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Self-Employment In The United States

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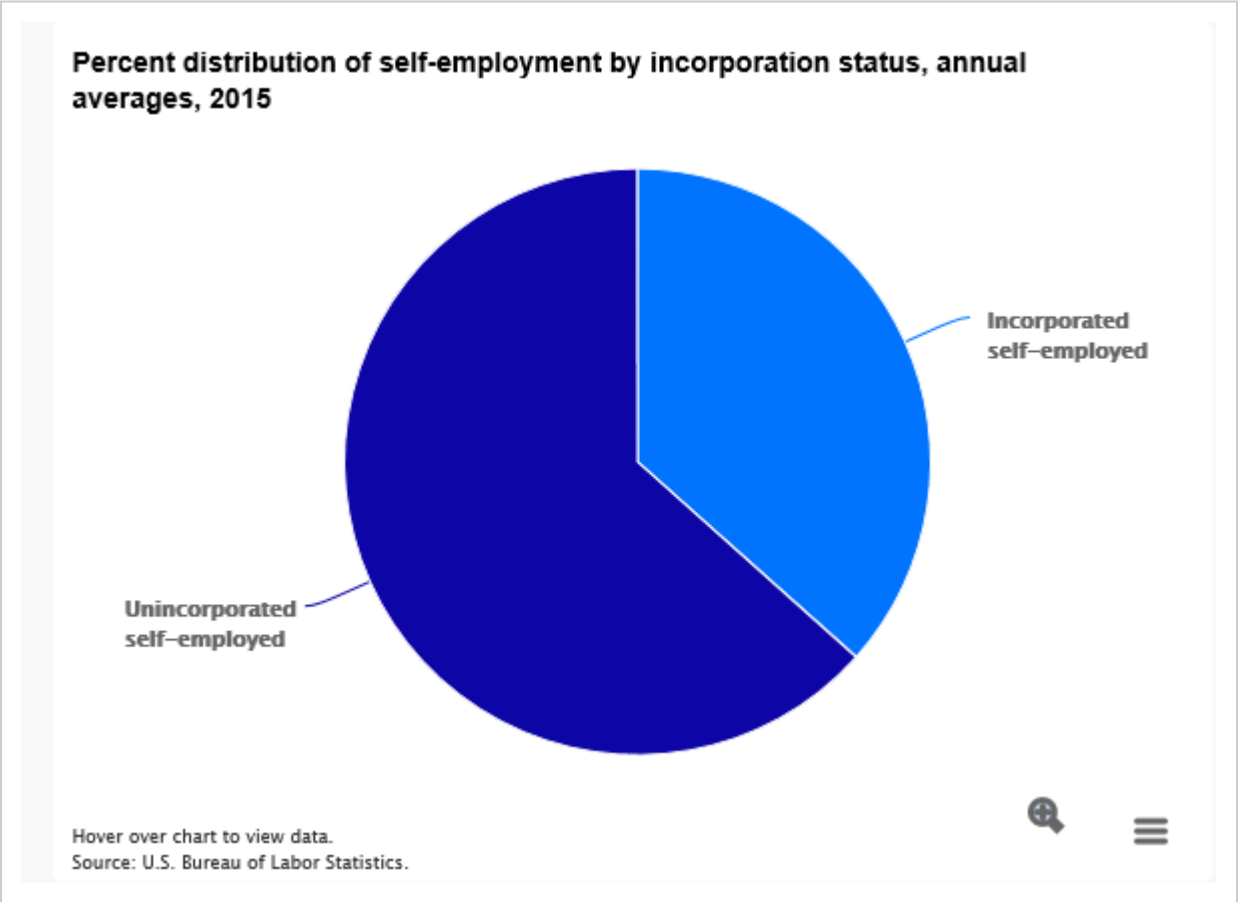
Since the late 1940s, data on self-employment have been collected regularly as part of the Current Population Survey (CPS), a monthly sample survey of about 60,000 households that provides employment and unemployment data for the nation's civilian noninstitutional population ages 16 and older. Since 1967, the official BLS estimates of self-employment have included only the unincorporated self-employed.

Although it is possible to identify the incorporated self-employed separately, they are counted as wage and salary workers in the official statistics because, legally, they are employees of their own business. This *Spotlight on Statistics* examines recent trends in self-employment by various demographic and socioeconomic characteristics, including both the unincorporated and the incorporated self-employed, as well as data on paid employees who work for the self-employed.

15 million people were self-employed in 2015, or 10.1 percent of all U.S. workers

Self-employment continues to be an important source of jobs in the United States. In 2015, 15.0 million people, or 10.1 percent of total U.S. employment, were self-employed, including those who had incorporated their businesses and those who had not. Of all the self-employed, 9.5 million, or about 6 in 10, were unincorporated; the remaining 5.5 million were incorporated. People who are self-employed typically incorporate their businesses in order to receive traditional benefits of the corporate structure, including limited liability, tax considerations, and enhanced opportunity to raise capital through the sale of stocks and bonds.

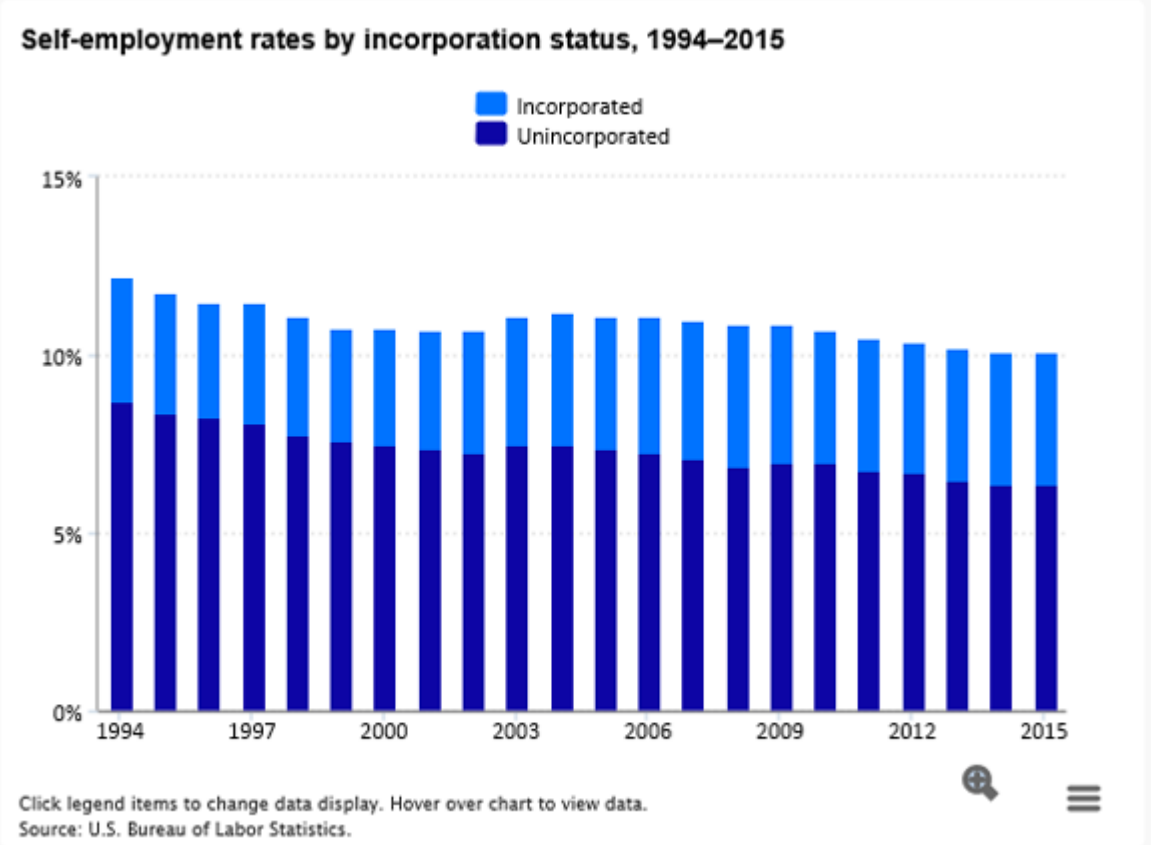


The self-employment rate has trended down over the past two decades

The self-employment rate—the proportion of total employment made up of self-employed workers—has trended down over the past two decades. In 1994, the self-employment rate was 12.1 percent; by 2015, the rate had declined to 10.1 percent. From 1994 to 2015, the unincorporated self-employment rate fell from 8.7 percent to 6.4 percent.

The long-term decline in unincorporated self-employment partially reflects an overall decrease in agricultural employment, where a large share of workers are self-employed. At the same time, there has been a decline in the agricultural self-employment rate, which might be due to a decrease in the number of small farms and the emergence of large farming operations.

The decline in the unincorporated self-employment rate might also reflect a general increase in the likelihood of businesses to incorporate. From 1994 to 1999, the share of total employment made up of the incorporated self-employed ranged from 3.2 percent to 3.5 percent. Over the 2000–08 period, the incorporated self-employment rate rose from 3.3 percent to 4.0 percent. The rate then edged down to 3.7 percent in 2010 and remained at that level over the 2011–15 period.



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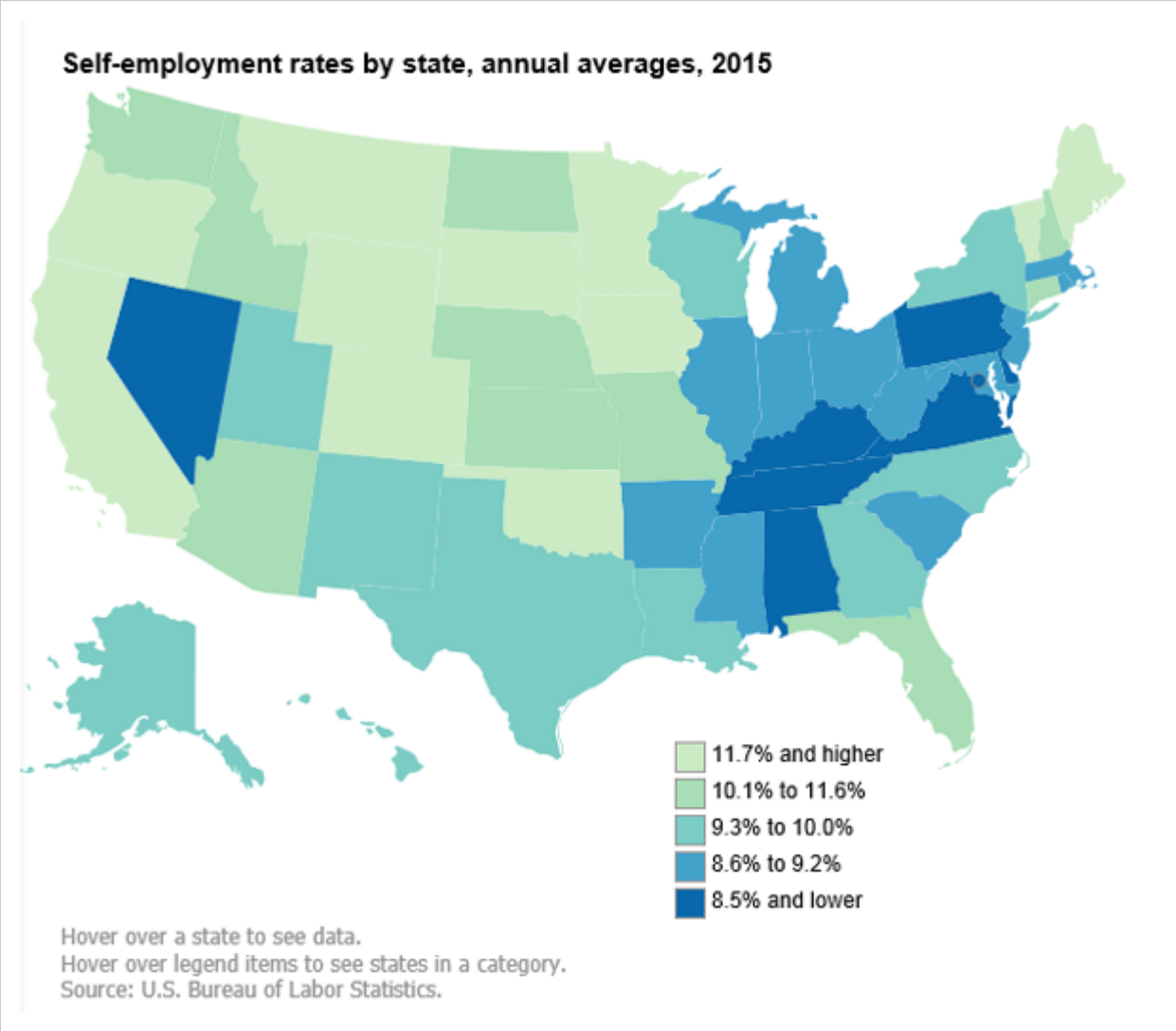
29 states and D.C. had self-employment rates below the U.S. rate; 21 had rates at least as high

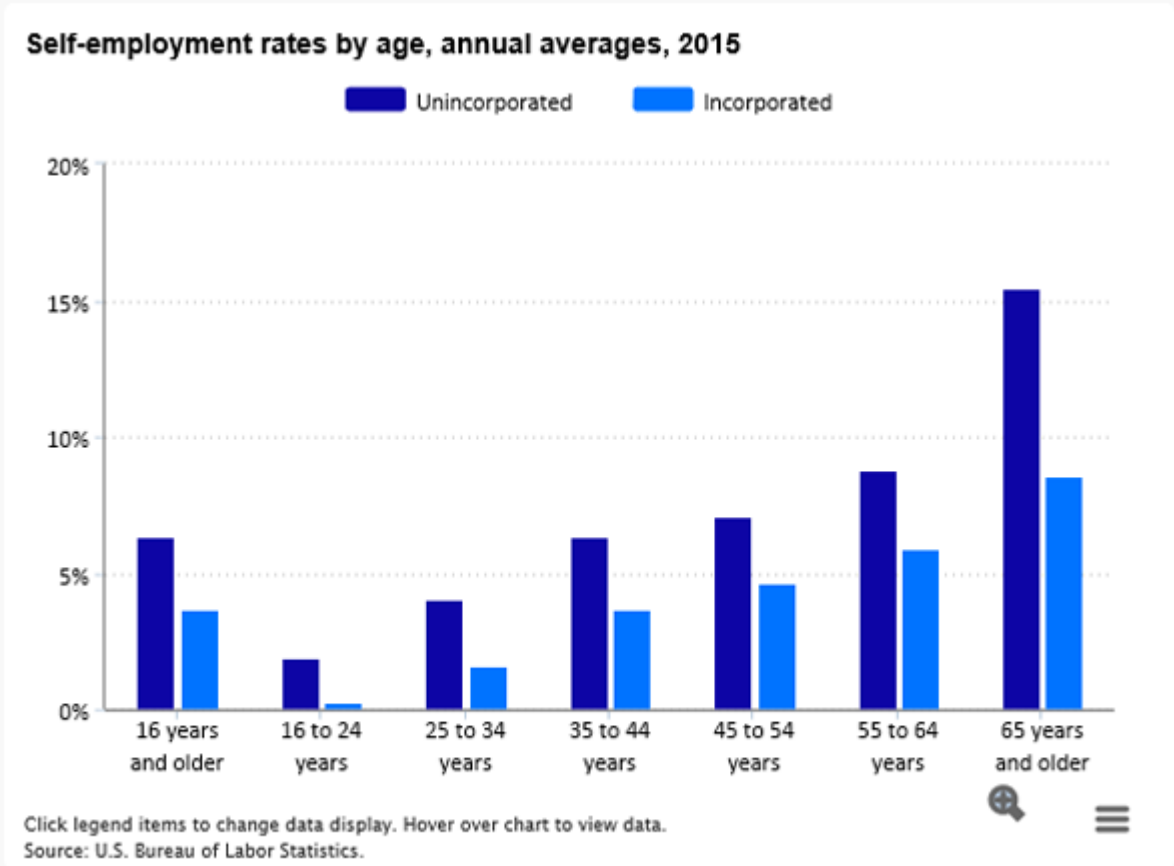
In 2015, 29 states and the District of Columbia had self-employment rates below the U.S. rate of 10.1 percent, and 21 states had rates as least as high. Montana had the highest rate among states, 16.1 percent, followed by Maine (15.4 percent), Vermont (14.4 percent), and South Dakota (14.2 percent). The lowest rates were in the District of Columbia (7.1 percent), Delaware (7.2 percent), and Alabama (7.5 percent).

Among the unincorporated self-employed, Maine (11.2 percent) and Vermont (10.0 percent) had the highest self-employment rates. The lowest unincorporated rates were in the District of Columbia (3.8 percent), Delaware (4.2 percent), Virginia (4.3 percent), and New Jersey (4.4 percent). Among the incorporated self-employed, Montana had the highest self-employment rate, 7.1 percent, followed by Colorado, 6.4 percent. The lowest incorporated self-employment rates were in Tennessee (1.9 percent) and West Virginia (2.4 percent).



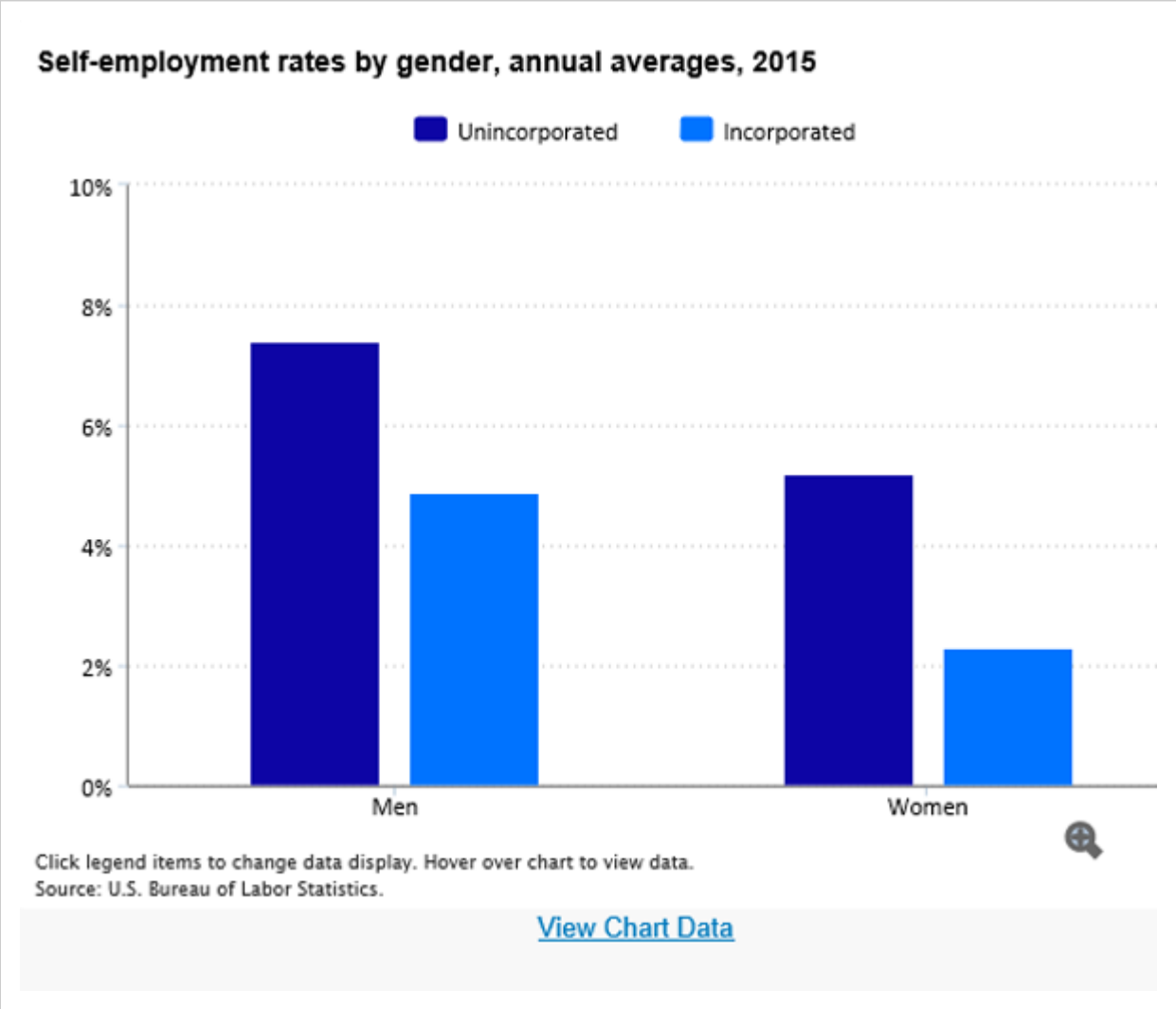
Self-employment rates are higher for older workers than for younger workers

The self-employment rate for older workers continued to be higher in 2015 than that for younger workers. The unincorporated self-employment rate among workers aged 65 years and older was the highest (15.5 percent) of any age group; in contrast, the rates were much lower for their counterparts aged 16 to 24 (1.9 percent). A possible reason is that younger workers rarely have accumulated the capital and the managerial skills required to start a business, whereas many older workers may be able to acquire these resources through their own efforts or through access to credit. For all age groups, incorporated self-employment rates were lower than unincorporated rates; however, incorporated self-employment rates also rose with age.



Self-employment rates for men are higher than those for women

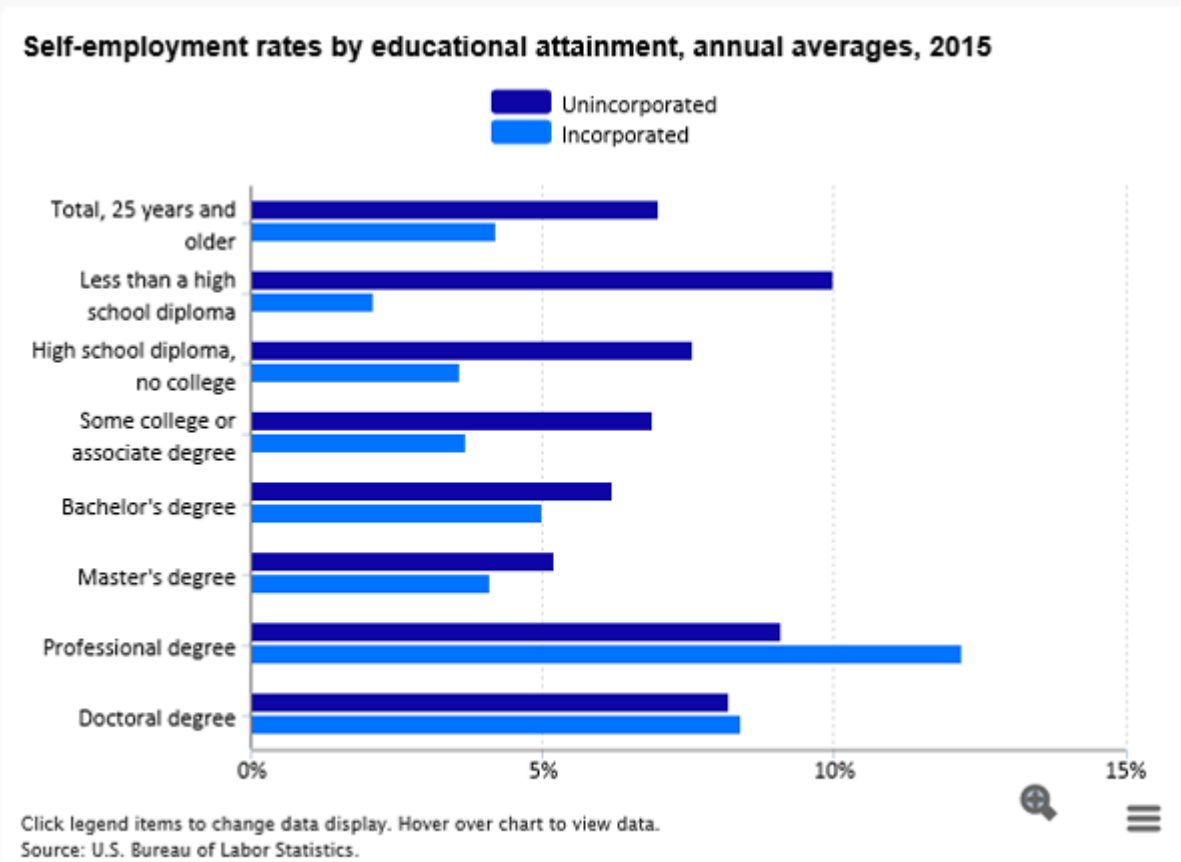
Self-employment rates are higher for men than women. In 2015, 7.4 percent of men were among the ranks of the unincorporated self-employed, compared with 5.2 percent of women. The incorporated self-employment rate for men was 4.9 percent, compared with 2.3 percent for women. Men are more likely than women to work in occupations that have large proportions of self-employed workers—for example, in construction occupations and in management occupations.



Self-employed workers can be found at all levels of education

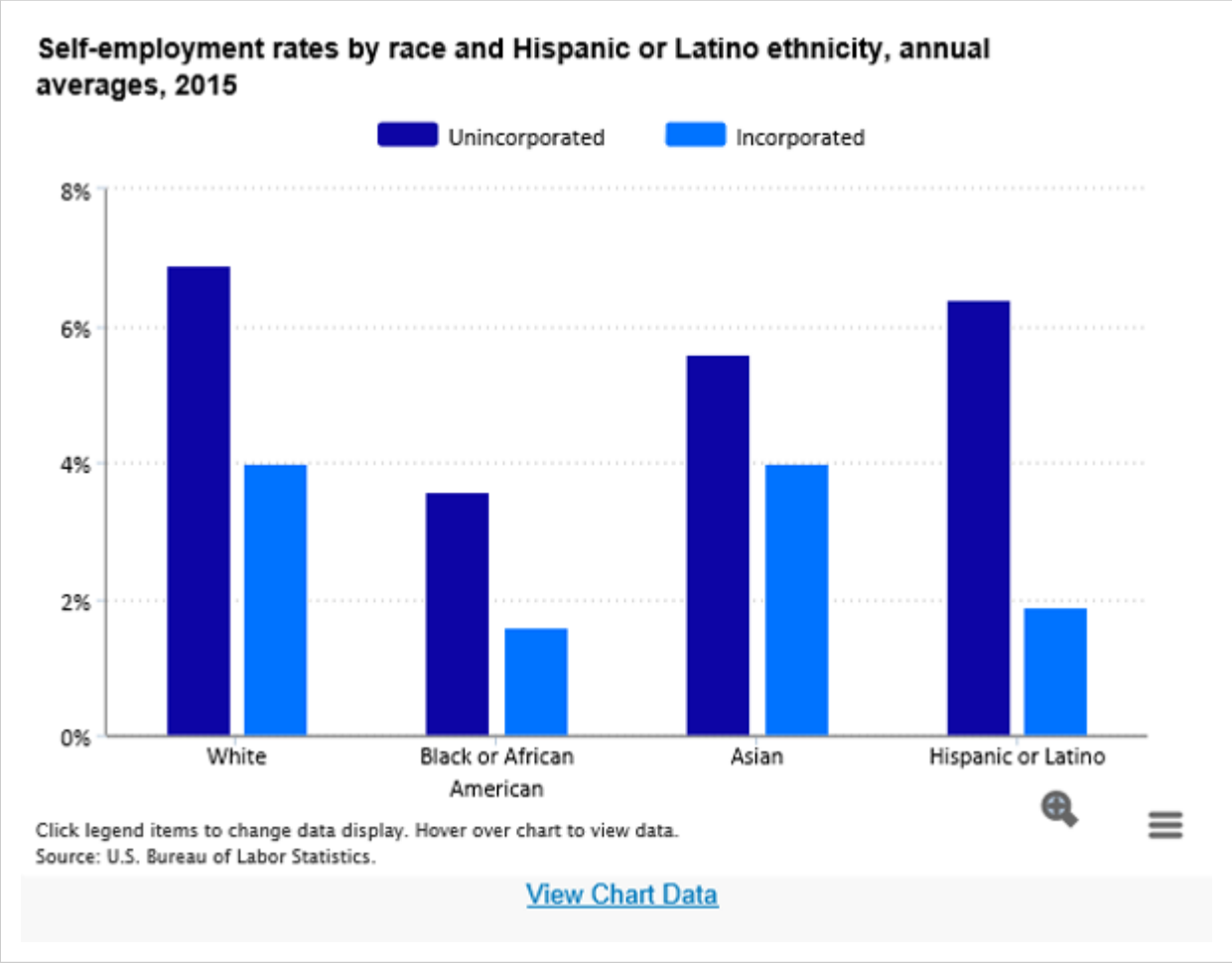
Self-employed workers can be found at both ends of the educational attainment spectrum. In 2015, among those aged 25 years and older, unincorporated self-employment rates were highest for those with less than a high school diploma and for those with a professional degree (10.0 and 9.1 percent, respectively) and lowest for individuals with a bachelor's degree or master's degree (6.2 and 5.2 percent, respectively).

Among the incorporated self-employed, self-employment rates were highest for those with a professional degree (12.2 percent) and for those with a doctoral degree (8.4 percent). In contrast, the incorporated self-employment rate for people with less than a high school diploma was much lower, at 2.1 percent.



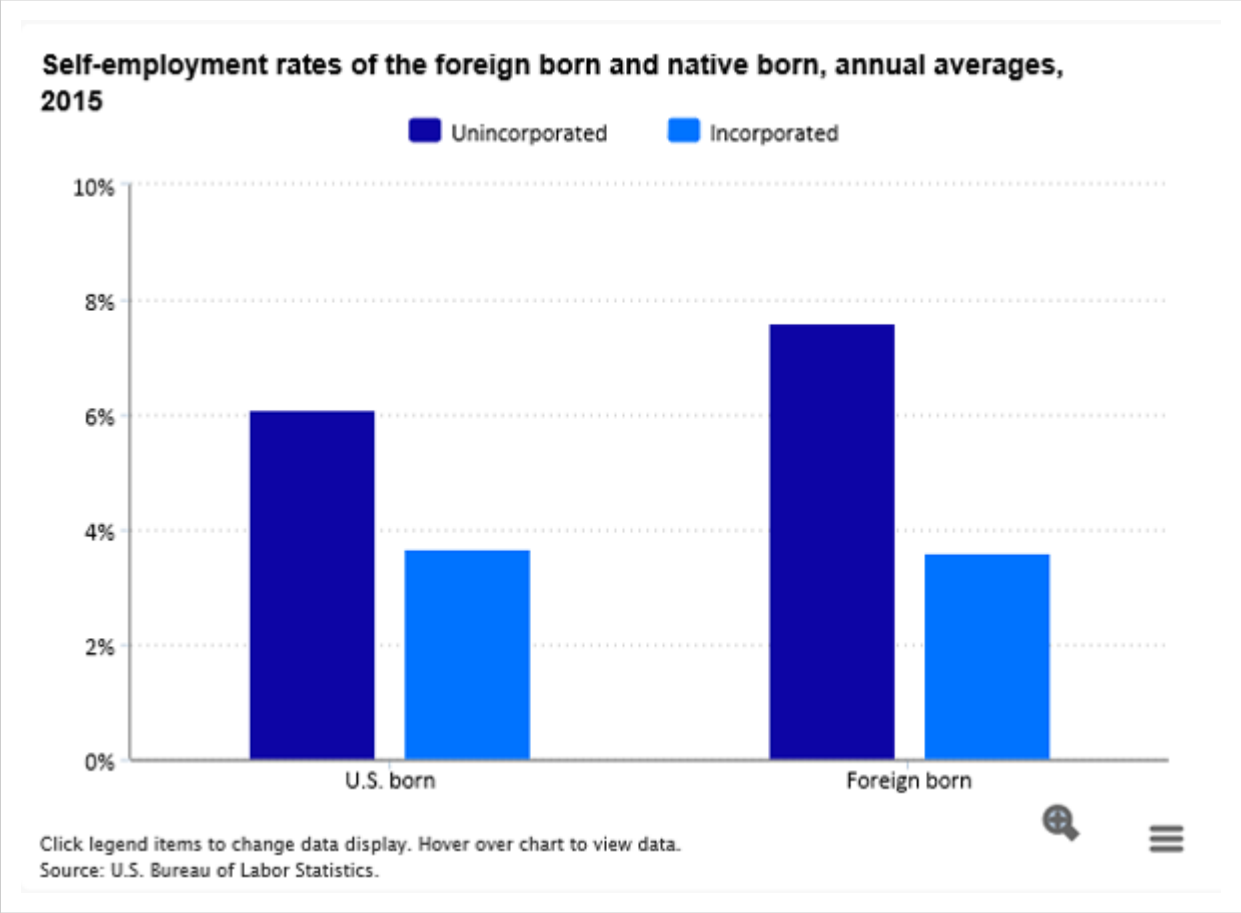
Self-employment rates are higher for Whites than for Blacks or Hispanics

Whites continued to be more likely than Blacks or Hispanics to operate their own businesses. In 2015, the unincorporated self-employment rate for Whites was 6.9 percent while the rates for Blacks and Hispanics were 3.6 percent and 6.4 percent, respectively. The rate for Asians was 5.6 percent. Incorporated self-employment rates were highest for Asians and Whites (4.0 percent for both groups).



Foreign-born workers are more likely to be self-employed than native-born workers

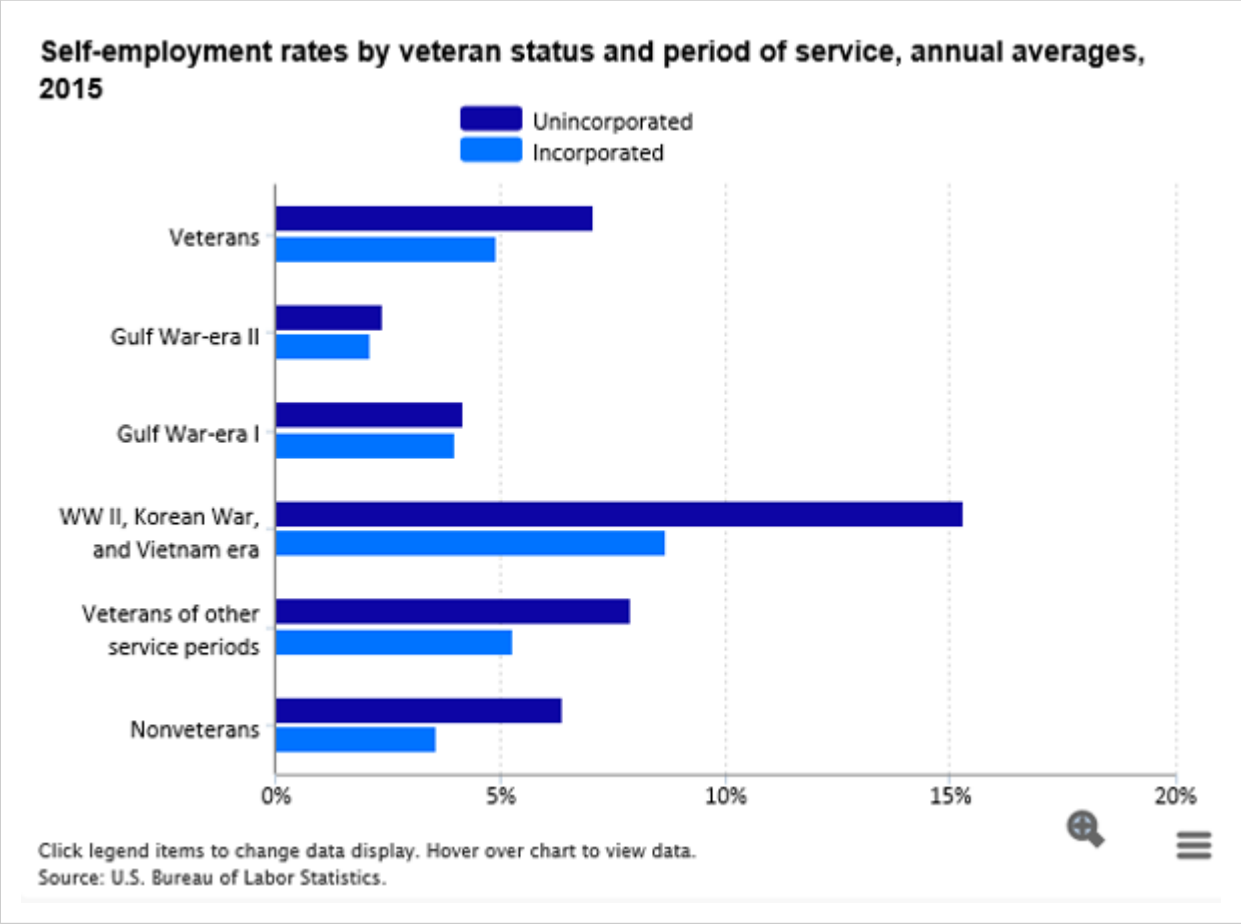
Among the unincorporated self-employed, foreign-born workers were more likely than their U.S. native-born counterparts to be self-employed in 2015; the rate for the foreign born was 7.6 percent, compared with 6.1 percent for the native-born. By comparison, the incorporated self-employment rates were about the same for the two groups.



Veterans are more likely than nonveterans to be self-employed

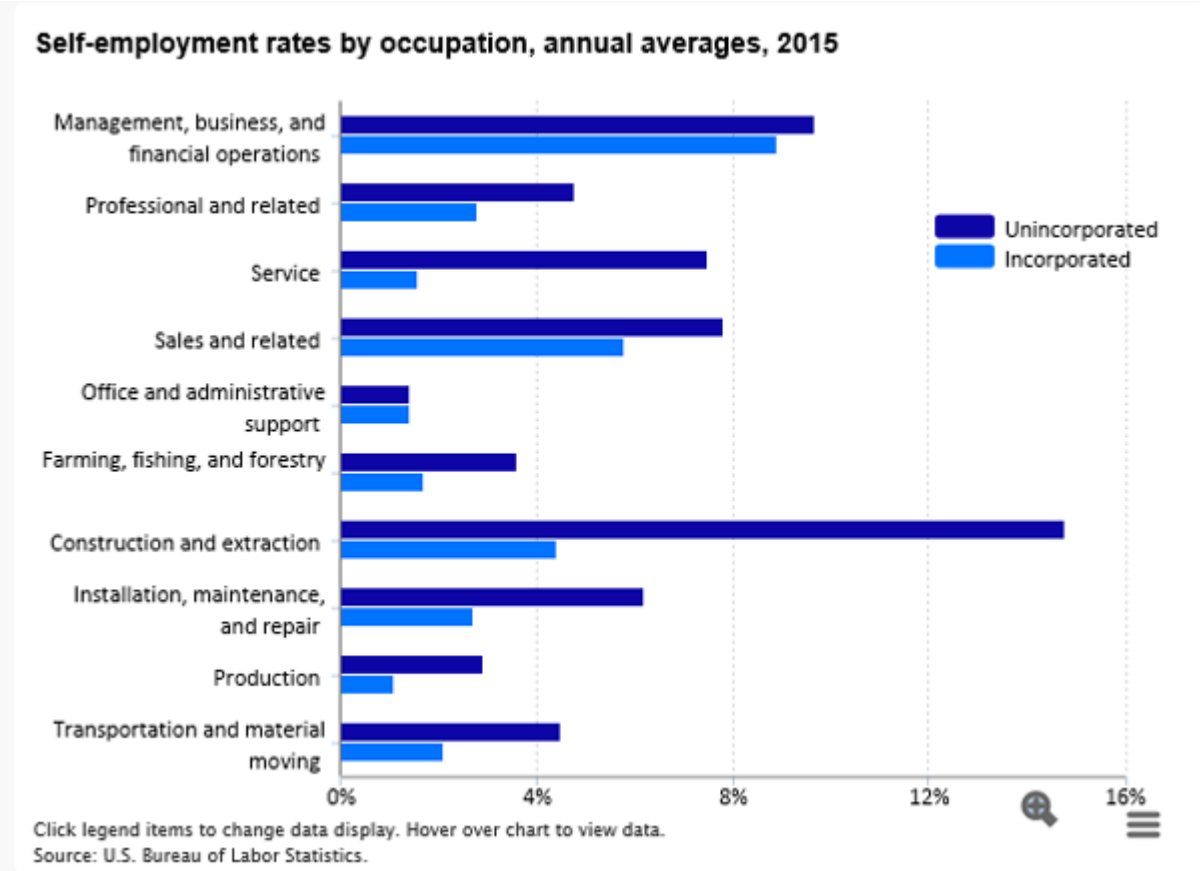
Veterans are more likely to be self-employed than nonveterans. In 2015, the unincorporated self-employment rate for veterans was 7.1 percent, compared with 6.4 percent for nonveterans. The higher rate of self-employment among veterans partially reflects the demographic profile of the veteran population. For instance, employed veterans are much more likely than nonveterans to be male, and the self-employment rate for men is higher than the rate for women.

The higher rate of self-employment among veterans also partially reflects the older age profile of veterans: 40 percent of employed veterans were aged 55 years and older, compared with 21 percent of nonveterans. Older workers are more likely to be self-employed than younger workers. Indeed, among veterans, the highest rates of self-employment were recorded by those who served during World War II, the Korean War, and the Vietnam era; unincorporated and incorporated self-employment rates for these veterans were 15.3 percent and 8.7 percent, respectively. By comparison, Gulf War era II veterans—who have a much younger age profile—recorded lower rates of self-employment: 2.4 percent were classified as unincorporated self-employed, and 2.1 percent were incorporated.



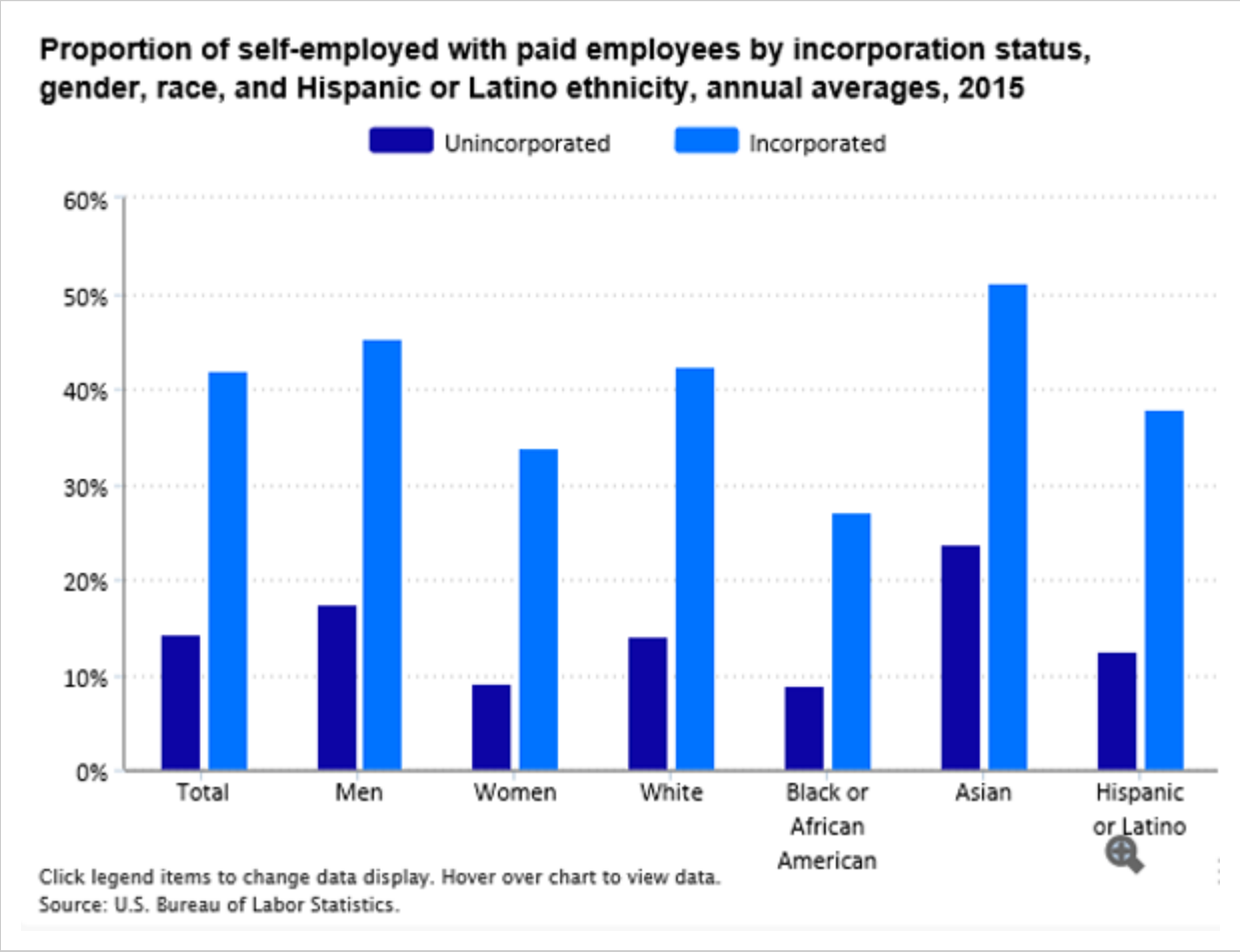
Self-employed workers are found in many different occupations

The self-employed are found in a wide variety of occupations. For example, in 2015, unincorporated self-employment rates were highest for workers in construction and extraction occupations (14.8 percent); management, business, and financial occupations (9.7 percent); and sales and related occupations (7.8 percent). Self-employment rates had a somewhat different pattern for incorporated business owners than for the unincorporated self-employed. Among the incorporated self-employed, business ownership rates were highest for management, business, and financial occupations (8.9 percent) and for sales and related occupations (5.8 percent).



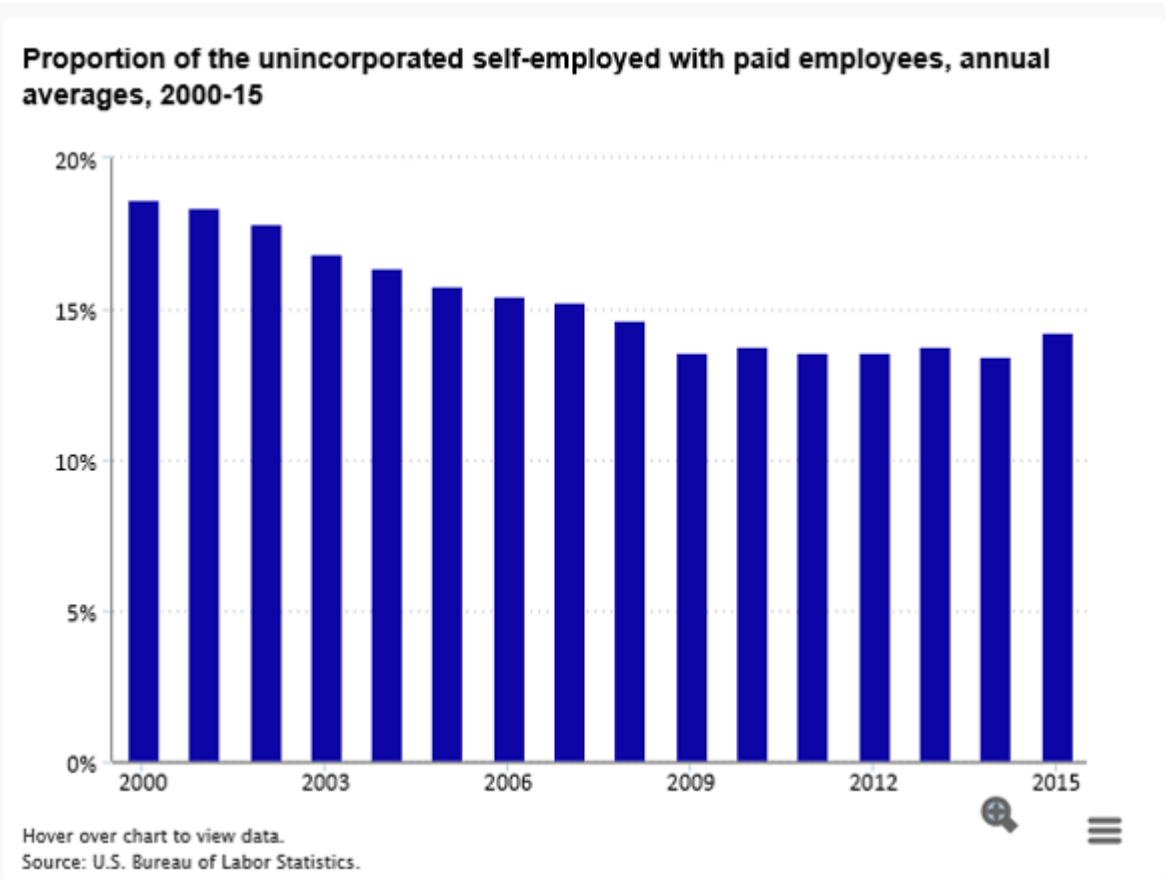
Incorporated self-employed more likely than unincorporated to have paid employees

The incorporated self-employed are much more likely than the unincorporated self-employed to have paid employees. In 2015, 42.1 percent of the incorporated self-employed had paid employees, compared with only 14.3 percent of the unincorporated self-employed. Among all of the major demographic groups, the incorporated self-employed were much more likely than the unincorporated self-employed to have paid employees.



Proportion of unincorporated self-employed with paid employees has declined since 2000

The percentage of the unincorporated self-employed with paid employees has trended down over time. In 2015, only 14.3 percent of the unincorporated self-employed had paid employees, a decline from 18.7 percent in 2000. Comparable data are not available for the incorporated self-employed; data collection of paid employees for the incorporated self-employed began in 2014. From 2014 to 2015, the percentage of incorporated self-employed with paid employees edged up from 40.9 percent to 42.1 percent.



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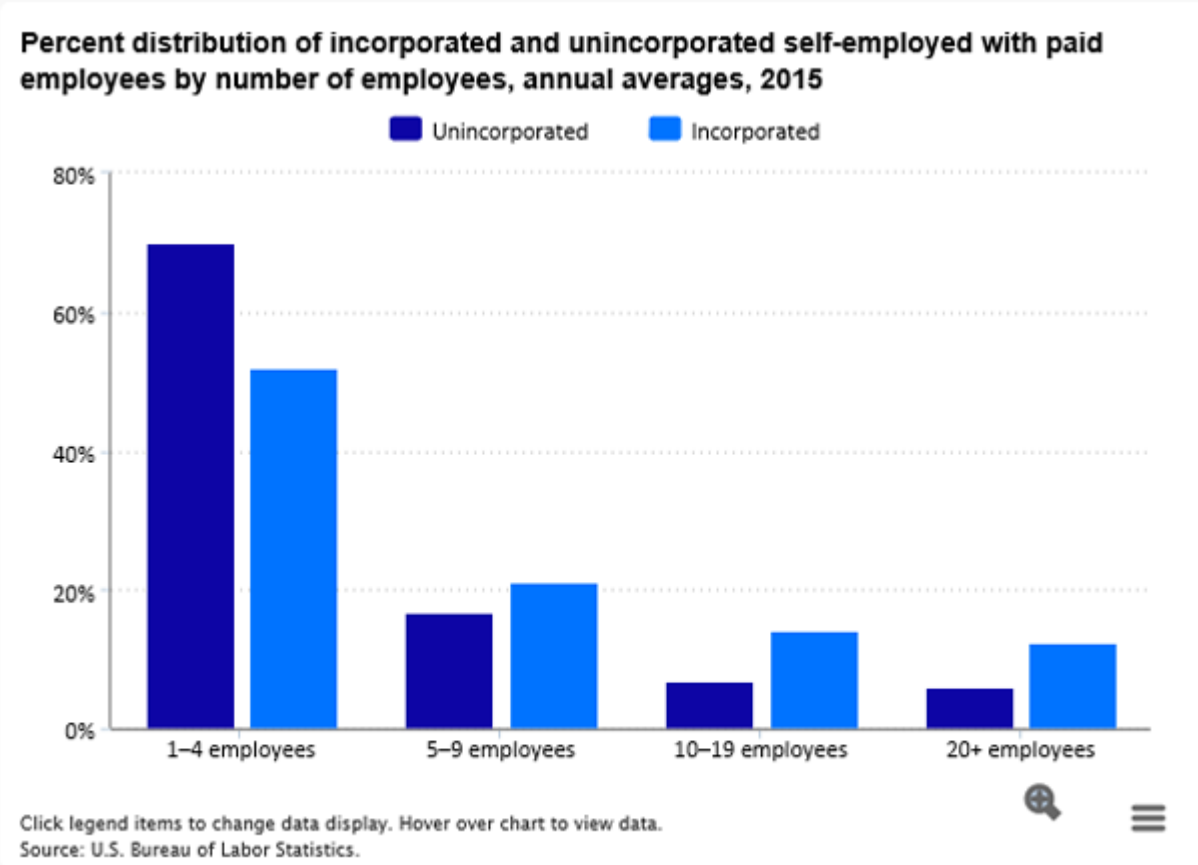
Self-employed with paid employees most likely to employ 1 to 4 workers

Of the 1.4 million unincorporated self-employed business owners with paid employees in 2015, 70.0 percent had 1 to 4 employees. The proportion with more than 20 employees was very small, at 6.1 percent. The incorporated self-employed were much more likely than the unincorporated to have paid employees. Of the 2.3 million incorporated self-employed business owners with paid employees in 2015, 52.1 percent employed 1 to 4 workers while 12.5 percent had 20 or more employees.



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More information

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Data on self-employment are obtained from the Current Population Survey (CPS), the official source of employment and unemployment data in the United States. In addition to classifying employment by occupation and industry, the CPS subdivides the employed by "class of worker"—that is, wage and salary employees, the self-employed, and unpaid family workers. In 1967, it became possible to identify another group of self-employed workers: those who had reported themselves in the CPS as self-employed and had incorporated their businesses. People choose to incorporate their businesses for a number of reasons, including legal and tax considerations. Since 1989, unpublished tabulations of the incorporated self-employed have been produced by BLS on a regular basis.

In the monthly CPS, employed respondents are asked the question "Last week, were you employed by government, by a private company, a nonprofit organization, or were you self-employed?" Respondents who say they were employed by government, a private company, or a nonprofit organization are classified as wage and salary workers. Individuals who say that they are self-employed are asked, "Is this business incorporated?" Respondents who say yes are the incorporated self-employed and are classified as wage and salary workers; respondents who say no are classified as unincorporated self-employed.

Beginning in January 1995, the unincorporated self-employed have been asked the question "Do you usually have any paid employees?" Respondents who say yes are then asked "Excluding all owners, how many paid employees does your business usually have?" Since January 2014, the incorporated self-employed have also received the two questions on presence of paid employees.

More data on self-employment are available on the BLS website or by contacting the Division of Labor Force Statistics by phone at 202-691-6378 or by email at CPSInfo@bls.gov. For more information on recent trends in the number of farms and average farm size, see "Farms and Land in Farms, 2014 Summary" (U.S. Department of Agriculture, National Agricultural Statistics Service, February 2015). For an analysis of transitions into and out of self-employment among older workers who have career jobs, see "New Evidence on Self-employment Transitions Among Older Workers with Career Jobs" (BLS Working Paper 463, March 2013), by Kevin E. Cahill, Michael D. Giandrea, and Joseph F. Quinn.