

# **Barriers to self-employment for disabled people**

Report to the  
Small Business Service

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summary

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## Background and aims

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Self-employment for disabled people is significant from a number of different policy perspectives:

- **promoting entrepreneurship among disadvantaged groups (one of the aims of the Small Business Service),**
- **narrowing the gap in employment rates between disabled people and the rest of the population (a Public Service Agreement objective for the Department for Work and Pensions), and**
- **preventing social exclusion.**

Hitherto, disability employment policy has tended to concentrate on discrimination by employers in recruitment and retention, and on matching claimants to employers, rather than on self-employment. Conversely, programmes to promote self-employment have rarely been targeted on, or even accessible to, disabled people.

Existing research is limited. This report was commissioned by the Small Business Service to help towards filling the gaps in knowledge, and in particular to assess:

- **the nature and extent of self-employment among disabled people,**
- **the barriers encountered by disabled people seeking to enter self-employment, and**
- **the availability of appropriate advice and support.**

## Methodology

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The research for this report used three complementary methods:

- quantitative analysis of existing large-scale datasets,
- in-depth interviews with 12 established and aspiring disabled entrepreneurs,
- semi-structured interviews with members of staff in 12 intermediary organisations.

Putting these perspectives together reveals a complex picture of opportunities and barriers faced by disabled aspiring and established entrepreneurs.

## Nature and extent of self-employment among disabled people

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Self-employment is an important **source of paid work** for disabled people:

- Of those in paid work, 18 per cent of disabled men and 8 per cent of disabled women are self-employed, compared to 14 per cent and 6 per cent of non-disabled men and women respectively.
- For women, the differences between disabled and non-disabled self-employment rates remain significant, even after controlling for other characteristics such as age and educational qualifications.

The **characteristics of the disabled self-employed** are broadly similar to the characteristics of disabled employees, but there are some differences in educational profile and type of impairment:

- Disabled men and women with vocational qualifications are relatively more likely to be self-employed, as are disabled men with low or no qualifications.
- Men and women with musculoskeletal problems, and women with mental health problems, are particularly likely to be self-employed, while men with sensory impairments are relatively unlikely to be self-employed.

Comparing the disabled self-employed to non-disabled self-employed people reveals that in general, characteristics associated with increased likelihood of self-employment are similar for both groups:

- older age
- vocational qualifications
- living in Greater London, the rest of the South East, East of England or South West.

Disabled self-employed people are less likely than non-disabled people to give positive **reasons for becoming self-employed**, on balance. For example:

- 16 per cent of disabled men cited having been made redundant or finding that there were no jobs available locally, compared to 13 per cent of non-disabled men.

This is of particular concern given the association between initial motivation and chances of business success identified in previous research (Whyley, 1998).

The **types of self-employment** undertaken by disabled and non-disabled people are similar in terms of number of employees, whether a business, a partnership or a job, and type of industry. However, the lower level of educational qualifications disabled people bring, on average, to their employment translates into a concentration in lower-status occupations.

**Earnings** from self-employment are notoriously difficult to measure. However, comparing the average earnings of disabled and non-disabled self-employed people according to the same measures indicates that self-employment generates significantly less income for disabled than non-disabled people. For women, this differential disappears after controlling for age, hours worked, education and occupation, but for men, a 'disability penalty' remains. More detailed modelling would be required to understand the mechanism by which this penalty operates.

# Barriers encountered to entering and sustaining self-employment

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The main issues raised by interviewees were as follows.

## **Difficulties in obtaining start-up capital, due to:**

- lack of own financial resources (savings, home ownership)
- poor credit rating after long-term benefit receipt
- disinterest / discrimination on the part of banks
- lack of accessible information on sources of grants and loans.

## **Fear of losing the security of regular benefit income**

- None of the would-be entrepreneurs knew about Disabled Persons Tax Credit, Access to Work, or the Permitted Work Rules, indicating that lack of awareness of in-work support available through the benefit system is a major problem.
- Concerns about Housing Benefit were frequently mentioned.

## **Unhelpful attitudes of business advisers**

- Several interviewees reported that Employment Service advisers had attempted to dissuade them from taking up self-employment, on the grounds that it would be too stressful. Interviewees generally felt that they themselves were in the best position to assess what they could and could not cope with.
- Other interviewees had experienced a lack of understanding on the part of Employment Service advisers about the limitations their condition placed on their ability to undertake various forms of employment.

**Lack of access to appropriate training and support.****Access problems included:**

- lack of advertising of services available
- information not produced in alternative formats (Braille, etc)
- lack of transport/funding for transport to and from advice centre
- training provided in third floor office with no lift
- training not tailored to individual needs.

Interviewees who had been successful in establishing a business identified a number of factors which had been important to them:

**Family support, providing:**

- practical help
- transport
- encouragement
- start-up finance.

**In-work benefits, helping to make the business financially viable:**

- Disabled Persons Tax Credit
- Disability Living Allowance.

**Help from the Princes Trust (for younger entrepreneurs)**

- especially the availability of on-going mentoring.

## Conclusions

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This research has highlighted both differences and similarities between the opportunities disabled and non-disabled people have to enter and sustain self-employment.

- One similarity is the crucial role played by educational qualifications in determining the experience of, and financial rewards from, self-employment. Disabled people tend to have lower qualifications and hence are concentrated in lower-status occupations, generating lower earnings.
- One important difference is in the reasons disabled people cite for entering self-employment: while both disabled and non-disabled people appreciate the flexibility some forms of self-employment bring, disabled people are less likely, on balance, to cite 'pull' factors for entering self-employment – especially those with low educational qualifications.

Many of the barriers to self-employment are faced by disabled and non-disabled people alike but for disabled people they may be more acute or more difficult to overcome, including: access to start-up capital, interaction with the benefit system, and finding out about and accessing appropriate training and advice.

In addition, disabled people report a lack of understanding and even active discrimination on the part of financial institutions, business advisers, and the employment service. Staff in mainstream intermediary organisations are generally willing to take on the diversity agenda but are constrained by tight budgets and a lack awareness of the difficulties faced by disabled people.

# Recommendations

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The following are among the recommendations to emerge from the research:

## **Labour market disadvantage and the benefit system**

- The Departments for Work and Pensions and for Education and Skills should continue to seek ways to address the labour market disadvantage of disabled people as a whole, to ensure that self-employment can be a positive choice rather than a last resort.
- Welfare to work programmes for disabled people need to address pre-existing disadvantages, in the form of low educational qualifications and low self-esteem.
- The in-work support currently available through the benefits system (including Access to Work, Disabled Persons Tax Credit, and the 'permitted work' rules) needs to be promoted and widely publicised.
- The possibility of adapting Housing Benefit (and Housing Benefit run-ons) to take account of fluctuating incomes from self-employment should be investigated.

## **Start-up finance**

- Building on the Princes Trust model, but extending to all age groups, a national scheme for start-up grants and loans to disabled entrepreneurs should be established, overseen by experienced business advisers with disability awareness training.

### **Business support providers**

Business support providers should follow existing good practice, by:

- actively marketing their services (in accessible formats) to socially excluded groups
- implementing disability awareness training for all advisory staff and assessors
- assessing whether sub-contractors comply with inclusion and diversity objectives
- developing co-operative relationships with Jobcentre Plus, specialist disability advisors and high-street banks
- providing on-going business mentor support (for at least two years).

### **Further research**

Further research is needed to address some of the questions which have emerged during the course of this study, including:

- What lies behind the regional variations in self-employment rates among disabled people?
- What explains the lower earnings reported by disabled self-employed people, even after controlling for occupation and hours of work?
- Do disabled self-employed people manage to sustain their businesses for similar durations to non-disabled people? What helps to make a disabled entrepreneur's business viable?
- Can examples of good practice in supporting disabled entrepreneurs be replicated nationally?

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