

Self-Employment in the Veteran and Service-Disabled Veteran Population

Open Blue Solutions, Chapel Hill, NC 27517
2007 [43 pages]. Under contract no. SBAHQ-05-Q-0009

Purpose

The factors that influence lower rates of self-employment among the service-disabled veteran population are not well-understood, in part because service-disabled veterans are seldom identified as a distinct group when studies of veteran entrepreneurship are performed. This study uses the Bureau of Labor Statistics' Current Population Survey (CPS) to examine the self-employment choices of veterans and service-disabled veterans.

This study also examines how computer technology relates to veteran self-employment. A deeper understanding of this interaction is required in order to assist veterans with the successful development of their own businesses. It is especially important that policymakers understand the effect that information-age tools like the Internet have had on the self-employment choices of service-disabled veterans, whose numbers are growing. This paper provides information about veteran entrepreneurship and illustrates the experiences of self-employed veterans in the information-based economy.

Data collected in the Census Bureau's 2002 Survey of Business Owners and Self-Employed Individuals (SBO), part of its Economic Census conducted every five years, indicate that 7.2 percent of non-employer, veteran business owner respondents were service-disabled. The Department of Veterans Affairs (VA) reported that in the same year 9.4 percent of all veterans were receiving compensation due to a service-connected disability. The VA's 2001 National Survey of Veterans reported that 13.8

percent of veterans identified themselves as having a service-related disability (though not necessarily receiving compensation). So, using "non-employers" as a proxy for self-employed individuals, it can be said that service-disabled veterans are self-employed at a rate approximately one-quarter to one-half lower than their percentage in the veteran population in general would otherwise suggest.

Overall Findings

- Veterans with service-connected disabilities are self-employed at lower rates than veterans without such disabilities. Substantially all of the difference between the self-employment rates of service-disabled veterans and those of other veterans results from the service-connected disabilities themselves, and not to differences in demographic or other characteristics.
- Approximately one-half to two-thirds of the difference in these self-employment rates is due to service-disabled veterans not working at all. Controlling for the effects of service-connected disabilities results in nearly identical rates of labor-force participation among service-disabled veterans and those without such disabilities.
- Computer use is correlated with higher employment rates among all veterans, with additional benefits for the service-disabled. Computer use also increases self-employment rates among all veterans, but there is no additional effect on the self-employment choices of service-disabled veterans beyond that observed for all veterans.

Highlights

- During the eighteen years observed (1988-2005), there has been a steady increase in the percentage of veterans not employed, which is potentially due to an overall aging of the veterans population.
- Self-employment rates are lower for service-disabled veterans than for non-service-disabled veterans in all years and in both disability definitions used for this study.
- The study's models predict that the employment rate of service-disabled veterans would be over ten percentage points higher if service-connected disabilities did not interfere with employment. This would represent a 25 to 28 percent increase in their employment rate.
- These models further predict that the self-employment rate of service-disabled veterans would increase by about three percentage points if their disabilities were not a barrier. This would represent a 60 to 90 percent increase in their self-employment rate, depending on the model.
- The study's analysis predicts that, if all service-disabled veterans were computer owners, their employment rate would increase by over five percentage points, representing about an 11 percent increase in that rate.
- The study's models also predict that the self-employment rate of service-disabled veterans would increase by slightly more than one percentage point if all such veterans were computer owners, representing about a 23 percent increase in the self-employment rate.

Scope and methodology

Data for this study were drawn from three sections of the Current Population Survey (CPS) conducted by the U.S. Census Bureau for the Department of Labor's Bureau of Labor Statistics between 1985 and 2005. These included the CPS's annual March demographic supplements, its biennial Veterans Supplements, and its Computer and Internet Use Supplement from 2001. Datasets were created for each survey month in which data was drawn. SAS programs developed by the National Bureau of Economic Research were used to assemble the raw CPS data. In order to fill gaps in the available SAS extraction programs and to account for year-to-year

differences in the structure of the datasets, the authors developed their own data extraction program for the March 1995 data and for survey years prior to 1988.

Tabulations and summary statistics are presented that identify the effects of particular factors, such as demographic variables (including age, gender, and race/ethnicity) and service-connected disability, on the propensity for veterans to become self-employed. The results are presented by implementing a bivariate probit model of veteran self-employment, in which the veteran makes a two-stage choice between employment and not working, and then between self-employment and other employment if employment is chosen in the first stage. The model provides formal hypothesis tests for the statistical significance of the factors tabulated. The research conducts simulations and provides estimates of the practical significance of the effects of service-connected disabilities on the self-employment outcomes of veterans.

This report was peer-reviewed consistent with Advocacy's data quality guidelines. More information on this process can be obtained by contacting the Director of Economic Research at advocacy@sba.gov or (202) 205-6533.

Ordering Information

The full text of this report and summaries of other studies performed under contract with the U.S. Small Business Administration's Office of Advocacy are available on the Internet at www.sba.gov/advo/research. Copies are available for purchase from:

National Technical Information Service
5285 Port Royal Road
Springfield, VA 22161
(800) 553-6847 or (703)605-6000
TDD: (703) 487-4639

www.ntis.gov

Order number: PB2007-103440

Paper A04 (\$29.50)
Microfiche A01 (\$14.00)
CD-ROM A00 (\$22.00)
Download A00 (\$17.95)

For email delivery of Advocacy's newsletter, press, regulatory news, and research, visit <http://web.sba.gov/list>. For Really Simple Syndication (RSS) feeds, visit www.sba.gov/advo/rsslibrary.html.