



Research-in-Brief

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SELF EMPLOYMENT VERSUS WAGE AND SALARY JOBS: HOW DO WOMEN FARE?

Self-employment is being suggested as an alternative to full-time, wage or salary jobs both for women wishing for more flexible schedules and for women facing under- or unemployment. Before encouraging women workers to avail themselves of this alternative, it is important to explore the actual economic benefits that self-employment offers women.

A new Institute for Women's Policy Research (IWPR) study examines the employment patterns of men and women workers over the course of a calendar year, including *employment status* -- wage and salary jobs, self-employment or mixed; *work schedules* -- full-time or part-time, full-year or part-year; the characteristics of the jobs they report; the characteristics of the workers holding each type of job; and the economic well-being that results from these different types of employment patterns.

The study develops a typology of employment patterns that categorizes workers as holding a single job or multiple jobs; wage or salary jobs or self-employment jobs; full-time or part-time jobs; and year-round or part-year work. To conduct the analysis, IWPR created a special file of workers for calendar year 1987 using data from the 1986 and 1987 Survey of Income and Program Participation (SIPP), collected by the U.S. Bureau of the Census.¹

¹SIPP collected information from a panel of approximately 13,000 households across a 28 to 32 month period. The study's sample includes men and women who worked at least 200 hours during the 1987 calendar year. Teenagers living at home and workers over age 65 are excluded. The resulting file consists of information for 12,848 men and 11,403 women, representing about 116 million workers.

This Research-in-Brief presents study highlights that describe the employment patterns of self-employed men and women workers and the economic well-being that results from this alternative employment. It focuses on how well self-employment can meet women's increasing needs to support themselves and their families.

IWPR STUDY HIGHLIGHTS

In 1987, approximately 10 percent of women workers reported self-employment compared to approximately 18 percent of male workers (see Table 1). More than eight out of 10 self-employment jobs reported by women were less than full-time, full-year. This suggests that self-employment may provide some flexibility for women workers in terms of job schedules. However, as Figure 1 indicates, many women workers use less than full-time, full-year self-employment jobs as part of an employment package that includes wage and salary work as well.

◆ Women who reported self-employment as their only "job" were less likely to work full-time, full-year than were wage and salary workers holding only one job during the year (33 percent as compared to 59 percent, respectively).

◆ About half of women who were self-employed packaged more than one job, either a second self-employment job or a wage or salary job.

◆ About 10 percent of self-employed job packagers worked less than full-time full-year.

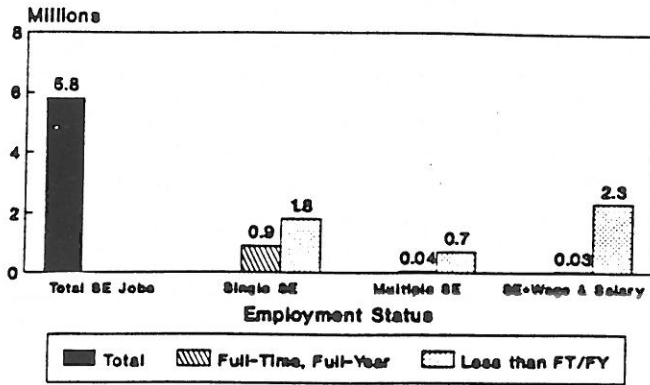
Table 1

Measures of Economic Well-Being

Employment Status	Distribution of U.S. Workforce By Employment Status Percent of Total		Median Hourly Wages (in 1987 dollars)		Median Annual Earnings (in 1987 dollars)		Avg. Months of Employer-Provided Health Benefits	
	Women	Men	Women	Men	Women	Men	Women	Men
All Workers	100.0%	100.0%	\$6.24	\$9.43	\$11,112	\$20,995	5.6	7.2
	89.9%	82.4%	\$6.40	\$9.53	\$11,578	\$20,234	6.4	8.3
Single Job Holders	67.1%	63.1%	\$6.87	\$10.44	\$12,836	\$22,800	6.9	9.1
Full-time Full-Year	39.8%	50.8%	\$8.08	\$11.25	\$17,066	\$25,571	9.6	10.2
Full-time Part-Year	6.4%	6.0%	\$5.38	\$7.18	\$5,696	\$8,997	3.8	5.1
Part-time Full-Year	13.8%	4.0%	\$5.47	\$6.30	\$7,260	\$9,584	3.9	5.7
Part-time Part-Year	6.9%	2.9%	\$3.91	\$4.37	\$2,554	\$3,000	1.2	2.2
Simultaneous Multiple Job Holders	8.0%	6.2%	\$5.41	\$7.05	\$10,296	\$17,543	5.1	7.3
Full-time Full-Year	3.4%	3.7%	\$6.96	\$8.68	\$17,027	\$23,427	9.2	9.8
Full-time Part-Year	0.4%	0.5%	\$4.23	\$5.42	\$8,947	\$11,070	2.8	4.3
Part-time Full-Year	2.9%	1.2%	\$4.86	\$5.72	\$7,506	\$9,635	2.2	4.0
Part-time Part-Year	1.4%	0.8%	\$4.00	\$4.36	\$4,032	\$5,010	1.9	1.4
Sequential Multiple Job Holders	0.6%	1.0%	\$5.02	\$6.07	\$7,570	\$11,400	4.0	4.8
Full-time Full-Year	0.1%	0.4%	*	\$6.48	*	\$14,721	*	7.1
Full-time Part-Year	0.1%	0.3%	*	\$7.54	*	\$13,759	*	3.7
Part-time Full-Year	0.2%	0.1%	*	*	*	*	*	*
Part-time Part-Year	0.2%	0.2%	*	*	*	*	*	*
Job Changers	14.2%	12.1%	\$5.07	\$6.53	\$7,444	\$12,009	4.1	5.0
Full-time Full-Year	3.7%	4.5%	\$6.62	\$8.28	\$14,030	\$19,831	8.0	8.0
Full-time Part-Year	3.2%	3.7%	\$5.46	\$6.47	\$8,080	\$10,609	4.3	4.4
Part-time Full-Year	2.3%	1.1%	\$4.84	\$5.27	\$7,265	\$8,523	2.9	3.7
Part-time Part-Year	5.0%	2.8%	\$4.03	\$4.45	\$3,588	\$4,465	1.6	1.5
Self-Employment	10.1%	17.6%	\$4.45	\$8.80	\$7,572	\$21,200	2.3	4.6
With a Single Self Employed Job	5.2%	9.4%	\$3.66	\$8.99	\$4,850	\$20,800	1.0	3.2
Full-time Full-Year	1.7%	6.1%	\$3.75	\$8.92	\$9,593	\$24,000	1.7	3.6
Less than Full-time Full-Year	3.5%	3.3%	\$3.56	\$9.18	\$3,122	\$13,100	0.7	2.5
Mixed Self Employed & Salaried (Self-Employment Primary)	1.6%	2.2%	\$3.59	\$7.02	\$4,728	\$18,638	1.5	3.9
Full-time Full-Year	0.4%	1.3%	\$5.12	\$8.61	\$14,978	\$22,211	2.3	4.7
Less than Full-time Full-Year	1.2%	0.9%	\$3.19	\$5.34	\$3,677	\$9,469	1.3	2.8
Mixed Self Employed & Salaried (Self-Employment Secondary)	2.7%	4.4%	\$6.33	\$9.47	\$12,664	\$25,136	5.4	8.0
Full-time Full-Year	1.3%	3.2%	\$7.42	\$10.36	\$18,690	\$29,782	8.1	9.6
Less than Full-time Full-Year	1.4%	1.2%	\$5.17	\$6.11	\$6,351	\$11,607	3.0	3.9
Two of More Self Employed Jobs	0.7%	1.6%	\$5.01	\$8.41	\$8,878	\$23,670	1.8	4.5
Full-time Full-Year	0.3%	1.1%	\$4.41	\$8.19	\$13,748	\$27,045	2.8	5.0
Less than Full-time Full-Year	0.4%	0.5%	\$5.53	\$8.68	\$6,393	\$14,892	1.2	3.4

* Not shown when less than 30 cases in the sample.
Source: IWPR calculations based on the 1986 and 1987 Survey of Income and Program Participation.

Figure 1: Numbers of Self-Employed Jobs Held by Women, by Employment Status Calendar Year 1987



Source: IWPR calculations based on the 1986 and 1987 Survey of Income and Program Participation.

Who are the Part-Time Self-Employed?

◆ Most self-employed women (approximately 70% or more) who worked part-time or part-year were married (see Table 2).

◆ The majority had husbands who worked full-time, full-year.

These women were likely able to rely on their husband's income to supplement their own lower earnings.

◆ They were more likely than full-time, full-year self-employed women to have children under age six.

These findings suggest that many mothers with young children may be taking advantage of the opportunity that part-year, part-time schedules may provide for combining work and family obligations.

How does Self-Employment compare to Wage and Salary work for Women?

◆ On the average, self-employment was less likely to be found in manufacturing and high-wage service industries, such as transportation, communications and public utilities, than were wage or salary jobs.

◆ This was especially true for full-time, full-year self-employment, where only 5 percent of those holding one self-employment job could be found in these higher wage industries compared to 25 percent of the full-time, full-year wage and salary workers holding only one job.

◆ Full-time, full-year self-employment jobs were about equally as likely (approximately 32 percent) to be found in professional and managerial occupations as were full-time, full-year wage or salary jobs.

Table 2
Selected Characteristics of Self-Employed Women Workers

Employment Status	Number of Workers	Percent Married	Percent with FT/FY Working Spouse	Percent with Children Under 6
With a Single Self Employed Job				
Full-time Full-Year	915,000	73.5%	57.4%	10.5%
Less than Full-time Full-Year	1,837,000	78.8%	57.5%	24.1%
Mixed Self Employed & Salaried (Self-Employment Primary)				
Full-time Full-Year	213,000	64.4%	51.9%	18.7%
Less than Full-time Full-Year	648,000	72.0%	51.0%	26.6%
Mixed Self Employed & Salaried (Self-Employment Secondary)				
Full-time Full-Year	682,000	58.2%	42.8%	12.9%
Less than Full-time Full-Year	745,000	69.6%	55.3%	27.5%
Two of More Self Employed Jobs				
Full-time Full-Year	139,000	59.0%	46.7%	13.5%
Less than Full-time Full-Year	216,000	79.9%	62.5%	38.6%

Source: IWPR calculations based on the 1986 and 1987 Survey of Income and Program Participation.

◆ Part-time or part-year self-employed jobs appeared more likely (37 percent) to be professional or managerial than part-time or part-year wage or salary jobs (19 percent).

◆ Like all women's employment, self-employment is less likely to be in male dominated occupations (29 percent for full-time, full-year self-employment), it is more so than wage or salary jobs (15 percent for full-time, full-year workers holding one job).

◆ Although in many cases women's self-employment may entail relatively skilled work, it does appear to be small scale. At least half of all self-employment was in sole proprietorships rather than incorporated businesses or partnerships (the only exception is self-employment among those who package two or more self-employed jobs; here only four out of 10 cases were sole proprietorships).

Women who were self-employed year-round at a single job fared worse than their wage and salary counterparts:

◆ The median hourly wage for women who hold a single self-employed job is only \$3.75 for full-time, full-year work, compared to \$8.08 for full-time, full-year wage and salary work.

◆ Annual earnings from self-employment (after expenses) were substantially less than the annual earnings resulting from wage or salary work. For example, full-time, full-year self-employment for those with a single self-employed job resulted in \$9,593 (in 1987 dollars) after expenses compared to \$17,066 for a wage or salary job with a single employer.

◆ Self-employed women received an average of 1.7 months of health care benefits for full-time, full-year work at a single job, compared to 9.6 months for wage and salary workers.

◆ Wage differences were smaller for part-time or part-year workers. Median hourly wages ranged from \$3.91 to \$5.47 for wage and salary workers compared to \$3.19 to \$5.53 for the self-employed.

◆ Workers with the highest average annual earnings (regardless of gender) were the small category (8 percent) who worked full-time, year-round and who package a primary wage or salary job with secondary self-employment (women in this category earned \$18,690 while men earned \$29,782). The workers in this group were the most likely to be professionals or managers--such as college professors--who package free-lance consulting work with relatively highly paid salary jobs. The higher annual earnings attained by this group of workers is, however, the result of substantially greater hours of work.

◆ Self-employment brings substantially, greater rewards for men than for women. The hourly wage gap between men's and women's wages was \$5.17 per hour for full-time, full-year self-employed workers compared with \$3.17 for full-time, full-year wage and salary workers.

Women may choose self-employment for multiple reasons -- the flexibility, the ability to perform professional and managerial level work part-time or free of discrimination, or the unavailability of wage or salary jobs; however, these findings suggest that there are financial costs to this choice. For many women, self-employment does not appear to be a feasible method of supporting a family by itself.

Note: An additional Research-in-Brief based on this study focuses on how well alternative forms of employment can meet women's increasing needs to support themselves and their families.

This fact sheet is based on the IWPR study **Exploring the Characteristics of Self-Employment and Part-Time Work Among Women**, by Roberta M. Spalter-Roth, Heidi I. Hartmann and Lois B. Shaw for the U.S. Department of Labor, Women's Bureau. The full report is available from IWPR at a cost of \$15.00. This Research-in-Brief was prepared by Nancy Collins in July 1993.