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Self Employment in Maine, 2011

Maine Center for Workforce Research and Information

Maine Department of Labor

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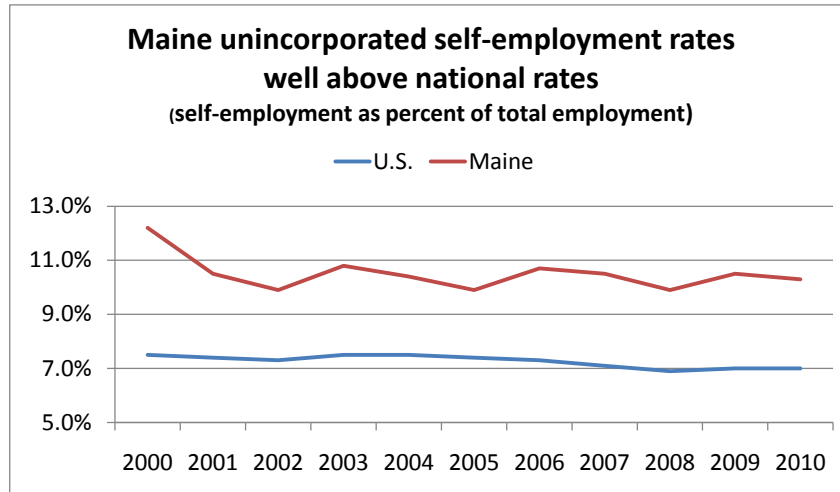
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Self-Employment in Maine

Self-employment is an important source of jobs in Maine. About 66,000 workers said their primary job was unincorporated self-employment in 2010, accounting for an estimated 10.3 percent of employed residents. Nationally, the unincorporated self-employed accounted for seven percent of total employment in 2010. The Maine rate of self-employment ranged between 10 and 12 percent in the 2000s, well above the national rate.

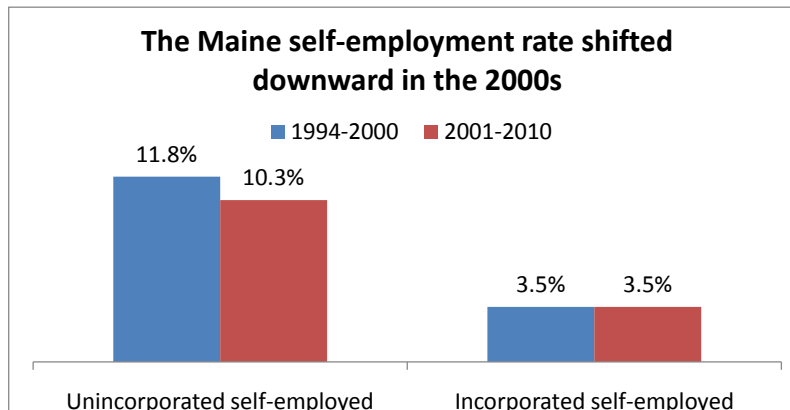


Published estimates of self-employment for Maine from the Current Population Survey (CPS) include only total counts of the unincorporated self-employed from 2000 to 2010. Unpublished (CPS) and American Community Survey (ACS) data in this brief comes from the Integrated Census Public Use Microdata Series. These data are subject to sampling error and detailed estimates must be viewed with caution.

The incorporated self-employed are counted as wage and salary workers in published employment estimates since they are legally employees of their own business. According to unpublished CPS data, incorporated self-employment in Maine accounted for a little over 4 percent of total employment in 2010.

SELF-EMPLOYMENT HAS DECLINED SLIGHTLY

While self-employment rates move up and down, over the course of several years the official unincorporated rate has declined slightly. Between 1994 and 2000 the rate of unincorporated self-employment in Maine averaged 11.8 percent compared to 10.3 percent for 2001 to 2010. The incorporated self-employment rate was unchanged at 3.5 percent.



Nationally, the unincorporated rate fell from 8.0 percent (1994-2000 average) to 7.3 percent (2001-2009); the incorporated rate rose from 3.3 to 3.7 percent. The U.S. Bureau of Labor Statistics cites the increased likelihood of businesses to incorporate to get the traditional benefits of the corporate structure as a reason for the shift in the corporative status of the self-employed.

There are a number of factors that impact the number of self-employed. The mid-to-late 1990s were characterized by rapid employment growth and low unemployment. Employment growth slowed in the early 2000s, with a period of employment decline and higher unemployment in the late 2000s. Certainly, the sluggish labor market of the early 2000s and the Great Recession of the late 2000s negatively affected the demand for services of many of the self-employed. At the same time, a countering affect could result in a rise in self-employment as wage and salary workers losing their jobs start new businesses.

Further complicating the issue, the CPS classifies employment based on the job at which the most hours are worked. A person holding a wage and salary job, who is also self-employed, is classified as a wage and salary worker if he/she works the most hours at the wage and salary job. If the wage and salary job is lost, the person would still be counted as employed - a self-employed worker. Thus, the count of self-employed would rise even though total employment would not.

With all of these factors considered, it does appear that the weak labor market of the 2000s had a dampening effect on the number of self-employed in Maine.

CHARACTERISTICS OF THE SELF-EMPLOYED

The following characteristics of the unincorporated self-employed are developed from the ACS that differs slightly from the CPS in methodologies and timing of the surveys. Three-year average estimates are used to improve the reliability of the data.

The Self-Employed Were More Likely to be Male and Older

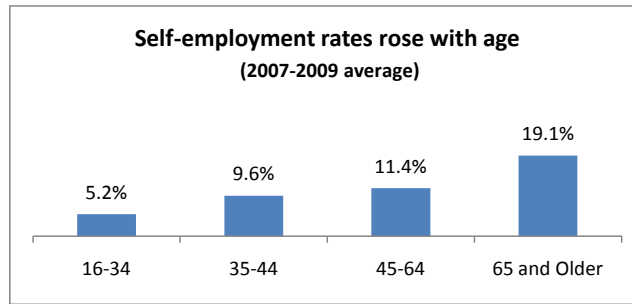
A larger percentage of the self-employed were older and male compared to wage and salary workers. The self-employed had higher shares of workers with little education and the highest level of education.

Self-Employed and Wage and Salary Workers in Maine, 2007-2009 Average		
Characteristic	Self Employed	Wage and Salary Workers*
Percent of Total	100%	100%
Education		
Less than High School	7.8	6.5
High School	39.1	30.8
Some College	19.8	22.5
Associate's Degree	7.5	10.5
Bachelor's Degree	15.7	18.4
Graduate Degree	10.0	8.8
Age		
16-34	16.8	31.9
35-44	22.1	21.7
45-64	52.0	42.4
65 and Older	9.0	4.0
Gender		
Male	62.1	50.0
Female	37.9	50.0

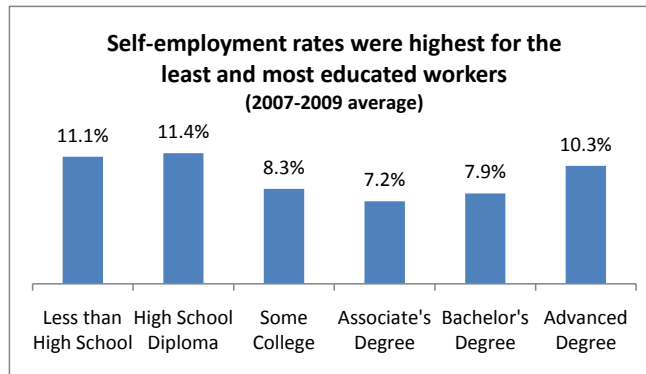
*Includes incorporated self-employed.

About one in five of workers aged 65 and over were self-employed Only five percent of workers age 16 to 34 were self-employed. Among the possible reasons for the oldest age cohort having a much higher self-employment rate that those

age 16 to 34 are older workers have more resources to start a business (human and financial capital) and older workers retired from wage and salary jobs may become self-employed to supplement retirement income.



Self-employment rates were highest for workers with a high school education or less and a graduate degree, reflecting high proportions of the self-employed in construction, and management and professional occupations.



The Self-Employed were Working in a Wide Variety of Industries and Occupations

The self-employed were more heavily concentrated in the construction and professional and business services industries compared to wage and salary workers. The construction industry employed about one-quarter of the self-employed. Professional and business services and educational and health care services accounted for over 25 percent.

Self-Employed and Wage and Salary Workers in Maine, 2007-2009 Average		
Characteristic	Unincorporated Self-Employed	Wage and Salary Workers*
Percent	100%	100%
Occupation		
Management, Professional, and Related Service	31.2	35.6
Sales and Office	20.7	18.6
Farming, Fishing, Forestry, and Logging	10.1	25.5
Construction, Extraction, Maintenance, and Repair	6.7	0.9
Production, Transportation, and Material Moving	24.5	7.6
Industry		
Agriculture, Forestry, Fishing, Hunting, and Mining	6.9	11.7
Construction	9.5	1.4
Manufacturing	24.3	5.8
Wholesale Trade	3.6	9.9
Retail Trade	2.2	2.5
Transportation, Warehousing, and Utilities	3.6	15.0
Information	2.0	4.1
Financial Activities	0.7	2.1
Professional and Business Services	5.1	6.5
Educational Services, and Health Care and Social Services	16.8	8.3
Leisure and Hospitality Services	12.4	27.6
Other Services	5.7	8.6
Public Administration	14.1	3.9
	0.0	4.2

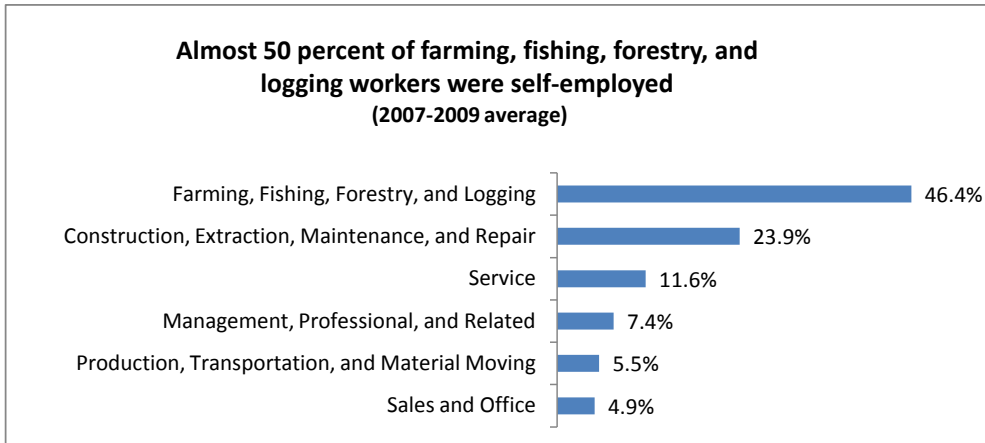
*Includes incorporated self-employed.

While the self-employed are in a variety of occupations, management, professional, and related, and construction, extraction, maintenance, and repair occupations accounted for 50 percent of the self-employed, reflecting industry concentration.

Over 40 percent of those employed in agriculture, forestry, fishing, hunting, and mining; about 30 percent of construction workers; and almost 30 percent of the workers in other services, which contains a variety of industries such as barber shops and shoe repair, were self-employed.

Maine Self-Employment Rates, 2007-2009 Average	
Industry	Rate(%)
Agriculture, Forestry, Fishing, Hunting, and Mining	40.9
Construction	30.0
Manufacturing	3.3
Wholesale Trade	4.7
Retail Trade	4.6
Transportation, Warehousing, and Utilities	5.4
Information	4.9
Financial Activities	7.2
Professional and Business Services	17.3
Educational Services, and Health Care and Social Services	4.2
Leisure and Hospitality Service	5.5
Other Services	29.1

Major occupations with the highest self-employment rates were farming, fishing, forestry and logging (46 percent) and construction (24 percent).



IN SUMMARY

Nearly one in seven Maine workers were self-employed in 2009, either incorporated or unincorporated, compared to about one in nine nationally. While a slight decline in self-employment was recorded during the sluggish labor market of the 2000s, the self-employed remain an important part of the Maine economy.

Source: All unpublished CPS and ACS data developed using the Integrated Public Use Microdata Series (IPUMS: Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. Integrated Public Use Microdata Series, Version 5.0 (Machine-readable database). Minneapolis: University of Minnesota, 2010.