

3-2003

State Self-Employment Policies: A Decade of Change Final Report

Nancy Arnold Ph.D.

University of Montana - Research and Training Center on Disability in Rural Communities

University of Montana Rural Institute

ScholarWorks-Reports@mso.umt.edu

Follow this and additional works at: http://scholarworks.umt.edu/ruralinst_employment



Part of the [Labor Economics Commons](#)

Recommended Citation

Arnold, Nancy Ph.D. and Rural Institute, University of Montana, "State Self-Employment Policies: A Decade of Change Final Report" (2003). *Employment*. Paper 12.

http://scholarworks.umt.edu/ruralinst_employment/12

This Report is brought to you for free and open access by the Rural Institute for Inclusive Communities at ScholarWorks at University of Montana. It has been accepted for inclusion in Employment by an authorized administrator of ScholarWorks at University of Montana. For more information, please contact scholarworks@mail.lib.umt.edu.

The University of Montana Rural Institute

RTC
RURAL

Research and Training Center on
Disability in Rural Communities

State Self-Employment Policies:

A Decade of Change

Final Report

Nancy Arnold, Ph.D.



The University of
Montana



The University of Montana
**RURAL
INSTITUTE**
*Center for Excellence in
Disability Education,
Research, and Service*

March 2003

For additional information please contact

Research and Training Center on Disability in Rural Communities
The University of Montana Rural Institute
52 Corbin Hall, Missoula, MT 59812-7056
888-268-2743 or 406-5467
406-243-4200 (TTY), 406-243-2349 (Fax)
rural@ruralinstitute.umt.edu
<http://rtc.ruralinstitute.umt.edu>

Disclaimer

© 2003

This report was prepared by RTC:Rural. grant #H133B70017-05 from the National Institute on Disability and Rehabilitation Research, U.S. Dept. of Education. The opinions expressed those of the author and are not necessarily those of the funding agency.

Table of Contents

Summary of Findings.....	1
Introduction.....	3
Results.....	4
General Observations.....	4
Policy Publication Dates.....	4
Number of Components Included in Policies.....	5
Agencies that Participated in 2002 and 1992.....	6
The Components.....	7
Assess Individual’s Business Potential.....	7
Develop a Business Idea, Explore its Feasibility, and Conduct a Market Analysis.....	8
Individual Obtains Needed Education or Training.....	8
Obtain Technical Assistance.....	9
Develop a Business Plan.....	9
Explore and Apply for Resources Available from other Sources.....	9
Agency Review.....	11
Follow-up.....	12
Discussion.....	12
Recommendations.....	14
Policy Recommendations.....	14
Recommendations for Future Research.....	14
References.....	15

Summary of Findings

In 1991-92, the Research and Training Center on Rural Rehabilitation (RTC: Rural) evaluated 45 state Vocational Rehabilitation (VR) agencies' policies and procedures regarding self-employment for people with disabilities. Based on this analysis, researchers developed and broadly disseminated a model VR self-employment policy (Arnold & Seekins, 1994) and were successful in their efforts to have self-employment included as an employment outcome in the 1998 Reauthorization of the Rehabilitation Act.

In 2002, RTC: Rural investigated state policies again to see how they had changed and what trends had developed over the intervening decade. Researchers requested a copy of state self-employment policies and procedures from each of 82 departments of Vocational Rehabilitation in the 50 states and the District of Columbia. Although our original study excluded visual services agencies, the current study included them, plus general VR and combined VR/visual services agencies. Fifty-four state agencies responded for a 65.9% response rate.

Two researchers conducted independent reviews of the policies and procedures and compared them to RTC: Rural's recommended model policy. They evaluated the changes in states' self-employment policies and procedures to determine whether the states had adopted the model policy. Researchers found that VR agencies are now more open to self-employment outcomes. As self-employment for people with disabilities became more accepted over the past 10 years, several VR agencies revised their self-employment policies and procedures.

Results

We commend state agencies for the changes in their self-employment policies and procedures. Of the 54 policies received:

- 32 (59%) were developed since the 1998 Reauthorization of the Rehabilitation Act. Current policies are more positive towards self-employment than those reviewed in 1992.
- State policies address an average of 6.6 components, compared with 3.7 components in 1992.
- "Developing a business plan" is the most commonly included component (96%) and "follow-up" is the least-included component (54%).
- In 1992 just one policy addressed all eight model components; now 17 policies do (11 agencies participated both times). Similarly, in 1992 four policies included seven components; now 15 do (12 agencies participated both times).
- Many agencies have developed self-employment programs and published manuals for counselors, checklists, and consumer resources such as fact sheets and planning guides.
- Agencies have developed or use services or programs developed specifically to assist people with disabilities develop successful businesses.
- Previously, many policies contained negative statements about self-employment, but now only one policy contains negative statements.
- There are many methods for funding a self-employment plan. Some state plans don't address cost. Some use a sliding scale, and several have differing funding levels and requirements (e.g., the amount requested may determine whether a business plan is required or may determine how a plan is reviewed). Others set a funding limit but allow exceptions.

- The term “initial stocks and supplies” (Rehabilitation Act Amendments of 1998) is variously interpreted: some states set no limits; some set monetary limits; and some set chronological limits (e.g., 1 month, 6 months, etc).
- Just over half (54%) of respondents follow a business after it has opened.

Policy Recommendations

Based upon the RTC: Rural model self-employment policy and the 2002 policy analysis, we recommend the following:

1. State policies should include consumer training related to self-employment.
2. State policies should include follow-up, to both help the consumer and to protect the state’s/consumer’s investments.
3. Rehabilitation Services Administration should either define “initial stocks and supplies” or allow individual states to include their own definitions in self-employment plans. If the Rehabilitation Act is not amended to define “initial stocks and supplies” and funding levels, states should implement a means test (Rehabilitation Act Amendments of 1998; U.S. National Archives and Records Administration, 2002, Archive, C.F.R. Title 34, Volume 2, Part 361, Section 361.50.) so they can set limits based on consumers’ resources.
4. Rehabilitation Services Administration should allow state VR plans to specify the level, conditions, and amount of investment the state will make in a self-employment enterprise.
5. VR programs should assist with the development of viable nonprofit businesses. Such businesses can be developed and evaluated in the same manner as a for-profit business.

Introduction

Since the mid-90's Vocational Rehabilitation (VR) agencies have become more open to self-employment outcomes. This is due to several factors including federally-funded research and demonstration projects, practitioner programs, and legislative changes. Influential research includes the ground-breaking self-employment research conducted by the Research and Training Center on Rural Rehabilitation (RTC: Rural), funded by the National Institute on Disability and Rehabilitation Research (NIDRR), which culminated in the development of a model self-employment policy and procedures (Arnold & Seekins, 1994; Arnold, Raveslout, & Seekins, 1995; Raveslout & Seekins, 1996).

Influential demonstration projects include the Rehabilitation Services Administration (RSA) Choice Projects, which did not focus on self-employment but experienced a 20 to 30 percent closure rate to self-employment (Collins, 1998; Sullivan & Cooper, 1998; Watson & Herkimer, 1998). RSA also sponsored the XXIV Institute on Rehabilitation Issues: People with Disabilities Developing Self-Employment and Small Business Opportunities (Region VI Rehabilitation Continuing Education Center, 1998).

Influential practitioners included VR agencies in Iowa, Ohio, and Wisconsin, which approached self-employment by combining VR resources with a state business development agency or by developing specialized self-employment programs. Within systems, other influential practitioners were individuals or community service providers working to develop self-employment opportunities for people with disabilities. These included self-employment pioneer Randy Brown, a Pennsylvania VR District Administrator, and the Ann Arbor Center for Independent Living, which developed its own Small Business Development Center. Urban Miyares, president of the Disabled Business persons Association also greatly influenced the acceptance of self-employment as an option for people with disabilities.

The 1998 Reauthorization of the Rehabilitation Act probably had the greatest influence on VR agencies, however, because it specifically included self-employment as an outcome. The Act also emphasized consumer choice in the rehabilitation process. This empowered people with disabilities to state their preferences for pursuing self-employment outcomes.

As acceptance of self-employment for people with disabilities grew over the past ten years, several VR agencies revised their self-employment policies and procedures. This report describes how policies have changed.

In 1991-92, the Research and Training Center on Rural Rehabilitation evaluated self-employment policies and procedures submitted by 45 state vocational rehabilitation agencies. RTC: Rural contacted only general and combined agencies; no blind agencies participated. Based on this analysis, RTC: Rural researchers worked with VR agency administrators and business specialists to develop and broadly disseminate a model VR self-employment policy, consisting of eight components, which combined rehabilitation practice with best practice for developing a business (Arnold & Seekins, 1994). The eight components of the self-employment model policy are to

1. Assess individual's business potential.
2. Develop a business idea, explore its feasibility, and conduct a market analysis.
3. Have the individual obtain needed education or training.
4. Obtain technical assistance.
5. **Develop a business plan.**
6. Explore and apply for resources from other sources.
7. Conduct an agency review of the self-employment plan.

8. Conduct follow-up after business startup.

RTC: Rural disseminated the model policy and procedures through journal articles (Arnold & Seekins, 1994; Arnold & Seekins, 2002), a monograph (Arnold, 1996), at conferences, in consultation with state VR agencies, at self-employment training sessions, and in the XXIV Institute on Rehabilitation Issues, 1998: People with Disabilities Developing Self-Employment and Small Business Opportunities proceedings (Region VI Rehabilitation Continuing Education Center, 1998). It published companion resources such as fact sheets and a self-employment training curriculum, Self-Employment Steps for Vocational Rehabilitation Counselors: Helping a Consumer Start a Business (Arnold, Seekins, Montana Women's Capital Fund, Shelley, Hammis, Anderson, & Brown, 2000). Many of these are posted on RTC: Rural's web site.

Results

General Observations

Current policies are more positive towards self-employment. In 1992, ten policies said self-employment was the option of last resort, or that all other options must be explored and exhausted first. Now only one policy does this. Current policies also provide more guidance for counselors on how to initiate and follow-through on a self-employment plan. In the past, counselors often did all the work to develop a business or were responsible for writing the business plan (Arnold & Seekins, 1994). Now, the counselor usually facilitates the process and the consumer develops the business and business plan with the help of external business developers. Most state agencies will not support development of a nonprofit business.

Policy Publication Dates

Of the 54 policies received, 30 (56%) were dated after the 1998 Reauthorization of the Rehabilitation Act. Researchers presumed that the dates reflect when policies were published or revised. Dates of submitted policies are shown in the following table.

Publication Date	# of Policies
2002	8
2001	7
2000	7
1999	8
1998	4
1997	2
1996	1
1995	1
1993	1
In Process	2
No Date	12
No Policy	1

Number of Components Included in Policies

The eight self-employment plan components are: (1) assess individual's business potential, (2) develop a business idea, explore its feasibility, and conduct a market analysis, (3) individual obtains needed education or training, (4) obtain technical assistance, (5) develop a business plan, (6) explore and apply for resources from other sources, (7) agency reviews self-employment plan, and (8) follow-up.

Figure 2 shows that in 2002, the 54 respondents addressed an average of 6.6 components, compared with the 45 respondents that addressed an average of 3.7 components in 1992.

Figure 2: Average Number of Components

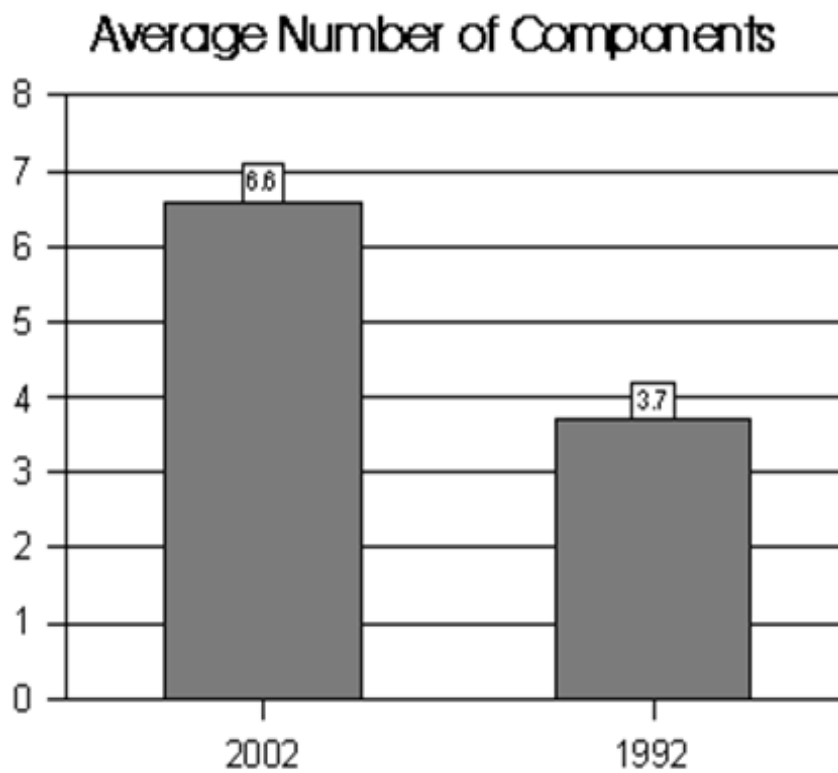
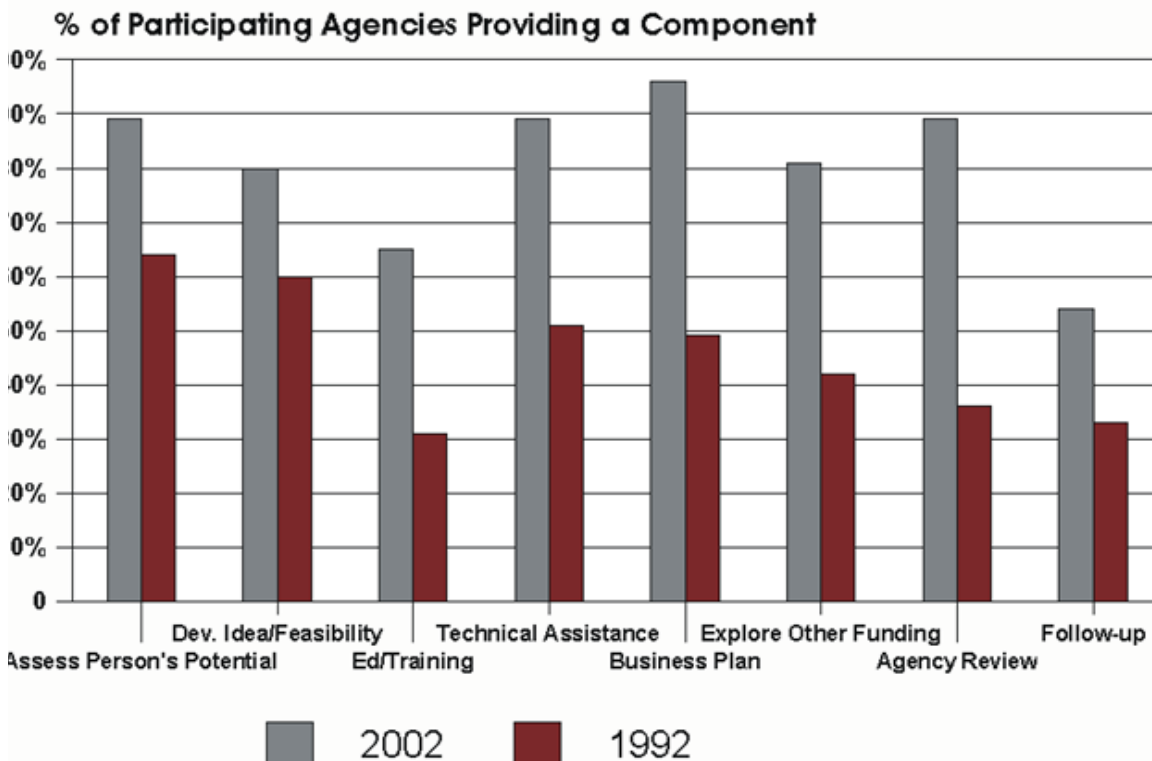


Figure 3 shows the percentage of responding agencies that include each of the eight model policy components in their policy/procedures.

The component with the greatest increase in inclusion is incorporating agency review of a proposed business (89% of 2002 plans vs. 36% of 1992 plans). It is followed closely by requiring the development of a business plan, (96% of 2002 plans; 49% of 1992 plans). In 2002 almost all (96%) state policies included developing a business plan. Follow-up was the least-included component (54%).

Figure 3: Policy Components Addressed



Agencies that Participated in 2002 and 1992

Thirty-seven general or combined state agencies provided policies/procedures in both 2002 and 1992 (Visual Services/Blind Agencies were not included in the 1992 analysis). In 1992, ten of these agencies had no written policy or procedures. By 2002 only one had no written policies and procedures. By 2002, 32 of the 37 agencies (86%) had increased the number of components included, one (3%) had decreased the number of components, and four (11%) stayed the same.

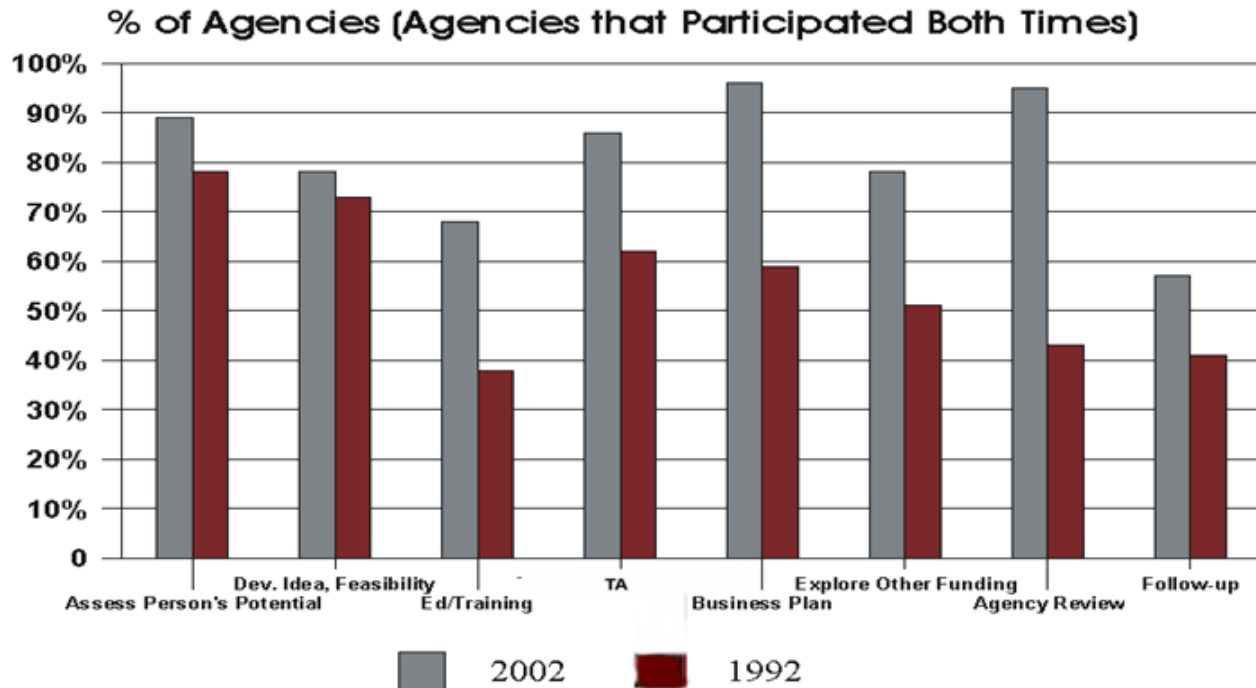
Figure 4 reflects data for agencies participating in both 2002 and 1992. It compares the percent including each model policy component in 2002 and 1992. The greatest increase is incorporating agency review of a proposed business, which increased 52% (from 43% to 95%). In 2002, the most-commonly included component was developing a business plan (96%) and follow-up was the least-included (57%).

Typically, when a state included more components it retained components included in the 1992 policy and added others. However, there were exceptions - some agencies showing no change or an increase in the number of components, changed the mix of services/components addressed. For example, in 1992 eight states addressed assessment, develop idea/feasibility, education/training, explore other funding, and follow-up but their current policies no longer address these components.

The Components

The model policy (Arnold & Seekins, 1994) provides recommendations for addressing each component. Researchers evaluated submitted policies to determine how each addressed those recommendations.

Figure 4: Model Components Addressed (Agencies that Participated in 1992 and 2002)



Model Policy Component: Assess Individual's Business Potential

1. Evaluate the consumer as he or she works through the self-employment process.
2. Use an evaluator who is familiar with business start-ups or specializes in self-employment.
3. Follow a formal assessment procedure.
4. Follow a standardized format for each consumer.

Eight agencies (15%) address all four recommendations. Four agencies (7%) address three recommendations, but do not follow a standardized format for each consumer. Examples of agencies that address all four recommendations include:

1. Iowa Division of Vocational Rehabilitation Services and Iowa Department for the Blind conduct assessments in conjunction with the Entrepreneurs with Disabilities Program (EWD). EWD is a collaboration among Iowa's Department of Education, Division of Vocational Rehabilitation Services, Department for the Blind, and Department of Economic Development.
2. South Dakota Division of Rehabilitation Services, South Dakota Services to the Blind and Visually Impaired, Michigan Department of Career Development-Rehabilitation Services, New Jersey Division of Vocational Rehabilitation Services, and the Virginia Department of Rehabilitative Services all use the Business Assessment Scale (Goodman & Herzog, 1994).
3. Wisconsin Division of Vocational Rehabilitation has developed the Business Enterprise Services and Training (BEST) Self-Inventory, BEST classes, BEST self-employment competencies, and BEST teacher evaluation.

Four agencies do not follow a standardized format for each consumer but identify client characteristics the counselor should evaluate and have developed assessment procedures.

1. Arizona Rehabilitation Services Administration has a self-assessment inventory. Agency assessment must include a business consultant who evaluates the consumer's entrepreneurial strengths.
2. Maryland Division of Rehabilitation Services identifies steps for counselors to follow and the particular characteristics counselors should evaluate. Consumers also participate in a two-day Exploring Entrepreneurship course.
3. New Mexico Division of Vocational Rehabilitation identifies specific factors and criteria to consider for employment and education. These may be waived if the individual possesses sufficient capability and skills - the agency lists factors to consider when deciding if a waiver is appropriate.
4. Texas Rehabilitation Commission identifies evaluation components, including: consultation with the regional program specialist and an outside consultant, development of a business plan, evaluation of physical and mental stamina, evaluation of the client's skills/willingness to acquire necessary business-related skills, and identification of a support system or mentor.

Model Policy Component: Develop a Business Idea, Explore its Feasibility, and Conduct a Market Analysis

1. The policy addresses developing a business idea, exploring the business's feasibility, or conducting a market analysis for the proposed business.
2. The consumer is responsible for exploring the business's feasibility and identifying its probability of success.
3. The counselor, an outside consultant, or a VR committee or expert analyzes the consumer's findings.

Twenty-six policies (48%) include all three recommendations, 14 (26%) include two, 5 (9%) include just one, and 9 (17%) do not address this component.

The most frequently-used feasibility assessment methods are the business plan and asking questions about the business. Seventeen agencies assess feasibility from the business plan. Eleven agencies ask questions about the proposed business. Less frequently-used methods include working with a consultant to conduct a feasibility study, conducting a market analysis, conducting research on the proposed business, using a checklist, and taking business courses. In one state, the counselor completes a feasibility study.

Model Policy Component: Individual Obtains Needed Education or Training

1. The consumer participates in business plan development training, such as that conducted by a local Small Business Development Center (SBDC) or by the Senior Corps of Retired Executives (SCORE).
2. The consumer participates in training to acquire bookkeeping, marketing, or management skills, such as that conducted by an SBDC or SCORE.
3. The agency arranges other training (e.g. attending school, correspondence classes, apprenticeships, etc.)

One state agency (2%) assumes that consumers already have training in all aspects of running a business; two agencies (4%) specify SBDC/SCORE training for developing a business plan; eight agencies (15%) specify SBDC/SCORE training for developing a business plan plus training on specific topics such as bookkeeping and marketing; and 25 agencies (46%) specify SBDC/SCORE classes plus training activities such as school, correspondence classes, and apprenticeships. Seventeen policies (31%) do not address education or training, possibly because these are part of the overall menu of VR services and additional discussion in the self-employment section would be redundant.

Model Policy Component: Obtain Technical Assistance

The consumer should obtain technical assistance in any aspect of the business development process. Possible technical assistance sources include the state VR system, an outside consultant, or a business owner.

All but four policies (93%) require or recommend technical assistance as part of the business development process. Two states base their requirement or recommendation on VR's proposed contribution to the business: one state requires technical assistance for a VR contribution greater than \$5,000 and one state recommends technical assistance for plans greater than \$2,500 but not for lesser amounts. In addition to using community services such as SBDC, SCORE, or colleges and universities, several agencies have either developed their own programs or contract for technical assistance services:

1. Florida Division of Blind Services and the Maryland Division of Rehabilitation Services provide technical assistance through Reach Independence through Self-Employment Partners.
2. Iowa Division of Vocational Rehabilitation Services and Iowa Department for the Blind agencies encourage clients to obtain technical assistance from the EWD program.
3. Michigan Department of Career Development-Rehabilitation Services has a Small Business Team consisting of VR staff and management who provide technical assistance and consultation.
4. The Enterprise Works program of the Ohio Rehabilitation Services Commission helps people decide if owning a business is right for them.
5. Wisconsin Division of Vocational Rehabilitation's BEST teacher provides technical assistance.

Model Policy Component: Develop a Business Plan

The consumer develops a business plan. The policy should identify the components of an all inclusive, complete plan. The business plan allows the agency, consumer, and funders to evaluate the business and its chances for success. Once the business is up and running, the business plan serves as a roadmap.

Twenty-one agencies (40%) require that clients work with a business development consultant to develop a business plan (researchers presume that a business consultant will ensure that the plan is complete and addresses all of the plan's necessary parts). Thirteen agencies (24%) require a plan and identify the required topics to address. Fifteen agencies (28%) require that the consumer complete his or her own plan, but do not identify topics to address or require working with a business consultant. Two agencies (4%) stipulate that the consumer answer questions about the business but do not require a plan. Two policies (4%) require answering a series of questions for business plans less than certain monetary amount (e.g., \leq \$2,500 and \leq \$5,000) but require a plan and identify the topics to address for plans above these amounts.

Model Policy Component: Explore and Apply for Resources Available from other Sources

1. The consumer contributes as much as possible from his or her own resources.
2. The agency promotes searching for sources of other funding before expending VR funds.

To reduce the possibility that the business owner will walk away if the business fails, mainstream business developers usually expect a potential owner to contribute 10-50% of his or her own funds towards the business (Bangs & Pinson, 1999; Bangs, 1992; Zuckerman, 1990). In contrast, many VR agencies fund entire businesses because (a) people with disabilities are financially disadvantaged, (b) funding for education or other services is not limited, therefore, self-employment funding should not be either, or (c) only a small amount of money is requested. The policies submitted in 2002 encompass a wide range of funding approaches and philosophies.

Eighty-one percent (81%) of the self-employment plans address funding. Three agencies fund entire businesses without limits and without requiring the consumer to explore funding from other sources. Three require a 10% contribution from the consumer, regardless of the funding amount. Eight require external funding, but do not specify a required dollar amount or percentage. Two agencies base their contribution on the consumer's ability to contribute or on his or her excess assets. Nine agencies require that the consumer apply for a loan or explore

other funding sources, but appear to fund the entire business if loans are unavailable. Six agencies provide all funding for businesses under a certain amount and require consumer funding or securing loans for businesses above those amounts. Examples include:

- Montana Vocational Rehabilitation agency can fully fund a business up to \$5,000. Above \$5,000, the agency funds 25% of business start-up costs.
- Kansas Rehabilitation Services will contribute a maximum of \$2,000 for establishing a business.
- North Carolina Division of Services for the Blind fully funds up to \$30,000 for a business. The consumer is responsible for amounts over \$30,000.
- Tennessee Division of Rehabilitation Services contributes 100% for startup costs up to \$5,000, 50% for startup costs between \$5,000 and \$10,000, and 25% for startup costs from \$10,000 to \$20,000.

The policies include several other funding scenarios:

- Florida Division of Blind Services, the Maryland Division of Rehabilitation Services, and Virginia Department of Rehabilitative Services require that primary funding (more than half) must come from another source.
- Arizona Rehabilitation Services Administration clients must exhaust all other funding sources before applying for VR funding. The business owner must cover 10% of the first \$20,000 of overall business costs.
- Louisiana Rehabilitation Services will contribute a maximum of \$20,000. The consumer must contribute at least 20% towards the business.
- Nebraska Commission for the Blind and Visually Impaired will contribute 20% of the costs, to a maximum of \$5,000.
- Indiana Vocational Rehabilitation Services will fund 75% of business costs, to a maximum contribution of \$30,000 in the first year. In each subsequent year of the start-up period, the agency will fund 75%, up to a maximum of \$15,000.
- Arkansas Division of Services for the Blind funds 40% of startup costs up to \$40,000. The business owner must have enough money to run the business until it can support both itself and the owner's living expenses.
- Illinois Office of Rehabilitation Services and Pennsylvania Office of Vocational Rehabilitation and Bureau of Blindness and Visual Services each cover 50% of eligible costs.
- Iowa Division of Vocational Rehabilitation Services and Iowa Department for the Blind each fund 50% of a business, with a maximum agency contribution of \$10,000.
- Virginia Department for the Blind and Vision Impaired will not pay more than 50% of costs exceeding \$10,000.
- Michigan Department of Career Development--Rehabilitation Services bases its contribution on a formula that considers the client's family income and liquid assets.

States are authorized to purchase equipment and initial stocks and supplies as a vocational rehabilitation service (Rehabilitation Act Amendments of 1998). Most participating states do not limit the amount or the number of

months they will pay for initial stocks and supplies. However, a few do:

- Kansas Rehabilitation Services contributes \$900 for initial stocks and supplies and \$2,700 for occupational tools and equipment.
- Wyoming Division of Vocational Rehabilitation funds up to \$1,000 for licenses, \$2,500 for tools & equipment, \$2,500 for inventory, \$1,000 for a vehicle down payment, and \$500 for advertising.
- Ten other agencies limit initial stocks and supplies to a specific period of time as shown in the following Table.

Table 2: Limited Funding of Initial Stocks and Supplies by Duration

Item	1 Month	2 Mos.	3 Mos.	6 Mos.	1 Year
Advertising & Promotion		MS	TN	AZ, NBB, NB	
Accounting Services	AZ				
Business insurance		MS	AZ	NBB	
Initial stocks & supplies		MS, NBB		AZ, CTB, GA, NJ	
Legal Services				NBB	
Misc. services				NBB	
Operating costs				NJ	
Business Rent	AZ, TN	MS		NBB	
Start-up costs (nonspecific)				TX	NY
Telephone	AZ				
Utilities	AZ	MS		NBB	

AZ = Arizona Rehabilitation Services Administration

CTB = Connecticut Board of Education and Services for the Blind

GA = Georgia Department of Labor, Rehabilitation Services Vocational Rehabilitation Program

MS = Mississippi Department of Rehabilitative Services

NB = Nebraska Vocational Rehabilitation Agency

NBB = Nebraska Commission for the Blind and Visually Impaired

NJ = New Jersey Division of Vocational Rehabilitation Services

NY = New York Office of Vocational and Educational Services for Individuals with Disabilities

TN = Tennessee Department of Human Services, Division of Rehabilitation Services

TX = Texas Rehabilitation Commission

Model Policy Component: Agency Review

- The agency reviews a proposed business to determine its viability.

- The review is conducted by one or more individuals knowledgeable about the proposed business, the geographic and market area, and about small business operation.

Forty-five (83%) of participating agencies reviewed proposed businesses. Five policies mentioned review but did not discuss the mechanics of conducting one. Four policies did not address review. Most policies involved the VR agency in the following ways:

- A business developer such as an SBDC counselor, banker, or business owner completes the review and makes a recommendation to the agency (17 policies).
- A committee consisting of the VR agency, a banker, a business owner, and a business developer conducts the review (12 policies).
- A VR supervisor, manager, or team reviews the business (11 policies).
- The VR counselor reviews the proposed business (6 policies).
- VR agency specialist reviews the proposal (3 policies).

Model Policy Component: Follow-up

- At least quarterly until the case is closed, the agency monitors the business's progress by reviewing its financial statements, books, and tax returns.
- If he or she is qualified, the counselor conducts follow-up. If not, it is done by one or more people who can interpret and pass judgment on the business's progress.

Twenty-nine agencies (54%) periodically review a business's profit/loss, income/expense statements, books, and tax returns until the case is closed.

Discussion

There is no cookie cutter method for achieving a self-employment outcome. Each agency's policy and procedures are unique, reflecting the state's fiscal constraints and its approach to self-employment. The most dramatic change is that agencies recognize the importance of the consumer developing his or her own business plan - the counselor is no longer responsible. Most agencies also understand that professional assistance with business plan development is important, and most policies require or recommend that the consumer obtain professional help.

Most states will not work with a consumer to open a nonprofit business. However, opportunities could provide employment and provide a valued community service. Nonprofit organizations usually pay an executive director's salary. They also qualify for grants and contracts not available to profit businesses.

The researchers commend state agencies for the changes they've made in their self-employment policies and procedures. In 1992 just one state policy addressed all eight model components; now 17 policies do (11 agencies participated both times). In 1992, four policies included seven components; now 15 do (12 agencies participated both times).

Many agencies have developed self-employment programs, manuals for counselors, checklists, and consumer resources such as fact sheets and planning guides:

- Arizona Rehabilitation Services Administration; Maryland Division of Rehabilitation Services; Michigan Department of Career Development - Rehabilitation Services; and Wisconsin Division of Vocational Rehabilitation have published fact sheets, planning guides or inventories for clients, and counselor manuals.
- Texas Rehabilitation Commission and Virginia Department of Rehabilitative Services have developed web-based counselor guides.
- The South Dakota Division of Rehabilitation Services and the South Dakota Services to the Blind and Visually Impaired Agencies co-developed a counselor manual.

Agencies also have developed or use services or programs developed specifically to assist people with disabilities develop successful businesses:

- Iowa Division of Vocational Rehabilitation Services and Iowa Department for the Blind have the Entrepreneurs With Disabilities Program.
- Louisiana has the Exceptional Entrepreneurs of Louisiana Program based at the University of New Orleans.
- Wisconsin has the Business Enterprise Services and Training Program.
- Florida Division of Blind Services and the Maryland Division of Rehabilitation Services use the Reach Independence through Self-Employment program developed by Morris Tranen, President and CEO of RISE Partners

Overall the current policies are much more positive towards self-employment than the previous ones. Previously, many policies contained negative statements about self-employment, but in the 2002 review just one policy (published in 1993) contained negative statements. Another policy appeared to limit consumer choice and favor working for an employer rather than being self-employed. It required the consumer to justify why he or she “wants to establish an enterprise, where there is a high risk of failure, rather than to take job training and find employment for a wage or salary.”

Vocational Rehabilitation funding has two components: initial stocks and supplies and overall funding limits. The Rehabilitation Act (Rehabilitation Act Amendments of 1998) authorizes the VR purchase of initial stocks and supplies, an invaluable business startup service for people who lack the credit, capital, or collateral to purchase such items themselves. The meaning of “initial” is unclear. Does it refer to the stocks and supplies a business needs to open its doors, or to business supplies required for the first two months, three months, six months, or first year? For a manufacturing business, is it just the components needed for the first day’s production or beyond?

A self-employment funding study by Arnold and Bell (2000) found that many VR administrators interpret the Act as saying they cannot limit specific service categories, so they hesitate to define initial or to set overall funding limits. In the 2002 study, just 12 policies defined “initial” and apply either spending or time limits to specific itemized categories.

Arnold and Bell (2000) also found several agencies that are concerned about using limited resources to fund a potentially high-cost business (e.g., \$50,000 or more). Many state agencies address this by limiting their

contribution to a percentage of total funds or by establishing contribution levels. However, these same policies acknowledge that, with approval of a higher authority (such as the state office), established limits may be exceeded.

Two state agencies require that a business be profitable after just one year, which may place an unduly high expectation on a fledgling business. Such a requirement could limit the number of businesses the agency assists or the number of requests for self-employment assistance.

Follow-up is the least addressed policy component, followed by training. Follow-up may not be included because it requires additional counselor time, financial expertise, assistance to the business owner, and/or expense (e.g., paying a consultant). A VR self-employment policy might not address training because the agency routinely provides it - the service would be mentioned in other sections of the agency's policy.

Recommendations

RTC: Rural makes recommendations in two areas: policy and research. The policy recommendations are based on this study and on the RTC: Rural model self-employment policy. The recommended research would provide agencies with helpful outcome data and information on the efficacy of their policy and procedures.

Policy Recommendations

1. Include self-employment-related training in state policies.
2. Include follow-up, both to help the consumer and to protect the state's/consumer's investments.
3. Rehabilitation Services Administration should either define "initial stocks and supplies" or allow individual states to include their own definitions in self-employment plans. If the Rehabilitation Act is not amended to define "initial stocks and supplies" and funding levels, states should implement a means test (Rehabilitation Act Amendments of 1998; U.S. National Archives and Records Administration, 2002, Archive Code of Federal Regulations, Title 34, Volume 2, Part 361, Section 361.50) so they can set limits based on consumers' resources.
4. Rehabilitation Services Administration should allow state VR plans to specify the level, conditions, and amount of investment the state will make in a self-employment enterprise.
5. Agencies should assist with the development of viable nonprofit businesses. Such businesses can be developed and evaluated in the same manner as a for-profit business.

Recommendations for Future Research

1. Thirty-two (59%) policies had been revised in or after 1998. Self-employment figures are not yet available for 2001 and 2002. Therefore, this review could not determine if a correlation exists between the rate of self-employment subsequent to policy revision. We recommend conducting such an analysis.
2. Determining whether such a correlation exists (see No. 1) does not capture the effects of policy revision. We propose research to evaluate the outcomes of policy changes, such as consumer satisfaction with the self-employment process and the effect of the process on their businesses. Is the current policy more helpful to counselors than the previous one? Do agency administrators perceive that policy change has affected Client Assistance Program or Fair Hearing intervention in self-employment plans?
3. The 2002 research did not rate the quality of self-employment outcomes under those policies and procedures revised since 1992. We recommend conducting such an evaluation.

References

- Arnold, N. (Ed.). (1996). *Self-employment in vocational rehabilitation: Building on lessons from rural America*. Missoula, MT: Montana University Affiliated Rural Institute on Disabilities, Research and Training Center on Rural Rehabilitation Services.
- Arnold, N., & Bell, K. (2000). [Study of self-employment funding by vocational rehabilitation agencies]. Unpublished raw data. Missoula, MT: Montana University Affiliated Rural Institute on Disabilities, Research and Training Center on Rural Rehabilitation Services.
- Arnold, N., & Seekins, T. (1994). Self-employment as a vocational rehabilitation closure: An examination of state policies. *Journal of Disability Policy Studies*, 5(2), 65-80.
- Arnold, N., & Seekins, T. (2002). Self-employment: A process for use by vocational rehabilitation agencies. *The Journal of Vocational Rehabilitation*, 17(2), 107-113.
- Arnold, N., Seekins, T., Montana women's Capital Fund, Shelley, R., Hammis, D., Anderson, C., & Brown, R. (1999). *Self-employment steps for vocational rehabilitation counselors: Helping a consumer start a business*. Missoula, MT: Montana University Affiliated Rural Institute on Disabilities, Research and Training Center on Rural Rehabilitation Services.
- Arnold, N., Ravesloot, C., & Seekins, T. (1995). Self-employment as a Vocational Rehabilitation outcome in rural and urban areas. *Rehabilitation Counseling Bulletin*, 39(2), 94-106.
- Bangs, D., Jr. (1992). *The business planning guide: Creating a plan for success in your own business* (6th ed.). Chicago: Upstart.
- Bangs, D., Jr., & Pinson, L. (1999). *The real world entrepreneur field guide: Growing your own business*. Chicago: Upstart.
- Collins, M. (1998). *The option of becoming self-employed: An emerging reality within Vermont vocational rehabilitation*. Vermont's Choice Demonstration Project. Unpublished report prepared for Rehabilitation Services Administration.
- Goodman, B., & Herzog, R. (1994). *Business assessment scale*. Huntington Woods, MI: Goodman, Herzog & Associates, Inc.
- Larson, P. (1990). *The Montana entrepreneur's guide*. Missoula, MT: University Press.
- Ravesloot C., & Seekins, T. (1996). Vocational rehabilitation counselors' attitudes toward self-employment outcomes. *Rehabilitation Counseling Bulletin* 39, 189-201.
- Region VI Rehabilitation Continuing Education Center. (1999). *People with disabilities developing self-employment and small business opportunities*. 24th Institute on Rehabilitation Issues. Hot Springs: AR. Order copies at <http://www.rcep6.org/IRIO24.htm>.
- Rehabilitation Act Amendments of 1998, Section 103(a)(12&13).

Sullivan, N., & Cooper, A. (1998). Innovation, entrepreneurship and rehabilitation: A good partnership for the twenty-first century. Unpublished report prepared for Rehabilitation Services Administration.

U.S. National Archives and Records Administration (2002). C.F.R. Title 34, Volume 2, Part 361, Section 361.50.

Watson, L., & Herkimer, T. (1998). Expanding small business and self-employment opportunities. Unpublished report prepared for Rehabilitation Services Administration.

Zuckerman, L. (1990). On your own: A woman's guide to building a business, (2nd ed.). Chicago: Upstart.