

# Self-Employment at Older Ages

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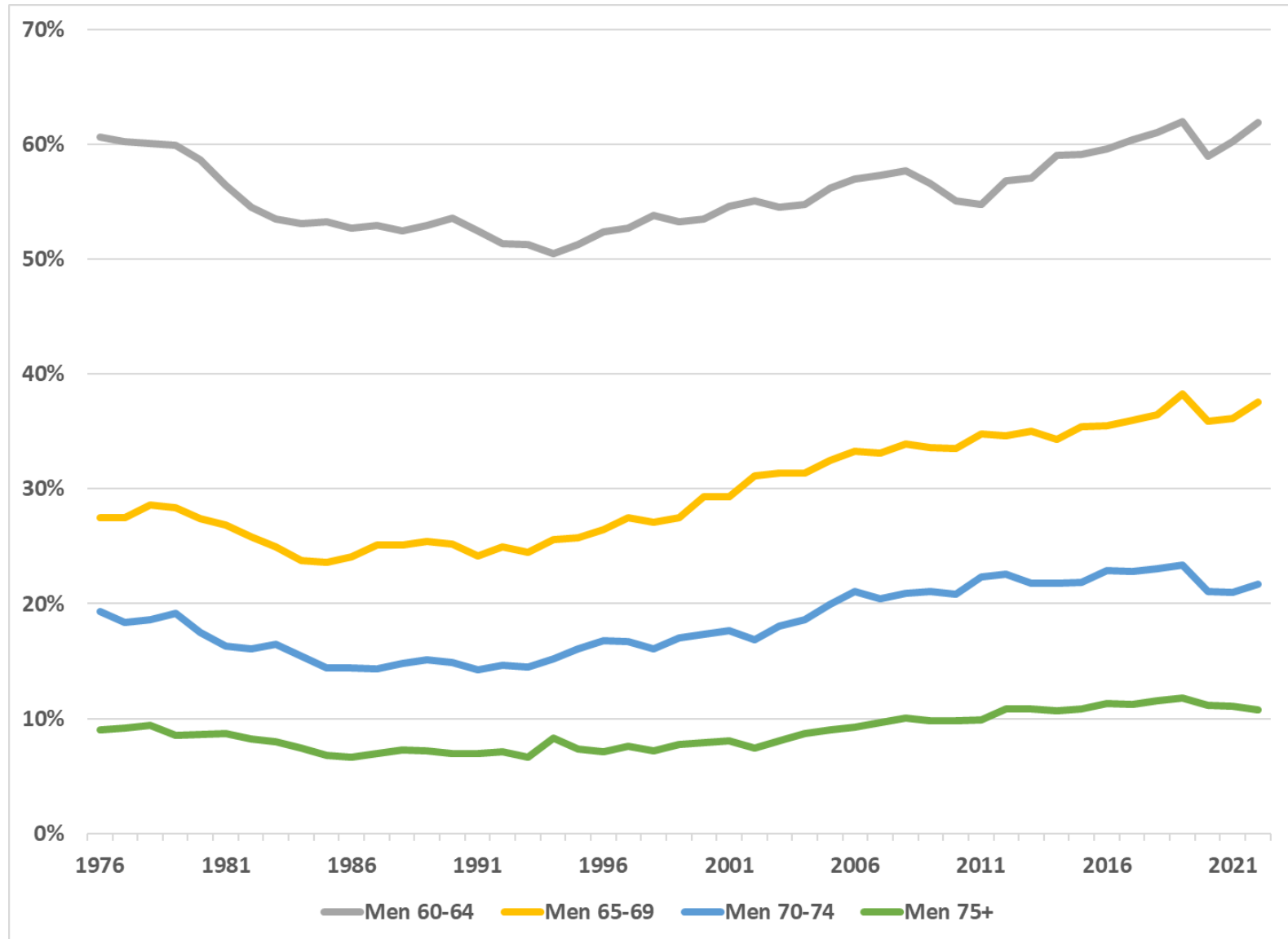
BE-CEMFI Conference on Aging  
November 17, 2023

# Motivation

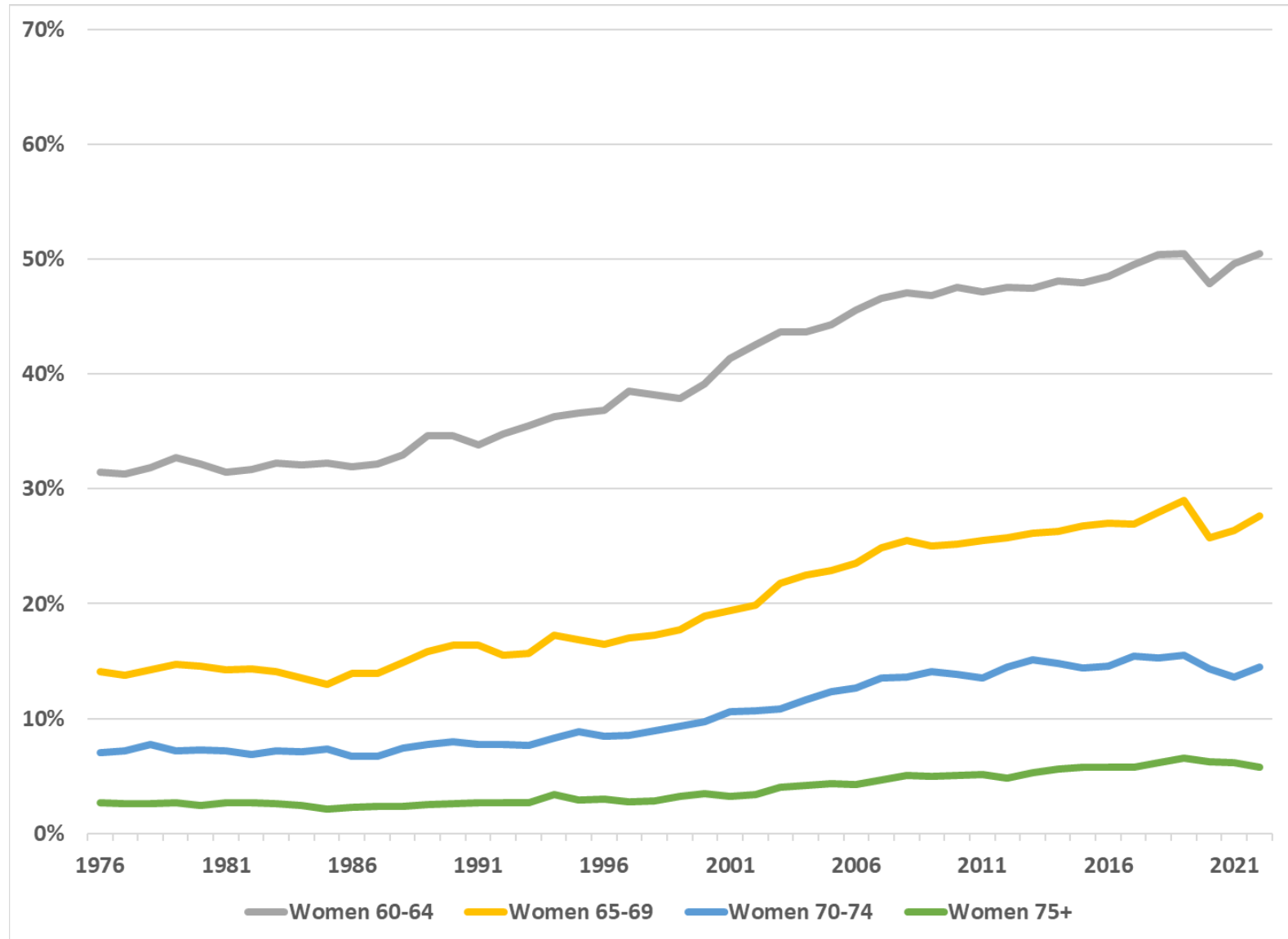
- People are living longer
  - In the United States in 1970, life expectancy for men 60 has risen from 16.1 years in 1970 to 20.5 years in 2020
  - For U.S. women, life expectancy at age 60 rose from 20.9 years in 1970 to 23.7 years in 2020
- Many older adults need and/or would like to continue working, though perhaps not full-time or full-year
- Goal for talk: Consider role that self-employment currently plays and could play in helping workers meet these desires

Trends in U.S. employment at older ages

# Male employment-to-population ratio by age, 1976-2022



# Female employment-to-population ratio by age, 1976-2022



# Reasons for increases in work at older ages

- Increases in longevity
- Shifts in mix of employment towards less physically demanding jobs
- Changes in Social Security that reduce penalties for working from the normal retirement age through age 70
- Increases in age for claiming full Social Security benefits
  - Effectively a reduction in benefits
- Shift from defined benefit to defined contribution retirement plans

# Although employment rates have risen, untapped interest in work at older ages remains

- Bridge jobs are common (Gustman and Steinmeier 1984; Ruhm 1990; Giandrea, Cahill, and Quinn 2009), but many who plan on bridge employment do not work following retirement
  - 71 percent of working respondents in 1992 Health and Retirement Study interview had plans to work following retirement; only about half of them actually did so (Maestas 2010)
- Ameriks et al. (2020) asked Vanguard customers age 56 plus who were not currently employed—most in their 60s and 70s—about their interest in working
  - Surprisingly large share of respondents said they would like to work
    - About 36 percent if offered same conditions as on last job
    - About 60 percent if also could choose their hours
    - With flexible schedule, about 20 percent would accept a pay cut of 20 percent or more
  - Caveat: Survey sample more educated, higher income than population overall

# Why aren't more older adults working?

- Would like more flexibility, but reducing hours on current job often not an option
  - In first five waves of Health and Retirement Study (HRS) (1992 through 2000), just 28 percent of employees with a single employer working less than 48 hours per week believed their employer would allow them to reduce their hours on the current job (Abraham and Houseman 2005)
  - In 2018 Society of Human Resource Management survey of member firms, only 5 percent reported a formal phased retirement program (SHRM 2018)
  - In first five waves of HRS data, among people who planned to reduce their hours before the time of the next interview, only about 35 percent had done so (Abraham and Houseman 2005)
    - 29 percent had made no changes and 28 percent stopped working
    - In contrast, 65 percent who planned to stop working by the time of the next interview had done so and 85 percent of those who planned to make no changes were still working



# Why aren't more older adults working? (continued)

- Many employers reluctant to hire older adults
  - Among female applicants to entry-level positions in two urban labor markets, those aged 35–45 were more than 40 percent more likely to be offered an interview than were those aged 50–62 (Lahey 2008)
  - Among applicants for retail sales, administrative assistant, janitorial, and security guard jobs, significantly lower callback rates for people aged 64-66 than for those aged 49-51 or 29-31 (Neumark, Burn and Button 2019)
  - Possible reasons
    - Older adults lack in-demand skills
    - Higher anticipated medical care costs for older workers
    - Discrimination
- Many older adults lack recent job search experience

# Why aren't more older adults working? (continued)

- Older workers face significant displacement risks
  - Workers aged 50-64 somewhat less likely than workers aged 30-39 to be displaced, but displacement rates have converged over time (Farber 2015)
- Older job seekers less likely to find a new job
  - Chan and Stevens (2001) find large and lasting negative effects of displacement on employment among older workers
  - Data from Displaced Worker Supplement to the Current Population Survey show 61 percent of long-tenured workers aged 55 and older displaced 2017-2019 were employed in January 2020, compared to 75 percent of long-tenured workers aged 25-54

Self-employment—especially as an independent contractor—a possible avenue to continued employment

- Independent contractor work may be an attractive alternative to wage and salary employment at older ages
  - Schedule may be more flexible (Quinn 1980, Ameriks et al. 2020, Ramnath, Shoven, and Slavov 2021)
  - Having health benefits less important for Medicare-eligible workers (age 65 plus) than for younger workers
- Although older adults today less likely to be gig workers, platforms could potentially lower barriers to continued employment

Measurement of self-employment

# Reasons to fear surveys such as Current Population Survey (CPS) miss some self-employment

- Some independent contractors may be miscoded as wage and salary employees
  - In CPS, worker status based on question ““Were you employed by government, by a private company, a nonprofit organization, or were you self-employed or [if applicable] working in the family business?”
  - Reasonable for independent contractor to say employed by a company or organization
- Contingent Worker Supplement to CPS attempts to capture people who are independent contractors on main job, but may not do so
  - For people originally coded as employees, independent contractor defined as someone who obtains customers or clients on their own
  - Never asks explicitly whether person an employee or independent contractor
  - Proxy respondents may not know about others’ work arrangements

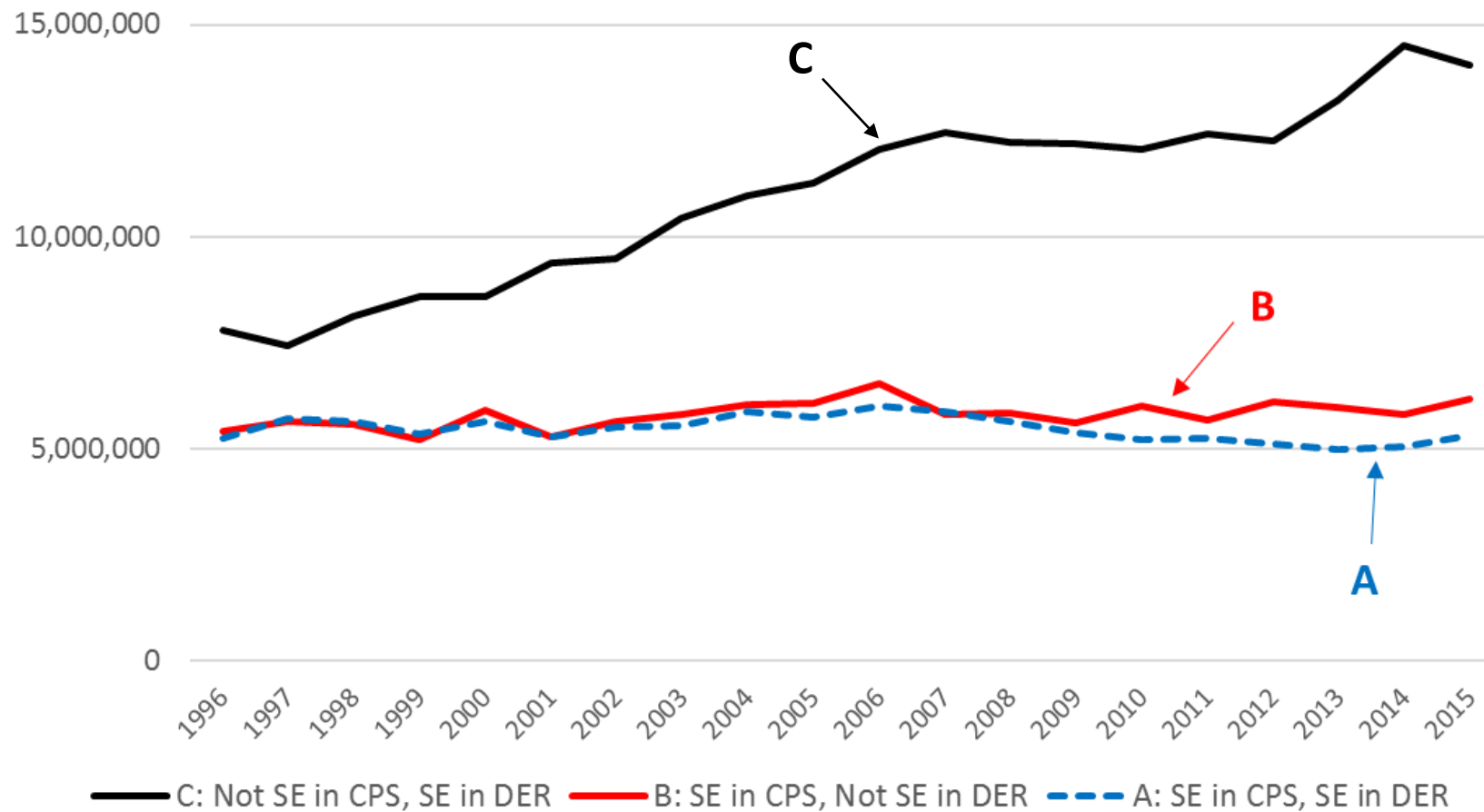
# Reasons to fear surveys such as Current Population Survey (CPS) miss some self-employment (continued)

- Some work activities may not be reported; unreported activity especially likely to involve self-employment work (Robles and McGee 2016, Abraham and Houseman 2019, Katz and Krueger 2019, Abraham and Amaya 2019, Bracha and Burke 2021)
  - High levels of informal work activity found when respondents probed
  - Mainly second jobs, but also some informal work done by people who don't initially report any employment

In earlier research, explored these issues by linking Current Population Survey records to tax data

- CPS information from annual Social and Economic Supplement (CPS-ASEC)
  - Count everyone with net self-employment income from unincorporated self-employment as self-employed
- Tax information for same people from Detailed Earnings Record (DER) provided by Social Security Administration to U.S. Census Bureau
  - With caveat that tax reporting of very low gross earnings (less than \$433) not required, tax data should be conceptually comparable to CPS-ASEC data
- Linked data cover 20-year period from 1996 through 2015

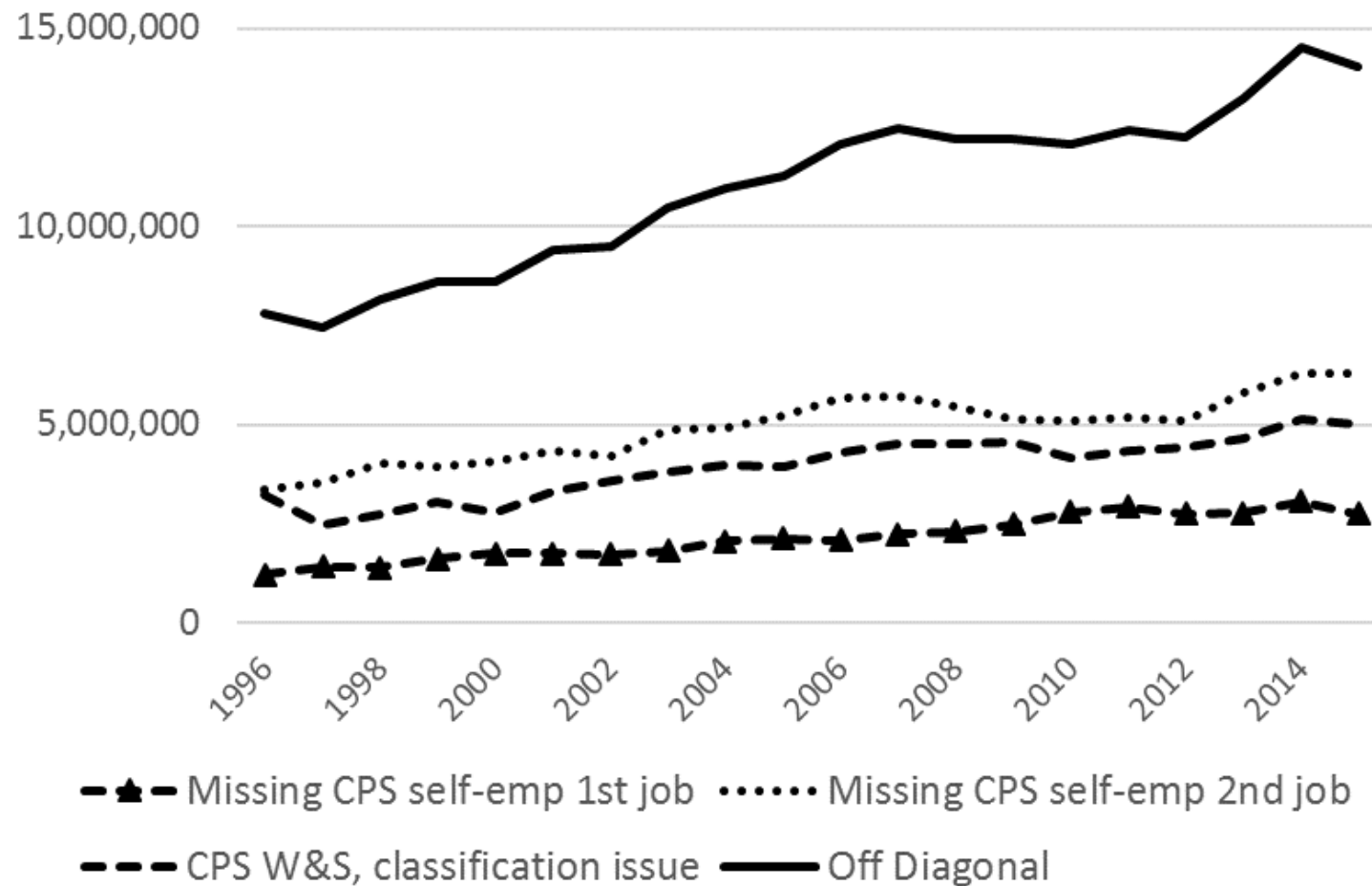
# Self-employment in CPS-ASEC and DER, 1996-2015



Source: Abraham, Haltiwanger, Hou, Sandusky and Spletzer (2021).



# Self-employed in DER and not in CPS-ASEC, 1996-2015



Source: Abraham, Haltiwanger, Hou, Sandusky and Spletzer (2021).

# Designed and fielded Contract Work Module to learn more about independent contractor work

- Main goals for Contract Work Module:
  - Address potential measurement problems
    - Uncover possible miscoding of independent contractors as employees
    - Capture all work for pay—including second jobs and informal work
  - Develop better understanding of who works in various types of nonemployee work arrangements and how workers combine different types of work
  - Probe older workers about independent contract work
- Fielded by Gallup from May-June 2018 through February-March 2019
  - Added to existing telephone survey that asked about labor market activity last week
  - Respondents aged 18-80
  - Total of about 61,000 responses
  - Response rate about 10 percent; responses weighted to match characteristics of U.S. population

# Standard Gallup employment questions

- Standard Gallup question about work for an employer:  
*“Thinking about your WORK SITUATION over the past 7 days, have you been employed by an employer—even minimally like for an hour or more—from whom you receive money or goods? (This could be for one or more employers.)”*
- Standard Gallup self-employment question (asked of everyone on days when our module was in the field)  
*“Again, thinking about the last 7 days, were you self-employed, even minimally like for an hour or more? This means working for yourself, freelancing, or doing contract work, OR working for your own or your family’s business. Self-employment also includes fishing, doing farm work, or raising livestock for either your own or your family’s ranch.”*
- Basic survey also includes questions about hours and respondent demographics (used for weighting)

# Development of Contract Work Module questions started with focus groups

- First theme: People who said they worked for an employer were not necessarily employees
  - Kenneth said he had “worked for” a large financial services firm as an IT consultant.
  - Brianna said she had “worked for” an auction house—first as an unpaid intern, then as a salaried employee, and finally as an independent contractor.
  - Gloria walked dogs for five clients. She considered herself as having five employers, but was paid as an independent contractor.
  - George, a self-employed journalist, typically tells people he works for the local newspaper: “I don’t want to take the time to try to explain, okay, *technically* I don’t work for [newspaper name].”
- Second theme: Independent contractors often have several streams of work

# Probe for independent contractors miscoded as employees

- Recall basic Gallup question to identify employees:  
*“Thinking about your WORK SITUATION over the past 7 days, have you been employed by an employer—even minimally like for an hour or more—from whom you receive money or goods? (This could be for one or more employers.)”*
- Follow-up Contract Work Module question probed whether worker is an employee or nonemployee. Respondents randomly assigned to one of two versions:
  - Version 1: *“Were you an employee on this job or were you an independent contractor, independent consultant or freelance worker?”*
  - Version 2: *“Did this employer take any taxes out of your pay?”*
- About 10 percent of people who reported being an employee on one or more jobs—and about 8 percent of people who reported being an employee on their main job—said when probed that they were independent contractors
- Also asked those who reported self-employment whether that was as an independent contractor

# Capturing all work for pay

- Contract Work Module questions may be better designed to capture work activity than other household surveys like the CPS:
  - Question wording in standard Gallup survey designed to capture low hours work with language about working for employer or in self-employment “even minimally like for an hour or more”
  - Gallup self-employment question provides expansive definition of self-employment
  - Contract Work Module respondents asked both whether employed by an employer and whether self-employed
- Module includes question on other work activities not previously reported—designed to capture informal work where respondents may not consider themselves employees or self-employed

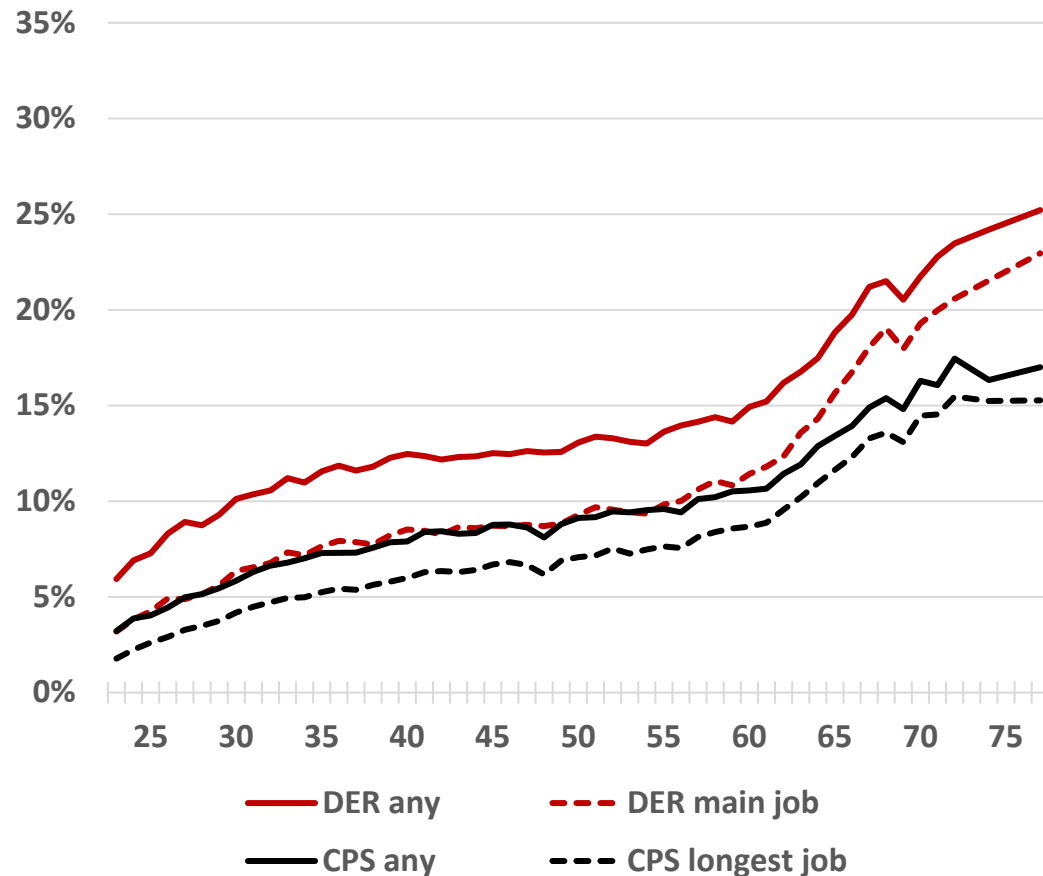
# Additional information collected about independent contractors age 50 and older

- Whether working for a former employer
- Main reason doing independent contractor work
  - Earn income
    - Main source of income
    - Supplement to income on main job
    - Supplement to retirement income
  - Stay active, connect with others
  - Pursue interest or hobby
  - Only type of work I could get
  - Other

Self-employment at older ages



# Self-employment rate by age in CPS-ASEC and tax data

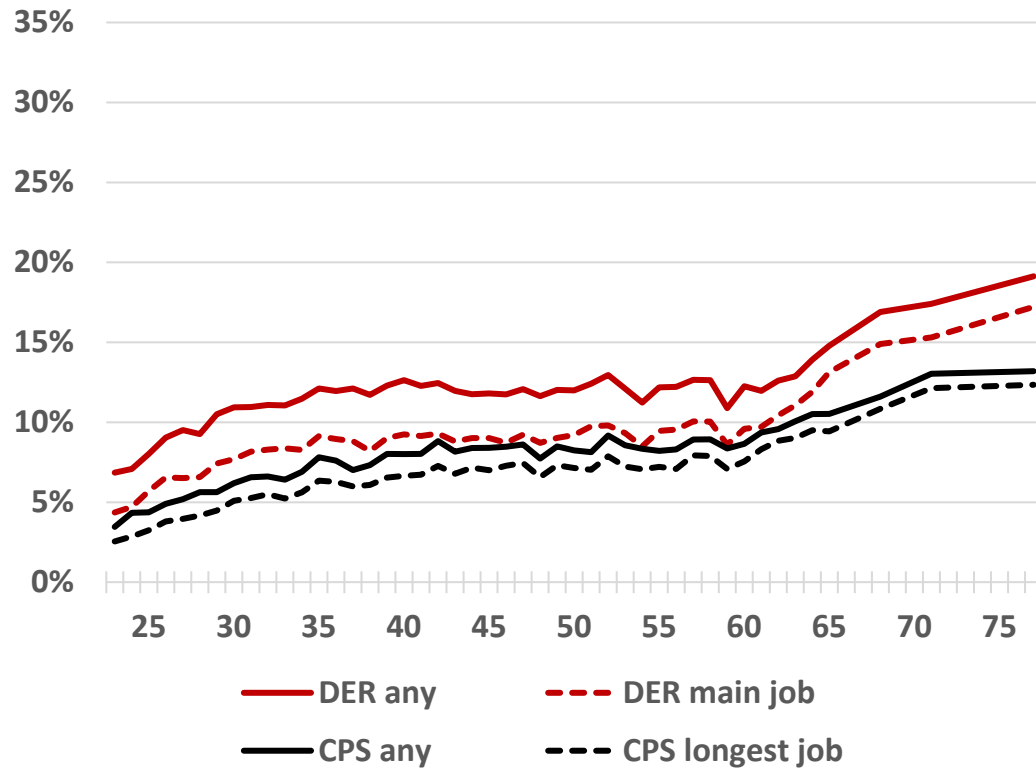


- Data are for period 1996-2015
- Both CPS-ASEC data (red) and tax data (black) show rising self-employment rate with age
- In both sources, self-employment rate higher if count *any* self-employment (solid lines) as opposed to *primary* self-employment (dotted lines)
- Primary self-employment rate in tax data is higher and rises more rapidly after age 60

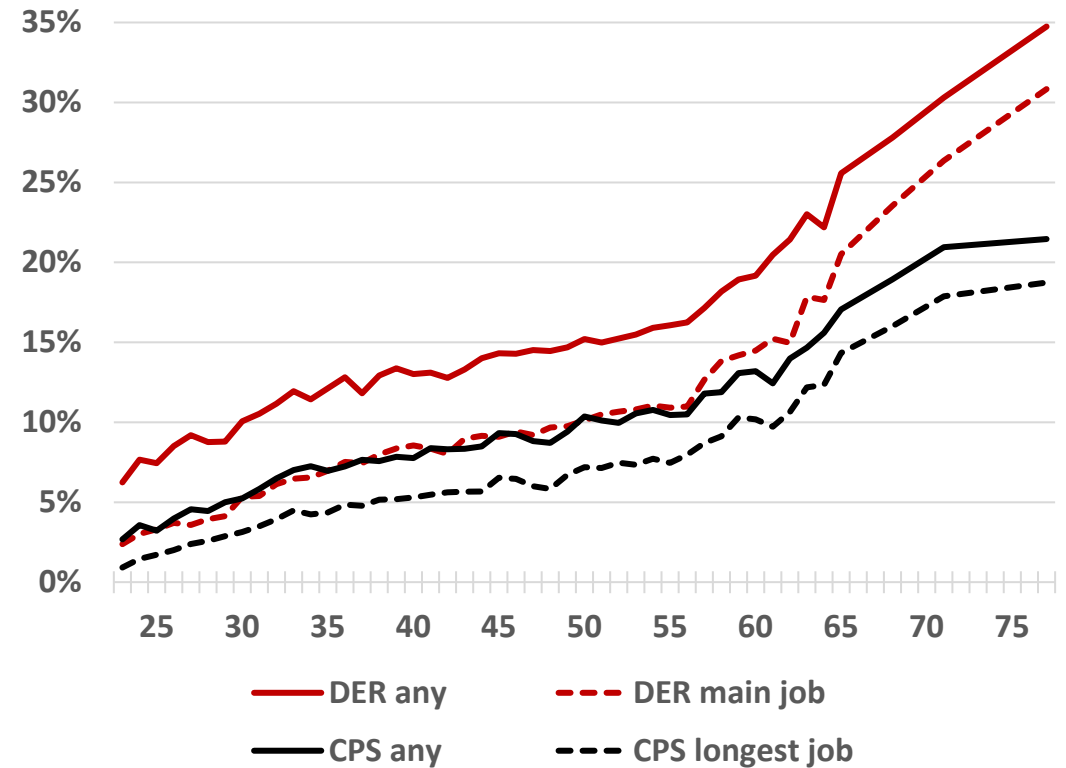
Source: Abraham, Haltiwanger, Hou, Sandusky and Spletzer (2023)

# Divergence between tax and CPS-ASEC data with age larger for more educated workers

## High school education or less

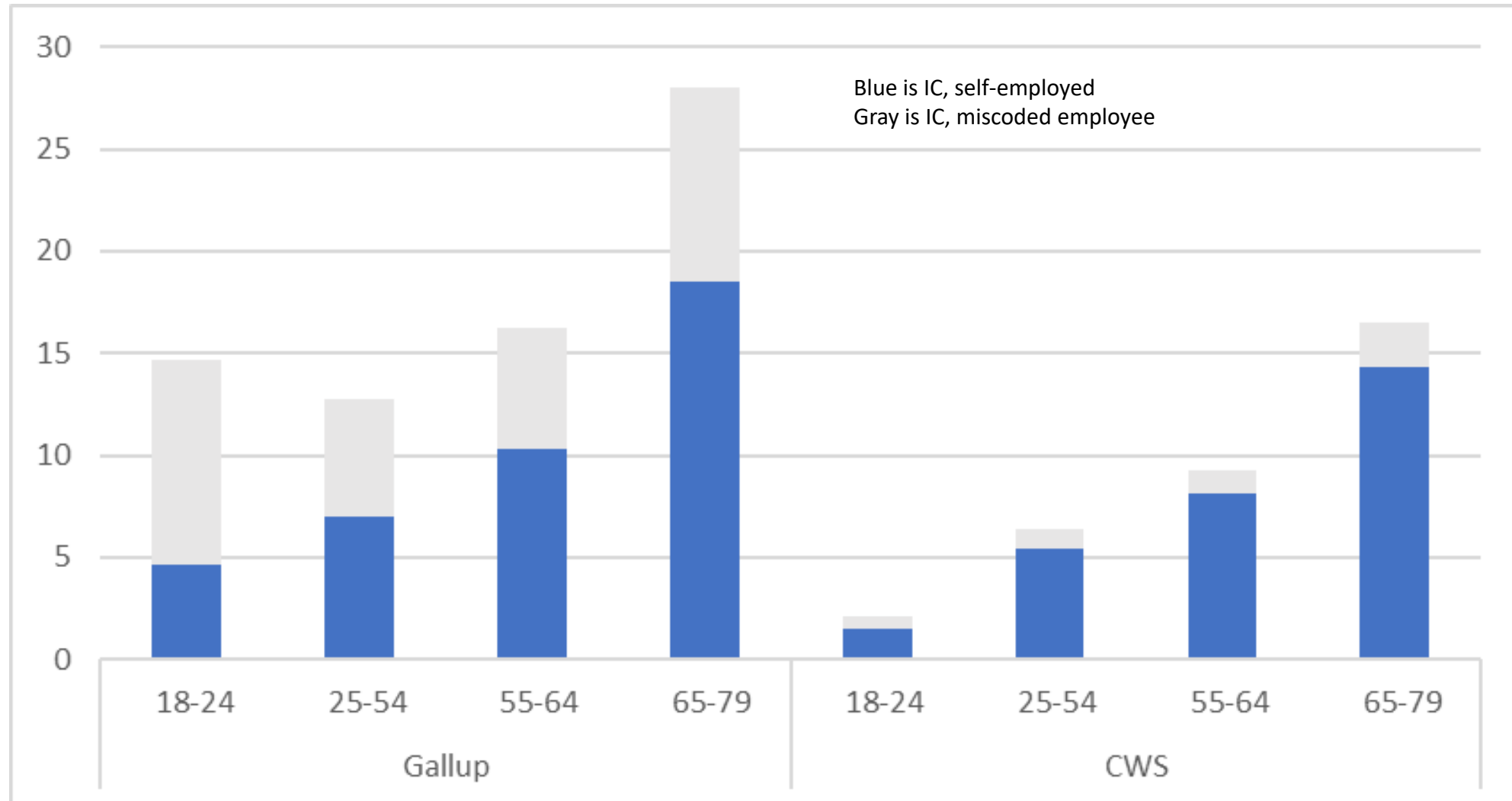


## College education or more



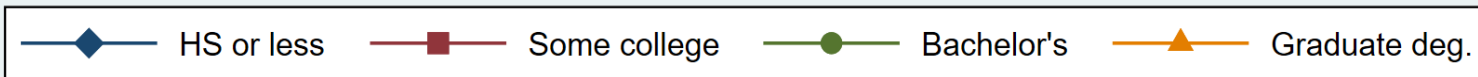
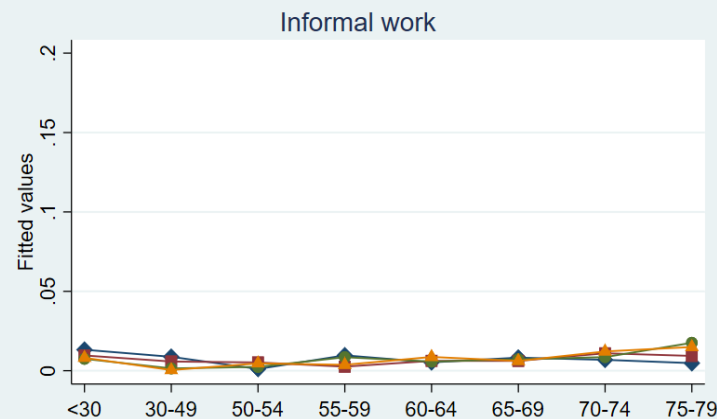
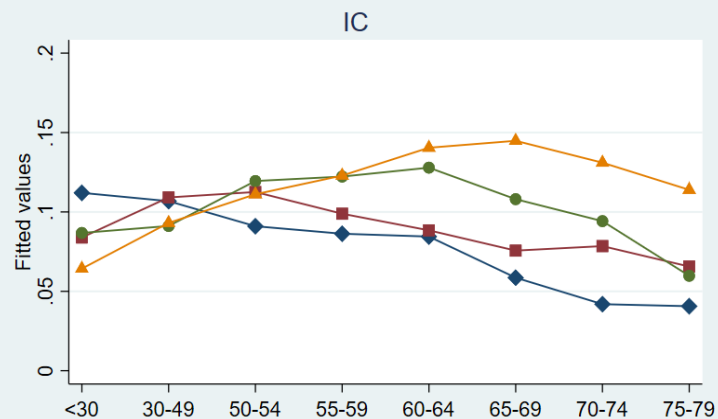
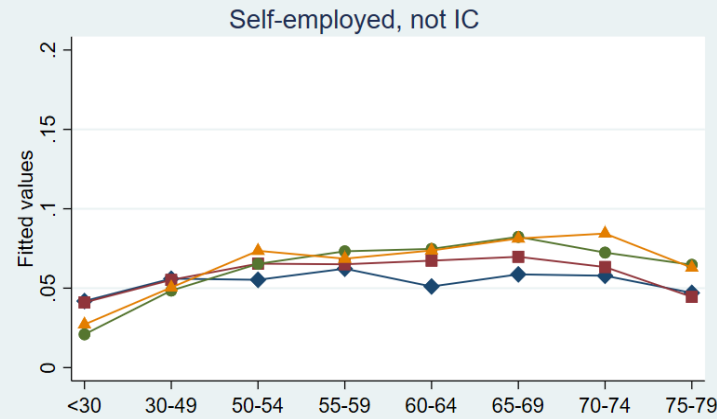
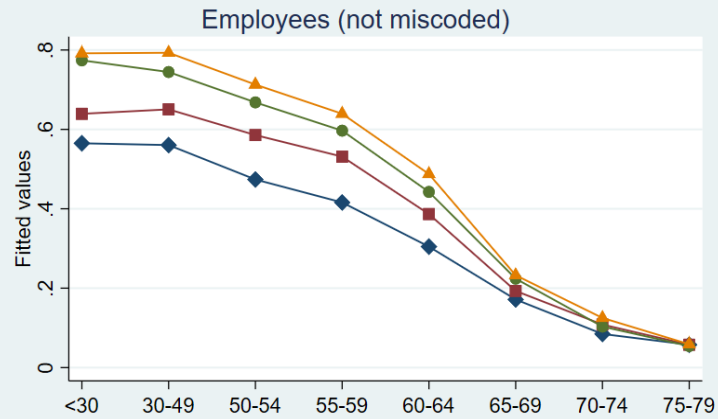
Source: Abraham, Haltiwanger, Hou, Sandusky and Spletzer (2023)

# Independent contractors on main job as share of all employment, by age, Contract Work Module vs Contingent Worker Supplement



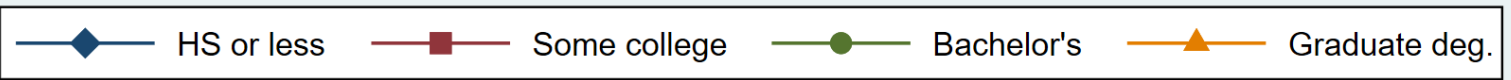
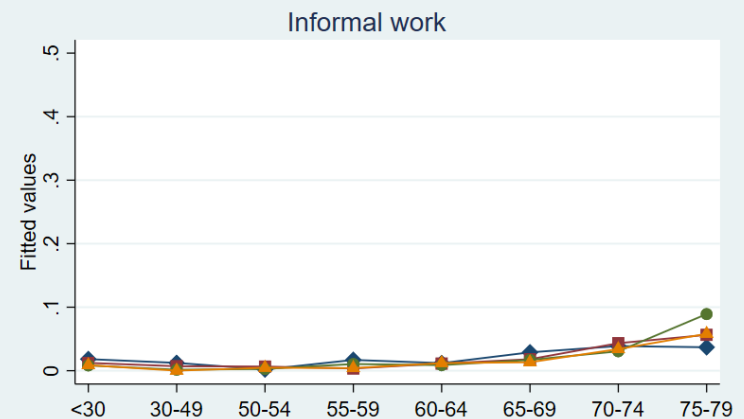
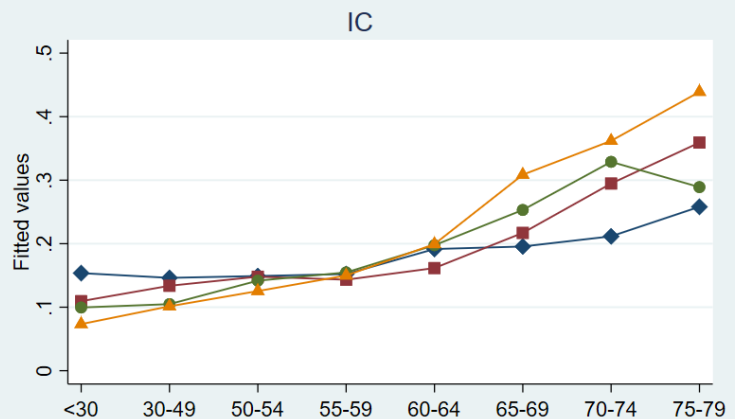
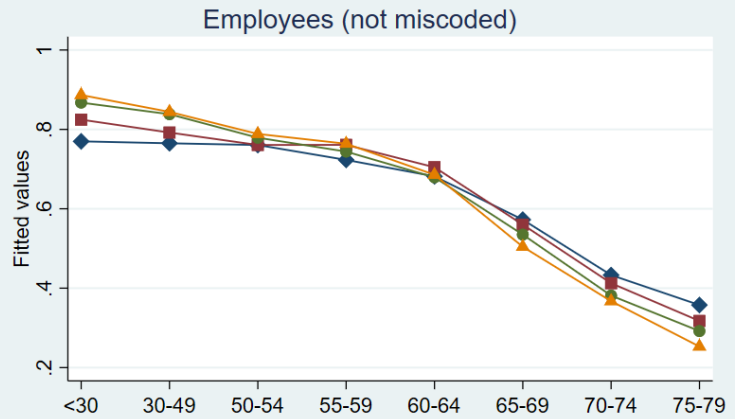
Source: Abraham, Hershbein, Houseman and Truesdale (2023)

# Share of population employed by status on main job, by age and education, Contract Work Module



Source: Abraham, Hershbein and Houseman (2021).

# Share of workers by status on main job, by age and education, Contract Work Module



Source: Abraham, Hershbein and Houseman (2021).

# Selected characteristics of independent contractor work at older ages, Contract Work Module

	IC work a 2nd job	Work for prior employer
50-54	27.5	24.8
55-59	27.1	24.2
60-64	18.3	22.6
65-69	11.0	23.8
70-74	8.5	24.0
75-79	6.9	24.1
Total	19.9	23.9

Source: Abraham,  
Hershbein and  
Houseman (2021).

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Source: Abraham,  
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Houseman (2021).



# Reasons for independent contractor work at older ages, Contract Work Module

	Main reason to earn money	Main reason to stay active	Main reason to pursue interest or hobby	Only type of work I could get
50–54	65.3	9.4	9.3	3.8
55–59	59.7	12.6	11.2	2.7
60–64	54.9	17.7	10.8	2.0
65–69	45.6	25.5	12.1	2.2
70–74	37.8	34.4	12.8	0.5
75–79	33.6	39.2	12.2	1.4
Total	54.4	18.5	11.0	2.5

Source: Abraham,  
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65–69	45.6	25.5	12.1	2.2
70–74	37.8	34.4	12.8	0.5
75–79	33.6	39.2	12.2	1.4
Total	54.4	18.5	11.0	2.5

Source: Abraham, Hershbein and Houseman (2021).

# Discussion

# Some takeaways

- Self-employment at older ages notably higher than suggested by data standard surveys
  - Likely explanation: Standard surveys miscode some independent contractors as employees and miss some independent contractor work entirely
- Robust finding that self-employment—especially independent contractor employment—more prevalent for more educated older adults
- Work as an independent contractor most common form of self-employment at older ages
  - Even in oldest age group, some workers combine wage and salary work with work as an independent contractor
  - About one quarter of independent contractors work for a former employer; would like to know if this is “push” or “pull”
- At older ages, fewer independent contractors work for financial reasons, but income still important to many

# Policy implications

- Rethink how Employment Service meets needs of older workers
  - Develop job placement programs focused on older workers
  - Consider how staff are evaluated
  - Support interest from older workers in self-employment
- Be careful that “gig economy” regulation does not close doors for older workers to enter self-employment
  - Reasons to be concerned about employers who misclassify workers who should be employees as independent contractors
  - Many of these potential concerns less relevant for older adults (e.g., lack of benefits, more limited opportunities for career progression)

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