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### Between freedom and insecurity: future challenges

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# 14. Between freedom and insecurity: future challenges

**Joop Schippers and Wieteke Conen**

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## INTRODUCTION

Self-employment attracted virtually no interest among labour market researchers until the first half of the 1980s . . . Until recently most labour market analysis focused on the employee workforce, and especially on the male employee workforce working full-time hours. Self-employment is one of the Cinderella's of labour market research, only recently invited to the ball. (Hakim, 1988, p. 421)

As on many other occasions Hakim was right when she wrote these lines. However, over thirty years much has changed. The once Cinderella is now a regular guest at the research ball. But still many of us do not know what to make of her. Is she the dancing queen of the ball, "having the time of (her) life",<sup>1</sup> or is she more of "a lonely wallflower waiting by the wall without the willpower to face the music at all"?<sup>2</sup>

If one picture emerges from the previous chapters in this book it is a picture of diversity. Among various authors the conclusion prevails that the majority of the self-employed do rather well and that most of them follow the career path they set out for themselves. Some authors come to the conclusion that the self-employed constitute a group of workers at risk from the perspective of precariousness, although the scale and nature seems to differ between countries and demographic groups. The picture is further complicated by the different voices sounding from the community of self-employed. The group of the 'new' self-employed – especially young people from the laptop generation – know how to make themselves heard on social media and do not hesitate to do so frequently. In such discussion groups, many of the traditional self-employed as depicted in Chapter 2 are hardly ever heard.

While in many research areas statistics can help to provide a rather complete image of a specific group in the labour market, different chapters in this volume show that our information on the self-employed is still far from complete. On the one hand, this may reflect a bias in labour market researchers' and policy makers' focus of attention, as the self-employed

were not considered to constitute a problem for a long time. On the other hand, it may reflect that traditional research and data collection strategies have difficulties reaching self-employed who are not included in all kinds of regular data collection procedures – as most employed workers are. Moreover, researchers will almost always exclusively monitor ‘survivors’, as only those who succeed in continuing their status as self-employed end up in datasets as ‘self-employed’. This selection effect is likely to affect findings, especially when studying dimensions of precariousness.

While the image may be mixed and incomplete, some general conclusions can be drawn from the previous chapters on self-employment as precarious work in Europe. In addition, we will point to future policy challenges and present suggestions for future research.

### THREE DIMENSIONS OF PRECARIOUSNESS

As a starting point we defined precarious work as an employment situation in which individuals or households are unable to fulfil fundamental physiological and security needs while working. Throughout the book we emphasized three dimensions of precariousness which seem particularly relevant in the context of self-employment:

1. Income inadequacy while working (related to concepts such as in-work poverty, low-income households and financial resilience);
2. A lack of adequate social benefits and regulatory protection (related to concepts such as false or bogus self-employment and social security provisions);
3. Work with a high uncertainty of continuing work (related to concepts such as work insecurity, lack of employability and financial unrest).

In Chapter 2, Schippers pointed out that in order to understand the position and conditions of working in self-employment, it is essential to realize that self-employment is to be regarded the ultimate expression of labour market flexibility. This puts self-employment in a well-developed theoretical framework and helps us to ask the right questions. As Bögenhold et al. point out in Chapter 6 there is also an alternative theoretical framework; in this framework (solo) self-employment is primarily considered a special case of entrepreneurship. Using different parts of both theoretical frameworks the authors of the subsequent chapters studied several European countries focusing on one or more of the three dimensions mentioned above.

## **The Country Perspective**

The Netherlands is among the European countries with the largest increase in solo self-employment. Comparing the Netherlands and Germany, Conen and Debets (Chapter 7) find indications that financial resilience, social protection and (perceived) work uncertainty are often largely influenced by extant other sources of income (such as financial back-up) or expected sources of income (e.g. inheritance), which the self-employed take into account in their decision-making. Although some groups have adequately and 'traditionally' taken care of social risks and some have 'alternative' ways to deal with social risks, for a seemingly substantial group of solo self-employed social protection is a genuine sore point.

In Chapter 6, Bögenhold et al. find for Austria that one-person entrepreneurs are mainly driven by motives like self-realization or working without hierarchies. However, there are also one-person entrepreneurs who have been crowded out from the (dependent) labour market and are therefore driven by economic reasons (e.g. self-employment as an alternative to unemployment). This economically driven group of one-person enterprises is comparatively dissatisfied with their professional situation, is less optimistic regarding their entrepreneurial future, and generates lower incomes.

For Italy, Borghi and Murgia (Chapter 8) highlight four relevant characteristics of independent professionals: the growing difficulty in defining successful professional careers; the ambivalence of autonomy that can lead to self-exploitation; the social protection gap in comparison with employees; and the new interest of traditional and emerging organizations dealing with their collective representation. They conclude that the risks connected to the ambivalent condition of being 'precariously free' are a challenge both for the new generation of independent professionals and for the organizational and institutional actors aimed at regulating and protecting this category of workers.

For the United Kingdom, Meager (Chapter 5) concludes that recent evidence suggests that on many indicators, after controlling for other factors, the self-employed report higher quality of work than their employee counterparts in similar jobs (this is also consistent with their higher levels of reported job satisfaction, which could previously be explained only by some kind of 'selection effect' and preference for independence and autonomy among the self-employed). However, there is also evidence that this quality advantage may have been reduced in the recent period following the financial crisis, with survey evidence suggesting that the quality of self-employed jobs has fallen in recent years, and fallen faster than among employees. Alongside this latter evidence, this period saw not only the

changes in composition of self-employment (more short-hours working, different occupations etc.), but also emerging findings that the median earnings of the self-employed fell rapidly (and to a greater extent than employee earnings).

Drawing on the last wave of the European Working Conditions Survey and using standard econometric techniques Anxo and Ericson (Chapter 9) analyse the prevalence of bogus self-employed in the EU-28 and Nordic countries and examine the main differences between self-employment and bogus self-employment. They find that Sweden displays a lower incidence of bogus self-employment compared to other EU member states. Bogus self-employment appears to be more prevalent in certain segments of the labour market, in particular in industries such as construction, transport and personal household services. The specificity of the industrial relations system in Sweden, with strong social partners, high union density and coverage rate of collective agreements in all sectors of the economy, may explain the limited development of bogus self-employment and relatively low incidence compared to other member states.

### **The Group Perspective**

Other chapters did not take one specific country as their focal point, but social groups like women, older workers and migrants. In Chapter 2, Schippers reports that women are underrepresented in self-employment. This result contradicts the argument that self-employment would be especially attractive for women from the perspective of a better work-life balance and escaping from employer discrimination. Still, Bøgenhold et al. (Chapter 6) find the improved reconciliation of work and family life, as well as more flexible working time, play a greater role for women to engage in self-employment than for men, while higher income opportunities are a major incentive for male entrepreneurs. So, the work–family argument may not pull women massively into self-employment, but for those women who opt for this labour market position it does appear to be a major argument. For the United Kingdom, Meager (Chapter 5) reports a shift towards female self-employment and short-hours working in the post-financial crisis period, from 2008 onwards. According to Anxo and Ericson (Chapter 9) women living in the Nordic countries are *ceteris paribus* less likely to be bogus self-employed as compared to their male counterparts.

The risk of poverty in old age entails the problems of financing and receiving an adequate pension. According to Fachinger (Chapter 4) some of the risks are determined by factors which may be influenced by individuals, and which have to be seen in the context of ability and willingness to save part of their earnings of self-employed people. The other group of

factors, which determine the risk of old age poverty, cannot be influenced by individual action or behaviour. These factors include the institutional and legal framework and developments in capital markets. Here the stability and security of the entitlements, the replacement rate, and the adjustment of pensions during retirement to maintain one's living standard pose special problems to avoid poverty in old age. In Chapter 10, Conen's conclusions support earlier findings that relatively privileged workers tend to work beyond state pension age. However, her findings also indicate that some self-employed may be precarity-driven in their decision to work beyond state pension age. Necessity-based motives do not only seem to play a role in the transition into self-employment, but also in the prolongation of working life beyond state pension age. Also for Austria, Bögenhold et al. (Chapter 6) find that the age group of 45+ is overrepresented among precarious workers in self-employment.

With respect to migrant workers, Berwing et al. (Chapter 11) find that quantitative analyses for Germany reveal that while migrants are more frequently engaged in precarious self-employment in absolute terms, this difference does not reach statistical significance. However, they do find clear differences for the sectors of economic activity and profession, which can be interpreted as endowment effects. Overall, they conclude that their results tend towards debunking the assumption that equates migrant self-employment in Germany to precarious work. For the United Kingdom, Meager (Chapter 5) refers to Clark et al. (2017) who find much higher rates of self-employment among specific traditional immigrant groups (e.g. Pakistani men) than among other immigrant groups and the native population. However, the study also reports high rates among migrants from the newer member states of the EU, and highlights significant differences in the factors driving these rates: among traditional migrants from 'New Commonwealth' countries (former British colonies), high self-employment largely reflects poor opportunities for waged work and discrimination in the labour market; while among the more recent EU migrants it is more influenced by policy changes which allowed or encouraged migrant entrepreneurs. In Sweden, however, foreign born workers are less likely working in self-employment than the native population (Chapter 9).

### **Summarizing Remarks**

The general picture that emerges from comparing the situation of the self-employed in different countries and from different groups underlines the outcomes of several earlier studies referred to in different chapters in this volume, that is, the picture of the self-employed in Europe is diverse

and far from uniform. Many of the self-employed do well, some do not; men are overrepresented in self-employment, while women are underrepresented; a majority of the self-employed takes this labour market position on their own accord, but a substantial group reports motives that point in the direction of necessity-driven self-employment. Returning to the three dimensions mentioned earlier, one may conclude – though with a degree of caution – that:

1. For a majority of the self-employed, current income is not an immediate or pressing problem, although for some this is mostly because their income from self-employment is not the only source of income (i.e. they have other sources of income at either the individual or household level). Still, many self-employed lack the opportunity to put something aside for a rainy day.
2. Social benefits and regulatory protection are often relatively poor, though very much depending on specific national conditions. In various countries, the current form of organizing social benefits and regulatory protection is in line with the interpretation of self-employment as the most far reaching form of labour market flexibility. The self-employed do not always bother much about social benefits and regulatory protection issues; considering it part of the deal and implicitly supporting the view of self-employment as a special case of entrepreneurship.

In various countries, the limited access and entitlements to pension provisions may be particularly problematic. Older self-employed have to continue working beyond the official retirement age to make ends meet and younger generations of self-employed seem to have limited possibilities for private savings. In combination with the general myopic view of young and middle aged individuals one may wonder whether future problems regarding pensions for the self-employed are currently underestimated (both by themselves and by policy makers).

3. Uncertainty for the self-employed is often high, as the continuity of their work is not always guaranteed, although for many self-employed this is regarded as part of the job. A lack of maintenance or improvement of employability among the self-employed seems of concern in the prospects of continuing work and career enhancement.

From these conclusions – interim and tentative as they may be – it is easy to switch over to the policy challenges that lie ahead for both national governments and the European Union.

## POLICY CHALLENGES

The most important and probably also most complicated challenge for policy makers with respect to self-employment lies at a relatively high level of abstraction and concerns the question of whether to approach the self-employed and self-employment primarily from the perspective of *entrepreneurship* (as has been the dominant perspective in past policy making) or from the perspective of *labour market flexibility*. The first perspective calls primarily for market regulation (fair competition, transparency, equal access); well-regulated markets within this framework entail that the self-employed negotiate with their clients and customers and agree on tasks and tariffs. The tradition of the social welfare state, looking at self-employment from the perspective of labour market flexibility, rather brings to mind concepts like social protection and guarantees for a decent living. From this perspective there is much more logic to setting restrictions to the behaviour of both clients and the self-employed than from the perspective of self-employment as a form of entrepreneurship. On a more practical level, the two approaches need not be lightyears away from each other. Market regulation can go together very well with some form of price regulation in order to avoid destructive competition or with quality requirements to protect the public interest. Still, the overall approach may colour the implementation or even the outcome of legal procedures in case of violation of the rules and regulation.

When it comes to concrete protective measures – like for instance minimum tariffs for the services of the self-employed or a rise on their tariffs to enable pension savings – policy makers sometimes seem to overlook the fact that the labour market is a very special market to which not automatically all ‘normal’ market relations apply. While capital, stocks or real estate have no feelings whatsoever, the involvement of human beings in the labour market brings along personal feelings, (dis)likes, needs and so on. Even if the government has issued minimum tariffs, a self-employed person may be in such high need of a commission, for example because (s)he has not had any commissions for the past few months and all savings have gone up in smoke, that both the self-employed and the client may make common cause and agree to negotiate a lower price than the minimum tariff set by the government. Of course, the government can invest in extensive control systems, but still it is likely that part of the measures designed to protect the self-employed may not be effective in the end. The effectiveness is even more to be doubted given that so many self-employed – sometimes despite their own insecure position – oppose a high degree of government intervention in their activities.

This broad variety and often bi-modal division of opinions among the self-employed constitutes a complication for any public regulation. One



of the natural characteristics of public regulation is that, by definition, it applies to everyone who is in the same situation. When the government issues some form of regulation, it cannot limit the application to those who are in favour and except those who oppose regulation. Only the actual labour market position counts.

In the meantime, several issues related to self-employment and the position of the self-employed are on the policy agenda of national member states or the European Union as a whole. This holds for instance for bogus self-employment, that is, workers who register as self-employed but de facto qualify as employees, carrying out work under authority or subordination. If self-employment is only a veil under which someone actually works as an employee, while in the meantime benefitting from any tax deduction, the result is a distortion of the market. So, it is clear that member states will want to take action against this kind of bogus self-employment.

Another issue that is regularly debated in different member states is the representation of the self-employed and their role in the (national) social dialogue. Both at the level of the member states and at the EU-level there are the traditional partners involved in the social dialogue. Unions represent workers and employers' organizations represent employers; no matter what their exact role is and what their specific competences are it is clear who sits around the table and whom they represent within the national social dialogue. Usually, this representation does not include the self-employed, who do not identify themselves with employees and consequently do not feel represented by the *unions* around the table, except – as Jansen and Sluiter show in Chapter 12 – precariousness prone professionals, who are most willing to join a trade union. However, the interests of the self-employed often do not match with those of the *employers' organizations* either, especially if these organizations are dominated by a few multinational companies. In many cases, organizations representing SMEs are likely to be their best allies. Yet, SMEs may also be their clients or customers, creating some natural distance between SMEs and the self-employed. The chapter by Jansen and Sluiter on representation does not only show that the self-employed do not feel represented by existing organizations like unions and employers' organizations, many of them also reject the idea of an independent organization for the self-employed. And once again the opinions are rather diverging. This lack of representation and (organizational) power to speak with one voice makes it difficult for public authorities to include the self-employed in the preparation or implementation of policies regarding self-employment. The big discord and lack of unity among the self-employed deprives them of the opportunity to influence policies in a similar way as organizations and lobby groups of farmers, medical specialists or even consumers have done so successfully over the years.

Meager (Chapter 5) and Schulze Buschoff (Chapter 13) signal that recently the policy debate has been given further impetus by the emergence of hybrid forms of work in the ‘gig’ economy, which share some characteristics with self-employment and others with employees. Here the discussion will be probably even more complicated, because services like Uber or Airbnb do not only mix up the role of entrepreneurs and employees, but those who are (temporarily) involved in providing these services are also often consumers. So, here the question for the lawgiver is not only whether to approach the self-employed as an entrepreneur or as an employee, but also whether someone who is involved with this kind of economic activity should primarily be considered a producer or a consumer. The latter distinction may be even more important as the difference between rules and regulations regarding producers and consumers is way larger than between the rules guiding entrepreneurs and employees.

## FUTURE RESEARCH

Throughout the book various authors have pointed to the absence of specific information and analyses on certain topics concerning self-employment and the self-employed. To conclude this final chapter we will make an effort to translate the various questions and suggestions into a future research agenda.

A first and major point on this research agenda concerns changes within employment biographies over time. Just like employees have some sort of career – some with a lot of transitions and strong upward mobility, while others remain in one single job with one single employer throughout their career – the life course of the business of self-employed workers may show different developments over time too. Do the self-employed show similar patterns as compared to larger companies in terms of start, development, take-off, stagnation and decline? What are the determinants of these patterns? And are there critical moments during the various phases in a self-employment career in terms of who is going to succeed and who will not? Related – and important from the life course perspective – is how much precariousness the self-employed can stand before they call it quits. Earlier, we already addressed the issue that cross-sectional survey studies only include ‘survivors’, that is, those who remain in self-employment. ‘Losing’ the non-survivors deprives us of the opportunity to find out what precariousness in self-employment does for the rest of a person’s life course. Can he or she regain employment as an employee or is quitting self-employment the start of a downward spiral that does not only affect working life, but also one’s private situation? From a policy perspective one

may want to know what could have helped them – in terms of rules and regulations or financial or other forms of support – and what could have prevented them from giving up self-employment. Moreover, it would be interesting to see how those self-employed who have/had to quit look back on their experiences in self-employment. Is there anything they take with them for the rest of their working career?

The perspective of what could have helped touches upon the issue addressed earlier that precariousness holds different dimensions. Once again returning to the three dimensions of precariousness discussed above we concluded that it can very well be that the self-employed must be considered precarious on one of these dimensions, but not necessarily also on (one of) the other two; in several cases the available empirical evidence supported this conclusion. However, our image of which of the self-employed are vulnerable on what dimension and to what extent is still sketchy, blurred and incomplete. The more so is our understanding of who (or what) is ‘responsible’ for this vulnerability. Of course, answering such questions requires much more in-depth research than the analysis of some statistics collected by a national or a European agency, how useful such statistics in themselves may be.

Applied to the context of the self-employed, it would be useful to develop measures that capture employment insecurity (e.g. how easy or hard it will be to find new, generally comparable, work). Insecurity in terms of work and income may lead to individuals becoming more fearful of long-term plans and commitments in other life domains; couples, for instance, often find economic stability a crucial condition for taking a long-term decision such as having children. Especially the involuntary solo self-employed often seem to experience their uncertainty as troublesome (Scherer, 2009; Conen et al., 2016; Kremer et al., 2017). As part of the research agenda on self-employment it would be interesting to get a sharper look at this issue.

After having established to what extent different groups of self-employed are at risk in terms of different dimensions of precariousness, to what extent and which factors contribute to these risks is a major policy question about how member states or Europe can organize social protection. Here especially comparative research may be useful. Different countries have organized the social protection of the self-employed in different ways and the open method of coordination within the European Union may help countries to design and implement the optimal social protection system for their own country. This is, of course, not only or not even primarily a ‘technical’ problem, but essentially a political question for the answering of which researchers can provide a lot of analyses and information. The final answer regarding the question of a decent and suitable system of proper social protection for the self-employed remains, however, in the hands of

political decision makers. With the rapid developments in and around the world of self-employment one can be sure that it will be on the research agenda for a long time.

## NOTES

1. Benny Andersson, Bjoern K. Ulvaeus, Stig Anderson (1976). *Dancing Queen* lyrics. London: Sony/ATV Music Publishing LLC, Universal Music Publishing Group.
2. Lynsey De Paul (1973). *Won't Somebody Dance With Me* lyrics. London: ATV Music and Music Sales Ltd.

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