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## Precarious work

## Risk, choice and poverty traps

Robert MacDonald

The boundaries between work and non-work are becoming more fluid. Flexible, pluralized forms of underemployment are spreading..

(Beck 1992: 142)

## Introduction

The facts of how youth transitions in western, industrialized societies have been radically restructured over the latter third of the twentieth century – and the consequences of this for young people – are well known. The extenuation, fragmentation, and increasing individualization and complexity of pathways to adulthood is the stuff of many contemporary studies of young people's lives. Less well understood is the significance of precarious work for young people under these changed conditions.

In general terms, global economic changes have seen the declining importance of youth employment, with labour market entry suspended pending lengthier periods of post-compulsory education. In the vision of a new, high-tech, knowledge economy offered by politicians, policy-makers and social commentators, professional and higher skilled employment dominates and low/no skill jobs disappear. Extended engagement in higher level education provides the expanded institutional pathway to this new world of work.

In considering the topic of young adults and precarious work, therefore, we are able to focus on particular, youth-related questions about changing transitions as well as broader sociological ones about change (and continuity) in the sphere of work and employment in late modernity. Because of youth's status as harbinger of the future, the nature of the younger generation's engagement in 'new' forms of employment has relevance beyond the sphere of youth studies.

First, the chapter considers the prevailing wisdom that standard forms of regular employment in stable jobs (taken to be typical of post-war, Fordist society) are being replaced by flexible forms of precarious employment that are now, in turn, seen as emblematic of late modern capitalism. Influential writers like Beck (1992) speak of the general social proliferation of risk, overriding older social divisions and certainties; rising

precarious employment affects all sorts of work and workers. This chapter examines evidence about the social distribution of precarious employment. Second, it asks whether insecure jobs provide stepping stones to more secure ones or traps which curtail biographical and social mobility. Third, patterns of choice and constraint that lie behind precarious employment are discussed. Fourth, the chapter examines the experience of doing this sort of work, with reference to qualitative youth and community studies, before considering the questions thrown up by this discussion, in conclusion.

### The growth of precarious work?

Beck has argued that the shift from a 'system of standardized full employment to the system of flexible and pluralized underemployment' (1992: 140) is indicative of late modern capitalism. The current and coming conditions of the industrialized societies are ones in which standard, stable, lasting, Fordist employment declines and flexible, impermanent forms of work proliferate. 'Contingent', 'atypical', 'non-traditional', 'non-standard', and 'insecure' work are commonly used (near) synonyms for precarious employment. As we will see, however, there are important category differences here. Narrow definitions of 'precarious' employment tend to focus on its contractual status (temporary or permanent) and/or on length of job tenure. Others, like Vosko (2006: 3), prefer wider definitions in which impermanence is only one element. Referring to Canadian research, he states: 'Precarious employment encompasses forms of work involving limited social benefits and statutory entitlements, job insecurity, low wages, and high risks of ill-health.'

Countering the social theoretical orthodoxy, some question whether rates of precarious employment, as narrowly defined, really are rising ('non-standard' employment – such as part-time work and self-employment – have shown greater upwards trends than, for instance, temporary employment; Butler and Watt 2007). According to a stinging essay by Fevre (2007), the idea of a new age of employment insecurity is a myth. He criticizes social theorists (citing Beck but also Sennett, Castells and Giddens) who have popularized the widely held but false notion that employment is increasingly short-term and unstable. Reviewing labour force survey data from the USA, the UK and continental Europe, he says, *inter alia*, that average job tenure has not declined, that workers' feelings of insecurity have and that there is some evidence that rates of long-term employment are growing. For instance, he reports that the proportion of UK non-permanent employees was lower in 2006 (5.8 per cent) than in 1997 (8 per cent) and a downward trend in 'contingent' employment in the USA between 1995 and 2001. He does find some statistical evidence for a gradual increase in temporary employment in some affluent countries but not in the USA and the UK, those more liberal, deregulated labour market regimes said by social theorists to characterize the age of insecurity. Turning his guns more directly toward the theorists he names, he says: 'it has not been employment that has become insecure and flexible but social theory' that claims to describe social developments 'without undertaking empirical research' (ibid.: 531).

Further, empirically based arguments against the employment insecurity thesis come from an International Labour Office study of industrialized countries (Auer and Cazes 2003). It concludes that long-term employment relationships remain the norm for most European workers with no obvious trend toward their erosion. The proportion of longer-term, stable jobs is lower in the USA but again there does not appear to be a downward

trend in these. Segmented, core-periphery labour markets are evident in industrialized countries but the proportions of workers in each segment generally remains constant.

Even if there appears to be limited evidence of a general rise in precarious work, importantly for our discussion, it is among younger and less educated workers that most insecurity is found (Cam *et al.* 2003). Average job tenure for 15–24 year-olds has declined in several industrialized countries over the past decade (Auer and Cazes 2003). From research in South-west England, Fenton and Dermott found the same in their survey-based testing of the 'fragmented employment' thesis. They found relative stability and permanency in the labour market careers of the majority of their sample. They add, however, that there was 'a sizeable minority, mostly of low paid workers whose working lives [were] discontinuous and fragmented ... employment fragmentation is concentrated among young adults with less education and in lower status, lower paid occupations' (2006: 205).

### Stepping stones or traps? And is precarious work new?

Reflecting on the evidence of young people's disproportionate involvement in precarious work, Auer and Cazes (2003: 35) wonder whether: 'young people have to "queue" in temporary jobs while waiting for a permanent job or whether they are "trapped" in insecure, secondary jobs with no bridge to stable employment'. While acknowledging the limits of their evidence, they suggest that, because 'youth' is inherently temporary, 'younger workers would only temporarily be "outsiders" of the labour market'. The implication is that even if labour market insecurity is an increasing phenomenon for younger workers it is a passing one. Individuals will, in time, move through these jobs to more permanent ones. Quintini *et al.*'s summary of youth transitions in OECD countries, sides with this 'stepping stones' thesis (2007: 7):

Unsurprisingly, youth represent a high proportion of new hires and job changers [and job quits] ... youth tend to change jobs more frequently at the beginning of their career in search for the best possible match between their skills and those required by employers ... this is just part of the natural dynamics of settling into the world of work.

This interpretation of precariousness as part of the natural dynamics of transitions to the labour market clearly stands at odds with grander social theoretical narratives of work insecurity as the leitmotif of a new age of risk. Theories of late or post-modernity can be criticized for overstating social discontinuity. Pollock (2002) argues that the under-employment said to be typical of a new risk society was not uncommon for youth in the earlier twentieth century. It was the post-war, 20-year period of full, regular employment that Pollock sees as anomalous in recent history; 'labour market conditions that existed before this time and since are quite similar' (ibid.: 174). Beynon *et al.* (1994: 160) make a similar point: some working practices now labelled as post-Fordist actually represent 'a return to the undesirable past practices' typical of pre-Fordism.

Importantly, Quintini *et al.* (2007: 20), in reviewing contemporary evidence, describe how:

The youth labour market is characterised by much turnover ... some young people, particularly those with low educational attainment, can find it very hard to escape from spells of unemployment/inactivity punctuated by spells of employment, often

on temporary contracts. Many others, however, progress fairly smoothly into jobs with good career prospects.

This dynamic viewpoint requires us to consider how an episode of employment fits into longer-term labour market careers. In this sense, precarious employment is just part of a wider experience of economic marginality and instability typified by movement between different states. The flux, uncertainty and precariousness of *transitions* – rather than solely of *employment* – become significant. For this reason, academic and policy focus on discrete episodes and rigid categories (such as those who are 'not in employment, education or training') misses the way that disadvantaged young people can 'churn' around these categories (MacDonald and Marsh 2005).

### Precarious work through choice?

Some theories of risk and insecurity celebrate the opportunities for individual choice that 'portfolio working' and 'employment entrepreneurship' bring, as part of the active advancement of working lives (Handy 1994). Empirical studies tend to adopt a less positive tone. For instance, research on the cleaning, catering and security industries concluded that the greatest negative impact of precarious work comes to those at the bottom of the labour market. Here 'employment risk is something which traps, whereas for those with tradable skills higher up the income scale, risk may open up more opportunities than it closes down' (Allen and Henry 1997: 194, cited in Butler and Watt 2007: 137).

Similarly, the balance between individual choice and constraining social circumstance is crucial in understanding the meaning of precarious work. That young adults may have *socially divided* experiences of early adulthood (including this sort of work) is crucial to the debate between Bynner (2005) and Arnett (2006) about the validity of the latter's concept of a *general* phase of 'emerging adulthood'. Can young people's more fluid, uncertain movement around different labour market situations be understood as an expression of the 'choice biographies' said to be emergent under late modernity? Do they opt for 'non-standard employment to help maintain leisure-focused life-styles and as part of a strategy to avoid long-term commitment' (Furlong and Cartmel 2007: 43)? The answer depends on *who* it is that is doing the precarious work. Middle-class students 'paying their way' through university may do lower quality jobs to finance study and leisure, knowing that this employment is neither enduring nor constitutive of their transitions. For less advantaged young adults, denied greater room for post-16 manoeuvre, precarious employment can be a more serious and lasting affair that comes to *define* their labour market transitions and outcomes.

For such young adults, precarious work also tends to carry negative characteristics beyond its insecurity (hence some researchers' wider definitions of it). Typically, these are also low paid, low skilled and with poor terms and conditions of employment (e.g. lack of training or holiday, maternity and sickness entitlements). In the lower reaches of the labour market, the push to greater employment 'flexibility' (e.g. in terms of pay, worker roles and worker numbers) can slide into casualization. Felstead and Jewson (1999: 3) comment that 'the surge of non-standard work' in the UK 'is associated with rock-bottom wages, coercive management, intensified labour processes, unsocial hours and high rates of job turnover'. This neatly encapsulates the forms of casualized, 'poor work' reported in some recent UK studies.

## The experience of precarious employment

### Poor transitions in Teesside

The Teesside studies of youth transition and social exclusion, in which the author has participated, have documented the nature of 'poor work' for 15–25 year-olds growing up in some of Britain's poorest neighbourhoods (e.g. Johnston *et al.* 2000; MacDonald and Marsh 2005). Qualitative studies revealed complexity and change in these working-class young adults' lives but also how they were united by common, ongoing experiences of poverty in which precarious 'poor work' was central and causative.

Post-school labour market transitions were typified by rapid movement around poor quality and often unfinished training and educational courses, unemployment and low-paid, low/no skill jobs. Long-standing class-cultural values and practices framed how people got jobs and what they thought of them. Informal, localized, word-of-mouth job-seeking strategies predominated. The effective labour market for these poorly qualified young people became the sorts of lower quality jobs already done by those they knew. Yet, young adults displayed remarkably strong and enduring commitment to employment, despite recurrent encounters with poor work.

Interviewees often could not say definitively whether a job had been formally permanent or temporary (many worked without written contracts). Their haziness also extended to the reasons why jobs ceased. Typically, their *experience* of these jobs was that they were temporary and not ended of their own volition. Being 'laid off', 'cancelled', 'sacked' or 'made redundant' were phrases used interchangeably and probably often wrongly to describe the loss of their jobs. For most, the job was simply not there for them any longer and they were not sure why this was the case. There was an implicit, weary acceptance that most jobs would be like this.

The Teesside studies show that low level, poor work has not been eradicated by the supposed shift to a new, high skill, information economy. Caring, cleaning, security, labouring and serving jobs (in shops and bars) were common for these interviewees, as was unskilled employment in food processing and textile factories. A more representative, UK national survey also reminds us that: 'there are substantial numbers of jobs at the lower end of the labour market with limited skills requirements despite the professionalization of employment in recent years' (Green and Owen 2006: ix).

Crucially, the stuttering labour market careers of the Teesside young adults did not lead onwards and upwards away from poverty. A follow up study of some of the sample as they reached their late twenties (Webster *et al.* 2004) concluded that the forms of precarious, poor work encountered in the late teenage years were ones that lasted. Contrary to the 'stepping stones' thesis noted earlier, MacDonald and Marsh (2005: 111–12) argue that these forms of work were not indicative of 'a separate *youth* labour market but a secondary labour market marked by the poorest conditions of work and pervasive unemployment and underemployment, to which many working-class people are now confined, regardless of age'.

### The working poor: life at the bottom of the labour market

There are few empirical studies available to confirm the Teesside researchers' refutation of 'the stepping stones' thesis. This would require larger, contemporary, longitudinal studies of the progress of cohorts of young workers as they reached their twenties (and

beyond) which were focused enough to include sizeable proportions of the most socially disadvantaged. Some supporting evidence can be found. Furlong and Cartmel's (2004: 27) examination of the labour market careers of disadvantaged young men in Scotland found a similar pattern of precarious employment shaping labour market marginality:

Their main problem was not finding work, but keeping it. This employment insecurity tended not to reflect negative attitudes ... or necessarily a lack of skills; it was almost entirely a consequence of the 'flexible' nature of low skilled employment in modern Britain.

Ethnographic and qualitative investigations of poverty and social exclusion also point to the role of low-paid, insecure work in entrapping people in those conditions. Indeed, the conditions of poor work are critical to understanding the problem of poverty in the USA. For instance, Barbara Ehrenreich (2002) worked undercover in a range of low-paid jobs, reporting the sheer daily grind and inability to make one's way that faces 'the working poor' in America. Using a similar method, Polly Toynbee's account of life in low-pay Britain makes the following point:

Low pay is also fair enough if these jobs can be labelled 'entry-level', just a first step on a ladder. But it is now clear that very few of those in low-paid jobs can ever move far ... few make it to the next step. They inhabit a cycle of no-pay/low-pay job insecurity. This indeed is the end of social progress.

(2003: 5-6)

David Smith's (2005) ethnographic study of white, working-class residents of an outer London housing estate captures the impact of a polarized, post-industrial labour market, particularly for younger generations. His findings are strikingly similar to those of the Teesside researchers:

Practically all of those interviewed had considerable experience of entry-level jobs in the formal economy after leaving school ... few of these ... resulted in stable, reasonably paid work, the typical trajectory being into work patterns increasingly characterised by short-term, low-paid jobs.

(ibid.: 95)

Thus, 'transience' became a 'definitive feature' of working lives for 'the irregular and low-paid workforce' (ibid.: 96). This study also reveals the significance of informal, cash-in-hand employment for those at the margins of the labour market. Informal work shades into formal work and, because of the bonds of trust in the networks that distributed each type of work, taking up cash-in-hand jobs can be a more reliable conduit to formal employment than official, employment service job-search strategies. Smith does not romanticize these informal jobs. They were often poorly paid and irregular and sometimes hard and exploitative; like those in the formal economy.

Smith's work shows, contrary to the dominant political discourse in the UK, that inclusion in paid employment does not signal social inclusion. Indeed, Byrne argues that low-paid work punctuated by unemployment 'represents the most significant kind of excluded life in our sort of society' (1999: 74). Byrne's theoretical discussion resonates with the details of Smith's study (and those of the Teesside researchers): episodic

unemployment, job insecurity and poor work have become common *working-class* experiences, rather than the preserve of an underclass stranded beneath them.

Returning to theories of risk and individualization in respect of complex youth transitions, Furlong and Cartmel (2007: 35) argue that: 'the seemingly individualized churn within the precarious sector of the labour market can perhaps be regarded as part of a new set of class-based experiences'. The evidence from national and international surveys of precarious work shows that it is less educated and younger workers that take the brunt of precarious employment. Evidence from qualitative, community-based studies (e.g. in Teesside and London) show how engagement in precarious, poor work *reflects* and *adds* to class-based disadvantage. Some of the Teesside interviewees described, for instance, how recurrent poor work 'cooled out' already modest employment aspirations. Repeated employment that provided no training and limited quality work experience 'scarred' labour market careers and made individuals increasingly unattractive to prospective employers with better jobs to offer. The longer the record of intermittent, low-level employment the less likely an individual is to access stable and higher level jobs. In other words, recurrent poor work spells cumulative disadvantage and further socio-economic marginalization. As McKnight points out (2002: 98), over the past 25 years the number and proportion of low-paid jobs have *increased* in the UK but the relative earnings of low-paid workers have fallen. She describes a low-pay/no pay cycle in which the low paid are more likely (than others) to be unemployed in the future *and* to re-enter low-paid work. Thus, for those disadvantaged workers at the bottom of labour market in industrialized societies like the UK and the USA, 'the precarious nature of many low-paid jobs' means that getting 'a job may only represent a turn in the cycle of poverty' (ibid.: 98). This analysis, like the others cited in this section, offers little support for the idea that precarious work might offer stepping stones out of poverty for disadvantaged young adults.

## Conclusion

What can we conclude? Bold visions of epochal, societal change can overlook contemporary empirical evidence (that seem to temper the generalized claims of theorists such as Beck) *and* evidence of insecure employment from earlier decades. Precarious employment has historically not been uncommon amongst semi- and unskilled workers in the UK (Pollock 2002). A career may be a middle-class expectation. One of the reasons that around half of the unskilled manual workers in Townsend's classic study (1979) were in poverty was because of the impermanence of their jobs.

The disjuncture between commonly held assumptions of rising rates of precarious employment and labour force surveys that cast doubt on these is partly explained by the gap between wide and narrow definitions. Quantitative surveys need fixed categories – and usually adopt narrow definitions of precarious employment – against which to measure social trends. Wider definitions would obviously generate greater prevalence but draw in messier, additional considerations that are less easy to capture statistically. Given the concentration of precarious employment amongst younger and less educated workers, one might also wonder about the reach and representativeness of labour force surveys on this question. Certainly the participants in the Teesside studies would have found it difficult to answer unequivocally survey questions about the nature of their employment (e.g. 'temporary or permanent?'), if they had ever received – and felt inclined – to answer them.

Issues of method may also help explain why precarious work is writ large in qualitative studies of the poor but appears oddly marginal in general surveys. The former zoom in to those places and populations where precarious work would seem to have grown in qualitative and quantitative significance over recent decades and where insecurity is just one negative feature of burgeoning poor work. Precarious work has a geography as well as a social demography. Thus, the averages produced by national labour surveys mask the higher significance of precarious work amongst economically marginal workers and neighbourhoods. Additionally, qualitative studies analyse the definitions and meanings that come from participants, who may be less concerned with technical, narrow definitions of precarious work and, instead, report their encounters with 'poor work' that is experienced as insecure and low paid and low skilled and low quality. Understandably, then, qualitative approaches present precarious work as more quantitatively abundant than do labour force surveys.

Regardless of the arguments about the prevalence of precarious work that can be had between social theory and empirical labour force data, a small number of recent, qualitative studies have revealed the growing importance of precarious work for the lives of some working-class young adults. These studies question the majority academic and policy viewpoint that precarious employment provides necessary and normal stepping stones into and then upwards in the labour market. The Teesside researchers argue that such jobs entrap young adults in economic marginality in the long term. They, like Smith and others, suggest that this pattern of employment insecurity underlying economic marginality has also become indicative of many working-class adults' experiences of the labour market in communities that, until recently, were built on skilled, lasting, regular employment. Maybe this is what is really new and most significant about precarious work? For some young people – growing up in localities stripped of traditional, employment routes to 'respectable', working-class adulthood – precarious, poor work has now become constitutive of lasting economic marginality and emblematic of longer-term processes of downward social mobility. Forthcoming research will test this thesis further, examining the labour market experiences of Teesside interviewees, now aged in their thirties (Shildrick *et al.* 2009). Longitudinal, qualitative research on these issues is rare but is perhaps the method best suited to understanding if, how and why – for perhaps only a minority of young adults – precarious work represents a 'new' route to lasting poverty and long-term marginality.

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## 21

## NEETs, freeters and flexibility

## Reflecting precarious situations in the new labour market

Akio Inui

## Changes in youth transition and precariousness

As the transition from school to work in industrialized countries has become longer and more complicated, young people's condition has become fluid and precarious. In some countries, youth unemployment has increased, as have the number of young people who work in casual jobs or who are categorized as 'inactive'. Furthermore, more young people are changing their working conditions on a frequent basis; moving between unemployment and temporary jobs or from being inactive to pursuing training and education. These increases have made it difficult to examine young people's condition using the traditional categories of employed and unemployed. Consequently, new categories, such as 'NEET' and 'freeter' have emerged.

In the UK, the term NEET (Not in Education, Employment or Training) was introduced in the early 1990s. Changes in UK policy disqualified 16 and 17 year-olds from claiming unemployment-related benefits and therefore the statistical category of 'unemployment' for this age group was removed. While the changes promoted increased educational participation and those without work faced pressure to join youth training programmes, there remained a considerable number of young people who were not in education, employment, or training. NEET was introduced as a new category to describe vulnerability and as a target for policy interventions (Furlong 2006).

In Japan, the term freeter has been used to refer to young part-time, and temporary workers (excluding student workers). Originally a slang term combining the words 'freelance' and 'arbeiter', (Arbeit being the German term for work) it was used to indicate a 'side job' ('McJob' or 'fiddly job' in the British literature). Although students frequently held part-time temporary positions, until the end of the 1980s most young people in Japan made smooth and direct transitions from school or university to relatively stable forms of employment. In the 1990s, transitions became much less stable and the number of freeters increased rapidly. At the end of the 1990s, the Japanese government began estimating the number of freeters, and the results were surprising. One estimate

showed that among 15–34 year-olds, the number increased from 1.01 million in 1992 to 2.09 million in 2002 (MHLW 2004). Another showed an increase from 1.83 million in 1990 to 4.18 million in 2001 (Cabinet Office 2003).

The discrepancy between the two estimates is a result of the adoption of different definitions of freeters. The lower estimate includes non-students working in part-time or temporary jobs, as well as those unemployed and seeking such jobs. The higher estimate includes almost all non-regular employment (including agency work), as well as all of those who are not working but who are seeking any type of employment. With the increase of non-standard forms of employment, increasingly unemployed people hoping for regular work are only able to gain employment as freeters.

In the early 2000s, the increase in the number of 'inactive' young people began to attract public attention and attempts were made to estimate the numbers defined as NEET. The Japanese NEET differs from the UK concept: in particular it excludes unemployed young people. As unemployment has increased and the average duration of unemployment lengthened, more unemployed young people have taken a break from job-seeking because of the physical and psychological stress brought about by unemployment. As a consequence, there has been a large increase in the number of young people not actively seeking jobs, but who want to work (Cabinet Office 2005). One fairly reliable estimate shows that the most rapidly increasing segment in the last decade is the 'potential unemployed' segment – those who are not currently seeking jobs but who want to work (*ibid.*).

## Flexibilization of employment and peripherization of the youth labour market

As Beck (2000) has suggested, people's working conditions in industrialized countries have changed dramatically in the past few decades; changes that have had a significant impact on young people. Flexibility is a key aspect of these changes. Flexibility takes a variety of forms: production flexibility, such as outsourcing various employment functions; wage system flexibility, such as reducing the statutory value of minimum wage and restricting fringe benefits to a smaller group of employees; employment flexibility, such as replacing regular workers with casual workers, contract workers, agency workers, and home workers; regulation flexibility (deregulation), such as prolonging the duration of probation and cutting down statutory severance pay. Almost any type of flexibility increases insecurity for working people and heightens wage inequality. The restructuring of employment contracts has also affected workers' conditions: in particular, the growth of the service sector is associated with greater reliance on casual and insecure employment.

Since the 1980s, both the average unemployment rate and the variety of non-regular work have increased. For example, the average incidence of part-time employment in OECD countries rose from 5.0 per cent in 1990 to 7.5 per cent in 2004 for males, and 19.7 per cent to 25.4 per cent for females (OECD 2005). Those who were most affected by flexibilization were young people: the average incidence of temporary employment among 15–24 year-olds (25.0 per cent in 2000) was more than three times higher than among 25–54 year-olds (OECD 2002).

Although the increase in insecurity among young people has been common across industrialized countries in the past few decades, differences exist between countries in the modes of the precariousness. In most European countries, for example, youth

unemployment began to increase from the late 1970s and early 1980s. In other countries, such as Australia, the increase of casualization among young people kept pace with, or even exceeded, the increase in unemployment. According to Furlong and Kelly (2005), while the unemployment rates among young people in Australia and the UK are almost at the same level, Australian rates of casual and part-time employment are much higher than in the UK. In Australia, between 1988 and 2001, the rate of casual employment among young people rose from 39 per cent to 66 per cent among 15–19 year-olds and from 17 per cent to 33 per cent among 20–24 year-olds (Watson *et al.* 2003).

In Japan, the youth labour market began changing later than in most Western countries, but the pace was rapid. Japan enjoyed a bubble economy up until the end of the 1980s, but after its collapse, insecurity in the labour market increased rapidly. Between 1990 and 2000, the unemployment rate more than doubled and the incidence of non-regular employment rose from 20.2 per cent to 26.0 per cent. Young people suffered from these changes much more than adults and were more severely affected by the casualization of jobs than from unemployment. The number of unemployed 15–24 year-olds rose from 468,000 in 1992 to 659,000 in 2002, but the number of freeters within the same age group increased even more – from 714,000 to 1,312,000. The non-regular employment rate among 15–to 24 year-olds, which was 13.4 per cent for males and 12.9 per cent for females in 1992, reached 42.5 per cent and 51.1 per cent, respectively in 2002. However, compared to other industrialized countries, Japan's youth unemployment rate is relatively low. The highest rate in the past three decades (2003) was 10.1 per cent among 15–24 year-olds, far lower than the OECD average (OECD 2005).

As casual workers, freeters experience various forms of insecurity. The first is poor employment protection: most are employed on fixed-term contracts. Typical durations are less than a year, but can be as short as a few months. Many freeters work beyond the assigned term by renewing the contract, but renewals are never guaranteed and dismissal brings no compensation. The second form of insecurity is low wages. In terms of average hourly wage rates, in 2002, male part-time workers earned 39.1 per cent of that earned by their full-time equivalents while females earned 53.2 per cent: rates which are lower than in other industrialized countries (OECD 1999).

Furthermore, many freeters are paid less than the poverty level wage. The third form of insecurity is that freeters have little access to social security. Many have no entitlement for unemployment insurance since entitlement is restricted to those who have been employed more than 20 hours per week continuously for more than six months. The fourth form of insecurity is that freeters have fewer opportunities to further their skills. Though Japanese companies provide a considerable amount of in-house training for their employees, most of this is restricted to regular employees; freeters receive only induction training, or no training at all.

Although the traditional Japanese employment patterns centred around life-long regular employment, low-wage, casualized employment has been relatively common since the 1960s. Indeed, while life-long employment was the norm for males, casual and part-time jobs were filled by housewives and students. Although the wages for casual jobs were very low – often below the poverty line wage – this was not seen as a serious problem since housewives' incomes were regarded as subsidiary to their husbands' while students were subsidized by their parents. The statutory minimum wage level was set in accordance with these social conventions.

In the 1990s, casual jobs became more widespread and involved groups other than housewives and students. However, the government's labour market policies, informed by

neo-liberalism, deregulated non-regular employment protection. Alongside neo-liberalism, another position underlined the government's decision to avoid implementing protective and supportive policies for young people: the popularity of discourse decrying 'lazy and indulged youth'. Supporters of this viewpoint claimed that freeters and NEETs should not receive public support because they freely chose this way of life. Indeed, the few supportive policies introduced in the early 2000s (such as the 'Youth Independence and Challenge Plan' (*Wakamono Jiritsu Chosen Plan*)), focused not on labour market security, but on young people's motivation.

## The characteristics of young people in precarious positions

As precarious conditions increased for young people, it became more common to question their motivation. Some commentators blamed young people, accusing them of being work-shy or lazy, parasitically relying on public benefits or parental support. Others argued that young people had lost sight of transitional signposts because the traditional transition pattern had disappeared. Still others argued that those suffering most were disadvantaged youth who could find only insecure jobs.

In many industrialized countries, young people without secure jobs have been regarded as work-shy. In the UK, when youth unemployment increased in the 1980s, attention turned to levels of commitment among young people and the government eventually disqualified 16 and 17 year-olds from unemployment benefits. With 'guarantees' of training places and an allowance for participants, it was claimed that anyone refusing the offer had proved themselves to be unwilling to work and should therefore not expect support from the public purse.

When the number of freeters dramatically increased in 1990, they were described in Japanese public discourse as 'spontaneous' and criticized for deliberately avoiding serious, regular employment, choosing instead to rely on their parents in order to pursue carefree lives. When the government announced its estimation of NEETs in the early 2000s, most of the media blamed the idleness of youth – but these accusations were rooted in a fundamental misunderstanding of freeters' and NEETs' situation. Three factors led to such a misunderstanding.

First, young people in precarious situations, such as freeters and NEETs, are a heterogeneous group. Furlong (2006) points out that in the UK, the NEET category encompasses young people in a variety of situations including: the long-term unemployed; fleetingly unemployed; looking after children or relatives in the home; temporarily sick or long-term disabled; putting their efforts into developing artistic or musical talents; or simply taking a short break from work or education. Though the majority are disadvantaged youth who lack the resources to exercise choice, the category also includes more privileged young people who are able to exercise a significant degree of choice in how they manage their lives.

The situation is similar in Japan. The freeter category includes various kinds of young people such as those who want regular employment but can find only casual employment; those who work part-time while developing artistic or musical talents; and those who are trying various jobs to determine a suitable occupation. Japan's NEET category also includes young people who want jobs but are taking a break from job-seeking; those who are ill or disabled; those who are looking after children or relatives in the home and those who have withdrawn from social life.

This heterogeneity among young people reflects the growing precariousness associated with processes of change in industrialized countries. The changing patterns of young people's transition are described as tripartite biographies: the choice biography of those who exercise a significant degree of choice due to their superior access to resources; the normal biography of those who follow linear routes with minimal stagnation or deviation; and the risk biography of those who get into difficulty and become trapped in insecure conditions due to their lack of resources (Walther *et al.* 2005). Although the second group tend to experience relatively stable transitions, the transitions of the first and last groups are characterized by precariousness. It is important to note, therefore, that precarious transitions can be experienced by both advantaged and disadvantaged youth.

Second, Japan in the 1980s and 1990s provided a unique context for the economic challenges its young people were facing. Though Japan experienced a few economic downturns in the 1980s, these slumps were less serious than those in Western countries and Japan enjoyed a buoyant economy. Freeters first emerged in the late 1980s, attracting attention for representing a new lifestyle. Though the economy provided plenty of opportunities for regular employment, many young people were choosing freeter lifestyles to avoid the constrained, conformist working culture of Japanese companies. At this time, public opinion regarded these young people favourably, viewing them as seekers of a new work-life balance. Even in the 1990s, when the bubble burst and the number of freeters increased rapidly, this image persisted – freeters were still viewed as freely choosing their situation. However, an official government study in the early 2000s showed that three out of four freeters wished to have regular employment but were only able to find freeter jobs (Cabinet Office 2003).

The third reason for the misunderstanding relates to neo-liberal ideology. While neo-liberal policies can be associated with a rise in inequality, they also strongly emphasize self-help and regard disadvantaged people as lacking self-motivation. There is also a tendency to promote the view that the unemployed and those in unstable positions pose a threat to the social order. Commenting on the UK inner city 'riots' of the 1980s, Jones and Wallace (1992) argued that 'the media-created spectre of unemployed, alienated young men threatened the social order', and suggested that this interpretation prompted the UK government to expand youth training as a tool for social control. Similarly, since the 1990s, the Japanese media have often focused on and sensationalized crimes committed by freeters or NEETs and public discourses began to incorporate a 'youth-phobia' (Nakanishi 2004).

Though freeters and NEETs include both advantaged and disadvantaged young people, the number of disadvantaged young people in precarious situations far exceeds the number of advantaged young people. According to a recent comparative study of Japan and the UK, similar trends were apparent in both countries (Inui *et al.* 2006). In Japan, in 2002, while 83 per cent of males and 53 per cent of females aged 15–34 who had higher education diplomas were in regular employment, only 47 per cent of males and 11 per cent of females with minimum academic qualifications (junior high school) were in the same position. The prevalence of freeters, unemployment, and NEET among those with lower academic backgrounds (junior high school and high school) is much higher than that for those with a higher educational background. In the UK in 2003, while 86 per cent of males and 81 per cent of females aged 20–24 who had completed higher education were in regular employment or full-time education/training, only 55 per cent of males and 16 per cent of females who had no academic qualifications were in the same position.

## Conclusion

The precarious condition of young people in contemporary societies is a result of some complex factors. Precariousness spreads due to the fact that transition patterns are changing from traditional and predictable routes to plural, individualized pathways. Such changes potentially provide young people with more choices for managing their lives; and the increasing flexibility of work potentially provides both young people and adults with working patterns that can be adjusted to suit their particular needs. Among the freeters, for example, a small number deliberately choose this route to establish a new work-life balance, even though most are able to exercise few real choices. With proper wages, the freeter lifestyle has plenty to recommend it. Additionally, transitions are a time for identity-formation, requiring a process of experimentation (Côté and Allahar 1994). Therefore, a degree of work flexibility can serve as a tool to provide young people with the space to develop.

However, precariousness can easily turn to insecurity if there are not enough resources for every young person, and it is insecurity – not healthy precariousness – that leads to difficulties among young people. Disadvantaged young people suffer most, and we need more discussion and supportive policies to enable young people to realize their full potential in late modern contexts.

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## 23

## What makes a young entrepreneur?

David G. Blanchflower and Andrew Oswald

## Introduction

A rule of thumb is that youth unemployment rates tend to be approximately twice the adult rate. The most recent 2006 figures, for example, from the 2007 OECD Employment Outlook, reveal a EU15 unemployment rate in 2006 of 16.1 percent among those 15–24 years of age, compared to a rate of 7.0 percent among those 25–54 and 6.4 percent for 55–64 year-olds. The figures for the OECD as a whole were 12.5 percent; 5.4 percent and 4.4 percent respectively. Unemployment rates for 18–24 year olds in 2006 were especially high in Belgium (18.9 percent); Finland (18.8 percent); France (23.9 percent); Greece (24.5 percent); Italy (21.6 percent); Poland (29.8 percent); Slovak Republic (26.6 percent) and Sweden (21.3 percent). In the UK, for example, the proportion of total unemployment accounted for by those aged 18–24 has increased steadily over the past decade: in 1997 it was 23.9 percent of the unemployed compared with 30.8 percent in the latest available data at the time of writing for June–August 2007 (Office for National Statistics 2007). Therefore in countries with the most severe youth unemployment rates, such as France, a quarter of young people can be looking for work. It is widely accepted that this is not merely a short-run waste of human resources and a source of unhappiness among Europe's young people. It may have long-term scarring effects on the working adults of the next generation. For many years, Europe has had a large group of young people outside education and the workplace. The persistence of the problem seems to demonstrate that standard economic policies have been insufficient. Western governments are searching for new alternatives. One is the idea that policy should attempt to create more entrepreneurship among the young.

It is not obvious that even a large new supply of young entrepreneurs would solve the jobs crisis. Nevertheless, there are a number of 'potential' benefits often discussed by commentators.

- Entrepreneurship may promote innovation and thus create new jobs.
- There may be a direct effect on employment if new young entrepreneurs hire fellow youths from the dole queues.

- New small firms may raise the degree of competition in the product market, bringing gains to consumers.
- Young entrepreneurs may be particularly responsive to new economic opportunities and trends.
- Greater self-employment among young people may go along with increased self-reliance and well-being.
- Economists have little evidence, however, on whether these hypothetical benefits exist in practice.

The beginning of the twenty-first century may mark a particularly appropriate time for young entrepreneurs. Some commentators argue that new opportunities abound – due to technological change, the fragmentation of markets, and increased deregulation across Europe.

In this chapter we address questions of the following kind:

- Do young people want to be entrepreneurial, but are somehow prevented?
- Are those who manage to become self-employed actually better off, in terms of well-being (not just income) than those who do not?
- How, in a general sense, do young people perceive work?

## Background patterns in the data

The most commonly studied class of entrepreneurs is those who are self-employed. Columns 1 and 2 of Table 23.1 provide background information on self-employment rates for those aged 25 and younger and those older than 25 years of age for a large number of countries. Here we define the self-employment rate across workers so it is the proportion of workers who are self-employed. Table 23.1 shows that the self-employment figures vary greatly from one country to another. Figures are given in the table for the period 2001–6 from a number of Eurobarometers. Some of the patterns in Table 23.1 are due to the differing importance of the agriculture sector, nation-by-nation. So self-employment is particularly high in countries such as Turkey, Greece, Italy and Cyprus. For example, self-employment accounts for those over 25 accounts for 46 percent of workers in Greece, compared to less than 9 percent in Denmark. It is apparent that the self-employment rate of older workers is universally higher than it is for younger workers.

There is evidence from columns 3 and 4 of Table 23.1 that many more people would like to run their own businesses. The data come from 2000–04 and are identical to questions reported in the 1997/8 *International Social Survey Programme* examined in Blanchflower *et al.* (2001). It gives answers to one of the survey questions in a series of *Flash Entrepreneurship Eurobarometers* (see Blanchflower and Shadforth 2007). Respondents are asked:

Q. Suppose you were working and could choose between different kinds of jobs. Which of the following would you choose: being an employee or being self-employed?

Remarkably high numbers of individuals express a preference for self-employment. In most countries, large numbers of respondents said they would prefer being self-employed.

This is especially apparent for the young. As reported in Table 3 of Blanchflower *et al.* (2001), in an equation estimating the probability that an individual would like to be self-employed, age enters negatively, controlling for a variety of characteristics. Table 23.1 appears to indicate – assuming questionnaire material can be viewed as reliable – that *there is large latent demand for a kind of entrepreneurial behaviour – self employment*. People find self-employment intrinsically attractive.

**Table 23.1** Self-employment rates among workers only, 2001–06 (%)

	2001–06 Self-employment rate		2001–04 Prefer self-employment	
	Over age 25	< age 25	Over age 25	< age 25
Austria	14.8	8.6	37.5	41.7
Belgium	15.5	10.6	34.6	48.3
Bulgaria	11.1	7.4	–	–
Croatia	12.3	5.3	–	–
Cyprus	32.7	29.8	62.5	68.4
Czech Republic	17.4	9.7	31.9	49.0
Denmark	8.5	3.9	36.4	59.0
Estonia	10.1	4.8	36.5	71.4
Finland	13.5	12.4	28.2	27.0
France	11.7	7.9	41.9	53.1
Germany	11.7	6.2	42.1	50.1
Greece	38.3	30.9	50.0	62.2
Hungary	10.0	6.0	45.0	67.7
Iceland	17.1 <sup>a</sup>	4.4 <sup>a</sup>	63.7	63.4
Ireland	19.5	10.6	58.6	60.0
Italy	29.5	23.6	54.1	73.8
Latvia	9.6	4.9	39.0	63.4
Lichtenstein	15.6 <sup>a</sup>	5.7 <sup>a</sup>	52.3	57.9
Lithuania	7.8	3.4	54.0	69.0
Luxembourg	10.7	6.4	46.5	54.3
Malta	13.4	3.0	45.3	54.7
Netherlands	13.7	8.7	32.1	43.8
Norway	11.4	1.9 <sup>a</sup>	37.2	63.9
Poland	22.3	10.0	53.8	53.7
Portugal	21.1	13.0	65.6	77.7
Romania	18.9	15.3	–	–
Slovakia	12.4	6.2	33.1	39.7
Slovenia	12.8	6.9	33.3	42.2
Spain	18.2	12.0	60.9	67.2
Sweden	11.5	6.9	35.0	45.2
Turkey	46.3	30.9	–	–
UK	10.8	6.8	44.1	49.0
USA	9.9 <sup>b</sup>	2.7 <sup>b</sup>	63.5	58.8

Source: Columns 1 and 2: Eurobarometers 2001–06 ( $n = 110,878$ ). Columns 3 and 4: Flash Entrepreneurship Eurobarometers 2000–04. 'Suppose you could choose between different kinds of jobs, which one would you prefer, being an employee or being self-employed?' ( $n = 33,913$ ).

Notes:

a estimates obtained from Flash Entrepreneurship Eurobarometers.

b estimates obtained from 2000, 2002, 2004 and 2006 General Social.

Surveys pooled ( $n = 11,494$  for age > 25 and  $n = 1,410$  for age ≤ 25).

Who, then, becomes self-employed? Table 23.2 provides information from regressions on self-employment (the dependent variable is a one/zero) for three countries using large micro-surveys at the level of the individual from the UK Labour Force Surveys of 2001–07 (LFS); the Canadian Labour Force Surveys of 2001–05 (CLFS) and the Merged Outgoing Rotation Group files of the Current Population Survey of 2001–07 for the United States (MORG). There are nearly three million observations in total and nearly half a million young people between the ages of 16 and 25 in the data files. The procedure used is dprobit in STATA which fits maximum-likelihood probit models and is an alternative to probit. Rather than reporting the coefficients, dprobit reports the marginal effect, that is the change in the probability for an infinitesimal change in each independent, continuous variable and, by default, reports the discrete change in the probability for dummy variables. Table 23.2 models how personal characteristics are related to the chance of running one's own business. The probability of being self-employed for those aged over 25, in all three countries, rises with age and is higher for men (Blanchflower, 2000; 2004; 2007). In the case of the USA and Canada, the probability for older workers rises with education but declines with education in the UK (Blanchflower and Shadforth 2007). In Canada, the whites have especially high rates, but in the UK rates are especially high among Asians from India, Pakistan and Bangladesh and among Chinese while in the USA, rates are high for whites. In the case of the young, aged 25 and under, the probability is higher for men in the USA and the UK but lower in Canada. One half of all of the young self-employed in Canada are in childcare, jobs which are primarily held by young females. Probabilities decline with schooling in both Canada and the UK for the young; the differences in the probabilities by different levels of schooling are less marked for the young in the USA than for older workers.

Another important determinant of being self-employed that has been identified in the literature is having a self-employed parent. The probability of self-employment in the USA is substantially higher among the children of business owners than among the children of non-business owners (see Dunn and Holtz-Eakin 2000). These studies generally find that an individual who had a self-employed parent is roughly two to three times more likely to be self-employed than someone who did not have a self-employed parent. Broussard *et al.* (2003) found that the self-employed in the USA have between .2 and .4 more children compared to the non-self-employed. The authors argue that having more children can increase the likelihood that an inside family member will be a good match at running the business. One might also think that the existence of family businesses, which are particularly prevalent in construction and retailing, is a further way to overcome the existence of capital constraints. Analogously, Hout and Rosen (2000) found that the offspring of self-employed fathers are more likely than others to become self-employed and argued that the historically low rates of self-employment among African-Americans and Latinos may contribute to their low contemporary rates.

More recently Fairlie and Robb (2007) have demonstrated using data from the 1992 Characteristics of Business Owners (CBO) Survey that more than half of all business owners had a self-employed family member prior to starting their business. Conditional on having a self-employed family member, less than 50 percent of small business owners worked in that family member's business suggesting that it is unlikely that intergenerational links in self-employment are largely due to the acquisition of general and specific business human capital and that instead similarities across family members in entrepreneurial preferences may explain part of the relationship. In contrast, estimates from regression models *conditioning* on business ownership indicated that having a self-employed family

**Table 23.2** Probability of being self-employed in the UK, Canada and the USA, 2001–07 (dprobits)

	UK > 25 2001–2007	UK < 25 2001–2007	Canada > 24 2001–2005	Canada < 24 2001–2005	USA > 25 2001–2006	USA < 25 2001–2006
Age*	0.0033 (102.62)	0.0060 (36.83)	0.1545 (58.49)	–0.0026 (1.88)	0.0037 (129.11)	0.0037 (22.86)
Male	0.0984 (142.97)	0.0350 (40.90)	0.0777 (77.35)	–0.0084 (7.78)	0.0607 (91.85)	0.0153 (20.48)
Mixed	–0.0070 (1.36)	–0.0049 (1.39)				
Asian	0.0399 (19.44)	–0.0038 (2.08)			–0.0230 (13.58)	–0.0074 (3.76)
Black	–0.0530 (20.60)	–0.0157 (5.51)			–0.0658 (54.42)	–0.0082 (6.25)
Chinese	0.0646 (10.37)	–0.0113 (2.02)				
Other race	0.0015 (0.43)	–0.0151 (4.52)			–0.0443 (34.93)	–0.0097 (8.72)
Native American					–0.0463 (14.83)	–0.0007 (0.21)
Hispanics					–0.0540 (18.56)	–0.0135 (5.88)
School 2	–0.0195 (15.64)	0.0141 (6.15)	–0.0424 (19.45)	0.0105 (0.94)	0.0772 (21.74)	0.0000 (0.00)
School 3	0.0307 (30.13)	0.0193 (13.56)	–0.0441 (22.09)	0.0188 (1.70)	–0.0543 (24.54)	–0.0199 (2.73)
School 4	–0.0064 (6.07)	0.0160 (10.80)	–0.0327 (13.24)	0.0018 (0.18)	–0.0279 (12.19)	–0.0214 (2.68)
School 5	–0.0150 (13.03)	0.0261 (12.71)	–0.0395 (19.12)	0.0108 (1.03)	–0.0478 (19.74)	–0.0166 (2.01)
School 6	0.0076 (6.08)	0.0529 (19.01)	–0.0301 (13.39)	0.0561 (4.72)	–0.0368 (15.22)	–0.0133 (1.46)
School 7	0.0214 (5.11)	0.0362 (5.79)	–0.0214 (7.55)	0.1669 (8.07)	–0.0281 (12.24)	–0.0224 (2.25)
High school graduate					–0.0376 (16.56)	–0.0178 (1.71)
12th grade No diploma					–0.0421 (11.64)	–0.0141 (1.58)
11th grade					–0.0331 (10.93)	–0.0125 (1.28)
10th grade					–0.0279 (8.84)	–0.0063 (0.58)
9th grade					–0.0315 (9.13)	–0.0045 (0.41)
7th <sup>b</sup> /8th grade					–0.0139 (4.02)	0.0005 (0.04)

	UK > 25 2001–2007	UK < 25 2001–2007	Canada > 24 2001–2005	Canada < 24 2001–2005	USA > 25 2001–2006	USA < 25 2001–2006
5th/6th grade					–0.0541 (15.44)	–0.0155 (1.78)
1–4th grade					–0.0660 (14.29)	–0.0158 (1.69)
<1st grade					–0.0628 (8.76)	–0.0081 (0.64)
Year	5	5	4	4	5	5
dummies						
Area	19	19	9	9	51	51
dummies						
Pseudo R <sup>2</sup>	0.0531	0.0766	0.0595	0.0529	0.0540	0.0322
N	1,041,559	171,194	567,691	129,690	1,026,349	185,067

Sources: UK – Labour Force Surveys, March 2001–June 2007; USA – Merged Outgoing Rotation Group files of the Current Population Survey, 2001–2006 and Canada – Labour Force Surveys, 2001–2005.

Mean self-employment rates

UK ≤ 25 years 3.5%; USA < 25 years 2.6%; Canada ≤ 25 years 4.7%; UK > 25 years 14.1%; USA > 25 years 13.4%; Canada > 25 years 17.7%

Notes: In the case of Canada, the age variable is for 50–54 and 20–24, half of the ≤ 24 year-old self-employed are in childcare. For Canada, education categories are excluded = university graduate degree; school 2 = university bachelor's degree; school 3 = post-secondary certificate or diploma; school 4 = some post-secondary; school 5 = grade 11 to 13, graduate; school 6 = some secondary; school 7 = 0 to 8 years schooling.

For the USA, excluded category is PhD; school 2 = MBA; school 3 = MA; school 4 = BA; school 5 = associate degree academic; school 6 = associate degree vocational; school 7 = some college no degree.

For the UK, excluded category is Degree or equivalent; school 2 = Higher Education; school 3 = GCE A Level or equivalent; school 4 = GCSE grades A–C or equivalent; school 5 = Other qualification; school 6 = No qualification; school 7 = Don't know.

T-statistics in parentheses.

member plays only a minor role in determining small business outcomes, whereas the business human capital acquired from prior work experience in a family member's business appears to be very important for business success. Estimates from the CBO also indicated that only 1.6 percent of all small businesses are inherited, suggesting that the role of business inheritances in determining intergenerational links in self-employment is limited at best.

Columns 1 and 2 of Table 23.3 report the results of estimating the probability of being self-employed as in Table 23.2 but now for Europe using three *Flash Entrepreneurship*

**Table 23.3** Probability of being self-employed and choosing self-employment, 2002–04

	Self-employment		Choosing self-employment	
	Over age 25	< age 25	Over age 25	< age 25
Mother self-empl.	0.0343 (6.37)	0.0209 (3.68)	0.0344 (3.75)	0.0365 (1.78)
Father self-empl.	0.0711 (16.31)	0.0244 (5.42)	0.0889 (12.64)	0.0613 (4.04)
Age	0.0176 (19.44)	-0.0079 (5.48)	-0.0049 (3.88)	0.0142 (1.89)
Male	0.0037 (1.14)	0.0029 (0.92)	-0.0017 (0.32)	-0.0087 (0.72)
Age <sup>2</sup>	-0.0001 (21.09)	0.0003 (7.75)	0.0000 (3.42)	-0.0005 (2.44)
Austria	-0.0054 (0.49)	-0.0210 (2.90)	-0.0970 (5.38)	-0.0645 (1.41)
Belgium	-0.0194 (1.97)	-0.0155 (1.75)	-0.1175 (7.16)	-0.0541 (1.30)
Cyprus	0.0518 (2.83)	-0.0200 (3.17)	0.1592 (5.41)	0.1655 (2.93)
Czech Republic	0.0637 (4.36)	-0.0043 (0.60)	-0.1182 (5.33)	-0.0050 (0.10)
Denmark	-0.0526 (5.30)	-0.0174 (2.91)	-0.1164 (6.48)	0.0593 (1.21)
Ireland	0.0529 (4.34)	-0.0237 (3.74)	0.1259 (6.72)	0.0730 (1.91)
Estonia	-0.0151 (0.86)	-0.0205 (3.44)	-0.0698 (2.39)	0.2067 (3.33)
Finland	0.0002 (0.02)	-0.0114 (1.63)	-0.2043 (11.26)	-0.2395 (5.56)
France	-0.0613 (7.10)	0.0586 (3.98)	-0.0475 (3.06)	0.0105 (0.28)
Germany	-0.0118 (1.26)	-0.0178 (2.42)	-0.0342 (2.20)	0.0028 (0.07)
Greece	0.1006 (8.40)	-0.0133 (1.73)	0.0208 (1.23)	0.0795 (2.15)
Hungary	0.0265 (1.91)	-0.0190 (3.05)	0.0155 (0.72)	0.1713 (3.35)
Iceland	0.0396 (3.31)	-0.0219 (3.12)	0.1174 (6.02)	0.0730 (1.82)
Italy	0.0073 (0.75)	-0.0182 (2.43)	0.0764 (4.88)	0.1992 (5.47)
Latvia	-0.0568 (3.31)	0.0081 (0.59)	-0.0463 (1.62)	0.1295 (2.42)
Lithuania	0.0017 (0.16)	-0.0136 (1.53)	0.0406 (2.19)	0.0745 (1.75)
Lichtenstein	-0.0384 (2.19)	-0.0076 (0.51)	0.0989 (3.41)	0.1827 (3.26)
Luxembourg	0.1507 (11.27)	-0.0150 (1.52)	-0.0236 (1.31)	-0.0029 (0.07)
Malta	-0.0495 (2.94)	-0.0161 (1.43)	0.0046 (0.16)	-0.0130 (0.21)
Netherlands	-0.0133 (1.38)	-0.0121 (0.95)	-0.1553 (9.68)	-0.0858 (1.95)
Norway	-0.0024 (0.23)	-0.0200 (1.70)	-0.1240 (6.83)	0.0527 (1.10)
Poland	0.0154 (1.12)	-0.0124 (1.50)	0.0758 (3.40)	0.0185 (0.43)
Portugal	0.0032 (0.31)	0.0010 (0.09)	0.2047 (11.94)	0.2669 (7.51)
Slovakia	0.0534 (2.78)	-0.0156 (1.40)	-0.1149 (3.85)	-0.0903 (1.54)
Slovenia	-0.0568 (3.36)	-0.0079 (0.97)	-0.1188 (4.09)	-0.0664 (1.18)
Spain	-0.0087 (0.90)	-0.0151 (2.19)	0.1364 (8.39)	0.1408 (4.04)
Sweden	-0.0230 (2.15)	-0.0190 (2.36)	-0.1251 (6.95)	-0.0604 (1.29)
USA	0.0274 (2.63)	0.0085 (0.98)	0.1834 (11.31)	0.1084 (3.04)
ALS 16–19	0.0145 (1.25)	0.0092 (1.07)	-0.0452 (2.54)	-0.0470 (1.54)
ALS 20+	0.0274 (2.48)	0.0038 (0.67)	-0.0411 (2.37)	-0.0355 (1.42)
Still studying	0.0502 (4.35)	-0.0092 (1.52)	-0.0174 (1.00)	-0.0395 (1.33)
Pseudo R <sup>2</sup>	0.0755	0.1433	0.0456	0.0426
N	35451	7133	33312	6886

Source: Flash Entrepreneurship Eurobarometers, 2002–04. T-statistics in parentheses.

Notes: Equations also include two-year dummies. UK is excluded.

*Eurobarometers*, 2002–04. Three of the five years of data used in Table 23.1 include information on whether the respondent's parents were self-employed. Having a mother or a father self-employed or both, raises the probability of an individual being self-employed for both younger and older workers. Columns 3 and 4 now model the probability that an individual when offered the choice of being an employee or self-employed chooses the latter. A father who is self-employed is especially important here.

Columns 1 and 2 of Table 23.4 are similar to the first two columns in that they once again estimate self-employment probabilities. The main difference now is the much larger sample size as data are drawn from a long time series of various Eurobarometers, covering the period 1973–2006. Column 1 is for those aged over 25 and column 2 for younger workers. In total there are nearly 400,000 observations on 30 countries, including the ten Accession countries from Eastern Europe plus Malta and Cyprus, along with candidate countries of Norway and Turkey. The probability of being self-employed rises with age and is higher for men. As was found for the UK, self-employment and education are negatively correlated.

The data come from the *Eurobarometer Surveys of 1973 to 2006*. Happiness is U-shaped in age (Blanchflower and Oswald 2007) and married people are happier than singles and the unemployed have low happiness levels. Both young and old are the most unhappy if they lived in Bulgaria and the most happy living in Denmark. It is noticeable that for the two sub-samples the category 'self-employed' is statistically significant entering with a positive sign, showing that the self-employed have higher levels of satisfaction than the excluded category of employees with similar characteristics. Once more, therefore, the direct advantages to entrepreneurship seem clear. For whatever exact psychological reasons, self-employed young men and women are unusually satisfied with their lives.

In addition, self-employed young men and women are unusually satisfied with their jobs. The attitudes of young workers to various characteristics of their jobs are explored in Table 23.5. Data are taken from *Eurobarometer #54.2: Impact of New Technologies, Employment and Social Affairs, and Disabilities, January–February 2001*. The sample is restricted to workers only. These data were previously examined in Blanchflower (2004). Responses are reported in relation to job satisfaction; earnings; the type of work and travel-to-work time. In each case the dependent variable is coded one through ten: the respondent was told that '1' meant *not at all satisfied* and '10' meant *totally satisfied*. For each of the four variables the self-employed are especially satisfied and this is true for both the younger and older age groups. The self-employed like their jobs, the type of work they do, their earnings and the short travel to work times. Young workers are especially dissatisfied with their jobs in Greece and Portugal and with their earnings in Sweden.

## Entrepreneurship and capital constraints

Economists have amassed considerable evidence that potential entrepreneurs are held back by lack of capital. Blanchflower and Oswald (1998), for example, found evidence that the receipt of an inheritance or gift seems to increase a typical individual's probability of being self-employed. This emerges from British data, the National Child Development Survey. NCDS traces from birth a cohort of children born in 1958. These individuals have been followed for the whole of their lives. Blanchflower and Oswald find a large association between self-employment and receiving money early on. The inheritance effect is found at age 23 and 33. It is especially large in the former and



**Table 23.4** Probability of being self-employed and life satisfaction, Europe, 1973–2006

	Self-employment probability		Life satisfaction	
	Over age 25	< age 25	Over age 25	< age 25
Age	0.0051 (78.24)	0.0041 (9.73)	-0.0385 (32.78)	0.0487 (9.57)
Age <sup>2</sup>			0.0004 (36.57)	-0.0017 (11.73)
Male	0.0575 (40.04)	0.0397 (18.15)	-0.1025 (17.96)	-0.0800 (7.87)
Time trend			0.0013 (4.17)	0.0057 (8.70)
Self-employed			0.0332 (3.81)	0.0833 (3.23)
Home			-0.0374 (4.52)	-0.1420 (6.23)
Student			0.0117 (0.27)	0.1769 (6.45)
Retired			-0.0966 (10.77)	-0.3910 (10.27)
Unemployed			-0.9911 (83.73)	-0.9022 (47.85)
ALS 16–19	-0.0278 (15.39)	-0.0121 (4.04)	0.2396 (37.84)	0.1637 (9.85)
ALS 20+	-0.0241 (12.43)	-0.0026 (0.70)	0.4823 (64.78)	0.3882 (18.17)
Still studying	-0.0427 (3.52)	-0.0232 (2.80)	0.2153 (5.16)	0.3004 (10.40)
Married			0.3956 (47.45)	0.2260 (14.53)
Living together			0.1876 (13.60)	0.1477 (7.94)
Divorced			-0.3494 (25.48)	-0.7441 (14.63)
Separated			-0.4896 (22.23)	-0.5760 (8.28)
Widowed			-0.1866 (15.50)	-0.3171 (5.53)
Austria	0.0867 (15.38)	0.0383 (4.32)	-0.3099 (16.97)	-0.1591 (4.32)
Belgium	0.0965 (24.89)	0.0435 (7.29)	-0.2589 (21.19)	-0.0546 (2.30)
Bulgaria	0.0344 (2.73)	0.0812 (2.72)	-3.0543 (90.78)	-2.1829 (28.47)
Croatia	0.0630 (4.77)	0.0472 (1.54)	-1.2832 (36.10)	-0.3371 (4.09)
Cyprus	0.2917 (25.09)	0.3976 (13.16)	-0.2958 (7.92)	0.1003 (1.21)
Czech Republic	0.1251 (11.72)	0.1325 (4.36)	-0.9971 (30.81)	-0.4984 (5.89)
Denmark	-0.0094 (2.70)	-0.0428 (7.67)	1.0734 (85.34)	1.1841 (45.79)
Estonia	0.0102 (0.87)	0.0383 (1.23)	-1.5259 (45.16)	-0.8716 (11.20)
Finland	0.0526 (8.91)	0.0642 (6.25)	-0.2058 (11.27)	0.0033 (0.10)
France	0.0612 (16.46)	0.0038 (0.71)	-1.0225 (83.55)	-0.7695 (32.70)
Germany	0.0083 (2.55)	-0.0168 (3.44)	-0.6872 (63.04)	-0.6765 (30.49)
Greece	0.3664 (81.14)	0.2722 (32.44)	-1.6083 (121.29)	-1.1353 (44.57)
Hungary	0.0149 (1.13)	0.0562 (1.76)	-1.9181 (58.49)	-1.2570 (13.13)
Ireland	0.1980 (47.28)	0.0794 (13.83)	0.0840 (6.65)	0.0710 (3.17)
Italy	0.2013 (50.33)	0.1839 (25.07)	-1.1271 (92.03)	-0.8733 (37.41)
Latvia	0.0083 (0.72)	0.0391 (1.44)	-1.8559 (55.77)	-1.0335 (13.62)
Lithuania	-0.0195 (1.52)	0.0111 (0.33)	-1.9429 (57.38)	-0.6400 (7.79)
Luxembourg	0.0245 (4.92)	-0.0053 (0.72)	0.3288 (20.11)	0.2194 (6.90)
Malta	0.0741 (3.64)	-0.0019 (0.05)	-0.3693 (7.53)	-0.1810 (1.43)
Netherlands	0.0234 (6.16)	0.0002 (0.03)	0.4361 (35.99)	0.5910 (23.74)
Norway	0.0127 (1.67)	0.0287 (1.92)	0.4358 (15.34)	0.6090 (11.32)
Poland	0.2116 (15.64)	0.1336 (3.99)	-1.3646 (38.71)	-0.4069 (5.42)
Portugal	0.1678 (36.73)	0.0643 (9.79)	-1.5238 (109.95)	-1.0356 (40.25)
Romania	0.1453 (11.64)	0.2339 (7.49)	-2.4206 (70.68)	-1.6739 (20.67)
Slovakia	0.0504 (4.84)	0.0828 (2.76)	-1.7167 (53.90)	-1.2235 (13.55)
Slovenia	0.0686 (5.64)	0.0728 (2.28)	-0.3816 (10.92)	-0.0322 (0.42)
Spain	0.1568 (33.14)	0.0739 (10.52)	-0.6530 (46.20)	-0.3713 (14.53)
Sweden	-0.0014 (0.26)	-0.0040 (0.42)	0.3476 (19.15)	0.3740 (10.08)
Turkey	0.4504 (29.35)	0.3924 (14.10)	-0.8374 (19.54)	-0.4114 (5.89)
Cut 1			-4.2661	-3.3319
Cut 2			-2.4728	-1.5287
Cut 3			0.3414	1.3615
Year dummies	31	31	0	0
Pseudo R <sup>2</sup>	0.0845	0.0910	0.0873	0.0675
N	328,402	66,875	620,765	162,786

Source: *Trend Eurobarometers 1975–2002* and various subsequent Eurobarometers. Excluded categories ALS < 16; UK.

Notes: Columns 1 and 2 are dprobits and columns 3 and 4 ordered logits. T-statistics in parentheses.

**Table 23.5** Satisfaction with work in Europe, 2001

	Job satisfaction		Job earnings	
	Over age 25	≤ age 25	Over age 25	≤ age 25
Self-employed	0.3381 (5.65)	0.9326 (4.37)	0.0936 (1.56)	0.9988 (4.64)
Age	0.0049 (2.23)	-0.0216 (0.94)	0.0008 (0.39)	-0.0090 (0.39)
Male	-0.0030 (0.07)	0.0223 (0.20)	0.1566 (3.59)	0.1195 (1.08)
ALS 16–19	0.1423 (2.23)	-0.2252 (1.31)	0.2206 (3.49)	-0.0879 (0.51)
ALS 20+	0.4378 (6.59)	0.0807 (0.40)	0.4233 (6.41)	0.1031 (0.51)
Austria	0.2657 (2.63)	0.2908 (1.22)	0.5696 (5.63)	0.4538 (1.88)
Belgium	0.0505 (0.50)	0.2010 (0.76)	0.1851 (1.80)	0.3986 (1.52)
Ireland	0.0540 (0.51)	0.0013 (0.01)	0.2219 (2.10)	0.1859 (0.85)
Finland	-0.1928 (1.85)	-0.2734 (0.93)	-0.0874 (0.82)	-0.3348 (1.15)
France	-0.4279 (4.41)	-0.0522 (0.21)	-0.3728 (3.91)	0.1271 (0.52)
Germany	0.1111 (1.29)	0.2221 (1.08)	0.1229 (1.45)	-0.3793 (1.86)
Greece	-1.2589 (11.01)	-0.5374 (1.77)	-0.7227 (6.45)	-0.1713 (0.55)
Italy	-0.6131 (6.08)	-0.5364 (1.88)	-0.2770 (2.77)	-0.4883 (1.70)
Luxembourg	-0.0141 (0.11)	0.3692 (1.18)	0.3061 (2.44)	0.1212 (0.40)
Netherlands	-0.2612 (2.72)	-0.0225 (0.08)	0.2054 (2.15)	0.0989 (0.36)
Portugal	-0.9700 (9.00)	-0.6069 (2.70)	-0.7309 (6.88)	-0.4553 (2.01)
Spain	-0.5587 (5.11)	-0.1172 (0.46)	-0.5402 (5.01)	-0.1857 (0.75)
Sweden	-0.0258 (0.27)	-0.2606 (0.92)	-0.6628 (6.64)	-1.0626 (3.86)
Cut 1	-3.7005	-4.3162	-2.9266	-3.3303
Cut 2	-3.1889	-3.7244	-2.2087	-2.6258
Cut 3	-2.4993	-3.1617	-1.6023	-1.9927
Cut 4	-2.0651	-2.7134	-1.0909	-1.5023
Cut 5	-1.3011	-1.9741	-0.3906	-0.7293
Cut 6	-0.7643	-1.4938	0.1578	-0.1874
Cut 7	0.0230	-0.66823	0.8778	0.5305
Cut 8	1.1394	0.27187	1.9204	1.4938
Cut 9	1.9043	1.21324	2.7514	2.4168
N	6,721	1,058	6,710	1,055
Pseudo R <sup>2</sup>	0.0156	0.0111	0.0131	0.0150

Source: *Eurobarometer 54.2: Impact of New Technologies, Employment and Social Affairs, and Disabilities, January–February 2001*. Excluded category UK0.

Notes:

(a) On the whole, how satisfied are you with your current job or business? Please use the following scale from 1 to 10, where '1' means that you are not at all satisfied and '10' means that you are totally satisfied.

(b) And how satisfied are you with your current job or business in terms of earnings?

(c) And in terms of the type of work you do?

(d) And in terms of the time it takes to travel to work?

T-statistics in parentheses.

younger group. Blanchflower and Shadforth (2007) showed using a subsequent sweep of the NCDS that the inheritances, received before the age of 23 raised significantly the probability of being self-employed more than 20 years later, in 2004/5 at age 46 or 47.

Blanchflower, Levine and Zimmerman (2003) reported evidence from the 1993 and 1998 Survey of Small Business Finances from the United States. Although this tells us only about one country, the survey responses were intriguing. Interviewing a sample of minority-owned firms, the main explanation given by people to the survey team was that they had difficulty obtaining capital. Earlier work by Evans and Jovanovic (1989) and Holtz-Eakin, Joulfaian and Rosen (1994) drew similar conclusions using different

methods on US data. Finally, Lindh and Ohlsson (1994) adopt the Blanchflower–Oswald procedure and provide complementary evidence for Sweden. Blanchflower and Shadforth (2007) showed that rising house prices, which freed up capital constraints explain half of the recent increase in self-employment in the UK. This is consistent with Black *et al.* (1996), for example, who found that a 10 percent rise in the value of unreleased net housing equity increases the number of new firm (VAT) registrations by some 5 percent. Cowling and Mitchell (1997) estimate that in the UK a 10 percent rise in housing wealth increased the proportion of the workforce in self-employment by 3 percent.

## Conclusion

This chapter documents some of the patterns in modern microeconomic data on young people's employment, attitudes and entrepreneurial behavior. Among other sources, the chapter uses the Eurobarometer Surveys; the Labour Force Surveys from Canada and the Current Population Survey in the United States.

The first conclusion is that self-employed individuals – a special but well-defined entrepreneurial group – report markedly greater well-being than equivalent employees. Their job satisfaction and life-satisfaction are all higher than workers of identical personal characteristics. While this finding does not tell us how to create more entrepreneurs in society, it does suggest that self-employment brings direct microeconomic benefits to people. It raises a puzzle, too. If self-employment does this, why are not more individuals running their own businesses?

The second conclusion is that individuals *say* they would like to be self-employed. There is, according to the survey data, a large pool of potentially entrepreneurial people. Across the West, many millions of employees would apparently prefer to be self-employed. Questionnaire evidence, asking individuals about hypothetical outcomes, always needs to be treated with caution. Nevertheless, these answers are suggestive of an underlying interest in self-employment among large numbers of OECD citizens who are currently employees.

Third, we showed that another important determinant of being self-employed is having a self-employed parent. This appears to help young people to set up in business themselves. It is unclear whether this is done by inheriting the business, or working in the family firm or actually setting up a new business entirely.

How the chapter's findings can be exploited by the designers of economic policy is more complicated to judge. Econometric and questionnaire research suggests that the main constraint on new entrepreneurs is a lack of start-up and liquid capital (as summarized in the penultimate section). This does not mean that government cash ought to be handed out to those who wish to start a business. However, it indicates that plans to foster more entrepreneurship (if this is socially desirable) should begin by considering economists' evidence on the importance of capital constraints.

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