

# Small Business Ownership by People with Disabilities CHALLENGES AND OPPORTUNITIES

## EXECUTIVE SUMMARY



# Executive Summary

A significant portion (74 percent) of people with disabilities are outside the labor force. For multiple reasons, individuals with disabilities continue to turn to self-employment and small business development as a viable alternative that provides greater control, choice and flexibility in terms of work schedule, environment and economic advancement.

While entrepreneurship is an important employment option for people with disabilities, they are hindered by limited access to affordable start-up capital and a scarcity of supports, services and programs tailored to their unique needs and challenges.

On-the-ground research uncovered a lack of small business development skills and opportunities for growth through accessible and responsive training and technical assistance. [Our sources included Census Bureau survey data, entrepreneurs with disabilities, state Vocational Rehabilitation agency (SVRA) leaders and experts from organizations in the ecosystem of disability-owned business enterprises.]

This report sets out to document the challenges these individuals face — through using quantitative and qualitative data — and offer recommendations to help increase opportunities for business ownership and financial freedom for those with disabilities.

## Numbers only tell part of the story

A higher percentage of self-employment in working-age people with disabilities is observed in all age groups, as compared to working-age people without disabilities.

- Lower labor force participation and higher self-employment rates among those who are working stem in part from barriers to the labor market.
- Barriers keep them from pursuing work and, when people with disabilities do pursue work, lack of accommodations and discrimination in the workplace may prompt them to launch their own enterprises. [This finding is supported by National Disability Institute's (NDI) survey of entrepreneurs with disabilities.]
- Entrepreneurs with disabilities expressed that they started their business to have a more flexible work schedule, because they had experienced a hostile work environment or a lack of advancement opportunity, or they were laid off and could not find a job in their field.

However, it's difficult to get a handle on just how many people with disabilities are self-employed.

- Disability status is not captured on large national efforts (e.g., Census Bureau) to collect information on businesses or the more detailed annual small business surveys conducted by the Federal Reserve System.
- These surveys have identified disparities in small businesses owned by women and underrepresented communities — leading to increased investment in these particular populations. However, disparities in small businesses owned by people with disabilities are not identified and result in limited, or no, targeted resources.
- As a result, the absence of disability data renders business owners with disabilities invisible. This creates an obstacle to building a case for developing targeted programs for this underserved and too often overlooked population.
- Small business owners who spoke with NDI also talked about the limitations of programs designed for other groups of people. Participants described how programs for disabled veterans, women and underrepresented communities do not address the specific challenges of entrepreneurs with disabilities.

## Ableism poses a barrier for DOBEs

Drawing on interviews NDI conducted with disability-owned business enterprises (DOBEs), as well as findings from NDI's online survey, successful entrepreneurs with disabilities must overcome subtle and not-so-subtle attitudinal, technical and policy challenges.

- Each of the entrepreneurs interviewed told stories about ableism and how they were often required to overcome low expectations. Similar to racism and sexism, ableism is expressed in negative stereotypes and misconceptions that view an entire group of people as “less than.” A sampling of the verbatim comments illustrates this fact:

*“ Just because our first product is for people with disabilities, it doesn't mean that all of our products will be disability-related. Just because I have a disability myself, doesn't mean that I'm a charity case.”*

*“ I'm very visibly disabled. Going into a new room, I can read the audience. I can tell immediately (that) their expectations drop. When I begin my presentation, I try to seize the room and give myself immediate credibility ... I'm incredibly, I wouldn't say, 'paranoid,' but 'cognizant' of others' perceptions.”*

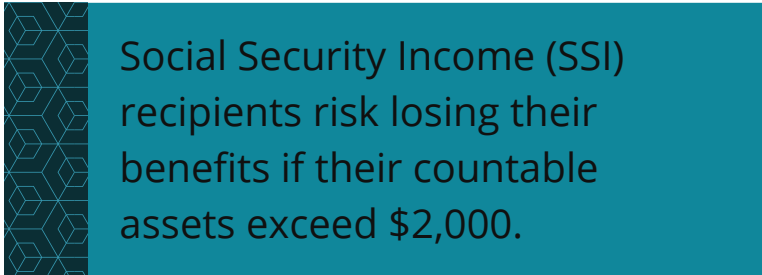
*“ I'll hear large companies say to DOBEs: 'Now, you know, you're going to have to do the same as anyone else.' Or 'you know, we base it on performance.' When they say that, I want to walk in and say, 'Thank you for telling us because we planned on not performing.'”*

- Survey results reinforced the opinions collected from DOBEs: 61percent of respondents agreed or strongly agreed with the statement: “I have to demonstrate superior knowledge to be taken seriously as a business owner with a disability.”

## Smaller disability-owned businesses avoid traditional financing channels

Entrepreneurs with disabilities face unique barriers in starting and growing their businesses that need to be understood in order to design and deliver effective supports.

- Although several of the larger, more established DOBEs NDI interviewed had lines of credit with their banks, few of the smaller businesses used Small Business Administration (SBA) or bank loans to finance their start-up. The reasons for avoiding loans fell into four categories:
  - **Apprehension about providing personal guarantees and using personal assets as collateral:** Several interviewees said they did not want loans that require them to put up a personal guarantee because of their disability-related health issues.
  - **Will not qualify because of bad credit:** Several respondents spoke about the impact of their disability on their credit score.



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- **Will not qualify because of lack of assets or benefit-related issues:** Social Security Income (SSI) recipients risk losing their benefits if their countable assets exceed \$2,000. Recipients of Medicaid risk losing their benefits if their countable assets exceed a low level that varies by state.
- **The loan process is difficult:** People who are Deaf and hard of hearing, for example, describe the process of taking out a loan as equating to reading legal jargon in a second language.

## SBA, banks not addressing disability needs (as they do other segments)

The SBA partners with universities, state economic development agencies and private nonprofit groups to offer no-cost business development assistance and low-cost training to new and existing small businesses. Nationwide, there is a network of 1,000 Small Business Development Centers that offer training and technical assistance to entrepreneurs to support business creation and growth.

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- In January 2021, the SBA announced funding of 20 new Women's Business Centers (WBCs) to add to the existing nationwide footprint of over 100 WBCs. These centers offer one-on-one counseling, technical assistance and mentoring to women entrepreneurs. The new centers will be hosted in rural and underserved markets in partnership with Historically Black Colleges and Universities.
- Yet, these centers have not received any technical assistance to improve their outreach and support to DOBEs.

Several SVRAs said they were aware of programs by banks to support women and underrepresented communities, but not anything that specifically addressed disability.

- There was general consensus that specializing in serving individuals with disabilities and making banking services and supports accessible was a missing piece.

## Filling the needs niche for now: Disability:IN

Just as with women-owned or minority-owned businesses, there is a need to certify DOBEs. SBA's 8a certification of small businesses for minority and socially and economically vulnerable populations does not include DOBEs, however. This certification offers preferential treatment in federal government procurement opportunities that remains unavailable to DOBEs. It's worth noting that DOBE certification is being recognized in supplier diversity commitments being made by an increasing number of major corporations and by a few states and cities.

Disability:IN is the leading, independent certifier of DOBEs — including service-disabled veteran-owned business enterprises — promoting utilization and growth through three key activities:

- **Certification:** A rigorous and highly credible two-year national certification trusted by corporate America.
- **Education & Business Development:** Supplier educational programming and mentoring to expand knowledge, skills and business capacity to compete effectively.
- **Connections:** Access to networking and business matchmaking events uniting corporate/government leaders and decision-makers with suppliers to foster relationships and competitive bidding opportunities.

To be DOBE-certified by Disability:IN, each business must be 51 percent-owned, operated and managed by a person with a disability, and must not be substantially reliant on another business to operate.

- According to data provided by Disability:IN, the organization has certified over 300 DOBEs that generate annually over \$536 million in revenues.

# RECOMMENDATIONS

## Provide more access to capital

- Banks could design and implement a two-pronged strategy to respond to the capital needs of entrepreneurs and small business owners with disabilities.
  - On a competitive process, a bank or banks could fund five geographically disbursed CDFIs that can demonstrate a past record of experience in lending and providing other needed support services to small business owners with disabilities and/or other underrepresented communities defined by race, ethnicity and/or gender.
  - Each bank could expand their commitment to small business lending — to become more intentional and inclusive of entrepreneurs and small business owners with disabilities — with targeted funding goals.

## Establish a regional infrastructure to meet unique population needs

- Banks could, through Community Reinvestment Act (CRA) investment, support four business incubators in different regions of the country managed by — and operated for — the exclusive benefit of individuals with disabilities. Business incubators offer entrepreneurs a range of essential resources and skills development programs.
- Each of the supported business incubators would offer participants with disabilities mentoring and peer support opportunities. The vast majority of incubators currently provide entrepreneurs and small business owners with marketing assistance, market research and analytics tools, access to legal advice and accounting professionals, assistance with loan and grant applications and networking opportunities.



## **Increase public and private certification of disability-owned businesses**

- SBA should recognize DOBEs under their 8a certification program, which will offer new federal procurement opportunities that are now available to 8a-certified small businesses (e.g., women, minority).
- Disability:IN could utilize the other proposed bank investments in selected CDFIs and business incubators, as well as increased responsive and coordinated activities with the SBA and the Rehabilitation Services Administration (RSA), to create a pipeline and feeder system of disability-owned businesses conducive to increased certification numbers.

## **Invest CRA funds to support SVRAs to expand self-employment services**

- Banks could make a CRA-qualified contribution of funds annually for three years to support the needs of SVRA to secure matching dollars that would draw down almost four federal dollars for each dollar contributed.
- The SVRA would be able to use these funds to increase their support of small business development, thus increasing the number of entrepreneurs with disabilities successfully pursuing self-employment ventures.

## **Banks and the financial community could support public policy recommendations that would:**

- Increase access to business opportunities, capital and support services for DOBEs being recognized by the SBA for 8a certification.
- Improve the responsiveness and coordination of resources among federal agencies (SBA, RSA, Departments of Labor and Commerce) for small business development by people with disabilities.
- Improve the collection, analysis and dissemination of data about small businesses owned by people with disabilities and their economic impact.

## **Increase public and private data collection and reporting to track the growth and status of disability-owned businesses**

- The financial community should push for federal agencies including, but not limited to, the Census Bureau and the Federal Reserve Board of Governors to collect, analyze and report disability data as part of their small business surveys and dissemination efforts.
- The financial community should also encourage private sector data collection (such as the small business surveys conducted by Salesforce and Guidant Financial) to include disability questions and report data disaggregated by disability status.

## **Drive integrated services to promote the financial stability and growth of DOBEs**

- Banks could designate a lead individual to be a DOBE manager to identify, integrate and coordinate current and future investment, lending and service opportunities within all parts of a bank for DOBEs.
- Banks could contract with disability subject matter experts and community disability organizations to provide advice and continue to inform DOBE lending and service improvements.

# CONCLUSION

- There is no single strategy that can respond to the historic economic inequality confronted by generations of individuals with disabilities.
- Despite significant attitudinal, technical and policy challenges, many entrepreneurs with disabilities have succeeded as small business owners. Stories are shared in the full report.
- Their experiences demonstrate that small business development is a viable way for people with disabilities to achieve employment, self-sufficiency and financial wellbeing, yet they face unique barriers that are unmet due to a lack of funding and professional support specifically targeted to this vulnerable population.
- Banks have the opportunity to lead the way toward the empowerment of entrepreneurs with disabilities that parallels the commitment these banks have made — and continue to make — to veterans, women and Black, Latino and Hispanic small business owners.