Expanding LED Coverage: Including the Self-Employed

Kristin Sandusky
Why are the Self-Employed (SE) Important?

**Large Group:**
Roughly 10% of workforce has some ties to self-employment

**Changing economy:**
Increased numbers of Internet based businesses and contract workers

**General Interest:**
Universal measures of entrepreneurship needed
Why are Self-Employed a Challenging Group to Integrate?

1. Current QWI statistics were designed to take advantage of quarterly nature of UI data covering the wage and salary (WS) workforce
2. Available data from different source and in different form than wage and salary jobs
3. Must make compatible
Finding Data on Self-Employed: From Business Data?

Business Register

- Bureau’s sample frame for censuses and surveys of businesses.

- Data from tax reports to IRS for businesses

- Data are annual.
Moving from Annual Business Data to Quarterly Worker Data: Key Challenges

1. Must identify who is self-employed each year.
2. Among these, must identify who is actively self-employed in each quarter of the year.
3. For those workers actively self-employed in each quarter, we need quarterly self-employment earnings.
Tasks Accomplished

Obtain additional data (2002 and later)
Develop and estimate model to identify:
✓ 1. Which jointly filing spouse is self-employed.
✓ 2. Annual self-employment (SE) earnings from annual business net receipts
Putting the Data to Use: A First Look

Making and Comparing *Annual* Workforce Indicators

Do the two groups differ notably?
How about by gender?
Can we make this comparison?
Accession and Separation Rates: Percents By Gender

Wage & Salary

<table>
<thead>
<tr>
<th></th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessions</td>
<td>35</td>
<td>30</td>
</tr>
<tr>
<td>Separations</td>
<td>25</td>
<td>15</td>
</tr>
</tbody>
</table>

Self-Employed

<table>
<thead>
<tr>
<th></th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessions</td>
<td>35</td>
<td>15</td>
</tr>
<tr>
<td>Separations</td>
<td>20</td>
<td>5</td>
</tr>
</tbody>
</table>
Putting the Data to Use: Exploring Possibilities

How about flows between the two groups?
What fraction of workers flow from the WS workforce to the SE workforce?
Example:

Among wage and salary workers, what fraction "try out" self employment?
Among workers “trying out” self-employment, what fraction transition to full self-employment?
How do these fractions vary by age?
What Fraction “Try Out” Self-Employment?

<table>
<thead>
<tr>
<th>Age Category</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25</td>
<td>2.0</td>
</tr>
<tr>
<td>25 to 34</td>
<td>4.0</td>
</tr>
<tr>
<td>35 to 54</td>
<td>4.0</td>
</tr>
<tr>
<td>55 to 64</td>
<td>2.0</td>
</tr>
<tr>
<td>65+</td>
<td>1.0</td>
</tr>
</tbody>
</table>

U S C E N S U S B U R E A U
Among Workers Trying Out Self-Employment, What Fraction Move to Full Self-Employment?

![Bar chart showing the percentage of workers moving to full self-employment by age category.]

- Under 25: 5%
- 25 to 34: 10%
- 35 to 54: 15%
- 55 to 64: 20%
- 65+:

U.S. Census Bureau
Share or Workers Exiting Workforce by Age

- WS
- SE
- Both

<table>
<thead>
<tr>
<th>Age Category</th>
<th>WS</th>
<th>SE</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td>under 25</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25 to 34</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35 to 54</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>55 to 64</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>65 and older</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Final Notes

Expanding QWI coverage to include self-employed will provide more complete picture of workforce.

Nature of self-employment jobs differs from wage and salary jobs in ways we need to keep in mind when pooling workers and making comparisons.
Final Notes

One of the most informative ways we can use the new data is to characterize flows between the WS and SE markets and to improve measurement of flows into and out of the workforce.

Questions?
Contact Lee.K.Sandusky@census.gov