Employment Transitions among the Self-Employed During the Great Recession

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Introduction

- Use detailed longitudinal data to analyze transitions into and out of self-employment
- What factors influence these transitions?
- How did the recession impact these transitions?
Introduction

- Hypotheses:
  - Movements into self-employment - characteristics of the individual
  - Movements out of self-employment - characteristics of the business
  - Recession: transitions from unemployment to self-employment will increase
  - Post-recession: transitions from self-employment to wage-work will increase
Data

- Survey of Income and Program Participation (SIPP), 2008 panel
- 52,301 households
- Interviewed every 4 months beginning September 2008
- Waves 1 to 10, employment transitions from June 2008 to November 2011
Data

- Detailed employment data on jobs and businesses
- Monthly employment status
  - Start and end dates for each employment spell
  - Information on jobless spells
- Compare employment status month to month
Data

- Final data set
  - Each observation is a possible transition between self-employment, wage-work and unemployment
  - Characteristics of the individual measured at start month
    - Demographic/educational
    - Economic/employment
    - Geographic
    - Macro-economic
Data

Table 1: Unweighted sample size by transition type, waves 1-10

<table>
<thead>
<tr>
<th>From:</th>
<th>To:</th>
<th>Unemployment</th>
<th>Wage-work</th>
<th>Self-employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment</td>
<td>89,240 (97.6%)</td>
<td>1971 (2.1%)</td>
<td>325 (0.3%)</td>
<td></td>
</tr>
<tr>
<td>Wage-work</td>
<td>2062 (0.2%)</td>
<td>1,182,799 (99.7%)</td>
<td>1099 (0.1%)</td>
<td></td>
</tr>
<tr>
<td>Self-employment</td>
<td>231 (0.1%)</td>
<td>1270 (0.8%)</td>
<td>168,645 (99.1%)</td>
<td></td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, Survey of Income and Program Participation (SIPP), 2008 Panel Waves 1 to 10.
Models

- Transitions into self-employment:
  - Binomial logit
  - Model 1: from unemployment
  - Model 2: from wage-work

- Transitions out of self-employment:
  - Model 3: multinomial logit
  - to wage-work vs to unemployment
## Models

<table>
<thead>
<tr>
<th>Summary Stat.</th>
<th>Model 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unemployed, no change</td>
</tr>
<tr>
<td>Married</td>
<td>0.41</td>
</tr>
<tr>
<td>Female</td>
<td>0.43</td>
</tr>
<tr>
<td>White, non-His</td>
<td>0.56</td>
</tr>
<tr>
<td>Bachelor’s</td>
<td>0.15</td>
</tr>
<tr>
<td>Health ins.</td>
<td>0.31</td>
</tr>
<tr>
<td>Unemp comp.</td>
<td>0.40</td>
</tr>
<tr>
<td>Tenure (yrs)</td>
<td></td>
</tr>
<tr>
<td>Past s.e.</td>
<td>0.46</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, Survey of Income and Program Participation (SIPP), 2008 Panel Waves 1 to 10. Each summary statistic is significantly different between transition types at the 0.10 level.
## Summary Stat.

<table>
<thead>
<tr>
<th>Summary Stat.</th>
<th>Model 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unemployed, no change</td>
</tr>
<tr>
<td>Northwest</td>
<td>0.18</td>
</tr>
<tr>
<td>Midwest</td>
<td>0.19</td>
</tr>
<tr>
<td>South</td>
<td>0.37</td>
</tr>
<tr>
<td>West</td>
<td>0.26</td>
</tr>
<tr>
<td>Recession</td>
<td>0.27</td>
</tr>
<tr>
<td>Unemp. rate</td>
<td>8.99</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, Survey of Income and Program Participation (SIPP), 2008 Panel Waves 1 to 10. Each summary statistic is significantly different between transition types at the 0.10 level.
## Models

<table>
<thead>
<tr>
<th>Summary Stat.</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Self-employed, no change</td>
</tr>
<tr>
<td>High school</td>
<td>0.54</td>
</tr>
<tr>
<td>Bachelor’s</td>
<td>0.37</td>
</tr>
<tr>
<td>Own home</td>
<td>0.81</td>
</tr>
<tr>
<td>Tenure (yrs)</td>
<td>12.09</td>
</tr>
<tr>
<td>Small bus</td>
<td>0.85</td>
</tr>
<tr>
<td>Incorporated</td>
<td>0.34</td>
</tr>
<tr>
<td>Bus. Income (100$)</td>
<td>23.96</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, Survey of Income and Program Participation (SIPP), 2008 Panel Waves 1 to 10.
Results: model 1

- Probability of entering self-employment from unemployment *increases with*
  - age
  - being Hispanic
  - having a bachelor degree
  - past self-employment
  - living in the west
  - transitioning during the recession
Results: model 1

- Probability of entering self-employment from unemployment *decreases with*
  - being female
  - receiving unemployment compensation
  - living in a metro area
  - the state monthly unemployment rate
Results: model 2

- Probability of entering self-employment from wage work *increases with*
  - age
  - marriage
  - being white non-Hispanic
  - having a bachelor degree
  - past self-employment
  - living in the west
  - transitioning during the recession
Results: model 2

- Probability of entering self-employment from wage work *decreases with*
  - being female,
  - being Hispanic,
  - having less than a high school degree,
  - having health insurance,
  - job tenure
Results: model 3

- Probability of remaining self-employed increases when the business is
  - Smaller
  - Older
  - Incorporated
  - More profitable
Results: model 3

- Probability of remaining self-employed increases when the owner
  - Is female
  - Owns own home
Results: model 3

- Probability of exiting self-employment to unemployment

**Increases with**
- Previous spells of unemployment
- Living in the west

**Decreases with**
- Being white, non-Hispanic
- Having a bachelor's degree
- Having health insurance
Results: model 3

- Probability of exiting self-employment to wage-work

  Increases with
  - Previous spells of wage-work
  - Having a bachelor's degree
  - Having health insurance

  Decreases with
  - The unemployment rate
Summary

- Hypotheses:
  - Movements into self-employment - characteristics of the individual. YES
  - Movements out of self-employment - characteristics of the business. YES
Summary

- Hypotheses
  - Recession: transitions from unemployment to self-employment will increase. YES
  - Post-recession: transitions from self-employment to wage-work will increase. NO