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Self-Employment for Workers with Disabilities: An Underutilized, but Viable Option

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for Public Policy

ARIZONA STATE UNIVERSITY

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Why Self-Employment?

For years, disability advocates have struggled with advancing self-employment options for people with disabilities to help combat their low employment rates. Trends, including downsizing, increased use of contract and temporary employees, and advances in technology have dramatically transformed the workplace. In Arizona in 2014, the broadest measure of labor

underutilization, designated U-6 (which includes the unemployed, workers employed part time for economic reasons and those marginally attached to the labor force), was 14.7 percent, significantly higher than the 12 percent national average.¹ Arizona's labor underutilization rate is surpassed by only Nevada and California.

Self-Employment

An employment setting in which an individual works in a chosen occupation, for profit or fee, in his or her own small business, with control and responsibility for decisions affecting the conduct of the business.

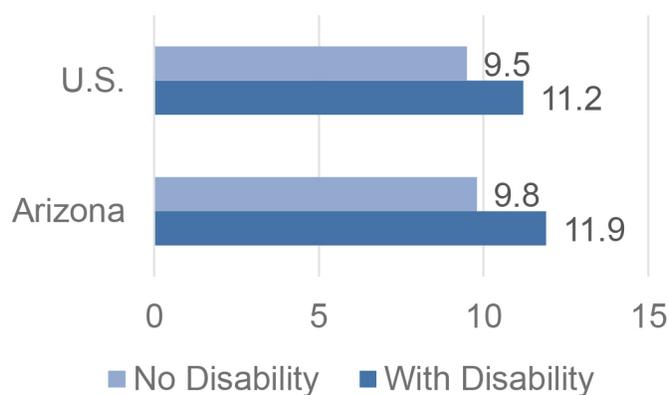


Figure 1: Percentage of Total Workers, Self-Employed, American Community Survey, Public Use Microdata Sample (PUMS), 2009-2013 Arizona Persons File

There is a shortage of quality jobs available in Arizona, which explains partly why Arizona self-employment rates are slightly higher than the national average (Figure 1).² Almost 10 percent of Arizona's workers are self-employed or run a small business. Arizonans with disabilities, compared with those without disabilities, are more likely to choose this option, 11.9

percent of workers with disabilities are self-employed compared to 9.8 percent of

¹ U.S. Bureau of Labor Statistics, Alternative Measures of Labor Underutilization, Arizona – 2014, April 8, 2015.

² Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. Integrated Public Use Microdata Series: Version 5.0 [Machine-readable database]. Minneapolis, MN: Minnesota Population Center [producer and distributor], 2010.

workers with no disability. Interestingly, one out of four of these self-employed workers with disabilities have cognitive disabilities.³

These self-employed workers with disabilities work in a variety of industries (17 of 18 industry classifications) for an average of 32 hours per week;⁴ however, beyond these census numbers, little is known regarding who they are.

Top Industries, By Number of Self-Employed with Disabilities

1. Construction: Plumbing, Drywall, Masonry and Painting
2. Other Services: Handyman, Auto Repair, Computer Repair, Hair and Nails and Pet Care
3. Professional, Scientific and Technical Services: Photography, Tax Preparation, Computer Programming and Interpreting
4. Administrative and Support, Waste Management and Remediation Services: Travel Agent, Janitorial and Landscaping
5. Retail Trade: Florist, Direct Sales and Vending Machine Operators

Indeed, the benefits of small business ownership and other self-employment options have the power to lower the traditionally high unemployment rate among people with disabilities and help them achieve economic independence. Self-employment offers opportunities that are not typically found in the traditional job market, including greater decision-making power, jobs customized to individual interests, the ability to set work schedules, fewer transportation problems if the business is home-based, and the potential for engagement in meaningful work. And, in Arizona, the barriers to self-employment, such as licensing costs, are low.

³ Cognitive disabilities are based on the answer of a household member to the question “Because of a physical, mental, or emotional condition, does this person [in your household] have serious difficulty concentrating, remembering, or making decisions?”

⁴ High-Level NAICS Code’ and ‘Usual Hours Worked Per Week in Last 12 Months’ by Self-Employed Workers with Disabilities, American Community Survey, Public Use Microdata Sample (PUMS), 2009-2013 Arizona Persons File

Available Services and Assistance

The path to self-employment is always fraught with challenges, and even more so for people with disabilities. Some may not be able to access the capital needed to start a business because they lack satisfactory credit or assets. Others may not know how to create an effective business plan, or understand how their earnings may affect their benefits. They also may have health challenges, or lack the supports and agency cooperation needed to be successful. Finally, after being told “you can’t” throughout their lives, some hold limiting views about themselves that prevent them from considering self-employment as a possibility.

Arizona has addressed some of these barriers through programs available to people with disabilities. Rehabilitation Services Administration (RSA-VR) state vocational rehabilitation agencies serve as the primary source of assistance for individuals with disabilities to achieve employment goals. However, because of funding shortages, Arizona’s RSA-VR agency can serve only individuals with significant disabilities. For those eligible, RSA-VR offers vocational counseling, training, assessments, job placement and some assistance with self-employment. RSA-VR can provide up to \$18,000 in financial assistance for business start-ups and, through the use of contractors, offer assistance with pre-planning and business plan development. Additionally, the Self Employment for Entrepreneurs with Disabilities (S.E.E.D.) Loans operated through the Arizona Technology Assistance Program (AzTAP) is a low-interest loan for up to \$20,000 for equipment needed to start

How to Start My Own Business

6. Talk to friends and family and gain support for my idea
7. Go to az.db101.org to learn about benefits and work incentive programs
8. Visit an SBDC (Small Business Development Center)
9. Walk through the ‘Small Business Checklist’
10. Apply for assistance through RSA-VR
11. Apply for S.E.E.D. loan
12. Network with others in my trade
13. Use social media to promote my business
14. Tell my story

a business or telework.⁵ Funds from the S.E.E.D. program and RSA-VR can be used together to support entrepreneurial activities. Both funding options require strong business plans and committee review for approval.

Obtaining start-up funding can become very complicated when considering maintaining benefits, such as Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI), or adhering to federal work-incentive policies. But those who ultimately choose and are committed to self-employment make more money, on average, than those employed by other businesses and ultimately may not need public benefits. For example, in Arizona, self-employed RSA-VR consumer's work, on average, 35 hours a week earning approximately \$17 per hour, compared to those who work for a business without supports for an average of 31 hours per week for \$11 per hour. These findings of higher wages among the self-employed are replicated across RSA-VR programs nationwide.

There are also economic development agencies that help individuals start their own business. The Arizona Commerce Authority offers a customized small business checklist that simplifies the process of starting a business. It walks entrepreneurs through, step-by-step, what they need to do to meet local and state requirements to be successful, based on their specified industry and location.⁶ In addition, Small Business Development Centers (SBDCs) funded by the Small Business Administration (SBA)

⁵ For more information visit <http://aztap.org/at-funding/seed-loans/>.

⁶ The link is located at <http://www.azcommerce.com/small-business/small-business-checklist>.

offer classes with scholarships, incentive programs, and mentors to provide technical assistance and networking to those seeking self-employment.

The 8(a) Business Development Program

Created by SBA, this program provides managerial, technical and contractual assistance to small firms that are owned and controlled at least 51 percent by social and economically disadvantaged individuals, including people with disabilities.

Participation in the program is divided into two phases over nine years: a four-year developmental stage and a five-year transition stage. The goal of this program is to help participants receive sole-source contracts, as well as form joint ventures and teams to bid on contracts.

Prioritizing Self-Employment

Despite these resources and incentives, utilization rates by people with disabilities – especially intellectual disabilities – across all agencies are low. Between 2012 and 2014 Arizona’s SBDCs report that out of the 3,536 individuals and businesses assisted, only 61 were minority-owned with a disability, and no individuals with disabilities took advantage of the 8(a) Business Development program. In 2013 and 2014, 13 RSA-VR clients started their own businesses, down from 19 in 2009.⁷ And, over the years, only seven have benefitted from the S.E.E.D. program. Among those who have succeeded in self-employment none had an intellectual disability. The number of individuals who take advantage of work incentive benefits remains small, indicating that many are unaware of or do not understand the resources available.⁸

The Office of Disability Employment Policy initiated START-UP, a three year federal evaluation project in 2007-2010, to identify policies and practices that either made it difficult or supported individuals with disabilities to become self-employed. The 2013 report found a lack of recognition by agencies, providers, families and even the

⁷ AZRSA, Annual Review Report, FY 2009.

⁸ Butterworth, J., Hall, A.C., Smith, F.A., Migliore, A., & Winsor, J. (2011). StateData: The National Report on Employment Services and Outcomes. Boston, MA: Institute for Community Inclusion, University of Massachusetts Boston.

individuals themselves that self-employment is a viable option.⁹ Numerous interviews with individuals, agencies and family members in Arizona found this theme to be consistent, amidst other reported barriers. An SBDC administrator reports that some clients' disabilities make it a challenge for them to advance beyond business plan development. In addition, RSA-VR counselors may not steer individuals towards self-employment due to the complexity of starting a business, unless individuals specifically request it. Those who do request it are referred to contracted providers who, with the consumer, determine self-employment readiness using start-up assessments.

“...there is a lack of recognition that self-employment is a viable option by agencies, providers, families and even the individuals themselves.”

Charting Their Own Courses

So, if those who are self-employed with disabilities are not utilizing state agency programs, why are 12 percent of Arizona's workers with disabilities reporting they are self-employed? The START-UP demonstration discovered that a significant factor among successful entrepreneurs was finding an individual who could champion and facilitate an exploration of self-employment.¹⁰ Such individuals were found not through agencies, but among their families, community non-profit programs or a unit of a public program that had a specific focus on entrepreneurship.

Explanations from individuals with disabilities who are self-employed, family members of the self-employed, and service providers across Arizona support this finding. Some report they are self-employed by mowing neighbors' lawns, for example, but they still rely of public benefits if their income earned cannot sustain them financially. Many access their personal support networks, i.e., family and friends, to help achieve employment goals – whether it is starting their own home-based baked goods

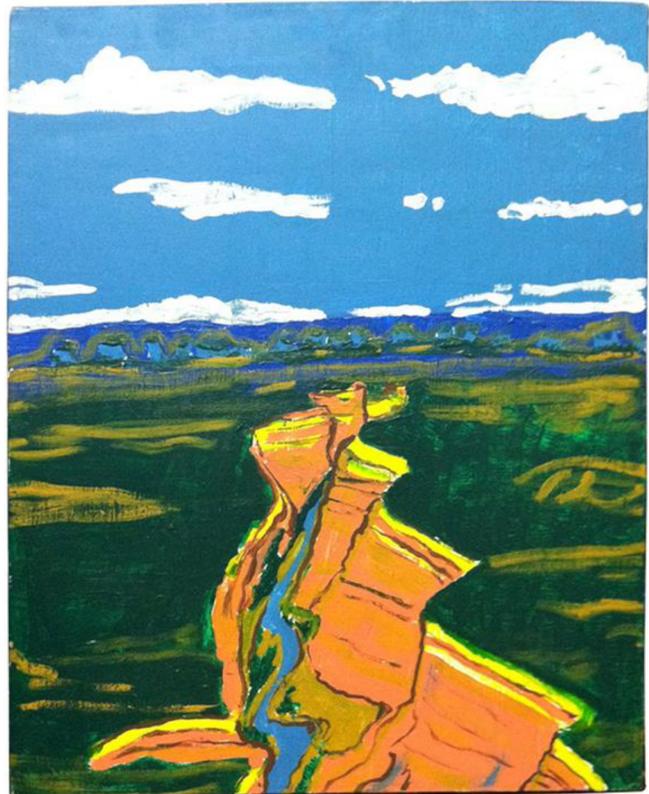
⁹ Self-Employment for People with Disabilities, report prepared for the U.S. Office of Disability Employment Policy, December 15, 2013, <http://www.dol.gov/odep/pdf/2014StartUp.pdf>.

¹⁰ Self-Employment for People with Disabilities, report prepared for the U.S. Office of Disability Employment Policy, December 15, 2013, <http://www.dol.gov/odep/pdf/2014StartUp.pdf>.

operation, art or a web-design business. And, there are some whose disabilities are invisible. They are totally integrated within the business community and go through the same process as those without disabilities.

There are also informal industry-specific entrepreneurial paths that have been created in this state. For example, careers in the arts, more so than many other vocational paths, lend themselves to independent and self-directed employment. According to the Bureau of Labor Statistics (BLS), in 2012, approximately half of artists and those in affiliated professions are self-employed, and in Arizona these occupations are expected to grow.

Occupational categories in the arts industry range from freelance artists to management professions. Many day programs across the state have recognized this channel and have started training interested individuals. In addition, the Hozhoni Art Studio and Gallery for individuals with developmental disabilities (<http://hozhoniartists.org/>) and PSA Art Awakenings' (<http://www.arawakenings.org/>) for individuals with mental health issues help artists become self-employed. The purpose of both programs is to highlight artists' value, integrating them into the mainstream art community and increasing the overall exposure of their work. The artists' works are showcased through various



Source: Raphael Brown (Hozhoni artist)

exhibits throughout the year and the profits made from sales supplement the artists' income directly.¹¹

Conclusion

Starting a business is hard, but for many, finding a job and working in a competitive environment can be even harder. Evidence suggests, however that with proper supports, determination and drive, self-employment is indeed possible among individuals of all disabilities. Families and friends can support their loved ones with disabilities by becoming their champions for self-employment, encouraging them to create their own opportunities for work. Following are several policy recommendations to encourage more champions and prioritize self-employment for people with disabilities:

1. The establishment of an advisory group with measurable goals will help build or strengthen formal cooperation, collaboration and awareness between agencies and organizations that play a key role in self-employment. These organizations could include RSA-VR, AzTAP, SBDCs, SBA, Social Security, Medicaid, incubators, foundations, universities and non-profits.
2. Provide RSA-VR counselors and high school transition staff an education in self-employment and strengthen linkages to external resources that promote self-employment as a career goal for individuals with disabilities.
3. Recognize that an accurate assessment of individual strengths and interests goes beyond instruments and tests. Understanding the individual and how he or she operates in his or her own environment with the support of others through a

¹¹ The picture is an example of some of the work displayed. The artist, Raphael Brown, is a Navajo artist from Ganado, Arizona. He currently resides in a group home in Flagstaff, Arizona. He works at The Hozhoni Foundation Art Studio creating art to sell in the Hozhoni Gallery. He also has had his pieces displayed in several galleries in Flagstaff, the state of Arizona and internationally. Raphael has Cerebral Palsy and is Visually Impaired with an Intellectual Disability. Many of his inspirations come from his family and life on the Navajo Reservation from a traditional Hogan to the beauty of the landscape. He also works with leather and metal and wood sculptures.

customized process called “discovery”¹² can create a better fit in employment for the individual with significant disabilities. It can open up previously unseen individual strengths and opportunities for self-employment, while promoting more champions in the process.

4. Most large businesses and the federal government have supplier diversity programs and set annual goals for purchasing from minority-owned businesses. But, little has been done proactively by government to build the capacity of small businesses that are owned by people with disabilities to compete and be valued subcontractors in the public or private sector. SBDCs and RSA-VR could coordinate services to promote SBA’s 8(a) program and improve the ability of individuals with disabilities to compete for government contracts.

Self-employment not only fosters economic independence, it promotes inclusion, awareness and appreciation of every community members’ talents. But, the path to self-employment requires substantial initiative, tenacity and skills to overcome the significant barriers that prevent many from taking advantage of this option. While more needs to be done in recognizing self-employment as a viable option for people of all types of disabilities, this brief has identified some initial strategies and recommendations to make the path a little less difficult to travel. Knowing the information and resources that are available is half the battle.

[Arizona Disability Benefits 101 \(http://az.db101.org\)](http://az.db101.org)

Arizona is one of only a handful of states to offer AZ DB101. This website alleviates some of the confusion behind work and benefits. The tool introduces individuals, family members and agency and support staff to work incentive programs that help individuals with disabilities keep and earn more assets for their business without losing benefits. It also calculates how self-employment, or any other job, may affect health insurance and social security benefits so that individuals are fully aware of their options. It should be noted that some assistance with the site may be required for some users due to the complexity of the information.

¹² For more information about the process of discovery, visit <http://www.dol.gov/odep/pdf/2014StartUp.pdf>.

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