

New Evidence on Self-Employment Transitions Among Older Americans

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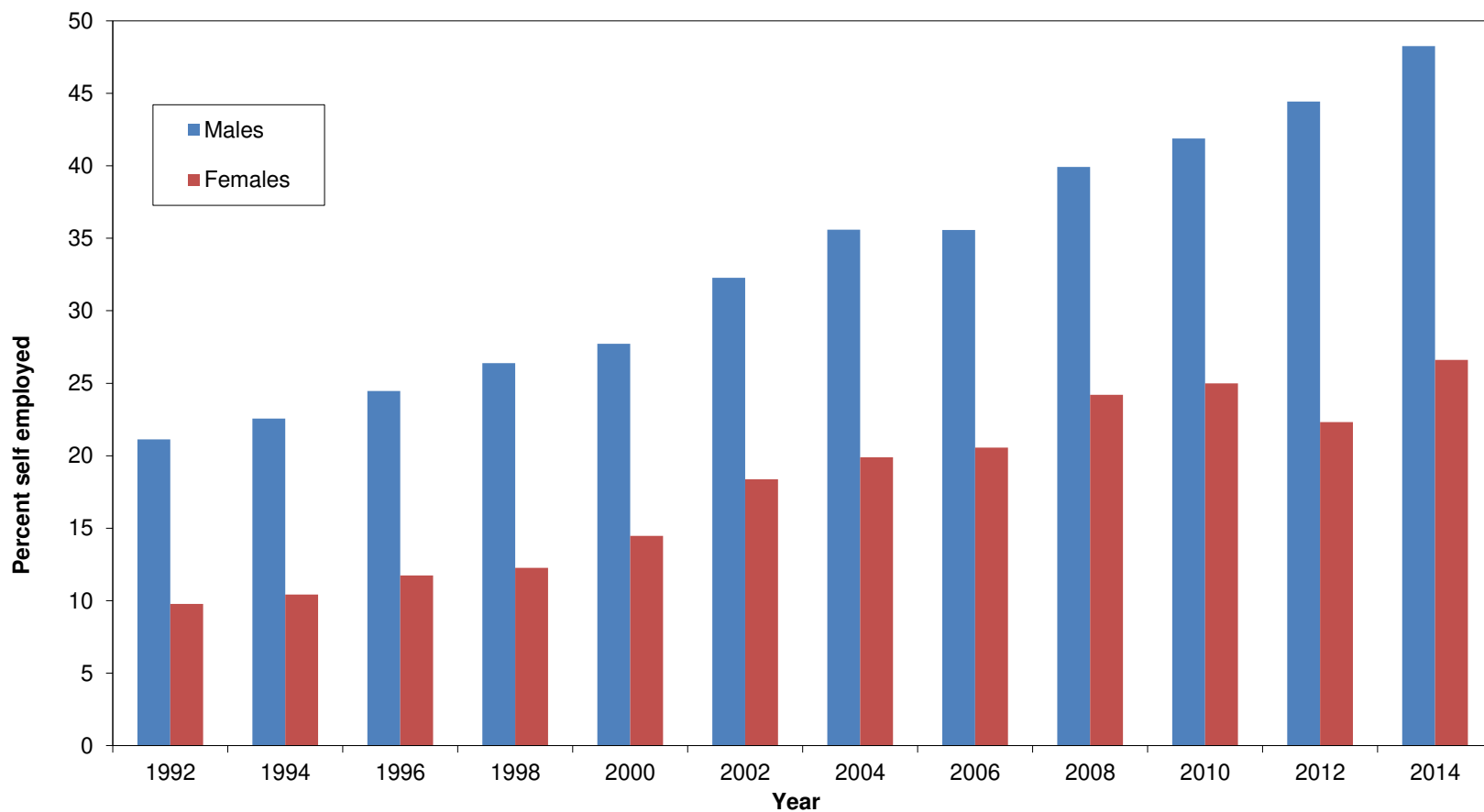
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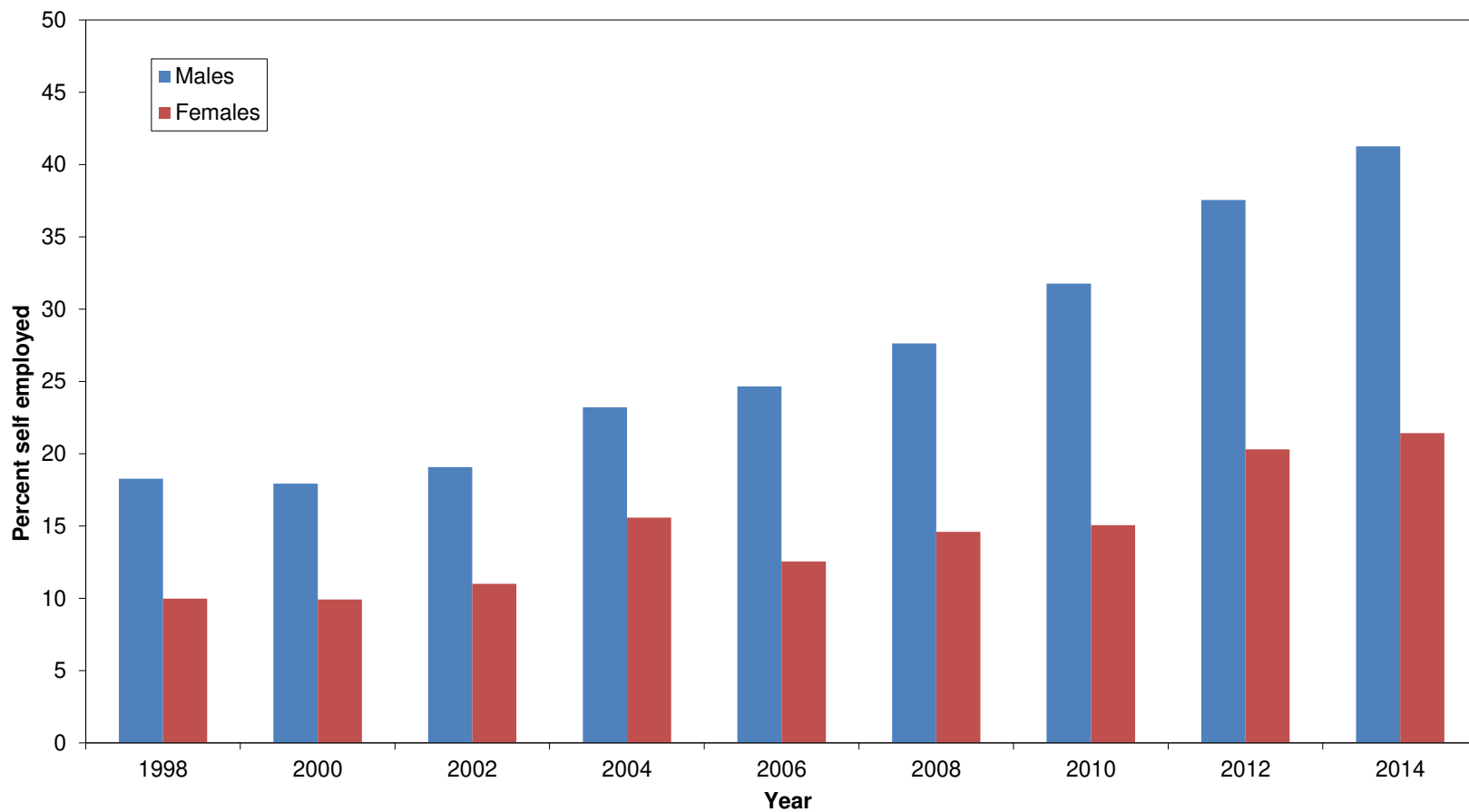
The Prevalence of Self-Employment among the HRS Core Respondents, 1992 to 2014

Percent Self Employed among those Working, by Gender, 1992 - 2014
Sample: HRS Core Respondents On a Full-Time Career Job in 1992



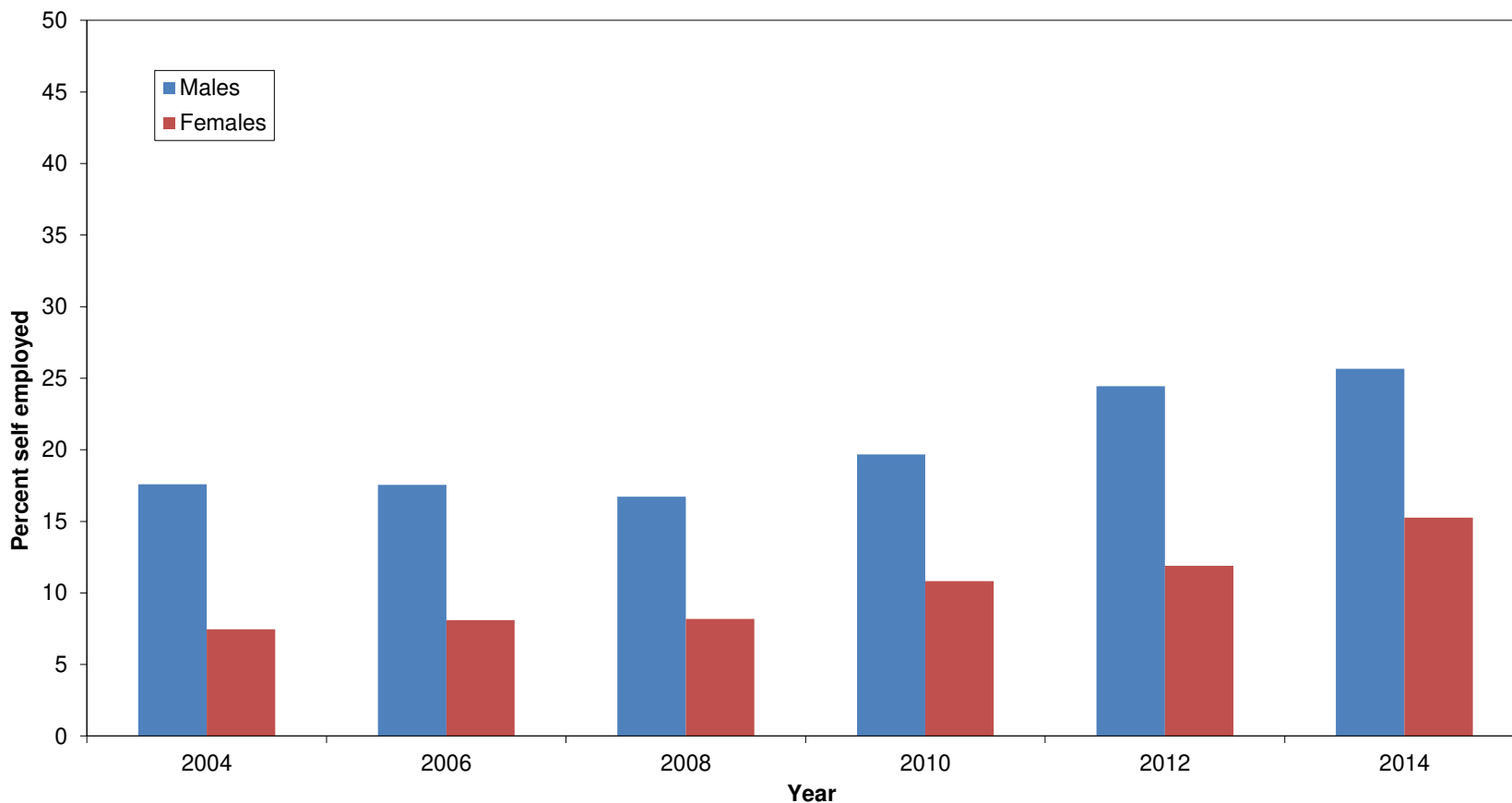
The Prevalence of Self-Employment among the HRS War Baby Respondents, 1998 to 2014

Percent Self Employed among those Working, by Gender, 1992 - 2014
Sample: HRS War Baby Respondents On a Full-Time Career Job in 1998

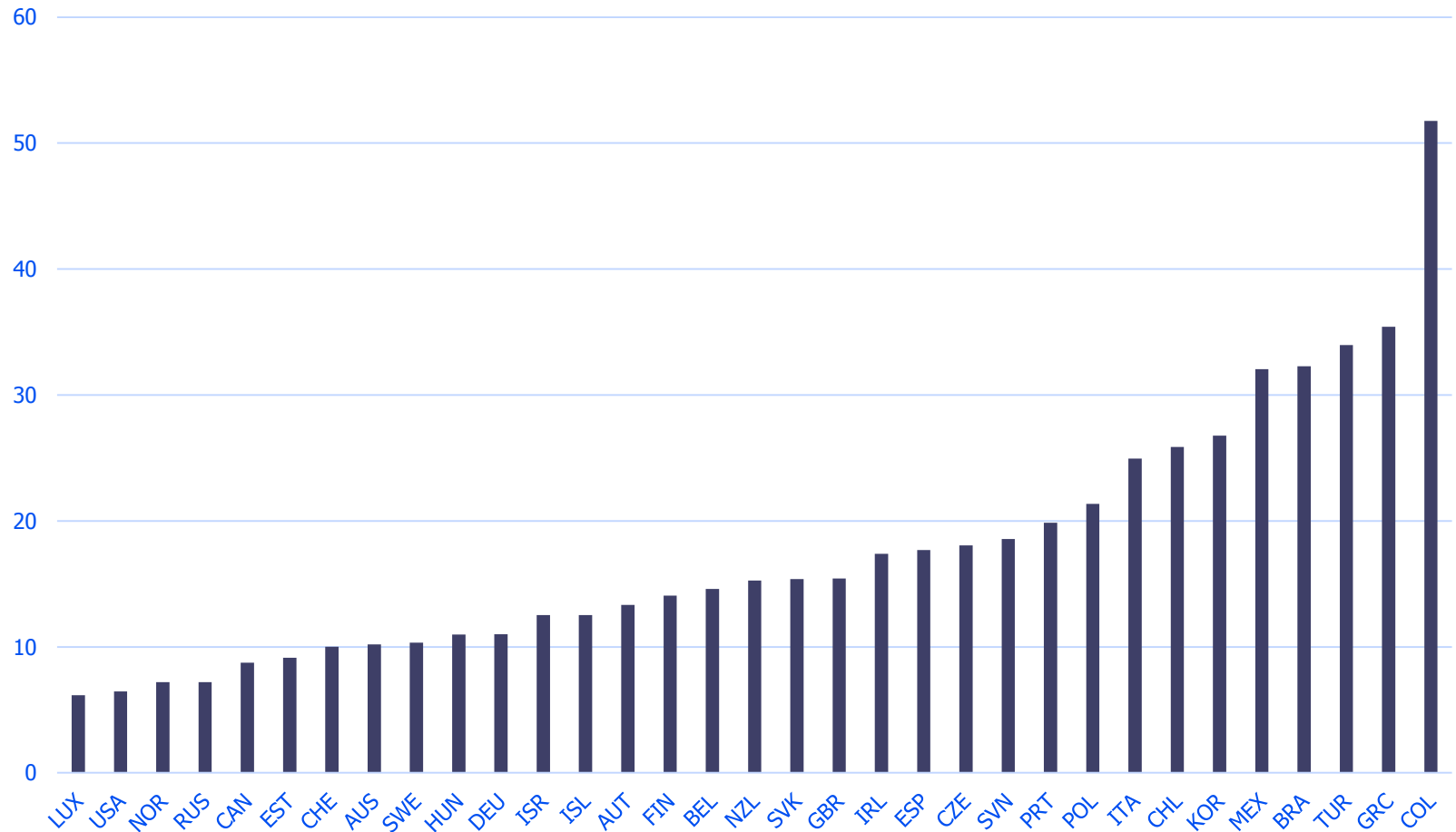


The Prevalence of Self-Employment among the HRS Early Boomer Respondents, 2004 to 2014

Percent Self Employed among those Working, by Gender, 1992 - 2014
Sample: HRS Early Boomers Respondents On a Full-Time Career Job in 2004

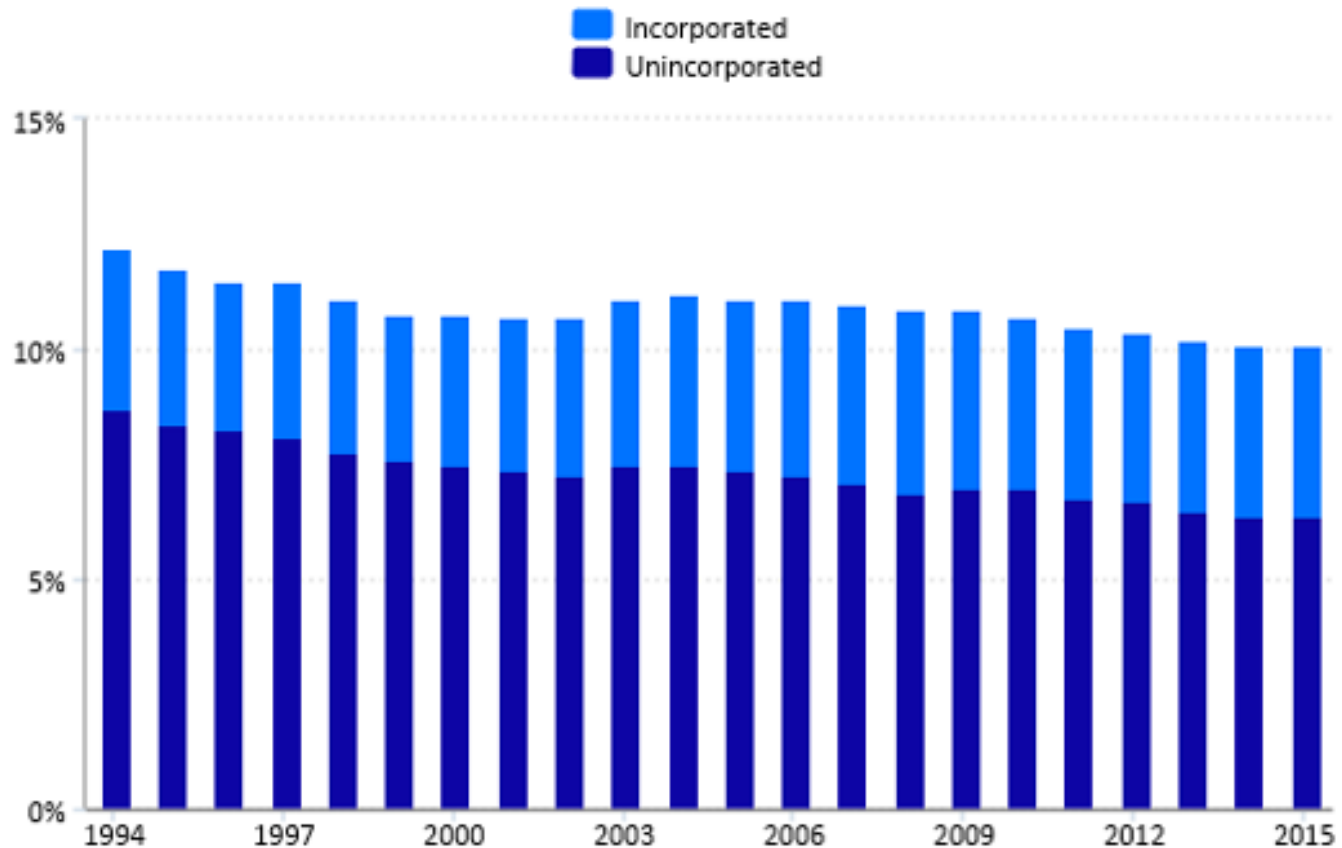


Self-Employment Rates: OECD Countries 2014



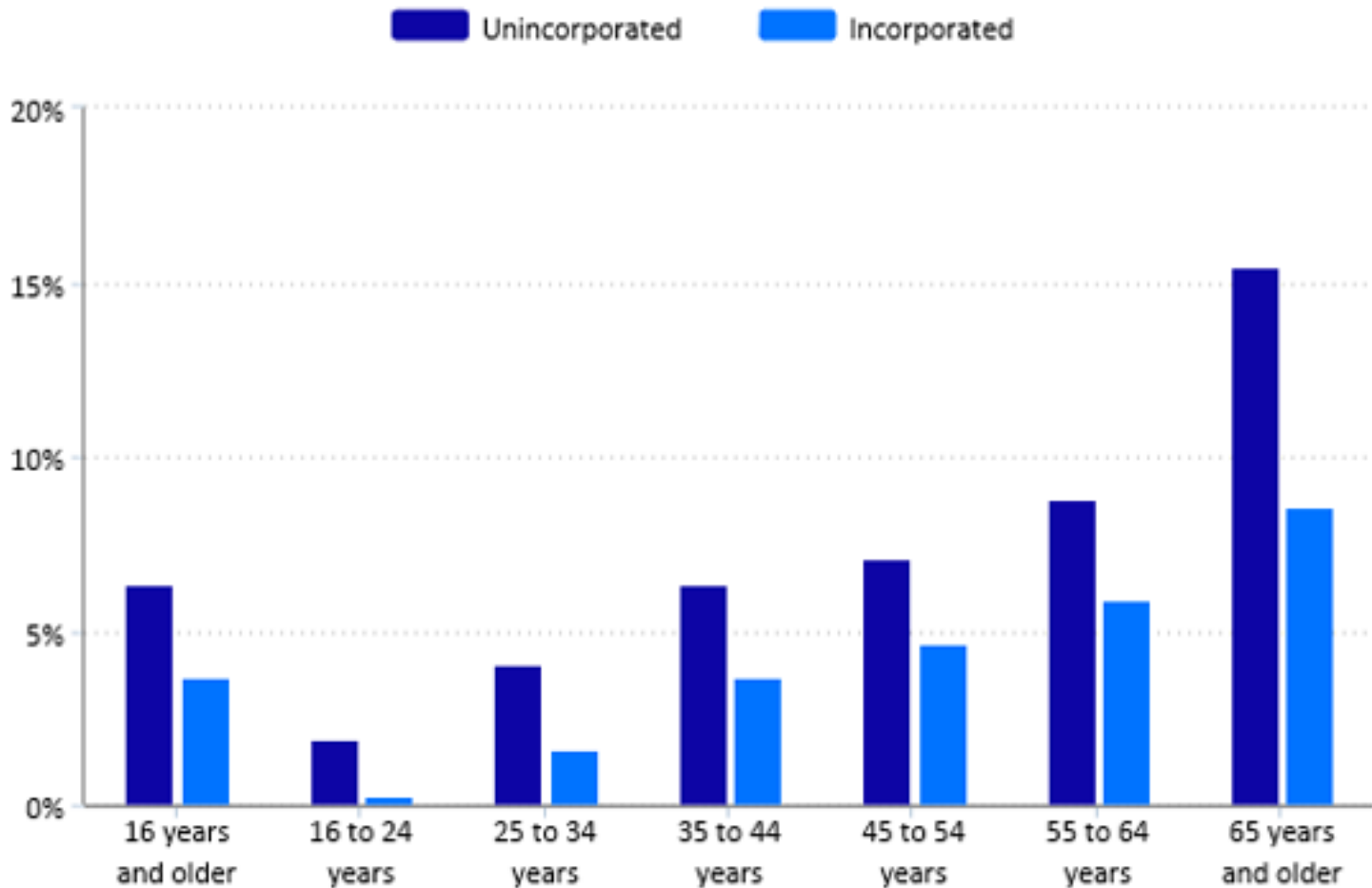
US Self-Employment Rates over Time

Self-employment rates by incorporation status, 1994–2015



Self Employment by Age

Self-employment rates by age, annual averages, 2015



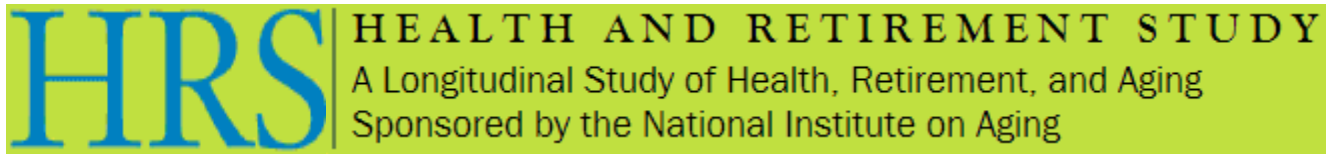
Steven Hipple and Laurel Hammond, "Self-employment in the United States," March 2016, Monthly Labor Reviews.

Overview

- **Topics Covered in this Presentation**
 - To what extent do older Americans transition into and out of self-employment?
 - How has the Great Recession and relatively slow expansion affected transitions into self-employment later in life?
- **Motivation**
 - Policymakers interested in continued work later in life might benefit from understanding how ongoing macroeconomic sluggishness has impacted self-employment transitions among older Americans.
- **Key Findings**
 - Post-career transitions into and out of self-employment have continued in the wake of the Great Recession.
- **Topics for Further Discussion**
 - To what extent can self-employment be an answer to older workers' job-finding difficulties?

Data and Methods

▪ The Health and Retirement Study



- A nationally-representative longitudinal dataset of older Americans that began in 1992
- Ongoing with new cohorts and biennial follow-up interviews
- Cohorts relevant to the study
 - HRS Core (51 to 61 in 1992)
 - War Babies (51 to 56 in 1998)
 - Early Boomers (51 to 56 in 2004)

▪ Methodology

- Define Full-Time Career (FTC) job = 1,600+ hours/year AND 10+ years of tenure
- Select respondents who were on a wage-and-salary FTC job at the time of their first interview
- Examine respondents' work histories from 1992 to 2010 (2014)

Sample Size

HRS Core Respondents on a Full-Time Career Job in 1992

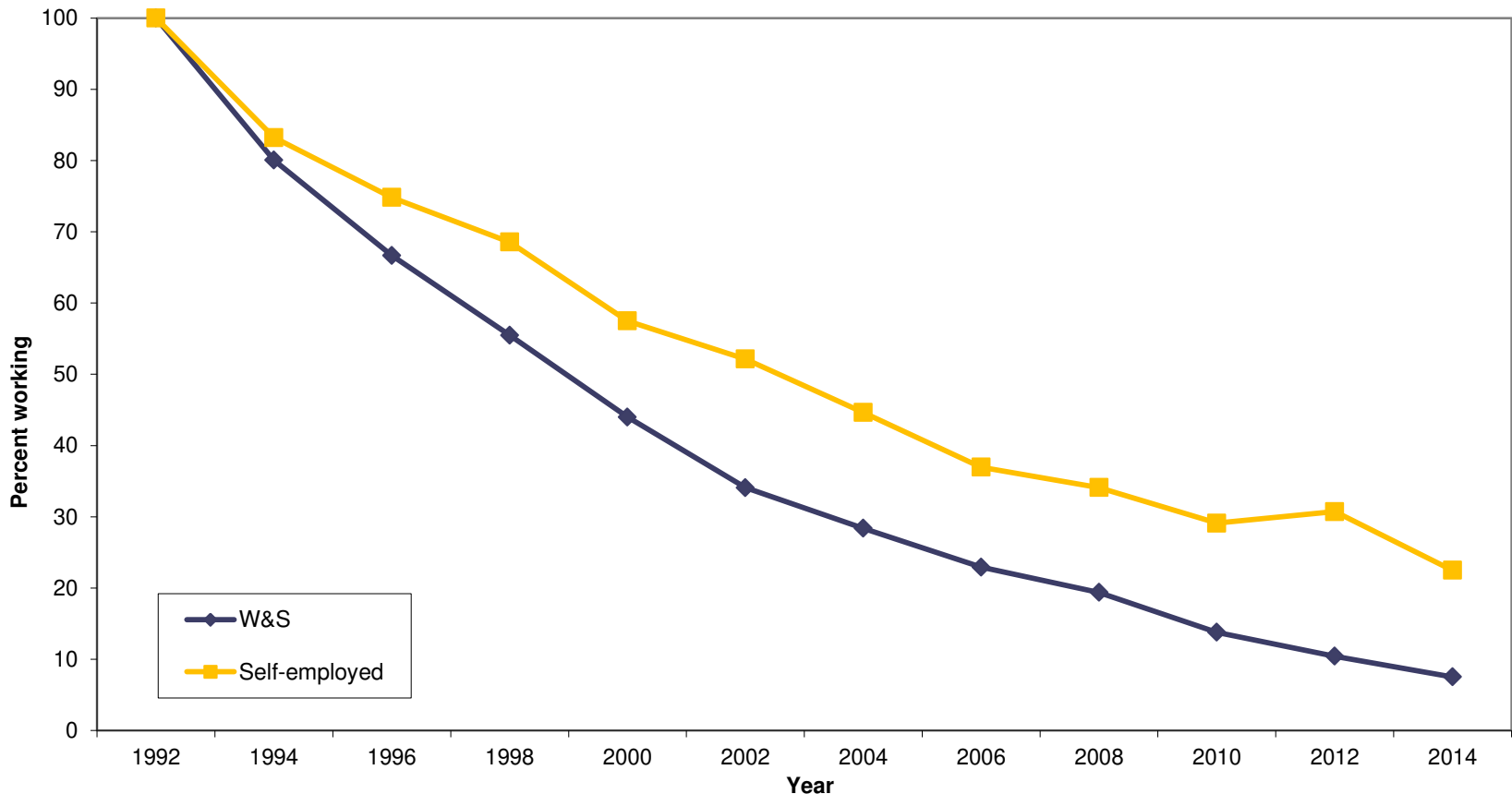
	Men	Women	Total
n	3,061	2,567	5,628
% of HRS Core	52%	38%	44%
Wage and salary			
n	2,421	2,300	4,721
% of FTC in 1992	79%	90%	84%
Self employed			
n	640	267	907
% of FTC in 1992	21%	10%	16%

Why Does Self-Employment Become More Prevalent Later in Life?

- Reason #1: Self-employed workers transition out of the labor force more slowly than wage-and-salary workers.
 - Note: Not necessarily a causal link between self-employment and longer work life.
- Reason #2: More wage-and-salary workers switch into self-employment than vice versa.

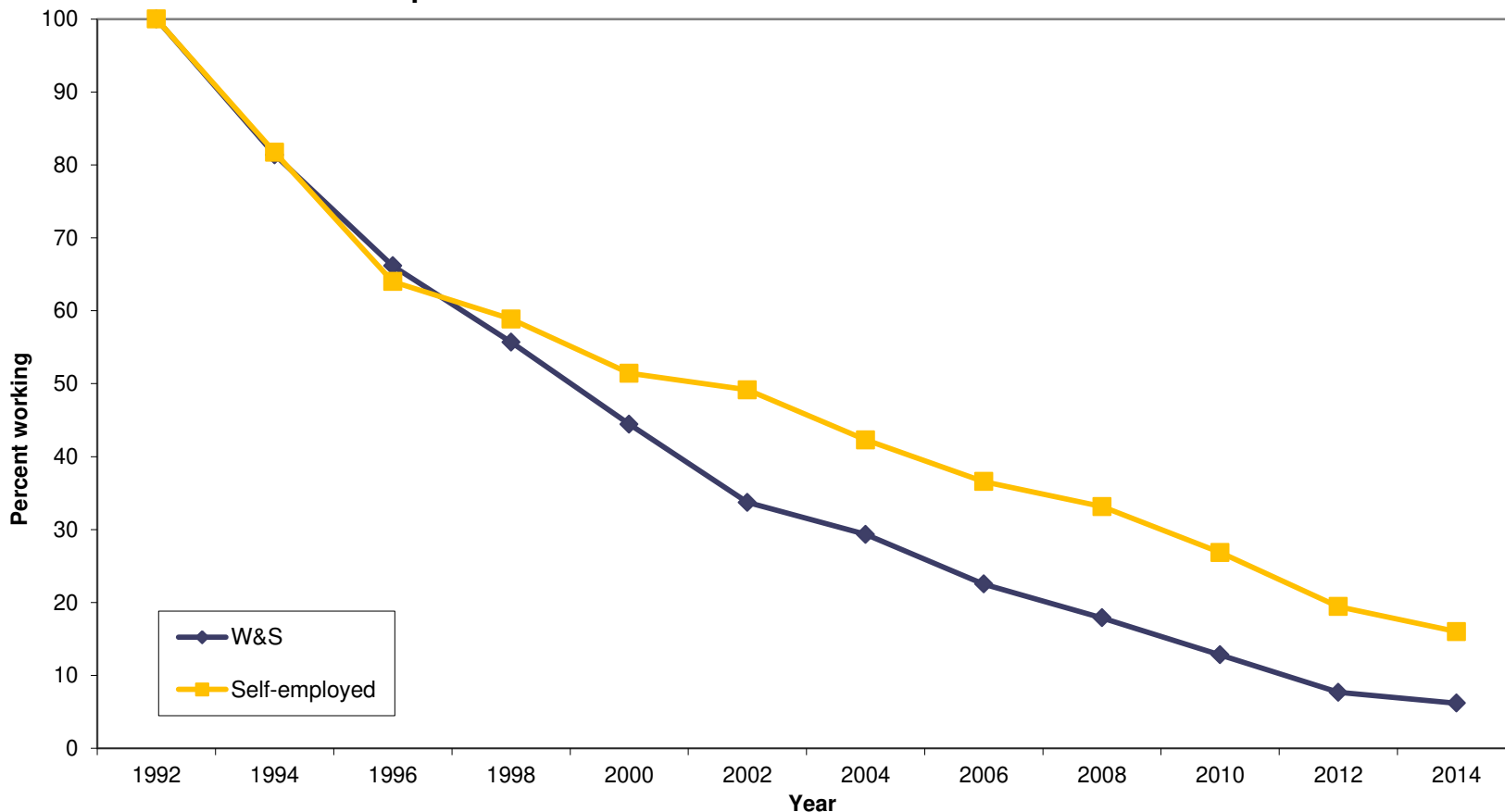
Transitions Out of the Labor Force by Self-Employment Status: Men

Percent Working by Self Employment Status of Career Employment, 1992 - 2014
Sample: HRS Core Males On a Full-Time Career Job in 1992



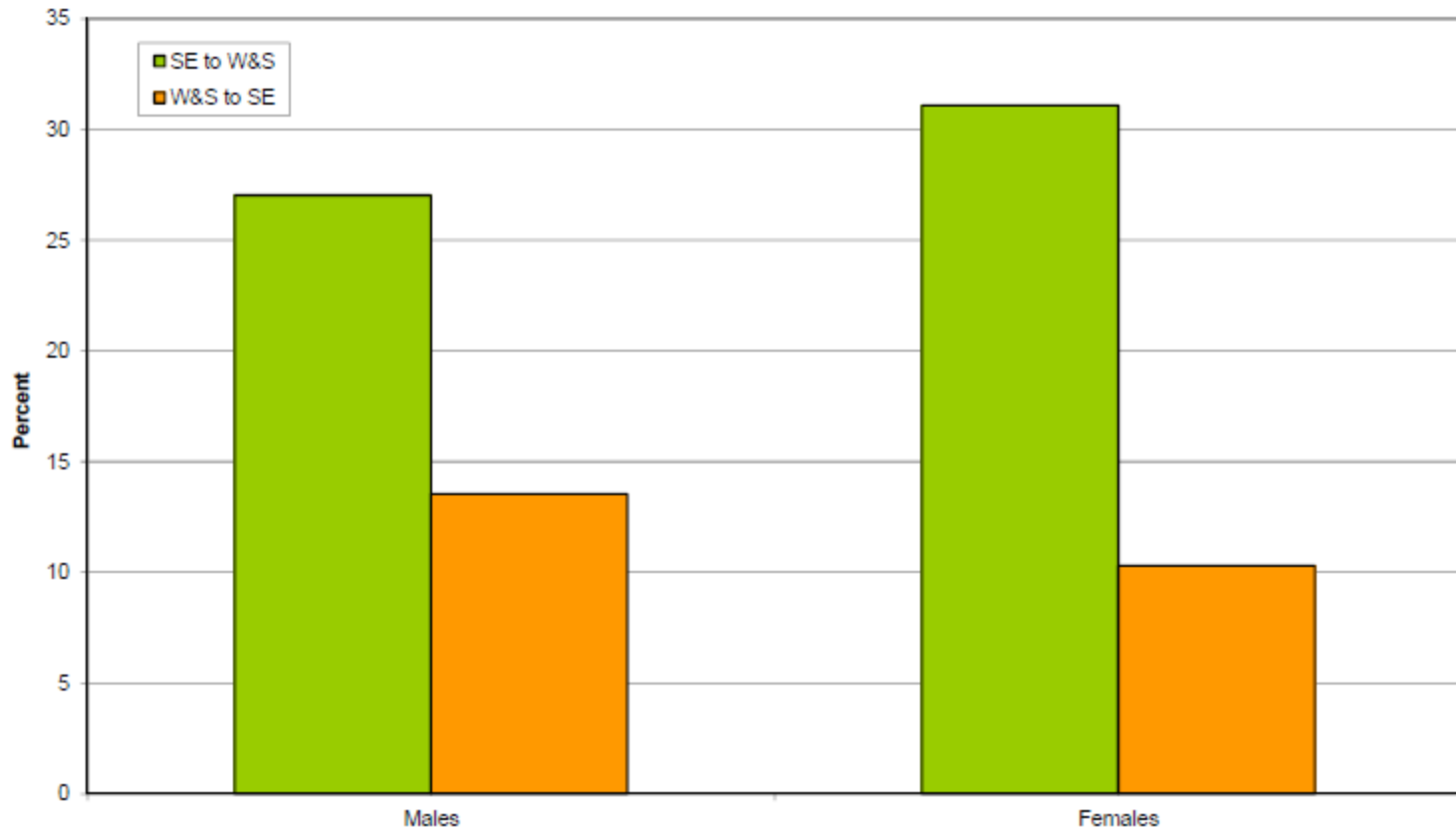
Transitions Out of the Labor Force by Self-Employment Status: Women

Percent Working by Self Employment Status of Career Employment, 1992 - 2014
Sample: HRS Core Females On a Full-Time Career Job in 1992



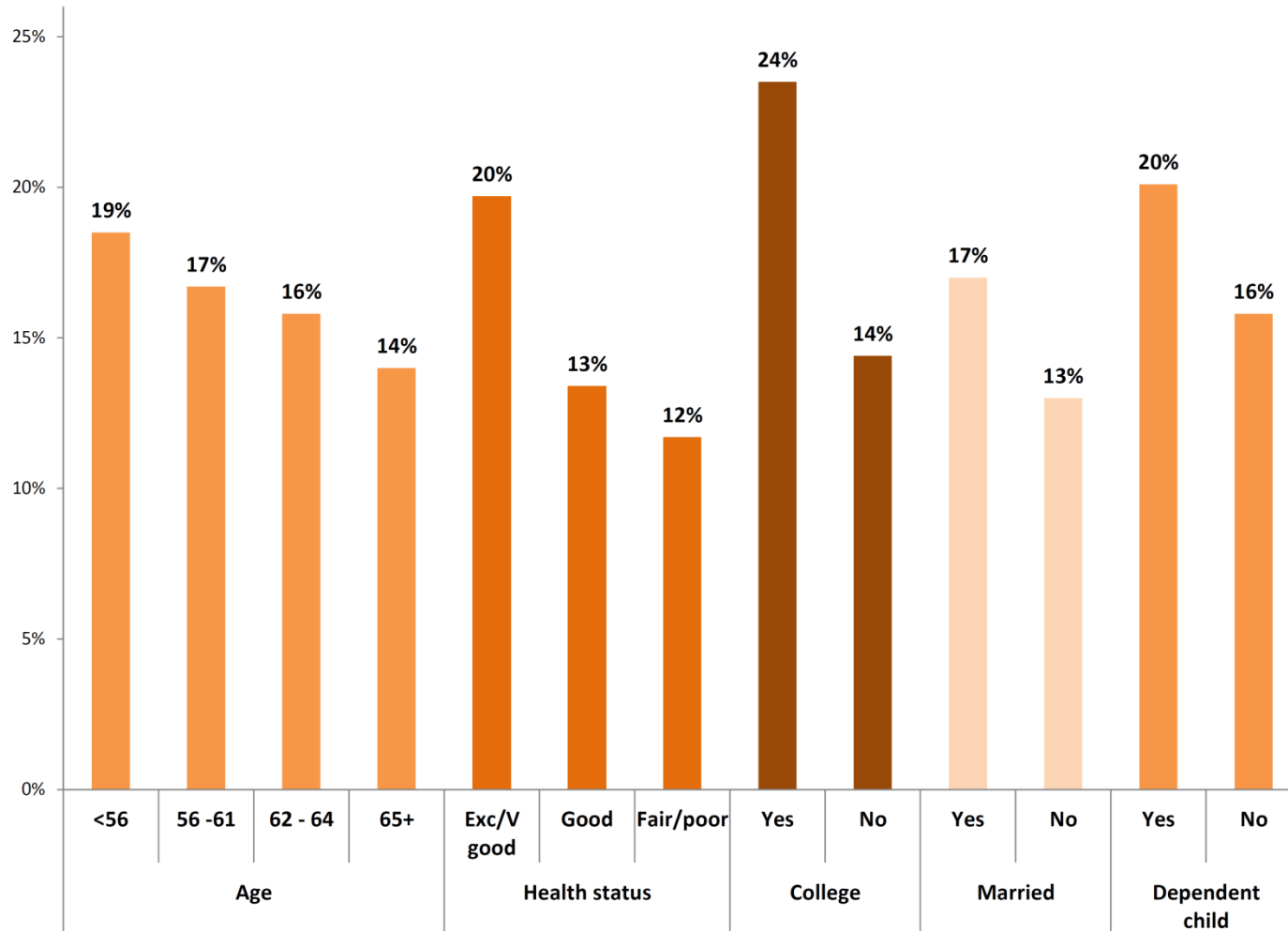
Transitions Into and Out of Self-Employment among Older Americans, 1992 to 2010

*Percentage of Respondents Who Switched Work Status, by Gender
Sample: HRS Core Respondents On a Full-Time Career Job in 1992*



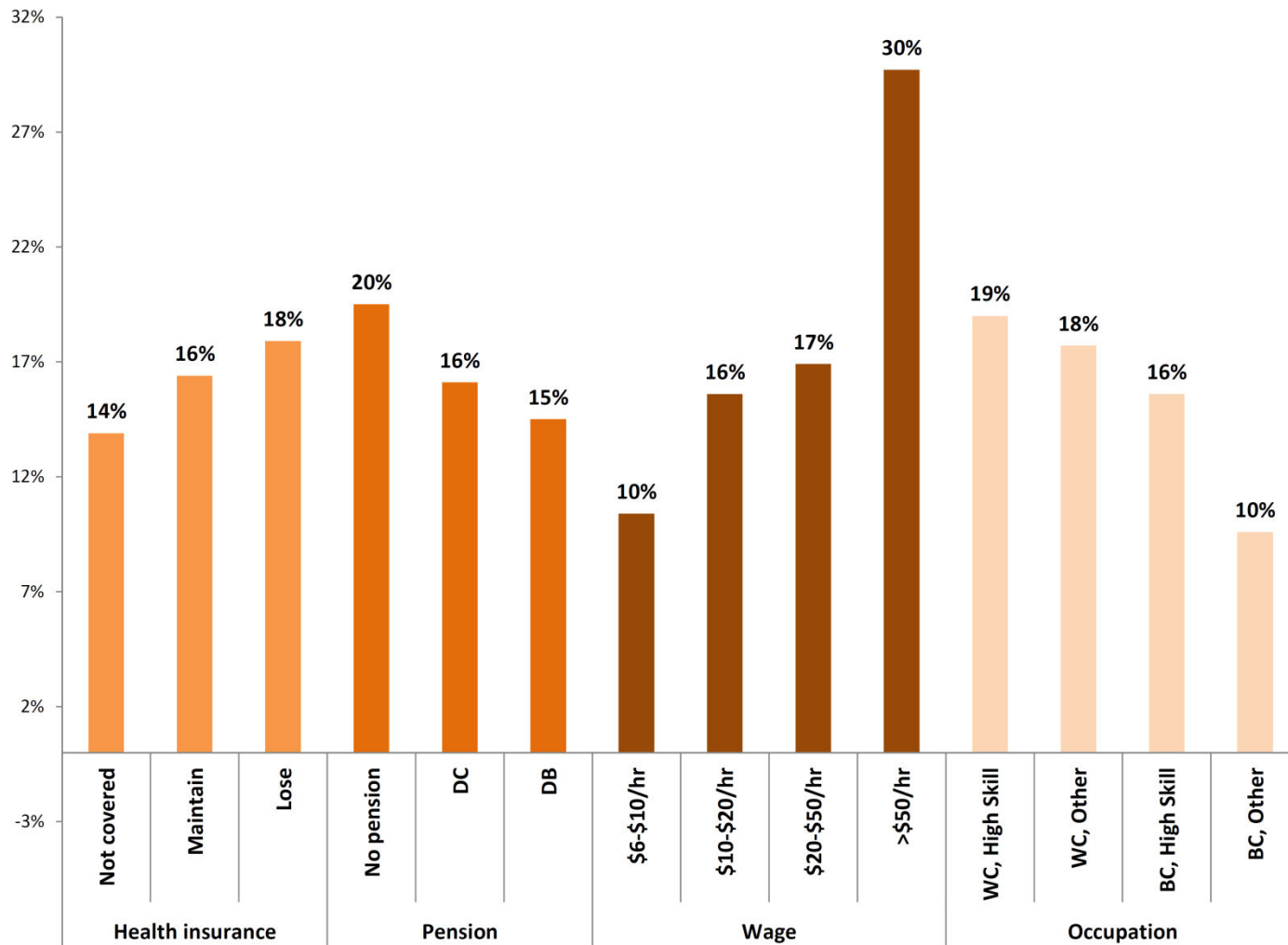
Key Determinants of Transitions Into Self-Employment Later in Life: Demographics

Sample: HRS Core Men on a Wage-and-Salary Full-Time Career Job in 1992



Key Determinants of Transitions Into Self-Employment Later in Life: Economic Characteristics

Sample: HRS Core Men on a Wage-and-Salary Full-Time Career Job in 1992



Occupation Distributions

Occupation	Average Wage	Employees	Proprietors
Executive, administrative, and managerial occupations	\$26.63	0.162	0.191
Sales	14.31	0.142	0.139
Personal service	10.21	0.029	0.114
Construction trades	16.79	0.042	0.089
Writers, artists, entertainers, and athletes	20.76	0.019	0.078
Farming, forestry, and fishing	9.53	0.022	0.059
Supervisors, handlers, equipment cleaners, and laborers, nec	11.18	0.046	0.047
Transportation and material moving	13.94	0.050	0.035
Administrative support, including clerical	13.46	0.151	0.031
Mechanics and repairers	16.58	0.038	0.030
Teachers, post secondary	18.48	0.035	0.027
Private household occupations	8.83	0.013	0.024
Cleaning and building service	10.43	0.021	0.021
Lawyers and judges	40.79	0.007	0.019
Health service occupations	9.65	0.031	0.017
Health diagnosing	40.57	0.010	0.015
Precision production	14.99	0.022	0.012
Machine operators and tenders	11.84	0.022	0.009
Technicians and related support	24.36	0.037	0.008
Social, recreation, and religious workers	16.50	0.013	0.007
Engineers, architects, and surveyors	30.10	0.018	0.006

Authors' calculations from 2013 Current Population Survey Outgoing Rotations Group data.

The Impact of the Great Recession on Transitions into Self-Employment

Part I: Overall Impacts

- **Transitions into and out of self-employment have continued through the Great Recession and the sluggish recovery.**
- **Relative to wage-and-salary workers, self-employed workers:**
 - Remain on their career jobs later in life;
 - Are more likely to reduce hours on the career job; and
 - Are more likely to transition to a bridge job.

The Impact of the Great Recession on Transitions into Self-Employment Part II – Cohort Differences

- **Unlike previous cohorts, in comparison to wage-and-salary workers Early Boomers who were self-employed on their career jobs:**
 - were less likely to transition to bridge employment (all else equal); and
 - did not remain in career employment longer (men only; all else equal).
- **These findings are consistent with the notion that fewer bridge job opportunities were available to the Early Boomers.**
- **These findings are also consistent with the notion that self-employment did not provide the same degree of stability relative to wage-and-salary employment.**
- **Gender differences might be explained by a selection effect as fewer women seek self-employment later in life.**

Conclusions

- **Transitions into and out of self-employment play a significant role in the retirement patterns of older Americans.**
 - Approximately 10-14 percent of respondents with W&S career jobs later in life switch into self-employment prior to exiting the labor force.
 - Approximately 25-30 percent of respondents with self-employed career jobs later in life switch into W&S jobs prior to exiting the labor force.
- **The main determinants of transitions into self-employment later in life are: age, health status, educational attainment, occupation, and earnings on the career job.**
 - Levels are important as well. The percentage of career wage-and-salary workers who transition into self-employment is substantial across subcategories.
- **Transitions into and out of self-employment have continued through the Great Recession and the sluggish recovery; however, notable cross-cohort differences do exist.**

Extra

Marginal effects from multinomial logistic regression

Dependent variable: first transition from full-time career job for men

	Wage & salary bridge job		Self employed bridge Job		Exit the labor force	
	marginal effects	p-value	marginal effects	p-value	marginal effects	p-value
Age in wave before transition						
54 or younger	-----	-----	-----	-----	-----	-----
55 - 59	-0.133	0.003	-0.040	0.086	0.162	0.001
60 - 61	-0.329	0.000	-0.056	0.000	0.375	0.000
62 or older	-0.286	0.000	-0.053	0.026	0.326	0.000
Health status						
Excellent/very good	0.030	0.328	0.040	0.032	-0.071	0.022
Good	-----	-----	-----	-----	-----	-----
Fair/poor	-0.141	0.002	0.007	0.798	0.134	0.002
Spouse's health status						
Excellent/very good	0.034	0.339	0.005	0.799	-0.039	0.272
Good	-----	-----	-----	-----	-----	-----
Fair/poor	0.009	0.845	-0.025	0.406	0.016	0.726
Education						
Less than high school	-0.009	0.809	-0.009	0.727	0.018	0.636
High school	-----	-----	-----	-----	-----	-----
College	-0.014	0.707	0.004	0.842	0.010	0.800
Married	0.112	0.024	0.016	0.603	-0.127	0.011

Marginal effects from multinomial logistic regression (continued)
 Dependent variable: first transition from full-time career job for men

	Wage & salary bridge job		Self employed bridge Job		Exit the labor force	
	marginal effects	p-value	marginal effects	p-value	marginal effects	p-value
Dependent child	0.014	0.707	0.011	0.600	-0.025	0.504
Spouse employed	0.023	0.469	0.005	0.770	-0.028	0.382
Occupational status						
White collar - highly skilled	-----	-----	-----	-----	-----	-----
White collar - not highly skilled	-0.135	0.004	-0.030	0.236	0.164	0.001
Blue collar - highly skilled	-0.218	0.000	-0.016	0.486	0.232	0.000
Blue collar - not highly skilled	-0.188	0.000	-0.074	0.005	0.261	0.000
Health insurance status						
Portable	0.016	0.662	-0.015	0.446	-0.001	0.969
Non-portable	-----	-----	-----	-----	-----	-----
None	0.137	0.032	0.011	0.752	-0.149	0.026
Pension status						
Defined-benefit	-0.105	0.001	-0.023	0.242	0.128	0.000
Defined-contribution	0.017	0.610	-0.014	0.490	-0.003	0.923
Both	-0.054	0.419	0.060	0.054	-0.006	0.932
None	-----	-----	-----	-----	-----	-----
Own home	0.041	0.293	-0.009	0.701	-0.033	0.396
Constant	0.471	0.000	-0.083	0.050	-0.372	0.000