

Employment Transitions among the Self-Employed During the Great Recession

Julia Beckhusen

Social, Economic & Housing Statistics Division,
U.S. Census Bureau, Washington, DC 20233

e-mail: julia.b.beckhusen@census.gov

Introduction

- Use detailed longitudinal data to analyze transitions into and out of self-employment
- What factors influence these transitions?
- How did the recession impact these transitions?

Introduction

- Hypotheses:
 - Movements into self-employment - characteristics of the individual
 - Movements out of self-employment - characteristics of the business
 - Recession: transitions from unemployment to self-employment will increase
 - Post-recession: transitions from self-employment to wage-work will increase

Data

- Survey of Income and Program Participation (SIPP), 2008 panel
- 52,301 households
- Interviewed every 4 months beginning September 2008
- Waves 1 to 10, employment transitions from June 2008 to November 2011

Data

- Detailed employment data on jobs and businesses
- Monthly employment status
 - Start and end dates for each employment spell
 - information jobless spells
- Compare employment status month to month

Data

- Final data set
 - Each observation is a possible transition between self-employment, wage-work and unemployment
 - Characteristics of the individual measured at start month
 - Demographic/educational
 - Economic/employment
 - Geographic
 - Macro-economic

Data

Table 1: Unweighted sample size by transition type, waves 1-10

| | <i>To:</i> | | |
|-----------------|----------------|-------------------|-----------------|
| <i>From:</i> | Unemployment | Wage-work | Self-employment |
| Unemployment | 89,240 (97.6%) | 1971 (2.1%) | 325 (0.3%) |
| Wage-work | 2062 (0.2%) | 1,182,799 (99.7%) | 1099 (0.1%) |
| Self-employment | 231 (0.1%) | 1270 (0.8%) | 168,645 (99.1%) |

Source: U.S. Census Bureau, Survey of Income and Program Participation (SIPP), 2008 Panel Waves 1 to 10.

Models

- Transitions *into* self-employment:
 - Binomial logit
 - Model 1: from unemployment
 - Model 2: from wage-work
- Transitions *out of* self-employment:
 - Model 3: multinomial logit
 - to wage-work vs to unemployment

Models

| Summary Stat. | Model 1 | |
|----------------|--------------------------|--------------------------------|
| | Unemployed, no change | Unemployed to self-employed |
| Married | 0.41 | 0.51 |
| Female | 0.43 | 0.27 |
| White, non-His | 0.56 | 0.61 |
| Bachelor's | 0.15 | 0.25 |
| Health ins. | 0.31 | 0.35 |
| Unemp comp. | 0.40 | 0.20 |
| Tenure (yrs) | | |
| Past s.e. | 0.46 | 0.54 |

Source: U.S. Census Bureau, Survey of Income and Program Participation (SIPP), 2008 Panel Waves 1 to 10. Each summary statistic is significantly different between transition types at the 0.10 level.

Models

| Summary Stat. | Model 1 | |
|---------------|--------------------------|--------------------------------|
| | Unemployed, no change | Unemployed to self-employed |
| Northwest | 0.18 | 0.13 |
| Midwest | 0.19 | 0.16 |
| South | 0.37 | 0.39 |
| West | 0.26 | 0.32 |
| Recession | 0.27 | 0.39 |
| Unemp. rate | 8.99 | 8.77 |

Source: U.S. Census Bureau, Survey of Income and Program Participation (SIPP), 2008 Panel Waves 1 to 10. Each summary statistic is significantly different between transition types at the 0.10 level.

Models

| Summary Stat. | Model 3 | | |
|---------------------|-----------------------------|--------------------------------|---------------------------------|
| | Self-employed, no change | Self-employed to Unemployed | Self-employed to wage-worker |
| High school | 0.54 | 0.53 | 0.70 |
| Bachelor's | 0.37 | 0.39 | 0.15 |
| Own home | 0.81 | 0.70 | 0.59 |
| Tenure (yrs) | 12.09 | 7.44 | 6.55 |
| Small bus | 0.85 | 0.76 | 0.63 |
| Incorporated | 0.34 | 0.23 | 0.12 |
| Bus. Income (100\$) | 23.96 | 10.38 | 9.28 |

Results: model 1

- Probability of entering self-employment from unemployment *increases with*
 - age
 - being Hispanic
 - having a bachelor degree
 - past self-employment
 - living in the west
 - transitioning during the recession

Results: model 1

- Probability of entering self-employment from unemployment *decreases with*
 - being female
 - receiving unemployment compensation
 - living in a metro area
 - the state monthly unemployment rate

Results: model 2

- Probability of entering self-employment from wage work *increases with*
 - age
 - marriage
 - being white non-Hispanic
 - having a bachelor degree
 - past self-employment
 - living in the west
 - transitioning during the recession

Results: model 2

- Probability of entering self-employment from wage work *decreases with*
 - being female,
 - being Hispanic,
 - having less than a high school degree,
 - having health insurance,
 - job tenure

Results: model 3

- Probability of remaining self-employed *increases* when the business is
 - Smaller
 - Older
 - Incorporated
 - More profitable

Results: model 3

- Probability of remaining self-employed *increases* when the owner
 - Is female
 - Owns own home

Results: model 3

- Probability of exiting self-employment to unemployment

Increases with

- Previous spells of unemployment
- Living in the west

Decreases with

- Being white, non-Hispanic
- Having a bachelor's degree
- Having health insurance

Results: model 3

- Probability of exiting self-employment to wage-work

Increases with

- Previous spells of wage-work
- Having a bachelor's degree
- Having health insurance

Decreases with

- The unemployment rate

Summary

- Hypotheses:
 - Movements into self-employment - characteristics of the individual. YES
 - Movements out of self-employment - characteristics of the business. YES

Summary

- Hypotheses
 - Recession: transitions from unemployment to self-employment will increase. YES
 - Post-recession: transitions from self-employment to wage-work will increase. NO



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