Consequences of Self Employment for Women and Men in the United States: Preliminary Results

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Abstract

Many self-employed workers return to the wage and salaried sector of the labor market after some time. It is possible that the self-employment spell will lead to lower earnings or earnings growth upon return, due to depreciation of firm or sector-specific human capital. Using longitudinal data from the NLS, this paper examines the effects of spells of self-employment on the future wage and salary sector earnings of male and female workers in the United States, and on other market outcomes. The results indicate substantial penalties arise for women, in terms of returns to experience, while there is little or no impact for men.

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I. Introduction

Academic interest in the self-employed has increased dramatically in the past decade. In part this is because the growth of self-employment is one of the more pronounced changes in labor markets throughout the world. In the United States, the proportion of the labor force reported as self-employed increased by 31 percent from 1975 to 1990, reversing what had been a long-term downward trend. Currently approximately 10 percent of the workforce is engaged in self-employment. Among the self-employed, females represent the fastest growing segment (Devine 1994a).[1] A good deal of research has focused on the question of why workers choose self-employment over "wage and salary" employment, and on the factors that have contributed to the recent trends.[2] Some of that research has focused on women or the gender self-employment rate differential (Devine 1994, Carr 1996, Connelly 1992).

In addition, there has been growing interest in "small business" as a source of economic growth in industrialized countries, as well as interest in self-employment as a source of growth in less developed countries (e.g., House 1993). Self-employment is also viewed by some as a vehicle for exit from poverty, particularly for women and racial minorities, and it is viewed as a viable alternative to unemployment for displaced workers (Balkin 1989, U.S. Department of Labor, 1992). Consequently, governments world-wide have taken the position that self-employment is to be encouraged, resulting in a wide range of programs to support it.

[1] The rate is still lower for females than for males, but the gap has been closing. These figures are for non-agricultural employment only, and include the incorporated self-employed, in contrast to Labor Department estimates of self-employment which currently exclude the incorporated (Bregger 1996).

[2] For the U.S. and Canada, see Long (1982), Moore (1983), Blau (1987), Evans and Leighton (1989), Evans and Jovanovic (1989), Devine (1994a, 1994b), Bernhardt (1994), and Blanchflower and Meyer (1994).

In this context, it is important to ask what are the *consequences* of self-employment? A common image is of the successful entrepreneur with very high income and rapidly growing wealth. But we know that high proportions of the self-employed return to the wage and salary sector after brief spells. How do they fare upon return? While out of the wage and salary sector, these workers lose potentially valuable labor market experience and opportunities for training or advancement within the firm or industry in which they previously worked. Alternatively, the workers may acquire new skills while self-employed which yield even greater returns upon re-entry to wage or salary sector employment. In addition to labor-market returns, spells of self-employment could affect future employment probabilities or could lead to significant changes in net assets. Another question is, do the effects differ according to demographic group, in particular by gender, or according to occupation? If the losses associated with self-employment are sufficiently large, or are unique to a particular group of workers, then strategies to promote it may be counterproductive. That is, a worker might be better off with a slightly longer spell of unemployment and subsequent wage and salary sector job, than with a self-employment opportunity that fails. Despite the potentially important consequences of leaving the wage labor market, the question of the impacts of spells of self-employment on workers has not received much attention in the economics literature.[3]

These and other questions about the consequences of self-employment are the primary focus of the present research. We improve upon previous work by using better measures of self-employment experience, and by allowing the effect of self-employment to differ by occupation. In addition, effects on other labor market outcomes are explored. The paper also contributes to

[3] A recent exception is Ferber and Waldfogel (1998). Consequences of *unemployment*, on the other hand, were studied extensively in the early 1980s. See, for example, Becker and Hills (1983).

our knowledge of male-female differentials in the self-employment experience.

Using data from the National Longitudinal Survey Youth Cohort (NLSY) and the National Longitudinal Survey of Young Women (NLS), we find several key results. Foremost, for women the return to self-employment experience is less than the return to wage and salary sector experience. No such evidence is found for men. In addition, the difference in returns does not exist for women in sales occupations. These results hold even when attempting to control for unobserved heterogeneity.

The paper is organized as follows: the next section gives a brief review of the literature and describes the basic model and relationships to be studied. This is followed by a description of the data and methodology in section III. Section IV presents the results and some extensions. Interpretations of the results are presented in Section V, followed by topics for further research and conclusions in Section VI.

II. Potential Consequences of Self Employment

The notion that self-employment can have negative effects on future wage and salary sector labor market outcomes derives from a simple human capital framework. While in the wage and salary sector, a worker accumulates experience that is rewarded in the form of higher wages, presumably due to increased productivity.[4] The productivity increase can result from various factors. First is the effect of "learning while doing" on the job. Second is the effect of firm or industry-specific training. While out of the wage and salary sector, a worker's firm or industry-specific productivity might not grow at the same rate as if she had remained in the sector. This could lead to lower wage and salary earnings upon return to the sector at a later date.

In addition, the individual might suffer atrophy of previously acquired skills, also contributing to lower future earnings.[5] Finally, there might exist "sector specific" human capital that has market returns. As individuals become more familiar with the way the labor market "works," or make labor market contacts, their opportunities for higher wages may increase. A spell of self-employment could lead to lower levels of this form of capital as well. Note that in addition to affecting earnings, firm, industry, or sector-specific human capital can also affect the probability of employment.

On the other hand, of course, the worker accumulates experience in the self-employment sector during her spell there that could lead to higher productivity, reduce the rate of atrophy, and/or lead to better employment contacts. It also might lead to the development of new skills. Consequently, a spell of self-employment might lead to higher future wage and salary income or a higher probability of employment. The question of the "net" effect is ultimately an empirical one.

The effects of lost wage and salary experience might be different according to the individual's occupation and gender. To the extent that investments in firm or industry-specific human capital differ according to occupation, or to the extent the rates of return differ, we would expect to see differential impacts of leaving a firm or industry for self-employment. In addition, occupation might affect the rate at which skills depreciate while in the self-employment sector. An accountant, for example, who leaves a firm to work on her own might suffer little loss of skill from the lost wage sector experience.

Similarly, the effects for men and women could differ according to the extent to which

[4] Of course alternative explanations of the wage-experience relationship exist.
[5] These arguments are analogous to the explanation for the lower earnings of women who have intermittent labor force attachment (e.g, Mincer and Polochek 1974).

levels and rates of return to investments in human capital differ according to gender (apart from the effect of differences in the occupational structure). In addition, the factors that lead women and men to choose to enter self-employment appear to differ. Personal characteristics such as family size, marital status, and the ages of children play a greater role for women than they do for men (Carr 1996). This reflects the role that self-employment plays for women in offering greater flexibility in hours and weeks worked. Consequently, the levels of skill accumulation or atrophy during the self-employment spell may differ by gender. Finally, wage and salary sector employers might treat returning men and women differently, not giving as much "credit" to women as they do men for time spent in self-employment.

To our knowledge, the effects of self-employment on future earnings or other labor market variables have been examined in only two other studies. Evans and Leighton (1989) estimate separate earnings functions for samples of white males who were either in self-employment or wage and salary sector employment in 1981. They include measures of previous self-employment and wage and salary sector experience (measured in years) in both functions. Interestingly Evans and Leighton find a differential impact of the types of experience only in the self-employed sample. In particular, they find that the return to self-employment experience is higher than the return to wage experience for the self-employed. They find no evidence of a differential return among the wage and salary employed. That is, "[male] workers who fail at self-employment return to wage work at roughly the same wages they would have received had they not tried self-employment" (p. 532).

Ferber and Waldfogel (1998) examine the impacts of various forms of "non-traditional employment," including self-employment, on the earnings of young males and females from the NLS-Youth Cohort. They report that incorporated self-employment experience yields a higher

rate of return than both unincorporated experience and wage and salary sector experience, for both males and females. Unfortunately, they do not run separate regressions by employment in the two sectors, such that comparisons of returns to experience cannot be made, shedding little light on the questions raised above.

The current project adds to this literature in several ways. First, we directly address the question of differential returns for the NLS-Youth cohort, following the method used by Evans and Leighton, for both men and women. The main hypothesis is that the rate of return to previous self-employment experience is less than the rate of return to wage and salary experience, for a sample of wage and salary workers. Second, we allow the effect of experience to vary according to occupation and length of spell. Third, we conduct a similar analysis for the NLS Young Women cohort, which had not been previously studied in this regard. In work in progress, we are investigating the effects of self-employment on other market outcomes, with a focus on employment probabilities.[6]

III. Data and Methodology

The primary data source for the analysis is the National Longitudinal Survey of Youth (NLSY), for the 1979-1994 time period. The NLSY contains information for a sample of 12,686 individuals who were 14-21 years old in the initial survey year and for a subset of that cohort in subsequent years. Through normal attrition and decisions to drop sub-samples over time, by 1994 the sample was comprised of 8,891 individuals. The NLSY has many desirable properties: the data set is relatively large, its longitudinal nature allows for identification of changes in states

[6] Although important, the impacts of self-employment on other aspects of employment and the quality of life, such as job satisfaction, health, or family rewards, are not addressed in this project.

over time and for the construction of work histories and true experience variables, and it includes many personal and job related characteristics not found in other large samples (e.g., Current Population Survey). In addition, it allows us to observe individuals over significant parts of their careers and life cycles. Further, by 1994 the workers in this sample were about the same age as those used in the studies by Evans and Leighton (1989) and by Blanchflower and Meyer (1994). It is the same data used by Ferber and Waldfogal.

Part of the analysis is conducted using the National Longitudinal Survey (NLS) Young Women cohort. The NLS is based on a national probability sample of 5159 women who were 14-24 years old in 1968. The last data available for this sample was collected in 1993. Like the NLSY, it has a large number of individual-specific variables related to economic, personal background, and other characteristics. Unfortunately, information is not collected for all years in the 1968-93 time period. The data set does allow us to examine the hypotheses for a slightly older group of workers, however.

The self employed are identified using the "Class of Worker" variables, which indicate whether a respondent, in her *current or most recent job*, was employed by a private sector or government sector employer, or was self-employed. Because the question is aimed at the "primary" job, self-employment in a secondary job is not captured here. Both the incorporated and unincorporated self-employed are included as self-employed in this analysis. Both full- and part-time employed are included as well.

Two basic methods, with several subsequent variations, are used to examine the effects that self-employment has on subsequent outcomes. First, to test the hypothesis that self-employed workers who return to the wage and salary sector suffer as a result of lost wage and salary experience, earnings functions for 1993 are estimated using multiple regression analysis

with variables included to capture previous self-employment activity. The variables included in the analysis are described in the next section. Interaction terms are introduced to allow the returns to experience to vary with occupation. For the NLSY sample, the regressions are estimated separately for males and females. With employment restrictions and the exclusion of observations with missing values, the samples are limited to 3104 males and 2839 females from the NLSY, and 1530 females from the NLS Young Women cohort. The results of this analysis are the focus of the present paper.

Second, in work in progress simple comparisons of future outcomes are made between a sample of individuals who where in self-employment in 1987 or 1988 and samples of individuals who were not self-employed at that time. Variables examined include annual income, employment and unemployment probabilities, and changes in net assets. Again, gender comparisons in the results are made. The experiences of the self-employed are also compared with those of the unemployed and non-participants. Some preliminary results are described below, but only for samples from the NLSY.

IV. Results

A. Incidence of Self-Employment

We begin by describing the self-employment experiences of the NLSY and NLS samples. Table 1 presents the proportions of the employed engaged in self-employment in various years, for each sample. These data are not limited to those individuals used in the subsequent analyses (employed in 1993), but are for the entire samples.

First note that the rate of self-employment among the employed samples increased over time, perhaps reflecting the general trend, but also reflecting the effect of age on self-employment

propensities. We find that the NLSY men are more likely to be self-employed at a point in time than are the NLSY women, consistent with other studies. The effect of age can be seen further by comparing the columns for the two groups of women, with the older (NLS) group more likely to engage in self-employment. Men also are more likely to have ever been self-employed, at 22.8 percent compared to 17.4 percent for women in the NLSY and 17.9 percent for women in the NLS.

B. Regression Analysis

Multiple regression analyses of earnings functions are conducted for samples of individuals who were employed in 1993, relating the log of weekly income to several human capital, job, and personal characteristics, including measures of self-employment experience. The samples are restricted to individuals who were in wage and salary employment in their current or most recent job in 1993, and have positive weekly wages. The variables employed in the analyses are listed in Table 2. The dependent variable (LWAGE) is the log of average weekly income, defined as the respondent's annual labor income in 1993 (wages, tips, salaries) divided by reported weeks worked in that year. Previous experience variables are created for both self-employment and wage and salary employment. They are measured as cumulative weeks worked in each sector in the 1979-1992 period for the NLSY and 1975-1993 period for the NLS Young Women.[7] Some of the estimated earnings functions include squared experience terms. Three dichotomous educational attainment variables are employed, allowing returns to vary for different levels of education. Other independent variables include controls for age, health status, region, urban residence, union status, number of children, marital status, and

[7] The intent is for the variable to measure experience *prior to* the earnings in 1993. Estimates using experience through 1993 in the NLSY yielded similar results.

occupation.

Referring to the descriptive statistics in Table 2, the samples from the NLSY are on average a little more than 32 years old in 1993, predominately white, non-union, and urban dwellers. Slightly more than half were married at the time of the survey. Both samples are about 28 percent black and 18 percent Hispanic, reflecting the oversampling of those groups in the NLSY (the analysis uses the unweighted samples). The NLS Young Women sample is older (43 on average in 1993), more likely to be married, with more children, and with more total work experience.

On average the respondents in all samples have significantly more weeks of wage and salary experience than self-employment experience, with males having more of both types than females (in the NLSY). Other gender differences in the NLSY are that the women are slightly better educated, more likely to work for the government, less likely to have wages covered by a bargaining agreement, more likely to me in managerial, technical, and sales occupations, and more likely to be employed part-time. In addition, the women in both samples have lower average earnings than do the NLSY men.

Coefficient estimates for sets of earnings functions are presented in Table 3, by gender and data source. The first column of results for each group is from a simple specification including the variable to indicate whether the individual had any prior self-employment experience (ANYSELF).[8] The second column is for a specification that includes the self-employment and wage and salary experience variables and a squared term for the total weeks of experience. The third column gives the coefficients from a specification that includes squared

[8] In the early years for each cohort, the types of self-employment reported are likely to include very part-time, summer work. Estimation was also conducted using a variable limited to post-1985 experience, reflecting self-employment among youth in their early 20s or older. The same qualitative results hold.

terms for the two types of experience.

Referring to the first set of results (columns a, d and j), we find a large and significant coefficient for ANYSELF, representing the difference in weekly earnings between those who previously worked in the self-employment sector and others, of between 6 and 13 percent, for the three samples. The (negative) effect of self-employment on subsequent labor earnings for NLSY females is roughly double the effect for males. The coefficient for Young Women is about the same as that for the NLSY males. The estimated coefficients for other variables in the earnings functions are consistent in sign with those found elsewhere in the literature. Education and experience are positively related to earnings for both genders, as is residence in an urban area, collective bargaining coverage, residence in the northeast (relative to the west), and working in a managerial or technical occupation. Having a health limitation, living in the south, being in a high unemployment area, employment in a service occupation and part-time employment all have negative impacts on weekly earnings. Consistent with other work, marital status and children have differential impacts according to gender.

The specifications in columns b, e, and h differentiate between weeks of self-employment experience and wage and salary sector experience, but include a single squared (total) experience term. The specifications in columns c, f, and I allow nonlinear experience effects for each type of experience. The results in these columns are fairly consistent; i.e., the effect of self-employment experience appears to be smaller than the effect of wage and salary experience for both males and females, and is even negative in some specifications, although not significantly different from zero. An F-test indicates that the difference in effects of experience is not statistically significant for males, however. That is, the labor market return to previous self-employment experience is the same as the return to previous wage and salary experience for this

group, consistent with the results found by Evans and Leighton. For females, however, the difference is statistically significant in both specifications and for both samples, suggesting a negative impact of self-employment. Indeed, the estimated return to self-employment experience for women in the NLSY is negative (evaluated at the mean levels of experience).

The estimated coefficients with interaction terms to allow the effect of experience to differ according to occupation are presented in Table 4. These results indicate that, for males, there are no significant differences in the return to self-employment experience across broad occupational groupings.[9] For females in the NLSY, however, the returns to both self- and wage employment experience is significantly higher for those currently working in sales occupations. The increased return in self-employment experience is sufficient to equate the returns to the two types of experience in the sales occupations (at about 0.1 percent per week, evaluated at the mean levels of experience for the sample as a whole). No such result is found for the Young Women cohort. We should note that the occupational controls are defined for the current (1993) wage and salary job, not for the self-employed occupation, which may be different. In further research an attempt will be made to control for the match between the occupations.

Of course the finding that individuals with self-employment experience earn less in wage and salary employment than those without it does not necessarily imply that self-employment experience is rewarded less in the labor market. One reason individuals might enter self-employment is because they perform poorly in the wage and salary sector. Consequently the ANYSELF coefficient and the self-employment experience coefficients might reflect the

[9] The excluded category is made up of blue-collar and farming occupations. Further research may attenpt to use 2-digit occupational classifications.

(unobserved) lower productivity of these workers in wage and salary employment.[10] In an attempt to control for this effect, the analysis is conducted for a sample limited to individuals who had not reported any self-employment activity prior to 1985, and including their weekly earnings in 1984 as an independent variable in the 1993 earnings regression. Wage and salary sector productivity differences should be reflected in the 1984 wage variable, which will not have been influenced by prior self-employment experience through the sample inclusion restrictions.[11] The results from this analysis, limited to the NLSY samples, are presented in Table 5. Note that for this purpose an alternative set of experience measures is used, measuring only self-employment or wage and salary experience since 1985 (ANYSELF85, SELFEXP85,WSEXP85). The results are consistent with those presented above. That is, holding constant earnings in 1984, subsequent self-employment experience does not yield as high a rate of return as does subsequent wage and salary sector experience for those in the wage and salary sector in 1993, for females. No difference in the returns to experience is found for males.

The self-selection "controlled for" in Table 5 is but one of several sources of bias, however. In addition to selection into the group of workers who engage in self-employment, there also is potential self-selection into the group of self-employed workers who return to wage and salary employment. First it is comprised of the group who "fail' in self-employment, and second it is comprised of those who, given the desire to leave self-employment, choose wage and salary sector employment over unemployment or non-participation. The directions of the biases may be different. In any case, they have been ignored in this work.

[10] Some authors argue that the self-employed tend to be lower productivity workers over all, while others suggest that they simply have a comparative advantage in self-employment (e.g., Bernhardt).
[11] Traditional fixed- or random-effects approaches are not well suited to the present context.

C. Other labor market consequences

Preliminary results for an analysis of consequences of self-employment on other variables is presented in Table 6. Two basic samples were constructed from the NLSY, of individuals who were engaged in self-employment in the 1987 or 1988 time periods, and those who were not self-employed in either period.[12] Further breakdowns for the latter group differentiate between the employed, unemployed, and non-participants in 1987/88. Referring to the table, we again find a gender differential. Among men, the self-employed in 1987/88 are slightly less likely to be employed in 1993 than those who were wage and salary employed in 1987/88, and slightly more likely to be out-of-the-labor force. These differences are much more pronounced for women. Self-employed women are much more likely to leave employment of any kind for non-participation. Also presented in the table is the average of a simple summation of the total earnings (wage and salary and self-employment) over the 1986-1993 time period. Among males, the total earnings (not discounted) are higher for those who were self-employed in 1987/88. Among females, however, the earnings are much higher among those who were in wage and salary employment in the initial period. It is unclear whether this is a cause or an effect of the different rates of non-participation between the two groups.

One final observation is that men who were self-employed in 1987/88 are slightly more likely than their female cohort to still be self-employed in 1993. Note, however, that nearly two-thirds of the self-employed had entered wage and salary employment by that time.

[12] The 1987 and 1988 time periods were selected in order to have a large sample of self-employed while allowing at least 5 years of subsequent observation.

V. Interpretations of the Results

The primary hypothesis examined in the preceding section was that the wage and salary sector returns to previous self-employment experience could be different from the returns to previous wage and salary sector experience. The results support this hypothesis, at least among women, with self-employment experience yielding a lower rate of return in the wage labor market than wage sector experience.

We must be careful in interpreting this result, however, for at least two reasons. First, the regression analysis was limited to individuals who had returned to the wage and salary sector, for whatever reason, and we have estimated only their loss. We cannot conclude, therefore, that women should not enter self-employment at all, for those who remain self-employed may earn higher returns than they would have earned had they been in the wage and salary sector. Second, some workers enter self-employment for reasons other than to increase their incomes. For example, the greater "independence" or "autonomy" on the job (Taylor 1996), or greater job satisfaction in general, might compensate for the potential lost income in the wage and salary sector if the individual fails. This is especially relevant for women, who might value the convenience and flexibility of self-employed work more highly than do men.[13] Finally, the results might still be sensitive to selectivity bias, although it is not clear why the effect should be stronger for women than for men.

Assuming we have valid estimates, these results might lead us to question the basic assumptions behind programs designed to encourage self-employment activity, at least among women. In particular, the potential costs to the high proportion of women who will leave self-

employment for wage and salary sector employment in the future must be recognized.[14] From a policy perspective, these results suggest that screening mechanisms to predict the probability of success in self-employment may be very valuable for program success.

The gender differential found here should be of interest to policy-makers. Regrettably the empirical analysis does not offer much evidence as to its source. As hypothesized in section II, the loss due to self-employment might be due to skill atrophy or loss of training opportunities in the wage and salary sector.[15] However, evidence suggests that women choose occupations in order to minimize the losses arising from intermittent employment experiences in general. If true, then the effect of lost wage and salary sector experience should be worse for men, not women. Alternatively, if women are more likely than men to change occupations when entering self-employment, or to work relatively fewer hours in self-employment, then they might be expected to suffer a greater loss.[16] The alternative explanation of gender-based differential treatment on the part of employers must also be given consideration and recognized as a potential barrier to female economic well-being. But whatever the source, it is interesting that the gender differential in the self-employment "penalty" could be an explanation for the fact that women are less likely than men to choose the self-employment alternative.

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[13] Sectoral choice is closely related to other labor market decisions, including whether to work part-time or full-time, whether to work at more than one job, whether to work at home, etc. The joint nature of these decisions is ignored in this discussion. For a recent analysis of the at-home/on-site/self-employment decision, see Edwards and Field-Hendrey (1996).

[14] These costs appear to have been ignored in evaluations of such programs in the U.S. (U.S. Department of Labor, 1994).

[15] The moderating effect of being in the sales occupation is consistent with this hypothesis, to the extent that sales is an occupation where the "learning by doing" and other benefits from experience do not differ much according to employment sector, relative to other occupations.

[16] Preliminary results from the NLSY do not find any gender difference in the rate of occupational change when making a wage and salary sector to self-employed sector transition compared to those who remain in the wage and salary sector, however.

VI. Conclusions and Topics for Further Research

Self-employment is of growing importance as an alternative for working women. This paper has identified a potential cost to self-employment for women who return to the wage and salary sector, in terms of lower returns to experience. The negative effect of self-employment does not exist for individuals in sales occupations, however; nor is it present for men.

This is one of the first papers to address the consequences of self-employment, and so leaves considerable room for further research. First, of course, the estimates presented here could be improved upon with the addition of explanatory variables or the use of alternative methods of controlling for unobserved heterogeneity. The analysis could also be applied to other data sets, such as the NLS Young Men and the Older cohorts.

But in addition, the paper raises other questions that should be addressed. Do the results depend on either the reason for choosing self-employment in the first place, or the reason for the return to the wage and salary sector? Perhaps the two are related, with low ability women who enter self-employment "as a last resort" being those who are most likely to fail. We need further analysis of the determinants of success in self-employment, following the work of Bates (1997) or Blanchflower and Meyer (1994). Further, why is there a negative impact only for women? More information about the occupations chosen by self-employed women and the nature of their work should be explored. Lastly, do the consequences of self-employment differ by other categories, such as race or ethnicity?[17] Answers to these questions are needed before we can fully understand the role and value of self-employment in the U.S. economy.

[17] See Fairlie and Meyer (1996) for an analysis of racial differences in self-employment rates.

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Table 1. Self-Employment Rates, various years

Variable	NLSY Men	NLSY Women	NLS Young Women
Percent Self-employed:[a]			
1975			3.1
1977			3.7
1979	3.9	3.0	
1980			5.8
1981	3.2	1.8	
1983	3.8	2.5	6.6
1985	5.2	3.7	7.4
1987	6.8	4.9	7.8
1989	7.6	6.4	
1991	9.1	6.3	8.2
1993	9.3	7.5	10.2
Percent ever self-employed[b]	22.8	17.4	17.9

Notes:

a) Percent of employed individuals only, excluding those working but not for pay.

b) 1975-1993 period for NLS Young Women, 1979-1993 period for NLSY.

Table 2. Variable Definitions and Descriptive Statistics

		NLSY Men		NLSY Women		NLS Young Women	
Variable	Definition	Mean	St Dev	Mean	St Dev	Mean	St. Dev
LWKWG	Log of weekly earnings, 1993	6.194	.705	5.793	.806	5.805	.765
TOTEXP	Weeks of work experience, through 1992	557.4	154.8	515.7	177.8	633.3	215.4
SELFEXP	Weeks of self-employment experience	16.35	52.26	8.46	32.37	14.59	48.95
WSEXP	Weeks of wage/salary experience	541.1	157.6	507.3	180.8	618.7	220.5
EXPSQ	Total experience squared	334688	158315	297595	167312	447474	257609
HED12	=1 if highest years of education is 12, 0 otherwise	.448	.497	.408	.492	.426	.495
HED1316	=1 if years of education is 13 to 16, 0 otherwise	.334	.472	.424	.494	.353	.478
HEDGT16	=1 if years of education is greater than 16, 0 otherwise	.084	.278	.089	.285	.078	.268
GOV	=1 if employed with government, 0 otherwise	.136	.343	.193	.394	.014	.119
HLIMIT	=1 if health problem limits ability to work	.032	.177	.044	.204	.137	.344
MSP	=1 if married with spouse present	.568	.495	.564	.496	.628	.483
URBAN	=1 if resides in urban area	.810	.392	.812	.391		
URATE	Measure of unemployment rate in area of residence	2.976	.884	3.002	.914		
AGE	Age in 1993	32.26	2.20	32.35	2.20	43.46	3.03
HISP	=1 if Hispanic, 0 otherwise	.184	.387	.187	.390		
BLACK	=1 if Black, 0 otherwise	.278	.448	.284	.451		
WHITE	=1 if White, 0 otherwise					.768	.422
UNION	=1 if covered by collective bargaining agreement, 0 otherwise	.210	.408	.180	.384	.124	.330
CHILD	Number of children	.937	1.162	1.316	1.201	2.093	1.416
SOUTH	=1 if resides in southern U.S.	.381	.486	.413	.492	.384	.487
NEAST	=1 if resides in northeastern U.S.	.172	.378	.160	.367		
NCENT	=1 if resides in northcentral U.S.	.247	.431	.230	.421		
MANTECH	=1 if employed in managerial or technical occupation; 0 otherwise	.247	.429	.303	.460	.347	.476
SALES	=1 if sales occupation; 0 otherwise	.082	.275	.093	.290	.292	.454
CLER	=1 if clerical occupation; 0 otherwise	.073	.261	.278	.448	.052	.223
SERV	=1 if service occupation; 0 otherwise	.129	.335	.165	.371	.140	.347
PART	=1 if normally worked fewer than 35 hours per week	.086	.280	.290	.454	.220	.414
ANYSELF	=1 if ever reported self-employment in current or most recent job	.185	.389	.124	.330	.182	.386
N	Sample size	3105		2839		1530	

Table 3. Regression Coefficients, basic model

	NLSY Males						NLSY Females					
	(a)		(b)		©		(d)		(e)		(f)	
Variable	Estimate	St. Error	Estimate	St. Error	Estimate	St. Error	Estimate	St. Error	Estimate	St. Error	Estimate	St. Error
INTERCEP	5.715862	0.204065	5.715308	0.204195	5.659101	0.201053	5.628979	0.219524	5.589707	0.219677	5.631846	0.21815
TOTEXP	0.000699	0.000351					0.001777	0.000324				
SELFEXP			0.00036	0.000403	-0.00025	0.000452			0.000339	0.000476	-0.00109	0.000718
WSEXP			0.000666	0.000351	0.000824	0.00034			0.001811	0.000324	0.001696	0.000316
EXPSQ	1.77E-07	3.5E-07	2.19E-07	3.5E-07			-7.9E-07	3.4E-07	-7.9E-07	3.4E-07		
SELFEXPSQ					2.69E-06	1.3E-06					3.33E-06	2.84E-06
WSEXPSQ					5.54E-08	3.5E-07					-6.8E-07	3.4E-07
HED12	0.172722	0.033053	0.17502	0.033056	0.173832	0.033037	0.064933	0.047784	0.064087	0.04775	0.064064	0.047783
HED1316	0.386631	0.036392	0.388806	0.036391	0.387142	0.036382	0.214716	0.050472	0.218142	0.05042	0.217282	0.0505
HEDGT16	0.576983	0.052015	0.579245	0.052018	0.576563	0.052012	0.428237	0.066001	0.427718	0.065951	0.428204	0.066049
GOV	-0.03599	0.032676	-0.03622	0.032698	-0.03721	0.032688	0.004265	0.034603	0.005888	0.034581	0.0067	0.034594
HLIMIT	-0.24448	0.059148	-0.24595	0.059167	-0.24486	0.059139	-0.19945	0.058064	-0.19806	0.058022	-0.19619	0.058034
SOUTH	-0.08523	0.032811	-0.08566	0.032824	-0.08363	0.032822	-0.14945	0.038272	-0.14858	0.038191	-0.14871	0.038201
MSP	0.137182	0.025548	0.137712	0.025558	0.136658	0.025545	-0.04699	0.026002	-0.04755	0.025984	-0.04803	0.025999
URBAN	0.086801	0.028136	0.085172	0.028146	0.088231	0.028174	0.124039	0.032563	0.128637	0.032526	0.127329	0.032552
URATE	-0.03792	0.013061	-0.03743	0.013063	-0.03775	0.013055	-0.03126	0.014978	-0.02987	0.014952	-0.03024	0.014959
AGE	-0.00694	0.005379	-0.00708	0.005382	-0.00622	0.005375	-0.0132	0.00605	-0.01277	0.006049	-0.01317	0.006048
HISP	-0.0705	0.030846	-0.06899	0.030846	-0.07061	0.030824	-0.03783	0.035283	-0.03929	0.035261	-0.03862	0.03527
BLACK	-0.13249	0.027264	-0.12931	0.027206	-0.13343	0.027255	-0.02624	0.031846	-0.02574	0.031746	-0.02752	0.031777
UNION	0.242255	0.027652	0.242617	0.027679	0.241856	0.027662	0.144634	0.033994	0.141858	0.033992	0.142163	0.033998
CHILD	0.005435	0.010619	0.005431	0.010626	0.005822	0.010621	-0.03283	0.011785	-0.03149	0.011792	-0.03148	0.011795
NE	0.114644	0.035677	0.115513	0.035696	0.117591	0.035694	0.101015	0.042669	0.100319	0.042602	0.100401	0.042612
NC	-0.0358	0.034507	-0.03443	0.034522	-0.03437	0.034505	-0.11906	0.040813	-0.11973	0.040776	-0.11865	0.040797
MANTECH	0.22385	0.031172	0.223116	0.031182	0.224185	0.031173	0.257413	0.041875	0.253291	0.041856	0.254478	0.041868
SALES	0.183306	0.041134	0.183111	0.041152	0.185435	0.041132	-0.05824	0.049769	-0.06172	0.049701	-0.05952	0.049734
CLER	-0.01364	0.042273	-0.0121	0.042281	-0.01228	0.042268	0.038268	0.03967	0.031571	0.039618	0.032984	0.039627
SERV	-0.13516	0.033866	-0.13547	0.033893	-0.13465	0.033868	-0.18385	0.042486	-0.18573	0.042425	-0.18433	0.042439
PART	-0.57567	0.038268	-0.57771	0.038268	-0.57567	0.038273	-0.52598	0.028457	-0.52532	0.028431	-0.52391	0.028475
ANYSELF	-0.05974	0.026924					-0.12394	0.037134				
R-square	.3402		.3396		.3405		.3959		.3968		.3968	

Table 3, continued

NLSY Young Women

	(g)		(h)		(I)	
Variable	Estimate	St. Error	Estimate	St. Error	Estimate	St. Error
INTERCEP	5.246895	.13575131	5.238384	.13621297	5.225361	.13307609
TOTEXP	.001068	.00030770				
SELFEXP			.000494	.00040320	.000321	.00061077
WSEXP			.001050	.0030715	.001101	.00029531
EXPSQ	-.00000001	.00000026	-9.77689E-8	-9.77689E-8		
SELFEXPSQ					.000000235	.00000194
WSEXPSQ					-.000000144	.00000025
HED12	.059241	.04584208	.061585	.04586928	.061462	.04584730
HED1316	.230106	.04969733	.231780	.04972355	.231667	.04968520
HEDGT16	.404789	.06853644	.412364	.06878145	.412062	.06876267
GOV	.084929	.11874455	.087154	.11874961	.086951	.11878592
HLIMIT	-.034845	.04072351	-.037054	.04070995	.-.036701	.04072355
SOUTH	-.088884	.02960738	-.087216	.02961846	-.087020	.02962937
MSP	-.022788	.03067351	-.021452	.03068039	-.021522	.03067528
URBAN						
URATE						
AGE	-.009398	.00476684	-.009308	.00476922	-.009214	.00476007
HISP						
BLACK						
WHITE	.124723	.03790543	.120680	.03771998	.120890	.0377573
UNION	.160060	.04454727	.158204	.04459850	.158132	.04461817
CHILD	-.022788	.01099299	-.020159	.01099477	-.020135	.01099990
NE						
NC						
MANTECH	.340351	.04700498	.340487	.04721562	.340169	.04724220
SALES	.308305	.07145875	.311389	.07151197	.07159725	.07159725
CLER	.061997	.04573107	.063320	.04573529	.063001	.04575615
SERV	-.052502	.05152977	-.048215	.05166241	-.048450	.05168470
PART	-.823706	.03512268	-.822145	.03547077	-.821980	.03547151
ANYSELF	-.076349	.03664393				
R-square	.5118		.5116		.5117	

Table 4. Regression Results, basic model with interaction terms

	NLSY Males				NLSY Females			
	(a)		(b)		©		(d)	
Variable	Estimate	St. Error	Estimate	St. Error	Estimate	St. Error	Estimate	St. Error
INTERCEP	5.737889	0.209102	5.685006	0.206075	5.699735	0.224919	5.751082	0.223773
SELFEXP	0.000398	0.000447	-0.00034	0.000549	-1.5E-05	0.000966	-0.0014	0.001064
WSEXP	0.00059	0.00036	0.000748	0.000349	0.00158	0.000344	0.001417	0.000337
EXPSQ	2.52E-07	3.6E-07			-8.7E-07	3.6E-07		
SELFEXPSQ			2.87E-06	1.37E-06			3.27E-06	2.98E-06
WSEXPSQ			8.93E-08	3.5E-07			-7E-07	3.6E-07
HED12	0.175363	0.033113	0.17512	0.033082	0.062489	0.04782	0.06282	0.047848
HED1316	0.388484	0.036482	0.387138	0.03647	0.209844	0.050482	0.209797	0.050549
HEDGT16	0.582087	0.052271	0.580621	0.052261	0.410924	0.066032	0.412971	0.066111
GOV	-0.0365	0.033022	-0.0363	0.033005	0.00686	0.034548	0.007059	0.034567
HLIMIT	-0.24363	0.059259	-0.24225	0.05923	-0.20112	0.057942	-0.19854	0.05797
SOUTH	-0.08673	0.032878	-0.08501	0.032872	-0.13908	0.038207	-0.13986	0.038229
MSP	0.140334	0.025592	0.139086	0.025583	-0.04915	0.025957	-0.04934	0.025978
URBAN	0.087616	0.028172	0.090788	0.028202	0.12778	0.032486	0.126109	0.032529
URATE	-0.03791	0.013098	-0.03841	0.01309	-0.02845	0.014935	-0.02865	0.014942
AGE	-0.00694	0.005395	-0.00611	0.005388	-0.01252	0.006039	-0.01308	0.006043
HISP	-0.06865	0.030892	-0.07014	0.030867	-0.03982	0.035199	-0.03928	0.035212
BLACK	-0.13046	0.027266	-0.13482	0.027317	-0.0254	0.031679	-0.0269	0.031715
UNION	0.242459	0.027769	0.241298	0.027755	0.146258	0.033939	0.146808	0.033953
CHILDREN	0.005277	0.010636	0.005505	0.010631	-0.03206	0.011783	-0.03204	0.011789
NE	0.118284	0.035799	0.119526	0.035789	0.103254	0.042531	0.102757	0.042554
NC	-0.03106	0.03465	-0.03147	0.034632	-0.1174	0.04072	-0.11662	0.040744
MANTECH	0.147457	0.107865	0.140521	0.107654	0.159091	0.115939	0.17041	0.116032
SALES	0.25885	0.164856	0.252364	0.164757	-0.54611	0.136147	-0.53841	0.136108
CLER	0.139451	0.158088	0.134668	0.158006	-0.11691	0.116222	-0.09676	0.116451
SERV	-0.24782	0.110001	-0.24822	0.109811	-0.3264	0.103453	-0.32525	0.103497
PART	-0.58268	0.038347	-0.58127	0.038349	-0.52607	0.028483	-0.52474	0.028534
MANTECH*SELFEXP	3.02E-05	0.000484	0.000223	0.000492	-0.00063	0.001176	-0.00073	0.001181
SALES*SELFEXP	-0.00091	0.000692	-0.00067	0.0007	0.003284	0.001454	0.003356	0.001456
CLER*SELFEXP	-0.0019	0.00124	-0.00143	0.001261	0.001606	0.001209	0.001205	0.001244
SERV*SELFEXP	0.001334	0.001005	0.001837	0.001033	-0.00029	0.001175	-0.00026	0.001176
MANTECH*WSEXP	0.000134	0.000181	0.000142	0.00018	0.000252	0.000215	0.000232	0.000215
SALES*WSEXP	-9.7E-05	0.000274	-8.9E-05	0.000274	0.00095	0.000262	0.000935	0.000262
CLER*WSEXP	-0.00024	0.000272	-0.00025	0.000272	0.000316	0.000218	0.000285	0.000219
SERV*WSEXP	0.000192	0.000198	0.000184	0.000197	0.000339	0.000214	0.000337	0.000214
R –squared	.3413		.3422		.4016		.4014	

Table 4, Continued

NLS Young Women				
	(e)		(f)	
Variable	Estimate	Error	Estimate	Error
INTERCEP	5.265287	0.156624	5.253264	0.15502
SELFEXP	0.00192	0.001328	0.001388	0.001348
WSEXP	0.001075	0.000337	0.001117	0.000329
EXPSQ	-2.9E-07	2.7E-07		
SELFEXPSQ			1.8E-06	2.18E-06
WSEXPSQ			-3.3E-07	2.6E-07
HED12	0.071331	0.046193	0.073136	0.046219
HED1316	0.23421	0.049884	0.236132	0.04989
HEDGT16	0.414524	0.06873	0.415186	0.068695
WHITE	0.120005	0.037693	0.121485	0.037739
UNION	0.171851	0.04477	0.171353	0.044781
CHILD	-0.01911	0.010986	-0.01849	0.011002
MSP	-0.01895	0.030697	-0.01898	0.03069
GOV	0.090941	0.118648	0.09038	0.118651
SOUTH	-0.08673	0.029701	-0.08625	0.029707
MANTECH	0.014862	0.136075	0.019573	0.135595
CLER	-0.02859	0.131631	-0.02709	0.131477
SALES	0.114037	0.184338	0.119182	0.184488
SERV	-0.00349	0.139695	0.006843	0.140087
PART	-0.81906	0.035504	-0.81914	0.03549
HLIMIT	-0.04334	0.040774	-0.04286	0.04078
AGE	-0.00812	0.004784	-0.00815	0.004773
MANTECH*SELFEXP	-0.00064	0.001386	-0.00096	0.001407
SALES*SELFEXP	-0.00043	0.001821	-0.00048	0.001822
CLER*SELFEXP	-0.00152	0.001444	-0.0017	0.00145
SERV*SELFEXP	-0.00199	0.001406	-0.00241	0.001481
MANTECH*WSEXP	0.000506	0.000196	0.000502	0.000196
SALES*WSEXP	0.000334	0.000308	0.000324	0.000308
CLER*WSEXP	0.000168	0.000193	0.000166	0.000193
SERV*WSEXP	-6.7E-05	0.000222	-7.8E-05	0.000223
R-squared	.5161		.5164	

Table 5. Regression Results, limited sample with 1984 Wage variable

	NLSY Males					
	(a)		(b)		(c)	
Variable	Estimate	St. Error	Estimate	St. Error	Estimate	St. Error
INTERCEP	4.353687	0.250599	4.354221	0.250691	4.41582	0.239982
TOTEXP85	0.002275	0.001065				
SELFEXP85			0.002022	0.001113	0.001075	0.000785
WSEXP85			0.002222	0.001064	0.001859	0.00098
EXPSQ	-9.3E-07	1.75E-06	-8.2E-07	1.74E-06		
SELFEXPSQ					2.27E-06	3.35E-06
WSEXPSQ					-2.3E-07	1.64E-06
HED12	0.116054	0.036115	0.116645	0.036121	0.116031	0.036134
HED1316	0.34326	0.039848	0.344432	0.039842	0.343173	0.039853
HEDGT16	0.537358	0.056698	0.539321	0.056683	0.539536	0.056713
GOV	-0.03345	0.036484	-0.03397	0.036521	-0.0345	0.03654
HLIMIT	-0.28326	0.068236	-0.28454	0.068255	-0.28489	0.068256
SOUTH	-0.09692	0.036293	-0.09716	0.036303	-0.09715	0.036309
MSP	0.14115	0.028082	0.142101	0.028075	0.140092	0.02805
URBAN	0.068221	0.030714	0.067842	0.03072	0.068464	0.030741
URATE	-0.02051	0.014305	-0.02033	0.014307	-0.02043	0.014322
AGE	-0.00695	0.005582	-0.00697	0.005587	-0.00707	0.00559
HISP	-0.05375	0.033713	-0.05273	0.033708	-0.05309	0.033721
BLACK	-0.0953	0.029685	-0.09387	0.029675	-0.09436	0.0297
UNION	0.190049	0.030435	0.190936	0.030432	0.190605	0.030444
CHILD	0.001294	0.011545	0.001042	0.011546	0.001403	0.011563
NE	0.151288	0.039272	0.151752	0.039291	0.151074	0.039295
NC	0.006869	0.038146	0.007757	0.038146	0.007398	0.038176
MANTECH	0.211178	0.034577	0.210226	0.034607	0.209894	0.034634
SALES	0.169102	0.044151	0.168409	0.04416	0.169013	0.044188
CLER	-0.04136	0.046212	-0.04138	0.046228	-0.042	0.04623
SERV	-0.13037	0.037021	-0.13078	0.037027	-0.13046	0.037036
PART	-0.49086	0.043052	-0.49282	0.043024	-0.49275	0.043026
LWWG84	0.204772	0.018931	0.204597	0.018944	0.203901	0.01893
ANYSELF85	-0.04411	0.036511				
R-squared	.3712		.3709		.3710	
Sample Size	2431		2431		2431	

Table 5, continued

NLSY Females						
	(d)		(e)		(f)	
Variable	Estimate	St. Error	Estimate	St. Error	Estimate	St. Error
INTERCEP	4.792451	0.230326	4.754288	0.229786	4.716962	0.226457
TOTEXP85	0.001598	0.000758				
SELFEXP85			-0.00094	0.000884	0.001382	0.001145
WSEXP85			0.001646	0.000756	0.001772	0.000716
EXPSQ	7.70E-08	1.35E-06	1.08E-07	1.35E-06		
SELFEXPSQ					-1.3E-05	5.76E-06
WSEXPSQ					-8.36E-08	1.29E-06
HED12	0.129618	0.053709	0.124551	0.053625	0.123144	0.053589
HED1316	0.274838	0.055742	0.27418	0.055627	0.274279	0.055585
HEDGT16	0.475222	0.070425	0.473041	0.070288	0.472312	0.070251
GOV	-0.01008	0.035282	-0.01182	0.03521	-0.01346	0.035197
HLIMIT	-0.21045	0.06034	-0.21579	0.060234	-0.21685	0.060173
SOUTH	-0.12921	0.039775	-0.12662	0.039633	-0.12473	0.039605
MSP	-0.01823	0.026522	-0.01652	0.026469	-0.01512	0.026446
URBAN	0.153843	0.033339	0.157557	0.03326	0.159729	0.033249
URATE	-0.03335	0.015665	-0.03323	0.015628	-0.03325	0.015614
AGE	-0.00301	0.005936	-0.00276	0.005925	-0.00253	0.00592
HISP	-0.00168	0.036281	-0.00434	0.036217	-0.0033	0.036184
BLACK	-0.04538	0.032223	-0.04644	0.032136	-0.04385	0.032128
UNION	0.112511	0.034507	0.110454	0.034441	0.112097	0.034417
CHILD	-0.02926	0.012643	-0.02818	0.012622	-0.02839	0.012601
NE	0.145043	0.04364	0.144499	0.043525	0.146199	0.043494
NC	-0.06514	0.042741	-0.06037	0.042605	-0.05833	0.042583
MANTECH	0.259137	0.043348	0.25434	0.04327	0.2543	0.04323
SALES	0.003904	0.051398	0.001821	0.051276	0.000394	0.05123
CLER	0.053233	0.041145	0.048891	0.041049	0.04723	0.041015
SERV	-0.20558	0.045556	-0.20402	0.045452	-0.20248	0.045415
PART	-0.48503	0.030119	-0.48115	0.030078	-0.48345	0.030053
LWWG84	0.106314	0.01831	0.107604	0.018249	0.108463	0.018218
ANYSELF85	-0.19936	0.048638				
R-squared	.4112		.4136		.4149	
Sample size	2247		2247		2247	

Table 6. Comparisons of Labor Market Outcomes: self-employed vs. others

Status in 1987/88:	Self-employed		Not Self-employed		W/S Employed		Unemployed		OLF	
Variable	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
% employed 1993	87.4	65.1	84.3	69.9	90.8	84.5	41.3	42.6	38.2	32.7
% unemployed 1993	4.6	4.2	6.5	5.7	4.7	3.4	27.0	11.1	12.2	6.4
% OLF 1993	7.9	30.6	9.2	24.4	4.5	12.2	31.7	46.3	49.6	60.9
% Self-employed '93	34.9	28.92	5.6	4.2	5.4	3.8	3.2	3.7	3.8	5.3
Total earnings 1986-93	150359	55221	119052	70244	134456	96556	31354	13859	27066	15587