

The Return of Self-Employment:  
A Cross-National Study of Self-Employment and Social Inequality

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## **Chapter One:**

### **Self-Employment Dynamics in Advanced Economies**

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Recent changes in the character of self-employment in advanced economies require that social stratification researchers rethink their assumptions and reconceptualize their approach toward examining this activity. In the past social stratification researchers often assumed that self-employment could be equated with relatively stable – and often inherited -- petty bourgeois activity. While self-employment in the past might have manifested characteristics similar to this petty bourgeois ideal type, recent changes in economic structure (such as the growth of flexible production, non-traditional work arrangements, increased professionalization and the rise of the service sector) have transformed the character of self-employment.

Self-employment can no longer be dismissed as an economic activity on the verge of withering away in response to processes of capital accumulation or in competition with large firms. In the last quarter of the twentieth century, non-agricultural self-employment in most advanced economies reversed a historic pattern of decline increasing its relative economic presence. Many current forms of self-employment are also significantly less stable than traditional petty bourgeois activity. High instability and increasing overall rates of self-employment are associated with spells of self-employment becoming increasingly common over the life-course. For example, in the United States (where self-

employment occurs at relatively modest levels) more than 40 percent of men by their early fifties have engaged in self-employment at some point over their life course.<sup>1</sup> This figure is considerably higher than estimates from earlier periods, such as Lipset and Bendix's (1959:102) estimate of "somewhere between 20 and 30 percent" of individuals. Given the high and apparently increasing propensity for self-employment activity to occur, the majority of individuals in advanced economies are related to, and likely to know well, individuals who have become self-employed.<sup>2</sup>

While abstract theorizing about globalization has often been poorly connected to empirically observable social changes and thus at times ill-suited as a basis for informing social stratification research (Goldthorpe 2001), concrete and identifiable changes to work arrangements have indeed occurred in many countries. Long-term employment contracts have in certain firms, industries and countries often been replaced by non-traditional work arrangements (such as sub- and temporary employment contracting as well as other techniques of redefining employer commitments to workers). While it is quite likely that these changes are related more to the spread of neo-liberal economic policies than any actual increase in "economic" globalization *per se*, these changes – regardless of their origins – manifest themselves particularly in, and at times emerge from, self-employment. Understanding the logic of self-employment and the contemporary character of it thus can also tell us much about the direction of social development and inequality more generally. This book provides new insights into the growing variation in self-employment and the individual and institutional factors that have produced these changes.

## **SOCIAL STRATIFICATION RESEARCH AND SELF-EMPLOYMENT**

Prior stratification research has spent varying attention conceptualizing self-employment in occupational terms. Blau and Duncan's *The American Occupational Structure* (1967), for example, has only three pages of indexed references to self-employment. Blau and Duncan identify self-employment as occurring in three of their seventeen occupational categories, specifically: self-employed professionals, proprietors, and farmers. Self-employed skilled and unskilled workers who associate with occupations other than proprietors (such as carpenters, bookkeepers, and drivers of motor vehicles) are subsumed into occupational categories dominated by dependent employees with similar skills. Blau and Duncan (1967:41) note that self-employed occupational categories manifest the most intergenerational "occupational inheritance and self-recruitment"; the occupations are also assumed to have high degrees of stability over the life course due to "stronger occupational investment and commitment than mere employment".

European approaches within social stratification research differ from the Blau and Duncan classification schema in the theoretical conceptualization of self-employment. Both American and European approaches, however, share the common feature of assigning certain forms of self-employment to class categories that include self-employment and dependent employees as well as that provide too little attention to "residual" self-employed occupational categories. Erikson, Goldthorpe and Portocarero (1979) devised a now widely used class schema that assigns professional self-employment as well as self-employed large proprietors to occupational categories dominated by individuals associated with professional and managerial occupations in

dependent employment.<sup>3</sup> Other self-employment is divided into small proprietors either with or without employees (IVa, IVb respectively) and farmers (IVc). In most applications of the schema, categories IVa and IVb are collapsed into a common category of proprietors. The EGP schema thus in some respects inverts the Blau and Duncan classification system's treatment of self-employment by assigning professional self-employed to their related dependent occupational positions and defining the petty bourgeoisie as a residual category of non-professional self-employed.

More recent social stratification research on self-employment has identified challenges to earlier assumptions about intergenerational inheritance of the status as well as the inevitable historical decline and disappearance of the activity. Erikson and Goldthorpe (1993: 222), for example, have noted that "in the context of advanced industrialism this decline is often checked or indeed reversed" and that while "the petty bourgeoisie reveals a moderately strong propensity for intergenerational immobility, which we associate with the possibility of direct inheritance of property... in other respects, it must in fact be regarded as a rather open class".

Work in the past several years has attempted even closer examination of assumptions about stability, inheritance and homogeneity of the self-employed by separately studying the ways into self-employment and survival in such enterprises (as opposed to identifying simple patterns of associations from cross-sectional data), as well as by distinguishing self-employment categories on the basis of occupational differences. Specifically, researchers have treated all self-employed as distinct from employees and have distinguished amongst the self-employed in a clearer fashion. They have adopted event history modeling of longitudinal data estimating factors affecting entry and exit.

Arum (1997) proposed a simple occupational distinction between professional and non-professional self-employment. Subsequently, self-employment has been further explored by distinguishing between professional and managerial-proprietors, between skilled and unskilled non-professionals, as well as through examining the entry and exit dynamics of these and related occupational distinctions (see e.g., Shavit and Yuchtman-Yaar 2001, LaFerrere 2001, McManus 2000b).

We believe that an improved understanding of self-employment is possible, however, not simply by incorporating occupational differentiation more fully into an analytic framework, but more critically through explicitly recognizing individual-level decision making processes whereby individual characteristics and structural factors affect choices related to entering and exiting self-employment. Specifically, involvement in self-employment implies a process whereby individuals actively *decide* – after considering the perceived relative costs and benefits attached to distinct paths – whether to enter self-employment and later to remain self-employed. We posit that most individuals in advanced economies begin their labor market activity with a “taken for granted” assumption of involvement in dependent employment. In almost all of the countries examined in this book (with the exception of Japan and Italy), the vast majority of self-employed individuals have not “inherited” self-employment activity from parents who were involved in similar enterprises. The decision to become self-employed in these settings thus must typically involve active consideration of relative incentives, resources, opportunities and constraints; as would an individual’s decision to remain self-employed. Through examining the factors affecting these choices we are to learn about the characteristics of the different types of self-employment and their changes over time.

It is well known that the extent of self-employment varies between countries. We conjecture that the different extent of self-employment is not just a result of different levels of development in the path of a country's economic modernization, but is conditioned by varying institutional arrangements that make entry into and survival in self-employment more or less likely. Such conditions will also make self-employment more or less viable and attractive for different population groups. Countries will thus not only vary in the extent of self-employment but in the characteristics of self-employment as well. Through its dynamic and comparative design this book contributes to both a better understanding of the general nature of self-employment as well as its variation in different institutional contexts.

## **RESEARCH DESIGN AND ANALYTIC STRATEGY**

In this chapter we therefore begin with articulating a set of general as well as country-specific hypotheses related to understanding self-employment dynamics. Following a discussion of hypotheses related to our area of study, we will present and analyze comparative results from a cross-national study of self-employment in eleven countries organized by the authors and produced through the collaborative efforts of approximately two dozen researchers. The selection of countries, while constrained by the availability of adequate longitudinal data allowing estimation of models of self-employment dynamics, adequately represents significant variation – as will be discussed below – in core conditions affecting entry into and exit from self-employment. Variation in country-specific conditions includes political factors such as labor market regulation

and social factors such as the extent to which family based social capital is a predominant organizing principle for structuring social activity.

In each of the countries examined, individual researchers applied a common analytical framework including similar occupational distinctions amongst the self-employed and a set of variables operationalizing individual resources impinging on the likelihood to enter and subsequently to remain self-employed. Measures utilized in modeling include social background, a modified CASMIN schema to measure education, prior labor market position, family status and age (as a proxy for work experience). Simple descriptive statistics on self-employment heterogeneity and firm-size were identified, associations between self-employment and individual-level variables were examined, survival rates of distinct self-employment states were estimated, and discrete-time event-history analyses of entry and exit determinants were conducted.

We examine heterogeneity within self-employment by applying an EGP-inspired occupational classification schema. This strategy derives from the premise that for most occupations individuals basically have the choice to practice the occupation either as self-employed or in dependent work even though the opportunities and costs and benefits for either option may vary between different occupational fields. Using a similar set of occupational classes for dependent and self-employed work allows identifying the areas in which the choice for self-employment is most likely to be made. It also shows whether moves between both employment states occur in a basically horizontal way or whether they often involve mobility of a vertical kind either upwards or downwards. Specifically we distinguish amongst three categories of non-agricultural self-employment: professional managerial self-employment (equivalent to EGP professional and

managerial categories I and II); traditional skilled and petty bourgeois self-employment (equivalent to EGP categories IIIa, V and VI; as well as small shopkeepers and restaurateurs); and unskilled self-employment (equivalent to EGP categories IIIb and VII). Unlike the EGP schema, however, we do not necessarily assign self-employed with large numbers of employees to classes I and II nor do we distinguish the rest of the self-employed by whether they employ others (IVa and IVb). Instead, our self-employment categories are based on the actual occupational identifications of survey respondents and largely ignore the distinction of whether individual's employ others.<sup>4</sup>

An individual's occupational identification, we believe, has social meanings attached to it that are related to how an individual perceives his or her own position within an existing social hierarchy. Regardless of whether these distinctions appear arbitrary, individual perceptions, definitions and self-reports of occupational position have social-psychological as well as political implications. While an individual with a small business doing construction would be classified differently depending on whether he reports that his or her occupation is manager/proprietor of a small construction firm or a carpenter or plumber who happens to employ others, we believe that such self-identification in part reflects real differences in perceived social relationships. For example, a German craftsman with a small business might take pride in identifying his or her occupation as being skilled carpenter and dismiss the type of work that a typical American "managerial" contractor does as sub-standard *pfusch* work. While in America, having one's own business might be considered more relevant than the presence or lack of any specific occupational skills.

## GENERAL HYPOTHESES

For this project as noted above, our analysis is guided by the assumption that individuals under conditions of bounded rationality consider existing and potential resources, opportunities and constraints when choosing to enter or leave distinct self-employment occupational paths. Resources most salient to individuals in calculating the likelihood of self-employment success are education, family support (both in terms of inheritance and spousal assistance), and work experience (i.e., occupationally based human capital). The most significant opportunities and constraints to consider are related to the occupational structure an individual faces as well as his or her particular location in such a system. For example, an individual located in certain industrial sectors such as construction would have greater opportunities and fewer constraints to move into self-employment than an individual located in manufacturing. In a similar fashion, an unemployed individual who faces significant constraints in finding dependent employment is likely to assess opportunities in self-employment more favorably. Given this framework, we advance the following general hypotheses.<sup>5</sup>

### Resources, Opportunities and Constraints:

*H1. Education, particularly tertiary and vocational training, provides individuals with human capital skills that are transferable between either self-employment or dependent employment and thus facilitates movement into desirable forms of self employment activity; education will have contradictory effects on self-employment exit in that it increases the likelihood of entrepreneurial success, but also is associated with improved opportunities to transition back into desirable forms of dependent employment.*

Prior research has suggested that in all countries education is related to self-employment, but research so far is inconclusive concerning the direction of educational effects.

Generally, one should expect that higher qualifications improve the likelihood of self-employment since in a given area of work self-employment compared to dependent work often requires credentials in addition to the purely functional skills required for doing a given job well (such as management and planning skills, knowledge in financial affairs, understanding of market opportunities, ability of personnel guidance or skills in public or customer relations). However, while several of these abilities can be trained, they often are not learned in schools and rather are acquired in family or other contexts. In some countries, such as Germany and post-socialist Russia, education tends to have a quasi-linear positive relationship to self-employment (Gerber 2001b, Luber et al. 2000). In other countries, such as the United Kingdom and Israel, education tends to have more curvilinear effects with both low and high levels of education associated with increased likelihood of self-employment activity (Shavit and Yuchtman-Yaar 2001; Luber et al. 2000; Meager, Kaiser and Dietrich. 1992). Other countries, particularly those with high levels of self-employment, such as Italy, Portugal and Greece, tend to have negative associations between education and self-employment (Blanchflower 2000). Meager et al (1992) have also identified positive effects of vocational education on male self-employment in Germany.

While education in general is positively associated with self-employment entry, sociologists have advanced alternative hypotheses in this area. Research on national minorities and the prevalence of ethnic entrepreneurial enclaves has suggested that self-employment can be used as an alternative strategy for social advancement when access to

educational attainment is blocked or difficult to obtain (see e.g., Wilson and Portes 1980, Aldrich and Waldinger 1990, Light 1992, Shavit and Yaar 2001). Individuals from lower social origins (e.g., ethnic minorities) or those who otherwise have lower ability and aptitude for educational achievement have been argued to seek professional/managerial self-employment as an alternative route for acquiring successful occupational status given otherwise inadequate possession of educational credentials required for high attainment in dependent employment (Shavit and Yuchtman-Yaar 2001). From this perspective, individuals make a rational choice that given their personal attributes, pursuing further educational attainment is unwarranted relative to labor force participation in a specific area (see e.g., Breen and Jonsson 2000, Breen 1999, Manski 1993); related and supplementary factors can then lead these individuals into self-employment activity. An *Alternative Mobility Thesis* thus expects those with high educational attainments to be least likely to move into self-employment.

*H2: Family support, in the forms both of occupational inheritance and spousal assistance and involvement in the enterprise, are significant individual-level resources that will encourage an individual's decision both to become self-employed and remain self-employed.* Previous research in varied national settings has identified the effect of parental self-employment background on the likelihood of respondent's self-employment. Strong inheritance of self-employment is a common finding in most studies of intergenerational class mobility. Shavit and Yuchtman-Yaar (2000) note that in Israel the effects of father's self-employment are relatively consistent across occupational categories of self-employment constructed similarly as in our study. Self-employment is more likely when parents have been similarly employed for a number of reasons. First,

there are cases of direct inheritance of small family businesses. Second, parental involvement in self-employment could provide access to financial collateral and network contacts thus reducing liquidity constraints (Laferrere 2001). Finally, and perhaps most importantly, familial involvement in self-employment provides “a taste for self-employment, a knowledge of enterprise from the inside” and a general “socialization of youths to the norms, values and skills (‘entrepreneurial capital’) that are particular to the self-employed class” (Laferrere 2001:22; Shavit and Yuchtman Yaar 2000:61; Aldrich, Renzulli and Langton 1998). Since self-employment is often more highly embedded in familial relationships than is the case with dependent employment, family status is also a significant determinant of self-employment dynamics (Aldrich and Zimmer 1986).

Existing research has highlighted the degree to which self-employment is often not only inherited, but “comes in couples”. We expect this is likely for both self-employment entry and exit: individuals will utilize family resources to become self-employed and to sustain such activity. The effects of family support will likely be more pronounced on both entry and exit than the effects of education, because family based resources have more direct and immediate impact on self-employment activity than their more diffuse and mediated effects on dependent employment.

*H3: Individuals at mid-career – who both have acquired sufficient levels of human capital and financial resources required for self-employment success as well as also possessing sufficient years of expected future earnings to make initial investment in this activity worthwhile – will be most likely to enter self-employment. Work experience, given its association with skill acquisition and knowledge of markets necessary for self-employment success, is likely a common resource that individuals will utilize to enter*

self-employment activities. Prior research suggests such a relationship with work experience, measured directly or indirectly through proxies such as age, tending to have strong positive, curvilinear effects on self-employment likelihood in most advanced economies (Blanchflower 2000, Luber et al 2000).

*H4: Prior occupational position and industrial sectors define the opportunity structure and constraints that individuals face – individuals will be unwilling to move into self-employment activity if occupational downgrading is associated with the transition; individuals with prior employment and knowledge of service and construction industries will be more likely to become self-employed.* In terms of industrial sectors, we know from existing research that self-employment is particularly likely in certain industrial areas (e.g., construction and services) and less likely in sectors with large requirements for economic capital such as manufacturing. Industrial sectors thus contribute to define the opportunity structure and constraints that individuals face and are examined in detail in the country specific chapters. In our comparative chapter here, we are more interested in vertical and horizontal mobility associated with occupational position given its relationship to prior stratification research. We expect that when individuals assess opportunities and relative incentives to become self-employed as opposed to remaining dependently employed, they will be unwilling or reluctant to move downward in terms of an occupational hierarchy. Individuals will utilize resources associated with their prior occupational position as much as possible to maintain or improve their occupational location.

*H5: Unemployed individuals have relatively higher incentives to move into self-employment than dependent employees with similar characteristics – individuals will use*

*self-employment as a refuge from unemployment if facing significant constraints in securing traditional dependent employment opportunities.* Unemployed individuals are actively on the market searching for employment positions. They must give up only the potential rewards of prolonging their job search to find even better alternatives in the future than those opportunities suggested by entering self-employment immediately. Employed individuals, on the other hand, must give up a job and continuous earnings tied to such a position when moving into self-employment. In terms of the existing debate about the relationship between unemployment rates and self-employment we therefore expect that at the micro-level unemployed individuals are more likely than employed individuals to become self-employed. As the overall rate of unemployment increases, this pool of individuals particularly prone to self-employment will rise; unemployment rates, however, also likely affect two other related phenomenon: the likelihood of a dependent employee being willing to leave their job to start self-employed activity; and the likelihood that a self-employed enterprise will be able to sustain itself and survive in relatively undesirable market conditions. We also expect that individuals who move into self-employment from unemployment will be particularly likely to exit from this activity, since they may enter self-employment as a “last resort” (i.e., in the absence of any better acceptable alternatives) and without proper preparation and adequate training and resources.

*H6: Women – since they differ from men in their relative resources, opportunities and constraints – will have distinctly different patterns and determinants related to self-employment.* Specifically, we expect women to have less ability to rely on direct inheritance of self-employment and greater involvement in marginal, part-time or

unskilled self-employment tied to efforts to maintain flexible work arrangements associated with greater assumption of childcare responsibilities. Women caring for children may use self-employment as supplementary family income. Researchers have long focused on the distinct character of male and female self-employment (see McManus 2001 for a review of this topic). Female self-employment tends to occur – like dependent employment – in sex segregated occupations and particular industrial sectors, such as service branches (Lohmann and Luber 2000, Luber et al 2000, Wharton 1989). Since family responsibilities are allocated unequally in most industrial societies, pronounced differences appear in the effects of various family characteristics on male and female self-employment (McManus 2000a, Boden 1999, Carr 1996, Loscocco and Leicht 1993, Kalleberg and Leicht 1991). Female self-employment is of shorter duration and is typically less stable than male self-employment (Lin et al. 2000). Female self-employment is often part-time and has low income associated with it, although heterogeneity produces large variation in characteristics associated with this activity (Kalleberg, Reskin and Hudson 2000; Manser and Picot 1999; Hakim 1998; Arum 1997; Devine 1994).

### Growing Heterogeneity

Past research has documented the extent to which self-employment in the last quarter of the twentieth century ended its long-term historic decline and demonstrated moderate increases in many advanced economies. This resurgence of self-employment was likely produced by changes in economic structure, technologies of production and political market interventions (e.g., increases in professionalization, the rise of the service

sector, business firm commitment to flexible production, growth of information technologies and the introduction of policies promoting entrepreneurialism and small firm growth). These changes, however, imply that traditional forms of petty bourgeois self-employment (e.g., small shopkeepers, restaurateurs, skilled crafts-workers) quite likely continued declining and new forms of self-employment in both professional and unskilled occupation were largely responsible for recent increases. In addition, female self-employment in the past few decades has increased at significantly higher rates than male self-employment in many industrial countries, and has thus become an increasingly important component of overall self-employment (OECD 2000). For these reasons, we advance a hypothesis directly related to changing self-employment composition.

*H7: Growing heterogeneity in self-employment has likely occurred with increases prevalent in professional-managerial and unskilled occupations, but declines expected in traditional forms of petty bourgeois and skilled self-employment.* Self-employment is likely not only increasingly heterogeneous, but also probably more heterogeneous than dependent employment as it is often directly embedded in family economic organization, not just market and state institutions. Increased self-employment heterogeneity is also particularly likely for women, who during certain periods in their life course might be particularly drawn into various forms of self-employment activity that allow more flexible work arrangements. Increases in marginal and short-lived female self-employment activity implies greater heterogeneity in self-employment overall as women increasingly enter the labor force; increases in female labor force activity also likely produce growing demands for marginal domestically oriented self-employed labor as women enter the workforce and out-source traditional domestic responsibilities to

women with fewer occupationally marketable skills (McManus 2001, Hochschild 1997, Connelly 1992).

Researchers have argued that a portion of the increase in self-employment has been concentrated in undesirable occupations and associated with an erosion of the social position of many workers (see e.g., Arum 2001, 1997; McManus 2000b; Kallenberg, Reskin and Hudson 2000). Self-employment, particularly new forms of transitory and marginal self-employment in unskilled occupations, thus possibly is in part related to a “dark side of flexible production” (Harrison 1994). As a result of this one would hypothesize a growing proportion of self-employment involved in unskilled occupations with high entry and exit rates as well as strong associations with prior unemployment. On the other hand, however, self-employment increases have also been associated with the growing competitiveness of small firms and self-employed professionals who have taken advantage of changes in technology to identify specific market niches conducive to entrepreneurial success. In many locations, businesses have adopted strategies of flexible production including outsourcing and the development of extensive network relationships with small firms and independent contractors (Reich 1991, Powell 1990). These changes have likely promoted a renaissance of small firms and increased possibilities for entrepreneurial success in some locations (Piore and Sabel 1984). While social science researchers have often focused on self-employment increases in both professional-managerial as well as unskilled occupations, they have also predicted and identified the decline of traditional petty bourgeois self-employment (e.g., Blau and Duncan 1967).

## **CROSS-NATIONAL VARIATION**

Countries selected for the project differ in many socio-economic and political aspects. In our discussions here, we find it useful to focus on two illustrative dimensions of country-level differences: labor market regulation and family-based social capital. Figure 1.1 proposes how the eleven countries in our project might be theoretically placed in a two dimensional chart based on these factors. It is worth cautioning readers, however, that placement of countries in this figure is not based on empirical measurement: the illustration is intended simply as suggestive of a strategy for conceptualizing relevant factors related to cross-national variation. With these caveats in mind, the figure nevertheless suggests variation along two dimensions with countries further to the right on the x-axis having increased labor market regulation and with countries higher on the y-axis having cultures that are organized more extensively on principles of family-based social capital. Societies that have greater emphasis on family-based social capital would be characterized by the increased saliency of extended kin networks, stronger family ties, and a higher prevalence of adult children living in their parent's family home. We do not wish to reify these societal differences nor to imply that they are produced by national cultural differences as opposed to political variation. Welfare state policies, for example, likely interact and structure the extent to which family-based social capital is salient. Welfare state regimes also vary in the degree to which they promote patriarchal family structures or on the contrary defamilialization (see e.g., Esping-Anderson 1999). In addition, families in some countries serve to compensate for weak welfare states; but in others settings individuals are left to the vagaries of market forces. Labor market regulation also likely structures the prevalence

and forms of self-employment activity across countries. In our introductory chapter we will focus on these two dimensions and refrain from discussing other country level variation that likely affects self-employment. Specifically, discussion of the content and outcomes related to particular government policies introduced to promote self-employment and entrepreneurship in response to unemployment and economic stagnation will be discussed in detail in various country specific chapters (see e.g., Chapter 5 on the United Kingdom), but generally ignored in our discussion here to allow our concentration on broader based and less politically transient structural differences affecting self-employment dynamics.

[Figure 1.1 about here]

Three commonly discussed and distinct political-economic ideal types are clustered in Figure 1.1. In the lower right hand-side of the illustration, Western-European *corporatist states* with relatively high labor market regulation and comparatively low reliance on family-based social capital are represented by France, Germany and the Netherlands. The Anglo-American *neo-liberal economies* of Australia, United Kingdom and the United States are clustered in the lower left hand corner of the figure, being relatively low on both labor market regulation and family-based social capital. In the middle of the figure, economies that are undergoing *post-socialist transformations* are represented by Hungary and Russia; individuals in these societies likely rely more heavily on family based social capital than in either neo-liberal or corporatist capitalist economies. Greater reliance on mutual support and resources from family relationships is likely in these post-socialist settings as neither well working markets nor intermediate level social science organizations currently exist as an alternative. Labor market

regulation in these post-socialist societies is, of course, in flux as governments introduce reforms promoting economic transition; these societies are increasingly embracing policies of labor market deregulation, but still remain during the time of our analysis more heavily regulated than Anglo-American neo-liberal economies.

We examine three additional states – Taiwan, Italy and Japan – that do not easily fit into any single political regime ideal type. Rather, we believe that these societies share a common reliance on social organization characterized by a high degree of family based social capital, but differ in the extent to which their economies are characterized by labor market regulation. Italy and Japan are countries that are known for high labor market regulation: small family based firm growth in particular has been argued by some to have resulted from extensive regulation in Italian and Japanese industrial regions (Piore and Sabel 1984). Taiwan, however, is a rapidly developing country with relatively little labor market regulation. In all three of these societies, though, we believe one is likely to find evidence of social organization often structured around high degrees of family-based social capital, such as strong ties with extended kin and interdependence with parents throughout the life course. In consideration of the effects of labor market regulation and family-based social capital on self-employment, we are able to advance an additional set of explicitly cross-national hypotheses.

*H8: Labor market regulation will manifest a curvilinear relationship with pressures for self-employment highest at either end of the continuum.* When labor market regulation and protection of workers in jobs is low, there are few incentives for workers to stay in dependent employment. Rather than staying in jobs with insecure prospects, workers may prefer to set themselves up in self-employment where they may

have better control of their future than in unprotected jobs. When labor market regulation is high, employers have greater incentives to outsource economic production and this creates a niche for successful self-employment as well as barriers for gaining access to dependent employment. By raising the possibility that labor market regulation can have curvilinear effects, we again emphasize that individual decisions to become or remain self-employed are always evaluated *relative* to other activities and most particularly individual's assessments of possibilities for and conditions within dependent employment.

*H9: Societies with high levels of family based social capital will have higher rates of self-employment, particularly traditional inherited petty bourgeois forms. The level of self-employment will thus be relatively larger in countries in the upper part of the figure (Taiwan, Italy and Japan) as will self-employment in traditional non-professional skilled occupations.*

*H10: Family resources (such as direct inheritance of occupational position and spousal support) will have greater salience for self-employment entry and exit dynamics in societies with high levels of family based social capital than in other societies; achievement effects (e.g., education and work experience), however, will be greater in countries with lower levels of family based social capital. While we have suggested in our general hypotheses section that individuals will utilize whatever resources are available to them to facilitate movement into desirable forms of self-employment; certain resources will likely have greater saliency in particular national settings. Achievement effects thus will be relatively lower in countries on the top half of the figure, as self-employment will be concentrated in areas where family resources have more direct*

effects on individual level outcomes. Family resources will be important everywhere for entry and establishment of self-employment enterprises, but are likely to remain important for survival in countries in the upper half of the figure where family based relationships imply more long-term mutual dependence and responsibilities.

*H11: Marginal unskilled self-employment will be greatest in countries with lower levels of labor market regulation.* In countries where labor market regulation is low, dependent employment in unskilled manual and non-manual work will be unprotected, insecure and relatively undesirable. Unskilled self-employment in these economies will likely present itself as a reasonable alternative to the unattractive opportunities within dependent employment.

*H12. Post-socialist countries will vary from other countries in their associations between age and self-employment.* In economies undergoing post-socialist transformations, dependent employment in the short-term has been constricted with young individuals facing high entry barriers to finding initial desirable jobs in either established firms or remaining state enterprises. Younger individuals in these societies also likely have embraced more fully than older individuals preferences and tastes for entrepreneurial activity.

## **EVENT HISTORY MODELING**

Existing cross-national research has largely relied on cross-sectional data and failed to distinguish adequately between types of self-employment (see McManus 2000b as exception). While cross-sectional data can tell us much about factors associated with self-employment in general and when pooled over many years can usefully identify

historic trends, such data fails to allow one to identify clearly the underlying mechanisms responsible for these observed patterns. Only by examining determinants of self-employment entry and exit separately and by explicitly considering self-employment heterogeneity in one's research design is it possible to move towards a greater understanding of self-employment dynamics. In our comparative analysis of results below, we often discuss effects of factors on both entry and exit processes concordantly to advance a more complete and accurate interpretation of self-employment determinants.

The event history models conducted separately for each country include a common set of covariates. We measure education using a categorical CASMIN schema modified appropriately to fit the specific national context. We operationalize social background to include measures of whether a father was self-employed, and whether the father's occupation was in professional-managerial, skilled, unskilled or agriculture activities. We examine family status by identifying whether an individual had a non-employed, self-employed or dependent-employed spouse the prior year. In addition we examine prior labor market activity by including in entry models whether an individual was unemployed, not-in-labor force, type of occupation (professional-managerial, skilled, unskilled), type of industry and a proxy for work experience that was available in all countries (age and age-squared). For exit models from self-employment activity, we include for labor market activity measures of work experience, type of industry and also years of self-employment. Ideally we attempt to run exit models separately for each distinct category of self-employment, as well as all models separately for men and women. In certain countries, small sample sizes precluded such modeling and gender or self-employment occupational categories are instead introduced as independent variables.

## DESCRIPTIVE RESULTS

We examined recent trends in self-employment rates across countries using data from official government sources. In our examination, we found consistent with prior research that following unanticipated increases in self-employment rates in the 1970s and early 1980s, no clear increasing trends occurred thereafter in the final part of the twentieth century. From this recent pattern, it is clear that there is no reason to anticipate either an ever-expanding renaissance of self-employment or a withering away of this economic form. Specific estimates differ with respect to sources of data (e.g., government data tends to under-report self-employment activity), but results are fairly robust in supporting this substantive conclusion.

[Figure 1.2 about here]

While self-employment rates as a whole have somewhat stabilized with respect to trend, self-employment forms were quite heterogeneous and increasingly so at century's end. Figure 1.2 identifies rates of self-employment in the three different occupational categories utilized in our study for men and women across countries. The occupational composition of self-employment varies significantly and follows a pattern related to our earlier theoretical conceptualization of cross-national variation. Self-employment rates in general are large in countries where family based social capital is pronounced. In these countries (Taiwan, Italy and Japan), traditional petty bourgeois and skilled self-employment is particularly prevalent. In both corporatist and neo-liberal states, self-employment is relatively more pronounced in professional/managerial occupations than in other countries with the exception of Italy. Marginal unskilled self-employment is by

far the smallest segment of self-employment in all countries except Taiwan and Italy where it is quite substantial. Unskilled self-employment providing basic simple services is thus most likely in societies with high degrees of family based social capital (Japan is somewhat of an exception here, but this is partially related to occupational coding of noodle shop owners and similar enterprises as skilled; see Chapter 11). In the post-socialist countries, self-employment is less professional/managerial and more non-professional. Women have a relatively similar pattern as men across countries, but with generally lower concentrations in professional/managerial occupations (Italy as an exception) and higher concentrations in unskilled occupations (Germany, UK and Hungary as exceptions). The figure overall demonstrates the heterogeneous character of self-employment both within and across countries.

[Table 1.1 about here]

Table 1.1 identifies the heterogeneous character of self-employment by using a different approach. Here we identify the percentage of self-employment that is associated with individuals hiring other workers for their enterprise. In most of the countries, professional-managerial self-employment is associated with the highest rates of employing others. Exceptions are the two corporatist states Germany and France and also Japan, in which differences in the occupational character of self-employment are not as dependent on professional-managerial activity (in these countries, skilled self-employment is actually the most likely type of self-employment to employ others). Rates of employment of others are lowest for individuals in unskilled self-employment in all countries (except the UK, likely due to the high rates of sub-contracting self-employment in construction). In several countries (UK, Italy and the two post-socialist

countries) employment of others is low both in skilled and unskilled enterprises.

Female self-employment is more likely than male self-employment not to involve hiring others (results not shown). These findings suggest that policies crudely equating self-employment with entrepreneurial activity and job creation are naïve and unwarranted. Self-employment does not necessarily lead to the creation of small firms in every occupational form, nor in all national settings.

[Figure 1.3 about here]

While distinguishing by occupational categories demonstrates the heterogeneous character of self-employment within and between countries, an evident interest is in determining whether the heterogeneous character of self-employment is increasing or decreasing. One indicator of growing heterogeneity in self-employment would be identification of increases in the most and least desirable forms of the activity – i.e., growth both in professional-managerial and unskilled occupations at the expense of traditional petty bourgeois skilled self-employment. Figure 1.3 attempts such an analysis with the limited time series data available in our comparative study. In spite of the fact that historical comparison time points for our countries studied are often only measuring a decade of recent change, a clear pattern emerges. Figure 1.3 provides a scatter-plot with the x-axis measuring the overall change in the rate of self-employment in the data and the y-axis measuring the change in occupational composition of self-employment over the same time period.<sup>6</sup> The scatter-plot provides clear evidence that in most countries professional-managerial as well as unskilled occupations are increasingly common relative to traditional craft-based skilled self-employment. The scatter-plot also suggests that this is particularly true in settings where self-employment has been

increasing. One can conclude from this figure that over time, self-employment is becoming increasingly more heterogeneous in terms of a growing polarization of occupational quality and type.<sup>7</sup> This is true for both men and women analyzed separately as well as for the overall pattern of self-employment in pooled data where women often play an increasing role.

Over time self-employment has become increasingly female primarily as a result of women increasing participation in the labor market more generally. The increasing presence of women in self-employment has implications about the character and heterogeneity of self-employment, because the self-employment quality is usually lower for women than for men.

[Figure 1.4 about here]

Figure 1.4 provides suggestive data illustrating differences in the quality of self-employment by gender. Specifically, we identify the extent to which female self-employment is more likely to not employ others and occur in unskilled occupations relative to male self-employment. In most countries, we find pronounced gender disparities in these areas, the few exceptions to this are likely due to general under-reporting of certain categories of unskilled self-employment particularly female domestic work or in the case of England, specific labor market policies encouraging high rates of male unskilled self-employment activity. Since female self-employment is often of relatively shorter duration, the increasing presence of women in these positions creates not only growing heterogeneity, but also increasing instability within self-employment.

[Table 1.2 about here]

The extent to which self-employment no longer can be equated simply with traditional inherited positions is identified further in descriptive results shown in Table 1.2. The results identify separately by gender the extent to which self-employed individuals had fathers who were also self-employed. In Japan and Italy, more than half of self-employment is an occupational status that is inherited from parent to child. In most other states only approximately one-third of self-employment is inter-generational.<sup>8</sup> Given that father's – and not mother's – self-employment is measured, sons are found consistently to inherit their occupational position more often than daughters.

## **EVENT HISTORY RESULTS**

While the descriptive results identified from cross-sectional data above are useful in documenting increasing heterogeneity in self-employment forms both within and across countries, the findings are not helpful in uncovering the underlying logic that structures individual choices to become or remain self-employed. The strength of our comparative research project lies in being able to move from these simple associations to capturing the more complex character of self-employment dynamics in event history modeling of entry and exit determinants. Specifically, we are able to identify not simply whether a factor such as father's self-employment is associated with the likelihood of self-employment, but why these associations appear: does father's self-employment facilitate entry or is it related to greater stability of the activity once an individual has begun such an enterprise? Entry and exit event history analysis provides an analytical technique whereby one can distinguish between factors related to each of these two processes.

We reiterate that our theoretical premise assumes that individuals become and stay self-employed when the relative advantages are higher than dependent employment given existing structural constraints, variation in individual-level resources and differences in personal preferences and tastes. Given this theoretical orientation, event-history modeling of determinants of entry and exit probabilities is well suited to capture the logic and dynamic character of self-employment. To understand fully the conditions promoting self-employment, one should whenever possible attempt to consider entry and exit results simultaneously, since the amount of individuals in any form of self-employment is affected by both inflow and outflow rates. In terms of inflow, we model entry with a discrete time competing risk model – given that the competing risks are all quite small and the reference category relatively large and stable, interpretation of coefficients is fairly straightforward.

The principle individual-level resources examined in the modeling are those related to human capital (education, work experience, and comparative occupational-employment position) and family embeddedness (inheritance and spousal employment state). From our perspective, resources not only are useful for direct substantive deployment in the process of becoming and staying self-employed (e.g., financial resources to open a firm, knowledge of markets and processes, network ties, etc.), but as importantly resources can affect decision making processes *indirectly* through social-psychological mechanisms. Specifically, individual-level resources can alter preferences and tastes, as well as change an individual's assessment of the possibility of success relative to the risk of failure. In making these decisions, individuals do not simply compare average earnings in dependent and self-employment activity, but rather likely

consider their *expected* earnings and appreciate the extent to which there is greater variation in self-employment than dependent earnings. Given the well know fact that individuals tend to over-estimate their abilities and thus their likelihood of success, variation in resources likely leads to upwardly biased individual estimation of the possibilities for entrepreneurial returns and thus overcrowding of markets with high potential earnings (Frank and Cook 1996). As a counterweight to this, however, individuals also are risk averse and would thus likely avoid uncertainty attached to self-employment activity if relatively satisfactory and stable dependent employment was already secured.

### Education

Figure 1.5 presents logit effect estimates of tertiary education relative to primary education simultaneously from entry and exit models run on longitudinal data in the different countries studied. Logit effects can be translated into odds ratios through the computation  $e^{bx}$  – such that a logit effect of one in this figure is equivalent to an estimate that individuals with tertiary education, net of other covariates in the model, are 2.7 times more likely than those with primary education to either become or remain self-employed.

[Figure 1.5 about here]

Our results suggest that tertiary education matters in general more for entry than for survival. We believe that this is likely due to the fact that educational resources can be used either to remain successfully in self-employment or to enter alternatively desirable forms of dependent employment. While prior research on small firms suggests that education associated with the enterprise's founder consistently has strong

associations with organizational survival, this is not clearly the case in our study given that we include not just small firms but also solo self-employment such as unskilled itinerant self-employment and professional freelancing, which is often used as an activity intermittent between jobs in dependent employment.

The strong positive effects of tertiary education on entry likely reflect that in certain industrial sectors and activities (e.g., professional freelancing and traditional liberal professions), human capital is the most important resource required for self-employment activity. This is perhaps particularly true in professional service activities and thus explains strong associations with tertiary self-employment. Education also likely produces increased preferences and tastes for the autonomy found in self-employment (see e.g. Abbott 1988 on professional opposition to bureaucratic regulation). In addition, tertiary education likely increases self-employment entry by affecting an individual's assessment of his or her likely chances of self-employment success and thus facilitating greater personal confidence in assuming entrepreneurial risk.

Figure 1.5 also suggests considerable cross-national variation in effects of tertiary education. Educational effects on entry are highest in corporatist states where self-employment entry often entails significant credential barriers. Tertiary education has no positive effects on entry in countries high in family-based social capital, although this is largely a compositional effect related to the relatively small percentage of professional – as opposed to traditional petty bourgeois, skilled and unskilled – self-employment in these countries.

[Figure 1.6 about here]

Figure 1.6 focuses attention on the effects of tertiary and vocational education on particular forms of self-employment; specifically, we examine the extent to which tertiary education is related to professional self-employment entry and the degree to which secondary vocational education is associated with entry into skilled occupations (in both these cases educational effects are estimated relative to primary educational attainment). The results suggest that tertiary education everywhere is related to professional self-employment entry, but these effects are weakest in countries where family-based social capital is relied on most heavily (i.e., Italy, Japan and Taiwan). Vocational education matters most for entry into skilled self-employment in credential based corporatist societies, but has no significant effects in countries where family-based social capital is relied on heavily.

#### Work experience and occupational position

We found consistent evidence of the effects of work experience (operationalized in terms of age and age-squared) on self-employment entry and exit. In all countries other than those undergoing post-socialist transformations, associations between age and self-employment entry and exit have a curvilinear pattern. In the post-socialist countries, the young have very high rates of entry and continuation in self-employment (see chapters on Hungary and Russia for historic explanation of this).

[Figure 1.7 about here]

In terms of self-employment being used to facilitate occupational career mobility, we find little evidence of this in our research. Instead, we find that the predominant pattern in all countries is that self-employment is associated with career stability in

occupational status. Figure 1.7 identifies the extent to which individuals move from prior professional dependent occupations into professional-managerial self-employment and the extent to which movement occurs from prior skilled dependent employment into traditional petty bourgeois, skilled self-employment (in both cases estimates are made relative to individuals having moved into these states from prior unskilled dependent employment). Results for occupational stability are fairly consistent across national setting. Our findings suggest that individuals move into horizontally equivalent occupational forms of self-employment – as well as equivalent and familiar industrial sectors – where experience and knowledge has previously been acquired. Certain industrial sectors (e.g., construction and service) were particularly conducive to self-employment activity. Our research uncovered no clear evidence of downward career mobility into self-employment and only very limited evidence of upward mobility in the case of unskilled dependent employment into skilled self-employment (results not shown here).

Figure 1.8 partially addresses the relationship between individual-level unemployment and self-employment entry – a common subject of both social policy as well as empirical debate. Figure 1.8 provides consistent evidence (in the seven countries where data permitted analysis) for significant inflow into self-employment often from previously unemployed individuals. These high inflow rates are likely a reflection of the fact that those unemployed face very different situations when considering self-employment entry. While those in dependent employment have to leave a job that they hold to become self-employed, unemployed individuals are instead actively searching the market looking for alternatives to their current undesirable situation. Our results suggest

that at the micro-level unemployed individuals are indeed more likely than others to become self-employed – they must forego simply the possibility of finding a dependent job in the future to enter self-employment immediately. In supplementary analysis in several countries, we found that unemployed individuals who move into self-employment have particularly high rates of exit, suggesting that some of the unemployed indeed use self-employment as a temporary refuge from unemployment.

[Figure 1.9 about here]

The significant role of occupational position in individual decisions related to self-employment is also suggested by considering how our different occupational self-employment categories vary in terms of exit likelihood. Figure 1.9 identifies how much more likely individuals are to survive in professional-managerial and skilled as compared to unskilled self-employed enterprises. In most countries traditional petty-bourgeois skilled self-employment is the most stable form of this activity. Given increasing heterogeneity and the decline of petty-bourgeois skilled self-employment, individual involvement with self-employment activity in the future will tend to be more transient and short-lived in terms of an individual's life course. This change will likely have significant economic, social and political consequences associated with it. Variation in stability between self-employment categories is lowest in corporatist states where credential barriers to entry (and thus closure) are greatest and most diffusely shared across categories; in corporatist states selectivity into self-employment is likely uniformly high (for example, recall in Table 1.2 how unskilled self-employment in corporatist countries has relatively high employment of others).

## Family Embeddedness

In all the countries examined in our study, we found strong evidence of self-employment being associated with inter-generational as well as spousal influence. We interpret these pronounced effects as related to the fact that these particular individual-level resources have little utility for individuals attempting to enter dependent employment, but are quite useful for individuals attempting successfully to enter and remain self-employed.

[Figure 1.10 about here]

Figure 1.10 identifies the extent to which father's self-employment is related to children's likelihood of becoming self-employed and remaining in that state. The figure identifies a broad pattern of relatively consistent positive effects on both entry and survival. In most countries effects on entry are strongest. Effects on survival are considerably larger in countries with higher reliance on family based social capital: in these countries inter-generational relationships are likely characterized by greater and more enduring patterns of mutual responsibility and reciprocity. In two out of three of the neo-liberal countries where an ethos and ideology of individual self-reliance is most pronounced (Australia and the U.S.), father's self-employment has no discernable effects net of other covariates in the model on individuals remaining self-employed.

[Figure 1.11 about here]

Conceptualizing the question of social origins in slightly broader terms, Figure 1.11 identifies effects of father's professional occupation and father's self-employment on entry into the most desirable form of self-employment, those found in professional-managerial occupations. Both father's professional position and self-employment status

facilitate movement into professional self-employment (note that these estimates are usually net of each other and thus additive; the U.S. due to data peculiarities is an exception here).<sup>9</sup> These findings supports Erikson and Goldthorpe's (1993) contention that professional self-employment is similar in terms of origin state to those found more generally in the professional service classes (EGP I/II). In many countries where father's self-employment is concentrated in non-professional occupations, there are smaller effects for father's self-employment into professional self-employment (e.g., Hungary, Taiwan and Italy).

Shifting discussion of the topic of family effects to the role of spousal influence, Figure 1.12 identifies (in the seven countries where data permitted analysis) the effects of prior spousal self-employment on individual likelihood to become or remain self-employed. Spousal activity in all states influences self-employment likelihood and supports the contention that "self-employment often comes in twos". The pattern of cross-national variation in spousal effects is largely similar to the variation found for effects of father's self-employment on entry and survival (see Figure 1.10 above). In countries with greater saliency of family based social capital, spousal effects are more pronounced on exit than entry, the opposite is the case elsewhere. Taken together the results highlight the extent to which self-employment is embedded in family relationships – both inter-generational as well as matrimonial. These factors tend to work in similar ways within, but vary across, countries studied. It is worth emphasizing that while family effects are found for entry everywhere, the associations remain more pronounced on survival rates in countries with more prevalent family based social capital than elsewhere.

## Gender

While most of our analytic discussion has concentrated on the effects of education, occupational position and family relationships as the most salient individual-level resources affecting decisions related to self-employment entry and exit, it is worth discussing in detail the extent to which gender also structures self-employment possibilities.

[Table 1.3 about here]

Table 1.3 identifies the extent to which male and female self-employment is associated with father's self-employment. The estimates in the table are odds ratios calculated from descriptive data – they are not event history estimates identified net of covariates as is the case with other estimates discussed in this section. Nevertheless, the table suggests that intergenerational inheritance is high everywhere for men, but not for women where we have significantly lower rates, sometimes even lower than one. This finding is consistent with prior stratification research that has pointed to lower female inheritance of self-employment. In Taiwan inheritance is unexpectedly low given that it is a country we have characterized as being high on the dimension of family based social capital, but this relatively low association is because barriers to self-employment entry are also minimal and have led to large inflow of individuals without self-employed fathers into this activity, particularly in unskilled occupations. As the chapter on Taiwan emphasizes entry into self-employment is also high as many attempt through it to escape the vagaries of unprotected dependent labor. England unexpectedly has higher rates of female inheritance than male inter-generational inheritance because of large non-

inherited inflow into non-professional self-employment for men (this is most likely related to self-employment of construction workers as described in Chapter 5).

[Figure 1.13 about here]

The extent to which men in general have significantly higher rates of entry and stability in self-employment is identified in Figure 1.13. The exceptions are France (which models exit likelihood with more covariates than elsewhere), Hungary (where the exit coefficient is not significantly different than zero) and Australia where survival rates net of occupational composition and other factors are slightly lower for men than women. The effects of gender are smallest in the U.S., Australia and the Netherlands, perhaps because of relatively less gender structuration of labor markets, higher rates of female labor force participation and more pronounced defamilialization. This interpretation is largely conjecture, however, and requires further research to identify empirically the mechanisms actually underlying cross-national gender variation.

## **CONCLUSION**

The research in this project has identified both commonalities as well as significant cross-national variation in self-employment. Overall self-employment rates have become largely stable with only slight increases or decreases in the years immediately leading up to the end of the twentieth century; this stability in the prevalence of self employment followed a long period of historic decline and a brief window in the mid-1970s to mid-1980s of small, but consistent growth. While trends in self-employment rates have largely stabilized, we have identified increasing heterogeneity within this employment sector. While traditional petty bourgeois and craft-based self-employment is declining, professional-managerial as well as unskilled self-employment

is growing in many countries. Since there are significant differences in the stability of self-employment enterprises among these types, increases in many of these new self-employment forms is associated with rising career instability. It is worth emphasizing that given the growing heterogeneity of self-employment, this instability cannot be equated simply with firm failure, but rather often implies individual reassessment of the relative rewards of continuing in the activity instead of moving back into dependent employment.

We also found some consistency in the effects of individual level resources (i.e., education, occupational position, work experience and family relationships). In general these effects were more pronounced on entry than exit; but remarkably consistent across countries – the differences largely were simply in magnitude not direction. Our analysis was also better able to identify determinants of entry rather than exit likelihood with consideration of traditional human capital and family resources, because self-employment stability at the firm or individual-level is likely influenced more by other factors, such as localized and firm specific economic conditions.

In terms of cross-national variation, our study identified variation across three traditional political regime types (neo-liberal, corporatist and post-socialist states) as well as along two conceptual dimensions (labor market regulation and the level of societal emphasis on family based social capital). In countries where family based social capital is more salient as a principle of social organization (i.e., Italy, Taiwan and Japan), self-employment in general occurs at a higher rate and is more concentrated in traditional petty bourgeois or skilled enterprises than elsewhere. In these societies, we also found that educational effects were slightly smaller and that family based resources (i.e., fathers

or spouses that were self-employed) had a more lasting and continuing influence on self-employment stability than in other countries. Labor market regulation was also associated with self-employment level and form. Self-employment overall was encouraged in societies with both low and high levels of regulation. In societies with low levels of regulation (e.g., Taiwan and the neo-liberal states), self-employment often appears as a relatively attractive alternative compared to unregulated dependent employment; in these economies, we found unskilled self-employment particularly prevalent. In corporatist states with higher levels of labor market regulation, we found self-employment forms often had less variation in internal characteristics than elsewhere; for example, self-employment more consistently involved the employment of other workers regardless of occupational category. In addition, educational credentials typically had slightly stronger effects on entry and exit likelihood in corporatist states than in other countries. Lastly, we found that in post-socialist societies self-employment was concentrated less in professional-managerial activities than elsewhere; as the history of re-emergent self-employment is still short in these countries, few self-employed employ others and young individuals are particularly likely to become and remain self-employed.

Our findings overall provide a critique of post-modern claims related to self-employment (see e.g. Hakim 1998). Self-employment is indeed becoming more heterogeneous as some social commentators have argued; self-employment, however, is not ever-expanding nor likely to eliminate dependent employment in traditional firms nor is it simply dominated by sub-contracting, freelancing and temporary work. We believe that increasing heterogeneity within self-employment also should not be understood

simply as the emergence of “new forms” of work, but rather these activities are likely quite similar to those found in earlier historic periods when self-employment was also heterogeneous and included a large portion of very marginal activities. Rather than interpreting current forms of self-employment as new and unprecedented, we thus prefer to suggest that what was historically unusual was the dramatic disappearance of these marginal forms during the expansion of twentieth century mass industry and related improving conditions of dependent work. Given the historically unusual conditions found in dependent employment in advanced economies in the decades following World War II, the relative incentives for self-employment were quite low.

Our results also have political implications. In terms of social policy, our findings should serve to caution those policy makers who advocate promoting entrepreneurialism as an economic panacea. We find these policy schemas of relatively limited merit, since self-employment today often no longer employs others nor does it always involve individuals who likely even aspire to developing firms into large enterprises. At best policies directed at moving unemployed individuals into self-employment should be understood as temporary stop-gap solutions. More generally, our identification of a continued decline in traditional petty bourgeois self-employment also has broader political implication. Given that self-employment is no longer simply dominated by inherited and relatively stable traditional forms of petty bourgeois self-employment, it can no longer simply be understood as a politically conservative force. Specifically, self-employment today is often solo, increasingly female and occurring more often in both liberal professions as well as in domains historically associated with the *lumpen proletariat*. Given the increased heterogeneity of self-employment, it would be

increasingly difficult for the group to organize itself – or even become conscious of itself  
– as a class.

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## ENDNOTES:

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<sup>1</sup> Based on authors' analysis of men in the Panel Study of Income Dynamics with ten or more observations prior to 1992. Williams (2000) estimates the rate of young U.S. individuals ever being self-employed as 23 percent for men and 17 percent for women in a recent cohort aged 28-36 in 1993.

<sup>2</sup> The suggestion of this in the earlier American case was made by Lipset and Bendix (1959:103).

<sup>3</sup> Professional and large firm managerial self-employment is assigned to classes I/II of the EGP schema based on the theoretical assumption of substantial affinity between the respective groups of self-employed and the salaried counterparts – the salaried managers often having a substantial share of the enterprise in which they work and the salaried professionals often combining independent practice or salaried work.

<sup>4</sup> This is not because we think the distinction is not important, it rather results from the fact that in several of the longitudinal data bases used in the project it is impossible to identify the points in time in which self-employed individuals work alone or employ others.

<sup>5</sup> Besides resources, structural constraints and opportunities, the individual option between dependent and self-employed work evidently also involves various other trade-

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offs, often reflecting more subjective tastes and preferences, such as the evaluation of being independent and not working for someone else or the trade-off between potentially higher income against higher risks and longer working hours. In the individual decision for self-employment such concerns may be crucial, but they are less central in our attempt to identify the social structural factors shaping the choice between self-employed and dependent work.

<sup>6</sup> Change in overall self-employment rate is simply calculated as the percent self-employed time-2 minus percent self-employed time-1. Change in occupational composition is similarly calculated as percent of self-employment in a particular occupational category time-2 minus the percent of self-employment in that category time-1.

<sup>7</sup> The decrease in skilled occupational self-employment in most of the countries we examined is occurring at a rate higher than the decrease in skilled dependent self-employment. The average decrease is 10.9 percentage points for self-employed compared to 3.4 percent for dependent employment (excluding the outlier Hungary from the analysis, skilled self-employment decreases by 5.8 percentage points compared to 3.6 percentage points for dependent employment).

<sup>8</sup> The inheritance rate appears particularly low in the United States because the data source only identifies self-employed businessmen and not self-employment more generally as a category for father's occupation.

<sup>9</sup> Estimates for father self-employment in Hungary are based on very small numbers and not significant.

Table 1.1: Percentage of Self-Employment Activity that Employs Others by Self-Employment Category and Country

	<u>Professional-Managerial</u>	<u>Skilled</u>	<u>Unskilled</u>
<i><u>Corporatist States:</u></i>			
Germany	59.9%	71.9%	52.6%
France	49.9%	52.9%	37.1%
Netherlands	46.7%	40.2%	19.2%
<i><u>Neo-Liberal States:</u></i>			
United Kingdom	47.9%	17.3%	25.2%
United States	60.7%	43.9%	13.5%
Australia	50.9%	47.9%	28.6%
<i><u>Post-Socialist States:</u></i>			
Hungary	47.6%	22.2%	12.3%
Russia	44.5%	25.8%	10.9%
<i><u>Other States:</u></i>			
Italy	40.7%	28.8%	21.4%
Japan	74.8%	79.9%	67.4%
Taiwan	77.4%	41.7%	23.8%

Table 1.2: Percentage of Self-Employed with Self-Employed Fathers by Gender and Country

	<u>Men</u>	<u>Women</u>	<u>Pooled</u>
<i><u>Corporatist States:</u></i>			
Germany	16.8%	10.5%	14.7%
France	32.6%	26.2%	30.9%
Netherlands	41.8%	27.8%	37.1%
<i><u>Neo-Liberal States:</u></i>			
United Kingdom	26.0%	30.8%	27.7%
United States	8.9%	7.5%	8.4%
Australia	31.6%	20.1%	27.1%
<i><u>Post-Socialist States:</u></i>			
Hungary	2.4%	18.6%	6.6%
Russia	-a-	-a-	-a-
<i><u>Other States:</u></i>			
Italy	48.2%	56.0%	50.7%
Japan	73.7%	51.9%	69.2%
Taiwan	27.7%	26.8%	27.4%

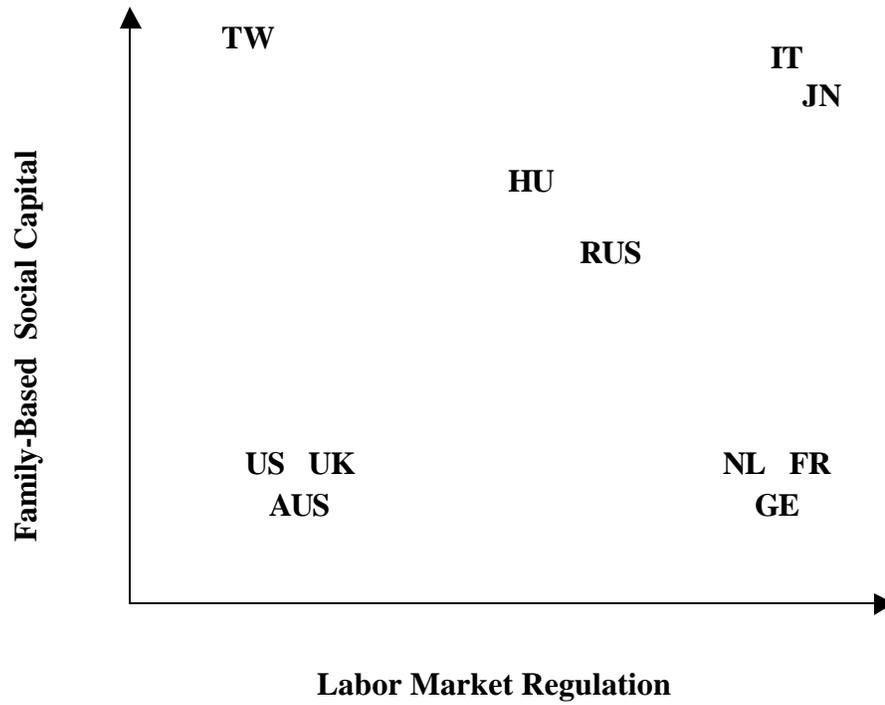
-a- Not estimated.

Table 1.3: Odds Ratio of Self-Employment for Respondents with Self-Employed Fathers Relative to Self-Employment for Respondents with Fathers not Self-Employed by Gender and Country

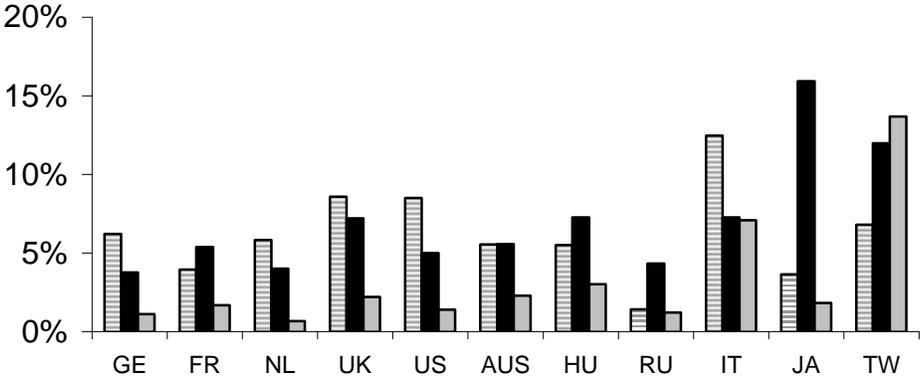
	<u>Men</u>	<u>Women</u>
<i><u>Corporatist States:</u></i>		
Germany	1.9	0.9
France	3.7	2.5
Netherlands	2.6	1.3
<i><u>Neo-Liberal States:</u></i>		
United Kingdom	2.0	2.7
United States	2.3	1.7
Australia	1.9	0.9
<i><u>Post-Socialist States:</u></i>		
Hungary	1.7	1.1
Russia	-a-	-a-
<i><u>Other States:</u></i>		
Italy	2.4	1.5
Japan	3.7	1.5
Taiwan	1.3	1.3

-a- Not estimated.

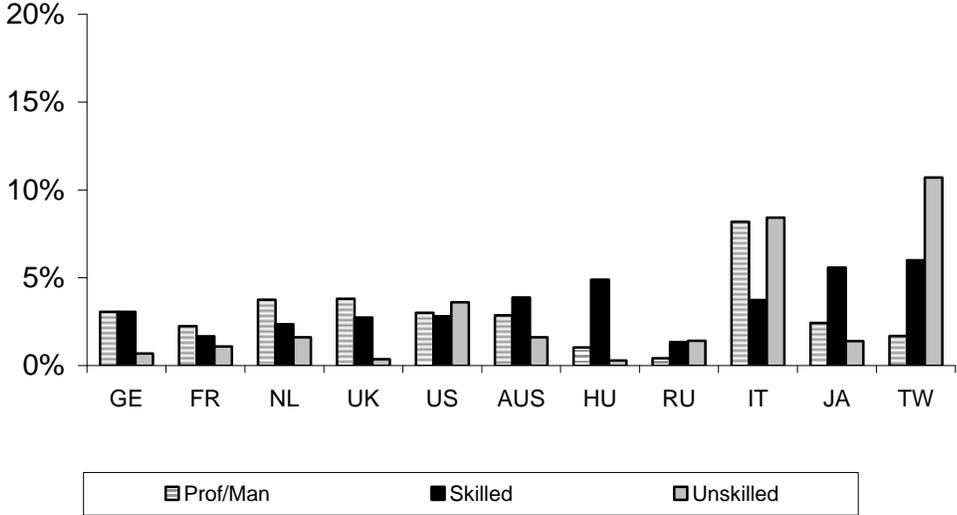
**Figure 1.1: Two Dimensions of Cross-National Variation Related to Self-Employment Differences**



**Figure 1.2A: Male Self-Employment**

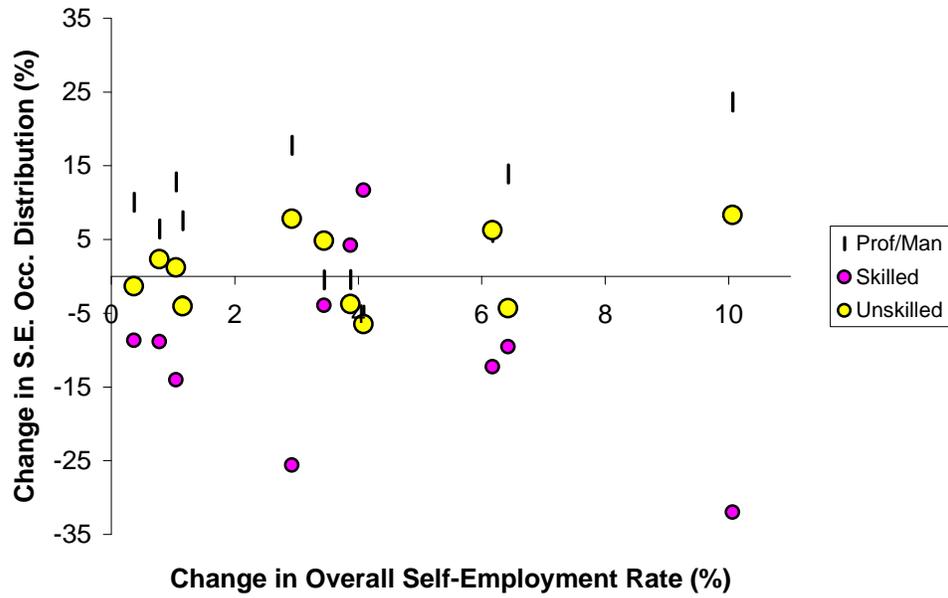


**Figure 1.2B: Female Self-Employment**



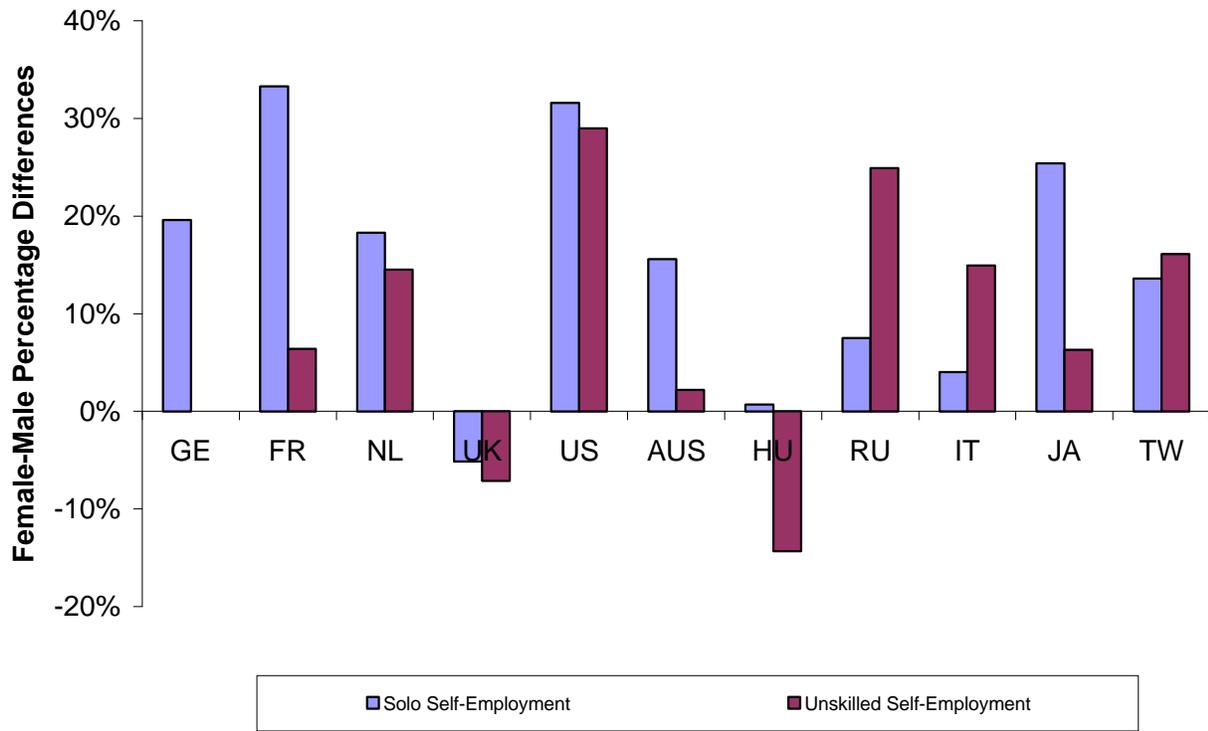
Prof/Man
  Skilled
  Unskilled

**Figure 1.3: Self-Employment Growth and Self-Employment Occupational Composition**

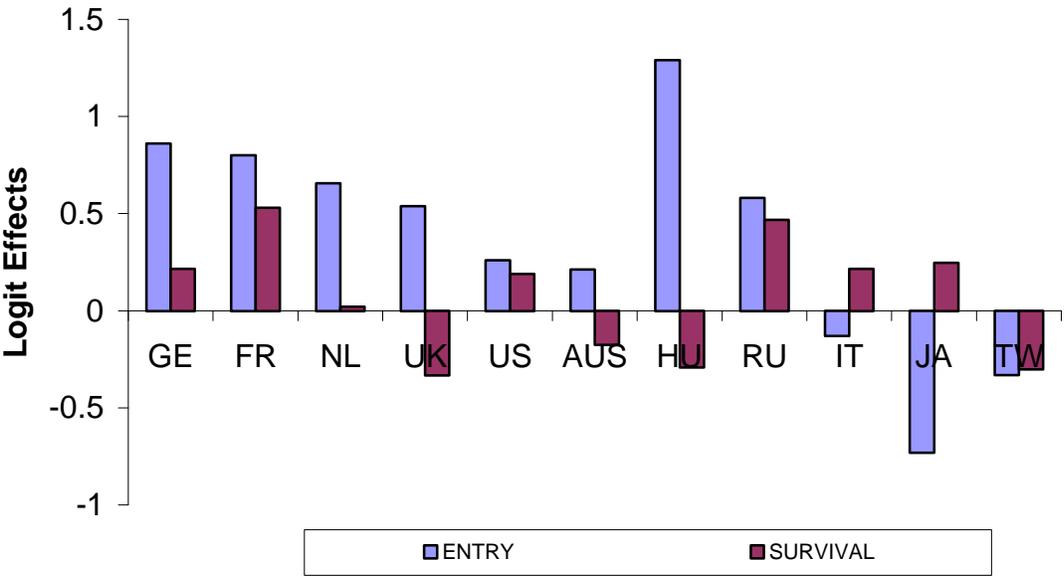


Note: Russia not shown.

**Figure 1.4: Gender Differences in Quality of Self-Employment**

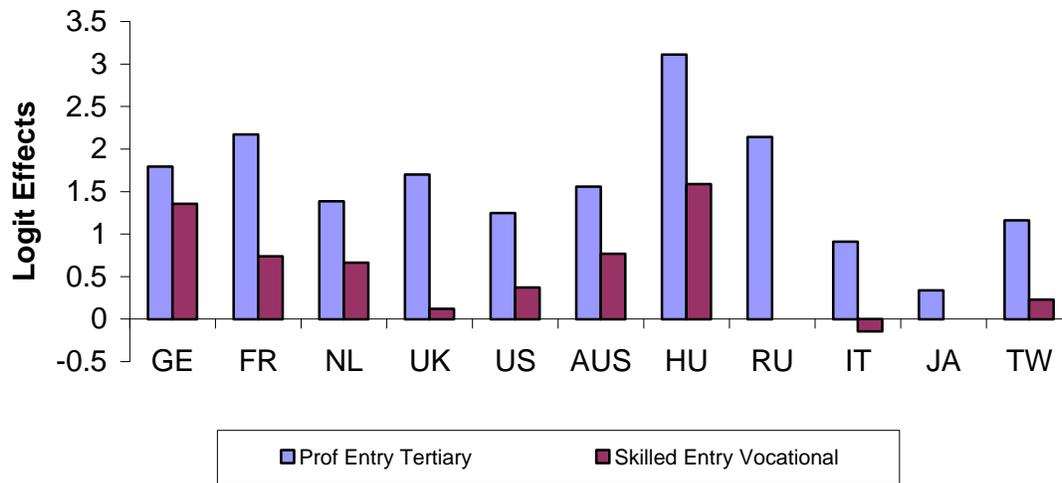


**Figure 1.5: Effects of Tertiary Education on Self-Employment Entry and Survival**



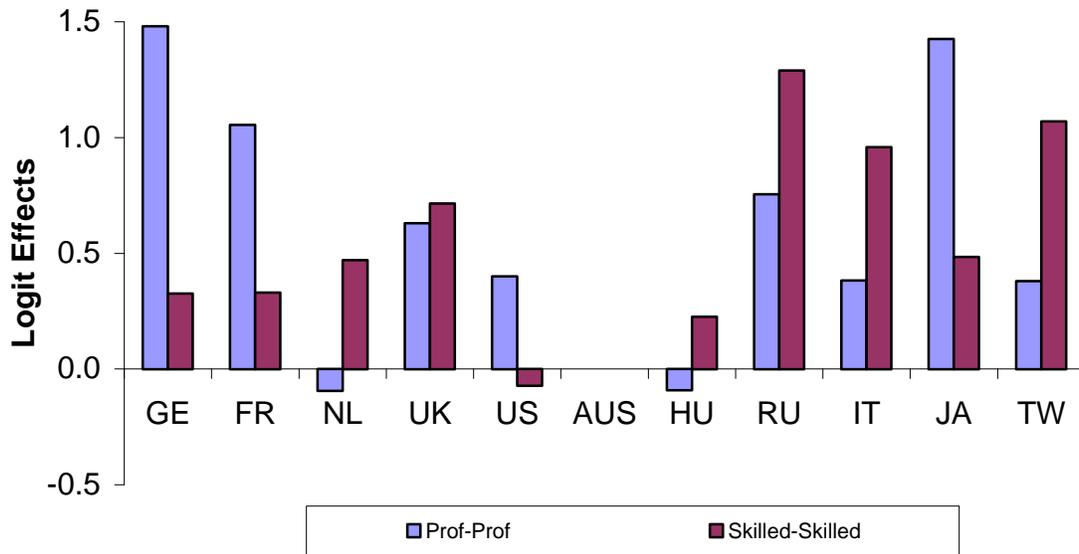


**Figure 1.6: Tertiary and Vocational Education Effects on Entry into Specific Self-Employment Categories**



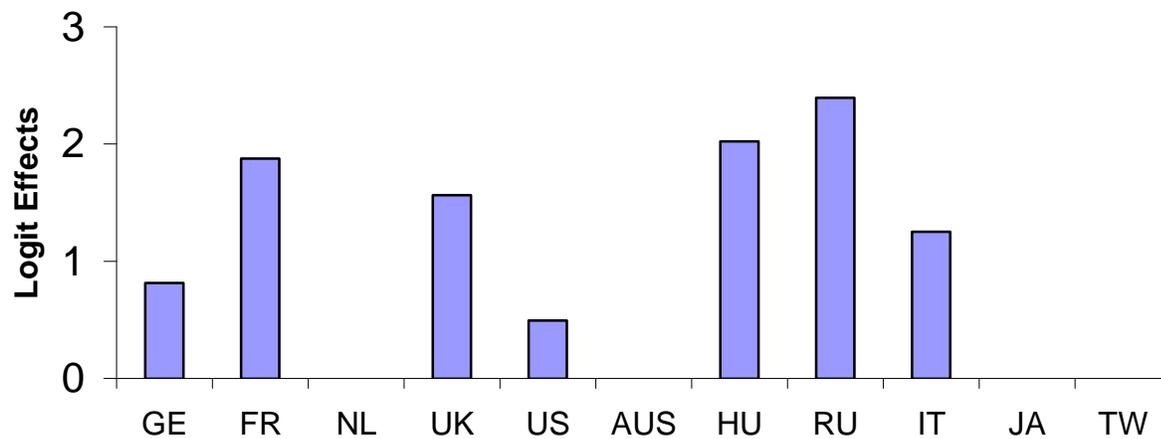
Vocational skilled entry not estimated in Russia and Japan.

**Figure 1.7: Occupational Stability on Entry**



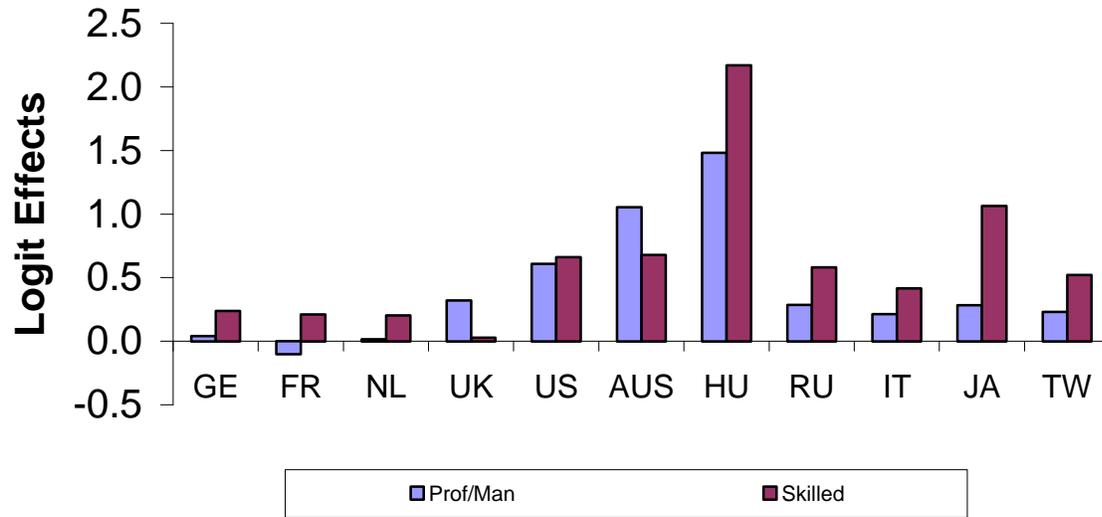
Prior occupation not estimated for Australia.

**Figure 1.8: Effects of Unemployment on Self-Employment Entry**

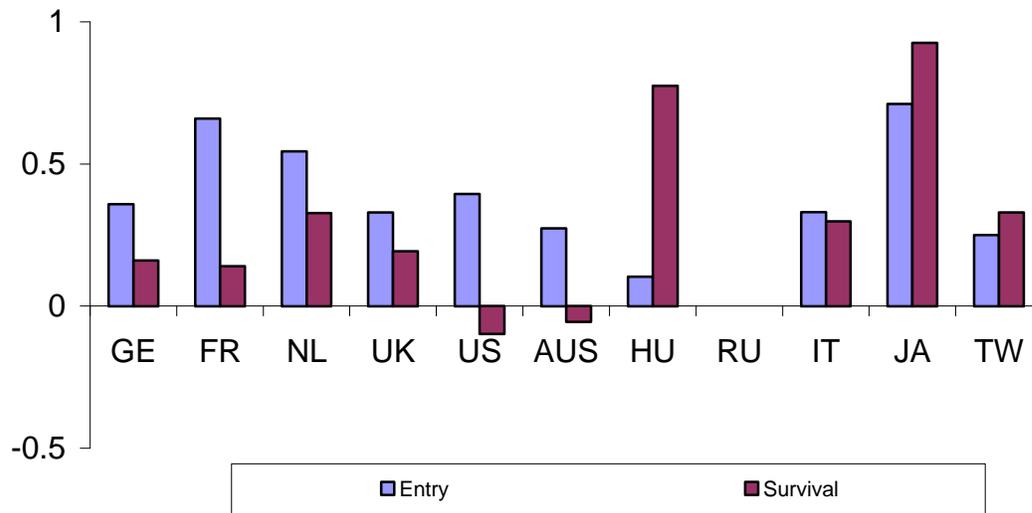


Not estimated for Netherlands, Australia, Japan and Taiwan.

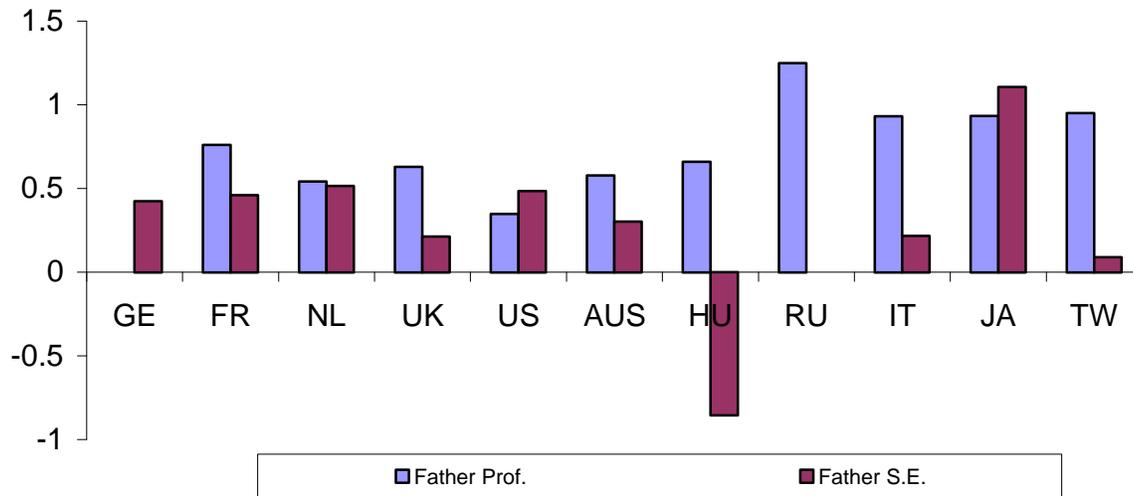
**Figure 1.9: Effects of Self-Employment Occupation on Survival**



**Figure 1.10: Effect of Father's Self-Employment on Entry and Survival**

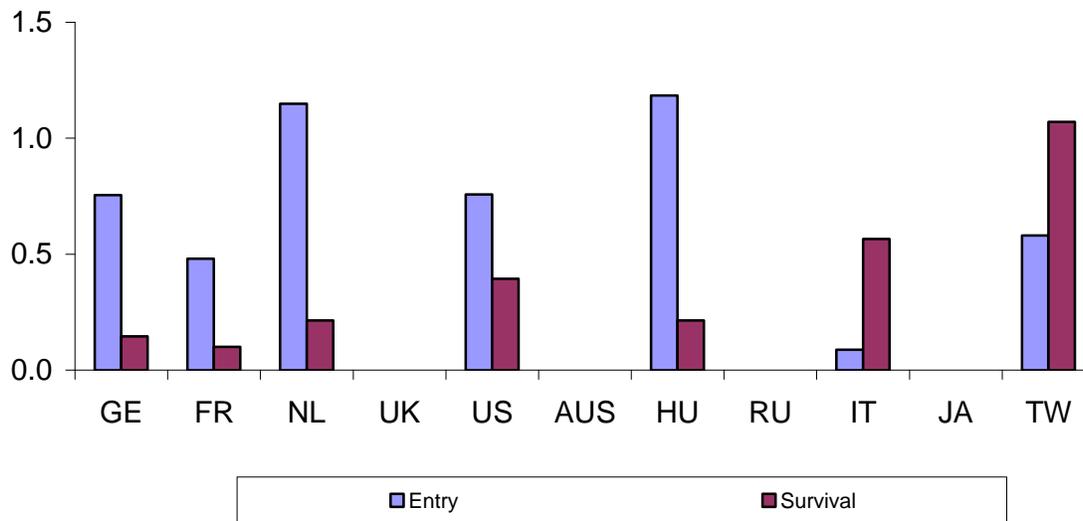


**Figure 1.11: Effects of Social Origin on Professional Self-Employment Entry**



Effects of father's self-employment not estimated in Russia.

**Figure 1.12: Effect of Spouse's Self-Employment on Entry and Survival**



Effects of spousal self-employment not estimated for United Kingdom, Australia, Russia and Japan.

**Figure 1.13: Effects of Male Gender on Self-Employment Entry and Survival**

