

A stylized map of New York State is positioned behind the title text. The map is filled with a gradient of green, matching the background's color scheme.

# New York **Makes Work Pay**

Developing a path to employment for New Yorkers with disabilities

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Medicaid Infrastructure Grant (MIG) Brief

## **Transforming NYS Affirmative Businesses into ... What??**

July 2010

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Cornell University  
ILR School  
Employment and Disability Institute

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*To learn more go to <http://www.nymakesworkpay.org>*

# Transforming NYS Affirmative Businesses into ... What??

Gary Shaheen, MPA

## What is an Affirmative Business?

Affirmative Businesses are intended to provide job training and employment opportunities in small businesses providing retail or wholesale products or services to government purchasers or for sale to the general public. They are often alternatives to sheltered workshops located within mainstream business environments, operated under business names (or DBAs), compete effectively in the marketplace, and could hire people without disabilities into the business as employees, managers and/or trainers. According to Durand<sup>1</sup>, Affirmative Businesses (Enterprises) are formulated on a set of principles that include: *"Where the degree of a person's handicapping condition is such that career opportunities in the competitive job market are either nonexistent or severely restricted, it is society's responsibility to make alternative opportunities available"*; and *"In order for a private sector entity to provide career opportunities for people who are disadvantaged, it must first be able to function as a successful business. It is from this success that the economic means, and therefore the ability for true social contribution are derived."* The Affirmative Business model is being used throughout the country and internationally and is sometimes referred to as 'Social Purpose Ventures' or 'Social Enterprises'. They have been documented for their effectiveness in providing training and jobs for populations that have complex barriers to employment, including those who are homeless, have severe and persistent mental illnesses or co-occurring substance abuse issues and those transitioning from correctional institutions (Shaheen, Rio 2007, Roberts Economic Development Fund 2002, Emerson 1996, Dees, Emerson, Economy 2001).

As New York State begins to consider ways to transform sheltered workshops and other segregated employment programs into competitive and entrepreneurial options, it is also time to consider how Affirmative Businesses may be transformed to realize their even greater potential to provide not only employment but career growth and entrepreneurship opportunities for people with disabilities that want to either work in a small business, or own their own business.

## How has New York State Used the Affirmative Business Model in the Past?

The New York State Office of Mental Health (NYSOMH) and Office of Mental Retardation and Developmental Disabilities (OMRDD) historically supported the development of Affirmative Businesses through their state agency and local assistance funding appropriations to provide job training and employment for people with mental illnesses or intellectual disabilities. In addition, these programs generate revenue from the sale of products or services to public and/or private purchasers that help their sponsoring state and private disability services providers offset a portion of their program operating costs. New York State Affirmative Businesses provide a wide array of products and services including catering and restaurants, construction and

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<sup>1</sup> DuRand, J. *The Affirmative Enterprise*. MDI Press, Minnesota. 1990

remodeling companies, automobile detailing businesses, art framing businesses and furniture refinishing or manufacturing companies. Often, these employment programs rely in whole or in part on preferred source contracts authorized by the state finance law allowing state agencies to procure products or services from employment programs serving people with disabilities as well as sales to private purchasers. Industries for people who are blind or have visual impairments or inmates of NYS Correctional institutions are also authorized by the NYS Finance Law to operate employment programs utilizing state purchasing set-asides.

### How Can the Affirmative Business Model Support Work Center Transformation?

DuRand describes the key features of Affirmative Businesses<sup>2</sup>:

- *Fundamental commitment to entrepreneurship*
- *Professional business management*
- *Normalized commercial settings and employer/employee relationships*
- *The utilization of model workers as operational role models*
- *The utilization of an integrated and balanced workforce consisting of mainstream employees and, as appropriate, members of all socially devalued groups-the mentally and physically handicapped, the socially and culturally disadvantaged, and the aged.*

The terms Social Enterprises and Affirmative Businesses are often used interchangeably. Social Enterprises can contain many of the operational elements of Affirmative Businesses but, like Habitat for Humanity for example, Goodwill Industries, the Grameen Bank and others, they produce a social value and address their bottom-line business viability issues, but may not be created specifically to employ people with disabilities and/or disadvantages. Key characteristics of Social Enterprises include<sup>3</sup>:

- *Social enterprises have a social objective. The primary objective of a social enterprise is to maintain and improve social conditions in a way that goes beyond financial benefits created for the organization's funders, employees, or customers.*
- *Social enterprises blend social and commercial methods. In addition to using their ability to tap into the goodwill of some of their stakeholders, they look for creative ways to generate revenue, like businesses. Where businesses are completely commercial, social enterprises are a hybrid of commercial and philanthropic methods*

Returning to DuRand's work, we can make important comparisons between language used in describing Affirmative Business principles and language we might use today as a basis for transforming Affirmative Businesses into more individualized, mainstreamed entrepreneurship options:

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<sup>2</sup> IBID pg. 49

<sup>3</sup> Dees, G., Emerson, J., Economy, P. *Enterprising Non-Profits: A Toolkit for Social Entrepreneurs* John Wiley & Sons, Inc. 2001

*.....that career opportunities in the competitive job market are either nonexistent or severely restricted:* This could imply that development of Affirmative Businesses are at least partly justified on the basis of a person's assessed or perceived limitations and subsequent limitations in employment options due to severity of disability. Affirmative Businesses therefore accommodate those with significant disabilities and provide some level of remunerative work in settings that can mirror those found in the market economy. However, new strategies that involve alternatives to traditional assessment, like the 'discovery process' contained in 'Customized Employment'<sup>4</sup> are proven to help people with disabilities, their families and provider staff to identify a core set of strengths, skills and aptitudes that when accommodated by workplace customization can level the playing field in the workplace for people with significant disabilities that often were not successful in obtaining or sustaining jobs in the past. This is a process that also works well for individual entrepreneurship. Reexamining criteria for entry and challenging our assumptions about disability by using more person-centered practices needs to be considered in the transformation process. A core element in the transformation process should be utilizing more individualized, person-centered/driven assessment and enrollment criteria coupled with customized workplace or entrepreneurship supports enabling success.

*In order for a private sector entity to provide career opportunities for people who are disadvantaged, it must first be able to function as a successful business:* Social Enterprises by definition<sup>5</sup> need to address a 'double bottom-line'- business financial viability and social outcomes. Although state agency supported Affirmative Businesses are required to report revenues from sales, they are not required to develop business plans. Without feasible and viable business plans addressing such criteria as barriers and opportunities for market entry, business financing plan, business operations and marketing strategies, these programs have no clear bead on a real bottom-line business viability target and can run up business losses that affect the whole agency. Transforming Affirmative Businesses should include providing business planning training and requirements to develop, submit and update business plans, clearly identifying costs that will be covered by sales and those that are covered by state or third-party payers.

### **What Are Critical Features of the Affirmative Business Model?**

*The Features of Affirmative Businesses:* The features described by DuRand are not inconsistent with a transformational strategy. However, they can and often are interpreted using a broad brush. For example, an agency can be seen as entrepreneurial just because they have developed an Affirmative Business. But successful entrepreneurs dedicate resources and develop plans that sustain, re-create and/or grow the venture in the marketplace, even as workforce and economic conditions change. How well do agencies truly understand entrepreneurship and how well prepared, resourced and incentivized are they to take on both the planning and

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<sup>4</sup> Elinson, J., Frey, W., Beemer, M., Riley, J., Kruger, H. *Evaluation of Disability Employment Policy Demonstration Programs*. US Department of Labor, Office of Disability Employment policy 2005

<sup>5</sup> Emerson, J *New Social Entrepreneurs*, Roberts Foundation Homeless Economic Development Fund 1996

risks that entrepreneurship entails? Professional business management is another Affirmative Business criterion but to what extent do current Affirmative Businesses have a separate business manager for the business that can not only manage accounts but also provide business strategic planning? An integrated workforce is another criteria, but aside from hiring in a few technical experts or teachers that may also be supervisors, do the Affirmative Businesses also affirmatively hire line employees without disabilities to 'reverse integrate' the enterprise? And are people with disabilities also hired as managers and supervisors or only line employees? Payment of commensurate wages is another feature, with pay reflecting quality and quantity of work performance. Yet, is this being interpreted as approval to pay sub-minimum wage and if so, how does it dovetail with another criteria: 'opportunities for the accumulation of real wealth?'<sup>6</sup> And, to what extent can we incorporate successful models for individual entrepreneurship like 'StartUP NY' and transform Affirmative Businesses into business incubators for individual entrepreneurship, worker-owned cooperatives, more integrated, mainstream enterprises providing employment, or some combination?

Transforming Affirmative Businesses into more entrepreneurial options should be done within the context of new knowledge and technology, particularly related to individual empowerment, recovery, choice and evidence based and promising entrepreneurship practices developed over the past twenty years. It should also incorporate a participatory strategy, recognizing that for decades, Affirmative Businesses received not only financial support from state agencies but also favorable support from the press or in publications and from consumers they employed. As the times change and new knowledge compels improvements, we should provide an opportunity for Affirmative Business operators to participate in their own re-design.

### **What Next Steps Should Be Considered in Further Promoting Affirmative Business in New York State?**

New York State is making great strides in promoting the primacy of competitive work and entrepreneurship through prioritization of employment among state disability services agencies, incorporation of evidence based practices like the Individual Placement and Support (IPS) model and testing new and promising practices like Customized Employment and individual entrepreneurship. As NYS also seeks to reduce reliance on sheltered and segregated work, it is timely to consider how to capitalize on the strengths and eliminate the deficits associated with Affirmative Businesses being operated currently in New York State. Many people with disabilities have found satisfaction in being employed in an Affirmative Business rather than traditional sheltered workshops and they often provide quality products and services needed in the marketplace and demonstrable social and economic benefits. Yet they have not reached their full potential as truly integrated, mainstream businesses operated with fidelity to individual recovery and self-direction criteria and attention to the business bottom line. It may not be the time to completely jettison these businesses but it is most likely a time to remodel them from the inside-out. If transformed enterprises

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<sup>6</sup> Durand pgs. 72, 75

were springboards to individual entrepreneurship or careers as business managers or employees; if they paid market-level wages, incorporated profit-sharing and allowed for increased consumer control; if they could hire job-seekers without disabilities not exclusively as a few supervisors or trainers, but as employees working alongside co-workers with disabilities; and if they were held accountable for business as well as social outcomes, they could provide a viable job and career choice for people with disabilities who desire that type of option. To address these goals and more, New York State should consider the following next steps:

- Convene and solicit the advice and support of agencies currently operating Affirmative Businesses as a 'Transformation Think Tank' to identify barriers and facilitators to transformation
- Identify the outcomes and criteria of successful transformation- "To what type(s) of models?" "How are they defined and what social and business outcomes are expected?"
- Develop state agency funding strategies that support transformation consistent with new criteria
- Identify new community partners and stakeholders with disabilities that have roles to play in developing transformed enterprises
- Ensure that any new business-driven models incorporate and are consistent with evidence-based employment and recovery principles and practices
- Create new outcome indicators for transformed enterprises addressing financial viability and individual mainstream employment or ownership outcomes
- Address staff training, and the role of agency staff in transformed enterprises
- Develop a cadre of enterprise experts that can assist in replicating the transformation process with other agencies
- Address policy and regulation issues, like Finance Law or Minority/Women Owned Business (MWBE) and implications for transformation

## Conclusion

Employment in a transformed enterprise or becoming individually self-employed is not for everyone. Employment in an enterprise should not be a pre-requisite to obtaining a competitive wage job in the open marketplace or getting assistance with starting a business. Research and practice demonstrate that pre-requisites are not effective in helping people with disabilities secure competitive employment, including employment in segregated work settings. However, if the Affirmative Businesses of the future adhere to the principles of individual self-determination, meaningful, integrated career employment at market wages or entrepreneurship, are financially viable, and accountable for both business bottom-line and social outcomes then New York State disability services agencies may be in a unique position of actually expanding job and career opportunities for people with disabilities and contributing to local economic development even in these times of economic recession. Given an over 65% unemployment rate among people with disabilities and providing that the enterprises of the future are not re-named sheltered workshops of the past, we could not afford to do less.

*To learn more go to <http://www.nymakesworkpay.org>*

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#### Partnering Organizations

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Employment and Disability Institute (Cornell University)

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