for welfare clients (Else & Raheim 1992), and more recent funding linked to federal welfare reform legislation will require that MDPs provide services for welfare-to-work clients (Pate 2000:1).

Despite the incentives to focus on poor and low income groups, research indicates that programs serve clients who are better educated on average than the general U.S. low income population, and while MDPs serve low income individuals, most fail to serve many clients at, or below the poverty level (Servon & Bates 1998; Schreiner, 1999; again see Table 1). Researchers question the appropriateness of MDPs for low income, poverty-level clients, especially those formerly on welfare. It is difficult, they suggest, for people with limited educational and financial resources to develop businesses that can sustain their households. Microloans may simply increase their indebtedness (Servon & Bates 1998; Ehlers & Main 1998; Howell 2000). In contrast, others argue that MDPs are helpful to such disadvantaged groups, if only to provide an additional source of income (Else & Raheim 1992; Clark & Kays 1999).

Many practitioners in our national sample agreed that MDPs were not appropriate for poor and very low income clients. They found that such clients were more difficult to assist and required more services. Extra services increased operating expenses significantly, but without them, more disadvantaged clients were doomed to failure (Servon 1999; Gulli 1998; Servon & Bates 1998). In turn, failures reflected poorly on programs, and hurt fund-raising efforts:

A lot of programs ...are trying to be full-scale service providers and it's very costly, very time intensive, and they don't always have a lot to show for it because often times people aren't really starting their businesses and getting them running...We have to think about what we do best; ...what we don't do best is provide full-fledged counseling, literacy credit counseling,...helping them explore what business they want to start (#21).

You have to be business-like in your approach...otherwise you're going to be out there begging for money... there is a social cost and somebody has to pick up the tab (#14).

Some programs provided training and technical assistance to poor and very low income clients, but typically did not give them loans. Lisa Servon (1999) discovered this pattern in her study of MDPs. The Self Employment Loan Project's survey data suggest that about 30 percent of clients served by MDPs are poverty-level clients (Severens & Kays 1997). Yet, because these figures do not differentiate client demographics for the type of services received, it is likely that they overestimate the percentages of poor and welfare clients served by MDPs.

In analyzing ME's service delivery data over its first six years of operation, we found that the program maintained a high level of service to women (over 60 percent), minority populations (over 60 percent of clients), and HUD low income level populations (72 percent). In keeping with staff desires to reduce service to welfare and poverty-level individuals, the percentages of clients in this category decreased over time (from 26 to 16

percent) (See Table 2). The percentage of clients who had at least some college increased over time from 46 to 71 percent for the advanced training class, and from 35 to 86 percent for the lending phase.

Staff and board members agreed that clients who had more educational and income resources seemed to do better in the program. While it is possible that improved economic opportunities for the poor during our study period disproportionately discouraged them from entering the ME program, staff believed that their increased screening efforts had effected these client demographic changes. They also believed that their screening efforts had produced a lowered rate of loan default after the first client cohort. Despite these seemingly positive program effects, however, lowered rates of services to poor and very low income clients also held the prospect of negative repercussions for future program fund raising.

According to staff estimates, the proportion of poverty and low income clients for the first half of the seventh year of program operations was 51 percent. At a planning meeting, staff and board members expressed concern. A board member noted:

When we present these figures to banks, they will question whether they can justify CRA credits...Fifty percent or more low income clients is easily justified under CRA credit criteria. If the number is less than 50 percent, then it is not as straight-forward to justify that we are an organization that serves low income individuals. It raises more questions.

Facing increased competition for local funds, ME has recently begun to apply for welfare-to-work funding, and promised to increase its services to welfare clients. This pressure

poses a contradiction for ME staff and board members who feel that the program is not really appropriate for welfare clientele. Nationally, MDPs are searching for new ways to tap in to welfare funds (Pate 2000). Thus, MDPs struggle between conforming to popular conceptions of them as welfare alternatives and poverty alleviation programs, and funders' demands that they meet certain success criteria (e.g., high loan repayment, client business successes). These competing demands led to screening procedures that increased the numbers of clients with moderate income and educational levels. Staff must then justify declines in services to low income and poverty level clients to funders concerned with these issues (Bhatt, Painter, & Tang 2002).

Conclusion

An important agenda for policy studies is documenting the social construction of deservedness and entitlement in social policy. This paper examines this construction process in one type of post-welfare social service organization. MDPs have been praised for empowering marginalized individuals (e.g., low income white women, and men and women of color) both economically and socially by providing opportunities for clients to "help themselves." Advocates claim that these programs demonstrate that the poor -- especially women and minorities -- are more resourceful, hard working and self-sufficient than traditional welfare programs recognized (Microcredit Summit 1997). In particular, peer lending MDPs are credited with giving clients extensive control over training and lending processes, while avoiding efforts to resocialize or morally assess them. These self-help and business-like dimensions have fueled MDP popularity and visibility in the

post-welfare era. The fact that so many MDPs are independent non-profit service providers has also furthered hopes of a more innovative, less bureaucratic, local, and non government service sector.

Our findings suggest that although MDPs provide important services to many clients trying to start and operate their own very small businesses, programs fall short of these ideals. MDPs are in an unfortunate double-bind. The demands of fund raising and accountability pressure staff to develop indicators for identifying clients with the greatest success potential. This screening process leads to the exclusion of more disadvantaged clients. However, screening may cause MDPs to exclude too many poor and otherwise disadvantaged clients, and thereby lose funds associated with their image as poverty alleviation programs.

In contrast to images of MDPs as alternative and innovative non-profit service providers, we find that as programs matured, increasing bureaucratization and staff controls eroded client empowerment and local autonomy dimensions. Despite the locally controlled, and non-profit aspects of many MDPs, these programs are increasingly dependent on government funding for significant components of their budget. With government funds come reporting and staffing requirements that increase bureaucratization. Even programs that are not dependent upon government funding must meet the standards of bureaucratization and institutional isomorphism so often required to gain the financial support of foundations and corporate donors (DiMaggio & Powell 1983). Our findings support Smith and Lipsky's (1993) argument that the separation between government and non-profit service providers is not as clear as popular wisdom claims.

Our findings suggest that to meet funding pressures, MDPs, like welfare programs, develop practices to screen or “cream” more desirable clients (Ehlers & Main 1998; Blumberg 1995). These mechanisms increase program success, but indicate negative character assessments of those who fail.

It is significant that so many MDP clients experienced training and lending opportunities that might otherwise not have been available to them and their very small businesses (Servon 1999; Severens & Kays 1997). However, problems develop when funding for these organizations is justified on the grounds that they are 1) poverty alleviation programs, 2) substitutes for policies that promote large scale employment opportunities, or 3) alternatives to welfare and other safety net programs. Most evidence suggests that MDPs work best for individuals with higher levels of economic and educational resources than those possessed by most poor and low income individuals in our society (Servon & Bates 1998). A clear majority of staff in our program sample, as well as the staff in our ME program case study did not believe that their programs worked well for very low income, poor, or welfare-to-work clients. Therefore, although MDPs are helpful to some low income individuals, their continued identification (e.g., Else & Raheim 1992; Microcredit Summit 1997) as alternatives to welfare, and solutions to declining paid employment opportunities for the poor is highly problematic and contributes to a degenerative policy making context (Schneider & Ingram 1997:102-105). In particular, the continued lobbying efforts of MDPs to gain eligibility for welfare-to-work funding seems particularly misleading.

Another problem with many MDPs, and in particular with the ME program in this study, is that their business training centers on the transmission of individualistic explanations of economic success, and implicitly blames clients for economic failures (see also Ehlers & Main 1998). The business-as-usual approach never systematically engaged the structural disadvantages faced by economically and socially marginalized ME clients. Accordingly, the program failed to significantly challenge white, masculine, and elite-based definitions of doing business. In the absence of such challenges, and in this era of declining services for the very poor, MDP organizational discourse supports and disseminates a capital investment welfare ideology to socially and economically marginalized clients, and to a general public that hears only about MDP program “successes,” “poverty alleviation,” and “welfare alternatives.”³ By offering only nominal financial support (i.e., small loans), emphasizing personal growth, and ignoring myriad structural disadvantages faced by clients, MDPs reinforce economic and cultural marginalization (Howells 2000). Those poor and very low income, women, and minority individuals who fail to “lift” themselves up out of poverty through microenterprise will continue to be viewed as helpless deviants, and scorned by policymakers.

Notes

1. All names used in this paper are fictional.
2. Some peer lending programs offered both individual and peer loans. After its first five years of operation, the ME program added an individual lending component. Individual loans were typically larger than peer loans and were only made to established businesses. There were too few individual loans at the time of our study to evaluate them or the lending process associated with them.

3. Although not the focus of the present chapter, we must note that some clients actively resisted and reinterpreted dominant ME organizational constructions of themselves, and of entrepreneurship more generally. We will focus on client resistance in a future paper.

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**Table 1
1999 Income Guidelines**

Number in Household	HUD Low-Income Guidelines	HUD Very Low Income Guidelines	Federal Poverty Guidelines
1	\$28,100	\$17,550	\$8,240
2	\$32,150	\$20,100	\$11,060
3	\$36,150	\$22,600	\$13,880
4	\$40,150	\$25,100	\$16,700

Table 2. ME Poverty and HUD Low Income Clients Over Time.

Year of Entry	Meets Poverty Guidelines	Meets HUD Low Income Guidelines	Total HUD & Poverty Clients	Total Clients All Income Levels

1994	13 (26%)	31 (62%)	44 (88%)	50
1995	32 (24%)	79 (59%)	111 (82%)	135
1996	43 (26%)	93 (55%)	136 (81%)	168
1997	28 (19%)	89 (60%)	117 (79%)	149
1998	49 (18%)	124 (47%)	173 (65%)	266
1999	47 (16%)	160 (55%)	207 (72%)	289
Total All Yrs	212 (20%)	576 (54%)	788 (75%)	1057

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The Construction of Client Identities in a Post-Welfare Social Service
Program: The Double Bind of Microenterprise Development

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