

## **Self Employment**

Technical Assistance Brief (2003-02)

This Technical Assistance Brief on self-employment is intended to:

- provide a clear understanding of self-employment as a means to achieve an employment goal;
- describe qualitative tools that can be effective in determining the viability of a business plan and in supporting an individual who is starting a business; and
- identify specialized resources.

For issues related to ACCES-VR policy, the policy section of the Vocational Rehabilitation (VR) Manual should be consulted. The Technical Assistance Brief (TAB) is not vocational rehabilitation policy or procedures.

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### **Introduction**

As individuals with disabilities consider different employment options, self-employment can provide an opportunity to use one's skills to earn income. Employment outcomes through self-employment are only a small percentage of overall ACCES-VR employment outcomes. However, working age individuals with disabilities are self-employed at a higher rate than individuals without disabilities, according to recent census data. While it is widely believed that new businesses have a high failure rate, the U.S. Small Business Administration (SBA) reports an 80 percent success rate for home-based and small business enterprises. Not all businesses require a high initial investment. Many small businesses are "microenterprises", owner-operated, home-based and started with less than \$5,000 in capital.

Self-employment is a way to achieve an employment goal, not a goal in itself. All individuals participating in vocational rehabilitation services are expected to establish an employment goal that is consistent with their strengths, resources, priorities, concerns, abilities, capabilities, career interests and informed choice. Once an employment goal is established, self-employment can be one option within the labor market to achieve that goal. If an individual demonstrates the skills necessary to develop and run a business, self-employment may be viable.

Specific vocational rehabilitation services leading to self-employment focus on helping individuals to:

- realistically assess the demands and feasibility of self-employment;
- develop and implement sound, viable business plans;
- acquire necessary business management and technical skills; and,
- accommodate disability-related limitations.

The Self-Employment Policy 1301.00 provides detailed information about ACCES-VR services that support self-employment. This Technical Assistance Brief touches on key areas for ACCES-VR staff and individuals with disabilities to explore as they consider self-employment as an option. These areas include:

- Assessment of Business Potential
- Business Plan Development
- Benchmarks for Business Success

### **Assessment: Deciding Whether a Self-employment Goal is Feasible**

When an individual expresses an interest in self-employment, the counselor and the individual can explore the:

- viability of the business concept as an employment strategy;
- work goal as it pertains to the individual's abilities, capabilities, functional impact of disability, level of skills and training, problem-solving and interpersonal skills (including stress management), the effect of earnings on benefits, business operating skills, and economic need;
- job options available to the individual in the labor market working for another person, business or organization;
- risks and responsibilities of self-employment; and,
- long-term personal commitment required to keep a business going.

Key questions at this point include:

- Why is self-employment the best way to achieve the employment goal?
- Does the individual demonstrate the initiative and self-discipline to run a business?
- What experience does the individual have in meeting and dealing with the public?
- What opportunities exist, given the business concept and the competitive business environment?

An individual may find it useful to carefully examine his or her desire for self-employment through self-employment resources. In addition to the resources listed at the end of the TAB, there are several formal and informal checklists that a person can complete. A few of the informal self-assessments are available on the Internet:

[http://www.sba.gov/starting\\_business/startup/entrepreneurialtest.html](http://www.sba.gov/starting_business/startup/entrepreneurialtest.html)

[http://www.labor.state.ny.us/business\\_ny/entrepre/test.htm](http://www.labor.state.ny.us/business_ny/entrepre/test.htm)

<http://www.sba.gov/training/selfassessment.html>

When considering whether or not self-employment is the best way to achieve a work goal, the individual can also:

- explore career opportunities available for competitive employment in the local labor market; and,
- carefully review the business idea by developing a preliminary business plan, including a description of the business concept and a basic market analysis. Verify that the proposed business idea is:
  - (a) offering products or services that customers want;
  - (b) consistent with the individual's skills, abilities, knowledge, experience and interests; and,
  - (c) able to generate a level of income that meets the individual's financial needs.

Self-employment requires a person to work on one's own, be self-motivated and meet deadlines and commitments. Careful research done in a timely manner will move the process ahead. The ACCES-VR Self-Employment Planning form (VES – 70) can be used as a tool during this preliminary exploration of the business concept.

### **Questions for Assessing Your Business Potential**

Before developing a detailed business plan, explore the challenges of self-employment:

1. Why am I interested in this type of business? What experience do I have doing this or something like it?
2. Do I have the skills I need? What things do I already know how to do?
3. What type of assistance will I need, if any, in running the business?
4. What do I need to learn to operate this business? What information and skills will I need to learn to operate this business?
5. How do I know I will have customers for my business? Have I completed any market analysis and if so, what did I learn?
6. How many hours will I need to work for the level of income expected? What hours and days will the business operate?
7. How much money will the company make during the first year? During the second year?
8. If I do not have experience with this type of business, would I consider working for someone else as a training experience in this field before establishing my own business?
9. Who will use the company's service and/or buy its product(s)? If I were a potential customer, why would I use this business? What features would keep me coming back?
10. Where are the business' customers located? Where will the business be located?
11. How many customers do I think the company will have during the first year? During the second year? How will the business grow?
12. How will I tell potential customers about my business?
13. Is there another business like the one I want to open operating in the area I want to serve? Is it successful? Why or why not? What is my competitive advantage?
14. Will I hire employees? What skills should they have? How much will I pay them?
15. Who will do the ordering, customer contact, and bookkeeping for my business?
16. What equipment will be needed? When will I need it? Will I buy it or rent it?
17. Will my disability pose barriers to operating this business? If yes, what are they? How can I overcome these barriers?

18. How much money will I need to start the business? How much money can I contribute? Who can loan me money? What are likely sources of money for starting my business?

## **Business Plan Development**

A lack of planning is the number one reason for business failure. After gathering information about the business idea, the person may decide either to pursue a job in the labor market or self-employment. If self-employment is a strong possibility, then a formal business plan will enable an individual to look at exactly what will be needed to get the business going and to decide whether or not a substantial investment of time, energy and financial resources is likely to result in a profitable venture.

It is helpful to project specific time frames for completing the development of the business plan, as well as time lines for implementing action steps within the plan. Realistic projections of income and expenses over each month of the first year will help determine if a business can work. For very small businesses, the Self-Employment Planning form (VES-70) may provide enough documentation. A strong financial plan with accurate financial analysis, including an income statement, a break-even analysis, a cash flow statement and a balance sheet, is an extremely useful component of the overall business plan, helping to make accurate predictions.

See <http://selfemploymenttraining.ruralinstitute.umt.edu/the-financial-plan.htm> for more information on the financial aspects of the business plan.

## **What to Include in a Business Plan**

When developing or reviewing business plans, the following factors are important:

- The individual has the skills, experience and expertise necessary to manage his or her own business;
- The business will result in an employment outcome consistent with the individual's unique employment factors;
- The individual has technical skills to provide the quality products or services required for the business line;
- The individual has an effective network of professional advisors, depending on the needs of the business, that may include an attorney, CPA, and business mentor;
- The marketing plan is backed by factual information about the demand for products or services, based on research into the business or industry.
- Income projections are based on realistic appraisals of market pricing and competition, including clearly identifying potential customers to the degree possible.
- The individual has developed and is following a sound financial plan to start the business;
- The individual has adequate funding for implementation of the business plan, specifically citing the amount and sources for the total dollars needed;
- Evidence of sufficient resources to sustain business operations over time;
- The individual's financial status is described and the individual's credit rating is acceptable;

- The financial resources needed to start the business are reasonable when compared to the projected income, i.e. a favorable “investment to earnings ratio” for the business;
- All necessary accommodations are in place to address special disability-related needs;
- The business plan shows that it will be ready to operate in the agreed upon timelines; and,
- A contingency plan outlines alternative actions to take if income or other targets related to business operations are not met once the business starts.

The U.S. Small Business Administration offers extensive on-line courses on small business. These courses can be valuable tools when exploring feasibility and preparing a business plan. See <http://www.sba.gov/training/courses.html> for more information. On-line courses are also featured at My Own Business, Inc. (MOBI) at <http://www.myownbusiness.org/index.html>. MOBI is a non-profit organization focused on educating entrepreneurs by providing vital information to help them succeed.

### **Benchmarks for Business Success**

ACCES-VR Self-Employment policy advises that a business is successful when revenues from the venture equal or exceed operating costs. When planning a business and during the start-up, it is helpful to benchmark clear indicators for business success in order to gauge progress and adjust activities as needed. Some benchmarks for business success may include:

- the individual’s gross earnings are at or above the legal minimum wage for the number of hours worked;
- a specific level of sales or service is identified and achieved within a certain time frame;
- the business is able to increase equity, i.e. reinvest income into the business, through the purchase of equipment or savings at an agreed upon level within a specific timeframe.

Benchmarks like these can be used to chart progress during implementation and make sure the business is on track.

### **Conclusion**

Self-Employment is a viable alternative to jobs in the labor market when it is carefully planned and the individual has the entrepreneurial abilities to make the business work. Initially, a person and ACCES-VR have to carefully assess the pros and cons of self-employment, the assets the person brings and the demands of the business venture. If the business idea seems workable, then a detailed business plan can identify challenges in the business concept or strategies to make the business a success. Self-employment requires a high level of commitment and energy, but can lead to a reliable source of income for individuals with disabilities.

## Additional Resources and Links

- Small Business Administration: [www.sba.gov](http://www.sba.gov) or <http://www.sba.gov/ny>  
New York District Office  
26 Federal Plaza, Suite 3100  
New York, NY 10278  
(212) 264-4354 Phone  
(212) 264-4963 Fax  
Jose R. Sifontes, District Director

Syracuse District Office  
401 S. Salina Street 5th Floor  
Syracuse, New York 13202  
(315) 471-9393 Phone  
(315) 471-9288 Fax  
Bernard J. Paprocki, District Director

Buffalo District Office  
111 West Huron Street, Suite 1311  
Buffalo, New York 14202  
(716) 551-4301 Phone  
Franklin J. Sciortino, District Director  
F. Peter Flihan, Rochester Branch Manager

- US SBA's ADA Guide: <http://www.sba.gov/ada/>
- NYS Empire State Development [www.empire.state.ny.us](http://www.empire.state.ny.us). Empire State Development is responsible for the NYS Entrepreneurial Assistance Program [http://www.nylovesbiz.com/Small\\_and\\_Growing\\_Businesses/entr\\_assistance.asp](http://www.nylovesbiz.com/Small_and_Growing_Businesses/entr_assistance.asp). The Entrepreneurial Assistance Program (EAP) helps entrepreneurs create new businesses and provides in-depth assistance to minorities, women and dislocated workers interested in starting a business. There are locations throughout NYS (see website) and two-thirds of the centers operate or are affiliated with microloan funds.
- Small Business Development Centers (SBDC's) provide on site management counseling and practical training at colleges and universities for small business owners. There are at least 17 SBDC's in New York State with locations and contacts available through the website:  
SBDC Home Page: <http://www.nyssbdc.org/>  
SBDC Business Planning Guide: <http://www.nyssbdc.org/info/pubs/BizPlan.pdf>
- Pre-Business Workshops, cosponsored by the SBA, and local Chambers of Commerce or economic development agencies, provide information on finance, marketing, site selection and business organization. At the local level, training and counseling may also be available from BOCES, college or university business schools, or interested local business persons. For a directory of local Chambers of Commerce, link to: <http://www.bcnys.org/inside/chambers.htm>
- The Service Corps of Retired Executives (SCORE) and the Active Corps of Executives (ACE) provide one-on-one counseling to business operators. The

Service Corps of Retired Executives (SCORE) is a group of retired business people who volunteer their services to small businesses through the SBA. The Active Corps of Executives (ACE) is a group of active managers who counsel small-business owners on a volunteer basis. ACE volunteers come from major corporations, trade associations, educational institutions, and professions.

<http://www.score.org> - The SCORE website will help you identify local chapters and counselors simply by entering your zip code or by the type of expertise.

- Plans for Achieving Self-Support (PASS) for SSI recipients. Self support plans allow disabled persons to set aside excess income or resources from being counted by SSI and thus may allow persons who would not ordinarily qualify to receive SSI payments, or current recipients to receive higher SSI payments. NYS Work Incentives Support Center Toll Free Technical Assistance line: 1-888-224-3272.
- At the State level, information is available from the State Department of Economic Development. The Office of Business Permits and Regulatory Assistance (toll free phone: 800-342-3464 or [www.nys-permits.org](http://www.nys-permits.org). Provides comprehensive information on over 1,100 State permits and licenses.
- NYS Department of Labor Guide to Self-Employment:  
[http://www.labor.state.ny.us/business\\_ny/entrepre/guide.htm](http://www.labor.state.ny.us/business_ny/entrepre/guide.htm)
- The Small Business and Self-Employment Services web site of the Office of Disability Employment Policy of the U.S. Department of Labor, provided information, counseling and referrals about self-employment and small business ownership opportunities for people with disabilities:  
<http://www.jan.wvu.edu/sbses/index.htm>
- U.S. DOL Small Business and Self Employment for People with Disabilities Publication: <http://www.dol.gov/odep/pubs/publicat.htm>
- Rural Institute on Self Employment: <http://rtc.ruralinstitute.umd.edu/>
- Self Employment: Steps for Vocational Rehabilitation Counselors : Helping a Consumer Start a Business: <http://selfemploymenttraining.ruralinstitute.umd.edu/>  
(This publication, still under development, is a pre-release version.)
- 24th Institute on Rehabilitation Issues: Self Employment (1998)  
<http://www.rcep6.org/business.htm>
- New York Business Development Corporation: <http://www.nybdc.com/index.html>
- The Abilities Fund provides loans directly or through selected lenders to enable individuals with disabilities to start microbusinesses. They are working with two lenders in NYS:  
Alternatives Federal Credit Union  
125 North Fulton Street, Ithaca NY 14850-3301  
Phone: 607-273-4611 ext. 816  
Fax: 607-277-6391 (fax)  
Contact: Deirdre Silverman, Development Director  
Email: [dsilverman@alternatives.org](mailto:dsilverman@alternatives.org)  
Counties Served: Tompkins, Cayuga, Tioga, Seneca, Chemung, Schuyler, Cortland and Broome Counties in central New York State  
Services: Microloans, Business Training and Technical Assistance

Brooklyn Economic Development Corporation  
175 Remsen Street, Suite 350, Brooklyn, NY 11201-4300  
Telephone: (718) 522-4600 Fax: (718) 797-9286  
Contact: Joan Bartolomeo, President  
Email: [jgb@bedc.org](mailto:jgb@bedc.org)  
Area Served: New York City  
Services: Classroom Training, Specialized Workshops, Individualized Business Planning assistance, and Business Loans.  
Specific Program: LAUNCH Program (Lead, Act, Undertake, Navigate, Change and Heal) provides entrepreneur training and support services specifically to individuals with a history of serious mental illness

The Abilities Fund  
410 North 18th Street  
Centerville, IA 52544  
Phone: 1-888-222-8943 or 641/856-2173  
Fax: 641/856-3101  
Contact: Patti Lind, Program Director  
Email: [prlind@abilitiesfund.org](mailto:prlind@abilitiesfund.org)  
Area Served: Nationwide  
Services: Online Resource Center, Grants Available through the Trickle Up Program for Entrepreneurs with Disabilities, and Referral to Local Business Development Services  
Website: [www.abilitiesfund.org](http://www.abilitiesfund.org)