

# Chapter 1: Introduction to Self-Employment

## Tab 1: Introduction

People choose self-employment for many reasons. Self-employment can provide flexibility. It can meet a vocational goal when employment options are limited. It can allow you to use your creativity. Whatever the reason, many people with and without disabilities dream of owning a business.

This guide can help you work through the first stages of business planning. Although it was written to help you and your Vocational Rehabilitation (VR) counselor work through the self-employment process together, the guide can be used by anyone thinking about starting a business. The guide begins by asking you to consider if self-employment is a good fit. If it is, the remaining chapters help you develop a complete business plan.

You can download a [Glossary \(PDF\)](http://vrselfemployment.org/sites/default/files/PDFs/Glossary-of-Terms.pdf) (<http://vrselfemployment.org/sites/default/files/PDFs/Glossary-of-Terms.pdf>) of business planning terms for reference.

## Chapter Overview

### **Chapter 1: Self-Employment Overview**

The Introduction to Self-Employment chapter includes some basic information about self-employment. It also describes how the process works in Vocational Rehabilitation.

### **Chapter 2: Self-Employment Readiness**

The Self-Employment Readiness chapter asks you to think about your reasons for becoming self-employed and your traits and skills to start a business.

### **Chapter 3: Business Feasibility**

The Business Feasibility chapter focuses on your business idea and whether or not the business has a good chance of success.

### **Chapter 4: Introducing the Business Plan**

The Introducing the Business Plan chapter describes the parts of a business plan and highlights the importance of up-front planning.

### **Chapter 5: The Marketing Plan**

The Marketing Plan chapter highlights the many ways you can do research about your industry. It also describes different ways to reach customers.

### **Chapter 6: The Operations Plan**

The Operations Plan chapter covers legal requirements for getting started, and how your business will be managed and operated.

### **Chapter 7: The Financial Plan**

The Financial Plan chapter helps you predict costs and revenues during business start-up and beyond.

**Chapter 8: Business Development Resources**

The Business Development Resources chapter provides links to resources you might use for advice, training, grants, or loans.

**Tab 2: Self-Employment and VR**

Self-employment is NOT a vocational goal. It is a way to reach a vocational goal. For example, your vocational goal may be to become a chef. To reach this goal, your strategy might be to work for a business, such as a restaurant, or start your own business, such as a catering service or food truck. When working with VR, you first decide on a vocational goal. Then you consider strategies to reach this goal, which might include self-employment.

**VR Self-Employment Process**

The following steps include a basic process for pursuing self-employment within VR. Starting a business is hard and requires work and planning to move through the process. At any point, you may decide that self-employment is not a good choice for you.

**Step 1: Explore Self-Employment**

To get started, tell your counselor you are interested in self-employment. Explore the pros and cons of self-employment with your counselor. During this step, your counselor can give you information about the VR agency's self-employment policies and procedures.

**Step 2: Assess Your Readiness**

Assess your readiness for self-employment and the feasibility of your business idea.

- Do you have the skills and drive it takes to open your own business?
- How do-able is your business idea? Is it actually feasible?

**Step 3: Develop an Individual Plan of Employment (IPE)**

Work with your counselor to outline steps towards reaching your vocational goal. At this point in the process, the IPE is not focused on self-employment but rather your profession.

**Step 4: Prepare for Self-Employment**

Figure out the resources you need to prepare for self-employment. This could include training, education, or other activities.

- What additional skills do you need to run your business, such as bookkeeping or computer skills?
- If you are new to self-employment, could you meet with a business owner in your industry to learn how they run their business?

**Step 5: Assess Your Continued Interest**

After preparing for your vocation and building skills to run your own business, are you still interested in self-employment?

- If not, explore other options with your counselor, such as paid employment.

**Step 6: Write Your Business Plan**

Work with your counselor and other business consultants to develop your complete business plan.

- Review chapters in this course to work through the business planning process.

- Work with business development resources in your community.

### Step 7: VR Review

Once your business plan is complete, the VR agency reviews it to determine support.

- If the agency supports your self-employment proposal, your counselor will change your IPE to include VR funding for the business and how funds may be used.

### Step 8: Secure Funding

If needed, secure more funding for business start-up.

- Identify funding options, such as family, friends, banks, microloan programs, or investors to help cover initial business costs.
- If funds are not available, revise business goals or pursue other employment options.

### Step 9: Develop Supports

Develop a support system for business operations.

- Work with your counselor to find a mentor or expert to help you with questions or issues as they come up.
- Go over benchmarks that VR will use to follow and close your case.

## VR Self-Employment Limits

### VR Limits

VR programs often limit the types of self-employment businesses and costs they will support. For instance, most agencies have a cap on seed capital (the initial capital needed to start a business) they can provide.

Every VR agency has their own set of rules. Check with your counselor about the specifics in your state.

### Business Types

Business types that **may not** be supported by the VR agency include:

- Businesses that are partly owned or controlled by you
- Businesses that are speculative (for example, investment or invention efforts that have high risk)
- Businesses that are organized as non-profits
- Businesses that are done as hobbies rather than a means of gainful income
- Franchise businesses
- Multi-level marketing businesses, also known as pyramid schemes, which require you to recruit additional people to generate returns or money.
- Businesses that exceed the micro-enterprise level at startup or during VRs involvement

### Business Costs

Business costs that **may not** be supported or covered with VR funds include:

- Purchase of property (such as land and buildings)
- Labor costs
- Interest payments on loans

## Quiz Yourself

### Question 1

Is self-employment a vocational goal?

**Answer 1**

No, self-employment is a strategy for reaching a vocational goal.

**Question 2**

Are there limits to the types of self-employment businesses that VR will support?

**Answer 2**

Yes. Every VR agency has their own set of rules about the types of businesses they will support and the types of costs they will cover. Check with your counselor about the specifics in your state.

## Tab 3: Tier 1 and Tier 2 Businesses

Some VR agencies use a tiered system to classify self-employment businesses. **Tier 1** businesses have low start-up costs and are simple to get going. **Tier 2** businesses require more complete planning and seed capital for start-up and future growth.

### Tier 1 Businesses

**Tier 1 Business Description**

The Utah State Office of Rehabilitation (USOR) uses the following criteria to identify Tier 1 businesses:

- Total seed capital of less than \$7,000
- Total VR contribution of less than \$5,000
- Prior experience and success in the vocational area of the proposed business
- Rapid start-up and profitability
- Low overhead costs for ongoing operations
- Limited marketing needs

Your VR agency may have different criteria or may not use a tiered system for evaluating businesses.

**Tier 1 Business Examples**

Tier 1 business examples might include:

- A hair stylist who rents a booth in an existing salon
- A bookkeeper working from home as an independent contractor
- A jewelry maker who wants to sell work at craft fairs

**Tier 1 Business Planning**

In some VR agencies, Tier 1 businesses may not require a complete business plan. For instance, a feasibility study (similar to steps outlined in Chapter 3: Business Feasibility) is often enough for evaluating and starting a Tier 1 business.

**Consider Scaling Down**

Many people decide to begin self-employment with a Tier 1 business. Tier 1 businesses allow people to test the waters of their industry and build skills before deciding if they want to scale up their business.

Maybe your final goal is to own a bookstore. This would require a lot of upfront money to secure a space and inventory. How might this goal be scaled down? Maybe you could start by seeking out rare books at used bookstores and selling them online. Then, after you've done that for a while, you could reassess

your original goal. You will have earned savings, skills, and knowledge of the industry, which will make it easier to open your own store, if you decide to continue.

## Tier 2 Businesses

### Tier 2 Business Description

The Utah State Office of Rehabilitation (USOR) uses the following criteria to help identify Tier 2 businesses:

- Total seed capital exceeding \$7,000
- Total VR contribution exceeding \$5,000
- Additional or outside supports are required
- Businesses that require machinery or large inventory
- A credit line is needed to secure or maintain operations
- An in-depth business and marketing plan is required

Your VR agency may have different criteria or may not use a tiered system for evaluating businesses.

### Tier 2 Business Examples

Tier 2 business examples might include:

- A gift shop
- A food truck
- A home inspection service

### Tier 2 Business Planning

Tier 2 businesses usually require a complete business plan (outlined in Chapter 4: Introducing the Business Plan) that thoroughly describes marketing, operations, and financial planning.

### Consider a Tier 1 Business

In many cases, people who start Tier 2 businesses have previous experience in their industry. This experience makes it easier for them to succeed. If you lack experience, but think you have a Tier 2 business idea, think about how it could be scaled down to a Tier 1 business. Tier 1 businesses need less start-up funding. They also give you an opportunity to experience being self-employed without having to invest quite as much money or resources. You can always scale up your business to a Tier 2 business once you have gained more experience.

## Quiz Yourself

### Question 1

Do you think this is a Tier 1 or Tier 2 business?

- Laurel is thinking of starting a business making jam to sell at the local farmers market.
- She has been making jam with fruit from her brother's orchard for years, and frequently makes large batches to give as gifts to family and friends.
- She has access to a commercial kitchen at a local community center, which can be rented for \$100 per day.
- It costs \$150 to rent space at her local farmer's market each week.

### Answer 1

Laurel's proposed business is most likely a Tier 1 business.

- Start-up costs are low.
- She has prior experience in the vocational area of her proposed business.

- She has low overhead costs because she can rent commercial kitchen and farmer's market booth space on an as-needed basis.
- Her product is easy to produce and has a long shelf-life.
- She has limited marketing needs because she will sell her product at a booth at the farmer's market, which attracts customers.

**Question 2**

Do you think this is a Tier 1 or Tier 2 business?

- Mario wants to open a used bookstore.
- He likes reading and knows a lot about local authors.
- Mario can rent a retail space downtown for \$1500 per month.
- He needs approximately \$8,000 in seed capital to cover renovations to his space. This includes installation of shelving and costs to cover a front desk, starting inventory, a computer, and software.
- Mario has approximately \$500 in savings.

**Answer 2**

Mario's proposed business is a Tier 2 business.

- Seed capital to start the business is pretty high.
- Although he likes reading and knows local authors, he does not know much about running a retail business.
- Mario would probably need to do a great deal of marketing to generate inventory and sales.

## Tab 4: Client and Counselor Roles

Your VR counselor will guide you through the self-employment process. However, you and your counselor each have some specific roles.

### Client Roles

To progress through the self-employment process, you will be expected to complete steps towards readiness, business start-up, and business operations.

**Readiness**

Client readiness activities include:

- Exploring self-employment and other employment options with your counselor
- Completing self-assessments about your readiness to become self-employed
- Developing your business idea
- Evaluating the feasibility of your proposed business

**Business start-up**

Client business activities include:

- Establishing connections with people who will help you develop your business
- Developing a business plan
- Obtaining necessary permits, licenses, and insurances
- Securing business start-up funds
- Locating suppliers

- Developing a customer base

### **Business Operations**

Client business operations activities include:

- Opening the business
- Running the business
- Providing information to VR about your progress until your case is closed

## **Counselor Roles**

### **Overview**

Counselors guide clients through the self-employment process. They link clients with additional resources for training, technical assistance, and financial assistance for business start-up. They provide preparation, start-up, and follow-along support.

### **Preparation**

Counselor preparation support includes:

- Describing the agency's self-employment process, including VR and client roles
- Helping the client assess readiness for self-employment
- Helping identify any training needs or supports

### **Business Start-up**

Counselor business start-up support includes:

- Supporting the client as they develop the business plan
- Providing resources and helping the client form connections with people in the community who can help with business development
- Obtaining necessary Release of Information forms so they can share information with business consultants about the client
- Reviewing the final business plan and determining the agency's contribution
- Amending the Individualized Plan for Employment (IPE)
- Determining what criteria the business needs to achieve, such as profit targets, before VR closes the case

### **Follow-Along**

Counselor follow-along support includes:

- Tracking business progress to determine if additional supports are needed
- Assessing monthly profit levels to determine a starting point for the 90 day closure process

## **Tab 5: Chapter Review**

Self-employment is one option for realizing your vocational goal. This guide is meant to help you explore your readiness for self-employment and provides you with resources to work through the process. This introductory chapter covered:

- How the self-employment process may unfold in VR
- Differences between Tier 1 and Tier 2 businesses
- Client and counselor roles

## Prepare

Use a separate document or piece of paper to write down answers to the following questions. These can be used as a basis for talking with your counselor about your business idea.

- What is your vocational goal?
- What training or education do you need?
- Do you think VR will support your business idea? Why or why not?
- Would your business be classified as a Tier 1 or Tier 2 business?
  - If your business is Tier 2, can you think of ways it could be scaled back to a Tier 1 businesses?

## Counselor Review

Despite low closure rates in VR, self-employment is an important employment option for people with disabilities. This online course is designed to help counselors understand the self-employment process so they are prepared to guide and mentor clients.

### Self-employment in the United States

Approximately 6.6% of the US working population are self-employed. This rate is nearly doubled to 11.8% for people with disabilities (ODEP, 2013). In comparison, VR agencies nationally close about 2% of their cases to self-employment (Revell, Smith, & Inge, 2009).

### Self-Employment Viability

Research shows that VR self-employment closures have comparable wages to competitive employment closures (Ipsen & Swicegood, 2017). Rates of self-employment closures will likely increase if counselors know more about business start-up and how to support clients through the process.

### Citations

Ipsen, C. & Swicegood, G. (2017). Rural and urban differences in self-employment outcomes among Vocational Rehabilitation consumers. *Journal of Vocational Rehabilitation, 46*, 97-105.

Office of Disability Employment Policy. (December 15, 2013). *Self-employment for people with disabilities*. Washington DC: Department of Labor. Retrieved from <https://www.dol.gov/odep/pdf/2014StartUp.pdf>

Revell, G., Smith, F., & Inge, K. (2009). An analysis of self-employment outcomes within the Federal/State Vocational Rehabilitation System. *Journal of Vocational Rehabilitation, 31*, 11-18.