



# Employment Brief

## Disability and Self-employment: State VR Agencies Expand Self- Employment Opportunities

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### Mission:

To increase employment opportunities for Asian Americans and Pacific Islanders with disabilities nationwide.

### Based at:

University of Hawaii  
at Manoa, Center on  
Disability Studies

### In collaboration with:

Hawaii Centers for  
Independent Living

Hawaii Vocational  
Rehabilitation and  
Services for the Blind  
Division

### Funded by:

U.S. Department of  
Education  
Rehabilitation Services  
Administration

*The purpose of this brief is to provide information and resources for service providers to assist them with consumers who wish to explore self-employment as a viable career option. It is adapted from: The Center for an Accessible Society: State VR Agencies Expand Self-Employment Opportunities, and the University of Montana Rural Institute: Self-Employment: Improving Policy and Practice.*

Over the last decade, state vocational rehabilitation (VR) agencies' policies and procedures for helping disabled individuals become self-employed have grown tremendously. According to a study by the Research and Training Center on Rural Rehabilitation at the University of Montana entitled "State Self-Employment Policies: A Decade of Change," 96 percent of the agencies the researchers studied now help clients who express an interest in self-employment develop their own business plan, and most include other assistance as well.

Research indicates that since the mid-90's VR agencies have become more open to self-employment outcomes. This may be the result of the authorization of the federal Rehabilitation Act which specifically included self-employment as an outcome and emphasized consumer choice in the rehabilitation process. This emphasis on consumer choice empowered people with disabilities to state their preferences for pursuing self-employment outcomes. Consequently, as acceptance of self-employment for people with disabilities grew over the past 10 years, many VR agencies revised their self-employment policies and procedures to expand opportunities for people with disabilities. As a result, many agencies developed self-employment programs and published manuals to assist counselors with self-employment guidelines, in addition to checklists, and consumer resources, such as fact sheets and planning guides. Agencies have also developed or used services or programs developed specifically to assist people with disabilities develop successful businesses.<sup>1</sup>

### Does Entrepreneurship work for People with Disabilities?

Contrary to popular belief, small businesses have a good success rate. Researchers who had originally analyzed data about small businesses and found high rates of business failures re-analyzed the same data and found that, after 8 years, 80 percent of small businesses are still operating. They discovered that the original research counted as failures businesses that were sold, incorporated, or where the owner retired.

Kraus and Stoddard (1991) in their book Chartbook on Work

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Disability in the United States, report the following:

- Nearly as many people with disabilities report being self-employed as report working for federal, state, and local government combined.
- 14.6% of men with a work disability are self-employed, compared with 9.6% of women with no work disability.
- 9.0% of women with a work disability are self-employed, compared with 5.6% of women with no work disability.

In addition, the Research and Training Center on Rural Rehabilitation Services (RTC: Rural) undertook a series of studies on how the Vocational Rehabilitation system uses self-employment as an outcome. Highlights of the findings include:

- During 1995 and 1996 VR helped start 11,119 businesses (2.6% of all employment outcomes), up from 5,122 in 1991.
- Rural state agencies and counselors used self-employment as an employment outcome at a higher rate than urban state agencies and counselors.
- Both rural and urban participants averaged 11 years as employment counselors, but the rural VR counselors averaged 17.7 self-employment outcomes during their careers. Urban counselors averaged 5.9.
- Self-employment is more prevalent in rural than in urban areas. The U.S. Bureau of the Census reports that in 1990, 10.2% of the rural population was self-employed versus 6.0% of the urban population.
- People with a work disability are self-employed at a higher rate (12.2%) than people without disabilities (7.8%). Non-metropolitan people with disabilities are self-employed at a higher rate (9.09%) than metropolitan people with disabilities (7.52%). (U.S. Bureau of the Census)
- Office atmosphere towards self-employment influenced a counselor's use of self-employment. The VR agency's self-employment policy and procedures influenced the atmosphere in individual offices.
- As part of the research, the RTC: Rural-analyzed 34 state VR self-employment policies and procedures with the following results: Almost one-third of the policies contained statements that discouraged the use of self-employment as an employment outcome.
- Eleven states had no written guidelines or procedures for self-employment.
- Ten states required that a counselor eliminate all other viable rehabilitation options or salaried employment before considering self-employment.
- Thirty-five percent of policies did not require a business plan.
- Thirty-two percent of policies did not have the consumer seek outside technical assistance with developing the business. <sup>2</sup>

## **How can human services support entrepreneurship?**

Human service providers can participate in self-employment programs that provide prospective entrepreneurs with disabilities access to training programs and services needed to start small businesses. The self-employment programs, and complementary programs listed below, are best accomplished in collaboration with state vocational rehabilitation departments, business and economic development organizations (not-for-profit or government), other human services providers, and the local business community.

In addition to self-employment programs, human service agencies may provide:

- Supported employment training to either the business owner or other employees with disabilities.
  - Transportation or other human services, which would assist the business owner in running the business.
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An organization can be instrumental in assuring that disability needs do not become overwhelming while the business-person is developing and running the business:

- Help to ensure that the business-person becomes integrated into the community for the benefit of the business, the community, and the individual.
- Contact community development groups to assist the business person in finding marketable products or services, finding potential customers, and possibly receiving loans or financial incentive.

Self-employment, by its nature, is a collaborative effort. All entrepreneurs work with natural supports system: vendors, employees, CPAs, business consultants, to name a few. When human service organizations join this support system for the benefit of an entrepreneur with disabilities, they optimize chances of success and self-sufficiency for that person.

## **Recommendations for VR Agencies**

- First, the VR agency should establish a linkage with a business professional who has expertise and knowledge to provide business counseling from day one. The VR counselor should handle the rehabilitation side, while the business development professional should take the lead in the business end. The two should work as a team the minute the client states an interest in starting a business. Working as a team, the business professional can evaluate the feasibility and merits of the proposed business, while the rehabilitation counselor can assess individual strengths and weaknesses as they relate to self-employment.
  - The linkage between VR and business development professionals can be formalized between agencies through an Interagency Memorandum of Agreement or initiated on a case-by-case basis through contracted services. While the format is variable, the most important aspect of the development process is to make sure that the rehabilitation counselor and business development professional are on the same page from the start.
  - Just because a client wants to become self-employed, this doesn't automatically indicate that they are qualified, or capable, of starting and running a business. This situation can be averted with a preliminary feasibility study of the business which clearly shows what is required and expected of the proposed venture, and what the probability of success is. An analysis of the client's abilities, strengths and weaknesses should also be conducted. Client readiness should evaluate credit, business experience, and other characteristics required of a business or business owner.
  - Without preliminary assessment of the client and business feasibility, going right to the business plan is often a waste of time. If the business has strong potential, the feasibility analysis of both the business and the client will help steer development of the business plan to maximize the potential of securing required business start-up funds.
  - VR agencies may want to make their investments contingent upon additional financing. Although each state's policy differs in how they handle limits to requests when investment decisions are made, there are alternatives to financing when credit is poor such as Plans for Achieving Self-Support (PASS), Impairment Related Work Expenses (IRWE), Individual Development Accounts (IDA), and other strategies.
  - The client should build a contingency plan in the event that full funding cannot be obtained. This may consist of developing the business in phases. These phases should be developed with the help of a business professional who understands the complexities of business development. Many counselors tend to fund portions of the plan by picking and choosing items they would like to fund without a full understanding of the overall consequences to the business. For instance, VR may fund business related equipment, with little or no funds for marketing to develop clientele.
  - Finally, it is important to have an Individualized Plan for Employment (IPE) in place that clearly states the amount of money that will be provided by VR and what the client's responsibilities are in the business process. Past experience has shown that if the IPE is in the business plan and VR has
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met all responsibilities outlined in the IPE, then the client will not receive additional funds from VR for their business. The CAP and fair hearing tend to go along with the written plan, especially if the client has not followed through with their responsibilities.

The following recommendations also resulted from the Rural Institute's report:

- VR agencies should assess a consumer's business potential.
- The consumer develops a business idea, explores its feasibility, and conducts a market analysis.
- The consumer gets any necessary education or training.
- The consumer obtains technical assistance to develop a business plan.
- The consumer writes a business plan.
- The consumer determines the availability of, and applies for, funding from other sources.
- VR reviews the self-employment plan.
- VR monitors the business's progress. <sup>1</sup>

## Resources

The Rural Institute Technical Assistance and Training Projects [http://ruralinstitute.umt.edu/training\\_projects.asp](http://ruralinstitute.umt.edu/training_projects.asp)

Association of University Centers on Disability [http://www.aucd.org/aucd\\_aboutuce.htm](http://www.aucd.org/aucd_aboutuce.htm)

National Council on Disability <http://www.ncd.gov/>

Cornell University Rehabilitation Research and Training Center for Economic Research on Employment Policy for Persons with Disabilities <http://www.ilr.cornell.edu/ped/dep/rrtc.html>

Section 508 and You – State Agency <http://www.section508.gov/index.cfm?FuseAction=Content&ID=60>

## References

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