

## **SUBMITTED VERSION**

### **Guest Editors' Overview:**

#### **Self-employment in a rapidly changing world of work**

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##### ***Citation of published manuscript***

Damman, M. and Von Bonsdorff, M. (2021), "Guest editorial. Self-employment in a rapidly changing world of work ", *International Journal of Manpower*, Vol. 42 No. 2, pp. 213-218. <https://doi.org/10.1108/IJM-05-2021-559>

##### ***Acknowledgments***

The guest editors wish to thank all authors and anonymous reviewers for their contributions to the Special Issue. Your work has been invaluable to us. Furthermore, the editors would like to thank Professor Adrian Ziderman, Editor-in-Chief of the *International Journal of Manpower*, for his support.

##### ***Funding***

This work was supported by the Netherlands Organization for Scientific Research (NWO) [VENI Grant 451-17-005 to M.D.], Netspar, and the Academy of Finland [320367, 326992 and 335539 to M.v.B].

## Guest Editors' Overview

### **Self-employment in a rapidly changing world of work**

The world of work is changing rapidly. So-called megatrends such as globalization, technological development, and population ageing have an important impact on labour markets across OECD countries. Also the expansion of novel digitalized business models and changing preferences of individuals are playing a role by shaping new forms of work (OECD, 2019). Even though many workers in OECD countries are still employed on a permanent full-time contract, non-standard work has become increasingly common (OECD, 2019). This Special Issue focuses on one group of non-standard workers – self-employed individuals – and aims to improve our understanding of who they are and how they fare in the rapidly changing world of work. In this guest editors' overview we provide a broad introduction to the topic, briefly summarize the Special Issue papers, and reflect upon potential directions for future research.

It should be acknowledged that currently the world of work is not only changing rapidly because of the aforementioned megatrends, but also because of the COVID-19 crisis, which has significant implications for economies and working life across the world. All articles included in this Special Issue were written, however, before the outbreak of this crisis. It is left to future research to study the new questions resulting from the COVID-19 crisis in depth.

### ***Understanding self-employment in the context of change***

Self-employed individuals can be defined as persons “who own and work in their own business” (OECD, 2017, p.110). The term self-employment, therefore, refers to the employment of both employers and individuals who work for themselves (and also includes – at least in the OECD definition – unpaid family workers and members of producers' co-operatives). A considerable share of total employment is conducted by self-employed individuals. Across European Union countries about one in seven workers is self-employed (15.3 percent). The self-employment rate is a bit higher among men (18.6 percent) than among women (11.4 percent) (OECD, 2020b).

Self-employment – and in particular entrepreneurship – is often perceived as an important source of innovation and job creation (Eurofound, 2017). In many ways, entrepreneurship has been portrayed as a solution to boost dwindling economies, or to offer employment for those entering the job market as well as for those who are at the end of their work career. Drawing on these trends, studying how self-employed persons fare and how their businesses operate, is of increasing interest among scholars. How do individuals experience the transition into self-employment? What factors determine the performance of recently started businesses? Furthermore, questions arise about how the aforementioned megatrends shape

work practices of the self-employed. On the one hand, for self-employed individuals, the globalisation and digitalisation may result in more opportunities, for instance, because of easy access to foreign markets. On the other hand, the trends may pose challenges. For example, more investments in education and training of both self-employed and wage-and-salary workers may be necessary to keep knowledge and skills up-to-date during their longer working lives in a fast changing context. And given workforce ageing, questions arise regarding how self-employed persons think about and prepare for retirement, and in what way they (expect to) exit their businesses during later life.

Another way in which the changing world of work shapes the self-employment research agenda, is by altering the composition of the group of self-employed individuals: “self-employment has become more varied” (Eurofound, 2017, p.1). The share of self-employed workers without employees as a percentage of total employment is increasing in various European countries (Eurofound, 2017), and across Europe the ratio of solo self-employed persons to the self-employed with employees is growing (Conen, Schippers, & Schulze Buschoff, 2016). Furthermore, new forms of organizing work, such as platform and gig work – although still a small segment of the labour market – are becoming more common (OECD, 2019). This is partly due to digitalised business models that are relatively likely to employ workers as self-employed individuals rather than as standard employees. There is an increasing grey zone of forms of work that are labelled as self-employment, but actually reflect forms of work in-between self-employment and dependent employment (OECD, 2019). Individuals who may not be entrepreneurs in the purest sense may be driven into self-employment. This raises concerns, for instance, because self-employed workers face lower levels of social protection as compared to traditional employees. As such, self-employment may become a form of precarious work (Conen & Schippers, 2019). How do the solo self-employed differ from self-employed persons with personnel and employees in terms of their financial position, well-being, and levels of preparation for an unknown future? Which workers are likely to work in dependent self-employment?

The current Special Issue brings together six empirical studies addressing a large variety of pressing questions on the topic of self-employment. It captures research questions about the life satisfaction and health of self-employed individuals, about their firm-performance, and about their ideas regarding future retirement. Also questions related to new forms of self-employment are captured, by focusing on employment opportunities offered by platform work, and on false self-employment (i.e., solo self-employed workers performing their tasks under supervision of a firm). The studies are conducted in different country contexts (Australia, the Netherlands, and the United States), and employ different data sources to study the research questions ranging from survey data to system data of a platform firm. As such, the Special Issue paints a broad picture about antecedents of self-employment and experiences of the self-employed in different countries.

### *Overview of the Special Issue*

In the first paper of this Special Issue, Safiya Alshibani and Thierry Volery focus on the life satisfaction of individuals who transition from paid employment into self-employment. Specifically, the authors examine how perceived social support – which is expected to be an important resource to deal with stressful situations that may accompany the start of a business – affects life satisfaction during the process of entrepreneurship entry. The study is based on 16 Waves of the Household Income and Labour Dynamics in Australia (HILDA) survey and focuses on individuals who changed their employment status from paid employment to self-employment. These individuals were followed for up to five years after their entry into self-employment. Latent growth curve modelling was used to test the hypotheses. The findings show that during the process of entrepreneurship entry, the initial perception and the evolution of perceived social support are both positively associated with life satisfaction over time. These findings suggest that it is important for early entrepreneurs to have a strong social network, which can help them to deal with the challenges they encounter during their business start-up phase.

The second paper, written by Erica Bettac and Tahira Probst, focuses on the question whether the relationship between work-family conflict and health/ sleep-related outcomes differs between employees and self-employed individuals. The authors generally expect that the impact of work-family conflict on the studied outcomes would be stronger for self-employed individuals as compared to employees. This is, amongst other things, because the self-employed are responsible themselves to adequately balance work and non-work roles, whereas employees often have an organisational support structure they can rely on. Anonymous Mechanical Turk survey data from a US adult worker sample were analysed to test the study hypotheses. The findings show that work-family conflict relates to higher levels of sleep disturbances and physical health complaints, and these relationships appear to be stronger for self-employed individuals as compared to employees. Moreover, these findings differed between incorporated and unincorporated self-employed workers. For incorporated self-employed individuals, the impact of work-family conflict on the studied outcomes was found to be stronger than for unincorporated self-employed workers. The findings highlight that whereas in the popular press the positive dimensions of self-employment are frequently emphasised, also the potential downsides in terms of health and sleep outcomes in response to work-family conflict should receive attention.

In the third paper, Pi-Shen Seet, Noel Lindsay, and Fredric Kropp examine how different individual-level and firm-level factors relate to the performance of early-stage micro and small business ventures. The authors argue that in particular in the early formative phases of business development, not only firm-level factors can be expected to affect performance, but founders can be expected to have an important influence on their firms as well. The paper presents and validates a theoretical model linking

individual characteristics of the founding or lead innovative entrepreneur (values, entrepreneurial attitudes, entrepreneurial self-efficacy) to the entrepreneurial and market orientation of the firm and, in the end, to firm performance. To evaluate the model, survey data collected among founders of South Australian early-stage micro and small enterprises were analysed using structural equation modelling techniques. The authors found that there is a relationship between the individual lead entrepreneur and firm strategies of early-stage firms in explaining firm performance. The analyses also support the expectation that a better understanding of firm performance is realized, when studying individual and firm-level factors simultaneously. As such the study makes an important contribution to the literature, by integrating different strands of entrepreneurship research, resulting in a better understanding of new venture creation and performance.

Paper four of the Special Issue, authored by Dieuwke Zwier, Marleen Damman, and Swenneke van den Heuvel, focuses on the ideas that self-employed individuals have about their timing of retirement. Given policy discussions about extending working lives, improving our understanding of retirement timing of self-employed workers is highly relevant. Most of the research about retirement processes is focused on employees. The study examines how retirement timing preferences differ between solo self-employed individuals and employees, and whether job characteristics that are typically different for the self-employed and employees (e.g., flexibility, autonomy) relate to these differences in retirement preferences. Hypotheses are tested by analysing data of the Dutch Study on Transitions in Employment, Ability, and Motivation (STREAM), which include solo self-employed workers and employees in the age range 45-64 years. The findings show that the self-employed are more likely than employees to prefer late retirement, which can partly be explained by their higher levels of workplace flexibility. Also the self-employed are more likely than employees not to know until what age they would like to continue working. Given the increasingly flexible labour market, for policy discussions about retirement these insights regarding how solo self-employed workers view their retirement are highly relevant.

Paul Jonker-Hoffren focuses in the fifth contribution on self-employed persons operating in the digital platform economy. In his study, he asks which factors can influence the employment potential for self-employed workers operating on a lean platform. After describing scientific literature about digital platforms and their development over time, nonparametric tests are used to analyse large-scale system data of a specific Dutch platform firm. These unique data – which can be labelled Big Data given that they are generated as a by-product of platform transactions – include consumers looking for painters and self-employed painters who pursue client acquisition by submitting proposals. The study describes in detail how the platform operates. The research findings suggest that platforms can act as means of acquisition among the self-employed by digitally matching demand and supply. While the study does not

focus on the experiences and motivations of platform workers, it adds important knowledge about the role of platforms in customer acquisition for self-employed individuals.

In the final paper, Lian Kösters and Wendy Smits focus on solo self-employed workers, who actually perform their tasks under supervision of a firm, as if they were an employee (i.e., on false self-employment). The authors propose that false self-employment may result either from workers being pushed into self-employment by employers, or from workers being pulled into self-employment because it offers them the opportunity to earn more money. Based on data from the Dutch Labour Force Survey, this study examines which workers – in terms of occupational characteristics – are relatively likely to have a false self-employment arrangement (versus a standard or non-standard employee contract). Results based on multinomial logit models show that false solo self-employment arrangements (i.e., being organizationally dependent) are relatively likely to be found among the (lower) middle paid occupations. Also among the highest paid occupations, the likelihood of false solo self-employment is relatively high, but only if both economic and organizational dependency are taken as indicators of false self-employment. In general, the study suggests that the false self-employed are rather heterogeneous in terms of their occupational characteristics, which is an important finding in light of policy discussions about how to reduce the prevalence of false self-employment.

### ***Future Directions***

By bringing together six empirical studies addressing a large variety of pressing questions on the topic of self-employment, this Special Issue aimed to improve our understanding of who the self-employed are and how they fare in the changing world of work. The papers focus on highly different research topics, using different data sources and are based on different country contexts. In the papers, specific recommendations for future research are discussed with regard to the respective research topics. By putting the papers together, however, also some overarching observations can be made. These general observations and potential implications for future research will be described in this concluding section.

A first relevant observation based on the Special Issue is that the topic of self-employment is multidisciplinary and of interest for researchers from many different research fields. For instance, the Special Issue captures contributions from researchers with a background in entrepreneurship and business research, but also includes contributions of psychologists and sociologists. On the one hand, bringing these papers together in one Special Issue shows that some common themes are put forward by studies from different traditions. For example, the notion that self-employment is generally characterized by both beneficial (e.g., flexibility, autonomy) and non-beneficial (e.g., work insecurity, work family conflict) work characteristics is reflected in several of the Special Issue contributions. On the other hand, bringing the papers together also shows the large heterogeneity in terminology used (e.g., self-employed without

employees, solo self-employed workers, own account workers, unincorporated self-employed individuals, sole traders) and ways in which self-employment is studied. For future research, it is advised to keep crossing disciplinary boundaries, learn from other disciplines, and as such work on a comprehensive understanding of self-employment.

Second, the studies included in the Special Issue reflect the large heterogeneity of individuals who all can be perceived as being self-employed. The group of self-employed is highly diverse: it includes self-employed persons with and without personnel, it ranges from successful entrepreneurs to marginalized workers, and it covers highly different employment sectors. The Special Issue contributions show that there are different ways in which research can pay attention to the heterogeneity within the self-employed group. Some of the Special Issue studies focus solely on self-employed individuals and focus on how they differ (e.g., in terms of entrepreneurial attitudes) and how that affects specific outcomes. Other studies compare different groups of self-employed individuals (e.g., incorporated versus unincorporated) with one another and with employees. And again other studies contrast very specific groups of self-employed individuals (e.g., solo self-employed, false self-employed) with (different types of) employees. It is important to acknowledge that a lot of studies only focus on part of the puzzle, and to be careful with generalizing the findings to the self-employed more broadly. Paying more attention to the heterogeneity within specific self-employed groups (e.g., among the solo self-employed, cf. Conen, Schippers, & Schulze Buschoff, 2016), distinguishing more detailed clusters of self-employed persons (cf. Eurofound, 2017), or even redefining employment categories to better reflect emerging hybrid areas of work (cf. Murgia et al., 2020) may be relevant for future research. As such, it will also be valuable to supplement typical quantitative survey data with other data sources (e.g., large-scale system data, qualitative studies) in order to reach understudied groups.

Third, even though the focus of the different Special Issue papers varied largely, many Special Issue contributions paid attention (mainly as control variables) to the role of demographic variables – such as gender and age – for understanding outcomes among the self-employed. These factors often prove to be of importance, either by having main effects on the outcome variables or by moderating the impact of other predictors. For future research, it may be relevant to study these factors even more in depth. Especially in light of the increasing labour force participation of women and the trend of population ageing, understanding self-employment related questions by gender or age group may be essential. For young self-employed workers, different factors may be of importance, and different questions may be relevant than for older self-employed workers. For instance, even though it remains still a relatively understudied topic, there seems to be increasing attention in the literature for self-employment during later life and related questions regarding business exit and retirement (e.g., Karlsson, Backman, & Kekezi, 2019; Sappleton & Lourenço, 2015).

Finally, it should be noted that the Special Issue papers were already written before the COVID-19 crisis started. This is not only a crisis in terms of health, but also has a great impact on the economy and the labour market (see, for instance, OECD, 2020a), and can be expected to have a major impact on numerous self-employed individuals. Many self-employed individuals had to substantially reduce their work hours, or were not able to work at all at the start of the crisis (e.g., in the culture sector). Governments have taken measures to provide financial support, but an important question is which businesses will survive, and what implications the COVID-19 crisis will have for different types of self-employed workers in the long run. As mentioned by the OECD (2020a), the crisis has put structural labour market problems under the spotlight. Better insights into these structural problems – accentuated by the COVID-19 crisis – are important to inform directions for future policy design.



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