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

By Tami Gurley-Calvez, Jessica Williams, and Kandice Kapinos, Kansas City, KS 66160. 50 pages.
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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**

<table>
<thead>
<tr>
<th>Status</th>
<th>Self-employed</th>
<th>Wage &amp; salary</th>
<th>Out of labor force</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-employed</td>
<td>40.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage &amp; salary</td>
<td>47.4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

READ THE FULL REPORT ONLINE
This report is available on the Office of
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