



**An  
Overview  
of  
Self-Employment**

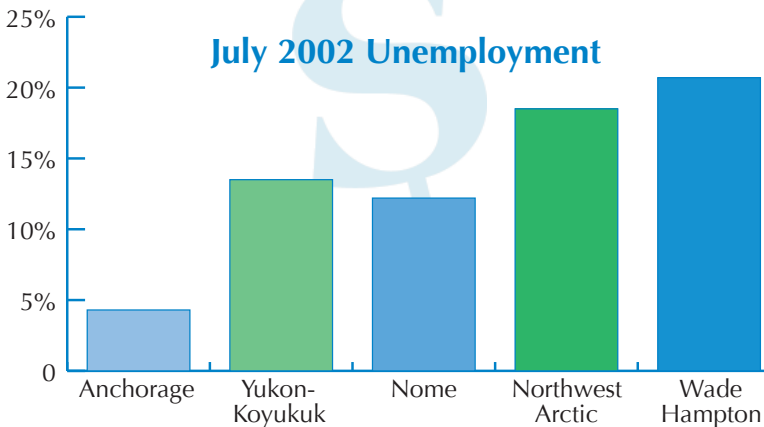
**Self-Employment For One Stop Customers**

## SELF-EMPLOYMENT: A REAL OPTION

During the last ten years, the statewide unemployment rate for Alaska has ranged from a high of 9.2% in 1992 to a low of 5.8% in 1998. Rural regions of the state consistently experience much higher unemployment rates than larger cities.

Self-employment, on other hand, continues to show rapid growth across the United States. Over the past ten years, small business created more jobs in the United States than all the Fortune 500 companies combined. Current estimates are that 20 million Americans own home-base businesses. The self-employment rate is growing at 20% annually even in this period of slow job growth.

Self-employment can be a viable employment outcome and is the choice of many individuals. In Alaska, the scarcity of wage employment, particularly in rural areas, makes self-employment one of the few options available.



## ADVANTAGES OF SELF-EMPLOYMENT

Self-employment is not easy, nor is it for everyone. It provides the opportunity for reaching both employment and personal goals.

Advantages of self-employment include:

- a means to supplement low wages typical in the current job market.
- flexibility to balance home (childcare) and work responsibilities.
- ownership and entrepreneurial control.
- long-term employment, growing with his/her interest and capabilities.
- opportunities for accomplishments that increase self-esteem.
- a place in the world where accomplishments have value.
- a chance to use talents, realize dreams and find satisfaction not available in minimum or low wage jobs.

Self-employment seems to be uniquely compatible with Alaska and many of our citizens' needs. In rural communities, entrepreneurial or self-employment activities may offer many rural citizens a means to generate some income to augment a subsistence life style. Many of these same citizens would be classified as economically disadvantaged persons.

Individuals who experience disabilities may often fare better with a self-employment arrangement if they have recurrent illness problems, transportation issues, or difficulty with supervisory interactions and/or working a particular time of the day. Self-employment, particularly home-based micro-enterprises, offers more flexibility and autonomy in putting together the activities and the times at which they must occur.

These same characteristics are often the best choice for homemakers who might be employed but for their care provider responsibilities.

## MYTHS AND SELF-EMPLOYMENT

### Myth #1: Entrepreneurs Must Demonstrate Specific Characteristics

To be successful, the entrepreneur must be driven and fearless, willing to work long hours, and never swayed from accomplishing the final goal. They do not see themselves as competing with other businesses. They do not fear failure; they recognize it as a new opportunity to succeed. One idea leads to a second, a third, and so on. These stereotypical characteristics are **not** essential for a person to be successful in self-employment.

Micro enterprises are typically not owned and operated solely by one individual. The business operation is more often a family venture, with shared responsibilities and participation. Within “the team” one may find many of the entrepreneurial characteristics, but not necessarily in one individual. The circle of support around the entrepreneur is far more important than the characteristics of the individual.

### Myth #2: Self-Employment Is Very Risky

“Most small businesses fail within the first year” is a repeated quote. But, the Small Business Administration reports that over 79% of small businesses are still operating after the initial year. The Aspen Institute found that micro enterprises had a 57% survivor rate after four years.

Additionally, they saw that increases in income, assets and net worth were more significant for low-income participants than the non-poor. Reliance on public

assistance declined in both dollars and the number of recipients showing 53% of the participants moved out of poverty.

A more common barrier is the fact that counselors, caseworkers, and other service providers are themselves regular workers and tend to be unfamiliar with entrepreneurship and sources of business assistance. A recent report on Micro Enterprise Development Initiatives for Welfare to Work projects across nine states identified two common barriers to the relatively low effective participation by Temporary Assistance for Needy Families (TANF) participants:

- a) Local administration and management issues, such as high worker caseloads, limited awareness on the part of caseworkers, and the need for additional caseworker training.
- b) A “work first” philosophy that discouraged participation in any activity that potentially delayed employment entry.

### **Myth #3: Self-Employment Is Very Isolating**

Self-employment does not always mean working alone. Some individuals operate a business within a business. An example might be to provide copying services within a larger corporation, or for a group of businesses. In this way, interactions with customers occur routinely. The entrepreneur is also now a customer of a variety of other businesses and must interact regularly with the copier maintenance person, business supply stores for paper, and the bank where they conduct their financial transactions. The opportunity for developing new working relationships on many levels is an important aspect of micro-enterprise development.

## **Myth #4: Persons With Disabilities Will Lose Social Security Benefits If Their Business Succeeds**

Dave Hammis, a national expert on Social Security benefits and work incentives stated “Self-employment offers the only substantial options under our Social Security system to accumulate personal wealth and manage income in a way that is both predictable and personally adjustable.”

In self-employment, business expenses offset countable “earnings”. Equity in a business is not considered income. Certain SSA work incentive programs allow the entrepreneur with disabilities to manage his/her benefits more easily than if they were in a wage employment situation. The Plan for Achieving Self-Support (PASS) and Property Essential to Self-Support in conjunction with self-employment are work incentives that may offer substantial advantages to a person with disabilities over typical wage employment options.

## **WHO IS A GOOD CANDIDATE FOR SELF-EMPLOYMENT?**

If someone has an interest in self-employment, he or she is often asked:

- Are you a self-starter?
- Do you have a positive attitude?
- Do you exhibit self-control?
- Do you get tasks done on time?
- Can you work 60 or more hours per week?
- Do you have high amounts of physical stamina and emotional energy?

While these questions have some legitimacy, they can

leave the impression that these are necessary requirements to be a successful small business owner. They may screen out people with a disability or people who have difficulty maintaining conventional employment, but who could be candidates for self-employment.

Some more relevant questions, addressing both the individual's capacity and the business itself might be:

- Does this business involve activities that you really do quite well?
- What are some examples of these activities?
- What are some of your personal goals and dreams that this business would help realize?
- Does this business address a clear need in the market place?
- Can the product or service be offered at a profit to your business?
- Can the business realistically compete with other similar businesses?
- Are you willing to invest a substantial portion of your PFD check in this business?
- Do you plan to have a support team for your business venture?

## TAKING THE NEXT STEP

A number of strategies can be useful in determining the soundness of a person's business idea. It may be useful to discuss the idea with a staff member at a Small Business Development Center, the YWCA Women's Fund, the Self-Employment Coordinator at the UAA Center for Human Development, or a staff member at a local economic development entity such as the Juneau Economic Development Center.

A straight forward, common sense strategy for testing business ideas comes from Rosalie Sheehy Cates,

Executive Director of the Montana Community Development Corporation: “Sell a few. Tell us how you did and what you learned. What did buyers think of the product; did they want more; would they pay more for it; should it be a different color or size; can you deliver it; is wholesale pricing available; is it as good as other similar products or services?”

The prospective business owner, and his/her support team, need to be able to describe the essence of the business. Some of the key questions might be:

- What product or service are you selling?
- Who will produce the product or service?
- What are the short and long-range goals of the business?
- Who will buy the product or service?
- Does the product or service have clear customer benefits?
- How will your target market be reached?

Some operational issues need to be addressed:

- Where and how will the product be made?
- How will the accounting be set up?
- Will there be any Benefits implications?
- How will the product or service be delivered?
- What supports need to be in place?

At this point, it is time for the entrepreneur to take the planning to a more formalized stage, and develop a business plan. There are many resources that will help a person begin this process. In Anchorage, a first step might be to attend the Small Business Development Center’s two hour introductory workshop “You Have a Business Idea — What ‘s the Next Step?”



## RESOURCES

For additional ideas on small business marketing, and for a valuable list of self-employment resources, please refer to separate Center for Human Development brochures on these topics. Other brochures include:

*An Overview of Self-Employment*

*What We Mean By Self-Employment:  
“I Want To Be My Own Boss”*

*Disability Benefits  
and Self-Employment*

*Self-Employment: The Business Plan*

*Marketing and Sales:  
How To Market Your Small Business*

*Self-Employment Resources*

*Self-Employment Tips And Traps*

# TAMMY'S STORY

## The Situation

Tammy Hablutzel paints with acrylics and is a very talented young woman. Her dream was to own a gift shop, to paint, and to do her craft work on site. Tammy had retail sales experience and had no illusions about the difficulty involved in achieving this goal. She knew that it would take a series of timely steps.

## Making it Work

Tammy made the transition from hobbyist to professional by selling her work at an Anchorage craft gallery, where she rented a modest space. While maintaining wage employment, she attended the Women's Fund Small Business Planning course. When the time was right in her personal life, she located a retail space in Palmer and began the hard work of getting a business off the ground by writing a detailed Business Plan.

The renovation and decorating of the retail space consumed two months of physical labor for Tammy and her husband Ron.

A micro-loan was approved by the YWCA Women's Fund.

The result: Euphoria, a Crafter's Gallery, on the main street in scenic, unspoiled Palmer. The store is beautifully decorated and has space rented to more than 60 skilled artisans who now have the ability to display their work and to obtain sales with the assistance of a peer, a professional marketer. More important, Tammy has attained her dream job!



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