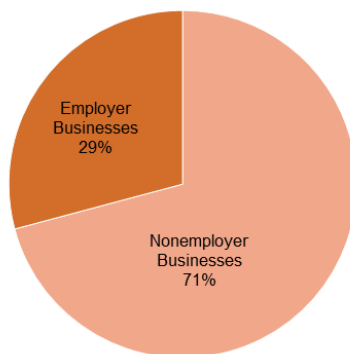


## Is Self-Employment Becoming More Important to the Wisconsin Economy?

While the Wisconsin economy was not hit as hard by the Great Recession as other states, Wisconsin's recovery has been painfully slow. The discussion around the rate and strength of the Wisconsin recovery has been almost exclusively in terms of jobs and the unemployment rate. The analysis of employment focuses on payroll employment which means that the roles of business owners, entrepreneurs, sole proprietors and partnerships are overlooked. Yet, more and more people are electing self-employment rather than working in traditional wage-and-salary positions. Indeed, nonemployer businesses, sole proprietorships or partnerships that have no payroll employees, make up the large majority of businesses and continue to grow in number and share. In 2000, about 35% of all businesses in Wisconsin had wage-salary employees but by 2013, the most recent year the data are available, only 29% of all businesses in Wisconsin had wage-salary employees (Figures 1 & 2). The number of employer businesses in Wisconsin has not grown compared with 2000 (Figure 3). In fact, as of 2013, the number of employer establishments (businesses with wage-salaried employees) was down nearly 2%.

The stagnation of employer establishments (or firms with wage-salary employees) could have important consequences for employment opportunities in Wisconsin. On its face value as the number of businesses creating and sustaining jobs falls relative to the number of people in the workforce, it will likely become more difficult to find wage-salary employment in Wisconsin. The evidence is clear, a growing share of business activity in Wisconsin is taking the form of self-employment.

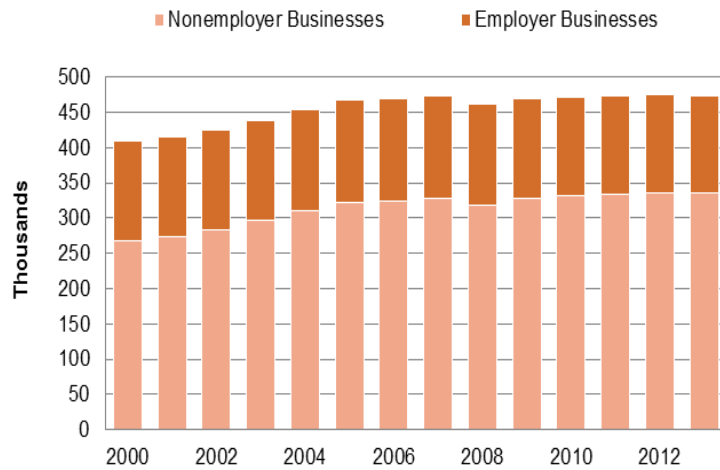
**Figure 1:  
Employer and Nonemployer Businesses  
Wisconsin, 2013**



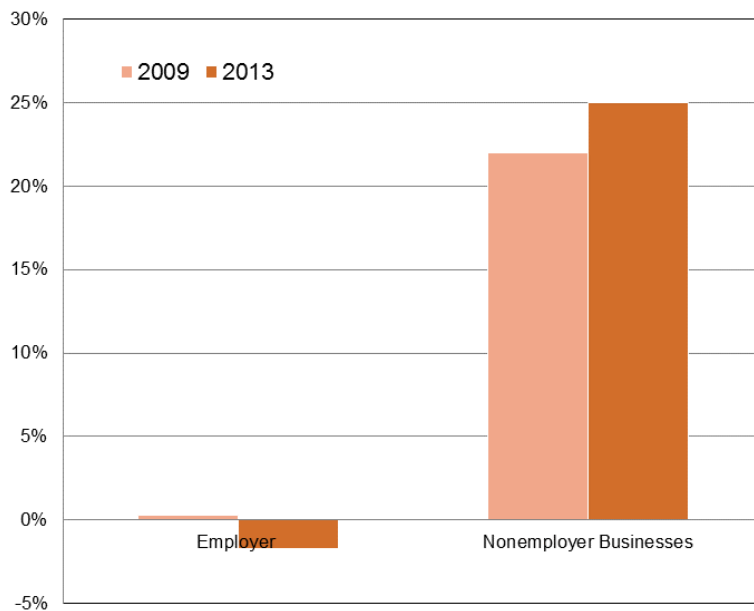
Just 29% of businesses in Wisconsin have employees. The remaining 71% are non-employers, sole proprietorship or partnerships with no payroll employees.

Since 2000, the number of nonemployer businesses has increased 25%. At the same time the number of employer businesses has slightly decreased.

**Figure 2: Nonemployer and Employer Businesses, Wisconsin**



**Figure 3: Change in Employer and Nonemployer Establishments in Wisconsin**  
Since 2000 as a percent of 2000 Levels



What is not clear from this analysis, however, is if the growth in nonemployer businesses is from an increased desire to work for one's self or is it from a source of frustration over the lack of quality wage-salary employment. If people in Wisconsin are actively pursuing self-employment out of desire to "be their own boss" this is a positive pro-active situation. On the other hand, if people would prefer to be an employee but cannot find adequate opportunities they are reacting to poor economic conditions and have no alternative save starting their own business.

In either case, the implications for economic development policies at the community level are clear: communities need to continue to expand strategies aimed at fostering and adding small business development. Particular attention should be paid to people who are thinking about starting their own business. Strategies should include not technical assistance but also broader educational programs aimed at helping people fully think about and understand the benefits, costs, risks and opportunities of being self-employed. The dream of being one's own boss and the challenges of achieving that dream must be fully understood.

While nonemployers, sole proprietors or partnerships type businesses provide jobs and income only for the owners those owners may also work in a wage-and-salary position and/or own several businesses. For example, an auto mechanic that is employed full time at a new car dealership may do side repairs at home during their off time for a fee. We have no information on their primary source of income. There may also be "serial entrepreneurs" who own several businesses but only a few are actually functioning. Thus, nonemployer businesses may be only loosely correlated with measures of self-employment and entrepreneurship. In addition to how these entrepreneurs are counted in the data, what we do not know is how many would prefer to be completely self-employed by turning their "side business" into a full-time business.