



Self-Employment Q & A: An Analysis of Self-Employment Outcomes within the Vocational Rehabilitation System

There are two primary references to self-employment within the Rehabilitation Act of 1973, as amended by the Workforce Investment Act of 1998, Public Law 105-220, Title IV, The Rehabilitation Act Amendments of 1998. Self-employment within the Vocational Rehabilitation (VR) system is addressed both as an employment outcome and as a set of services intended to assist VR participants to be successful in self-employment.¹ The definition of an employment outcome within the Rehabilitation Act in Section 7(11)(C) includes the following reference to self-employment:

(C) Satisfying any other vocational outcome the Secretary may determine to be appropriate (including satisfying the vocational outcome of self-employment, telecommuting, or business ownership), in a manner consistent with the Act.

Self-employment is also referenced within the scope of vocational services that can be provided to an individual under the Rehabilitation Act in Section 103(a)(13) as follows:

(13) Technical assistance and other consultation services to conduct market analyses, develop business plans, and otherwise provide resources, to the extent such resources are authorized to be provided through the statewide workforce investment system, to eligible individuals who are pursuing self-employment

or telecommuting or establishing a small business operation as an employment outcome.

State VR Agencies submit information to the Rehabilitation Services Administration (RSA) through the RSA 911 Closure Report at time of case closure for VR participants. This Fact Sheet provides a longitudinal analysis of self-employment closure data contained in the RSA 911 Closure Reports for the period covering Fiscal Years 2003-2007. The data was taken from information submitted by VR State General or Combined Agencies through the RSA 911 Report².

The reader is provided a snapshot into the extent to which self-employment is occurring within the VR system as an employment outcome. First, it presents a longitudinal summary of the extent to which self-employment outcomes are occurring within the General and Combined VR agencies in the 50 states and the District of Columbia. Second, it identifies the State VR agencies with the highest percentage of self-employment outcomes among all individuals closed in employment. Third, the Fact Sheet compares the weekly and hourly earnings in self-employment to earnings for all VR closures in employment. Fourth, it compares self-employment outcomes in relation to the primary disability of the VR service recipient. Fifth, it identifies the level of participation in self-employment among Native Americans/American Indians.



¹Reference Technical Assistance Circular RSA-TAC-00-02 on Self Employment, Telecommuting, and Establishing a Small Business as Employment Outcomes issues July 24, 2000 by the U.S. Department of Education, Office of Special Education and Rehabilitation Services, Rehabilitation Services Administration, Washington D.C.

²Data contained in Tables 1-11 was provided through the www.StateData.info resource at the Institute for Community Inclusion (ICI), University of Massachusetts, Boston. The original data source is the RSA-911 Data. Presentations upon which the Tables in this fact sheet were developed were prepared by Frank A. Smith at ICI.



What percentage of VR employment outcomes are persons in self-employment?



A review of closure information for Fiscal Years 2003, 2005, and 2007 indicates that self-employment has decreased as a percentage of overall VR status 26 closures in employment during this time period. In fiscal year (FY) 2003, the percentage of closures in self-employment was 2.0%. In FY 2007, the closure rate for self-employment was 1.7%. There were 4,067 individuals closed in self-employment in FY 2003 compared to 3,246 in FY 2007, a 20.2% drop from 2003 to 2007. Overall VR closures in employment dropped by 5.3% during that same period from 206,764 in 2003 to 195,805 in 2007. This information is presented below in Table 1.

Table 1 -- Status 26 Closure Rates in Self-Employment Compared to all Status 26 Closures: Fiscal Years 2003-2007 for General Combined VR Agencies

| Fiscal Year | # Closed in Self-Employment | # of Status 26 Closures | % of Status 26 Closures in Self-Employment |
|-------------|-----------------------------|-------------------------|--|
| FY 2003 | 4,067 | 206,764 | 2.0% |
| FY 2005 | 3,388 | 196,733 | 1.7% |
| FY 2007 | 3,246 | 195,805 | 1.7% |



Which states VR agencies have the highest percentage of persons closed in self-employment?



States with the highest percentage of self-employment closures in FY 2007 are presented below in Table 2. The General/Combined VR agencies in Mississippi (12.6%), Wyoming (7.9%), Alaska (6.6%), and Maine (6.0%) had the highest percentage of self-employment closures. With the exception of Ohio, all of the states presented in Table 2 generally would be considered more rural with limited, frequently dispersed populations. Also, 31 of the 51 General/Combined VR agencies (50 states and the District of Columbia) had percentages of self-employment closures below the national average of 1.7% in FY 2007.

Table 2 -- 11 VR Agencies (General/Combined Only) with Highest % of Status 26 Closures in Self-Employment (FY 2007)

| State VR Agency: General/Combined Only | FY 2007: % of Status 26 Closures in Self-Employment | # of Status 26 Closures in Self-Employment |
|--|---|--|
| 1. Mississippi | 12.6% | 572 |
| 2. Wyoming | 7.9% | 55 |
| 3. Alaska | 6.6% | 35 |
| 4. Maine | 6.0% | 42 |
| 5. New Mexico | 4.3% | 74 |
| 6. Vermont | 4.3% | 63 |
| 7. Idaho | 4.1% | 86 |
| 8. North Dakota | 4.0% | 36 |
| 9. Iowa | 3.6% | 77 |
| 10. Ohio | 3.2% | 288 |
| 11. Montana | 3.1% | 28 |
| National Summary | 1.7% | 3,246 |



How do weekly and hourly earnings received through self-employment compare to earnings for all VR closures in employment?



Tables 3-4 below compare earnings per week for individuals closed in self-employment to all Status 26 closures. Weekly earnings through self-employment, compared to weekly earnings for all VR closures, are presented in Table 3. During the period FY 2003 to 2007, weekly earnings in self-employment consistently exceeded earnings for all VR closures in employment. For example, in FY 2007, the national average weekly earnings for individuals closed in self-employment were \$396, which was 13% higher than the average weekly earnings of \$350 for all Status 26 closures.

Table 3 -- Comparison of Earnings per Week for VR Cases Closed in Self-Employment Versus All Status 26 Closures for VR Agencies (general/combined only)

| Fiscal Year | U.S. Average Earnings Per Week at Closure in Self-Employment | U.S. Average Earnings Per Week at Closure for All Status 26 Closures |
|-------------|--|--|
| FY 2003 | \$315 | \$308 |
| FY 2005 | \$329 | \$324 |
| FY 2007 | \$396 | \$350 |

Table 4 compares weekly earnings for those states with the highest percentage of individuals closed in self-employment. Overall, the earnings through self-employment for these states are relatively consistent with those for all status 26 closures. Seven of the 11 states listed in Table 4 have earnings through self-employment higher than those for all Status 26 closures.

Table 4 -- Comparison of Earnings per Week for Cases Closed in Self-Employment to All Status 26 Closures: VR Agencies (general/combined only) with Highest % of Status 26 Closures in Self-Employment (FY 2007)

| State VR Agency: General/Combined Only | Earnings at Closure Per Week in Self-Employment | Earnings at Closure Per Week for all Status 26 Closures |
|--|---|---|
| Mississippi | \$439 | \$423 |
| Wyoming | \$346 | \$366 |
| Alaska | \$390 | \$458 |
| Maine | \$309 | \$323 |
| New Mexico | \$343 | \$352 |
| Vermont | \$384 | \$297 |
| Idaho | \$330 | \$328 |
| North Dakota | \$568 | \$369 |
| Iowa | \$375 | \$370 |
| Ohio | \$468 | \$402 |
| Montana | \$341 | \$326 |
| National Summary | \$396 | \$350 |

Tables 5-6 on the following page compare earnings per hour for individuals closed in self-employment to all Status 26 closures. Hourly earnings through self-employment, compared to weekly earnings for all VR closures, are presented in Table 5. During the period FY 2003 to 2007, hourly earnings in self-employment consistently exceeded earnings for all VR closures in employment. For example, in FY 2007, the national average hourly earnings for individuals closed in self-employment were \$12.97, 23% higher than the \$10.52 average hourly wage for all Status 26 closures.

Table 5 -- Comparison of Earnings per Hour for VR Cases Closed in Self-Employment vs. all Status 26 Closures for VR Agencies (general/combined only) for States with Highest Hourly Earnings in Self-Employment (FY 2007)

| Fiscal Year | U.S. Average: Earnings per Hour at Closure in Self-Employment | U.S. Average: Earnings per Hour at Closure for all Status 26 Closures |
|-------------|---|---|
| FY 2003 | \$10.94 | \$9.36 |
| FY 2005 | \$11.73 | \$9.76 |
| FY 2007 | \$12.97 | \$10.52 |

Table 6 compares hourly earnings for those states with the highest percentage of individuals closed in self-employment. Overall, with the exception of Vermont, hourly earnings through self-employment for these states were consistently higher than earnings for all status 26 closures. Ten of the 11 states listed in Table 6 have earnings through self-employment higher than those for all Status 26 closures.

Table 6 -- Comparison of Earnings per Hour for Cases Closed in Self-Employment to all Status 26 Closures: VR Agencies (general/combined only) with Highest # of Status 26 Closures in Self-Employment (FY 2007)

| State VR Agency: General/Combined Only | Earnings at Closure Per Hour in Self-Employment | Earnings at Closure Per Hour for all Status 26 Closures |
|--|---|---|
| Mississippi | \$12.02 | \$11.21 |
| Wyoming | \$12.62 | \$10.81 |
| Alaska | \$14.89 | \$13.51 |
| Maine | \$15.40 | \$10.87 |
| New Mexico | \$14.61 | \$10.76 |
| Vermont | \$10.11 | \$10.28 |
| Idaho | \$11.04 | \$9.77 |
| North Dakota | \$15.30 | \$10.51 |
| Iowa | \$12.98 | \$10.71 |
| Ohio | \$14.33 | \$11.78 |
| Montana | \$14.03 | \$10.39 |
| National Summary | \$12.97 | \$10.52 |



What are the primary disabilities of persons closed in self-employment?



Table 7 below provides a summary of the primary disability of persons closed in self employment by General or Combined VR agencies in FY 2007. Persons with a primary visual disability had the highest percent (4.9%) of successful closures in self employment. Persons with a primary orthopedic disability (3.0%) and a primary hearing based disability (2.0%) were the other higher self employment outcome groupings. The national average across all disabilities was 1.7%. The percent of closures in self employment was below the national average for persons with a primary disability related to Mental Health/Mental Illness (1.1%), Traumatic Brain Injury (1.1%), Learning Disability (0.5%), or Mental Retardation (0.3%).

Table 7 -- Percent of Successful Closures into Self-Employment by Primary Disability Grouping (FY 2007)

| Primary Disability | Percent of Persons in Disability Category Closed in Self-Employment |
|-----------------------------------|---|
| Visual | 4.9% |
| Hearing | 2.0% |
| Orthopedic | 3.0% |
| Mental Retardation | 0.3% |
| Substance Abuse | 0.8% |
| Mental Health/Mental Illness | 1.1% |
| Learning Disability | 0.5% |
| Traumatic Brain Injury | 1.1 |
| Other | 2.4% |
| Total – All Disability Categories | 1.7% |

The percent of persons with a primary disability of mental retardation³ closed in self employment, as a percent of persons closed in employment from this disability category, is 0.3%, the lowest percent closed in self employment across the disability categories identified in Table 7. Twenty-four of the 51 General/Combined VR agencies (50 states and the District of Columbia) from which data for this report is drawn had no closures in self employment in FY 2007 among persons with a primary disability of mental retardation. The states VR agencies with the highest percent of closures in self employment for persons with a primary disability of mental retardation are presented below in Table 8.

Table 8 -- States with the Highest Percentage of Successful Closures in Self-Employment for People with a Primary Disability of Mental Retardation (FY 2007)

| State VR Agency: General/Combined Only | Percentage of Successful Closures in Self-Employment Among People with a Primary Disability of Mental Retardation | Number of Closures in Self-Employment Among People with a Primary Disability of Mental Retardation |
|--|---|--|
| Mississippi | 4.6% | 9 |
| Vermont | 1.9% | 4 |
| Wyoming | 1.7% | 1 |

³"Mental Retardation" is the disability descriptor used in the RSA 911 disability coding in reference to persons who have a primary intellectual disability.

| | | |
|-------------------------|-------------|-----------|
| Alabama | 1.2% | 13 |
| Oregon | 1.0% | 4 |
| Arizona | 0.9% | 2 |
| Connecticut | 0.9% | 1 |
| Maine | 0.9% | 1 |
| Michigan | 0.9% | 7 |
| New Mexico | 0.9% | 1 |
| Idaho | 0.8% | 2 |
| National Summary | 0.3% | 79 |



To what extent do individuals who are Native American/American Indian participate in self-employment through VR agencies?



Table 9 below page presents information on participation in self-employment by individuals whose ethnic origin is reported as American Indian/Native American. As noted earlier in this report, 1.7% of all Status 26 closures in FY 2007 were closed in self-employment. As presented in Table 9, 62 individuals who are American Indian/Native American were closed in self-employment in FY 2007, which is 2.2% of the Status 26 closures for this population. The percent of Status 26 closures of this population closed in self-employment dropped from 3.6% in FY 2003 to 2.2% in FY 2007. However, it is interesting to note that the overall number of individuals who are American Indian/Native American who were closed in Status 26 increased 19% from 2,281 to 2,827. Overall the number of Status 26 closures for the 51 General or Combined agencies addressed in this report dropped 5.3% during the same period. States with the higher participation level of American Indians/Native Americans in self-employment in FY 2007 include New Mexico with 21 self-employment closures (7.2% of Status 26 closures for this population), Idaho (5/9.8%), Alaska 6/7.0%), Michigan (5/5.0%) and Washington State (5/6.4%).

Table 9 -- Status 26 Closure Rates in Self-Employment Compared to all Status 26 Closures for American Indians/Native Americans

| Fiscal Year | # Closed in Self-Employment: American Indian/Native American | # of Status 26 Closures: American Indian/Native American | % of Status 26 Closures in Self-Employment: American Indian/Native American |
|-------------|--|--|---|
| FY 2003 | 82 | 2,281 | 3.6% |
| FY 2005 | 72 | 2,408 | 3.0% |
| FY 2007 | 62 | 2,827 | 2.2% |



What are the weekly and hourly earnings received by persons who are American Indian/Native American through self-employment?



Tables 10 and 11 below present information on weekly and hourly earnings for American Indians/Native Americans closed in self-employment in comparison to all Status 26 closures for this population during FY 2003-2007. Average weekly earnings from self-employment were consistently below earnings for all Status 26 closures. Average weekly earnings through self-employment in FY 2007 were \$292, as compared to \$336 dollars for all Status 26 closures. Earnings patterns for individuals who are American Indian Native American are very different from the overall earnings patterns for the all VR closures presented earlier in Table 4. Average weekly earnings

through self-employment exceeded earnings for all Status 26 closures consistently during the FY 2003-2007 period, with the FY 2007 average weekly self-employment earnings being \$396, compared to \$350 for all Status 26 closures. As noted in Table 11, average hourly earnings of \$12.97 in self-employment for American Indians/Native Americans did exceed comparative hourly earnings of \$10.17 for all Status 26 closures for this population in FY 2007.

Table 10 -- Comparison of Earnings per Week for American Indian/Native American VR Cases Closed in Self-Employment vs. all Status 26 Closures for VR Agencies for Same Population (general/combined only)

| Fiscal Year | Earnings Per Week in Self-Employment: American Indian/Native American | Earnings Per Week for all Status 26 Closures: American Indian/Native American |
|-------------|---|---|
| FY 2003 | \$283 | \$299 |
| FY 2005 | \$245 | \$312 |
| FY 2007 | \$292 | \$336 |

Table 11 -- Comparison of Earnings per Hour for American Indian/Native American VR Cases Closed in Self-Employment vs. all Status 26 Closures for VR Agencies for Same Population (general/combined only)

| Fiscal Year | Earnings Per Hour in Self-Employment: American Indian/Native American | Earnings Per Hour for all Status 26 Closures: American Indian/Native American |
|-------------|---|---|
| FY 2003 | \$12.27 | \$9.12 |
| FY 2005 | \$10.53 | \$9.50 |
| FY 2007 | \$12.97 | \$10.17 |

DISCUSSION

Self-employment as a component of the VR program appears to be small and diminishing, with growth occurring only in a limited number of states. Closures in self-employment in FY 2007 for General/Combined VR agencies were 1.7% of the overall number of status 26 closures, as compared to 2.0% in FY 2003. The number of closures in self-employment dropped 20.2% from 4,067 in FY 03 to 3,246 in FY 07. Overall, the number of Status 26 closures dropped 5.3%.

Consistently, the states with the highest percentages of self-employment closures are states that are more rural in nature with smaller, dispersed populations. Example states with high percentages of self-employment included Mississippi, Wyoming, Alaska, New Mexico, Maine, and Vermont. Consistent with outcomes for FY 2003 and 2005, average weekly earnings of \$396 for persons closed in self-employment in FY 2007 exceeded the average weekly earnings for all Status 26 closures of \$350. Average earnings in self-

employment exceeded earnings for all Status 26 closures in 59% of the 51 General/Combined VR agencies in the 50 States and the District of Columbia. Also consistent with outcomes for FY 2003 and 2005, average hourly earnings of \$12.97 for individuals closed in self-employment exceeded the average hourly earnings for all Status 26 closures of \$10.52.

Persons with a primary sensory or orthopedic related disability are clearly the primary recipients of VR services leading to a successful self employment outcome. With the exception of a limited number of states, very few persons with a primary disability related to mental retardation/intellectual disabilities are achieving self employment outcomes through the Vocational Rehabilitation system. In fact, 24 of the 51 General/Combined VR agencies for whom data was analyzed for this report had no closures in self employment in FY 2007 among persons with a primary disability of mental retardation.

A limited number of American Indians/Native Americans are participating in self-employment through VR agencies. In FY 2007, 62 individuals in this population were closed in self-employment by General/Combined VR agencies, which is 2.2% of the VR closures that year for American Indians/Native Americans. Average weekly earnings through self-employment of \$292 for American Indians/Native Americans was less than the comparative earnings for all Status 26 closures for this population in FY 2007 of \$336. Weekly

earning patterns for this population in self-employment were very different than weekly earnings for all self-employment closures, where weekly earnings in self-employment consistently exceeded earnings for all Status 26 closures. Average hourly earnings of \$12.97 in self-employment for American Indians/Native Americans did exceed comparative hourly earnings of \$10.17 for all Status 26 closures for this population in FY 2007.

SUMMARY

The information drawn from the data analysis is being used to further the research on self-employment in terms of targeting specific states that have higher self-employment outcomes. Interviews with key VR and partner staff, analysis of policies, and review of print and web based training

and technical assistance resources are being conducted. A variety of policy, technical assistance and training resources have been identified. A catalog of key VR policy and practice indicators directly impacting self-employment is being developed at as the next step in this research.

RESOURCES

START-UP / USA Self-Employment Q and A: Accessing Vocational Rehabilitation Services to Facilitate Self-Employment as an Employment Outcome

This "Q and A" was developed by START-UP/USA to answer the most frequently asked questions on how individuals with disabilities can access services from VR for self-employment.

Available online: <http://www.start-up-usa.biz/resources/content.cfm?id=646>

State VR Policies and RSA Annual Review Reports

The resources on the START-UP/USA website include policies and procedures for self employment services for individuals with disabilities from each state VR agency. Also provided are the Rehabilitation Services Administration (RSA) Annual Review Reports for fiscal years 2003, 2005, 2006 & 2007 including self-employment outcome data by state. Available online: http://www.start-up-usa.biz/resources/state_policies/vr.cfm

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