Residential Enterprise and Informal Economies in New Orleans:

A Focus on Central City, Hollygrove, and the Seventh Ward
Contents

Background ........................................................................................................................................... 4
Introduction ............................................................................................................................................ 4
About Fund 17 ....................................................................................................................................... 5
Purpose .................................................................................................................................................. 5
Previous Interpretations of Informal Economies ................................................................................... 7
Importance of Studying Informal Economies ......................................................................................... 7
Barriers to Formalization ..................................................................................................................... 7
Informal Economies around the World .................................................................................................. 8
City-wide Context ................................................................................................................................... 9
Post-Katrina Business Recovery ........................................................................................................... 9
Geography & Opportunity ...................................................................................................................... 10
Fund 17 Approach .................................................................................................................................. 11
Methodology ........................................................................................................................................... 11
Original Approaches .............................................................................................................................. 11
Communities Analyzed ......................................................................................................................... 12
A Note on Gentrification ........................................................................................................................ 13
Findings .................................................................................................................................................. 14
Summary ............................................................................................................................................... 14
Central City .......................................................................................................................................... 15
Hollygrove ............................................................................................................................................ 17
Seventh Ward ....................................................................................................................................... 19
Qualitative Reflection ............................................................................................................................. 21
Language ............................................................................................................................................... 21
Conclusions and Reflection .................................................................................................................... 23
Problems and Complications ............................................................................................................... 23
Incomplete Surveys ............................................................................................................................... 23
Team Dynamics.............................................................................................................. 23
Moving Forward............................................................................................................. 24
Smart-Phone Based Data Collection.............................................................................. 24
Systematized and Collaborative Reflection................................................................. 24
User-Friendly Maps...................................................................................................... 24
Community-Based Reports.......................................................................................... 25
Conclusion..................................................................................................................... 26
Background

Introduction

This is a foundation piece for better understanding the presence of informal, home-based, or small-scale enterprise in New Orleans. The findings and reflections discussed in this piece are based on a survey conducted by our organization in fall 2014. I hope this report can be of use to others looking at finance and asset poverty in New Orleans.

This report is also a reflection on surveying and data collection for these kinds of research purposes. A large portion of this paper will be dedicated to discussing the nuances of attempting to study an informal economy and the best practices we learned throughout the process. I hope that others looking to take similar approaches to their own community research will benefit from this report, as well.

A major theme of this report is the importance of language. Due to the nature of an invisible economy, it is often difficult to identify someone that falls under our organization’s definition of an entrepreneur but may not yet consider themselves one. For this reason, as discussed throughout the paper, we often spent time convincing New Orleanians with home-run businesses that they were entrepreneurs and saw responses change as we changed the phrasing of our questions. Hopefully, a key takeaway of this report is the need to use the correct terminology when discussing home-based enterprises.
About Fund 17

Fund 17 is a non-profit organization that seeks to provide financial tools of self-empowerment to micro-entrepreneurs in the 17 wards of New Orleans. Our mission comes as a result of the opportunity inequality we see throughout the city, where affluent New Orleanians flourish in an entrepreneurial renaissance while the poor are left behind. We believe that because the poor often lack real and financial assets, they are unable to access the additional resources that would allow them to succeed. Through affordable micro-loans and customized relationships, Fund 17 invests money, time, and knowledge into community-based entrepreneurs.

Purpose

This research holds a three-tier purpose for Fund 17. It is through analysis such as this that we are able to validate our organization’s existence, identify the needs of our target market, and find our entrepreneurs.

First, this research seeks to validate the presence of an informal micro-enterprise market. As explained in the next section, very little concrete research has been conducted on the presence of informal economies in the U.S. Because Fund 17 seeks to enhance the livelihoods of members of this market, it is important to us to prove its existence. Hopefully, our research can be used by others interested in informal markets.

Second, this helps us understand the needs of our market. We are looking to empower and serve informal enterprise in New Orleans, so getting into the community, knocking on doors, and asking questions helps us know who the micro-
entrepreneurs are, where they are, and how they are functioning their enterprises. It is research such as this that allows us to tailor our services to fit the needs of this community and make the greatest impact through our mission.

Finally, our research is an outreach strategy for us to increase our presence in the community. Because of the nature of the “invisible” economy, it often takes some legwork to find our target market. Through our surveying, we have had future clients referred to us (“I don’t own a business, but the lady around the corner sells lots of produce and gardens”) and also found them ourselves, by either knocking on their door or finding them selling items outside.
Previous Interpretations of Informal Economies

Importance of Studying Informal Economies

The targets of our surveys, entrepreneurs that run informal businesses, have long been ignored as significant contributors to the economic prosperity of United States cities\(^1\). Beyond that, they are often chastised for taking away from tax revenue and for causing unfair business competition\(^1\). These invisible enterprises are necessary, however, to the livelihoods of those citizens that own them and we therefore see great urgency to finding and supporting them. Some studies have attempted to quantify and analyze the informal economy in the past but many have seen inconsistent results based on the nuances of finding and identifying these businesses.

Barriers to Formalization

Through our own conversations with entrepreneurs running informal enterprises, we have found that many entrepreneurs would be interested in formalizing their businesses if they believed it were possible to do so. Many barriers exist, however, which make it difficult or impossible for entrepreneurs to convert their businesses to formal, legal enterprises. Specifically, many people running informal businesses lack financial literacy, access to financial resources such as bank loans (as discussed in the next section), or the ability to overcome bureaucratic barriers such as the application process to receive a business license or permit\(^1\). Some barriers to entering the formal

---

economy are structural, meaning that entrepreneurs with limited means often have the most difficult time securing resources to jumpstart their ventures.

**Informal Economies around the World**

The informal urban economies of less developed cities have received far more attention than those in the United States. This is because, as cities advance, economies typically transition from primarily informal to primarily formal enterprises¹. Therefore, informal enterprises are far more prominent in less advanced countries and are significantly easier to observe and study there¹.

Due to more advanced and concrete studies in these areas, strides have been taken by local governments to improve the working conditions of these enterprises. Specifically, Mexico City, Mexico and the City of Durban, South Africa have eased restrictions on informal vendors and allocated specific permanent locations for vendors to set up their shops¹. We hope that by studying the informal economy, specifically in New Orleans, similar helpful policies can be brought to fruition here.
City-wide Context

Post-Katrina Business Recovery

The research that we conducted takes place in a business landscape that has been significantly altered by Hurricane Katrina. The hurricane led to the temporary or permanent closure of thousands of New Orleans businesses. While there had been inequality in the geographic distribution of businesses prior to the storm, these differences were exacerbated during Post-Katrina rebuilding efforts. The businesses that re-opened in the two years following the storm were disproportionately located in middle- to upper middle-class neighborhoods that had not experienced severe flooding, with most businesses re-opening in the French Quarter and along Magazine Street by October 2007\(^2\). Businesses in mid-city, Gentilly, and the lower ninth ward were the slowest to re-open\(^2\). During the subsequent surveying of businesses in the two years following the storm, those that had been severely flooded rated their perceived barriers to return as significantly higher than those that had not experienced severe flooding\(^2\). Also, in line with predictions made in previous studies on disaster recovery, it was small businesses that had the most trouble recovering\(^2\). The areas that we focused on for our surveying in fall 2014 are those that were most impacted by the storm and therefore saw the greatest changes to their business landscape in the years of recovery to follow.

Geography & Opportunity

We believe that access to affordable lending is a key contributor to financial stability. Workers that are unbanked or underbanked can pay thousands of dollars over their lifetimes to cash checks or access predatory lending services, while those workers that are banked typically receive the same services at a small or no fee\(^3\). Additionally, holding money outside of a bank leaves these workers more susceptible to crippling theft\(^3\).

While the benefits of utilizing bank services are clear, New Orleans has one of the highest unbanked or underbanked populations in the country. Compared to national averages of 7.7% and 17.9%, the unbanked and underbanked populations in New Orleans are 12.5% and 25.5%, respectively\(^3\). Typically, the risk of being unbanked or underbanked is stratified across racial and socioeconomic lines. In New Orleans, families that are most at risk for being underbanked are Black or African American, Hispanic or Latino, American Indian and Native American, those with less than $50,000 of annual income, and those in which the heads of households have not completed college\(^3\).

\(^3\) [www.joinbankon.org](http://www.joinbankon.org)
Fund 17 Approach

Methodology

Our research was conducted via paper surveying. We selected houses to survey on a random basis, approaching every third or fourth house. Homeowners that responded that they did not own a business were marked down as such. Those who responded “yes” were then requested to complete our survey. While we strived for randomization, some households that did not have businesses referred us to other households in the neighborhood that did run enterprises so these results are not completely random. Our findings are aggregated both qualitatively, summarizing what we have found in reports such as these, and geographically using Geographical Information Systems (GIS) software.

Original Approaches

The purpose for this research pivoted many times before we settled on the approach that is detailed in this report. Originally, we were interested in learning about the banking habits of New Orleans families. Around that time, Fund 17 decided to focus our work on the entrepreneurial community specifically and thus our research changed as well. In the spring of 2014, we began by visiting storefronts and farmers markets. From there, we quickly realized that those who we were surveying were on a higher-scale of business than what we were looking for. We had created a selection bias against enterprises that would fit into our market, so we turned to residential neighborhoods.
In fall 2014, we began surveying residential neighborhoods in an attempt to target and better understand home-based enterprise and, consequently, find new entrepreneurs to serve through our programming.

Our research did not include factors such as race. Other reports from bigger institutes have shed light on these inequalities, which will be discussed in the next section. We believe, as we are able to collect more data in the upcoming years, adding a comparative lens to our work will be possible and valuable.

Communities Analyzed

Below is a map of New Orleans that highlights the geographic locations of the communities we surveyed.
Neighborhoods for this pilot research program were selected based on a number of factors. They all have similar poverty levels, but are positioned in different parts of the city. They are all intersected by or near different main corridors: Hollygrove starts west of South Carrollton, Central City starts north of St. Charles and the surveyed part of the Seventh Ward is divided by North Broad Avenue. Claiborne Avenue intersects all three.

A Note on Gentrification

We were not ignorant or unaware of factors of transplants and displacement when surveying our neighborhoods. Because of the randomized nature of the surveying, avoiding “New” New Orleanians is not possible. With that said, the sections of the city chosen were carefully selected to avoid the more highly gentrified areas in New Orleans, such as the south side of St. Claude in the upper Ninth Ward. Out of the three neighborhoods analyzed, the surveyed region of the Seventh Ward had the most visible traces of gentrification—defined here as the presence of new businesses catering to a new, middle to upper class market.
Findings

Summary

In both Central City and Hollygrove, we surveyed approximately fifty homes in each neighborhood. In the Seventh Ward, we only surveyed twenty-eight homes. This makes comparison between the three neighborhoods weaker, but the difference in homes surveyed is taken into consideration when analyzing our findings. Our biggest challenge in collecting more data was simply homeowners who did not answer the door or who were not home.

In total, we surveyed 130 homes and found a total of twenty-four entrepreneurs. Central City and Hollygrove had similar rates of entrepreneurship; double that of the Seventh Ward. This could possibly be attributed to differences in the amount of homes surveyed in each neighborhood.
Central City

“No one has businesses here. No one has money for that.”
In Central City, 20% of the homes we surveyed were the residences of entrepreneurs. While ten enterprises were recorded by our surveyors, as pictured on the map above, only four of these enterprises had in-depth responses recorded. How to address problems such as this going forward will be discussed in the reflection. Despite the lack of complete recorded answers, there are still some patterns that we can extrapolate.

These entrepreneurs varied greatly in specialization. The four recorded ventures included a lawnmower fixing business, a grass-cutting and car wash business, an in-home candy shop, and a hair stylist. Despite the variation in services, these enterprises were similar in terms of business and banking practices. All of these entrepreneurs stated that they did not have a formal method of advertisement. Specifically, they noted finding customers by going door to door, utilizing word of mouth, and speaking with friends and family. Additionally, all of these entrepreneurs stated that they did not have a business bank account and that their business was considered informal.
Hollygrove

“This is not a business. This is a hustle.”
In Hollygrove, 21% of the homes we surveyed were the residences of entrepreneurs. We found a variety of business types in this area, including two daycares, a car wash, a man who sold his wife’s pies at the Hollygrove Market, a man who cut his neighbors’ hair for $5, and someone who mows their neighbors’ lawns. Of eight recorded answers on the subject, three businesses said they were city registered and another was in the process of registering. Almost all of these business owners gained customers through word-of-mouth and did not mention any formal advertising strategies.

We also asked business owners in Hollygrove about their banking habits. Of eight recorded answers, only three of those questioned said they had a business bank account and five said they had a personal bank account. The entrepreneur that cuts his neighbors’ and friends’ hair to make additional income said he “[doesn’t] trust banks” and correspondingly said he did not have a business or personal bank account. While we only have five recorded answers from Hollygrove on savings habits, we can note that three out of five entrepreneurs said they had some form of savings. The two entrepreneurs that said no explained that their additional profits were all invested back into their businesses or went to their children.

During our first day of surveying, we met a woman who told us that there existed a neighborhood directory of all the Hollygrove businesses. At the time of this report’s publishing, we have still not managed to find a directory, but we believe its very existence represents the potential for a large business community in Hollygrove.
Seventh Ward

“Go to Claiborne. There is the Magnolia Discount and other businesses.”
In the Seventh Ward, 11% of homes surveyed were the residences of entrepreneurs. As previously stated, we surveyed far fewer residences during our time in the Seventh Ward and this may or may not explain the variation in responses from the other two areas. We are reporting these limited survey responses without asserting any trends or conclusions.

In the Seventh Ward, the four businesses surveyed sold vintage and antique items, sold their own artwork, sold candy, or sold homemade jams and art. Again, none of these businesses had a formal method of attracting customers and instead relied on neighbors, word-of-mouth, or tourists to attract customers.

While our data recorded for the questions on business and banking habits was limited, we did see that the two businesses that we asked did not have a business bank account. Also, two out of the three businesses questioned had their businesses registered with the city. Additionally, three out of three businesses asked identified that they had some form of savings, although the entrepreneur that sold vintage and antique items had savings only in the form of social security. Finally, the only entrepreneur to estimate his income for us in the Seventh Ward responded that he earns under $10,000 per year, but made between $10,000 and $20,000 a year pre-Katrina.
Qualitative Reflection

Surveyors reported that in Central City, they received many responses along the line of, “No one has businesses here. No one has money for that.” In both Central City and the Seventh Ward neighborhoods, many residents would attempt to explain where “businesses” were located. In Central City: “No, you should go to Napoleon Avenue, there are businesses there.” Or in the Seventh Ward: “Go to Claiborne. There is the Magnolia Discount and other businesses.” In Hollygrove, we met a retired man who mows lawns. We discussed with him how he gets his business and how he tracks his cash profits. Very quickly, we felt resistance and he responded, “This is not a business. This is a hustle. There is a corner store right there, go talk to them.” Despite explaining that we are interested in learning more about his “hustle” than that corner store, our intentions were sometimes misunderstood by community members. That same day in Hollygrove, another pair of surveyors met a man who cuts hair. He explained how he saves his profits to send his kids to school. It was certainly a means of livelihood for this man. Despite this, he claimed he didn’t have a business. After the surveyors discussed the point of our research and the concept of home-based business, the man reportedly was ecstatic at the idea that what he does means he has a business.

Language

After our first day of surveying, which was in Central City, we realized the challenges that were presented based on language. The term “business” obviously conjured up images of wealth, storefronts, and investments. We began changing the way we
framed questions. Often we used “self-employed” rather than “business owner.”
During our last days of surveying, we attempted to explain the kinds of businesses we
were looking for. We would explain that we work with individuals who run informal,
home-run businesses in an attempt to intersect this term—“business”—with the idea
of informal enterprise. It is hard to measure how these pivots in our approach
changed effectiveness. There is no way for us to know if one community member who
answers “no” to us really did have an enterprise or not. Aside from this, we have
discovered the empowering effect it can have for an individual to see their “hustle” as
a “business.”
Conclusions and Reflection

Problems and Complications

Incomplete Surveys
The biggest challenge in this research is simply the complications that arise with paper surveying. Although training and mock surveying was conducted, a lack of understanding on the purpose of research appeared to be the biggest deterrent. Students conducting surveying often got caught up in the conversation with entrepreneurs, and skipped over questions or did not record the answers. We believe that the best way to overcome this challenge is making clear the purpose of surveying and the end goal of collecting data. Many surveyors understood that this research could help the organization find new entrepreneurs to work with, but not all understood the importance of having a plethora of data to aggregate and compare. Aside from incomplete surveys, illegible handwriting and poor organization on the paper surveys rendered some data (such as addresses of homes with no business owner) unusable.

Team Dynamics
The research is analyzed and compiled by our Executive Director while the whole team does surveying. Throughout the research process, there was a disconnect between those that were having the important conversations in the community and the aggregation process done when all surveys were handed in. We believe this ties into the previous problem of incomplete surveys, as well.
Moving Forward

*Smart-Phone Based Data Collection*

One way to overcome the problem of incomplete surveys is by transitioning to smartphone based data collection. Using a software called Site Control, we plan to better record and save our data. This will solve problems such as incomplete surveys because only one question at a time can be accessed, and the surveyor cannot move on to a next question until the previous question has been answered. We believe switching to this system will help organize and simplify our surveying and give us more complete data to analyze.

*Systematized and Collaborative Reflection*

To overcome the disconnect between surveyors’ experiences in the field and the completed research, we will be creating collaborative systems for surveyors to contribute to. Site control makes it easy to share data with other team members. Additionally, the team member organizing all research will maintain regular check-ins and monitoring throughout the process. We believe this will add a sense of ownership for the surveyors as well as increase the accuracy of our research by allowing fresh reflections to become a part of our analyses.

*User-Friendly Maps*

One of the most relevant features of Site Control is the map it automatically generates during surveying. This will make it so that all data collected throughout the
process will populate a cohesive map. This will solve the issue of missing addresses and allow us to tie all data collected with individual households.

Community-Based Reports

An additional idea we plan to implement as we continue our research is to conduct more focused analyses of a single neighborhood before moving on to others. For our initial piloting of this research, we selected the three discussed neighborhoods and completed our surveying within one academic year in order to cover different parts of the city and have some basis of comparison between the neighborhoods. As we move forward, we will focus on a more complete coverage of a single neighborhood by surveying a higher percentage of the homes and conducting background research. We will publish finalized reports on each neighborhood researched. We plan to begin by focusing on a 2.5 square mile radius between the 7th and 8th wards.
Conclusion

While a number of complications arose with respect to gathering complete surveys and analyzable data, we still believe that this research program served its initial purpose. The rates at which we were able to identify entrepreneurship within Central City, Hollygrove, and the Seventh Ward confirm that there is a market within New Orleans that fits our mission. Additionally, we found that most members of this market are distrustful of banks or underutilize them—a barrier to formalization we hope to address.

We also discovered the importance of language in surveying such as this. We now understand that, due to the nature of informal enterprises, many people with such ventures are reluctant to identify them as businesses. We recognize how important it is to accurately describe what we are looking for to those surveyed, in order to prevent missing an entrepreneur do to a miscommunication. In future surveying, we will strive to use more specific and descriptive language in order to gain the most accurate survey results.

Finally, we have many plans in place going forward to ensure a smooth, complete surveying process. Through surveyor training, collaborative technology, and a specific study area, we believe that the next round of research will provide us with more conclusive data. Until that time, we hope that this report will reach the hands of those looking to learn about the New Orleans informal economy as a whole or those who plan to launch similar research programs.
Works Cited

