

COVID-19 and the Self-Employed

By Dr. Alison Davis, CEDIK Executive Director

On March 25, 2020, the Governor announced that unemployment benefits eligibility was expanded to self-employed, independent contractors, and freelance workers.¹ This component of the economy, non-employer business, is particularly important and it is promising to see that they are included in state and federal strategies to endure the COVID-19 pandemic. The table below highlights the number of non-employer establishments and the total (and average) receipts per establishment in Kentucky. A non-employer business is one that has no paid employees, has annual business receipts of \$1,000 or more (\$1 or more in the construction industries), and is subject to federal income taxes. In 2017, there were a total of 291,230 non-employer establishments in the state. These establishments generated receipts exceeding \$12.5 billion, which represents approximately 6.3% of Kentucky's total GDP.

Table 1. Kentucky's Nonemployer Establishments and Receipts by Industry, 2017.

	Establishments	Sum of Total Receipts (\$1000s)	Avg Receipt Per Establishment
Total	291,230	\$12,731,524	\$43,716
Ag	4,849	\$211,875	\$43,695
Construction	39,085	\$2,289,381	\$58,574
Manufacturing	3,920	\$195,825	\$49,955
Wholesale Trade	4,088	\$331,172	\$81,011
Retail Trade	29,027	\$1,296,615	\$44,669
Transportation and Warehousing	18,417	\$1,120,578	\$60,845
Information	2,721	\$82,352	\$30,265
Finance and Insurance	7,236	\$411,840	\$56,915
Real Estate and Rental and Leasing	29,740	\$2,584,091	\$86,889
Professional, Scientific & Technical Services	29,901	\$1,141,478	\$38,175
Admin and Support and Waste Services	28,124	\$525,941	\$18,701
Educational Services	6,963	\$82,070	\$11,787
Health Care and Social Assistance	18,349	\$624,693	\$34,045
Arts, Entertainment and Recreation	13,430	\$284,936	\$21,216
Accommodation and Food Services	3,527	\$148,781	\$42,183
Other Services	49,898	\$1,292,471	\$25,902

Source: US Census: Nonemployer Statistics, 2017.

¹ https://governor.ky.gov/attachments/20200325_ORDER_Unemployment-Insurance.pdf

Across Kentucky, the distribution of non-employer establishments varies from under 1,000 per county to over 10,000. Approximately 85% of Kentucky's counties are home to over 1,000 non-employer establishments.

Non-employer Establishments

- < 1,000
- 1,001 - 2,500
- 2,501 - 5,000
- 5,001 - 10,000
- > 10,001

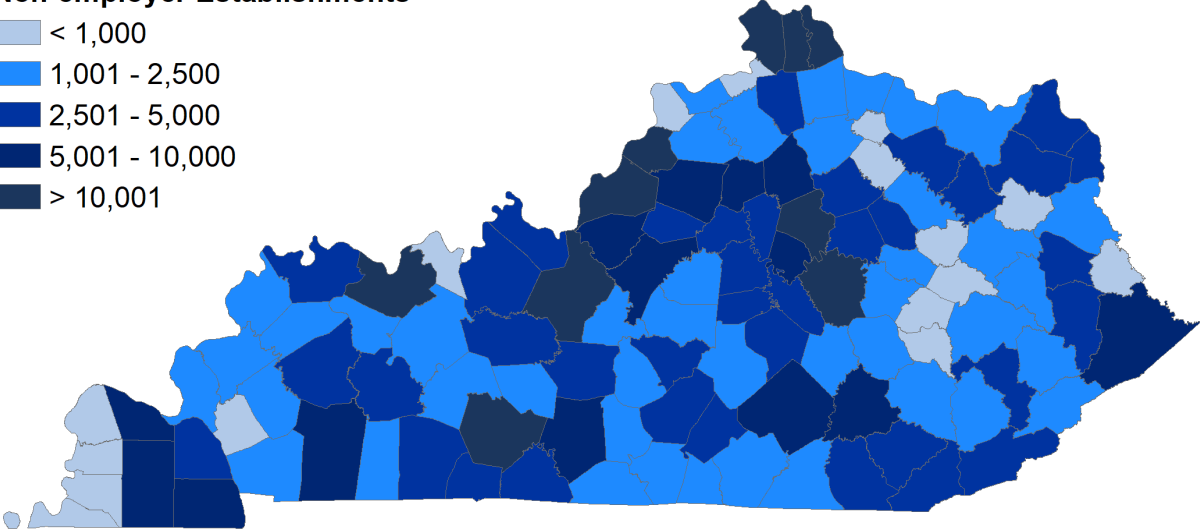


Figure 1. Number of Total Non-employer Establishments per County, 2017.

While the COVID-19 pandemic has affected almost all industries, it has been particularly hardest on the CREATE sectors. The CREATE sectors include retail, restaurant, entertainment, accommodations, and tourism. Figure 2 (below) highlights the number of non-employer establishments that fall within those sectors across the state. Figure 3 (next page) then illustrates the total receipts in 2017, by county for the CREATE sectors (only for non-employer establishments). In approximately 2/3rds of our counties, receipts for the CREATE sector exceed \$5 million. In Lexington and Louisville, receipts for CREATE businesses exceed \$2.3 billion and \$5 billion respectively. Again, these are receipts for non-employer establishments only. The impact of these businesses closing or drastically reducing production is significant.

Establishments

- < 100
- 101 - 250
- 251 - 500
- 501 - 1,000
- > 1,001

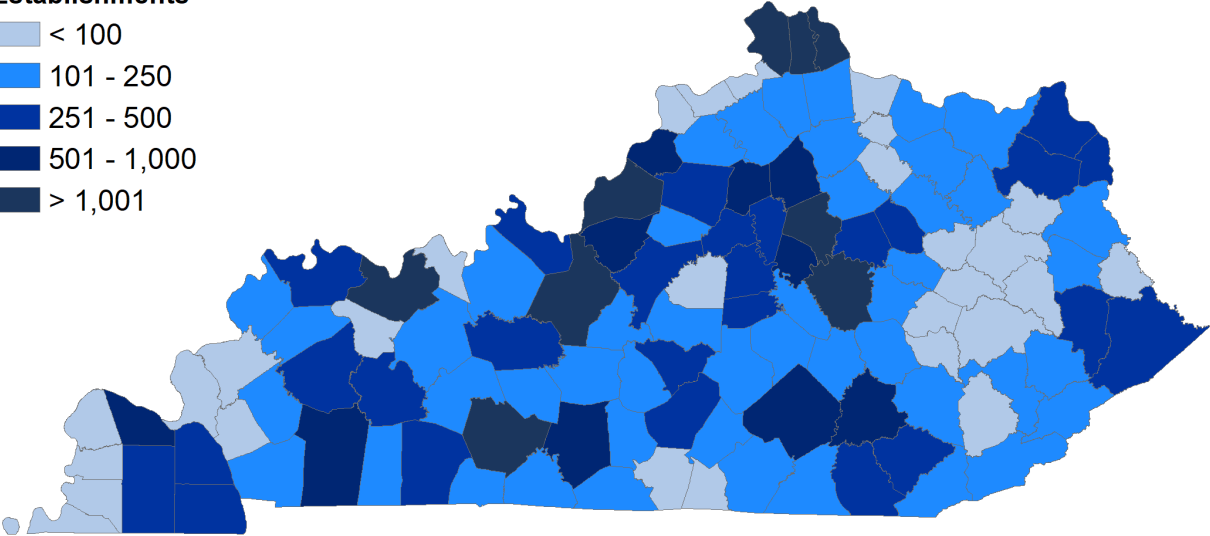


Figure 2. Number of CREATE Non-employer Establishments per County, 2017.

Receipts (\$1,000s)

< \$5,000

\$5,001 - \$10,000

\$10,001 - \$25,000

\$25,001 - \$50,000

> \$50,001

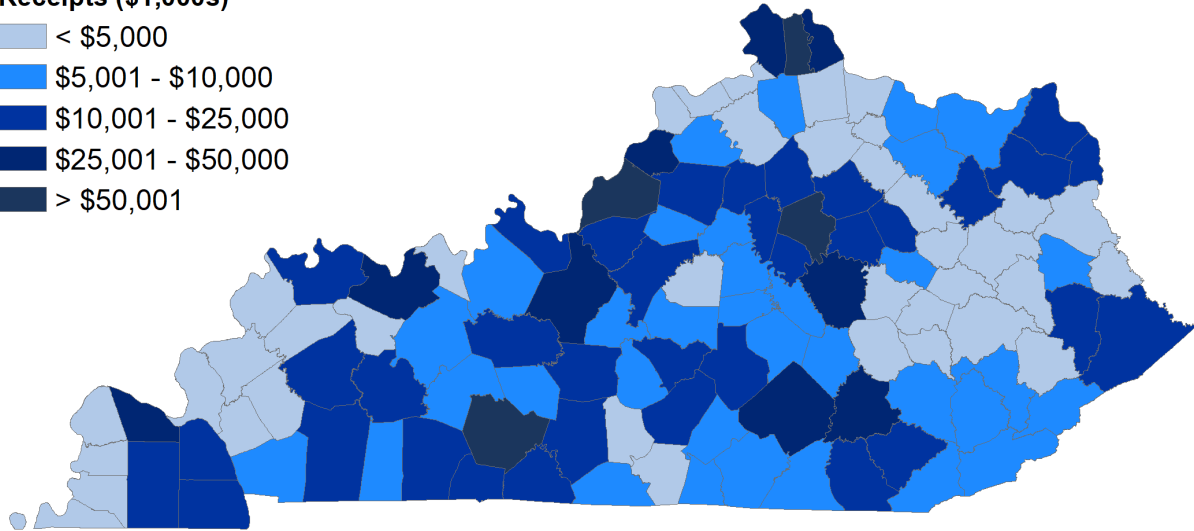


Figure 3. Total Receipts (\$1,000s) for Non-employer CREATE Establishments, 2017.

Are you an entrepreneur? If so, here are some steps that might be useful...

- Check in with your stakeholders and clients! Find out what they need and if there is anything you can do to assist them.
- Reassess or clarify your objectives and strategy. For many right now it is survival. But are there new audiences, new innovations, new communications strategies you could implement?
- Be a leader! Be clear and empathetic with communications.
- Be creative! Now is a good time to be creative and innovative. We are seeing really exciting solutions to the COVID crisis, particularly the shortage in PPE (Personal Protection Equipment). Some of the best inventions are going to occur in the next year.
- Give back. How can your business make a difference right now? It's not always about giving money. You could give your time and talent to help others in need.
- Acknowledge and care for your mental health. Just because your physical health is great doesn't mean you should neglect your mental health.

Some innovative examples of entrepreneurs responding to COVID-19:

- As all fitness facilities close, several have converted their classes online, including providing one-on-one Zoom sessions with clients.
- Restaurants have shifted from offering individual take-out meals to larger scale, providing meals for the entire family for the week.
- Building a crowdsourcing platform to accumulate PPE to distribute to healthcare providers in need.