

WORKER VOICES SPECIAL BRIEF:

SELF EMPLOYMENT: DREAMS VS. REALITY

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Worker Voices participants described weighing the tradeoffs of self-employment from the independence it gave to its income generation potential. This research found that participants were pushed or pulled into self-employment for a variety of factors and their experiences did not align with their expectations of this work.

INTRODUCTION

The Worker Voices Project is a Federal Reserve System research effort to understand the experiences of workers in low-wage roles and nondegree job seekers at the start of the pandemic and the onset of the recovery. This research seeks to further explore how these workers were impacted by the strong labor market, barriers to employment, and their changing expectations of employment. Focus groups took place May 2022 to September 2022, and participants were identified and recruited through community-based workforce development partners. Participants between the ages of 20 and 55 discussed these topics with researchers from the Federal Reserve in virtual focus groups across the country.¹

A topic that came up repeatedly was participants' desire to work for themselves. Their comments ranged from entrepreneurial aspirations to start their own business to identifying key factors on why they pursued self-employment. Some conversations around the topic of self-employment were generated from the questions posed to workers, including inquiries about platform-based gig work, starting their own ventures, and their aspirations for the future. These conversations contributed to the overall sense of how the push to self-employment and independent work occurred as a result of their experiences in the labor market. Roughly one-third of Worker Voices participants commented on the topic of self-employment or independent work in some form. These comments and discussions led the authors to further examine the self-employment aspirations and experiences of these workers.

This brief seeks to both investigate the motivation for participants' interest in self-employment and describe the collective sentiment around and experiences with independent work, gig work, the informal economy, "side hustles," and other income-generating pursuits not formally

¹ To date, four research publications using this data have been disseminated: The Worker Voices main findings and methodology (Miller et al. 2023) and briefs on job quality (Dunne and Wardrip 2023), barriers to employment (Galeano et al. 2023), and advancement through personal investment (Williams and Bogue Simpson 2024). These briefs seek to provide nuance and personal narratives around the daily decisions, motivations, and labor market experience of these workers.

attached to an employer. Unique to this study, the participants in Worker Voices had less than a bachelor's degree and had a high representation of unemployed individuals, women, people of color, and individuals in low-wage roles. This brief contributes to the literature by providing a worker-centered understanding and framework of self-employment specific to workers and job seekers in these focus groups.

This brief begins by discussing the context of self-employment at this moment in the economy and what previous research has shown regarding the reasons for

and landscape of self-employment opportunities. Next, this brief will discuss workers' motivations for engaging in or aspiring to self-employment. Third, the brief will discuss the ways in which participants engaged in self-employment and identify common themes, laying out a framework for their self-employment experiences. After this, it will compare the motivations workers had to their actual experiences of self-employment to understand the disconnect between aspirations and actual experiences. Finally, the brief will discuss the importance of the framework outlined, the implications of this work, and future research directions.



I tried out some apps like [app-based gig work company], and for me it's been uncertain because not every day is a good day. And you have to invest in gas. Sometimes that can cause worries, it is not like you can always work at the time you wish, but sometimes it's hard to spend on gas, you drive around and there's no rides. So, it has its perks but also disadvantages.

– Worker Voices participant

CONTEXT OF SELF-EMPLOYMENT

Entrepreneurship is at the heart of the American ethos. Many social narratives emphasize idea creation and innovation as a path to prosperity and laud the agency and control of pursuing one's dream to "be your own boss." A segment of the entrepreneurship and self-employment literature focuses on high-growth, high-wealth entrepreneurs because they are seen as an engine of potential economic growth (Bates 1995; Coad et al. 2014; Henrekson and Johansson 2009; Piazza and Hill 2021). These popular narratives often reinforce that entrepreneurs embrace risk and look to create high-growth, high-tech businesses. In actuality, roughly 82 percent of businesses don't employ anyone, equating to non-employers or self-employed people (US Small Business Administration 2023). Moreover, an estimated 20 percent of startups fail in the first year, and roughly half fail in five years (Knaup and Piazza 2007; US Bureau of Labor Statistics, n.d.). But many ventures, including self-employment, may not look like that. And while people claim that they want to pursue self-employment, many do not start a business in actuality (Blanchflower 2004). Overall, there are important differences between the concepts of entrepreneurship, self-employment, and gig work.

Researchers have delineated entrepreneurship as a function that "demands entrepreneurial ability, physical capital, and liquidity," understanding entrepreneurship as taking risks financially and in other ways, whereas self-employment does not demand all those inputs (Lavine and Rubinstein 2018). A large number of low-income individuals lack the capital and liquidity to become entrepreneurs. Instead, they may look to self-employment or informal work arrangements to create new income-generating opportunities. Moreover, research has shown that many low-income individuals engage in informal work or a second job to supplement their income (Abraham 2019; Abraham and Houseman 2019). These multiple jobs often help them make ends meet (Rho and Fremstad 2020).

Engagement in or aspirations to self-employment can be understood by what draws the individual into self-employment. Workers can be pushed into self-employment for a variety of reasons. Some are pushed or nudged into self-employment because of a lack of formal employment opportunities. Others are pulled into or attracted to self-employment for a variety of nonfinancial benefits, such as schedule flexibility and agency through being your own boss.

Research indicates that because of discrimination and language barriers, wages can be lower for disadvantaged groups. Members of these groups may be pushed into self-employment for greater employment options (Moore 1983). Subsistence self-employment or firms created out of necessity are smaller and grow less (Poschke 2013), but they can offer income for those who are financially insecure. Some literature shows that unemployment also pushes some individuals into self-employment (Fairlie 2013). A recent article indicates that individuals transitioning between unemployment and self-employment engage in necessity income generation, which displays low levels of innovation. The author suggests that this behavior could reflect the influx of businesses during the pandemic (Fossen 2021).

Individuals can be pulled into self-employment because they seek the nonfinancial benefits it can offer, such as flexibility or being your own boss (Hurst and Pugsley 2011). Moreover, women are more likely than men to pursue self-employment for nonfinancial motivations (Allen and Curington 2014). Some of those nonfinancial reasons were discussed in previous Worker Voices research around job quality, which showed that workers defined quality employment experiences around compensation, job security, treatment, flexibility, and engagement (Dunne and Wardrip 2023). The pull of participants into self-employment could be informed by an overall lack of job quality in their current roles.

We cannot discuss low-wage self-employment without mentioning gig work. The term "gig work" has different meanings to economists, advocates, workers, and employers. A study by the Workers Lab and the Aspen Institute concluded that the range of terminology and definitions associated with gig work created confusion and inconsistency (Haro and Steward 2024). The authors define gig work as a type of self-employment in which "employees" are considered independent contractors, set their own schedules, and engage in "income-earning activity done outside of a long-term direct-hire employment relationship" (The Workers Lab 2023). Many types of gig work are brokered through an online intermediary, rendering workers dependent on the platform to schedule the work and provide wages. We refer to this as platform-based gig work. Like other self-employed workers, gig workers take on the risk of employment without the benefits of being an employee of a company (Muehlberger 2007). Regardless of the type of gig work, these jobs can provide nonfinancial benefits of self-employment, such as schedule flexibility, and greater agency than a traditional job affords an employee.



So, I think that's another reason why I wanted to be an entrepreneur...there's no set limit on what I can achieve or what I can accomplish working up under somebody else... I'm [very] tired of pouring into other people's cups. I'm still young, so I really have time, and time is now to just invest into myself." She also mentioned, "So if anything, COVID really just taught me that there's no limitation on what I can do as far as being an entrepreneur. You just really got to have the mindset of being able to bounce back from anything. It's definitely hard right now to be an entrepreneur.

– Worker Voices participant

MOTIVATION: WHY ARE WORKERS LOOKING TO SELF-EMPLOYMENT?

The qualitative data from the Worker Voices focus groups provide additional context as to why so many individuals were interested in starting a business or working for themselves. Before the pandemic, roughly 3.5 million Americans started businesses each year. After the pandemic, this figure jumped 54 percent to 5.4 million in 2021 (US Census Bureau 2023). What these numbers do not show are the nuance and personal perspectives and motivations of individuals who seek out independent work.

Workers in our focus groups discussed a variety of reasons they aspired to or engaged in self-employment. Some were pushed into self-employment through a lack of employment options, while others were pulled into or attracted to it to fulfill personal aspirations and enhance income potential. Across the focus group sessions, participants spoke of dissatisfaction with their work experiences, as the main findings from the Worker Voices Project and its briefs have shown. These factors included discrimination and dissatisfaction in the workplace, an inclination for more agency in their work life, and a desire for greater employment stability. These reasons all proved especially true for participants in the three Spanish-language sessions, which recruited from organizations that serve immigrant workers.

DISSATISFACTION IN THE WORKPLACE

Many participants spoke of seeking self-employment as a means of taking agency over poor job quality and dissatisfaction they experienced in the workplace. Worker Voices participants discussed the tensions in their lives resulting from going to a job they described as dissatisfying or even dangerous during the COVID-19 pandemic balanced with the need to put food on the table (Miller et al. 2023). One participant indicated that they were studying for a bachelor's degree in entrepreneurship as a path to create independence and generational wealth:



So, I want to find a path to where not only am I free to be who I am, you know – not tied to an employer, not being afraid living paycheck to paycheck but also creating an avenue to where [my child] can actually explore himself and not be worried about those same things I was.

This speaks to what much of the previous Worker Voices research details: that many participants looked differently at work because they wanted more agency in their work life (Miller et al. 2023).

DISCRIMINATION AND SYSTEMIC BARRIERS

Respondents spoke openly about how discrimination and bias in the workplace caused them to think of self-employment as an alternative (Galeano et al. 2023). Previous research illustrates that a variety of people of color and immigrant groups are pushed into self-employment because of workplace discrimination, limited work opportunities, and language barriers (Fairlie and Marion 2010). This also holds true for people with disabilities (Blanck 2000). Some participants spoke of workplace discrimination from employers and customers alike.

Sixty-one Worker Voices participants discussed experiences with or motivations for self-employment in their responses. Of these, a majority were people of color; 50 percent of these respondents identified as Hispanic and 52 percent identified as African American or Black.²

One woman, who self-identified as Latina, described undesirable work conditions and subsequently began cleaning homes and ironing clothes:



While I was working at the restaurant, I did all right, I won't deny it. But I was mistreated, because some clients wanted to mistreat me because, at least in my case, for being Latina, and they wanted to treat me poorly, and that was one of the reasons I didn't want to keep looking for a job.

Another participant, who indicated that he worked in a grocery store, described workplace inequities because of his skin color:



Yeah, for me, I think I would love to own a business, like be the boss of my own ... because I'm going through a lot, working for people [who] have not been able to treat me nicely because of my race and color.

Others indicated self-employment was the only work option for them because of systemic barriers to employment. For individuals who had been justice-impacted, starting a business or working for themselves were among the options that did not

require a background check. As one participant noted, they had previously tried app-based gig work and their criminal record was causing employment challenges:



Like right now a lot of jobs, for me, yeah, they are hiring. But for me though — for me with my background, honestly, I've been a felon, so a lot of times the Urban League has had to help me ... I don't really want a job anymore.

JOB STABILITY

Previous Worker Voices research revealed that job instability was a major issue for workers in this cohort, and from that, they identified job security as a pillar of job quality (Dunne and Wardrip 2023; Miller et al. 2023). Recent research has also shown that workers in low-wage roles are looking for job stability as a key component in their job (Kelly et al. 2023). The popular narrative amplifies that self-employment and entrepreneurship are risky endeavors, especially for those of lower income (Auguste et al. 2023), but an international study showed that people who enter into their own ventures increase their job stability because of their personal attachment to, and personal investment in, the venture (Failla et al. 2017).

Some participants noted that they felt slighted by employers suddenly firing them or laying them off because of the pandemic. Feelings of instability around employment caused many participants to indicate that they prefer to work independently or engage in side hustles in order to not depend on employers. A focus group member noted:



... [The] quarantine definitely taught me to take some of those side hustles ... I keep up my side hustles seriously, because who knows if this will happen again? ... So, it's like, make sure if you did something you love, like figure out how to make a dollar off of it, because it's just not safe to have your whole — like, my whole world fell apart. So, I'm like, don't ever let that happen to you. If you've got a skill, like don't take it for granted. It might seem simple today, you know, but it might actually be something that you can depend on.

² For more information on the demographics of this cohort, see Relevant Demographics.

IMMIGRANT COMMUNITIES AND LACK OF EMPLOYMENT OPTIONS

In the three focus group sessions held in Spanish, participants, many of whom described themselves as immigrants, generally discussed self-employment both as an aspiration and a reality. They cited a lack of alternatives in the labor market, either because of job instability or their immigration status. Research shows that many immigrants work in riskier jobs with a higher degree of injury (Orrenius and Zavodny 2009), and immigrants and undocumented workers have a higher risk of job loss and adverse job transitions (Tamborini and Villarreal 2021). And for this population, informal work (Raijman 2001) and self-employment (Abada 2014) can play vital roles in income generation. Undocumented Hispanic immigrants are often pushed into self-employment because of a lack of employment options (Fisher and Lewin 2018).

Some participants noted:



My specific objective is to legalize my situation in the country, that's the first thing. After becoming legal, I would like to keep studying and then to have my own business or have a good job.

Well, when I was in Venezuela, I took many courses ... and I would like to have my own business in the future, a spa, perhaps – my own business, with my own income, and I would like to be independent. I would like that for the future.

I was also waitressing in a restaurant when COVID started, and when the quarantine began, they had to let me go, they fired me. I was job hunting, and nobody wanted to hire me...I couldn't find a job and I had to clean and iron clothes. Since then and until now I do that job. It's best for me to work independently." Later, they continued, "Well, honestly, my goal for the future would be to have my own business, to have a certain number of clients and more coverage, a wider area of homes and clients.

SELF-EMPLOYMENT AS ENHANCING POTENTIAL

Individuals in focus groups actively looked to change their job roles and responsibilities to better reflect and incorporate their personal interests and abilities. Research

has identified that when management gives agency to employees to modify their work the best way they see fit, doing so can enhance the employee's capacity to contribute to the organization; this is especially true when job duties and structures are changing, putting more responsibility on the individual (Dutton 2023). Many Worker Voices participants felt a lack of agency and ability to modify their job duties to enhance the organization.

Some participants expressed that working for themselves not only gave them greater agency in their lives but also provided an outlet for greater personal and wealth potential. Because of negative workplace experiences, some respondents felt that the contract between employers and employees was broken. If workers were going to expend energy on employment, it would be best done in service to their own entrepreneurial efforts and ideas.



So, I think that's another reason why I wanted to be an entrepreneur...there's no set limit on what I can achieve or what I can accomplish working up under somebody else... I'm [very] tired of pouring into other people's cups. I'm still young, so I really have time, and time is now to just invest into myself." She also mentioned, "So if anything, COVID really just taught me that there's no limitation on what I can do as far as being an entrepreneur. You just really got to have the mindset of being able to bounce back from anything. It's definitely hard right now to be an entrepreneur.

When you own your own business, you get to decide how you want to run it. And then like you get to decide how to take your business to the next level to make more money. But then working for others, it's just like – it's more [inaudible] from working for others to own my own business. And I'm currently working on that and saving up for that as well.





I did [app-based gig work company]. It's kind of hard when you can't really do it full time. I mean it is good for extra side money, but, yeah. Like say I would like, okay, I would do [app-based gig work company] to shop for groceries ... I want to say I made probably like \$25-\$30 ... and then most of that had to go back in the gas tank, because I would have to deliver the orders, and they like be farther out than where the stores were.

– Worker Voices participant

EXPERIENCES: HOW ARE WORKERS ENGAGING IN SELF-EMPLOYMENT?

Participants described a range of independent work experiences. These experiences varied considerably, from delivering items, driving people, and cleaning houses to fixing engines and operating food trucks.

We categorize these experiences according to two themes: agency and independence in work, and income-generating opportunities. In this section, we will discuss these experiences in self-employment using the framework that follows as a guide (Figure 1).

To inform this framework, we examined all references related to self-employment, gig work, and independent work arrangements in Worker Voices sessions and transcripts.³ From these references, we identified themes across focus groups that centered around independence and income-generating opportunities. The themes arose from participants' descriptions of the type of work arrangements they participated in up to the time of the focus group session.

The vertical axis displays the spectrum of independence of the work. It reflects the control an individual has over business decisions, pricing for services or goods, or scheduling. Workers

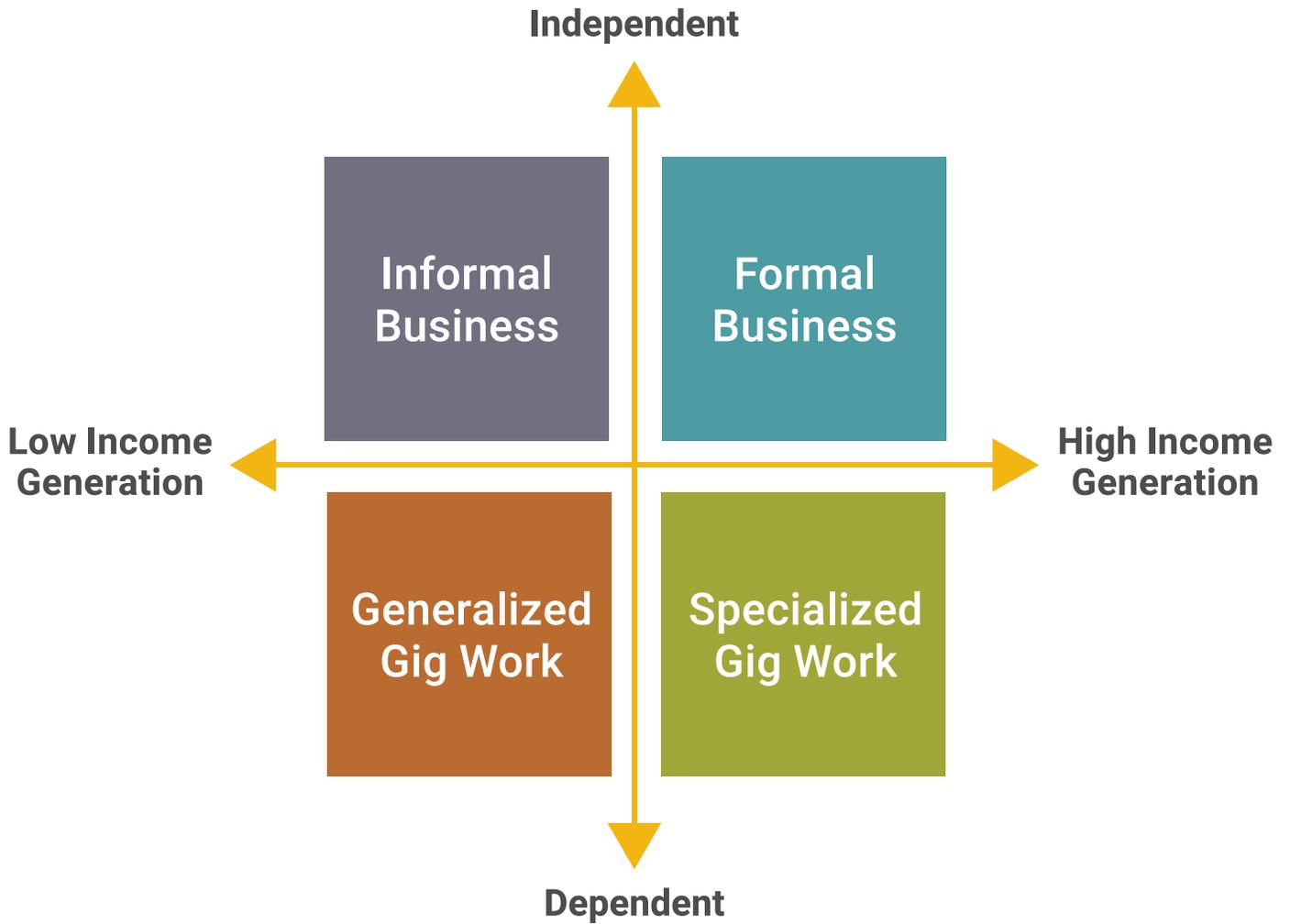
described varying levels of autonomy or independence in self-employment, including highly independent workers who run their own business and have full decision-making authority over pricing, wages, and products and services. On the dependent end of the axis, a worker may have far less autonomy. Workers may rely on a third-party intermediary, such as a platform distributing the work, for schedules, pricing, or employment terms.

The framework's horizontal axis reflects the spectrum of income-generating opportunities. Individuals in low-income-generating opportunities described their wages as low, variable, and unpredictable. The individuals who spoke to low-income-generating self-employment were often in fields that were less specialized by nature or had low barriers to entry. High-income-generating self-employment described by participants tended to be more specialized in nature or might require an investment of capital to open a business or start an entrepreneurial endeavor.

These two axes interact to form four distinct quadrants of self-employment experiences described by workers in this study. From these descriptions, there emerged four main categories of self-employment and independent work: generalized gig work, specialized gig work, informal businesses, and formal businesses.

³ For more information on our methodology, see the Methodology section. For more information on the Worker Voices methodology, see Miller et al. 2023.

FIGURE 1. Framework for Understanding Self-Employment in Worker Voices Responses



This framework is useful in distinguishing different types of independent employment arrangements that participants described in Worker Voices focus groups. These categories reflect their actual self-employment experiences, not aspirations, that they described in the spring and summer of 2022. It is important to note that many other types of self-employment and independent work activities may exist beyond those discussed in these listening sessions. This brief reflects the experiences of a subset of individuals who participated in these conversations. That said, the framework is unique in that it is generated by workers in low-wage roles or job seekers without a four-year degree and provides their perspectives on self-employment.

GENERALIZED GIG WORK

Gig-based work is often highly dependent on a third party.⁴ Among participants, we found the highest number of instances of gig work were allocated through an online platform or other technology. For many participants in Worker Voices focus groups, opportunities for earning income through the online platform economy helped them make ends meet after the pandemic disrupted their income. Some of these responses came in direct association with facilitators asking if participants engaged in platform-based gig work. Other responses came up naturally in conversations with participants. Their comments largely related to work that was general in nature, such as delivery or driving. These jobs had low barriers

⁴ Note: All company names mentioned by Worker Voices participants have been redacted to provide confidentiality for workers and businesses.

to entry and little to no training requirements. These generalized gig jobs, or online platform-dependent jobs, were described as lower-paying and had less income-earning potential.

For some, taking on this work was necessary for survival during the pandemic as a way to substitute lost wages or smooth out inconsistent income:



I had to try to look for another means to have a source of income. We applied for little jobs online ... those platforms that I can do pick up a little thing ... that kind of helped me bring in bucks that helped me survive all through the period of the pandemic.

For most participants, platform-based gig work helped fill the gaps between other unstable work or helped make ends meet after layoffs and challenges during the pandemic. The supplemental effect of this income was particularly salient for workers who saw decreases in hours or wages during the pandemic. More broadly, participants referred to these jobs as side income that they engaged in when needed but that weren't primary sources of income:



And then there is also [this app where you] ... pick up when you can certain shifts. They weren't the best jobs, but it was extra money.

[My other job] got a little complicated because of the hours, we work on an hourly basis, and so, I had to do some delivery work.

Right now, I'm currently doing [app-based gig work company], I mean, on the weekend, a side, to pay, I mean, somebody got to pay bills.

I did [app-based gig work company]. It's kind of hard when you can't really do it full time. I mean it is good for extra side money, but, yeah. Like say I would like, okay, I would do [app-based gig work company] to shop for groceries ... I want to say I made probably like \$25-\$30 ... and then most of that had to go back in the gas tank, because I would have to deliver the orders, and they like be farther out than where the stores were.

Many participants engaged with more than one platform to make ends meet. For these workers, cobbling together bits

and pieces of various gigs and income streams was how they covered their costs of living. Noted one:



I also work for [app-based gig work] on my own, and the delivery of these two jobs has saved my life for the moment.

While some participants reported that the supplemental income from platform-based gig work provided a smoothing effect, a large majority of participants reported experiencing inconsistency of income and a lack of reliability or consistency in pay:



So, no matter how much [app-based gig work company], no matter how much you sell that stuff or try to do little jobs in between, it just wasn't enough to cover [bills].

I did that [app-based gig work] for about six months, but the pay was really not worth my time. There was a lot of moments when I would sit in high, you know, busy areas for three hours and I would get one, maybe two deliveries.

Other participants noted that many of these jobs required them to incur costs to earn income. This was particularly noticeable for individuals who engaged with driving-based platforms. They reported having to balance the rising costs of gas, car repairs, and maintenance against the income they could make driving.



I tried out some apps like [app-based gig work company], and for me it's been uncertain because not every day is a good day. And you have to invest in gas. Sometimes that can cause worries, it is not like you can always work at the time you wish, but sometimes it's hard to spend on gas, you drive around and there's no rides. So, it has its perks but also disadvantages.

Across this category of generalized gig work, workers indicated that they were dependent on third parties, such as online platforms or apps, to set prices and terms of their work arrangements. While they enjoy the flexibility of being self-employed, they also reported this work arrangement as generally unstable and not a source of upward mobility. For most, generalized gig work was a patching or income-smoothing opportunity during an economically challenging time.

SPECIALIZED GIG WORK

Some individuals in Worker Voices sessions did find higher-paying gig opportunities through more specialized forms of gig work. We refer to specialized gig work as work that occurs on an irregular basis but requires a more unique skill set or talent. Many participants who engaged in specialized gig work had participated in some training or had a unique talent, which allowed workers higher income generation or income potential.

As an example of specialization gig work, we spoke with workers who did mechanic or handyman-type work on an irregular basis to supplemental regular income or help after losing work. These individuals had a unique skill set or specialization that allowed them to earn more income.



[My husband is] a mechanic ... he would do side jobs to help with, you know, making ends meet and whatnot.

Participants noted in the listening sessions a range of experiences in specialized gig work. These experiences, which varied across industries, include working in a hair-braiding salon, working as an artist, or working in a skilled trade like auto maintenance. This gig work distinguished itself from generalized app-based gig work in that it requires a unique skill set or training. Participants described earning somewhat higher wages in these work arrangements but remaining dependent on another entity for pricing and stability.

In the case of the hair-braiding salon, each individual beautician acts as an independent worker, paying an overall fee to the salon. That said, the stylist likely does not make decisions on their scheduling, even if she may have some agency over pricing depending on the salon or the arrangement.



[S]omeone reached out to me to work in a salon, and so basically since then and up until now I've really just been being an entrepreneur. But even with the job search, I did try to get like another job because at the end of the day, sometimes you have good days, and sometimes you have bad days when it comes to being an entrepreneur, but bills still have to get paid.

One type of specialized self-employment is individuals earning income through content creation. This is more commonly understood in terms of social media apps like TikTok and

Instagram. Like the mechanic and the beautician, content creators are compensated more highly because they have a unique brand, skill set, or talent. While less common among Worker Voices participants, a few individuals in the discussions noted content creation as a means of supplemental income.

One participant, for instance, engaged in content creation through a streaming service. The streaming app allowed the individual to broadcast themselves playing a video game, and others could subscribe to their channel. There, followers and likes earn the individual more income. They explained their experience as:



I work for myself currently doing content creation for [app-based gig work company]. They're supposed to put something into place to where we get an actual stable income every month from them, as long as we stream seven hours, but right now, you know, it's just side income.

Another participant created podcasts as a means of earning income:



... I had started messing around with an [unnamed] app ... it was a hobby at first. It's an app that allows you to do a podcast. And at first it was just something that I did. I found it very interesting.

The success of the podcast motivated this individual to eventually start a media company that further monetized his content creation.

Notably, both individuals described their earnings from content creation as side income rather than primary income. Both reported relative satisfaction with this work, too, although they noted that the income was inconsistent in spite of the independence that the work afforded them.

Others participated in specialized gig work through more contract-based work. One individual described their motivation to work independently in the real estate arena, leveraging their unique skills and assets:



I want to be more independent. Instead of signing a W2, I'm filing a 1099. So, I went to the real estate aspect of what I was doing, which was property management.

In other well-documented types of contract work, tech companies contract out different aspects of work needed for particular projects. This work requires a formal contract that often expires when the project is finished. While this tends to be an arrangement that exists in more high-skilled consultancy situations, a small number of Worker Voices participants reported experience with these independent work arrangements.

All of the individuals who engaged in specialized gig work reported having relatively little control and agency over pricing and scheduling. They also noted that specialized gig jobs generated more income than nonspecialized gig jobs, with work ranging from work at hair salons to self-employment in property management to consulting for tech firms. At the same time, many articulated the risk they had to take on as a result of contract working arrangements. Moreover, the workers in this category were more likely to report this form of independent work as higher paying.

INFORMAL BUSINESS

Participants in Worker Voices listening sessions engaged in a variety of forms of self-employment that we heard to be highly independent in nature but which generated low wages. This included self-employment through cash businesses or the informal economy. While economic analysis often differentiates between formal and informal businesses because of tax structures, this paper refers to the ways workers themselves spoke about their businesses. One distinguishing factor between formal and informal businesses was the opportunity for income generation.

Many engaged in informal work that was highly independent, such as domestic work where they may set their own wages and hours, but was often lower in pay and economically precarious.

These workers in many ways operate like gig workers, picking up jobs wherever there is demand. Unlike those working through an online platform or a contract, these workers have more agency over their wages, schedules, and services.

Informal business can offer a low barrier to entry. During a difficult time financially, this work provided some means of income, albeit often an unstable one. As two participants noted:



When I was in between jobs, and during the pandemic, I started doing some, you can call it [handy] work, some stuff with some cars, washing them, and carpet cleaning ... I was just thinking like I might be just better off starting my own business for real, I controlled my own money. I controlled my own hours. And I could set my prices and dictate how I move ... I was thinking about maybe digging me a van and doing me a mobile car wash.

Well, when I was fired, I needed to find a job, and I started walking dogs. I earned very little money, but it was enough to buy the food for my family. That was the only time I worked independently. I walked dogs.

Worker Voices focus group participants reported working informally in day labor arrangements in construction, landscaping, and temporary manual labor jobs. While some of these individuals did this work on a regular basis, others did it on an irregular basis for supplemental income. In some cases, doing it on an irregular basis was not the worker's choice. One participant noted:



[T]hat did help us to get mainly temporary jobs ... a lot of landscaping, and that helped out a lot. But it was always temporary jobs, not anything long term.



Participants also described doing domestic work, such as babysitting, childcare, and cleaning. Many female participants in Worker Voices sessions reported engaging in some level of domestic work as their independent work or self-employment. This was especially true for women in the Spanish-language sessions.

Like other types of independent employment, many of the workers reported they turned to this type of work out of necessity because of losing other jobs. Others reported struggles with hiring requirements, making independent domestic work an option with a lower barrier to entry – or even a failsafe option – during the pandemic.



I was also waitressing in a restaurant when the COVID started, and when the quarantine began, they had to let me go, they fired me. I was job hunting, and nobody wanted to hire me, also because I didn't have the requirements. So, I couldn't find a job and I had to clean and iron clothes. Since then and until now I do that job. It's best for me to work independently.

I did look for a job, but I wasn't accepted because of the requirements and because I don't have a college degree. So, that was what moved me, what motivated me to work from home, cleaning and ironing clothes.

In several focus groups, individuals reported that while they engaged in independent domestic work, they found that the income was precarious and the conditions challenging based on client preferences during the pandemic. While the independent worker could set prices in their informal business, they felt that clients were not as receptive to higher wages for services.



In my case, I worked for some time cleaning houses, and I had the problem that I told the clients how much I was charging for the service, and afterwards they wouldn't pay what I was asking.

This same individual reported that their immigration status was a major motivator for doing independent work. It also contributed to their challenges with pricing and precarity,

among other risks. In reference to the instance mentioned previously when clients refused to pay:



I just let it go to avoid confrontations, that's it ... it affects me economically, but I choose to let it go to avoid trouble. That's because, since we're immigrants, they want to call the police or they want to make false accusations, so I prefer to just leave it.

Many who engaged in domestic self-employment, from cleaning houses to babysitting and elder care, reported that the work was accessible and available during the pandemic but not necessarily reliable or economically stable. Like day laborers, participants noted they had some control over scheduling, pricing, or services offered. Overall, though, many felt the work was economically precarious and did not provide a stable income.



In my case, I worked for some time cleaning houses, and I had the problem that I told the clients how much I was charging for the service, and afterwards they wouldn't pay what I was asking.

– Worker Voices participant

FORMAL BUSINESS

In the final category of self-employment, we looked at workers with higher-income-earning opportunities who had higher levels of autonomy and agency over their self-employment. We classify formal businesses as individuals who are self-employed and work independently. The individuals who started formal businesses tended to be motivated by an entrepreneurial endeavor or a passion project, and often had a specialization or asset to leverage.

Notably, as we moved from gig work to formal businesses, we saw fewer respondents who had relevant experiences. Of those individuals in our focus groups who did start small businesses, most would be classified as non-employer firms or home-based businesses. These small home-based businesses are often precarious, and owners are more likely to use a personal line of credit to finance them, according to research from the Small Business Credit Survey (2023).

That said, they had more agency and control of pricing and scheduling, and thus greater relative independence. They often leveraged a unique talent or skill that earned them more income, too. As one participant said succinctly, “I’m baking cakes and I’m doing well.” Other individuals operating small businesses out of their homes discussed challenges making ends meet:



So, I decided to start a small jewelry company, which to date I am trying to build. It has been very difficult for me ... it is very small, that is, it is not that we have a large business like all the companies that I said here.

Few Worker Voices participants indicated that they owned or operated small businesses that employed other people. However, we did hear from participants who owned businesses that were not operated out of their homes and that required upfront capital to start. Both of the businesses in the following quotes were started before or around the time of the pandemic. The owners of the food truck and the kiosk had to adapt to the challenges and opportunities of the economic circumstances.



I have a food truck and when the pandemic started ... I saw myself in the need to stop working for a – for a few weeks, also because of the shortage of merchandise because there was no merchandise to continue operating a food business ... it did

benefit me, because as all the restaurants closed, I continued working throughout the pandemic ... there the advantage is that as the places were closed because people were looking for what to eat anyway.”

I started a kiosk where I sell some snacks. That’s my current job. I get some amount of money that can help maybe take care of my family and other things.

Despite the wide variety of independent work that workers described doing in the focus groups, it is notable that few individuals actually succeeded in starting small businesses. While many aspired to work independently, their entrepreneurial endeavors were not always successful. For the few instances of firms with employees or physical locations, most reported difficulty with hiring and other issues with keeping the business afloat during the pandemic. The food truck owner mentioned:



But now as the economy is, the truth is, very difficult because all the raw material in terms of food has risen a lot and the minimum [wage] does not rise and to cover the type of workers to whom one sells; that is ... if I increase my prices but people continue to earn the same. So, it is more difficult to access people’s pockets because the economy does not give for more or they pour gasoline or buy a taco.

Those who were successful in launching a formal business typically leveraged a specialized skill or asset, such as a property or a truck. They generated more income than informal businesses and were more likely to identify as entrepreneurs. For these entrepreneurs who launched formal businesses, the individuals still indicated concern about the longevity of their business and whether this opportunity would provide them economic stability.





I controlled my own money. I controlled my own hours. And I could set my prices and dictate how I move. I made pretty good [money] with what I was doing in those other jobs ... but [working for myself is] less stress on my body. And like I said, I can schedule around my movements.

— Worker Voices participant

DISCONNECT: EXPERIENCES VERSUS MOTIVATIONS

An important finding of this paper is the increasing interest in self-employment as a means of creating income, agency, and independence, and the disconnect from the actual experiences of those who participated in self-employment and independent work. Respondents reported varying experiences with self-employment. Some enjoyed the flexibility and potential of it, while others found that the upfront costs (e.g., gas, a car, the schedule) precluded the business from yielding the rewards participants had expected. Some participant experiences aligned with aspirational comments expressing the desire for greater agency and satisfaction in the workplace. Other comments revealed discontentment with the self-employment options

available to them. All these comments provided a nuanced view about the interaction and expectation of workers in low-wage work or job seekers without a bachelor's degree.

The way participants felt about their experiences with independent work or self-employment varied tremendously based on the economic precarity of their work and the level of independence of the roles. Noted one:



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Other independent workers indicated satisfaction with their new work arrangements, and some even noted opportunities for higher wages. For these individuals leaving low-wage, highly precarious work environments, self-employment provided them an opportunity for agency and a different avenue for economic opportunity. Said one participant,



[I]n my case, I was fired from the restaurant where I worked. From then on, I've been working on my own, that's what I'm doing nowadays, and I think it's better than working at the restaurant because I'm my own boss, and this has many benefits because I can manage my time and schedule. With regard to the wage, it's better than the restaurant. When I worked at the restaurant, they would pay \$8, perhaps \$10 per hour. When I do delivery, I can earn up to \$20 per hour, just to deliver something. I think it's much better this way.

That said, workers in highly dependent gig work, particularly work that was regulated by a platform or an app, reported high levels of frustration with both the financial precarity of their arrangements and the quality of the work overall.



I wasn't making enough money to make up for how much I was hemorrhaging, and also, the emotional well-being of just being [mistreated] by customers kind of reached a breaking point with that. And I've seen that with a lot of folks in my community, trying to get by on gig work. It's not sustainable at all, and very dangerous also, what with the whole risk factor. No one wore masks, ever.

A consistent theme we heard across the listening sessions was that individuals who worked independently faced distinct challenges. Many were trying to find any opportunity to make ends meet and often taking on additional risks or costs.



Not only do I do [delivery] now, but I sold pound cakes. I kept kids. I did everything, you know, I could do ... sometimes they can't even afford to pay you that week. So, you might kept a child all week long, and they don't even have the money to pay

you. So, you go back in the hole. You try to scramble and think of your own bills ... so, it's just, it's been a bad cycle of trying to get up out of the spiral.

The economic precarity of the situation did not deter all self-employed individuals. One participant indicated they weren't interested in returning to the labor market, even as they struggled to make ends meet while working independently:



And for me, it's kind of hard actually to even have to go back to work for somebody, you know. As I said before, I had work lined up, like a lot of work, but ... stuff slowed up ... like a lot. But the workforce is not really all that it's cracked up to be. So yes, I will be going back into business for myself.

In considering the motivations and experiences of self-employed individuals, another Worker Voices participant reflected that it is much easier to start small businesses than in previous years, and that independent work and filing taxes independently has been encouraged and facilitated:



Well, entrepreneurship has kind of changed ... at one point, you felt like, okay, I have to have a certain amount of money saved to become entrepreneur or to even have a business. But now, it's as simple as opening up the [online platform] shop and like resaling stuff or working with one of these other websites ... now they're making it very fluid where they offer you the tax forms to fill out. You know, they offer you all sorts of statistics into what you're doing. So you can be, actually, like a novice entrepreneur as you're growing into a professional entrepreneur.

Overall, self-employed individuals who felt positively about their experiences generally spoke about the independence and agency they felt working on their own.

Many participants discussed the inconsistency of the income and the risks they undertook. They noted that independent work was still highly precarious and unpredictable. All together, the positives regarding independent work tended to be more about scheduling and agency rather than about income and economic security.



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— Worker Voices participant

FRAMEWORK IMPLICATIONS

Analyzing the aspirations and experiences of Worker Voices participants established a unique framework to understand difference experiences of self-employment. This framework in particular reflects experiences with independent work for individuals who participated in Worker Voices focus groups and, by definition, did not have a four-year college degree. We find that workers discussed independent work in a multidimensional way, thinking about tradeoffs between agency and independence and the need for generating income. This worker-generated framework is useful to understand the experiences of these workers and to provide context as to why some of these participants aspire to independent work.

Previous frameworks and typologies for categorizing and conceptualizing self-employment often refer to a top-down categorization of workers. Some researchers leverage tax data to understand the difference between independent contractors, self-employment, and gig workers (Bernhardt et al. 2022). Others categorize self-employment on motivational factors according to supplemental or primary income, or if

workers engaged in this work as a choice or out of necessity (Halvorsen and Morrow-Howell 2017; Manyika et al. 2016). Others use a human resources-driven approach around autonomy and independence in work design (Reiche 2023).

However, all these models were inadequate for understanding the experiences this subset of workers described. While these models provide an important context to understand how different types of self-employment and independent work interact, they are framed from the perspective of someone external describing the work arrangement. This paper offers a unique framework generated from an underserved portion of the population of workers without a bachelor's degree. This framework was derived from conversations with self-employed individuals or those who aspired to work for themselves: how they spoke about their work experiences compared with their motivations for self-employment. This framework also adds value to the literature and research on gig work and the informal economy as it makes visible self-employment and independent work that are often invisible and difficult to track through publicly available data and other quantitative measures.



... [The] quarantine definitely taught me to take some of those side hustles ... I keep up my side hustles seriously, because who knows if this will happen again? ... So, it's like, make sure if you did something you love, like figure out how to make a dollar off of it, because it's just not safe to have your whole — like, my whole world fell apart. So, I'm like, don't ever let that happen to you. If you've got a skill, like don't take it for granted. It might seem simple today, you know, but it might actually be something that you can depend on.

— Worker Voices participant

CONCLUSIONS AND PATH FORWARD

The Worker Voices Project captures the perspectives of workers without a college degree and those who worked in low-wage roles at a specific point in time, the spring and summer of 2022, during which many discussed an interest in independent work as a means of increasing agency and income in their lives. This conversation is important to further understand the nuance behind the record number of small business applications following the pandemic during 2021–2024, a nearly 46 percent uptick in applications from the three previous years, 2017–2020 (US Small Business

Administration 2024). These qualitative data may reflect some of the reasons many are interested in starting a business, looking for agency, flexibility, independence, and economic stability after a period of intense economic instability. This Worker Voices Project special brief provides details and distinctions about the self-employment decisions these workers made during the pandemic. It also illustrates a discrepancy between their experiences with self-employment and their motivations for pursuing it. The paper also documents that some participants may aspire to or be engaged in these opportunities because of structural barriers like immigration status or incarceration history that restrict their economic mobility in the labor market.

These qualitative data from workers raise important questions around the future of self-employment: Is the increase in self-employment and independent work a structural change to our economy or just a cyclical change? What do these activities mean for the changing nature of work and labor market attachment? And these experiences open new questions around the quality of independent work activities.

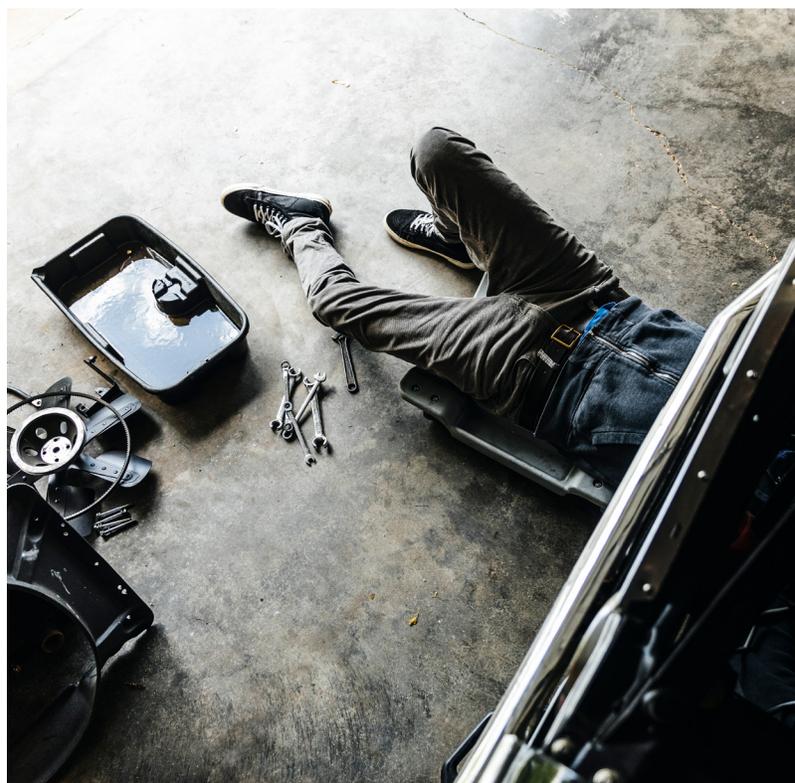
Scholars in this field also are pondering the question, to what extent is the increased interest in self-employment simply a reaction to the pandemic and a cyclical economic trend or a structural change that may impact work and self-employment for years to come (Asturias et al. 2021; Eberly et al. 2023)? Our data do not empirically answer this question. What our data do is shed light on the perspectives of those in this cohort and indicate further study is necessary to fully understand these changing patterns. Many of the motivational factors pushing and pulling people to self-employment reflect the trends noted in a previous brief on job quality (Dunne and Wardrip 2023) and personal investment (Williams and Bogue Simpson 2024). These job quality considerations may cause workers to seek self-employment rather than participate in a labor market in which they consistently find low- job quality opportunities. These findings reinforce the push into income-patching self-employment that many workers in low-wage roles or those without a bachelor's degree expressed in this study.

Other questions arise around the future of work and the implications of self-employment in the role of labor market attachment. Researchers have documented the changing nature of work over the past 50 years, with contingent work relationships shifting the concept of who is and is not an employee (Eberhart et al. 2022), as well as companies contracting to third-party vendors work that they previously hired for in-house (Weil 2017). Knowing these larger trends and concerns about technology distributing work through apps and platforms, this study may provide some insight into the experience of some low-wage workers who are part of these trends. That said, the concerns around agency, control, and job stability are not solved currently by technology and raise implications for the future of work.

Participants in the Worker Voices Project predominately described experiences with independent work not aligning with their expectations. While some saw the benefits in the increased agency and flexibility, others often took on the risk of expenses (e.g., cars, gas) and demands on their

schedules (including working nights and weekends) to meet customer demands. Participants aspired to increase both their agency and upward mobility in self-employment, but the reality of the experiences we catalogued often did not meet these expectations. The shift to independent work and the economic calculations that each family must make in relation to the costs and benefits raise additional questions about the frontier of self-employment for those in lower-income households. Questions remain surrounding the quality of independent work experiences for workers without a bachelor's degree and workers in low-wage jobs – including whether and to what degree this work increases their earning potential and economic mobility.

We hope this paper adds nuance to our understanding of self-employment motivation, actuation, and the disconnect between worker motivations and actual experiences. This paper speaks to how some participants in our focus groups discussed the lack of agency in previous employment experiences and how some saw self-employment as a way to regain agency in their lives. These topics identify new discussions around the changing nature of work and how these workers are rethinking the traditional employer-employee structure. Many participants described experiences that often did not meet their expectations for job quality, even while many were optimistic and aspired to working for themselves one day.



METHODOLOGY

The Worker Voices focus groups took place from May 2022 to September 2022 to qualitatively understand experiences, attitudes, and perceptions influencing worker behavior and attachment to the labor market, both during and after the pandemic. A convenience sample was used to identify and recruit workers and job seekers through more than 60 community partners across the 12 Federal Reserve Banks. Participants were included if they were between 20 and 55 years old and had less than a bachelor's degree. The full project methodology for the Federal Reserve System's Worker Voices Project includes detail on project recruitment, sample selection, sample facilitation guides, and coding methodology (Miller et al. 2023).

For this brief on self-employment, we used the initial codebook, codes, and transcripts from the Worker Voices report. We used thematic, inductive analysis of previously coded transcripts to identify additional instances of mentioning a preference for self-employment, aspirational entrepreneurship or self-employment, engagement as an entrepreneur, self-employment, independent work, small business ownership, or if they were working in or tried a platform-based gig work. From this, the authors identified additional passages and references to self-employment in the transcripts that were added to the pool of references. We examined 141 references to these themes from 61 participants found across focus group sessions identified in the initial and subsequent coding phases.

RELEVANT DEMOGRAPHICS

As a part of the screening questionnaire, respondents were asked a variety of demographic and employment questions. The following is a breakdown of the age, ethnicity, race, gender, and whether the respondent identified as self-employed. Counts are only for those participants who were identified to have commented on any of the self-employment themes discussed in this report.

AGE	
20-24	18%
25-34	39%
35-44	28%
45-54	13%
No response	2%
Total	100%
HISPANIC ETHNICITY	
No	49%
Yes	49%
No response	2%
Total	100%
RACE	
Alaska Native or Other Indigenous	5%
American Indian	6%
Asian or Asian American	1.5%
Black or African American	52%
Brown	1.5%
Hispanic	1.5%
Latino	1.5%
Native Hawaiian or Other Pacific Islander	1.5%
White	28%
No response	1.5%
Total	100%

NOTE: RESPONDENTS COULD REPORT MORE THAN ONE RACE

GENDER	
Female	56%
Male	43%
No response	1%
Total	100%

IDENTIFIED AS SELF-EMPLOYED	
No	38%
Yes	24%
No response	38%
Total	100%



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