



# Heterogeneity in Self-employment and the Transition to Retirement among Older Adults in the United States

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This project aims to take first steps to answer big questions about self-employment and the retirement transition by examining, pre- and post-retirement: (1) self-employment types among older workers; (2) the characteristics of individuals engaged in different self-employment types; (3) measures of well-being of individuals engaged in different types of self-employment. The paper also examines transitions across roles at the time of retirement and compares survey reports of self-employment to administrative records to identify reporting discrepancies across self-employment roles.

One barrier to answering these questions is that, generally speaking, a number of different roles comprise self-employment and work characteristics and differences in well-being may vary systematically across these roles. In addition, it is difficult to find data that identify these roles and examine well-being.

To fill this gap, this project uses existing data from a large-scale and long-running survey, the Health and

Retirement Study (HRS), and leverages narrative survey information to develop a rich data source to capture the breadth of alternative work arrangements and their effects on the individuals who pursue them. The approach identifies three self-employment roles (own, manage, independent) among the self-employed using internal HRS respondent narratives on industry and type of work collected from 1994 to 2018. To do this, the project manually codes a subset of the narratives and uses machine-learning methods to assign codes to the remainder of the narratives. In conjunction with the HRS' breadth of information, the approach provides complementary measures of an additional dimension of older workers' self-employment arrangements, permitting better understanding of these arrangements' effects on the well-being of the individuals who pursue them. The classification will be made available publicly to enhance core HRS data.

Using the project's classification of self-employment roles along with additional information collected in the HRS,

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the project finds substantial differences in demographic characteristics, work characteristics, income, and benefits, as well as substantial variation in quality of life and retirement expectations by role, pre- and post-retirement.

The findings suggest that self-employed workers in independent roles earn less income, are less likely to have employer-provided benefits such as health insurance, and work in jobs that are more physically demanding, but less stressful than other self-employment roles. This suggests that independent self-employment is associated with less rewarding working prospects and there is scope for policies to improve independent self-employed workers' circumstances. Further work finds distinctive patterns in role changes with the transition to retirement such that large shares of workers in all roles transition into independent self-

employment at the time of retirement. Links to administrative records suggest substantial discrepancies, which vary across roles, between survey responses and administrative records and finds the most prominent discrepancies for post-retirement independent self-employment.

This study's results provide greater insight into the nature of self-employment and permit future work more thoroughly considering the causes and implications of differences in self-employment roles. This work lays the groundwork for future research examining individuals' work trajectories leading to these roles, movement between different self-employment roles and wage employment, and how these are associated with different levels of economic, physical, and psychological well-being over the life course, including the transition to retirement. ❖

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