

# Reconciling Household and Administrative Measures of Self Employment and Entrepreneurship

by

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Have changes in the economy blurred the boundaries of the population of self-employed, a large and historically difficult segment of the workforce to quantify? To date, household-based surveys such as the Current Population Survey (CPS) have provided the leading source of information on the self-employed, a substantial group accounting for about 11% of the workforce and operating over 16 million businesses. Yet it is unknown how well respondent reports of self-employment align with information from administrative sources and how disagreements may have changed over time. The increase in outsourcing and hobby businesses has made the standard survey question, “Are you self-employed?” less straightforward to answer. In this paper, we use micro data from the 1995-2001 Annual Social and Economic (March) Supplements of the CPS linked with administrative (tax-based) data from the Social Security Administration’s Detailed Earnings Records (DER) and the Census Bureau’s Business Register (containing both employer and non-employer businesses). While levels of entrepreneurship are fairly similar in the CPS, DER and Business Register, our initial findings suggest that the datasets do not consistently agree on which workers are self-employed. We find striking levels of misclassification; for example, less than half of the workers who are self-employed in the survey data are also self-employed in the administrative data. To better understand this disparity and to help identify respondent types likely to provide misleading or incorrect information, we characterize these differences over time by worker and job traits that include age, education, and industry. Lastly, we examine possible connections between this mismatch and gaps between household and business-based measures of employment and earnings at various stages of the business cycle.

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