
A Call to Action

**FIVE PROPOSALS TO SUPPORT
THE EMERGING MAKER ECONOMY**

Etsy

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The maker movement is on the rise. There are already over one million Etsy sellers worldwide. Together, they sold over \$1.35 billion worth of goods in 2013. The emerging maker movement offers the tantalizing promise of a better economy—one that puts people at the center of commerce, promotes local, sustainable production, and empowers anyone to build a creative business on their own terms.

Yet makers face many challenges. As micro-businesses, they operate in gray areas between amateur and professional, business and worker, consumer and provider. They are inconsistently captured in government statistics and poorly understood by policy makers. If we are to fulfill the promise of a people-powered economy, governments should enable micro-entrepreneurship, support small-scale commerce, and foster economic security for all.

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A MICRO-ADVOCATE IN EVERY AGENCY

Makers often struggle to learn about the regulations that govern their businesses, yet they are hungry to comply with the rules. Regulatory agencies should establish a Micro-Advocate to conduct direct outreach to micro-businesses, create user-friendly educational tools, and make formal recommendations to ease compliance burdens.

ENTREPRENEURSHIP TRAINING IN EVERY JOBS PROGRAM

Most workforce development programs focus on job training and job placement, overlooking the opportunities that self-employment and entrepreneurship offer unemployed and underemployed populations. Workforce development programs should expand their offerings to include micro-business support and training.

PEER-TO-PEER TRADE BETWEEN EVERY COUNTRY

The maker economy is global, yet trade laws have not kept up with the advent of peer-to-peer marketplaces, where individuals ship small quantities of goods from one home to another. Countries should negotiate a universal low-value customs exemption, and harmonize the customs, duties, and consumer protection regulations that apply to these products.

SMALL-BATCH MANUFACTURING IN EVERY COMMUNITY

Consumer demand for local, unique goods creates opportunities for makers to reach bigger markets, yet these designers face several challenges when scaling their home-based operations. Governments should expand manufacturing support services to help small-batch manufacturers source materials, update designs, and locate suitable production partners.

ECONOMIC SECURITY FOR EVERY ENTREPRENEUR

Lacking the security and benefits that come with a full-time job, micro-businesses must manage unpredictable income fluctuations without the benefits of social insurance. Government should invest in programs to help micro-entrepreneurs weather unexpected income shocks and manage their personal and business finances.

A MICRO-ADVOCATE IN EVERY AGENCY

Makers often struggle to learn about and comply with the regulations that govern their businesses. Handmade toy makers may not know that they are required to test some materials for hazardous elements, while fashion designers may not know about the labor laws that govern home-based manufacturing.

The information is fragmented across several websites, and often obscured by bureaucratic language. Time is an Etsy seller's most scarce and valuable resource, yet a single entrepreneur could waste days trying to learn about the requirements.

Unlike larger businesses, new entrepreneurs can't afford to pay the penalties from a single mistake. Uncertainty and fear often lead them to opt out of markets altogether, rather than risk costly enforcement action.

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HELP MICRO-BUSINESSES COMPLY

Regulatory agencies should establish a Micro-Advocate to conduct proactive outreach to micro-businesses, create user-friendly online tools, and make recommendations to ease compliance burdens for these businesses. An effective Micro-Advocate will dramatically increase regulatory compliance, particularly among the very smallest businesses. In order to be effective, the office of the Micro-Advocate must be:

INDEPENDENT AND AUTONOMOUS

The office should live within each agency, but should remain outside the enforcement hierarchy, reporting directly to senior leadership in order to protect the credibility of the office among micro-businesses and insulate the position from bureaucratic challenges that often thwart internal reform efforts.

TECHNOLOGY-ENABLED

The Administration should empower a centralized technology team—such as 18F in the GSA—to help Micro-Advocates build open source, replicable tools that can be shared across agencies and integrated into a single user interface such as business.gov.

NEUTRAL

Micro-businesses who turn to the Micro-Advocate for help should not fear retribution or enforcement action.

COLLABORATIVE

The Micro-Advocate should seek out partnerships with private-sector actors that already serve micro-businesses. For example, the Micro-Advocate could make agency data publicly available through an API, allowing third-party developers to build compliance resources into the services micro-businesses already use.

ACCOUNTABLE

The Micro-Advocate should summarize issues and make formal recommendations in quarterly reports, which should be delivered to Agency leadership, the Office of Management and Budget, and the relevant Congressional committees. Agency leadership should publish an annual report summarizing the actions taken to address these issues.

IDEAS IN ACTION—THE CPSC SMALL BUSINESS OMBUDSMAN

In 2010, the U.S. Consumer Product Safety Commission (CPSC) established the office of the Small Business Ombudsman, which educates small businesses about consumer product safety requirements. The CPSC Small Business Ombudsman travels the country to educate makers, and recently joined Etsy's online community to answer questions and educate toy makers about new regulations.

The CPSC Small Business Ombudsman turned his office into an invaluable resource for micro-businesses, yet he operates on a small budget and has no official authority to make recommendations to CPSC staff or the Administration. Endowing this role with additional resources and formal authority would dramatically increase his impact and establish a replicable model for other agencies.



When I first began Black Widow Balm, I didn't know a thing about compliance with government cosmetics regulations. I did some internet searches and I found information about cosmetics from the US FDA website. After reading and thinking, I created a brand that combines sound ideas and common sense with FDA guidelines. I began making cosmetics the way people did in the past, using plant and vegetable oils.

I'm happy to have arrived at a place where Black Widow Balm is a brand that is both ethical and in compliance with FDA regulations. But I dream of a collaborative community space where I can share and quickly learn further about regulations, good business practices, and consumer concerns with the cosmetics they buy. Falling behind on new regulations or updates to policies has been a real concern for me, so I schedule time to review updates to the regulations on a monthly basis.

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ENTREPRENEURSHIP TRAINING IN EVERY JOBS PROGRAM

Opportunities to earn supplemental or full-time income through the maker economy have never been greater. Online marketplaces like Etsy enable home-based entrepreneurs to reach a global audience, while new technologies reduce the administrative challenges of running a business.

Yet low-income communities have not benefited as much as others. A recent study by the Center for an Urban Future found that New York City neighborhoods with the lowest rate of self-employment had median incomes of less than \$33,000/year, while neighborhoods with high levels of affluent residents had much higher rates of self-employment.¹

At the same time, traditional employment opportunities are in decline—middle-skill, middle-income jobs are disappearing,² and the majority of U.S. workers will work independently by 2020.³ The maker economy could provide an important source of income for those who cannot rely on traditional employment to make ends meet.

However, workforce development programs focus narrowly on job training and placement. By failing to provide micro-business support, these programs not only miss an opportunity to create new jobs in local communities, but also fail to prepare workers for the types of jobs that will likely underpin the new economy.⁴

INCORPORATE ENTREPRENEURSHIP TRAINING INTO WORKFORCE DEVELOPMENT

In order to establish a strong foundation for more resilient local economies, workforce development programs should expand their offerings to include micro-business support and training. To succeed, they need:

ACCESS TO WIA FUNDING

The Department of Labor (DOL) finances most workforce development programs through the Workforce Investment Act (WIA), which is tied to “Common Measures” of success—job placements and employment—preventing local agencies from using WIA funds for entrepreneurship training and support.⁵ The DOL should expand its “Common Measures” to include entrepreneurship indicators, enabling workforce development programs to use their WIA funds for entrepreneurship training.

UNIVERSAL METRICS OF SUCCESS

Most workforce programs measure success based on inputs—the number of clients they train and the number of job placements they make. These short-term measures are easy to collect and measure, but fail to capture program outcomes, such as the impact on household finances or overall well-being. Federal agencies should adopt a common methodology to evaluate federally-funded entrepreneurship programs, and fund the costs of this evaluation.

FLEXIBILITY TO ESTABLISH PUBLIC-PRIVATE PARTNERSHIPS

Many private-sector entities, including incubators, co-working spaces, and online business services, could provide valuable expertise and distribution channels for government agencies seeking to better prepare their workforce for the market.

Workforce programs should be empowered to partner with these entities.

IDEAS IN ACTION— CRAFT ENTREPRENEURSHIP

In 2013, Etsy launched a pilot program with Rockford, Illinois and New York City to teach low-income, unemployed adults how to monetize their artistic skills online. Using Etsy as a learning lab, participants in the Craft Entrepreneurship program learn business skills like pricing, market research, and search engine optimization. The goal of the program is not to replace traditional job training, but to provide participants with a source of supplemental income and meaningful work. By incorporating programs like Craft Entrepreneurship into workforce development programs, governments can ensure that the opportunities of the maker economy are accessible to all.



TM1985 started out as a hobby and a love for making things that were useful to me. When I was looking for a way to share the designs I had come up with, I didn't see a lot of other retail outlets for young designers. After getting a great amount of exposure through Etsy, retailers and companies wanting larger orders began to approach me with wholesale inquiries.

Because this started out as more of a side gig, I didn't feel like I knew much about the retail business going into it. I didn't go to business school—I was trained as an artist and designer, so the creative stuff came easy. The business, finance, and sales aspects are constantly a work in progress, though; I learn best by doing. Being an entrepreneur opens you up to a lot of challenges, but you always end up taking away a new skill or perspective than what you had when you started.

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PEER-TO-PEER TRADE IN EVERY MARKET

The maker economy is global. Already, more than 25% of Etsy transactions cross borders. Small designers can connect directly to customers in any country for the price of an Internet connection. Yet international trade laws have not kept up with the advent of peer-to-peer markets, where people ship individual goods from one home to another, usually via national postal services.

Most independent, creative businesses lack the infrastructure and information to navigate complicated international trade rules. Customs and duties vary by country, and credible information about each country's requirements can be difficult to find. Packages are often delayed in customs or subject to unforeseen import taxes that the buyer must pay before receiving their package. Package tracking often stops at the border, creating unnecessary friction in international transactions. In the face of these challenges, buyers may reverse transactions or request refunds, the cost of which the seller often bears.

In addition to customs and duties requirements, e-commerce regulations vary widely between countries. Discrepancies in consumer protection or privacy laws pose a challenge for individual sellers, who must find relevant information on requirements for each country before shipping an item, or who may unknowingly break local laws when they allow buyers from other countries to purchase their goods.

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REDUCE BARRIERS TO CROSS-BORDER SHIPMENTS

International trade agreements such as the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP) offer opportunities for countries to encourage a global maker economy by agreeing to:

A UNIVERSAL DE MINIMIS CUSTOMS EXEMPTION

Many countries already set customs and duties exemptions for goods under a specific monetary value. These de minimis thresholds vary widely between countries. In Australia, imports under \$1,000 are exempt, while the threshold is \$200 for the United States and just \$20 in Canada.⁶ Setting a universal low-value customs exemption that covers most peer-to-peer transactions would eliminate a major barrier for small makers.

OPEN CUSTOMS AND DUTIES DATA

Government agencies should make the information about what customs, duties, and tariffs apply in each country publicly available through an API, which third-party developers could use to create user-friendly tools for their customers.

HARMONIZED CONSUMER PROTECTION REGULATIONS

The U.S. should negotiate international standards that simplify compliance with consumer protection, privacy, and data security requirements.

CUSTOMS FAST TRACK FOR PRE-QUALIFIED SELLERS

Many countries establish bi-lateral mutual recognition agreements, which allow pre-approved companies to secure faster customs processing. The U.S. should establish a similar system for micro-exporters, where e-commerce platforms can recommend sellers for streamlined customs processing based on their transaction history.

IMPROVED TRACKING ACROSS BORDERS

Public and private shipping platforms should adopt a universal system to track packages across borders, while national postal services should negotiate bi-lateral tracking agreements between countries.

IDEAS IN ACTION — THE AUSTRALIAN EXPERIENCE

In 2005, the Australian government responded to concerns about international trade barriers by increasing its de minimis threshold from \$250 to \$1,000. At the time, the Australian Industry Commission estimated that the change would save the country \$12 million in administrative costs annually.⁷ In 2011, the Australian Productivity Council examined the issue and recommended keeping the de minimis threshold at \$1,000, noting that eliminating the threshold would bring in \$600 million in new revenues but cost businesses, consumers, and government well over \$2 billion.⁸ Similarly, a recent study found that increasing the U.S. de minimis threshold would result in a net savings of \$26 million to businesses, consumers, and government,⁹ while reducing logistical barriers to trade could increase GDP by one percent and two-way trade by two percent.¹⁰



The problems I've had across international borders mainly involve customs, restrictions, duties, and VAT. Many buyers aren't aware of these issues so I've had to do plenty of research to make sure the packages will arrive safely and in a timely manner without surprising the customer with fees.

I try to include all paperwork, customs forms, invoices, etc., but still some packages may sit in customs up to a few months. Luckily I have amazing customers who are patient and will wait it out. But some customers want a refund or assume the package is lost. It's a shot in the dark once the package has left the US.

As a small handmade business owner, we already have so much on our plate. We do our own marketing, website design, branding, accounting, taxes, order supplies, packaging, inventory and most importantly, make the items that we sell! Simplifying the rules would free up more time for me to create, instead of doing research for each country and then dealing with the back-and-forth for the problems that arise, involving many emails about where the package is, why there are fees, and how long it will take to arrive. You really have to read the fine print when it comes to international shipping.

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SMALL-BATCH MANUFACTURING IN EVERY COMMUNITY

Increased consumer demand for personal, unique objects has helped drive growth in the maker movement. Large brands like West Elm and Nordstrom are recognizing that their customers value goods produced by local artisans and are creating opportunities for these designers to sell through their stores.¹¹ Yet these designers face several difficulties when scaling their home-based operations for the first time.

One of the first challenges designers encounter is sourcing materials. Many seek local, sustainable supplies, yet much of U.S. textile production moved overseas years ago.¹² Designers also face challenges purchasing large enough quantities of materials, and have little financial cushion to absorb those costs if a particular product fails to sell well.

Finding willing partners in the opaque manufacturing industry is also difficult for designers. Once they identify a potential partner, they often have difficulty convincing a manufacturer to work with a first-time producer or do very small runs of just 200 to 1,000 units.

Even if designers find a willing partner, many have trouble preparing their businesses for outsourced production. They may have to alter their process to accommodate the manufacturing partner. They must also make sure they can accurately estimate their budget, run size, and timing requirements, which can be a daunting process.

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HELP DESIGNERS SCALE PRODUCTION LOCALLY AND SUSTAINABLY

Through the Manufacturing Extension Partnership (MEP), the U.S. government provides small- and mid-sized manufacturers the support they need to scale their operations. Yet these services tend to target small companies of 25 to 200 employees, not micro-businesses or designers. Policy makers should update MEP services to include:

1-ON-1 COACHING

Personalized business coaching can help makers make the transition to contract manufacturing by providing guidance on challenges such as how to modify their designs for manufacturers or how to prepare financial models needed to determine budget and run size.

LOCATING SUPPLIERS AND MANUFACTURERS

Identifying a manufacturing partner is time consuming and frustrating. Under the National Institute of Standards and Technology (NIST), the MEP program recently launched a supplier scouting service to help companies identify U.S.-based manufacturers. NIST should expand this service to include an open-source database of manufacturers who are ready, willing, and able to work with small-batch manufacturers, and incorporate information about the labor and environmental practices of these companies.

SMALL-BATCH PRODUCTION

The MEP centers should provide training to help small- and mid-sized manufacturers adapt their business to the needs of small designers, or help new designers establish their own production facility.

DISTRIBUTED AND COOPERATIVE MANUFACTURING

Often makers don't need outside manufacturing but rather a means to increase their own production, such as through a distributed or cooperative manufacturing model. The U.S. Department of Labor should work with the maker community to simplify the requirements for distributed and cooperative manufacturing while ensuring worker safety and protection.

IDEAS IN ACTION—SF MADE AND THE URBAN MANUFACTURING ALLIANCE

Founded in 2010, SF Made is a non-profit organization that helps San-Francisco-based designers and manufacturers build their businesses locally. SF Made provides industry-specific education, one-on-one counseling, and help sourcing manufacturing partners locally, among other services. Together with the Pratt Center for Community Development in New York City, SF Made founded the Urban Manufacturing Alliance in 2011, which shares best practices for supporting local manufacturing, provides resources and tool kits for its members, and engages in federal advocacy to support the sector. Federal manufacturing programs should partner with groups like SF Made, the Pratt Center and the Urban Manufacturing Alliance to better meet the needs of the maker movement and support the growth of small-batch manufacturing.



Handmade, by me, was so much at the center of my business that I didn't see how I could ever scale. It wasn't until I was 9 months pregnant, pulling all nighters, turning away time with family and friends, even turning away orders, and turning into someone who was stressed and overwhelmed, that I realized I needed to take a bird's eye view of my business.

I finally felt emotionally ready to bring on other hands. The act of finding a manufacturing partner was actually a more seamless process than most because of the fortune I had of living in an old textile town. When visiting the factories, I could see the potential but also the abandon, the remnants of production which were no longer producing.

Going from cutting out capes on my living room floor, to a 50-foot state-of-the-art die cutting machine, meant some things had to be refined. Official patterns needed to be made, more streamlined processes outlined. If it were not for the help and patience of Jimmy, the owner of Fall River Apparel, I could see how this gap between the homemade to mill made could have easily swallowed up the chance to work with a manufacturer. The walls to scaling can seem intimidating, and unknown. There are not enough Jimmys in the world of manufacturing who take the time to listen and teach how to make the transition at all, let alone without losing the soul of your business in the process or compromising the quality.

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ECONOMIC SECURITY FOR EVERY ENTREPRENEUR

Financial insecurity is one of the most difficult challenges that micro-businesses face. Unable to depend on the steady paycheck that comes with a full-time job, makers must manage income volatility and seasonal fluctuations in sales. When asked about their primary challenge, the majority of Etsy sellers cite financial concerns—26% find “managing periods of low or no sales” most difficult, while an additional 21% consider “saving for the future” their most difficult challenge.

Etsy sellers’ experience reflects broader trends in the micro-business community. A recent study of low-income micro-businesses owners by the Corporation for Economic Development found that 55% lacked sufficient savings to cover one month of business expenses, and 30% lacked any businesses savings at all. To compound these challenges, personal and business finances are often inexorably linked—insecurity in business translates directly into financial challenges at home.

Income volatility is compounded by the lack of benefits that traditionally come with full-time employment, including health insurance, retirement plans, and unemployment insurance. In response, these artists are taking matters into their own hands and cultivating diverse income sources to help them build financial resilience. Many makers combine income from multiple sources to make ends meet.

While many governments focus on credit to address the financial needs of small businesses, loans may only exacerbate their challenges. These makers need support building assets to manage unexpected income shocks and portable benefits that work in the context of self-employment.

HELP THE SELF-EMPLOYED MANAGE INCOME VOLATILITY

Government should invest in strategies that will bolster personal financial security and reduce the risks new entrepreneurs face.

REWARD ENTREPRENEURSHIP

Municipalities often use tax credits to attract and retain large businesses, but micro-businesses rarely benefit from such support. To address this inequity, the Corporation for Enterprise Development proposes a New Entrepreneur Tax Credit, a refundable tax credit for new businesses in their first years of operation.¹³ Setting this credit at a level equal to Self-Employment Tax liability would provide a more gradual “on-ramp” to self-employment without undermining the entrepreneur’s future retirement security.

LEVERAGE TAX TIME TO ENABLE SAVINGS

The self-employed must pay quarterly estimated taxes, a task that is administratively onerous and subject to penalties for incorrect or late filing. The IRS should eliminate penalties for first-time filers and allow micro-entrepreneurs to set aside their estimated taxes in a tax-advantaged emergency savings account, which they could use to cover unexpected expenses over the course of the year. At the end of the year, entrepreneurs could use their savings to pay their annual taxes, resulting in no lost revenue for the government.

IMPLEMENT UNIVERSAL RETIREMENT SAVINGS ACCOUNTS

Most retirement policies, including President Obama’s recently announced myRA program, are tied to payroll deduction and fail to serve the self-employed. Congress should establish a universal, portable retirement savings program that pools assets, offers enrollees low administrative fees, and disperses benefits as a lifetime annuity to ensure retirees don’t outlive their savings.

MAKE SOCIAL INSURANCE PORTABLE

Most social insurance programs depend on employers to finance and administer them. Governments should optimize usability for the self-employed, allowing them to opt into universal benefit programs or form alternative risk pools that function in parallel to employer-based systems, similar to programs operated by the Freelancers Union, for example.

PAIR BENEFITS WITH FINANCIAL COUNSELING

Managing cash flow can be challenging for micro-businesses, especially when personal and business finances are so intimately linked. Entrepreneurship training programs should help micro-entrepreneurs establish effective practices for managing their finances holistically and cultivating diverse income streams.

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IDEAS IN ACTION—CALIFORNIA PAID FAMILY LEAVE

In 2002, California created the first Paid Family Leave program in the United States, which replaces up to 55% of a worker's salary for up to six weeks to care for a new baby or an ailing family member. The program is available to both employees and the self-employed, who pay into the system in order to access the benefits. Benefits are calculated based on prior income and are not dependent on an employer contribution¹⁴. By addressing a major cause of income shocks—pregnancy and unexpected illness—the program provides some security to those who are excluded from the employer-based benefit system.



The biggest challenge to financial security as an independent business owner is lack of constant income. There's no paycheck on a regular basis so I've really had to learn how to save up for hard times and how to juggle paying for necessities.

I have part-time work to keep a certain amount of steady income flowing. This cuts into time and energy for my craft, but the relief of knowing at least a portion of my monthly overhead is covered makes it worthwhile. Additionally, I try to keep some savings in the bank to help us through months with little-to-no income from art.

Between our mortgage, student loans, and some credit card debt (built up in particularly slow periods for our businesses), I feel like we have too much overhead from debt. This definitely prevents me from considering a business loan as I do not want to accrue any more overhead! Thankfully, I've been able to build up my tools, materials, and supplies slowly, and my Etsy shop has been a boon, diversifying my market by having one more avenue for selling my work.

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