

Self-Employed Business Ownership Rates in the United States: 1979-2003

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Purpose

Published figures from the U.S. Department of Labor, Bureau of Labor Statistics (BLS) tell only part of the story of the self-employed. The figures exclude the incorporated self-employed, an increasingly popular tax status, and generally do not include owner demographics. Fortunately, microdata are available for users to generate customized figures. Microdata are used here to produce more complete self-employment figures and to follow trends in self-employed business owner demographics.

Overall Findings

Self-employment numbers have grown slowly and steadily since the late 1970s, and self-employment rates have been relatively stable. In recent years, both the counts and rates of male, female, Latino, African American, White, and Asian self-employed have increased.

Highlights

- The number of non-agricultural self-employed reached 12.2 million in 2003, an increase of 716,000 or 6.2 percent from 2000's 11.5 million. The figure of 9.3 million published by BLS for 2003 excludes the incorporated self-employed.
- Self-employment counts and rates (self-employed divided by the labor force) were up from 2000 to 2003 for all genders and races, except for Asian men.

- The Asian self-employment rate (the number of Asian self-employed divided by the number of Asians in the labor force) peaked in 1992 at a relatively high 12.9 percent, then dropped over the next decade to 9.4 percent in 2000 and increased to 10.4 percent by 2003. Asian self-employment figures are available only since 1989.

- Latino self-employment increased significantly, from 241,000 in 1979 to 1 million in 2003. The Latino self-employment rate was 7 percent (the number of Latino self-employed divided by the number of Latinos in the labor force) in 2003.

- In 2003, African-American self-employment reached its highest levels in both number, at 710,000 and rate, at 5.2 percent (the number of African-American self-employed divided by the number of African Americans in the labor force).

- Women's self-employment reached 3.8 million in 2003 and their self-employment rate was 6.8 percent (the number of self-employed women divided by the number of women in the labor force). Men's and women's self-employment exhibited similar peaks and valleys over the 1979-2003 period.

- Male veterans' self-employment rates (the number of self-employed male veterans divided by the number of male veterans in the labor force) were higher than those of nonveterans from 1979 to 2003. In 2003, the male veteran self-employment rate was 13.7 percent.

- Male veteran self-employment declines have mirrored their declines in the labor force. From 1979

to 2003, male veteran self-employment fell from 2.9 million to 1.4 million, while the male veteran labor force fell from 20.2 million to 10.4 million.

- Regionally, the West has had the highest self-employment rates (the number of self-employed divided by the labor force), 1.8 percent higher than the national average from 1979 to 2003.
- The make-up of the self-employed has changed from 1979 to 2003. Latinos represented 3 percent of total self-employment in 1979 and 8.5 percent by 2003. The male veteran share of the male self-employed declined from 48.3 percent in 1979 to 17 percent in 2003. And women's share rose from 22.5 percent in 1979 to 31.5 percent in 2003.
- The study illustrates the need to disaggregate owner demographic categories in analyzing self-employment trends.

Scope and Methodology

Microdata from the U.S. Census Bureau / U.S. Bureau of Labor Statistics Current Population Survey (CPS) program were used to update a previous report, adding 2001-2003 data to the previous dataset. Microdata are available to the public, although a familiarity with the Current Population Survey is needed. See <http://dataferrett.census.gov/TheDataWeb/index.html>.

The researcher turned a comparatively small monthly survey into a rich annual dataset large enough to show accurate trends for subclasses of owners. (The dataset used the outgoing rotation group). The numbers of self-employed listed in this report exclude individuals whose secondary occupation is self-employment, individuals who spend less than 15 hours a week on their self-employment endeavors, and agricultural self-employment. The figures presented in this study include incorporated self-employed individuals, while published figures from BLS exclude this group.

The report also discusses relatively small methodological changes in the CPS over the years and the likely impact of those changes.

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 to the U.S. Small Business Administration's Office of Advocacy are available at www.sba.gov/advo/research. Copies are also available from:

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