

Self-Employed ≠ Unemployed

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Self-employment accounted for all of the surprising 36,000 gain in Canadian jobs last month. For this reason, many analysts seemed to downplay the “good” news, based on a view that laid-off workers are driven to create their own, often low-paying, work. However, the historical record suggests that self-employment isn’t necessarily involuntary or menial. Although the composition of April’s gain in self-employment is unclear (due to the lack of seasonally-adjusted data), it appears that the well-paying health care/social assistance sector contributed meaningfully.

Self-employment has grown faster than total employment over the past three decades—not what you would expect from presumably low-paying work (*Chart 1*). The upward trend reflects several factors, including increased business outsourcing, an aging population (self-employed tend to be older than paid employees), and the advent of information technology (which facilitates sole entrepreneurship). The self-employed account for one-in-six workers today, up from one-in-eight in the mid-1970s.

A 2000 survey by Statistics Canada found that self-employment is largely voluntary. Of the respondents who had recently left their jobs, about 60% resigned, while only 22% felt “pushed” by the lack of suitable paid employment. During recessions, self-employment tends to increase at a steady rate, rather than jump, which argues against the view that laid-off workers account for most of the self-employed (*Chart 2*). In the current downturn, self-employment has risen 2.6% annualized since October and 2.4% in the past year, in line with long-run growth. Thus, despite the worst spate of job losses in a quarter century, self-employment has followed the historical playbook of generally stable growth in both good times and bad.

The self-employed tend to work longer hours than paid employees, averaging 45.4 hours per week. However, earnings (and education) tend to be polarized. Excluding those with net losses, almost 20% of the self-employed made more than \$80,000 per year, though more than a quarter had incomes under \$20,000. The median income ranged from \$30,000 to \$35,000, not shabby, though less than the \$43,000 for single-income families in 2000.

The self-employed are spread across industries, led by professional/scientific/technical (15%), construction (12%), retail sales (9%) and agriculture (8%). Many of the newly self-employed will go on to form thriving businesses, setting the stage for the next cycle of job creation in the recovery.

CHART 1
TAKE THIS JOB AND...
Canada (% of all employment)

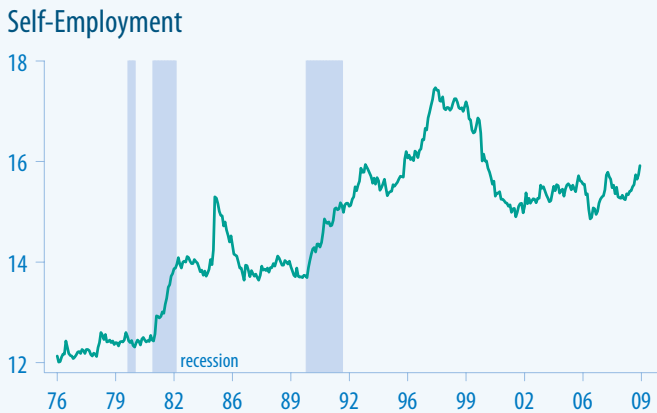
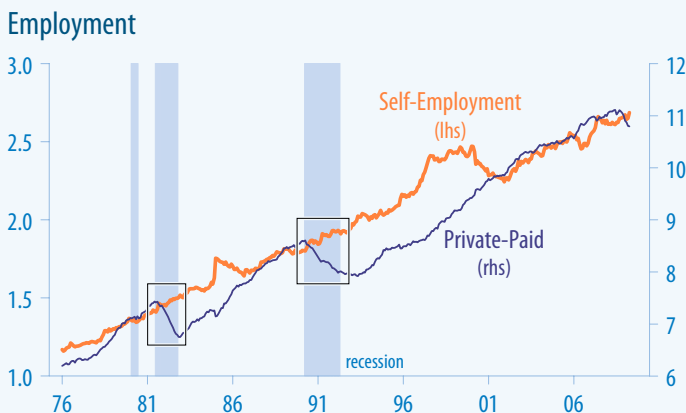


CHART 2
STEADY WORK
Canada (mlns.: s.a.)



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