

Fact Sheet

Older Workers Are More Likely to Be Self-Employed

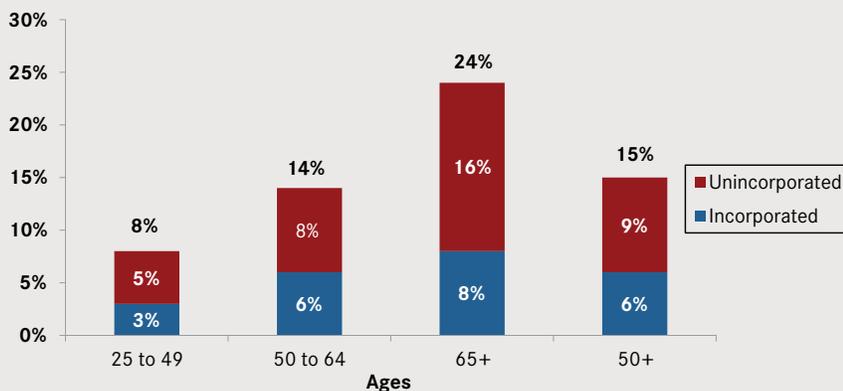
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In the U.S. economy today, self-employment rates rise with age, increasing from 8 percent at ages 25 to 49 to 24 percent at ages 65 and older (exhibit 1).

Self-employed workers may be unincorporated or incorporated. Incorporated self-employed workers have separate legal identities for their businesses and can issue stock; unincorporated self-employed workers may also have separate legal identities (such as a limited liability company) for their businesses, but they cannot issue stock.¹

EXHIBIT 1
Self-Employment Rates* among Workers by Age**



Source: Author's tabulation of U.S. Census Bureau, March 2014, Current Population Survey.

*Self-employment rates were based on the number of people employed at the time of the survey, either at work or absent from the job for specified reasons such as illness. Employment rates for these age groups as of March 2014 were 77 percent for the population ages 25 to 49, 66 percent for ages 50 to 64, and 18 percent for ages 65 and older.

**The universe of civilian workers used for determining self-employment includes private wage and salary workers, government workers, and self-employed workers. It excludes those who work without pay. The identification of self-employed workers is based on the "reference week," which refers to the week before receiving the monthly employment survey.

- ✓ Self-employment rates rise with age, increasing from 8 percent at ages 25 to 49 to 24 percent at ages 65 and older.
- ✓ Working men ages 50 and older are more likely than older working women to be self-employed.
- ✓ Overall, self-employed workers ages 50 and older earn less than private wage and salary or government workers.

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Regardless of age, the self-employed are more likely to be unincorporated than incorporated. Among employed workers ages 50 and older, 15 percent are self-employed² and 61 percent of those are unincorporated.³

Men Are More Likely to Be Self-Employed than Women

Working men ages 50 and older are more likely than older working women to be self-employed: 19 percent versus 11 percent (exhibit 2). Differences by sex are greater for the incorporated (8 percent of men compared with 3 percent of women) than unincorporated (11 percent versus 7 percent) self-employed. Incorporated self-employment is more common among older white non-Hispanics and other non-Hispanics than among African Americans and Hispanics.

Older Incorporated Self-Employed Workers Are Better Educated than the Unincorporated

The incorporated self-employed are more likely to come from high-income families⁴ and are more

likely to have paid employees.⁵ They are also more likely to have higher incomes and more wealth and to work more hours than unincorporated workers.⁶ Education plays a clear role in income and wealth differences. Incorporated self-employed workers ages 50 and older are more likely than the unincorporated to have a bachelor's degree or higher (51 percent versus 37 percent, respectively, in 2014). The incorporated also have a higher proportion of professional or doctorate degrees (13 percent versus 8 percent for the unincorporated).⁷

Incorporated Self-Employed Workers Earned the Most in 2013

Overall, self-employed workers ages 50 and older earn less than private wage and salary or government workers (\$30,000 versus \$37,000 and \$45,000, respectively) (exhibit 3). This is because of the low earnings of the unincorporated self-employed (\$20,000). In contrast, at all ages, incorporated self-employed have the highest earnings of any class of worker.

EXHIBIT 2

Demographic and Economic Characteristics of Workers Ages 50-Plus by Class of Worker*

Indicator	Descriptor	Private Wage and Salary	Government	Total	Self-Employed	
					Incorporated	Unincorporated
Sex	Male	67%	14%	19%	8%	11%
	Female	69%	20%	11%	3%	7%
Race/Ethnicity	White Non-Hispanic	67%	16%	17%	7%	10%
	Black Non-Hispanic	70%	22%	8%	2%	5%
	Other Non-Hispanic	69%	16%	15%	7%	8%
	Hispanic**	75%	15%	11%	3%	8%

Source: Author's tabulation of U.S. Census Bureau, March 2014, Current Population Survey.

*See exhibit 1 for description of the universe of workers. Percentages of total self-employed do not necessarily equal the sum of incorporated and unincorporated self-employed percentages due to rounding.

**Hispanic refers to Hispanic, Spanish, or Latino.

EXHIBIT 3

Median Earnings from Longest Job Held in 2013 by Class of Worker*

Class of Worker	Ages 25 to 49	Ages 50 to 64	Ages 65+	Ages 50+
Private Wage and Salary	\$35,000	\$39,000	\$27,000	\$37,000
Government	\$43,000	\$48,000	\$29,000	\$45,000
Total Self-Employed**	\$32,000	\$32,000	\$20,000	\$30,000
Incorporated**	\$50,000	\$52,000	\$42,000	\$50,000
Unincorporated**	\$25,000	\$24,000	\$14,000	\$20,000

Source: Author's tabulation of U.S. Census Bureau, March 2014, Current Population Survey.

*The universe of civilian workers for estimating median earnings is those who had a job or business in 2013. It excludes workers without pay. The class of worker is based on the "longest job" held in 2013.

**The Census Bureau reports income for these incorporated workers as wages, since they are considered employees of their own business. Income for unincorporated workers refers to net earnings or net money income (gross money receipts minus business expenses).

- 1 Incorporated workers represent owners (based on shares of stock) of an S- or C-corporate legal entity. The corporation has a separate legal identity from the owner. The U.S. Census reports income for these owners as wages, since they are considered employees of their own businesses. In contrast, unincorporated workers have no separate identities for their businesses (unless they have a limited liability company or limited partnership); income for unincorporated workers refers to net earnings or net money income (gross money receipts minus business expenses).
- 2 U.S. Census Bureau, March 2014, Current Population Survey.
- 3 U.S. Census Bureau, March 2014, Current Population Survey.
- 4 R. Levine and Y. Rubinstein, "Does Entrepreneurship Pay? The Michael Bloomborgs, the Hot Dog Vendors, and the Returns to Self-Employment," 2013. Paper available at http://faculty.haas.berkeley.edu/ross_levine/Papers/2012_7SEP_entrepreneurship.pdf.
- 5 S. Hipple, "Self-Employment in the United States," *Monthly Labor Review* (September 2010). Paper available at <http://www.bls.gov/opub/mlr/2010/09/art2full.pdf>.
- 6 Author's analysis of the U.S. Census Bureau, March 2014, Current Population Survey, and the Board of Governors of the Federal Reserve System, 2013, Survey of Consumer Finances.
- 7 U.S. Census Bureau, March 2014, Current Population Survey.

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