

# Business Income Dynamics and Labor Market Fluidity\*

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## Abstract

Recent studies on the long-run decline in U.S. labor market fluidity have focused on employees and excluded most of the rapidly growing population of the self-employed and business owners. In this paper, we use administrative records data to show that including business income recipients reduces the measured decline in the rate of hires and separations from 1994 to the early 2014 by 1.3 to 1.4 percentage points (about 8.3% to 8.7%). This offsetting effect of including business income recipients is driven by jobs that are secondary sources of income, or short in duration. We also explore the relationship between self-employment income and the total number of jobs held. Self-employment displaces about one job when it is a person's primary source of income, but only up to a tenth of a job when it is a secondary source of income.

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