

Self-employment in the United States: an update

Self-employment continues to be an important source of jobs in the United States; as in the past, the incidence of self-employment continues to be highest among men, whites, older workers, and in agriculture, construction, and services industries

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Following a long-term decline, the proportion of total employment made up of self-employed workers has leveled off in recent years. In 2003, 10.3 million workers were self-employed. The self-employment rate—the proportion of total employment made up of the self-employed—was 7.5 percent, up slightly from the rate in 2002. Reflecting the protracted shift away from agricultural self-employment, the vast majority (90.8 percent) of the self-employed in 2003 were in nonagricultural industries; in contrast, this proportion was 56.7 percent in the late-1940s.

Information on employment and unemployment is available from the Current Population Survey (CPS).¹ In addition to classifying employment by occupation and industry, the CPS subdivides employment by class of worker—that is, wage and salary employment, self-employment, and unpaid family work.

This article discusses the CPS measurement of self-employment, addresses historical trends in self-employment, and provides an overview of characteristics of the self-employed.

How are the self-employed measured in the CPS?

Since January 1994, employed respondents in the monthly CPS have been asked the following question: “Last month, were you employed by government, by a private company, a nonprofit

organization, or were you self-employed?”

Individuals in the CPS who respond that they were employed by government, a private company, or a nonprofit organization are classified as wage and salary workers. Individuals who respond that they are self-employed are asked: “Is this business incorporated?” Individuals who respond “yes” are classified as wage and salary workers and are treated as employees of their own businesses. The “no” responses are classified as unincorporated self-employed—the measure that typically appears in Bureau of Labor Statistics publications.

Although the basic questions to determine class of worker status have undergone few changes since 1948, there is a break in series that took effect in 1967. Prior to that year, there was no question on incorporation of a business for the self-employed. Beginning in 1967, individuals identified as incorporated self-employed were classified as wage and salary workers. As table 1 shows, there was a substantial decline in self-employment beginning in 1967 due to the fact that these individuals were now classified as wage and salary workers. Other changes were implemented with the redesign of the CPS in 1994.² Furthermore, in 2003, the CPS adopted the 2002 North American Industry Classification System (NAICS) and the 2000 Standard Occupational Classification (SOC) system. The switch to these new classification systems affects comparability of the estimates of

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employment by class of worker.³

Table 2 shows data on incorporated self-employment since 1989. The proportion of total employment composed of the incorporated self-employed was nearly unchanged at 3.0 percent during the 1989–93 period; the implementation of the redesign of the cps in 1994 caused the proportion to increase to 3.5 percent.⁴ Since 1994, the rate of incorporated self-employment has ranged between 3.2 and 3.6 percent. Estimates of incorporated self-employment are available prior to 1989. These data show that incorporation has become increasingly common over time, rising from 1.5 million in March 1976 to 2.1 million in 1979 and 2.8 million in 1982; as a proportion of total employment, the rates rose from 1.8 percent to 2.2 percent to 2.8 percent over these points in time. The move toward incorporation is a function of many complex factors. Workers will typically incorporate their business for traditional benefits of the corporate structure, including limited liability, tax considerations, and the enhanced opportunity to raise capital through the sale of stocks and bonds.

Trends in self-employment

The proportion of individuals who are self-employed has fallen steadily since the late-1940s. (See table 1.) Several reasons could explain the overall decline in self-employment over the period. The most obvious reason is the overall decline in agricultural employment, an area in which a large proportion of employment comprises the self-employed. This decrease in self-employment in agriculture is primarily due to the disappearance of small farms, the rise of large farming operations, and enhanced productivity in the agricultural sector. A second explanation is the increase in the likelihood of businesses to incorporate—often for tax purposes. This would result in a decrease in the self-employed because in the official statistics workers in these firms are now classified as wage and salary workers. For instance, between 1990 and 2003, the proportion of nonagricultural employment made up of the unincorporated self-employed declined from 7.5 to 6.9 percent, while the proportion of non-farm employment composed of the incorporated self-em-

Table 1. Unincorporated self-employment, annual averages, selected years, 1948–2003

[In thousands]

Year	All industries			Nonagricultural industries			Agriculture		
	Total employed	Self-employed	Percent	Total employed	Self-employed	Percent	Total employed	Self-employed	Percent
1948	58,343	10,775	18.5	50,714	6,110	12.0	7,629	4,665	61.1
1950	58,918	10,359	17.6	51,758	6,019	11.6	7,160	4,340	60.6
1955	62,170	9,577	15.4	55,722	5,851	10.5	6,450	3,726	57.8
1960	65,778	9,098	13.8	60,318	6,303	10.4	5,458	2,795	51.2
1965	71,088	8,394	11.8	66,726	6,097	9.1	4,361	2,297	52.7
1966	72,895	8,127	11.1	68,915	5,991	8.7	3,979	2,136	53.7
1967 ¹	74,372	7,170	9.6	70,527	5,174	7.3	3,844	1,996	51.9
1970	78,678	7,031	8.9	75,215	5,221	6.9	3,463	1,810	52.3
1975	85,846	7,427	8.7	82,438	5,705	6.9	3,408	1,722	50.5
1980	99,303	8,642	8.7	95,938	7,000	7.3	3,365	1,642	48.8
1985	107,150	9,269	8.7	103,971	7,811	7.5	3,179	1,458	45.9
1990	118,793	10,097	8.5	115,570	8,719	7.5	3,223	1,378	42.8
1994 ²	123,060	10,648	8.7	119,651	9,003	7.5	3,409	1,645	48.3
1995	124,900	10,482	8.4	121,460	8,902	7.3	3,440	1,580	45.9
1996	126,708	10,489	8.3	123,264	8,971	7.3	3,443	1,518	44.1
1997	129,558	10,513	8.1	126,159	9,056	7.2	3,399	1,457	42.9
1998	131,463	10,303	7.8	128,085	8,962	7.0	3,378	1,341	39.7
1999	133,488	10,087	7.6	130,207	8,790	6.8	3,281	1,297	39.5
2000 ^{3,4}	136,891	10,215	7.5	134,427	9,205	6.8	2,464	1,010	41.0
2001 ⁴	136,933	10,109	7.4	134,635	9,121	6.8	2,299	988	43.0
2002 ⁴	136,485	9,926	7.3	134,174	8,923	6.7	2,311	1,003	43.4
2003 ⁴	137,736	10,295	7.5	135,461	9,344	6.9	2,275	951	41.8

¹ Prior to 1967, estimates of the self-employed included persons who operated their own incorporated businesses, not specifically identified until that year.

² Data for 1994 are not directly comparable with data for earlier years due to a major redesign of the cps.

³ Data for 2000–03 have been revised to incorporate Census 2000 population controls.

⁴ Data for nonagricultural and agricultural industries are not directly comparable due to adoption of the North American Industry Classification System (NAICS) and the Standard Occupational Classification (SOC) system.

Table 2. Incorporated self-employment, annual averages, 1989–2003

[In thousands]

Year	All industries			Nonagricultural industries			Agriculture		
	Total employed	Incorporated self-employed	Percent	Total employed	Incorporated self-employed	Percent	Total employed	Incorporated self-employed	Percent
1989	117,342	3,444	2.9	114,142	3,311	2.9	3,199	133	4.2
1990	118,793	3,463	2.9	115,570	3,332	2.9	3,223	131	4.1
1991	117,718	3,379	2.9	114,449	3,253	2.8	3,269	126	3.9
1992	118,492	3,519	3.0	115,245	3,371	2.9	3,247	148	4.6
1993	120,259	3,555	3.0	117,144	3,399	2.9	3,115	156	5.0
1994 ¹	123,060	4,246	3.5	119,651	4,049	3.4	3,409	197	5.8
1995	124,900	4,224	3.4	121,460	4,011	3.3	3,440	213	6.2
1996	126,708	4,080	3.2	123,264	3,917	3.2	3,443	163	4.7
1997	129,558	4,341	3.4	126,159	4,142	3.3	3,399	199	5.9
1998	131,463	4,290	3.3	128,085	4,099	3.2	3,378	191	5.7
1999	133,488	4,303	3.2	130,207	4,116	3.2	3,281	187	5.7
2000 ²	136,891	4,458	3.3	134,427	4,316	3.2	2,464	142	5.8
2001 ³	136,933	4,452	3.3	134,635	4,313	3.2	2,299	139	6.0
2002 ³	136,485	4,608	3.4	134,174	4,476	3.3	2,311	132	5.7
2003 ³	137,736	4,956	3.6	135,461	4,810	3.6	2,275	146	6.4

¹ Data for 1994 are not directly comparable with data for earlier years due to a major redesign of the cps and the introduction of 1990 census-based population controls, adjusted for the estimated undercount.

² Data for 2000–03 have been revised to incorporate Census 2000

population controls.

³ Data are not directly comparable due to adoption of the North American Industry Classification System (NAICS) and the Standard Occupational Classification (SOC) system.

ployed rose from 2.9 to 3.6 percent over the same period.

Research carried out by Marilyn E. Manser and Garnett Picott compared the contribution of self-employment to net job creation in Canada and the United States. The authors found that, during the 1980s, the role of self-employment within the two countries was somewhat similar. During the 1990s, however, self-employment accounted for essentially none of the net job creation in the United States, whereas the majority of net employment growth in Canada over the same period was composed of self-employed workers.⁵

Generally, during labor market contractions, most labor force groups are impacted negatively and experience a decline in employment. This procyclical response certainly affects many of the self-employed, as their businesses fail when profits decline or disappear. However, a competing countercyclical effect could result if laid-off wage and salary workers must rely on what was formerly “moonlighting” self-employment or possibly enter the ranks of the self-employed.

Recent analysis conducted by Ellen R. Rissman used data from the National Longitudinal Survey of Youth (NLSY) and, based on the model formulated in her study, found that flows into self-employment occur during recessions and flows out of self-employment occur during economic expansions.⁶

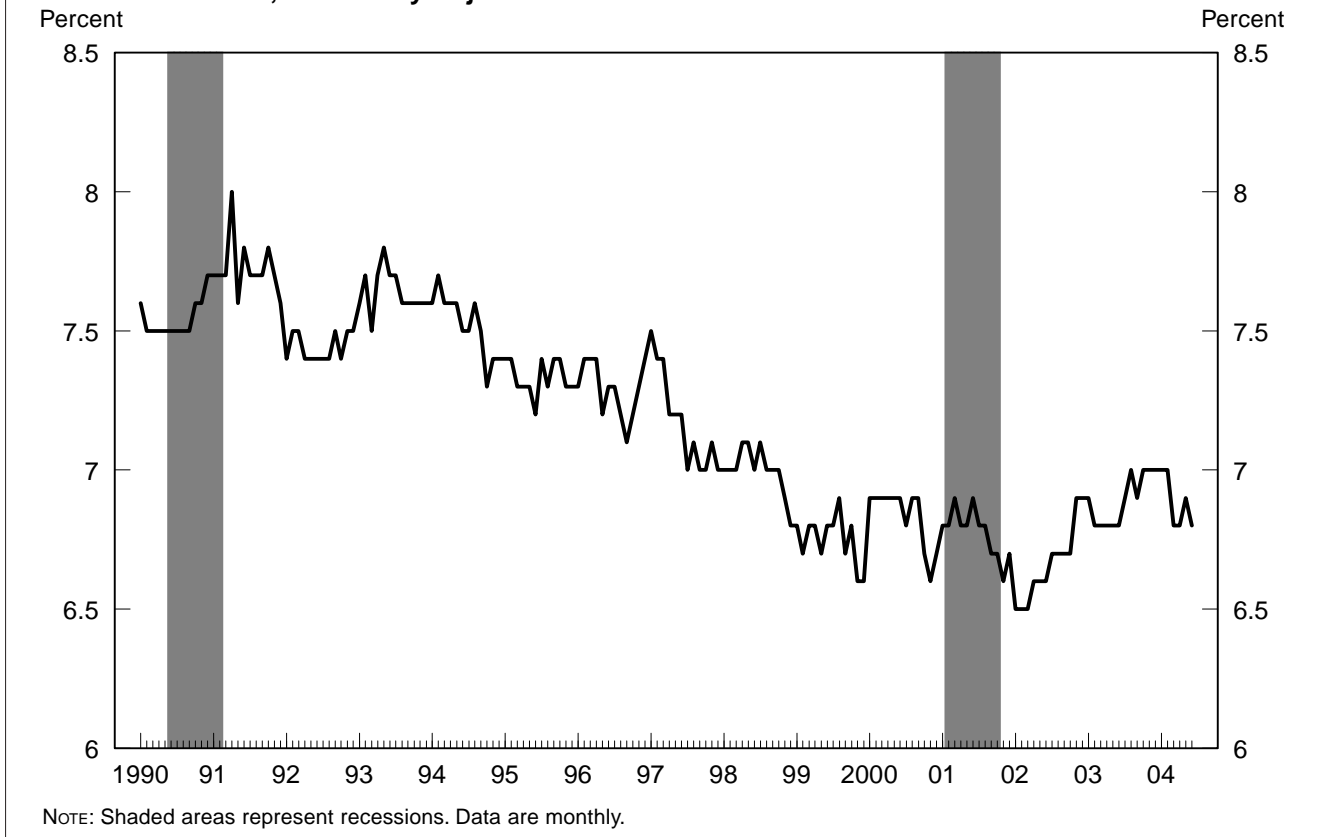
Additional research carried out by Daniel Aaronson, Ellen R. Rissman, and Daniel G. Sullivan concluded that a large

proportion of the increase in self-employment since the beginning of the most recent recession is due to unincorporated firms emerging during weak economic conditions.⁷

Indeed, there has been an increase in the proportion of nonagricultural employment made up of the self-employed since the end of the most recent recession.⁸ Between early 2002 and mid-2004, labor market conditions continued to be somewhat sluggish, and, over this period, nonagricultural self-employment rose slightly from 6.5 percent to 6.8 percent of total nonagricultural employment.⁹ (See chart 1.)

Characteristics of the self-employed

Demographics. In 2003, older workers were more likely to be self-employed than younger workers.¹⁰ (See tables 3 and 4.) (The following analysis will primarily focus on the unincorporated self-employed; in most cases the patterns exhibited by the incorporated self-employed are very similar.) The self-employment rate for workers age 65 and older was 19.1 percent, in contrast with only about 2.0 percent for their counterparts age 16 to 19 and age 20 to 24. Younger workers rarely have acquired the capital and managerial skills needed to start a business, whereas many older workers may be able to obtain these resources through their own efforts or through access to available credit. Furthermore, older workers who have retired from wage and salary jobs may become self-

Chart 1. Nonagricultural self-employment as a percent of total nonagricultural employment, 1990–2004, seasonally adjusted

employed to supplement their retirement income.

Recent research conducted by Julie Zissimopoulos and Lynn A. Karoly examined factors associated with transitions into self-employment among older individuals. Using longitudinal data from the Health and Retirement Study, the authors analyzed the impact of a person's health, wealth, access to employer-provided benefits, and other factors such as availability of a flexible work schedule on their wage and salary job. The authors concluded that the likelihood of future groups of older workers to enter self-employment at the same rates as those observed in their study will be affected by economic conditions, individual wealth, and other factors such as possible changes to the Social Security system and other social insurance programs and technological advances.¹¹

Self-employment is more common among men than women. In 2003, 8.8 percent of men were self-employed, compared with 6.0 percent of women. Self-employed men are more likely than their female counterparts to be employed in industries—construction, for example—that have a large proportion of self-employed workers.

Whites were more likely than blacks or Hispanics to operate their own businesses. In 2003, the self-employment

rate for whites was 8.0 percent, while the rates for blacks or African Americans and Hispanics or Latinos were 4.1 percent and 5.5 percent, respectively. The rate for Asians was 6.9 percent.

Michael Hout and Harvey S. Rosen used the General Social Survey to study how family background affects the probability of being self-employed. The authors found that blacks have lower rates of self-employment than whites partly because of their differing family structures. Also, within each family type, blacks had lower self-employment rates than whites. Hout and Rosen contend that there is no indication that the rates of self-employment between blacks and whites will converge in the near future.¹²

Other research carried out by Robert W. Fairlie and Bruce D. Meyer examined trends in white and black male self-employment in nonagricultural industries from 1910 to 1997. The authors found that self-employment rates declined through 1970 and then rose. With regard to white males, trends in business ownership were due to falling rates within industries, ending in 1970, and then counterbalanced by a continued shift towards industries with a large proportion of self-employed workers. Blacks were much less likely than whites to be self-employed over the 1910–97 period. In their

Table 3. Unincorporated self-employed, incorporated self-employed, and wage and salary workers by sex and selected characteristics, 2003 annual averages

Characteristic	Unincorporated self-employed			Incorporated self-employed			Wage and salary workers ¹		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Age									
Total, 16 years and older:									
Thousands	10,295	6,430	3,865	4,956	3,626	1,330	122,358	63,236	59,123
Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
16 to 19 years9	1.0	.7	.2	.2	.5	4.7	4.5	5.0
20 to 24 years	2.6	2.8	2.3	1.0	.9	1.2	10.7	10.8	10.6
25 to 34 years	15.6	15.3	16.2	11.6	11.5	12.0	23.0	24.1	21.8
35 to 44 years	26.4	25.4	28.0	28.7	29.0	27.8	25.1	25.4	24.8
45 to 54 years	27.1	27.2	27.0	30.8	30.6	31.4	22.5	21.7	23.4
55 to 64 years	18.8	19.1	18.3	20.5	19.9	22.0	11.1	10.7	11.6
65 years and older	8.5	9.2	7.5	7.2	7.8	5.6	2.7	2.7	2.8
Race and Hispanic or Latino ethnicity									
White	88.2	88.7	87.3	90.1	90.5	88.9	82.2	83.6	80.7
Black or African American	5.8	5.6	6.1	4.1	4.2	3.9	11.4	10.0	12.9
Asian	3.9	3.5	4.4	4.6	4.2	5.9	4.2	4.3	4.1
Hispanic or Latino	9.3	10.2	7.7	5.5	5.4	5.9	13.2	15.2	11.0
Country of birth and U.S. citizenship status									
U.S. born	87.2	86.6	88.1	87.0	86.8	87.3	85.5	83.4	87.8
Foreign-born	12.8	13.4	11.9	13.1	13.2	12.8	14.5	16.6	12.2
U.S. citizen	6.4	6.4	6.3	8.6	8.6	8.6	5.5	5.6	5.4
Not a U.S. citizen	6.4	7.0	5.6	4.5	4.6	4.1	9.0	11.0	6.8
Educational attainment									
Total, 25 years and older:									
Thousands	9,936	6,186	3,750	4,896	3,586	1,310	103,454	53,553	49,901
Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Less than a high school diploma	10.6	12.7	7.3	4.9	5.1	4.4	9.9	11.8	7.8
High school graduates, no college	31.4	32.4	29.7	23.0	23.0	23.1	30.5	30.6	30.5
Some college, no degree	18.3	17.7	19.2	18.3	17.6	20.2	17.8	17.0	18.5
Associate degree	8.5	7.1	10.8	7.4	7.0	8.6	9.8	8.5	11.1
College graduates	31.2	30.1	33.0	46.3	47.3	43.6	32.1	32.1	32.0
Advanced degree	12.3	12.2	12.5	17.9	18.8	15.5	10.9	11.2	10.6

¹Data exclude the incorporated self-employed.

NOTE: Detail for the above race and Hispanic or Latino groups will not sum to total because data for the "other races" group are not presented and

Hispanics or Latinos are included in both the white and black population groups. Detail for other characteristics may not sum to totals due to rounding. In addition, data exclude unpaid family workers.

study, Fairlie and Meyer argue that, absent continuing forces holding back self-employment among blacks, a simple intergenerational model suggests a rapid convergence of black and white rates of self-employment.¹³

Workers who were natives of the United States were somewhat more likely than the foreign-born to be self-employed. The self-employment rate for U.S. citizens was 7.6 percent, compared with 6.7 percent for the foreign-born.¹⁴ Foreign-born workers who were naturalized citizens had a higher probability of being self-employed than their counterparts who were noncitizens; the self-employment rate for natural-

ized citizens was 8.3 percent, in contrast with 5.6 percent for noncitizens. Among the foreign-born—both naturalized citizens and noncitizens combined—natives of South Korea had the highest probability of owning their own business; about one in every five of these workers were self-employed.

Self-employed workers were found at both ends of the educational spectrum. Among workers age 25 and older, those with either an advanced degree or with less than a high school diploma had relatively high self-employment rates—9.2 percent. The probability of being a business owner was somewhat lower for workers with an associate degree, high

Table 4. Self-employment rates by sex and selected characteristics, 2003 annual averages

Characteristic	Self-employment rates ¹					
	Unincorporated self-employed			Incorporated self-employed		
	Total	Men	Women	Total	Men	Women
Age						
Total, 16 years and older	7.5	8.8	6.0	3.6	4.9	2.1
16 to 19 years	1.5	2.2	.9	.2	.2	.2
20 to 24 years	2.0	2.5	1.4	.4	.5	.3
25 to 34 years	5.3	5.9	4.6	1.9	2.5	1.2
35 to 44 years	7.8	8.7	6.7	4.1	5.6	2.3
45 to 54 years	8.7	10.5	6.8	4.8	6.7	2.7
55 to 64 years	11.7	14.1	9.0	6.1	8.3	3.7
65 years and older	19.1	22.8	14.3	7.8	10.9	3.7
Race and Hispanic or Latino ethnicity						
White	8.0	9.2	6.4	3.9	5.3	2.3
Black or African American	4.1	5.3	3.0	1.4	2.2	.7
Asian	6.9	7.4	6.3	4.0	4.9	2.9
Hispanic or Latino	5.5	6.3	4.3	1.6	1.9	1.1
Country of birth and U.S. citizenship status						
U.S. born	7.6	9.1	6.0	3.7	5.1	2.1
Foreign-born	6.7	7.3	5.8	3.3	4.0	2.2
U.S. citizen	8.3	9.6	6.8	5.4	7.3	3.2
Not a U.S. citizen	5.6	5.9	5.0	1.9	2.2	1.3
Educational attainment						
Total, 25 years and older	8.4	9.8	6.8	4.1	5.7	2.4
Less than a high school diploma	9.2	10.8	6.4	2.1	2.5	1.4
High school graduates, no college	8.7	10.4	6.7	3.1	4.3	1.8
Some college, no degree	8.6	10.1	7.0	4.2	5.8	2.6
Associate degree	7.5	8.4	6.6	3.2	4.8	1.9
College graduates	8.0	9.0	6.9	5.9	8.2	3.2
Advanced degree	9.2	10.2	7.8	6.5	9.1	3.4

¹Self-employment rates are calculated by dividing the number of self-employed workers in a specified worker group by total employment in the same worker group.

school graduates with no college, and workers with some college but no degree.

Among the *incorporated* self-employed, the rate of self-employment for individuals with advanced degrees (6.5 percent) was more than three times the rate for their counterparts with less than a high school diploma—2.1 percent. Employment among the incorporated self-employed tends to be concentrated in those occupations—management, professional and related occupations—in which a large proportion of workers have advanced degrees. For instance, above-average incorporated self-employment rates were found among dentists (40.1 percent); veterinarians (30.9 percent); physicians and surgeons (18.3 percent); and lawyers, judges, magistrates, and other judicial workers (11.5 percent).

Tables 5 and 6 show trends in nonagricultural self-employment rates since 1989 for self-employed workers and

incorporated business owners by sex, race, Hispanic or Latino ethnicity, and age. Over this period, the incidence of self-employment has consistently been more common among men, whites, and older workers. However, the rates of self-employment among most of the unincorporated groups have been falling, whereas the incidence of self-employment among the vast majority of the incorporated groups has been rising.

Work schedules and multiple jobholding. In terms of work schedules, about one in every three of the nonagricultural self-employed worked part time—that is, 1 to 34 hours per week. There were, however, differences between men and women. Only about one-fourth of all self-employed men worked part time, compared with nearly half of their female counterparts.

Table 5. Incidence of unincorporated self-employment in nonagricultural industries by sex, race, Hispanic or Latino ethnicity, and age, annual averages, 1989–2003

[Percent]

Year	Total	Men	Women	White	Black or African American	Asian	Hispanic or Latino	16 to 19 years	20 to 24 years	25 to 34 years	35 to 44 years	45 to 54 years	55 to 64 years	65 years and older
1989	7.5	9.0	5.8	8.0	3.3	–	5.9	1.2	2.3	5.8	8.4	9.7	11.6	19.8
1990	7.5	8.9	5.9	8.0	3.6	–	5.4	1.1	2.3	5.9	8.5	9.9	11.9	19.0
1991	7.7	9.2	6.0	8.2	3.7	–	5.3	1.0	2.3	6.0	8.6	10.2	11.7	19.9
1992	7.4	9.1	5.6	7.9	3.5	–	5.0	1.3	2.1	5.6	8.0	9.8	11.5	19.6
1993	7.6	9.4	5.6	8.1	3.5	–	5.4	1.1	2.1	5.8	8.2	9.8	12.2	19.8
1994 ¹	7.5	8.7	6.2	8.0	3.6	–	5.2	2.1	2.2	5.6	8.0	9.4	12.1	20.0
1995	7.3	8.4	6.1	7.8	3.7	–	4.8	1.8	2.2	5.4	7.7	9.3	11.4	19.4
1996	7.3	8.3	6.1	7.8	3.6	–	5.1	1.2	2.3	5.3	7.7	9.3	11.1	19.3
1997	7.2	8.2	6.0	7.6	3.4	–	5.0	1.2	2.1	5.1	7.7	9.0	11.7	19.8
1998	7.0	8.0	5.8	7.5	3.4	–	4.7	.8	2.0	4.9	7.6	8.9	11.2	18.5
1999	6.8	7.8	5.6	7.2	3.5	–	5.0	.9	2.1	4.9	7.2	8.5	10.7	17.7
2000 ^{2 3}	6.8	7.8	5.7	7.2	4.1	6.7	4.8	1.4	2.0	4.9	7.4	8.6	10.6	16.9
2001 ³	6.8	7.7	5.7	7.2	3.9	6.4	5.2	1.4	2.2	4.7	7.2	8.3	10.7	16.6
2002 ³	6.7	7.6	5.6	7.1	3.9	5.7	5.2	1.5	2.1	4.9	7.0	8.2	9.9	15.3
2003 ³	6.9	8.0	5.7	7.3	4.0	6.8	5.5	1.5	1.9	5.0	7.4	8.2	10.5	15.3

¹ Data, beginning in 1994, are not directly comparable with data for earlier years due to a major redesign of the CPS and the introduction of census-based population controls, adjusted for the estimated undercount.

³ Data are not directly comparable due to adaptation of the North American Industry Classification System (NAICS) and the Standard Occupational Classification (SOC) system.

² Data not directly comparable due to incorporation of Census 2000 population controls.

NOTE: Dash indicates data not available.

Table 6. Incidence of incorporated self-employment in nonagricultural industries by sex, race, Hispanic or Latino ethnicity, and age, annual averages, 1989–2003

[Percent]

Year	Total	Men	Women	White	Black or African American	Asian	Hispanic or Latino	16 to 19 years	20 to 24 years	25 to 34 years	35 to 44 years	45 to 54 years	55 to 64 years	65 years and older
1989	2.9	4.2	1.3	3.2	0.5	–	1.4	0.1	0.3	1.6	3.7	4.6	5.0	7.2
1990	2.9	4.2	1.4	3.1	.7	–	1.1	.1	.3	1.7	3.5	4.8	4.9	7.0
1991	2.8	4.1	1.3	3.1	.6	–	1.1	.1	.3	1.6	3.5	4.6	5.0	6.8
1992	2.9	4.3	1.4	3.2	.5	–	1.2	.1	.3	1.5	3.4	4.9	5.4	7.2
1993	2.9	4.2	1.4	3.2	.5	–	1.4	.1	.3	1.5	3.4	4.6	5.5	7.1
1994 ¹	3.4	4.6	2.0	3.7	.9	–	1.4	.9	.7	1.9	3.8	5.0	6.1	8.5
1995	3.3	4.5	2.0	3.6	.9	–	1.5	.7	.7	1.9	3.7	4.8	5.9	7.9
1996	3.2	4.5	1.7	3.5	.9	–	1.4	.1	.5	1.8	3.6	4.7	5.6	7.3
1997	3.3	4.6	1.8	3.6	.8	–	1.4	.1	.3	1.8	3.7	4.9	5.9	8.2
1998	3.2	4.5	1.8	3.5	.9	–	1.4	.1	.3	1.7	3.7	4.5	6.1	7.7
1999	3.2	4.4	1.8	3.4	1.0	–	1.4	.1	.3	1.7	3.6	4.4	5.7	7.8
2000 ^{2 3}	3.2	4.5	1.8	3.5	1.2	3.5	1.4	.1	.3	1.7	3.7	4.5	5.7	7.7
2001 ³	3.2	4.4	1.8	3.4	1.2	4.2	1.3	.1	.4	1.7	3.7	4.4	5.7	7.5
2002 ³	3.3	4.7	1.8	3.6	1.1	4.1	1.2	.1	.3	1.7	3.7	4.6	6.0	7.7
2003 ³	3.6	4.9	2.0	3.9	1.4	4.0	1.6	.2	.4	1.9	4.1	4.7	6.1	7.7

¹ Data, beginning in 1994, are not directly comparable with data for earlier years due to a major redesign of the CPS and the introduction of census-based population controls, adjusted for the estimated undercount.

³ Data are not directly comparable due to adaptation of the North American Industry Classification System (NAICS) and the Standard Occupational Classification (SOC) system.

² Data not directly comparable due to incorporation of Census 2000 population controls.

NOTE: Dash indicates data not available.

The following tabulation shows the percent distribution of hours at work and average weekly hours for nonagricultural self-employed workers in 2003:

<i>Hours worked per week</i>	<i>Both sexes</i>	<i>Men</i>	<i>Women</i>
Total at work (in thousands)	8,750	5,422	3,328
Percent distribution	100.0	100.0	100.0
1 to 14 hours	10.3	6.7	16.1
15 to 34 hours	23.2	19.0	30.0
35 hours or more	66.5	74.3	53.9
35 to 40 hours	32.2	35.0	27.6
41 to 48 hours	6.9	7.7	5.7
49 hours or more	27.4	31.6	20.6
Average weekly hours	38.4	41.3	33.8

Among the self-employed, men were much more likely than women to put in a long workweek; for instance, 31.6 percent of men worked 49 hours or more per week, in contrast with 20.6 percent of women. The average workweek for men was nearly 8 hours longer than that for women (41.3 hours versus 33.8 hours).

Since 1994, monthly data on multiple jobholding have been available from the cps. In the survey, a quarter of respondents are asked questions about the occupation, industry, and class of worker of their secondary job. In 2003, 1.5 million workers were classified as wage and salary on their main job and self-employed on their secondary job; these workers, however, made up a small proportion of total employment—only 1.1 percent. As is the case with total multiple jobholding, this proportion has declined steadily since the mid-1990s.

Industry and occupation

Industry. The probability of being self-employed was highest for workers in agriculture, forestry, fishing, and hunting; construction; “other services”; and, professional and business services. (See table 7.)

Specific industries within agriculture, forestry, fishing, and hunting that had high rates of self-employment included animal production (52.9 percent) and crop production (38.1 percent). Within the “other services” sector, self-employment rates were highest for barber shops (48.8 percent), personal and household goods repair and maintenance (43.1 percent), nail salons and other personal care services (41.8 percent), and beauty salons (33.5 percent). In the professional and business services sector, the proportion of employment made up of business owners was highest in offices of other health care practitioners (39.4 percent); specialized design services (36.9 percent); other schools, institution, and education services (32.6 percent); landscaping services (29.4 percent); and child day care services (29.4 percent).

Occupation. The self-employed are widely distributed across occupations. (See table 7.) Occupational categories that had the highest self-employment rates were construction and extraction; management, business, and financial; and sales and related occupations.

Construction and extraction occupations with relatively high self-employment rates included carpet, floor, and tile installers and finishers (33.4 percent); painters, construction and maintenance (26.5 percent); and drywall installers, ceiling tile installers, and tapers (23.1 percent). Specific occupations within the management, business, and financial category with large proportions of business owners included management analysts (27.8 percent); construction managers (25.1 percent); property, real estate, and community association managers (21.8 percent); and tax preparers (19.1 percent). Within the sales and related occupations category, self-employment rates were highest for door-to-door sales workers, street vendors, and related workers (49.9 percent); real estate brokers and agents (29.4 percent); and first line supervisors/managers of retail sales workers (15.7 percent).

A number of jobs in the professional and related occupations category lend themselves to business ownership. For instance, the rate of self-employment was very high for artists and related workers (46.9 percent); writers and authors (46.8 percent); musicians, singers, and related workers (43.0 percent); and photographers (38.3 percent).

Regions

In 2003, the likelihood of being a business owner was highest in the western region. The self-employment rate in the West was 8.9 percent, compared with 7.4 percent in the South, 6.9 percent in the Midwest, and 6.6 percent in the Northeast.¹⁵ (See table 8.)

By far, the largest proportion of foreign-born workers was in the West; nearly one in every four workers in this region was foreign-born. Among the foreign-born, the self-employment rate for individuals in the West (7.7 percent) was above-average, and higher than the rates for their counterparts in the South (6.7 percent), Northeast (6.0 percent), and Midwest (4.7 percent).

As is the case for the entire Nation, men were more likely than women to be self-employed in every region. Among the incorporated self-employed, the disparity in self-employment rates was even greater; in every region, men were at least twice as likely as women to own their own business.

Presence of paid employees

Beginning in January 1995, two questions were added to the cps to provide information on the self-employed that would allow these individuals to be classified as employers, or al-

Table 7. Self-employment rates by sex, occupation and industry, 2003 annual averages

[Percent]

Occupation and industry	Self-employment rates ¹					
	Unincorporated self-employed			Incorporated self-employed		
	Total	Men	Women	Total	Men	Women
Occupation						
Total, age 16 and older	7.5	8.8	6.0	3.6	4.9	2.1
Management, professional, and related occupations ...	8.7	11.3	6.2	5.8	8.8	2.7
Management, business, and financial occupations	12.3	14.9	8.7	9.7	12.9	5.3
Professional and related occupations	6.2	7.9	4.8	2.9	5.0	1.3
Service occupations	7.7	5.9	9.0	1.1	1.5	.9
Sales and office occupations	5.5	7.2	4.5	3.5	5.8	2.3
Sales and related occupations	10.0	10.7	9.3	6.0	8.7	3.2
Office and administrative support occupations	1.8	1.1	2.0	1.5	.9	1.7
Natural resources, construction, and maintenance occupations	12.6	12.7	11.0	3.3	3.3	2.2
Farming, fishing, and forestry occupations	6.4	7.5	2.5	1.6	1.7	.9
Construction and extraction occupations	16.5	16.3	23.7	4.3	4.3	4.7
Installation, maintenance, and repair occupations	7.7	7.8	6.9	2.0	2.1	.9
Production, transportation, and material moving occupations	3.8	4.0	3.3	1.2	1.4	.6
Production occupations	3.2	3.1	3.6	.9	1.1	.5
Transportation and material moving occupations	4.5	4.8	2.5	1.6	1.6	1.0
Industry						
Total, age 16 and older	7.5	8.8	6.0	3.6	4.9	2.1
Agriculture, forestry, fishing, and hunting	41.8	40.9	44.3	6.4	6.0	7.6
Mining	1.7	1.5	5.1	4.2	4.0	2.0
Construction	16.9	17.6	10.9	7.2	6.9	10.1
Manufacturing	1.9	1.9	2.1	2.1	2.4	1.4
Durable goods	1.9	1.9	1.8	2.3	2.5	1.6
Nondurable goods	2.0	1.7	2.5	1.8	2.3	1.0
Wholesale and retail trade	6.0	5.6	6.5	4.4	5.7	2.9
Wholesale trade	5.3	5.5	4.9	6.3	7.0	4.8
Retail trade	6.2	5.6	6.8	3.9	5.2	2.6
Transportation and public utilities	5.1	6.0	2.5	2.5	2.9	1.5
Information	4.1	4.8	3.2	2.9	3.8	1.7
Financial activities	7.6	10.4	5.3	4.9	7.6	2.7
Professional and business services	13.7	14.8	12.3	7.1	8.9	4.7
Education and health services	4.0	4.1	4.0	1.5	3.8	.7
Leisure and hospitality	5.9	6.9	4.9	2.8	3.6	2.1
Other services	15.7	16.6	14.9	4.4	6.2	2.7

¹ Self-employment rates are calculated by dividing the number of self-employed workers in a specified worker group by total employment in the same worker group.

ternatively, persons who worked on their own account. Specifically, the unincorporated self-employed were asked if they had any paid employees, and if so, the number of employees they usually employed. Table 9 shows data on the presence of paid employees from 1995–2003. The estimates show that the incidence of employment of other individuals in self-employed business is uncommon. Indeed, in 2003, only 16.9 percent of the self-employed had paid employees. Interestingly, this proportion had declined from 20.7 percent in 1995.

Of the 1.7 million with employees in 2003, over three-

fourths had just 1 to 4 employees; the share with more than 20 was very small—less than 4 percent. These proportions were fairly consistent over the 1995–2003 period.¹⁶ Men were about twice as likely as women to have paid employees. In 2003, about 1 in every 5 self-employed men had employees, compared with 1 in every 10 women. For both groups, the proportions have declined slightly since the data were first collected in 1995. In terms of number of employees, the pattern between men and women was very similar, and about the same as for all self-employed workers.

Table 8. Self-employment rates by sex, region and census division, 2003 annual averages

[Percent]

Census region and division	Self-employment rates ¹					
	Unincorporated self-employed			Incorporated self-employed		
	Total	Men	Women	Total	Men	Women
Total, United States	7.5	8.8	6.0	3.6	4.9	2.1
Northeast	6.6	7.9	5.2	3.6	5.2	1.9
New England	7.5	8.9	6.0	3.4	5.0	1.8
Middle Atlantic	6.3	7.5	4.9	3.7	5.3	2.0
Midwest	6.9	7.9	5.8	3.6	5.0	1.9
East North Central	6.1	6.9	5.3	3.5	4.9	1.9
West North Central	8.6	10.1	7.0	3.7	5.2	2.1
South	7.4	9.0	5.6	3.7	5.1	2.2
South Atlantic	6.6	7.9	5.1	4.4	6.2	2.4
East South Central	7.6	9.3	5.6	2.9	4.1	1.7
West South Central	8.7	10.6	6.4	3.1	4.0	2.0
West	8.9	10.0	7.6	3.4	4.4	2.2
Mountain	8.0	8.7	7.2	4.8	6.2	3.1
Pacific	9.3	10.6	7.8	2.8	3.6	1.8

¹Self-employment rates are calculated by dividing the number of self-employed workers in a specified worker group by total employment in the same worker group.

Table 9. Self-employed workers by sex and presence and number of paid employees, annual averages, 1995–2003

Characteristic	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total, age 16 and older (thousands)	10,409	10,580	10,501	10,355	10,053	9,949	9,855	9,627	10,319
Percent with no paid employees	79.3	79.6	79.6	79.6	80.6	80.9	80.9	82.0	83.1
Percent with paid employees	20.7	20.4	20.4	20.4	19.4	19.1	19.1	18.0	16.9
Total with paid employees (thousands)	2,159	2,155	2,143	2,115	1,954	1,900	1,883	1,737	1,743
Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1–4 employees	78.6	76.7	74.2	77.2	75.7	74.3	77.4	74.4	76.7
5–9 employees	13.8	15.4	17.1	14.6	14.9	15.5	13.2	15.9	14.4
10–19 employees	5.2	5.3	5.8	6.0	5.1	5.9	6.5	5.6	5.3
20 or more employees	2.3	2.6	2.9	2.3	4.2	4.4	3.0	4.1	3.7
Men, age 16 and older (thousands)	6,556	6,646	6,596	6,517	6,299	6,186	6,106	5,978	6,427
Percent with no paid employees	74.5	75.0	75.4	75.6	76.6	77.1	76.7	78.2	79.7
Percent with paid employees	25.5	25.0	24.6	24.5	23.4	22.9	23.3	21.8	20.3
Total with paid employees (thousands)	1,673	1,662	1,625	1,594	1,471	1,418	1,424	1,301	1,307
Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1–4 employees	78.3	76.8	74.5	77.4	76.0	74.8	76.5	74.8	75.5
5–9 employees	14.0	15.6	17.4	14.3	14.8	14.5	14.1	15.6	15.1
10–19 employees	5.1	4.9	5.1	6.0	4.7	6.1	6.3	5.3	5.3
20 or more employees	2.5	2.8	3.0	2.3	4.5	4.7	3.1	4.2	4.0
Women, age 16 and older (thousands) ..	3,853	3,934	3,905	3,838	3,754	3,763	3,749	3,649	3,892
Percent with no paid employees	87.4	87.5	86.7	86.4	87.1	87.2	87.7	88.0	88.8
Percent with paid employees	12.6	12.5	13.3	13.6	12.9	12.8	12.3	12.0	11.2
Total with paid employees (thousands)	486	492	519	522	483	483	460	437	437
Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1–4 employees	79.8	76.6	73.2	76.4	74.7	72.7	80.2	73.2	79.9
5–9 employees	12.8	14.6	16.4	15.3	15.5	18.4	10.2	16.7	12.1
10–19 employees	5.8	6.7	7.9	5.7	6.4	5.4	7.0	6.6	5.3
20 or more employees	1.9	2.0	2.3	2.3	3.5	3.5	2.6	3.2	2.7

NOTE: The estimates shown above use sample weights based on population controls developed from the 1990 Census. The 2003 estimates use sampling based on population controls developed from Census 2000. In addition, the 2003 estimates use revised classification and editing systems for class of worker, industry, and occupation. These estimates were

tabulated using the outgoing rotation groups only. Because the sample for these tabulations is limited to one quarter of the full CPS sample, estimates of the unincorporated self-employed may not exactly match estimates derived from the full sample. The reliability also will be less than the reliability of the estimates based on the full CPS sample.

AFTER STEADILY DECLINING FOR many years, the rate of self-employment in the United States has edged up recently. Although self-employment was much more common in the late-1940s, it still accounts for a substantial proportion of total employment in 2003. The reduced incidence of self-employment is largely due to the decline in the importance of agriculture and unpaid family work over the post-World War II period and the accompanying rise in incorporated self-employment and wage and salary work or “paid employment.”

In 2003, self-employed workers were more likely to be

men, white, and older. Workers in agriculture, construction, and services had the greatest likelihood of being self-employed. As is the case with their industry distribution, business owners are concentrated in a wide range of occupations ranging from professional, sales, and construction occupations. Data from the CPS also show that most self-employed workers do not have paid employees and, of those who do, most employ few workers. In addition, self-employed men were about twice as likely as their female counterparts to have paid employees. □

Notes

ACKNOWLEDGMENT: The author thanks Kenneth W. Robertson for tabulating the data on self-employed workers by presence and number of paid employees.

¹ The Current Population Survey (CPS) is a monthly sample survey of about 60,000 households that provides information on the demographic characteristics of the labor force and employment status of the noninstitutional population age 16 years and older.

² For more information on the impact of the CPS redesign on the self-employment estimates, see Anne E. Polivka and Stephen M. Miller, “The CPS after the Redesign: Refocusing the Economic Lens,” in John Haltiwanger, Marilyn Manser, and Robert Topel, eds., *Labor Statistics Measurement Issues* (National Bureau of Economic Research, Studies in Income and Wealth Volume 60) pp. 249–86.

³ For a detailed explanation of changes to the CPS, see Mary Bowler, Randy E. Ilg, Stephen Miller, Ed Robison, and Anne Polivka, “Revisions to the Current Population Survey Effective in January 2003,” *Employment and Earnings* (Bureau of Labor Statistics, February 2003).

⁴ As with total employment, the 1994 increase was particularly pronounced among women. See Polivka and Miller, “The CPS after the Redesign,” pp. 275–77.

⁵ See Marilyn E. Manser and Garnett Picot, “The role of self-employment in U.S. and Canadian job growth,” *Monthly Labor Review*, April 1999, pp. 10–25.

⁶ See Ellen R. Rissman, “Self-employment as an Alternative to Unemployment,” Working Paper Number 34, Fourth Quarter 2003 (Federal Reserve Bank of Chicago, 2003).

⁷ See Daniel Aaronson, Ellen R. Rissman, and Daniel Sullivan, “Assessing the jobless recovery,” *Economic Perspectives*, Second Quarter 2004 (Federal Reserve Bank of Chicago, 2004), pp. 6–9.

⁸ The National Bureau of Economic Research, Inc., the generally recognized arbiter of business cycle dates, has designated November 2001 as the trough of the recession that began in March 2001.

⁹ Aaronson, Rissman, and Sullivan suggest that many of the new enterprises that emerged during the most recent economic downturn will disappear as labor market conditions in the wage and salary sector improve. See Aaronson and others, “Assessing the jobless recovery,” p. 9.

¹⁰ For a comprehensive overview of self-employment among older workers see Lynn A. Karoly and Julie Zissimopoulos, “Self-Employment and the 50+ Population,” AARP Public Policy Institute Issue Paper, March 2004. In addition, see Lynn A. Karoly and Julie Zissimopoulos, “Self-Employment Trends and Patterns Among Older U.S. Workers,” RAND Labor

and Population Working Paper, WR-136, December 2003, on the Internet at <http://www.rand.org/publications/WR/WR136/>.

¹¹ See Julie Zissimopoulos and Lynn A. Karoly, “Transitions to Self-Employment at Older Ages: The Role of Wealth, Health, Health Insurance, and Other Factors,” RAND Labor and Population Working Paper, WR-135, December 2003, on the Internet at <http://www.rand.org/publications/WR/WR135/>. For additional research on this topic, see Donald Bruce, Douglas Holtz-Eakin, and Joseph Quinn, “Self-employment and Labor Market Transitions at Older Ages,” Working Paper 2000-13 (Center for Retirement Research at Boston College, December 2000).

¹² See Michael Hout and Harvey S. Rosen, “Self-employment, Family Background, and Race,” *Journal of Human Resources*, fall 2000, pp. 670–92.

¹³ See Robert W. Fairlie and Bruce D. Meyer, “Trends in Self-Employment Among White and Black Men During the Twentieth Century,” *Journal of Human Resources*, fall 2000, pp. 643–69.

¹⁴ Beginning in 1994, questions on nativity and U.S. citizenship status were added to the basic monthly CPS. Respondents are asked to name their country of birth. Those who said that they were born in the United States, Puerto Rico, or another U.S. territory, or that they were born abroad of an American parent, or parents, are classified as U.S. natives. Individuals who provided another response are classified as foreign-born.

¹⁵ The four census regions of the United States are Northeast, South, Midwest, and West. Within the Northeast, the New England division includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont; and the Middle Atlantic division includes New Jersey, New York, and Pennsylvania. Within the South, the South Atlantic division includes Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia; the East South Central division includes Alabama, Kentucky, Mississippi, and Tennessee; and the West South Central division includes Arkansas, Louisiana, Oklahoma, and Texas. Within the Midwest, the East North Central division includes Illinois, Indiana, Michigan, Ohio, and Wisconsin; the West North Central division includes Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota. Within the West, the Mountain division includes Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming; the Pacific division includes Alaska, California, Hawaii, Oregon, and Washington.

¹⁶ The February 2001 Contingent and Alternative Work Arrangements Supplement to the CPS collected data on presence of employees from both unincorporated and incorporated self-employed workers. Roughly 3 in every 5 of the 3.9 million incorporated self-employed workers had paid employees. Of this group, 40.9 percent employed 1 to 4 workers, while 15.7 percent had 20 or more employees.