

Chapter 27

Self-Employment

27.1 Authority: 34 CFR 361.48

27.2 Policy

As appropriate to the VR needs of each individual and consistent with each individual's informed choice, USOR must insure that VR services are available to assist the individual with a disability in preparing for, securing, and retaining, or regaining an employment outcome that is consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities, interests and informed choice.

The function of the Vocational Rehabilitation Counselor in self-employment efforts is to provide technical assistance, and resource identification. USOR Counselors can provide guidance but shall not be considered the only resource for training, technical assistance, or financial assistance related to the business venture. Clients expressing interest in self-employment shall be fully informed from the outset that projects must be reviewed, approved, and included fully in an Individualized Plan for Employment before projects can be initiated. The Vocational Rehabilitation Counselor shall carefully document that he/she has made the individual aware of the procedures to be followed. In no case shall the Vocational Rehabilitation Counselor make any commitment prior to such review and approval. All self-employment proposals considered by USOR are limited to a micro-enterprise level.

Prior to developing a self-employment plan, USOR policy requires at a minimum that VR Counselors and Clients must (in order):

1. Establish a vocational goal through a complete comprehensive assessment.
2. Review all employment placement options and alternatives (CTW, DWS, OJT, SJBT, SE, traditional employment, self-employment, etc.) available to that vocational goal to insure fully informed choice of all alternatives is presented to the client for consideration.
3. Receive benefits assessment and consultation (UWIPS) if client receives public benefits such as SSI/SSDI, Medicare/Medicaid, TANF, or housing assistance, etc.
4. **In the event that self-employment appears to be an appropriate placement option, follow the steps in Chapter 27, Appendix 1: Steps in Developing a Self-Employment Placement.**

27.3 Definitions

For the purposes of this policy, the following definitions apply:

- A. Self-Employment:** A placement in which an individual works for him or herself, instead of working for an employer who pays a salary or wage. Self-employment for the purposes of Vocational Rehabilitation means that the client will directly perform core services of the business, including all operation, production, and delivery of goods and services, with minimal reliance on additional employees or outside labor. Self-employment is a possible placement option for individuals who have a specific supportable vocational goal. VR supports self-employment ventures that are at or below the micro-enterprise level.

- B. Micro-Enterprise:** A small single owner-operator business with no employees, requiring total seed capital of less than \$35,000.

- C. Business Plan:** A formal statement that includes a description of the proposed business, its services and/or products, and a plan for how the business will achieve its goals. At a minimum, USOR requires a business plan to include descriptions of the service or product, start-up costs and timelines; 3 to 5 year profit and loss projections; a marketing plan; and other information as appropriate to the business and individual. At Counselor discretion, Tier 1 business plans may be more limited in scope commensurate with ease of start-up.

- D. Farm Worker Self-Employment:** Businesses that conform to rural, agricultural based operations (Animal husbandry, farming, etc.), shall continue to be defined and considered under VR's current farm worker policy.

- E. Tier 1 Self-Employment:** Tier 1 self-employment should *generally* meet the following conditions:
 - 1. Total seed capital of no more than \$7,000.
 - 2. Total VR contribution no more than \$5,000.
 - 3. Significant prior expertise and success in the vocational area of the proposed business.
 - 4. Rapid implementation and profitability of the business within one year of start-up.
 - 5. Low overhead costs for ongoing operations.
 - 6. Limited marketing needs.

- F. Tier 2 Self-Employment:** Tier 2 self-employment is characterized by *any* of the following conditions:
 - 1. Total VR contribution exceeds \$5000.
 - 2. Total seed capital exceeds \$7,000.
 - 3. Extensive additional or outside supports are required.
 - 4. Production based operations requiring machinery or large inventory
 - 5. A credit line is needed to secure or maintain operations
 - 6. An in-depth business plan or marketing plan.

- G. Seed Capital:** Pre-revenue costs including the total investment and startup expenses required to initiate a micro-enterprise business. Seed capital may come from personal resources, banks and other official lenders, or outside sources such as family and friends.
- H. Existing Business:** An operating business, which is owned privately or publically for the purpose of generating income and profit. VR does not assist in purchasing an existing business or paying for an existing business's routine operating expenses. As with any employment, VR may assist clients with accommodations, accessibility assistance, stabilization, and other services appropriate to addressing disability need to maintain employment. This applies to any setting including self-employment; however this would be approached through restoration or other services and not through a self-employment pathway.

27.4 Guidance

Self-employment is not considered a vocational goal, but may be considered an appropriate placement option for realizing a vocational goal. This should be clarified to clients throughout the VR process to insure clear and informed understanding regarding requests and choices during both the vocational goal setting and employment placement phases of a case.

A comprehensive assessment must be conducted to specify and justify the vocational goal prior to considering any and all placement options, including self-employment. The vocational goal justifications must be based on the client's primary employment factors and accounted for in the comprehensive assessment regardless of the placement options considered.

If self-employment has been considered, for both Tier 1 and Tier 2 self-employment plans, the client may still receive support to find traditional wage-work placement, if at any point in the process, the client and/or Counselor determine self-employment is not an appropriate placement.

USOR evaluates all requests for support on a case by case basis. However, **VR will not normally provide self-employment funding or support for:**

1. Purchasing an existing business
2. Existing self-employment which is unprofitable due to structural or marketplace issues.
3. Expenses related to growth or ongoing operations of an existing business that was owned by the client prior to applying for USOR services, unless they are for disability accommodations for the client
4. Businesses that are only partly owned or controlled by the client
5. Businesses that are speculative in nature (e.g., investments or invention)
6. Businesses organized as non-profit (e.g., 501c3, volunteer, etc.)

7. Businesses organized as hobbies (e.g., vocational pursuits not resulting in gainful income)
8. Purchase of real property (e.g., land and whatever is erected, growing on it, or affixed to it)
9. Multi-level marketing (e.g., pyramid schemes)
10. Franchises
11. Businesses that exceed micro-enterprise level at startup or during VRs involvement
12. Businesses that require additional employees at initial operation levels

USOR will only support self-employment endeavors which, by structure and intent, are in compliance with federal, state, and local laws and regulations, including, but not limited to, licensing, zoning, operation, health, safety, and employment.

Appendix 1

Steps in Developing a Self-Employment Placement

Step 1: Explore Self-Employment and Wage Work Placement Options with Client

Client expresses interest in self-employment...

1. Provide eligibility determination, comprehensive assessment, stabilization services, and identify vocational goal, as for all clients.
2. Explore with the client whether the proposed vocational goal is appropriate, as for all clients.
3. If the vocational goal is not appropriate, explore other options, per typical VR procedures.
4. If the vocational goal is appropriate, determine steps to achieve it.
5. Implement steps toward goal attainment (restoration, school, training, job coaching, assistive technology, etc.)
6. When the client is close to finishing steps to achieve vocational goal, determine how best to achieve a placement outcome, whether working for someone else or through self-employment.
 - a. If self-employment is an appropriate placement option, move forward with the self-employment assessment process
 - i. Provide Self-Employment **Packet A** to client. After the client completes the packet, discuss findings with client and decide together whether to further explore a self-employment placement.
 1. If Counselor and client determine further self-employment exploration is appropriate, provide client with Self-Employment **Packet B** materials.
 - a. Review completed **Packet B** materials with client and again consider whether to proceed with a self-employment placement.
 - i. If Counselor and client determine further self-employment exploration is appropriate, continue to Step 2.

Step 2: Determine Tier, and Appropriate Next Steps for that Tier

1. VR Counselor determines whether the proposed business falls into Tier 1, Tier 2, or Farm Worker Self-Employment using information from the completed **Packet B** materials.
 - a. **Tier 1** typically includes small, less expensive, simpler businesses, similar to a nail technician or hairstylist who rent a booth from a salon or an independent

contractor doing subcontracting work. Tier 1 businesses do not require the same level of extensive or comprehensive business planning and often involve purchasing limited equipment or supplies. Services usually are provided directly by the Counselor and do not require many additional supports.

- b. **Tier 2** typically includes more complex or expensive businesses, operating independently, and requiring multiple and disparate supports as well as future growth plans that may include production, future employees, and credit lines to do business. Extensive marketing needs or machine purchases also are considerations for Tier 2 business planning.
2. If the business is classified as **Tier 1**, the VRC goes through an abbreviated process to assess client candidacy for self-employment, which is based on factors of stability in disability, legal ability to function in this capacity, and demonstrated ability to perform work tasks and to market the service or product.
 - a. VRC will use work history and job skill analysis, sba.gov, and/or other appropriate and available supporting information to assess the client's self-employment readiness.
3. If the business is classified as **Tier 2**, the VRC determines if (1) the client possesses the skills, knowledge, and aptitude to start and run the specific business and (2) whether the business idea is viable.
 - a. To arrive at a decision, the VRC will use information from the completed Self Employment Questionnaire (SEQ from **Packet B**), sba.gov, and other resources. The VRC will conduct a thorough comprehensive assessment of the following:
 - i. Disability stability.
 - ii. SEQ (**Packet B**) answers thorough and appropriate
 - iii. Supports available for meeting daily living needs while the business is developed and after the business is operating.
 - iv. Feasibility of the business proposal (e.g., profitability, market outlook, etc.)
 - v. Licensure requirements of profession and/or business.
 - vi. Understanding of tax, invoicing, and bookkeeping required for the business.
 - vii. Understanding the market and marketing needs for viability of the business.
 - viii. Ability to access supporting information, outside funding, and training resources needed for business startup and business operation.
 - b. If client's business proposal appears viable and in line with the vocational goal but *he or she* lacks specific business or financial skills, then review and engage in appropriate business skills training.
 - i. However, if client requires *significant* time and training to acquire the business and financial skills needed to successfully start and run the business, further self-employment discussions should be postponed until such deficits are addressed and self-employment may need to be re-evaluated as an appropriate placement option.

- c. If client's business proposal appears viable and in line with his or her vocational goal *and* the client has sufficient business and financial skills competencies, proceed with Business Plan Development.

Step 3: Business Plan Development Applicable for Identified Tier

1. Once a Counselor has determined that a client (1) has an expressed desire to pursue self-employment as a placement, (2) has a supportable vocational goal in line with a business proposal, (3) has a business determined to be Tier 1 or Tier 2, and (4) has completed the required elements of Step 2:
 - a. **Tier 1:** Ensure that all questions or concerns from the completed SEQ (**Packet B**) have been addressed. Consider the SEQ an abbreviated business plan for purposes of Tier 1.
 - b. **Tier 2:**
 - i. Client is provided the Self-Employment Packet C.
 - ii. Client, Counselor, and other available resources (Smart Start, SBDC, etc.) will develop a complete business plan appropriate to the size and complexity of the business proposal.
 1. Business plan should be of comparable quality to those available on (Small Business Association) www.sba.gov.
 - a. At a minimum, should include and thoroughly address:
 - i. Executive Summary
 - ii. Company Description
 - iii. Market Analysis
 - iv. Organization & Management
 - v. Service or Product Line
 - vi. Marketing & Sales
 - vii. Funding Sources
 - viii. Start-up and on-going operational costs
 - ix. Financial Projections
 - x. Legal and licensing considerations
2. For Tier 1 and Tier 2, when Counselor has approved the final draft of the business plan, proceed to Step 4.

**Note:* If the proposed business requires the use of a set location or site, the VRC must conduct a physical review of the site to ascertain if it is an appropriate location. The responsible Counselor accompanied by a supervisory level staff person will conduct a preliminary site visit and summarize in the narrative agency support for, or concerns about the proposed location prior to moving forward.

Step 4: Consult with Supervisor and/or District Director on Business Idea

1. Prior to IPE agreement regarding support of any self-employment placement, the proposed business is submitted for a consultative review. This is a review of the general business

plan and not an approval of costs for services itemized in the plan (spending level approvals must be approved separately). This step is to insure that all necessary questions regarding the business plan have been considered prior to any VR support.

- a. **Tier 1** business plans are reviewed by submitting a basic service request narrative to the VRC's Counseling Supervisor. The Supervisor will enter any questions regarding specific concerns or considerations into the client record system. Concerns and considerations will be discussed, documented, and resolved between the Counselor and client prior to proceeding to Step 5.
 - b. **Tier 2** business plans will be reviewed through an administrative service request narrative relayed through channels to the District Director. The District Director will note any questions regarding specific concerns or considerations into the client record system. Concerns and considerations will be discussed, documented, and resolved between the client and Counselor prior to further agreement.
2. When supervisory concerns have been fully addressed for both Tier 1 and Tier 2, proceed to Step 5.

Step 5: Approval

1. **Tier 1:** Consider service cost approval levels.
 - a. Individual and total cost considerations are subject to State Purchasing policies and approval levels per CSM Chapter 12 and require a separate and specific Client Service Recommendation and approval.
 - b. When the Counseling Supervisor and Counselor agree that core concerns have been addressed, and service costs have been approved at the appropriate level, the Counselor will proceed to Step 6.
2. **Tier 2:** Consider service cost approval levels.
 - a. Individual and total cost considerations are subject to State Purchasing policies and approval levels per CSM Chapter 12 and require a separate and specific Client Service Recommendation and approval.
 - b. When the District Director, Counseling Supervisor, and Counselor agree that core concerns have been addressed, and service costs have been approved at the appropriate levels, the Counselor will proceed to Step 6.

Step 6: IPE Creation and Authorization of Services

1. **Both Tiers:** Once Tier 1 or Tier 2 business plans are reviewed and found to be supportable by the VR Counselor, business plan has been approved by the appropriate level of supervision, and all costs have been approved, Counselor and client will proceed to write the IPE/amendments.

- a. The IPE must include evaluation criteria that specifies targeted profitability, and the agreed upon timeline for closure.

Step 7: Monitoring and Closure Process

1. **Both Tiers:** Periodic check-ins must be conducted and documented to insure USOR tracks how the self-employment efforts are progressing, and what, if any, additional appropriate supports are needed.
2. Once client is earning the targeted profitability specified in the IPE closure criteria, initiate 90-day closure process. During the 90 days prior to closure, the Counselor will continue monthly monitoring to ensure client maintains the targeted profitability.