

# Self-employed workers: an update to 1983

*The number of Americans working for themselves continues to increase, reaching 9.1 million in 1983; they tend to be older than other workers, and although they work longer hours, their earnings are lower*

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Even in this age of big business, there are still many individuals who work for themselves. Between 1976 and 1983, the number of self-employed Americans increased each year, posting an overall gain of 23 percent, or 1.7 million.<sup>1</sup> In fact, self-employment among American workers has been increasing for almost a decade and a half, barely pausing for cyclical downturns.

When agricultural self-employment is separated from nonagriculture, two pictures emerge. Agricultural self-employment, which had been decreasing for decades, continued to decline through the mid-1970's. Since 1976, it has held steady at about 1.6 million. Nonagricultural self-employment, in contrast, has increased each year since 1970, when it was 5.2 million, to 1983, when it was 7.6 million, an increase of more than 45 percent.<sup>2</sup>

## Related groups

Several groups are closely related to the self-employed, but are not included in their number. Among them are individuals who have incorporated their own businesses. By incorporation, such persons draw a wage or salary from their business and, consequently, are included among wage and salary workers.<sup>3</sup> The incorporated self-employed accounted for 2.8 million workers in 1982, up from 2.1 million in 1978.

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Another group closely related to the self-employed is the unpaid family worker (who must work at least 15 hours a week in a family business to be counted in the statistics). There were slightly more than 600,000 of these workers in 1983. As a worker group, unpaid family members have been declining for several decades. Since 1970, their number in agriculture has dropped by about 52 percent, compared with a 25-percent decline for those in nonagricultural work. (See table 1.)

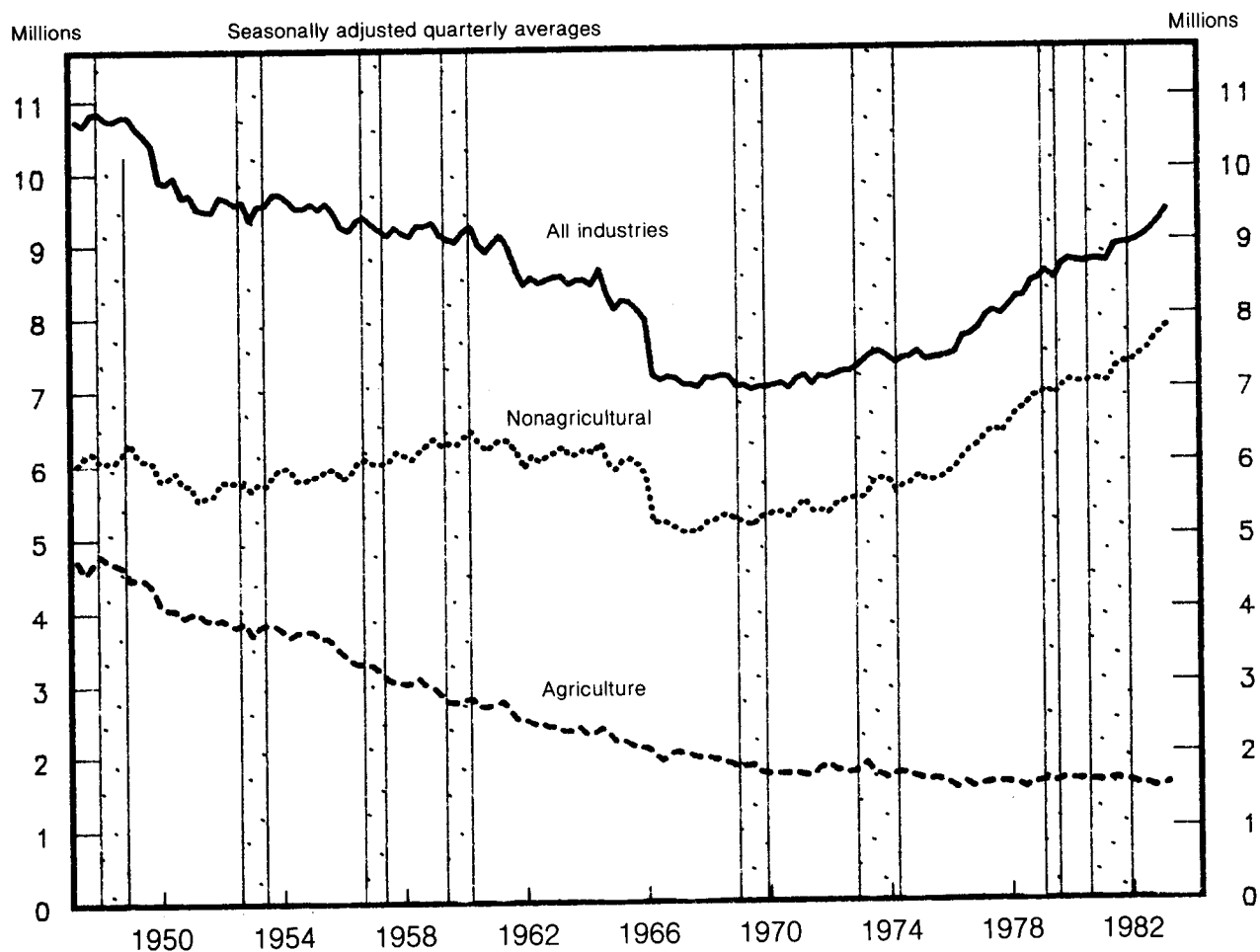
No typical unpaid family worker exists. He or she may be the spouse of a doctor or dentist doing office chores or professional work, the child of the owner of a small store or business helping out after school and on weekends, or the relative of a family farmer putting in long hours of manual work.<sup>4</sup> More than three-fourths of unpaid family workers were women in 1983, a proportion only slightly smaller than in past years.

Finally, there is the person who holds two jobs and who is self-employed on the second job. Because the Current Population Survey counts each person only once, dual jobholders are classified according to their primary job. The latest available data on multiple jobholders from the May 1980 Current Population Survey show that about 1.6 million people, or one-third of all dual jobholders, were self-employed on their second jobs.<sup>5</sup>

## Cyclical patterns

The upward trend in the number of self-employed workers began around 1970. (See chart 1.) Prior to then, self-em-

**Chart 1. Self-employed workers by major industry group, 1948-84**



NOTE: Shaded areas denote recessions.

ployment had been on the decline, fueled largely by the reduction in agricultural self-employment, which in 1948 was 4.7 million. Agricultural self-employment continued to decline through the mid-1970's, but at a much slower pace. Since 1976, agricultural self-employment has leveled off at about 1.6 million, suggesting that the decline in independent family farming may be coming to an end.

In the nonagricultural sector, there were 6.1 million self-employed in 1948; by 1970, the number had declined to 5.2 million. Not included in the 1970 total, however, was a large number of incorporated self-employed who, prior to 1967, had been included.<sup>6</sup> Nonfarm self-employment began rising slowly in the early 1970's and more sharply in the second half of the decade. By 1983, the number reached 7.6 million.

Several analysts have suggested that self-employment moves in a countercyclical fashion.<sup>7</sup> While the evidence for this is not overwhelmingly strong, an examination of the

proportional seasonally adjusted quarterly changes in self-employment during recessions tends to support this idea, at least for the nonagricultural sector. The following tabulation shows percentage changes in self-employment from business cycle peaks to troughs (as designated by the National Bureau of Economic Research), 1948-82:

Peak	Trough	All industries	Non-agriculture	Agriculture
IV-1948	IV-1949 . . .	-0.5	4.5	-7.0
III-1953	II-1954 . . .	-.5	-.3	-.8
II-1957	II-1958 . . .	-2.4	-.1	-6.7
II-1960	I-1961 . . .	2.2	2.4	1.8
IV-1969	IV-1970 . . .	.0	1.5	-4.3
IV-1973	IV-1975 . . .	.5	1.7	-2.8
I-1980	III-1980 . . .	.9	.7	1.9
III-1981	IV-1982 . . .	2.5	3.2	-.8

Nonagricultural self-employment has registered strong increases during the recovery part of the cycle since 1970.

**Table 1. Employment by major industry group and class of worker, 1970-83**

Year	Total			Agricultural			Nonagricultural		
	Self-employed	Wage and salary	Unpaid family	Self-employed	Wage and salary	Unpaid family	Self-employed	Wage and salary	Unpaid family
1970	7,031	70,645	1,001	1,810	1,154	499	5,221	69,491	502
1971	7,077	71,286	1,001	1,750	1,166	479	5,327	70,120	522
1972	7,157	74,010	986	1,792	1,225	467	5,365	72,785	519
1973	7,254	76,847	962	1,780	1,267	422	5,474	75,580	540
1974	7,455	78,460	880	1,758	1,366	391	5,697	77,094	489
1975	7,427	77,551	869	1,722	1,301	386	5,705	76,249	483
1976	7,429	80,519	806	1,646	1,344	342	5,783	79,175	464
1977	7,694	83,481	841	1,580	1,360	343	6,114	82,121	498
1978	8,047	87,205	795	1,618	1,452	316	6,429	85,753	479
1979	8,384	89,674	767	1,593	1,451	304	6,791	88,222	463
1980	8,642	89,950	711	1,642	1,425	297	7,000	88,525	413
1981	8,735	91,006	656	1,638	1,464	266	7,097	89,543	390
1982	8,898	89,967	661	1,636	1,505	261	7,262	88,462	401
1983	9,140	91,075	616	1,565	1,579	240	7,575	89,500	376

During downturns, however, it has tended to stabilize or increase moderately after a decline. In effect, nonagricultural self-employment has come out of each of the cyclical downturns since 1970 somewhat earlier than its wage and salary counterpart. One possible reason for this may be the length and intensity of the recessions themselves (except for the 1980 downturn). When persons who are self-employed on their second job lose their primary wage and salary job due to an economic downturn, their self-employment, if continued, becomes their primary job. In addition, some people may enter self-employment upon the loss of a wage and salary job. Self-employment growth during the first full year of recovery from the 1981-82 recession was exceptionally large—360,000, or 4 percent—when compared with other postwar recovery periods.<sup>8</sup>

**Demographic characteristics**

Self-employed workers tend to be older than wage and salary workers. Whereas younger workers rarely have the financial and skill resources needed to start their own businesses, many older workers can marshal these resources either through their own efforts or through access to available credit. In addition, older workers who have retired from wage and salary jobs often become self-employed to supplement their retirement income.

Although the average age of self-employed persons has dropped in recent years, those age 45 and over continue to account for a large share (45 percent) of all self-employed workers. The downtrend in age distribution is more pronounced among the self-employed than among wage and salary workers. The percentages of the total accounted for by each of three age groups are shown in the following:

	1979	1983	Change
<b>Self-employed:</b>			
16-24	6.6	6.1	-0.5
25-44	44.3	48.6	4.3
45 and over	49.0	45.2	-3.8
<b>Wage and salary:</b>			
16-24	24.1	21.3	-2.8
25-44	45.9	50.5	4.6
45 and over	30.0	28.2	-1.8

Blacks are considerably less likely than the population at large to be self-employed. While this was true in 1979, it was even more so in 1983, as the proportion of self-employed blacks dropped from 5.5 to 3.8 percent. At the same time, their number declined by more than 100,000, or 23 percent, while that of their wage and salary counterparts increased by 30 percent.

Not only are there proportionately fewer black self-employed workers, but those who did operate their own businesses in 1983 were quite likely to be in sales, service, farming, and operator, fabricator and laborer occupations. White self-employed workers, in contrast, were more likely to be in managerial and professional and technical occupations.

In addition to being disproportionately older and white, 71 percent of the self-employed in 1983 were men, compared with 55 percent of wage and salary workers. But the number of self-employed women has increased five times faster than the number of self-employed men, and more than three times as fast as wage and salary women. To the extent that the total female labor force is growing more rapidly than the male labor force, the increase in self-employed women is to be expected. Nevertheless, the continued increase in the number of self-employed women may also

**Table 2. Occupational distribution by class of worker, 1983**  
[In percent]

Occupation	Self-employed workers	Wage and salary workers	Unpaid family workers
Total	100.0	100.0	100.0
Managerial and professional specialty	26.7	23.2	4.7
Technical, sales, and administrative support	23.1	31.7	43.8
Service	9.7	14.2	6.5
Precision production, craft, and repair	16.7	11.8	3.1
Operator, fabricator, and laborer	6.6	17.0	6.3
Farming, forestry, and fishing	17.3	2.1	35.7

NOTE: Columns may not equal total because of rounding.

indicate an expansion in the employment opportunities women are creating for themselves.

### Occupational and industry distribution

As with wage and salary workers, the self-employed are widely distributed across occupations and, with two major exceptions, their distribution patterns are similar. (See table 2.) A much larger share of self-employed than wage and salary workers are in agriculture. This phenomenon traces its roots to the family farm. However, with the advent of large-scale corporate farming, the family farm and, with it, agricultural self-employment, began to decline. From 4.8 million workers in the fourth quarter of 1948, agricultural self-employment declined to 1.6 million in the fourth quarter of 1983. Nevertheless, agriculture accounted for more than 17 percent of all self-employed workers in 1983, compared with a little more than 2 percent of wage and salary employment. The managerial and professional specialty occupations accounted for more than a quarter of all self-employed workers and was the largest single group among the major occupations. Physicians, dentists, chiropractors, lawyers, and accountants are included in this group.

Technical, sales, and administrative support jobs were only a slightly smaller proportion of self-employment than the managerial and professional specialty occupations, but this proportion was substantially smaller than that of wage and salary workers in the same occupational group. Included in this group are many jobs not readily suited to self-employment, such as cashiers, receptionists, and bank tellers.

Self-employment does constitute a lion's share of several occupations. More than half of all dentists, veterinarians, optometrists, podiatrists, and other health diagnosing technicians, authors, painters and sculptors, auctioneers, street and door-to-door sales workers, barbers, child-care workers, and farm operators and managers were self-employed in 1983.

Just as certain occupations lend themselves to self-employment, so do certain industries. More than half of the workers in dressmaking shops, shoe repair shops, barber shops, and lodging places other than hotels or motels were self-employed. Other industries with more than a quarter of their work force self-employed included: taxicab service, business management and consulting services, auto repair shops, and beauty shops.

Clearly, the service-producing sector provides the bulk of the opportunities for self-employment outside of agriculture. Eighty percent of the self-employed had service-producing jobs, compared with 70 percent of wage-and-salary workers. While most of the self-employed in this sector had jobs in retail trade or services, this was due to the dominance of these two industries in terms of total employment. Only about 10 percent of the work force in both retail trade and services were self-employed, not much higher than the percent of total nonagricultural employment.

Within the goods-producing sector, almost 20 percent of construction industry employment consisted of the self-em-

**Table 3. Nonagricultural self-employment by industry, selected years**

Industry	Number (in thousands)			Percent		
	1972	1979	1983	1972	1979	1983
Total	5,365	6,791	7,578	100.0	100.0	100.0
Goods-producing	1,003	1,513	1,558	18.7	22.3	20.6
Mining	13	22	29	.2	.3	.4
Construction	746	1,152	1,158	13.9	17.0	15.3
Manufacturing	244	339	371	4.5	5.0	4.9
Service-producing	4,362	5,278	6,020	81.3	77.7	79.4
Transportation, communication, and public utilities	203	276	322	3.8	4.1	4.2
Wholesale trade	213	277	316	4.0	4.1	4.2
Retail trade	1,475	1,576	1,616	27.5	23.2	21.3
Finance, insurance, and real estate	262	445	532	4.9	6.6	7.0
Services	2,209	2,704	3,233	41.2	39.8	42.7

ployed, compared with only 3 percent in mining and 2 percent in manufacturing. The need for extensive capitalization is clearly a major deterrent for the latter two industries.

Growth patterns in the two sectors were quite different over the 1979-83 period than in the prior 7 years, partly because of the impact of the 1980 and 1981-82 recessions on the goods sector. During the 1972-79 period, self-employment in the goods-producing sector grew twice as fast as in the service-producing sector, primarily because of rapid growth in the construction industry and slow growth among retailers. Over the 1979-83 period, employment growth continued to be slower than average among self-employed retailers, but it picked up in the services industry. The latter industry alone provided two-thirds of the 1979-83 increase in the self-employed. Thus, during that period, both self-employment and employment in general grew faster in the service sector than in the goods-producing sector. (See table 3.)

### Hours and earnings

Self-employment conjures up the image of an individual who works many hours each week to keep his or her business operating. And, indeed, almost a third of those working for themselves in nonagricultural jobs worked at least 49 hours a week in 1983. The workweek of the self-employed averaged 40 hours, down nearly 2 hours from 1979. During the same period, the average workweek of wage and salary workers declined by one-half hour, to 38 hours. (See table 4.) Thus, there has been a narrowing in the gap in the workweek between the self-employed and other workers.

**Table 4. Weekly hours of work by major industry group and class of worker, 1979-83**

Industry group and class	1979	1980	1981	1982	1983	Change, 1979-83	
						Hours	Percent
Nonagricultural:							
Self-employed	41.9	41.2	40.5	39.8	40.0	-1.9	-4.5
Wage and salary	38.4	38.1	37.6	37.6	37.9	-.5	-1.3
Agricultural:							
Self-employed	51.4	49.3	49.5	48.3	47.4	-4.0	-7.8
Wage and salary	42.1	41.6	40.9	40.3	40.3	-1.8	-4.3

Self-employed farmers put in more than 47 hours a week in 1983, down from more than 51 hours in 1979. Although they still worked more hours than their nonagricultural counterparts, the same declining trend in hours is evident.

Persons who work for themselves continue to earn less than their wage and salary counterparts. Despite a generally longer workweek, self-employed persons in 1982 earned, on average, only about 70 percent as much as wage and salary workers, that is \$12,595 compared with \$17,559.<sup>9</sup>

Nevertheless, there were a number of occupations—mostly professional—where self-employment was more remunerative than wage and salary work. Included are management-related jobs such as accountants and auditors, records management analysts, buyers, and business promotion agents; and professional specialty occupations such as natural scientists, health diagnosing, assessment, and treating, legal, and certain sales-related jobs.

Partly because more than half of the women who work for themselves were in the relatively low-paying sales and service occupations, their median earnings of \$6,644 in 1982 were substantially below those of self-employed men, who earned \$14,360. (See table 5.) A sizable portion of self-employed men, about a third, were in the more lucrative management and professional specialty occupations or worked as finance and business sales representatives, also a high-paying occupation.

**Table 5. Median earnings of year-round full-time workers in 1982, by occupation, class of worker, and sex**

Occupation	Men		Women	
	Self-employed	Wage and salary	Self-employed	Wage and salary
Total .....	\$14,360	\$21,542	\$6,644	\$13,352
Managerial and professional specialty .....	24,720	28,637	10,366	17,955
Technical, sales, and administrative support .....	15,841	21,694	7,468	12,897
Service .....	10,913	14,632	4,837	9,185
Precision production, craft, and repair .....	13,890	21,432	7,557	14,024
Operator, fabricator, and laborer .....	12,015	17,167	5,918	11,047
Farming, forestry, and fishing .....	6,584	11,323	238	7,958

The 1982 mean earnings of self-employed men were also below those of wage and salary workers, a reversal of the situation in 1978. At that time, earnings of self-employed men were “substantially skewed at the upper end of the earnings distribution,” bringing their mean earnings to a fairly high level.<sup>10</sup> In 1982, however, more than half of all self-employed men had earnings below \$15,000 a year, compared with only a fourth of wage and salary workers. At the upper end of the scale, a fifth of self-employed men had earnings above \$30,000 a year, compared with a fourth of wage and salary men. □

—FOOTNOTES—

<sup>1</sup>This report primarily covers trends since 1979, as it updates T. Scott Fain, “Self-employed Americans: their number has increased,” *Monthly Labor Review*, November 1980, pp. 3–8. It is based on data from the Current Population Survey, a monthly sample survey of about 60,000 households conducted for the Bureau of Labor Statistics by the Census Bureau. Self-employed persons are defined as those who work for profit or fees in their own business, profession, or trade, or operate a farm.

<sup>2</sup>The size of the nonagricultural self-employed class corresponds closely to—but by no means totally explains—the difference between two independently derived estimates of nonagricultural employment. In 1983, the Current Population Survey (household survey) provided an estimate of 97.5 million nonagricultural workers, while the Current Employment Statistics (establishment survey) program produced an estimate of 90.0 million. In addition to the coverage differences, the two surveys differ in terms of both concept and methodology.

<sup>3</sup>In 1967, it became possible to identify workers who had reported themselves in the Current Population Survey as self-employed but who had incorporated their businesses. Practically all of these workers were in the nonagricultural sector and their reclassification out of self-employment in 1967 is quite apparent in the trend line on chart 1. For a more complete discussion of the incorporated self-employed see Fain, “Self-employed Americans.” Also see Robert L. Stein, “New Definitions for Employment and Unemployment,” *Employment and Earnings and Monthly Report on the Labor Force*, February 1967, pp. 3–27.

<sup>4</sup>For a report on unpaid family workers since 1950, see Patricia A. Daly, “Unpaid family workers: long-term decline continues,” *Monthly Labor Review*, October 1982, pp. 3–5.

<sup>5</sup>For additional comments and tabulations on the May 1980 data, see Daniel E. Taylor and Edward S. Sekscenski, “Workers on long schedules, single and multiple jobholders,” *Monthly Labor Review*, May 1982, pp. 51–52.

<sup>6</sup>For a quantification of the effect of moving the incorporated from the self-employment to the wage and salary classification see Stein, “New Definitions,” page 34.

<sup>7</sup>See John E. Bregger, “Self-employment in the United States, 1948–62,” *Monthly Labor Review*, January 1963, pp. 37–43; and Robert N. Ray, “A report on self-employed Americans in 1973,” *Monthly Labor Review*, January 1975, pp. 49–54.

<sup>8</sup>The comparison refers to the 13-month period from November 1982, the trough of the most recent recession, through December 1983. Largely because of the unusually fast growth in self-employment, total employment grew faster than wage and salary employment (as measured by the survey of establishments) during the first year of recovery.

<sup>9</sup>These data are from the March 1983 supplement to the Current Population Survey and refer to 1982 median earnings for year-round full-time workers. These median earnings do not include income implicit to the self-employed worker (and generally not available to the wage and salary worker) such as use of the business car for personal travel or the home as the place of work, or feeding or clothing the family from a store owner's own stock or the farmer's own fields.

<sup>10</sup>See Fain, “Self-employed Americans.” The situation is not exactly comparable, however, because Fain's analysis is based on private wage and salary workers, whereas the earnings data in this report are for all wage and salary workers, including government employees.