

A look at Alaska's self-employed

About one in 10 here and nationwide work for themselves

By NEAL FRIED
and LIZ BROOKS

People who work for themselves represent about one in 10 workers in Alaska and nationwide. That's 34,000 self-employed Alaskans, about half working full-time, year-round. Among states, the self-employment rate varies from a low of just under 8 percent in West Virginia to a high of 16 percent in Montana.

Nationally, there's some evidence more people are choosing self-employment, and the COVID era has made that easier through remote work and the technological advancements that came with it.

The self-employed appeared to weather the pandemic better than U.S. wage and salary workers

Top 10 occupations for the self-employed

Alaska	United States
1 Fishing and hunting workers	Real estate brokers and sales agents
2 Construction laborers	Farmers, ranchers, agricultural managers
3 Carpenters	Drivers/sales workers and truck drivers
4 Food service managers	Construction laborers
5 Artists and related workers	Maids and housekeeping cleaners
6 Construction managers	Child care workers
7 Child care workers	Carpenters
8 Retail salespeople	Hairdressers and cosmetologists
9 Accountants and auditors	Landscapers and groundskeepers
10 Hairdressers and cosmetologists	Lawyers, judges, magistrates

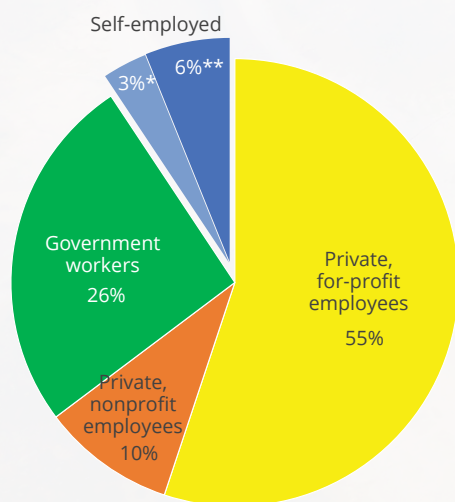
Note: Both of these lists exclude common catch-all occupations: First-line supervisors of retail or nonretail workers, chief executives and legislators, and other managers.

Source: U.S. Census Bureau, 5-Year American Community Survey 2017-2021 microdata

overall and their numbers bounced back faster. The pandemic recession hit the self-employed and regular employees about the same, but by the second quarter of 2021, the number of self-employed workers had already recovered to pre-pandemic levels. While these are national trends, they likely apply to Alaska as well.

Unlike workers who collect a regular paycheck, data on the self-employed in Alaska are scarce. The best information comes from just two data sets from the U.S. Census Bureau, both of which are limited. (For more on the data, see the sidebar on page 12.) While the shortcomings make it harder to detail long-term changes in Alaska's self-employed workforce, the data suggest their share of the total workforce hasn't changed much over the last few decades — but the type of work has. For example, the number of travel agents has dwindled to near-zero, replaced by occupations such as ride-share drivers.

Who Alaskans work for



*Incorporated **Nonincorporated
See "The two types of self-employed workers" on page 11 for descriptions.
Source: U.S. Census Bureau, 5-Year American Community Survey 2017-2021

The type of work they do and how Alaska and the U.S. differ

Self-employed Alaskans span the spectrum of occupations, although the mix differs from those who work for an employer. Some jobs lend themselves

Self-employment high in certain industries

Alaska industry	Proportion self-employed
Agriculture, forestry, fishing and hunting	43%
Real estate, rental, and leasing	27%
Other services, except public administration	22%
Construction	21%
Professional, scientific, mgmt, and admin services	19%
Arts, entertainment, recreation, accommodation, food services	11%
Social assistance	11%
Wholesale trade	11%
Manufacturing	9%
Transportation and warehousing	9%
Retail trade	8%
Finance and insurance	8%
Information	7%
Health care	5%
Mining	3%
Educational services	2%
Utilities and waste management	0%

Source: U.S. Census Bureau, 5-Year American Community Survey 2017-2021 microdata

more to self-employment than others; examples include the ride-share drivers mentioned earlier who work for companies such as Uber and Lyft, window washers, accountants, real estate agents, physicians, exterminators, restaurateurs, plumbers, lawyers, mechanics, guides, truck drivers, and beauticians — but the biggest numbers of self-employed Alaskans are seafood harvesters and construction workers.

Nearly all seafood harvesters in Alaska, permit holders as well as their crews, are self-employed. The prevalence of this profession is unusual — no other state has fisherman as their No. 1 self-employed occupation, and only one other state, Maine, has it in the top 10.

Another outlier for Alaska is the No. 2 occupation nationally that's absent from our top 10 list. "Farmers, ranchers, and other agricultural workers" is in the top 10 for about half of the states and often tops the list.

Otherwise, about half of Alaska's top 10 are occupations common in many other states.

The industry picture looks similar. After fishing, self-employment was highest in real estate, construction, and the professional and business services industry. (See the table above.) Construction isn't a surprise given the many small contractors, but the makeup of the last one is less clear-cut. Professional and business services includes professionals such as lawyers, veterinarians, and architects.

The two types of self-employed workers

The Census Bureau divides workers by "class" according to where and for whom they work the most hours, then divides them into incorporated and nonincorporated categories. Because the occupational breakdown and yearly work patterns vary so much between the two, it makes sense to distinguish them.

Self-employed percent by state

State	% self-employed
United States	10%
Alabama	9%
Alaska	10%
Arizona	10%
Arkansas	11%
California	11%
Colorado	12%
Connecticut	10%
Delaware	8%
District of Columbia	8%
Florida	13%
Georgia	10%
Hawaii	11%
Idaho	13%
Illinois	9%
Indiana	8%
Iowa	10%
Kansas	10%
Kentucky	9%
Louisiana	10%
Maine	13%
Maryland	9%
Massachusetts	9%
Michigan	9%
Minnesota	9%
Mississippi	10%
Missouri	9%
Montana	16%
Nebraska	11%
Nevada	9%
New Hampshire	9%
New Jersey	9%
New Mexico	10%
New York	10%
North Carolina	10%
North Dakota	12%
Ohio	8%
Oklahoma	11%
Oregon	12%
Pennsylvania	8%
Rhode Island	9%
South Carolina	10%
South Dakota	13%
Tennessee	10%
Texas	11%
Utah	10%
Vermont	13%
Virginia	9%
Washington	10%
West Virginia	8%
Wisconsin	9%
Wyoming	12%
Puerto Rico	16%

Source: U.S. Census Bureau, 5-Year American Community Survey 2017-2021

The incorporated class covers the self-employed within corporate entities, which might not conjure up the usual image of self-employment. For example, owners of law, accounting, and medical practices or engineering firms with multiple partners are self-employed but they employ staff members who work for regular wages.

More than half of the incorporated category is in management, business science, and arts occupations. Among the overall workforce, it's about 38 percent. Those in incorporated businesses also tend to work full-time, year-round at nearly 68 percent, which is higher than the overall working civilian population over age 16 (62 percent).

The unincorporated group is twice the size of the incorporated group and includes the people who might come to mind first: contractors such as fishermen and Door Dash delivery drivers and sole proprietors such as home child care providers or photographers.

The unincorporated are more than twice as likely as the incorporated to work in service occupations, and far more likely to work in production, transportation, construction, and natural resources. Part-time work is the norm for this group; only 38 percent work full-time, year-round.

Other characteristics: More likely to be male and older

Far fewer women than men in Alaska are self-employed. About 62 percent of Alaska's self-employed are men, and 38 percent are women. For comparison, women make up 45 percent of Alaska's total workers.

Part of the explanation for the gap is that men are already the majority in the industries and types of

Earnings by type of Alaska worker

Class of worker	Median earnings
Total	\$47,826
Employee of private, for-profit company	\$42,601
Self-employed, incorporated*	\$62,613
Self-employed, nonincorporated*	\$31,195
Employee of private, not-for-profit company	\$49,647
Local government workers	\$53,439
State government workers	\$59,787
Federal government workers	\$66,683

*Most of the self-employed are nonincorporated, or sole proprietorships. See "The two types of self-employed workers" on page 11 for definitions. Source: U.S. Census Bureau, 5-Year American Community Survey 2017-2021

work compatible with self-employment, especially fishing and construction.

National data show that self-employed women also tend to work part-time.

By age, older workers are more likely than younger ones to work for themselves. In this case, older people have had more time to accumulate the skills and capital necessary to go into business.

How much they typically make

The Census Bureau's Nonemployer Statistics shed some light on how much these small businesses make. Most of the self-employed are "nonemployers"; in other words, they are nonincorporated, sole operators with no paid employees.

To be counted, nonemployers must have sales and receipts of \$1,000 or more and pay federal income tax. According to the Census Bureau, most businesses in the United States are nonemployers but they generate only 4 percent of total revenue.

In 2019, the most recent year available for Alaska, nearly 58,000 sole proprietors reported \$2.8 billion

About the data

Collecting a regular paycheck from an employer generates detailed monthly and quarterly data through payroll taxes, surveys, and other administrative sources. The self-employed are more difficult to count because they have far less documentation, and the data that do exist are less detailed, frequent, and statistically robust.

The main source for self-employed worker data is the U.S. Census Bureau's American Community Survey, which the bureau collects annually and in five-year increments. The ACS includes details on workers by "class," which includes two types of self-employed workers: incorporated and nonincorporated. The bureau also produces an annual series of "nonemployer statistics," which provides the value of the revenue generated by businesses that have no paid employees.

in sales and receipts, with an average of \$49,000 per establishment. The real estate and rental categories recorded the largest sales — most real estate agents are self-employed, and they sell expensive assets.

In terms of earnings rather than sales, median earnings were highest for incorporated business owners in Alaska, at \$62,613 (\$47,826 for all types of workers). Again, this group includes many highly paid professionals who run their own practices, including doctors, lawyers, engineers, and accountants. (See the table on the previous page.)

Nonincorporated earners, who represent the majority of the self-employed in Alaska, took in just 65 percent of the median earnings for all types of workers, mainly because most work part-time.

Proprietary income data from the U.S. Bureau of Economic Analysis paint a similar picture, showing that in 2021, Alaska workers collecting a paycheck made an average of \$66,115 and sole proprietors made just \$35,481.

Many sole operators succeed financially, but lower earnings and part-time work suggest that for many, flexibility and being one's own boss are bigger draws than the profits.

The likelihood of being self-employed varies around Alaska

Nonemployer Statistics also allow us to estimate the likelihood of being self-employed around the state, which varies considerably by area.

We calculated the ratio of an area's total population to its number of nonemployer establishments (sole proprietorships). While these data exclude some types of self-employment, the ratios told a similar story to other self-employment data. (See the table at right.)

Self-employment is most common in Bristol Bay and Petersburg, which have many seafood harvesters, and least common in rural areas such as the North Slope Borough and Bethel.

The North Slope's prevalent oil and gas industry has little self-employment, as large companies tend to employ the workers who live in group quarters

The self-employed by area (Ratio of people to nonemployers*)

Borough or census area	Ratio*
Bristol Bay Borough	4:1
Petersburg Borough	4:1
Yakutat, City and Borough	5:1
Sitka, City and Borough	6:1
Dillingham Census Area	6:1
Haines Borough	6:1
Lake and Peninsula Borough	6:1
Valdez-Cordova Census Area	7:1
Wrangell, City and Borough	8:1
Skagway, Municipality	8:1
Kenai Peninsula Borough	8:1
Hoonah-Angoon Census Area	8:1
Kodiak Island Borough	9:1
Ketchikan Gateway Borough	10:1
Alaska	11:1
Juneau, City and Borough	11:1
Prince of Wales/Hyder CA	11:1
Denali Borough	12:1
Southeast Fairbanks CA	13:1
Aleutians East Borough	14:1
Anchorage, Municipality	14:1
Matanuska-Susitna Borough	14:1
Yukon-Koyukuk Census Area	14:1
Fairbanks North Star Borough	16:1
Kusilvak Census Area	19:1
Nome Census Area	19:1
Aleutians West Census Area	27:1
Bethel Census Area	30:1
Northwest Arctic Borough	32:1
North Slope Borough	40:1

↑
More sole proprietors

↓
Fewer sole proprietors

*Nonemployers are businesses with no paid employees. See the sidebar on page 12 and "The two types of self-employed workers" on page 11.
Source: U.S. Census Bureau, Nonemployer Statistics 2019

on the Slope. Government and nonprofit health care and social assistance also play big roles in rural areas — providing typical wage and salary jobs — and the populations are younger. Bristol Bay and Dillingham are exceptions because of their predominant seafood industries.

Many of the areas with high self-employment are in Southeast. Southeast is older than the rest of the state, and fishing and tourism-centered businesses are prevalent in many communities.

Neal Fried is an economist in Anchorage. Reach him at (907) 269-4861 or neal.fried@alaska.gov.

Liz Brooks is a research analyst in Juneau. Reach her at (907) 465-5970 or liz.brooks@alaska.gov.