



GRIFFIN – HAMMIS ASSOCIATES, LLC

**CHOOSE, LAUNCH, GROW:
SELF EMPLOYMENT FOR INDIVIDUALS WITH PSYCHIATRIC DISABILITIES**

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Edward is a young man in his late 30s living in a small town in the Northwest. For over a decade, between hospitalizations and stretches of unemployment, he worked for the three glass installation businesses in this town of 15,000. His erratic behavior cost him all those jobs, but not before he learned the ins and outs of the trade. Most importantly, Edward recognized lapses in customer service by his former employers and set out to start a business that accommodates the symptoms of bipolar disorder and that addresses the needs of construction companies and homebuilders seeking high quality windows and glazing.

Edward's business idea was rejected by the state employment counselor, but working with a U.S. Department of Labor funded disability demonstration project and the local Small Business Development Center, funded by the Small Business Administration, grant money was secured to launch the enterprise. With an initial investment of under \$20,000, Edward's business was grossing over \$100,000 a quarter after the first hard year, and is projected to generate \$800,000 during its second year of operations.

Jack lives in a community of 50,000. He has several diagnostic labels and is slowed down a bit from the effects of a strong Psychotropic medicine. His local Vocational Rehabilitation counselor

recognized Jack's love of music and woodworking and sent him away to a community college in the Midwest that certified him as a violin repair professional. For the past six months, Jack has been marketing his services locally and refining his production methods. His long term strategy is to carve a niche that includes intense attention to customer service. Typically, customers are high school and college music teachers who temporarily patch their student's broken instruments in order to get them through the school term. Violin repair shops are inundated with rush orders over Christmas break and during the summer because sending a broken instrument in during the academic year often means a student has no violin to use for weeks.

Jack's simple, yet elegant solution is to buy and repair an inventory of used violins and keep them as ready replacements for broken ones. He will advertise to music teachers and provide a loaned instrument, shipped overnight, to be used while repairs to the student's violin are being performed. This presents an immediate solution to the music teacher and the student, and allows Jack to spread his work out over the year, instead of creating high anxiety periods of production over the holidays and the summer. His unique customer service niche accommodates his disability perfectly.

Janine is a professional artist living in a remote area of the West. She has a physical disability that makes it difficult for her to continue working as a wildlife engraver. Her detailed engravings are etched into metal plates and printed in limited runs selling for hundreds of dollars. In addition to the pain in her joints, she also is diagnosed with Obsessive Compulsive Disorder that makes it difficult for her to maintain relationships and interact socially. She had to quit her job as an art instructor because of her behavior and physical pain, but is using the psychiatric symptoms of the OCD to launch a new career as a wildlife photographer. She always had talent as a photographer,

but her compulsiveness benefits her in waiting for just the right shot, and she agonizes over achieving just the right exposure in the darkroom. She is also tireless in pursuing customers and in only six months has accounts of national stature, even before she has solid financing through a Social Security Plan for Achieving Self Support (PASS) or Vocational Rehabilitation. Her greatest need is for a new vehicle that will get her to her photography assignments, so for now, she shoots locally or using commercial airlines for distant assignments.

The three people listed above constitute a representative sample of over 100 folks with disabilities served by the Rural Institute at the University of Montana, in partnership with Griffin-Hammis Associates, LLC; the Montana Job Training Partnership; the Montana Community Development Corporation; and other agencies in a variety of states including Vocational Rehabilitation, Small Business Development Centers, Mental Health Centers, the Social Security Administration, and Workforce Development agencies (i.e. One-Stop Centers). Self employment is booming in this country with estimates of over 20 million Americans working in home-based business and the self employment rate growing at over 20% annually. Between 1990 and 1994, microenterprise (businesses employing 1 to 5 workers) generated 43% of all the new jobs in the United States. With the national unemployment rate hovering at only 4%, but the unemployment rate of individuals with psychiatric disabilities at well over 80%, small business ownership may be the best accommodation and option for some people.

The process we use for assisting individuals with psychiatric, and other disabilities, follows good supported employment practice, similar to that advocated by Anthony and Danley. The phases are as follows:

CHOOSE: We utilize a person-centered planning approach, with the individual revealing the talents and dreams they would use in a small business, past work experience, job trials for a few days or weeks in similar sorts of businesses (similar to the one they may be proposing) using On-the-Job Training (OJT) or On-the-Job Experience (OJE), funded by such organizations as Vocational Rehabilitation or Job Service. Once the vocational information is explored, a job match is written to reveal various support needs and costs; or the initial business idea is formalized through discussion and initial business planning.

LAUNCH: This phase explores the feasibility of the business by doing basic market research including a customer and competition analysis; by writing up a business plan that considers financing, costs, breakeven analyses, operational supports, marketing, and distribution networks. Typically, we also ask the small business candidate to go sell a few of their products or services to discover the niche, type of customer, quality expectations, and other bits of market information. During this phase, Social Security Work Incentives, Department of Labor, Vocational Rehabilitation, Small Business Administration and other funding sources are explored and secured. Most of our business start-ups required less than \$5,000 in cash, in keeping with national statistics.

GROW: This is the never-ending phase that requires on-going production; refinement of products and services; adaptations to market fluctuations and changing customer needs; changes in production equipment or information technology (e.g. adding a web page for e-commerce sales); the addition of personnel; the modification, addition or reduction of supports (such as job coaching, accounting help, product representatives who do the selling of the product or service, professional marketing campaigns); the taking-on of partners; or restructuring for tax purposes; and perhaps the

sale of the business in order to invest in a new venture.

Self employment for people with severe disabilities makes sense for several reasons. First is our economic environment. Clearly self employment is a growing and substantial form of employment. Second, self employment offers the only substantial options available under our Social Security and Medicaid/Medicare systems to accumulate personal wealth and manage income in a way that is predictable and personally adjustable. Under Medicaid and Supplemental Security Income regulations an individual beneficiary can never accumulate more than \$2000 in cash resources unless the cash resources are sheltered in a restricted irrevocable trust, or in a Plan for Achieving Self Support (PASS). A PASS is a powerful and useful employment tool, but it is restricted to career spending only, and can never be cashed in for any other purpose (such as buying a home). A small business owner on Social Security, Supplemental Security Income, Medicaid or Medicare, can have unlimited funds in a small business checking account for legitimate operating expenses as defined by the IRS and SSA under rules defined as Property Essential for Self Support (PESS). Such a small business owner can accumulate operating cash and other business capital resources and have unlimited net worth in the business, sell or “harvest” the business, and then use the revenue to purchase a home. Unlike wage employment, self employment creates the opportunity for increasing individual wealth and personal equity without being penalized by government regulations. .

Third, self employment makes sense for people with significant disabilities because Social Security benefits provide a financial cushion, income for survival, during the business start-up phase and often through the life of the business. The cash flow analysis for any business must

include a breakeven analysis - the point when the business generates enough income to cover expenses. For a small business owner without a disability, who has no other source of income, the business must breakeven and provide survival income as well. However, most people with disabilities have Social Security benefits to cover daily living expenses, so the business does not need to generate survival income; it simply has to reach the breakeven point.

Vocational Rehabilitation and other employment services may go to SBDCs (Small Business Development Centers) and the SBA (Small Business Administration) for help with business plans. It is important to note that the developing cash flow analysis and profit analysis requires a knowledge of the Social Security and Medicaid/Medicare regulations which typical SBDCs and SBA advisors do not have. For instance, if the fixed cost to sell stuffed animals at a Zoo is \$100 per month, and the cost per stuffed animal sold is 50% of the selling price and the selling price per stuffed animal is \$8.00, then the breakeven point per year is \$2,400 per year in sales or 300 stuffed animals. Profit analysis shows that if \$6,000 in stuffed animals are sold (750 products in a year), then the profit for that year are \$1,800 or \$150 per month. However, if the person is on SSI which is reduced \$1.00 for every \$2.00 earned after the first \$85, then the SSI monthly check will be reduced by \$32.50 per month or \$390 per year. This \$390 can be projected and SSI will reduce his SSI check each month based on the projections, or it can be paid back to SSI as an overpayment at the end of the year when the business taxes are filed. If it is projected, SSI reduces his check, and if his cash flow is unbalanced due to seasonal sales, then he could end up with some months where he is not able to meet his living expenses. His discretionary net personal profits are reduced from \$150 per month to \$117.50 per month due to the interaction of the SSI system rules.

SBA and SBDC staff generally do not understand these rules and regulations and require assistance in factoring in the interactions of SSI and SSDI checks from Social Security. SSI does not balance net self employment income on a month by month basis, but by law has to divide the entire year by 12 in order to perform its reduction calculations. This is a significant benefit to self employment that is not present in wage employment, and allows for large fluctuations in income that do not impact benefits or Medicaid monthly. Another significant advantage to SSI rules and self employment is in the fact that if the business is exceeding projections to SSI, and the owner chooses to reinvest the excess profit back into the business, the “reduction” interactions with SSI can be controlled avoiding an SSI overpayment while simultaneously growing the business.

Fourth, self employment works because it can be a good fit with the individual. Understanding the person in his or her home, local community, and day to day context of living can reveal opportunities for self employment. Self employment, by its very nature, can closely match the small business owner’s preferences, gifts, and unique contributions to a business. Self employment allows for the creation of a finely matched work opportunity designed specifically for someone that does not fit the standard employee molds while respecting context and natural supports for a unique, profitable, and viable form of community employment.

Perhaps the most common question asked about the use of self employment is: “Who is a good candidate?” This question begs the traditional supported employment question: “Who’s ready for supported employment?” The answers are the same: “everyone.” Of course, all people with or without disabilities need support. Typical entrepreneurs need an array of supports including: engineering for production; machine tools and/or computers; accounting and marketing assistance;

help with distribution and sales. Few people can or want to do every task themselves, though many do until profits allow them to purchase these natural business supports. Individuals with psychiatric disabilities starting a new business, launching a partnership, or buying an existing business will need support, and often these are the same supports necessary for anyone. Self employment success depends upon person-business match, appropriate support, and the belief that everyone has a role to play in the economic community.

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