

# Self-employment in the United States

*About 1 in 9 workers was self-employed in 2009; as in the past, self-employment continues to be more common among men, Whites, Asians, and older workers, and in the agriculture, construction, and services industries*

Steven F. Hipple

**S**elf-employment continues to be an important source of jobs in the United States. In 2009, 15.3 million individuals were self-employed, including both those who had incorporated their businesses and those who had not. The self-employment rate, which is the proportion of total employment made up of the self-employed, was 10.9 percent. Of all self-employed persons, 9.8 million, or nearly two-thirds, were unincorporated; the remaining 5.5 million were incorporated. From 2003 to 2009, the total self-employment rate has held steady; a small decline in the unincorporated self-employment rate was partially offset by a similar rise in the rate of incorporated self-employment. (See tables 1 and 2 and chart 1.)

Since the late 1940s, data on self-employment have been collected regularly as part of the Current Population Survey (CPS), the official source of data on employment and unemployment in the United States.<sup>1</sup> In addition to classifying employment by occupation and industry, the CPS subdivides the employed by “class of worker”—that is, wage and salary employee, self-employed, and unpaid family worker. (See box, p. 18.) 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. Individuals choose to incorporate their businesses for a number of reasons, including legal and tax

considerations. Since 1967, the official estimates of self-employment published by the Bureau of Labor Statistics (BLS, the Bureau) have included only the unincorporated self-employed. Although it is possible to identify the incorporated self-employed separately, these individuals are counted as wage and salary workers in the official statistics because, from a legal standpoint, they are employees of their own businesses.

This article describes the CPS measurement of unincorporated and incorporated self-employment, discusses historical trends in these data series, examines the effect of recessions on self-employment, provides an overview of the characteristics of self-employed workers, and concludes with an examination of the unincorporated self-employed who have paid employees. Because there are differences between the unincorporated and incorporated self-employed, the two groups will, for the most part, be discussed separately in what follows.

## Trends in self-employment

*Unincorporated self-employed.* The proportion of total employment made up of the unincorporated self-employed has fallen gradually since 1967.<sup>2</sup> (See table 1.) The secular decrease in unincorporated self-employment is due primarily to two reasons. The first, and chief, reason is the well-known decline in agricultural employment, a dropoff in an industry in which a large share of employment is made up of the self-employed. At the same time, there also has been a steady decrease in the agricultural self-employment rate

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### The CPS measurement of self-employment

Since January 1994, employed respondents in the monthly CPS have been 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 that 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, the measure that typically appears in BLS publications. Since 1989, unpublished tabulations of the incorporated self-employed have been produced by the Bureau on a regular basis.

Over time, some changes in the measurement of self-employment have affected comparability of the data. Although the questions designed to determine class-of-worker status have remained relatively consistent since 1948, a break in series took effect in 1967. Beginning then, a question on business incorporation was added and individuals identified as incorporated self-employed were classified as wage and salary workers. This change in classification had an immediate and marked impact on the measurement of self-employment: with the incorporated self-employed now classified as wage and salary workers instead of being classified as self-employed, a sharp decline was registered in self-employment, from 8.1 million in 1966 to 7.2 million in 1967.

Other changes to the CPS were implemented with the survey redesign in 1994. After the implementation of the redesign, significantly higher proportions of the total employed and, particularly, of employed women were classified as incorporated self-employed and unincorporated self-employed, respectively. (For more information on the impact of the CPS redesign on self-employment estimates, see Anne E. Polivka and Stephen M. Miller, “The CPS after the Redesign: Refocusing the Economic Lens,” in John Haltiwanger, Marilyn Manser, and Robert Topel, eds., *Labor Statistics Measurement Issues* (National Bureau of Economic Research, Studies in Income and Wealth, vol. 60, 1998), pp. 249–86, on the Internet at [www.bls.gov/ore/abstract/ec/ec950090.htm](http://www.bls.gov/ore/abstract/ec/ec950090.htm) (visited May 7, 2010).) Finally, in 2003 the CPS adopted the 2002 North American Industry Classification System (NAICS) and the 2000 Standard Occupation Classification (SOC) system. Dual-coding efforts of the U.S. Census Bureau allowed for revision of data back to 2000. (For more information on changes to the CPS implemented in January 2003, see Mary Bowler, Randy E. Ilg, Stephen Miller, Ed Robison, and Anne Polivka, “Revisions to the Current Population Survey Effective in January 2003,” *Employment and Earnings* (Bureau of Labor Statistics, February 2003), on the Internet at [www.bls.gov/cps/rvcps03.pdf](http://www.bls.gov/cps/rvcps03.pdf) (visited May 7, 2010).)

All of these changes affect the comparability of the data on employment by class of worker.

since 1967. The decrease in self-employment in agriculture is due mainly to a decline in the number of smaller farms and the emergence of large farming operations. According to the National Agricultural Statistics Service, in 1967 there were 3.2 million farms with an average acreage of 355 acres; by 2009, the number of farms had fallen to 2.2 million and the average acreage had risen to 418 acres.

A second reason is an increase in the likelihood of businesses to incorporate.<sup>3</sup> Self-employed workers typically incorporate their businesses in order to receive traditional benefits of the corporate structure, including limited liability, tax considerations, and the enhanced opportunity to raise capital through the sale of stocks and bonds.<sup>4</sup> From 1994 to 2009, the unincorporated self-employed’s share of nonagricultural employment declined slightly. (See table 1 and chart 1.)

Over the same period, the proportion of nonfarm employment made up of the incorporated self-employed edged up from 3.4 percent to 3.9 percent. (See table 2.)

*Incorporated self-employed.* As mentioned previously, in most of the CPS tabulations of class-of-worker categories, the incorporated self-employed are included as wage and salary workers. Table 2 shows annual average data on incorporated self-employment from 1989 to 2009.<sup>5</sup> The share of total employment made up of the incorporated self-employed was about unchanged, at 2.9 percent to 3.0 percent, during 1989–93. Then, the implementation of the redesign of the CPS in 1994 affected the measurement of incorporation, and the proportion rose to 3.5 percent that year.<sup>6</sup> Following that, over the 1995–2002 period the incorporated

**Table 1. Total employed and total unincorporated self-employed, by industry, annual averages, selected years, 1967–2009**

[In thousands]

Year	All industries			Nonagricultural industries			Agriculture		
	Total employed	Unincorporated self-employed	Percent	Total employed	Unincorporated self-employed	Percent	Total employed	Unincorporated self-employed	Percent
1967 .....	74,372	7,170	9.6	70,527	5,174	7.3	3,844	1,996	51.9
1970 .....	78,678	7,031	8.9	75,215	5,221	6.9	3,463	1,810	52.3
1975 .....	85,846	7,427	8.7	82,438	5,705	6.9	3,408	1,722	50.5
1980 .....	99,303	8,642	8.7	95,938	7,000	7.3	3,364	1,642	48.8
1985 .....	107,150	9,269	8.7	103,971	7,811	7.5	3,179	1,458	45.9
1990 .....	118,793	10,097	8.5	115,570	8,719	7.5	3,223	1,378	42.8
1994 .....	123,060	10,648	8.7	119,651	9,003	7.5	3,409	1,645	48.3
1995 .....	124,900	10,482	8.4	121,460	8,902	7.3	3,440	1,580	45.9
1996 .....	126,708	10,489	8.3	123,264	8,971	7.3	3,443	1,518	44.1
1997 .....	129,558	10,513	8.1	126,159	9,056	7.2	3,399	1,457	42.9
1998 .....	131,463	10,303	7.8	128,085	8,962	7.0	3,378	1,341	39.7
1999 .....	133,488	10,087	7.6	130,207	8,790	6.8	3,281	1,297	39.5
2000 .....	136,891	10,215	7.5	134,427	9,205	6.8	2,464	1,010	41.0
2001 .....	136,933	10,109	7.4	134,635	9,121	6.8	2,299	988	43.0
2002 .....	136,485	9,926	7.3	134,174	8,923	6.7	2,311	1,003	43.4
2003 .....	137,736	10,295	7.5	135,461	9,344	6.9	2,275	951	41.8
2004 .....	139,252	10,431	7.5	137,020	9,467	6.9	2,232	964	43.2
2005 .....	141,730	10,464	7.4	139,532	9,509	6.8	2,197	955	43.5
2006 .....	144,427	10,586	7.3	142,221	9,685	6.8	2,206	901	40.8
2007 .....	146,047	10,413	7.1	143,952	9,557	6.6	2,095	856	40.9
2008 .....	145,362	10,079	6.9	143,194	9,219	6.4	2,168	860	39.7
2009 .....	139,877	9,831	7.0	137,775	8,995	6.5	2,103	836	39.8

NOTE: Data for 1994 and later are not directly comparable with data for earlier years because of a major redesign of the CPS and the introduction of census-based population controls, adjusted for an esti-

mated undercount. Beginning in 2000, data reflect the introduction of population controls for Census 2000 and new industry and occupational classification systems.

self-employment rate ranged between 3.2 percent and 3.4 percent. Finally, from 2003 to 2009, the incorporated self-employed's share of employment edged up, from 3.6 percent to 3.9 percent of total employment. In agricultural industries in 2009, the incorporated self-employment rate was 7.2 percent, compared with a much larger 39.8 percent (see table 1) for the unincorporated self-employed.

### Self-employment during recessions

In general, during labor market downturns labor force groups are hit hard and experience a decline in employment. This procyclical response certainly affects many of the

self-employed, whose businesses fail as revenues fall or disappear altogether. At the same time, measures such as unemployment and involuntary part-time employment have always increased during recessions. Hence, a competing countercyclical effect could result in a rise in self-employment if laid-off wage and salary workers start businesses for themselves. The total number of self-employed workers (unincorporated and incorporated combined) in nonagricultural industries declined, on net, by about 760,000, from 15.0 million in the fourth quarter of 2007 to 14.2 million in the second quarter of 2009.<sup>7</sup> As chart 2 shows, the total nonagricultural self-employment rate, 10.1 percent in the second quarter of 2010, has edged down recently.

**Table 2. Total employed and total incorporated self-employed, by industry, annual averages, 1989–2009**

[In thousands]

Year	All industries			Nonagricultural industries			Agriculture		
	Total employed	Incorporated self-employed	Percent	Total employed	Incorporated self-employed	Percent	Total employed	Incorporated self-employed	Percent
1989 .....	117,342	3,444	2.9	114,142	3,311	2.9	3,199	133	4.2
1990 .....	118,793	3,463	2.9	115,570	3,332	2.9	3,223	131	4.1
1991 .....	117,718	3,379	2.9	114,449	3,253	2.8	3,269	126	3.9
1992 .....	118,492	3,519	3.0	115,245	3,371	2.9	3,247	148	4.6
1993 .....	120,259	3,555	3.0	117,144	3,399	2.9	3,115	156	5.0
1994 .....	123,060	4,246	3.5	119,651	4,049	3.4	3,409	197	5.8
1995 .....	124,900	4,224	3.4	121,460	4,011	3.3	3,440	213	6.2
1996 .....	126,708	4,080	3.2	123,264	3,917	3.2	3,443	163	4.7
1997 .....	129,558	4,341	3.4	126,159	4,142	3.3	3,399	199	5.9
1998 .....	131,463	4,290	3.3	128,085	4,099	3.2	3,378	191	5.7
1999 .....	133,488	4,303	3.2	130,207	4,116	3.2	3,281	187	5.7
2000 .....	136,891	4,458	3.3	134,427	4,316	3.2	2,464	142	5.8
2001 .....	136,933	4,452	3.3	134,635	4,313	3.2	2,299	139	6.0
2002 .....	136,485	4,608	3.4	134,174	4,476	3.3	2,311	132	5.7
2003 .....	137,736	4,956	3.6	135,461	4,810	3.6	2,275	146	6.4
2004 .....	139,252	5,151	3.7	137,020	5,020	3.7	2,232	131	5.9
2005 .....	141,730	5,254	3.7	139,532	5,116	3.7	2,197	138	6.3
2006 .....	144,427	5,499	3.8	142,221	5,334	3.8	2,206	165	7.5
2007 .....	146,047	5,736	3.9	143,952	5,591	3.9	2,095	145	6.9
2008 .....	145,362	5,784	4.0	143,194	5,621	3.9	2,168	163	7.5
2009 .....	139,877	5,466	3.9	137,775	5,315	3.9	2,103	151	7.2

NOTE: Data for 1994 and later are not directly comparable with data for earlier years because of a major redesign of the CPS and the introduction of census-based population controls, adjusted for an estimated undercount. Beginning in 2000, data reflect the introduction of population controls for Census 2000 and new industry and occupational classification systems.

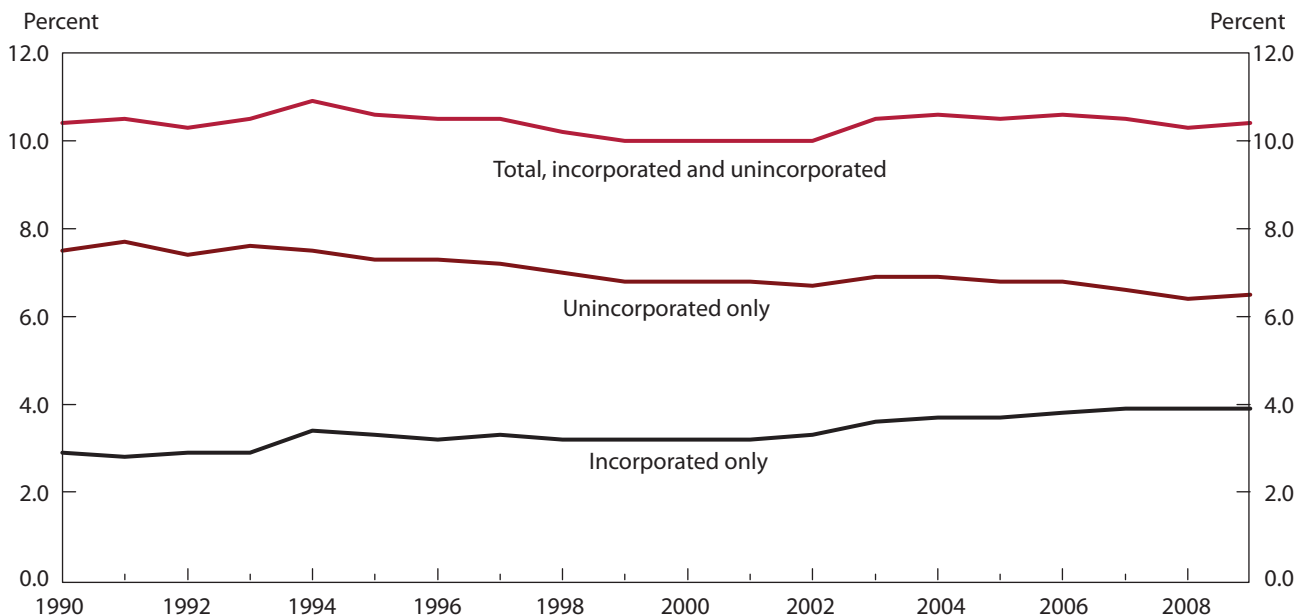
The competing procyclical and countercyclical forces make it difficult to use monthly data from the CPS to determine the impact of economic downturns on the self-employed. An additional complication relates to how employment is classified in the CPS. For instance, workers who hold down two jobs—one a wage or salary job and the other a job in which the person is self-employed—are classified in the CPS according to the job at which they worked the most hours. Thus, if the self-employment job is a secondary job, the person would be classified as a wage and salary worker. If the person then loses the wage and salary job, as is common during recessions, he or she would still be counted as employed, but in the person's own business—that is, as a self-employed worker. To that extent, the self-employment count would rise even though total employment would not be affected. In 2009, 1.4 million workers (1 percent of total employment) were classified

as wage and salary workers on their primary job and self-employed on their secondary job.

### Characteristics of the self-employed

*Demographics.* In 2009, the rate of self-employment for older workers continued to be higher than that for younger workers.<sup>8</sup> For the most part, the analysis that follows will focus primarily on the unincorporated self-employed; in many cases, demographic characteristics of the unincorporated and incorporated self-employed are similar. (See table 3.) The unincorporated self-employment rate among workers ages 65 years and older was very high (18.1 percent); in contrast, the rates were much lower for their counterparts ages 16 to 19 years (1.6 percent) and 20 to 24 years (2.1 percent). (See table 4.) The chief reason is that younger workers rarely have accumulated the capi-

**Chart 1. Nonagricultural self-employment rates, 1990–2009, annual averages**



NOTE: Beginning in 1994, data reflect the introduction of a major redesign of the Current Population Survey.

tal 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. Moreover, research has shown that older workers who have retired from wage and salary jobs may become self-employed to supplement their retirement income.<sup>9</sup>

Unincorporated self-employment rates are higher for men than women. In 2009, 8.3 percent of men were among the ranks of the unincorporated self-employed, compared with 5.6 percent of women. Unincorporated self-employed men are more likely than their female counterparts to be working in occupations that employ large proportions of self-employed workers—for example, construction and extraction.

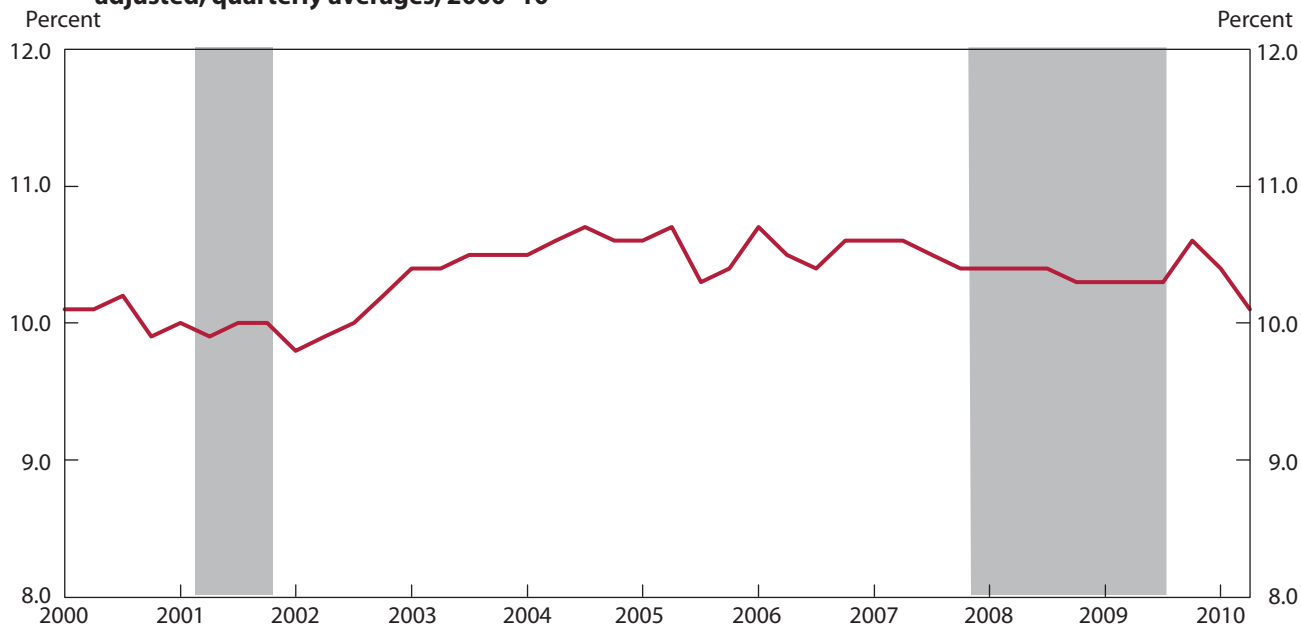
Whites continued to be more likely than Blacks or Hispanics to operate their own businesses. In 2009, the unincorporated self-employment rate for Whites was 7.4 percent while the rates for Blacks and Hispanics were 4.5 percent and 6.1 percent, respectively. The rate for Asians was 6.6 percent.<sup>10</sup> Foreign-born workers and U.S. natives were about equally likely to be self-employed in 2009.<sup>11</sup> The unincorporated self-employment rate for the foreign born was 7.4 percent, compared with

7.0 percent for U.S. natives.<sup>12</sup>

With regard to educational attainment, unincorporated self-employment rates were lowest for individuals with an associate's degree (6.6 percent) and highest for those with less than a high school diploma (9.9 percent). (See table 4 and chart 3.) In occupations held by workers with less than a high school diploma, unincorporated self-employment rates were highest for management occupations (mostly farmers and ranchers), personal care and service occupations, and construction and extraction occupations.

Among the incorporated self-employed, the self-employment rate was highest (6.6 percent) for individuals with advanced degrees. Indeed, the rate for those with an advanced degree was about 3 times the rate for their counterparts with less than a high school diploma (2.0 percent). In occupations held by workers with advanced degrees, incorporated self-employment rates were highest for those in legal occupations, health care practitioner and technical occupations, and sales and related occupations.

Tables 5 and 6 show trends in nonagricultural self-employment rates from 1989 to 2009 for unincorporated and incorporated business owners. Over this period, the rates of unincorporated and incorporated self-employment have

**Chart 2. Nonagricultural self-employment rate (total, incorporated and unincorporated), seasonally adjusted, quarterly averages, 2000–10**

NOTE: Shaded areas represent recessions as designated by the National Bureau of Economic Research (NBER).

been consistently higher among men, Whites, and older workers. Incorporated self-employment rates also were above average for Asians from 2000 to 2009. During the same timespan, the unincorporated self-employment rate for Hispanics rose from 4.8 percent to 6.2 percent. However, the incidence of unincorporated self-employment declined for many of the other major demographic groups over this period. From 2000 to 2009, incorporated self-employment rates rose for most of the major demographic groups: men, women, Whites, Asians, and Hispanics. The increase was largest among individuals ages 45 to 54 years.

*Work schedules and multiple jobholding.* In 2009, 41.0 percent of the nonagricultural unincorporated self-employed worked part time—that is, 1 to 34 hours per week; the proportion has increased sharply since 2006.<sup>13</sup> The data on work schedules presented in this section use an “at work” concept, and employed persons who were absent from their jobs during the entire survey reference week are excluded. Unincorporated self-employed women were more likely than their male counterparts to work part time in 2009: about 1 in 3 unincorporated self-employed men worked part time, compared with approximately half of their fe-

male counterparts. (See table 7.)

The incorporated self-employed were less likely than the unincorporated self-employed to work part time: in 2009, 22.6 percent of the incorporated self-employed in nonagricultural industries worked part time. As was the case for the unincorporated self-employed, female incorporated business owners were more likely than their male counterparts to be employed part time.

Reflecting the sharp slowdown in economic activity related to the most recent recession, the share of the unincorporated self-employed working part time for economic reasons increased in 2009.<sup>14</sup> Sometimes referred to as involuntary part-time workers and considered to be underemployed, these individuals wanted full-time work, but worked less than 35 hours during the survey reference week primarily because of slack work (a reduction in hours in response to poor business conditions) or their inability to find full-time work.

Among the unincorporated self-employed working part time for economic reasons in 2009, the vast majority (nearly 90 percent) reported “slack work or business conditions” as the main reason for working such a schedule. Since reaching a recent low of 5.3 percent in 2006, the proportion of

**Table 3. Unincorporated self-employed, incorporated self-employed, and wage and salary workers, by selected characteristics, 2009 annual averages**

Characteristic	Unincorporated self-employed			Incorporated self-employed			Wage and salary workers <sup>1</sup>		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
<b>Age</b>									
Total, 16 years and older (thousands) .....	9,831	6,140	3,691	5,466	3,955	1,511	124,490	63,539	60,951
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
16 to 19 years .....	.8	.8	.7	.1	.1	.1	3.8	3.6	4.1
20 to 24 years .....	2.7	2.7	2.7	.9	.9	.7	10.0	9.9	10.1
25 to 34 years .....	13.9	14.1	13.6	10.5	10.3	11.1	22.5	23.5	21.5
35 to 44 years .....	21.9	21.3	22.9	23.5	23.5	23.4	22.5	23.1	22.0
45 to 54 years .....	28.0	28.2	27.7	32.7	32.6	33.2	23.3	22.7	24.0
55 to 64 years .....	21.4	21.1	22.0	23.8	23.8	23.6	14.1	13.6	14.7
65 years and older .....	11.3	11.7	10.5	8.6	8.8	7.9	3.6	3.6	3.7
<b>Race and Hispanic origin</b>									
White .....	86.9	87.5	85.8	88.7	89.3	87.2	81.6	82.9	80.1
Black or African American.....	6.8	6.5	7.4	4.0	4.0	4.0	11.3	9.8	12.9
Asian .....	4.4	4.3	4.7	6.0	5.5	7.1	4.7	4.8	4.6
Hispanic or Latino.....	12.2	13.4	10.4	7.0	7.3	6.2	14.5	16.6	12.3
<b>Country of birth and U.S. citizenship status</b>									
U.S. born.....	83.7	82.7	85.4	84.8	85.1	84.2	84.6	82.5	86.8
Foreign born.....	16.3	17.3	14.6	15.2	14.9	15.8	15.4	17.5	13.2
U.S. Citizen.....	7.4	7.4	7.3	10.2	9.8	11.2	6.7	6.7	6.7
Not a U.S. citizen.....	8.9	9.9	7.3	5.0	5.2	4.6	8.7	10.8	6.5
<b>Educational attainment</b>									
Total, 25 years and older (thousands) .....	9,488	5,921	3,568	5,414	3,915	1,498	107,317	54,984	52,333
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Less than a high school diploma...	10.9	12.8	7.7	3.9	4.4	2.5	8.5	10.3	6.7
High school graduate, no college .....	30.1	32.4	26.4	22.3	22.9	20.7	28.3	29.6	27.0
Some college, no degree .....	17.9	16.8	19.7	17.5	17.1	18.8	17.1	16.6	17.7
Associate's degree .....	9.0	7.9	10.7	8.7	8.0	10.6	10.8	9.2	12.4
Bachelor's degree.....	20.1	18.8	22.4	28.6	28.5	29.0	22.8	22.1	23.6
Advanced degree.....	12.0	11.3	13.1	19.0	19.2	18.4	12.5	12.3	12.7

<sup>1</sup> Data exclude the incorporated self-employed.

NOTE: Estimates for the race groups shown (White, Black or African American, and Asian) do not sum to totals because data are not

presented for all races. Persons whose ethnicity is identified as Hispanic or Latino may be of any race. Details for other characteristics may not sum to totals because of rounding. Data exclude unpaid family workers.

the unincorporated self-employed in nonagricultural industries employed part time for economic reasons rose to 12.8 percent in 2009. Between 2006 and 2009, 36.2 percent of the rise in involuntary part-time employment among the unincorporated self-employed was in construction and an additional 24.3 percent of the increase was among the unincorporated self-employed working in the professional and business services industry.

As was the case for wage and salary workers, unincorporated self-employed men were much more likely than their female counterparts to work full time (65.1 percent and 49.3 percent, respectively).<sup>15</sup> The average workweek of unincorporated self-employed men was nearly 6 hours longer than that for women (37.8 hours and 32.0 hours, respectively). Average weekly hours worked by unincorporated self-employed men and women have declined in recent years.<sup>16</sup>

**Table 4. Self-employment rates, by selected characteristics, 2009 annual averages**

[In percent]

Characteristic	Self-employment rates <sup>1</sup>					
	Unincorporated self-employed			Incorporated self-employed		
	Total	Men	Women	Total	Men	Women
<b>Age</b>						
Total, 16 years and older.....	7.0	8.3	5.6	3.9	5.4	2.3
16 to 19 years .....	1.6	2.2	1.0	.1	.1	.0
20 to 24 years .....	2.1	2.6	1.6	.4	.6	.2
25 to 34 years .....	4.6	5.3	3.6	1.9	2.5	1.2
35 to 44 years .....	6.8	7.7	5.8	4.1	5.5	2.4
45 to 54 years .....	8.2	9.9	6.3	5.3	7.4	3.1
55 to 64 years .....	10.0	11.9	8.0	6.2	8.7	3.5
65 years and older .....	18.1	21.4	14.0	7.7	10.4	4.4
<b>Race and Hispanic origin</b>						
White .....	7.4	8.7	5.9	4.2	5.7	2.5
Black or African American.....	4.5	5.9	3.3	1.5	2.3	.7
Asian .....	6.6	7.4	5.6	4.9	6.2	3.5
Hispanic or Latino.....	6.1	7.0	4.8	1.9	2.5	1.2
<b>Country of birth and U.S. citizenship status</b>						
U.S. born.....	7.0	8.3	5.5	3.9	5.5	2.2
Foreign born.....	7.4	8.3	6.1	3.8	4.6	2.7
U.S. Citizen.....	7.5	8.9	6.0	5.7	7.6	3.7
Not a U.S. citizen.....	7.3	7.9	6.3	2.3	2.7	1.6
<b>Educational attainment</b>						
Total, 25 years and older.....	7.8	9.1	6.2	4.4	6.0	2.6
Less than a high school diploma .....	9.9	11.5	7.2	2.0	2.6	1.0
High school graduate, no college .....	8.3	10.0	6.1	3.5	4.7	2.0
Some college, no degree .....	8.1	9.2	6.9	4.5	6.2	2.7
Associate's degree .....	6.6	8.0	5.4	3.7	5.3	2.3
Bachelor's degree.....	6.8	7.8	5.9	5.5	7.8	3.2
Advanced degree.....	7.3	8.2	6.3	6.6	9.2	3.7

<sup>1</sup> Self-employment rates are calculated by dividing the number of self-employed workers in a specified worker group by total employment in the same worker group.

## Occupation and industry

*Occupation.* The self-employed are found in a wide variety of occupations. For example, unincorporated self-employment rates were highest for workers in construction and extraction occupations (15.9 percent); management, business, and financial occupations (11.2 percent); and sales and related occupations (8.8 percent). (See table 8.)

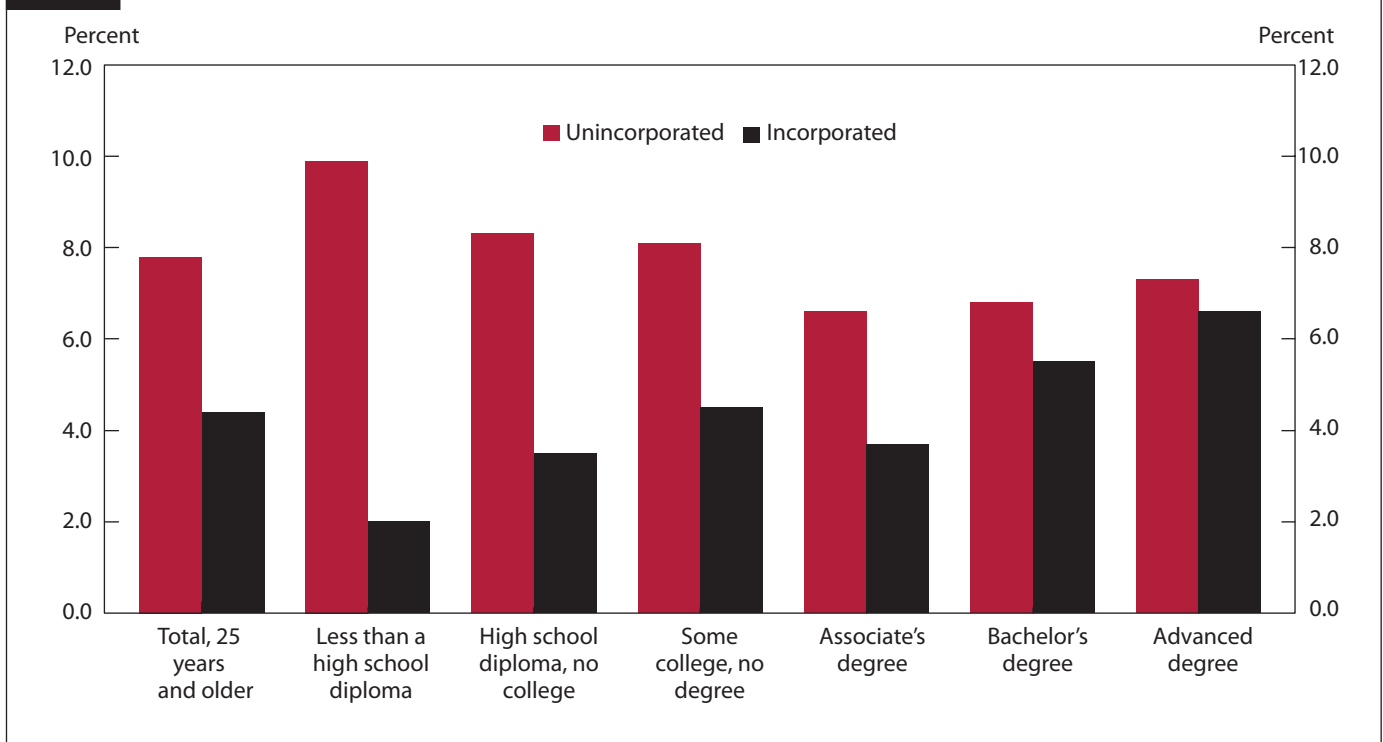
Within construction and extraction occupations, unincorporated self-employment rates were highest for carpenters, carpet installers, and painters. Management, business, and financial occupations with relatively high unincorporated self-employment rates included construction managers, property managers, and management ana-

lysts. A number of jobs in sales and related occupations lend themselves to business ownership. For example, unincorporated self-employment rates were high for insurance agents, real estate brokers, and door-to-door salesworkers and street vendors.

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 (9.8 percent) and for sales and related occupations (6.5 percent). (See table 8.) In management, business, and financial occupations, incorporated self-employment rates were highest for chief executives, farm managers, and construction



**Chart 3. Self-employment rates, by educational attainment, 2009 annual averages**



managers. Sales and related occupations with relatively high incorporated self-employment rates included managers of retail and nonretail salesworkers, real estate brokers, and insurance agents.

A number of jobs in professional and related occupations have relatively high (above 10 percent) incorporated self-employment rates. For instance, the rate was very high for dentists, architects, physicians, and lawyers.

*Industry.* Major industries with the highest unincorporated self-employment rates were agriculture, forestry, fishing, and hunting (39.8 percent); construction (17.5 percent); other services, which include automotive services, barber shops, and drycleaning services (15.0 percent); and professional and business services (13.3 percent). (See table 8.)

Within the agriculture, forestry, fishing, and hunting sector, unincorporated self-employment rates were highest for animal production, crop production, and support activities for agriculture and forestry. Industries in the “other services” sector that had high rates of unincorporated self-employment included personal and household goods repair and maintenance, beauty salons, and nail salons. In the professional and business services sector, the

share of total employment comprising the unincorporated self-employed was largest in specialized design services; landscaping services; and other professional, scientific, and technical services.

Among the incorporated self-employed, rates of self-employment were highest for construction (9.2 percent) and professional and business services (8.0 percent). Within the professional and business services sector, incorporated self-employment rates were highest for specialized design services and for management, scientific, and technical consulting services.

### Self-employment and paid employees

Beginning in January 1995, two questions were added to the CPS to determine whether the unincorporated self-employed had any paid employees and, if so, the number of employees they usually employed. Table 9 presents data on the presence of paid employees from 2000 to 2009. According to these estimates, the incidence of employment of individuals (other than the owner) in an unincorporated self-employed business is relatively uncommon. In 2009, 13.6 percent of the unincorporated self-employed had paid employees,<sup>17</sup> a decline from the 18.7 percent reg-

**Table 5. Incidence of unincorporated self-employment in nonagricultural industries, by sex, race or ethnicity, and age, 1989–2009**

[In percent]

Year	Total	Sex		Race or ethnicity				Age						
		Men	Women	White	Black or African American	Asian	Hispanic or Latino	16 to 19 years	20 to 24 years	25 to 34 years	35 to 44 years	45 to 54 years	55 to 64 years	65 years and older
1989....	7.5	9.0	5.8	8.0	3.3	–	5.9	1.2	2.3	5.8	8.4	9.7	11.6	19.8
1990....	7.5	8.9	5.9	8.0	3.6	–	5.4	1.1	2.3	5.9	8.5	9.9	11.9	19.0
1991....	7.7	9.2	6.0	8.2	3.7	–	5.3	1.0	2.3	6.0	8.6	10.2	11.7	19.9
1992....	7.4	9.1	5.6	7.9	3.5	–	5.0	1.3	2.1	5.6	8.0	9.8	11.5	19.6
1993....	7.6	9.4	5.6	8.1	3.5	–	5.4	1.1	2.1	5.8	8.2	9.8	12.2	19.8
1994....	7.5	8.7	6.2	8.0	3.6	–	5.2	2.1	2.2	5.6	8.0	9.4	12.1	20.0
1995....	7.3	8.4	6.1	7.8	3.7	–	4.8	1.8	2.2	5.4	7.7	9.3	11.4	19.4
1996....	7.3	8.3	6.1	7.8	3.6	–	5.1	1.2	2.3	5.3	7.7	9.3	11.1	19.3
1997....	7.2	8.2	6.0	7.6	3.4	–	5.0	1.2	2.1	5.1	7.7	9.0	11.7	19.8
1998....	7.0	8.0	5.8	7.5	3.4	–	4.7	.8	2.0	4.9	7.6	8.9	11.2	18.5
1999....	6.8	7.8	5.6	7.2	3.5	–	5.0	.9	2.1	4.9	7.2	8.5	10.7	17.7
2000....	6.8	7.8	5.8	7.2	4.1	6.7	4.8	1.4	2.0	4.9	7.4	8.6	10.6	16.9
2001....	6.8	7.7	5.7	7.2	3.9	6.4	5.2	1.4	2.2	4.7	7.2	8.3	10.7	16.6
2002....	6.7	7.6	5.6	7.1	3.9	5.7	5.2	1.5	2.1	4.9	7.0	8.2	9.9	15.3
2003....	6.9	8.0	5.7	7.3	4.0	6.8	5.5	1.5	1.9	5.0	7.4	8.2	10.5	15.3
2004....	6.9	8.0	5.6	7.3	4.0	6.9	5.8	1.3	2.3	5.1	7.2	8.0	10.5	16.2
2005....	6.8	8.0	5.5	7.2	4.2	6.8	5.6	1.2	2.2	5.1	7.0	7.9	10.3	15.9
2006....	6.8	7.9	5.5	7.1	4.0	7.4	5.9	1.3	2.2	4.9	7.0	8.1	10.1	15.6
2007....	6.6	7.7	5.4	7.0	3.8	6.9	6.1	1.3	2.0	4.6	6.8	8.1	9.8	14.5
2008....	6.4	7.6	5.2	6.8	3.9	6.4	6.0	1.3	2.2	4.4	6.5	7.7	9.3	14.0
2009....	6.5	7.7	5.3	6.8	4.4	6.5	6.2	1.4	2.0	4.4	6.6	7.7	9.1	15.2

NOTE: Data for 1994 and later are not directly comparable with data for earlier years because of a major redesign of the CPS and the introduction of census-based population controls, adjusted for an esti-

imated undercount. Beginning in 2000, data reflect the introduction of population controls for Census 2000 and new industry and occupational classification systems. Dash indicates data not available.

istered in 2000. (See table 9 and chart 4.)

Of the 1.3 million unincorporated self-employed with employees in 2009, 79.8 percent had 1 to 4 employees. The proportion with more than 20 employees was very small, less than 4 percent. These percentages have held fairly steady over the 2000–09 period. Men were nearly twice as likely as women to have paid employees: in 2009, 16.6 percent of unincorporated self-employed men had employees, compared with 8.6 percent of their female counterparts. The proportions have decreased for both men and women since 2000. The vast majority (about

80 percent) of male and female unincorporated self-employed workers with employees had 1 to 4 employees.

IN 2009, ABOUT 1 IN 9 U.S. WORKERS was self-employed, either unincorporated or incorporated. In recent years, the share of total employment composed of the self-employed has held steady, with a secular decline in unincorporated self-employment partially offset by a slight rise in business incorporation.

As in the past, unincorporated and incorporated self-employed workers in 2009 were more likely to be men,

**Table 6. Incidence of incorporated self-employment in nonagricultural industries, by sex, race or ethnicity, and age, 1989–2009**

[In percent]

Year	Total	Sex		Race or ethnicity				Age						
		Men	Women	White	Black or African American	Asian	Hispanic or Latino	16 to 19 years	20 to 24 years	25 to 34 years	35 to 44 years	45 to 54 years	55 to 64 years	65 years and older
1989...	2.9	4.2	1.3	3.2	0.5	–	1.4	0.1	0.3	1.6	3.7	4.6	5.0	7.2
1990...	2.9	4.2	1.4	3.1	.7	–	1.1	.1	.3	1.7	3.5	4.8	4.9	7.0
1991...	2.8	4.1	1.3	3.1	.6	–	1.1	.1	.3	1.6	3.5	4.6	5.0	6.8
1992...	2.9	4.3	1.4	3.2	.5	–	1.2	.1	.3	1.5	3.4	4.9	5.4	7.2
1993...	2.9	4.2	1.4	3.2	.5	–	1.4	.1	.3	1.5	3.4	4.6	5.5	7.1
1994....	3.4	4.6	2.0	3.7	.9	–	1.4	.9	.7	1.9	3.8	5.0	6.1	8.5
1995...	3.3	4.5	2.0	3.6	.9	–	1.5	.7	.7	1.9	3.7	4.8	5.9	7.9
1996...	3.2	4.5	1.7	3.5	.9	–	1.4	.1	.5	1.8	3.6	4.7	5.6	7.3
1997...	3.3	4.6	1.8	3.6	.8	–	1.4	.1	.3	1.8	3.7	4.9	5.9	8.2
1998...	3.2	4.5	1.8	3.5	.9	–	1.4	.1	.3	1.7	3.7	4.5	6.1	7.7
1999...	3.2	4.4	1.8	3.4	1.0	–	1.4	.1	.3	1.7	3.6	4.4	5.7	7.8
2000....	3.2	4.5	1.8	3.5	1.2	3.5	1.4	.1	.3	1.7	3.7	4.5	5.7	7.7
2001...	3.2	4.4	1.8	3.4	1.2	4.2	1.3	.1	.4	1.7	3.7	4.4	5.7	7.5
2002...	3.3	4.7	1.8	3.6	1.1	4.1	1.2	.1	.3	1.7	3.7	4.6	6.0	7.7
2003...	3.6	4.9	2.0	3.9	1.4	4.0	1.6	.2	.4	1.9	4.1	4.7	6.1	7.7
2004...	3.7	5.1	2.1	4.0	1.4	4.6	1.7	.1	.5	1.9	4.2	4.9	6.1	7.3
2005...	3.7	5.0	2.1	4.0	1.3	4.4	1.8	.1	.4	2.0	4.0	4.9	5.9	8.5
2006...	3.8	5.1	2.2	4.0	1.5	5.0	1.9	.1	.5	2.1	4.3	4.9	5.8	7.7
2007...	3.9	5.3	2.2	4.2	1.5	4.7	2.0	.2	.5	2.1	4.4	5.2	5.9	7.7
2008...	3.9	5.4	2.2	4.2	1.8	4.6	2.1	.1	.5	2.0	4.3	5.4	5.9	8.2
2009...	3.9	5.3	2.2	4.2	1.5	4.9	2.0	.1	.4	1.9	4.0	5.3	6.1	7.6

NOTE: Data for 1994 and later are not directly comparable with data for earlier years because of a major redesign of the CPS and the introduction of census-based population controls, adjusted for an esti-

imated undercount. Beginning in 2000, data reflect the introduction of population controls for Census 2000 and new industry and occupational classification systems. Dash indicates data not available.

White, and older. Asians were more likely to be found among the ranks of the incorporated self-employed. The incidence of unincorporated self-employment was highest for individuals with less than a high school diploma; by contrast, the incorporated self-employment rate was highest for those with an advanced degree. Both the unincorporated and incorporated self-employed were most likely to work in agriculture, construction, and services. Reflecting the downturn in business conditions has been a rise in involuntary part-time work among the unincor-

porated self-employed since 2006. In 2009, 13 percent of unincorporated self-employed workers were employed part time for economic reasons. CPS data show that most of the unincorporated self-employed do not have paid employees, and of those who do, most employ few workers. Unincorporated self-employed men were nearly twice as likely as their female counterparts to have paid employees. Over the 2000–09 period, the proportion of the unincorporated self-employed who have paid employees has declined for both men and women. □

**Table 7. Unincorporated self-employment in nonagricultural industries, by full- and part-time status, nature of reasons for part-time work, and usual hours of work at all jobs, 2000-09 annual averages**

Category	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Full- or part-time status and nature of reasons for part-time work</b>										
Total, 16 years and older at work (thousands) .....	8,625	8,546	8,376	8,750	8,857	8,908	9,061	8,943	8,592	8,370
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Full time.....	68.6	67.7	67.0	66.5	66.3	67.0	67.1	66.5	63.5	59.0
Part time.....	31.4	32.3	33.0	33.5	33.7	33.0	32.9	33.5	36.5	41.0
At work part time for economic reasons <sup>1</sup> .....	4.2	4.5	5.4	6.0	6.0	5.5	5.3	6.0	8.8	12.8
At work part time for noneconomic reasons <sup>2</sup> ...	27.2	27.8	27.6	27.4	27.7	27.5	27.6	27.4	27.6	28.2
Men, 16 years and older at work (thousands) .....	5,269	5,237	5,129	5,422	5,525	5,626	5,676	5,573	5,374	5,139
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Full time.....	77.2	76.1	74.9	74.3	74.3	74.7	74.2	74.1	70.1	65.1
Part time.....	22.8	23.9	25.1	25.7	25.7	25.3	25.8	25.9	29.9	34.9
At work part time for economic reasons <sup>1</sup> .....	4.6	5.0	6.2	7.0	6.5	6.2	5.9	6.8	10.5	14.9
At work part time for noneconomic reasons <sup>2</sup> ..	18.2	18.8	18.9	18.7	19.2	19.2	19.9	19.1	19.4	20.0
Women, 16 years and older at work (thousands) .....	3,355	3,310	3,247	3,328	3,332	3,282	3,385	3,370	3,219	3,232
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Full time.....	55.1	54.4	54.5	53.9	53.2	53.8	55.2	54.0	52.6	49.3
Part time.....	44.9	45.6	45.5	46.1	46.8	46.2	44.8	46.0	47.4	50.6
At work part time for economic reasons <sup>1</sup> .....	3.7	3.6	4.2	4.5	5.1	4.5	4.3	4.8	6.1	9.4
At work part time for noneconomic reasons <sup>2</sup> ...	41.2	42.0	41.3	41.6	41.7	41.7	40.6	41.2	41.4	41.2
<b>Average usual hours of work</b>										
Both sexes:										
Total.....	39.7	39.1	38.7	38.4	38.4	38.4	38.4	38.0	37.0	35.6
Full time.....	46.3	45.5	45.2	45.0	44.7	44.8	44.7	44.4	43.6	42.7
Part time.....	18.9	18.8	18.6	18.8	19.1	19.0	19.0	18.9	18.8	18.4
Men:										
Total.....	42.9	42.1	41.6	41.3	41.1	41.1	41.0	40.7	39.4	37.8
Full time.....	46.8	46.0	45.5	45.3	45.1	45.2	45.1	44.8	43.9	42.8
Part time.....	20.1	20.2	19.7	19.9	20.1	20.0	20.1	19.9	19.8	19.3
Women:										
Total.....	34.6	34.2	34.1	33.8	33.8	33.8	34.2	33.7	32.9	32.0
Full time.....	45.2	44.5	44.4	44.2	44.0	43.8	43.9	43.6	43.0	42.6
Part time.....	18.1	17.9	17.9	18.1	18.4	18.3	18.2	18.2	17.9	17.7

<sup>1</sup> Refers to those who worked 1 to 34 hours during the reference week for an economic reason, such as slack work or unfavorable business conditions, inability to find full-time work, or seasonal declines in demand.

<sup>2</sup> Refers to persons who usually work part time for a noneconomic reason, such as childcare problems, family or personal obligations,

school or training, retirement or Social Security limits on earnings, or some other reason. Excludes persons who usually work full time, but worked only 1 to 34 hours during the reference week for reasons such as vacations, holidays, illness, and bad weather.

NOTE: Figures shown are for persons at work during the survey reference week.

**Table 8. Self-employment rates,<sup>1</sup> by occupation and industry, 2009 annual averages**

[In percent]

Occupation and industry	Unincorporated self-employed			Incorporated self-employed		
	Total	Men	Women	Total	Men	Women
<b>Occupation</b>						
Total, 16 years and older.....	7.0	8.3	5.6	3.9	5.4	2.3
Management, professional, and related.....	7.8	10.3	5.5	5.9	9.0	2.9
Management, business, and financial operations.....	11.2	14.1	7.4	9.8	13.1	5.4
Professional and related.....	5.4	6.7	4.5	3.1	5.2	1.5
Service.....	7.6	5.9	8.9	1.6	2.1	1.3
Sales and office.....	4.9	7.0	3.7	3.8	6.1	2.4
Sales and related.....	8.8	10.4	7.2	6.5	9.2	3.8
Office and administrative support.....	1.5	1.1	1.7	1.4	.8	1.6
Natural resources, construction, and maintenance.....	11.5	11.7	8.2	3.6	3.6	2.9
Farming, fishing, and forestry.....	5.2	6.0	2.6	1.1	1.2	.5
Construction and extraction.....	15.9	15.9	17.3	4.6	4.6	4.2
Installation, maintenance, and repair.....	6.2	6.2	4.9	2.6	2.5	3.9
Production, transportation, and material moving.....	4.2	4.3	3.8	1.6	1.8	1.0
Production.....	3.5	3.0	4.7	1.4	1.6	.9
Transportation and material moving.....	4.9	5.4	2.4	1.8	1.9	1.2
<b>Industry</b>						
Total, 16 years and older.....	7.0	8.3	5.6	3.9	5.4	2.3
Agriculture, forestry, fishing, and hunting.....	39.8	38.1	45.0	7.2	6.9	8.1
Mining, quarrying, and oil and gas extraction.....	2.5	2.6	2.1	2.5	2.3	4.3
Construction.....	17.5	18.4	9.4	9.2	8.9	11.9
Manufacturing.....	2.3	2.1	2.8	2.3	2.5	1.7
Durable goods.....	2.2	2.2	2.3	2.6	2.8	2.0
Nondurable goods.....	2.4	1.8	3.4	1.8	2.0	1.4
Wholesale and retail trade.....	4.9	5.0	4.8	4.3	5.5	2.9
Wholesale trade.....	4.5	5.0	3.2	6.9	7.4	5.8
Retail trade.....	5.0	5.0	5.0	3.7	4.9	2.5
Transportation and utilities.....	5.5	6.4	2.6	2.8	3.0	2.2
Information.....	4.5	5.1	3.6	3.2	3.8	2.4
Financial activities.....	6.9	9.8	4.5	5.2	7.9	3.0
Professional and business services.....	13.3	13.4	13.2	8.0	9.8	5.5
Education and health services.....	3.5	3.1	3.6	1.5	3.6	.9
Leisure and hospitality.....	5.0	5.6	4.4	2.9	3.8	2.1
Other services.....	15.0	14.9	15.1	5.0	7.0	3.1

<sup>1</sup> Self-employment rates are calculated by dividing the number of self-employed workers in a specified worker group by total employment in the group.

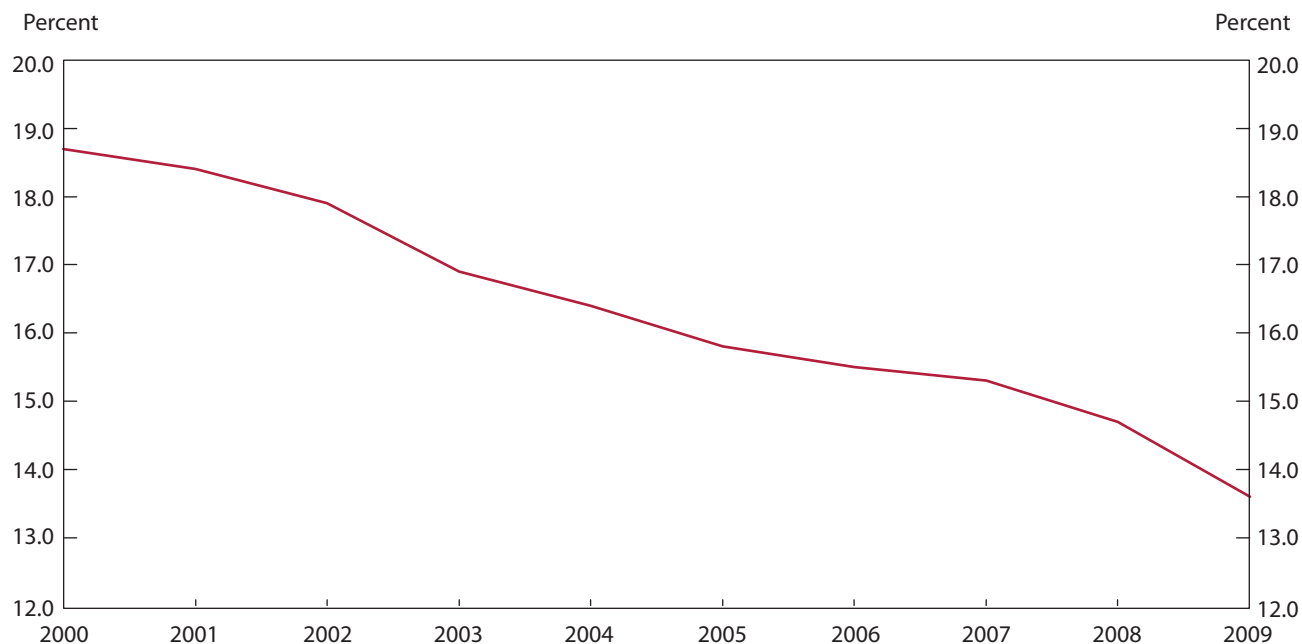
**Table 9. Unincorporated self-employed workers by presence and number of paid employees, 2000–09 annual averages**

Characteristic	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total, 16 years and older (thousands).....	10,259	10,141	9,936	10,319	10,472	10,547	10,583	10,445	10,063	9,801
Percent with no paid employees.....	81.3	81.5	82.1	83.1	83.6	84.2	84.5	84.7	85.3	86.4
Percent with paid employees.....	18.7	18.4	17.9	16.9	16.4	15.8	15.5	15.3	14.7	13.6
Total with paid employees (thousands).....	1,922	1,871	1,775	1,743	1,714	1,665	1,636	1,598	1,475	1,330
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1–4 employees.....	74.6	77.9	75.3	76.7	76.7	75.9	76.3	75.8	78.4	79.8
5–9 employees.....	15.7	13.3	15.3	14.4	13.8	15.0	13.8	15.0	12.7	10.2
10–19 employees.....	5.5	5.9	5.4	5.3	5.7	5.2	6.4	5.7	6.2	6.2
20 or more employees..	4.2	2.9	4.1	3.7	3.7	4.0	3.6	3.6	2.8	3.8
Men, 16 years and older (thousands).....	6,344	6,232	6,172	6,427	6,607	6,662	6,668	6,565	6,369	6,126
Percent with no paid employees.....	77.2	77.2	78.5	79.7	80.8	81.1	81.3	81.8	82.5	83.5
Percent with paid employees.....	22.8	22.8	21.5	20.3	19.2	18.9	18.7	18.2	17.5	16.6
Total with paid employees (thousands).....	1,445	1,423	1,326	1,307	1,270	1,256	1,246	1,197	1,115	1,014
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1–4 employees.....	75.1	77.0	75.6	75.5	75.4	75.7	76.1	76.2	78.4	80.0
5–9 employees.....	14.7	14.4	14.9	15.1	14.6	15.1	13.3	15.4	12.4	9.7
10–19 employees.....	5.5	5.6	5.1	5.3	5.9	5.1	6.8	5.1	6.4	6.2
20 or more employees..	4.6	3.0	4.4	4.0	3.9	4.1	3.8	3.3	2.9	4.0
Women, 16 years and older (thousands).....	3,915	3,909	3,764	3,892	3,866	3,885	3,915	3,881	3,694	3,674
Percent with no paid employees.....	87.8	88.5	88.1	88.8	88.5	89.5	90.0	89.7	90.3	91.4
Percent with paid employees.....	12.2	11.5	11.9	11.2	11.5	10.5	10.0	10.3	9.7	8.6
Total with paid employees (thousands).....	478	449	448	437	444	409	390	400	360	317
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1–4 employees.....	73.0	80.6	74.3	79.9	80.4	76.3	76.9	74.8	78.3	79.2
5–9 employees.....	18.4	9.8	16.1	12.1	11.3	14.4	15.1	13.5	13.9	12.0
10–19 employees.....	5.6	6.9	6.3	5.3	5.0	5.6	4.9	7.5	5.6	5.7
20 or more employees..	2.9	2.7	3.3	2.7	3.2	3.9	3.3	4.5	2.2	3.2

NOTE: The estimates shown were tabulated from outgoing rotation groups only. Because the sample for these tabulations is limited to one-quarter of the full CPS sample, estimates of the unincorporated self-employed

may not exactly match estimates derived from the full sample. The reliability also will be less than the reliability of the estimates based on the full CPS sample.

**Chart 4. Proportion of the unincorporated self-employed with paid employees, 2000–2009 annual averages**



## Notes

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<sup>1</sup> The CPS is a monthly sample survey of about 60,000 households that provides information on the demographic characteristics of the labor force and the employment status of the noninstitutional population ages 16 and older.

<sup>2</sup> Earlier data on self-employment included both the unincorporated and incorporated self-employed, and the combined series showed a steady decline from 10.8 million (18.5 percent of the total employed) in 1948 to 8.1 million (11.1 percent of the total employed) in 1966; essentially all of the decline in self-employment over this period was in agriculture.

<sup>3</sup> Data from the Internal Revenue Service (IRS) show that the total number of corporations rose from 3.7 million in 1990 to 5.9 million in 2007. From 1990 to 2007, the number of S corporations rose from 1.6 million to 4.0 million. An S corporation is a corporation that has between 1 and 100 shareholders and passes net income (or losses) through to shareholders in accordance with chapter 1, subchapter S, of the IRS Revenue Code. In contrast to the number of S corporations, the number of C corporations edged down from 2.1 million to 1.9 million. A C corporation is a corporation that, for Federal income tax purposes, is taxed under subchapter C of chapter 1 of the IRS Revenue Code. In recent years, there has been a sharp increase in the number of limited-liability companies (LLCs). IRS data show that the number of LLCs rose

from about 17,000 in 1993 to 1.8 million in 2007. A business structure allowed by State statute, an LLC is similar to a corporation in that it provides owners with personal limited liability for the company's debts and actions. However, unlike a corporation, an LLC is not considered separate from its owners for tax purposes. Instead, similar to a partnership or sole proprietorship, an LLC is considered a "pass-through entity," meaning that business income passes through the business to the members of the company, who report their share of profits (or losses) in their individual income tax returns. The Federal Government does not recognize an LLC as a classification for tax purposes, and every LLC business entity must file as a corporation, partnership, or sole proprietorship. According to IRS data, about 90 percent of LLCs were organized as either partnerships or sole proprietorships.

<sup>4</sup> In a recent blog post on the Small Business Trends website, Scott Shane cited additional reasons that might be motivating business owners to incorporate, including a rise in the importance of limited liability, given the greater legal exposure that the self-employed face; lower costs and greater ease of incorporating; rising health care costs and a desire to be able to list these costs as tax deductions; and a possible increase in the tax benefits gained by incorporating. (See Scott A. Shane, "More of the Self-Employed Incorporate," Feb. 15, 2010, on the Internet at [smallbiztrends.com/2010/02/more-of-the-self-employed-incorporate.html](http://smallbiztrends.com/2010/02/more-of-the-self-employed-incorporate.html) (visited Apr. 12, 2010).) In addition, anecdotal evidence suggests that business owners might choose to incorporate because of the enhanced status afforded by incorporation and because many attorneys and accountants advise unincorporated business owners that it would be in their best interests to incorporate their businesses.

<sup>5</sup> Estimates of incorporated self-employment for selected years are available before 1989. These data show that incorporation has become more common over time, increasing from 1.5 million in 1976 to 2.1 million in 1979 and 2.8 million in 1982; as a share of total employment, the percentage rose from 1.8 percent, to 2.2 percent, to 2.8 percent over the same points in time.

<sup>6</sup> As was the case for total employment, the 1994 increase was particularly pronounced among women. (See Anne E. Polivka and Stephen M. Miller, "The CPS after the Redesign: Refocusing the Economic Lens," in John Haltiwanger, Marilyn Manser, and Robert Topel, eds., *Labor Statistics Measurement Issues* (National Bureau of Economic Research, Studies in Income and Wealth, vol. 60, 1998), pp. 249–86, especially pp. 275–77.)

<sup>7</sup> The National Bureau of Economic Research (NBER), the generally recognized arbiter of recessions in the United States, designated June 2009 as the trough of the recession that began in December 2007.

<sup>8</sup> A recent report examined the rate of business creation at the business owner level. The author found that, in 2009, the largest increases in entrepreneurship came from older individuals and Blacks. (See Robert W. Fairlie, "Kauffman Index of Entrepreneurial Activity: 1996–2009" (Kauffman Foundation, May 2010), on the Internet at [www.kauffman.org/research-and-policy/kauffman-index-of-entrepreneurial-activity.aspx](http://www.kauffman.org/research-and-policy/kauffman-index-of-entrepreneurial-activity.aspx) (visited May 27, 2010).

<sup>9</sup> For an analysis of transitions into and out of self-employment among older workers who have career jobs, see Michael D. Giandrea, Kevin E. Cahill, and Joseph F. Quinn, "Self-Employment Transitions among Older American Workers with Career Jobs," Working Paper 684 (Chestnut Hill, MA, Boston College, April 2008), on the Internet at [fmwww.bc.edu/ec-p/wp684.pdf](http://fmwww.bc.edu/ec-p/wp684.pdf) (visited Apr. 16, 2010).

<sup>10</sup> In a recently published book, Robert W. Fairlie and Alicia M. Robb conducted in-depth research on why businesses owned by Asian Americans (or, simply, Asians) tend to be more successful than White-owned and Black-owned firms. Also exploring the broader question of why some of the self-employed are successful and others are not, the authors found that a high level of startup capital is the most important factor contributing to the success of Asian-owned businesses and that the lack of startup capital for Black businesses contributes to their relative lack of success. Moreover, higher levels of educational attainment among Asian business owners explain much of their success relative to both White- and Black-owned businesses. Finally, the authors found that Black self-employed workers have fewer opportunities than their

White counterparts to acquire work experience through family businesses. (See Robert W. Fairlie and Alicia M. Robb, *Race and Entrepreneurial Success* (Cambridge, MA, MIT Press, 2008).)

<sup>11</sup> Beginning in 1994, questions on nativity and U.S. citizenship status were added to the basic monthly CPS. Respondents were asked to name their country of birth. Those who said that they were born in the United States, Puerto Rico, or another U.S. territory or that they were born abroad of an American parent or parents are classified as U.S. natives. Individuals who provided another response are classified as foreign born.

<sup>12</sup> Research on foreign-born self-employment conducted by Maude Toussaint-Comeau determined that, on average, the self-employment rate of the foreign born was somewhat higher than that of the native born. However, there was wide variation in the rates by country or region of origin. Toussaint-Comeau found that differences in personal and human capital characteristics and length of time residing in the country are potential sources of differences in self-employment rates among the different groups. (See Maude Toussaint-Comeau, "Self-employed immigrants: an analysis of recent data," *Chicago Fed Letter*, no. 213 (Chicago, Federal Reserve Bank of Chicago, April 2005), on the Internet at [www.chicagofed.org/digital\\_assets/publications/chicago\\_fed\\_letter/2005/cflapril2005\\_213.pdf](http://www.chicagofed.org/digital_assets/publications/chicago_fed_letter/2005/cflapril2005_213.pdf) (visited May 11, 2010).)

<sup>13</sup> Full time is defined as 35 or more hours per week.

<sup>14</sup> The proportion of the incorporated self-employed working part time for economic reasons rose from 2.1 percent in 2006 to 5.6 percent in 2009.

<sup>15</sup> In 2009, the proportion of unincorporated self-employed men in nonagricultural industries who worked 49 or more hours per week was 25.1 percent, compared with 16.8 percent of their female counterparts.

<sup>16</sup> In 2009, the 35.6-hour average workweek for the unincorporated self-employed (men and women combined) in nonagricultural industries was the lowest in the history of the series, which began in 1976.

<sup>17</sup> The incorporated self-employed were much more likely than the unincorporated self-employed to have paid employees. The February 2005 Contingent and Alternative Work Arrangements Supplement to the CPS collected data on the presence of employees of incorporated self-employed workers. According to estimates from the supplement, about 2.8 million (56.2 percent) of the 5.1 million incorporated self-employed workers had paid employees. Of the 2.8 million, 50.4 percent employed 1 to 5 workers while 14.0 percent had 20 or more employees.