

Job Characteristics and Transitions Among Older Self-employed Individuals with Work-limiting Health Conditions

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As workers age, they face an increasing risk that health problems will force them out of the labor force. However, workers with more control over their work conditions may be better able to manage the challenges health problems can create. A new report from the Office of Advocacy explores the relationship between self-employment and labor force transitions among older workers with health limitations.

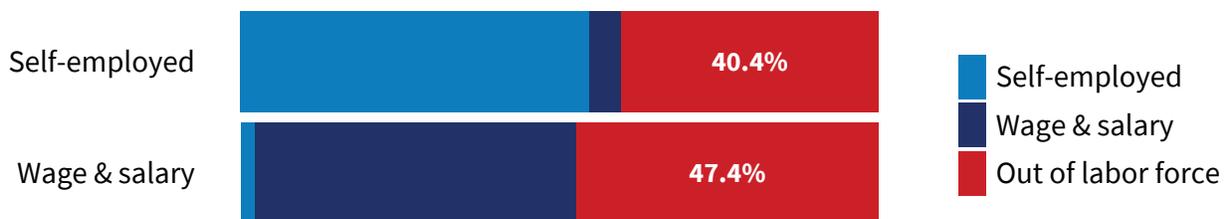
Overall Findings

The authors of the new report examined how participation in the labor force changed when older workers developed health problems that limited their ability to work. The authors discovered that the self-employed were much less likely to leave the labor force after developing health limitations than

their wage and salary counterparts. The figure shows the transition rates measured by the authors. Only about 53 percent of wage and salary workers who developed health limitations remained in the labor force, while almost 60 percent of the self-employed remained.

The authors explored some possible explanations for the difference in transition rates. One possibility they considered was that the self-employed continued to work because their jobs were less demanding. In a simple comparison of average responses, the authors found that they self-employed generally reported less physically demanding jobs, lower stress, fewer hours worked per week, and fewer weeks worked per year. In a statistical analysis designed to compare similar workers and jobs, they found no systematic

Employment status after developing a health limitation



Source: Calculation by the authors using data from the Health and Retirement Study

This document is a summary of the report identified above, developed under contract for the Small Business Administration, Office of Advocacy. As stated in the report, the final conclusions of the full report do not necessarily reflect the views of the Office of Advocacy. This summary may contain additional information, analysis, and policy recommendations from the Office of Advocacy.

differences in physical demands, and they found that the self-employed tended to report higher levels of stress. They also found that the self-employed with health limitations worked more hours per week but fewer weeks per year than their wage and salary counterparts.

A second possibility the authors considered was that self-employment provided greater flexibility to those who developed health limitations. The authors found a larger change in hours worked per week among the self-employed than among wage and salary workers following the development of health limitations. Among wage-and-salary workers who remained in the labor force, average hours worked per week declined by only about one hour after the development of health limitations. Among the self-employed, the average declined by two to three hours.

Data, Methods, and Limitations

The authors used data from the Health and Retirement Study describing a representative sample of the population age 51 and over. The Health and Retirement Study is sponsored by the National Institute on Aging and the Social Security Administration and it is fielded by the Institute for Social Research at the University of Michigan. The authors used the RAND version of the data, which have been cleaned and harmonized over time.

Hypotheses were formulated about differences across four categories of workers. The categories considered were self-employed workers with and without health limitations, and wage and salary workers with and without health limitations. The hypotheses were tested by estimating coefficients for multiple regression equations that conditioned on a wide range of variables.

While the results suggest that self-employment provides greater flexibility to workers who develop health problems, some limitations of the report should be considered when interpreting the results. The analysis is exploratory and does not prove that differences in flexibility caused differences in transition rates. The report considers only a few specific mechanisms that may be contributing to differences in transition rates, and self-employment

may be related to transition rates for other reasons. The analysis also focuses on differences among those who remain in the labor force, while a comprehensive account of differences in transition rates would also examine differences among those who leave. Further details concerning these limitations, as well as detailed discussion of the data and methods, are provided in the report.

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.

Discussion

High employment, adequate incomes for the elderly, and a thriving population of businesses are all matters of concern for policymakers. This report describes a potential connection between them. If the self-employed are better able to accommodate health limitations as they become older, a thriving population of businesses may increase employment and improve incomes for the elderly. Such a relationship would have implications for the social returns to policies that provide support for small business owners.

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