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Skills for self-employment

Annex LFS analysis
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Skills for self-employment: Annex: LFS Analysis

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Annex: Analysis of Labour Force Survey Data

This Annex presents an analysis of Labour Force Survey data, to provide descriptive statistics on the nature and extent of self-employment in the UK. Key points emerging from this analysis include:

- Self-employment grew strongly in the 1980s, stagnated and fell back in the 1990s, and has **been growing again since 2000**, including during the recent recession. There is some evidence that the special factors driving self-employment growth in the 1980s were not present to the same extent in the more recent period. It is possible, therefore, that the current growth may prove to be more sustainable than that of previous decades.

- The self-employment rate in the UK (13 per cent of all employment), is **below the OECD and EU average**, but the UK is one of only a few developed economies in which self-employment has been growing in recent years.

- **Men are twice as likely to be self-employed as women**, but the gap has narrowed in the last decade.

- **The self-employment rate increases strongly with age**, and is highest among people over normal retirement age. Since 2007 self-employment has grown among people aged 45-plus, but has fallen back among younger groups.

- **Disabled people are somewhat more likely to be self-employed** than non-disabled people. It is not clear how much this reflects potential flexibility which self-employment offers to disabled people, and how much it reflects lack of ‘regular’ job opportunities.

- There is **variation in self-employment rates between ethnic groups**, but the patterns are complex, reflecting a variety of influences for different sub-groups, including ‘ethnic penalties’ in waged employment, regional and sectoral effects, and cultural and other background influences.

- Self-employment has a very different sectoral and occupational distribution from waged employment.

  - **Self-employment is particularly concentrated in construction, agriculture and other services** and, to a lesser extent, in banking, finance and business services. The level of self-employment in construction was artificially boosted through sub-contracting arrangements, and has fallen following changes to the income tax regime, targeted at tackling ‘false self-employment’ in this sector.

- At an occupational level, **self-employment is particularly concentrated in skilled manual occupations**, and the rate and level of self-employment in these (and some other manual) occupations have been growing in recent years, while the trend in managerial, professional and non-manual occupations has been static or downward.

- Compared with employees, the **self-employed are over-represented among those with long working hours** (50+ per week) and, to a lesser extent, among those with short working hours (20 or fewer). Self-employed men are more common in the long working hours groups, and self-employed women in the short working hours groups. As with employees, self-employed working hours have fallen somewhat in the recession.

- The **self-employed are much more likely to work at home** or with home as a base, than are employees. This is particularly the case for self-employed women.

- **Fewer than one in five self-employed people have employees.** This proportion has fallen as overall self-employment levels have increased. Over three quarters of the self-employed with employees have 10 or fewer, and half employ only one or two staff.

- The **self-employed are much less likely than employees to be looking for a different or additional job**, although this proportion has increased in the recession.

- **Self-employment rates vary widely between UK regions**, with the highest rate in London at 16.2 per cent, and the lowest rate in the North East at 9.7 per cent.

- The **self-employed are slightly less likely than employees to have higher level qualifications (levels 3, 4 and above), and slightly more likely to have no qualifications.** The highest self-employment rates are among those with trade apprenticeship qualifications and those with no qualifications. **There are big gender differences**: self-employed women are much more likely than self-employed men to have higher level qualifications (level 4 and above), and much less likely than self-employed men to have trade apprenticeship qualifications.

- The **self-employed are only half as likely as employees to be currently working or studying towards a qualification**, and only **half as likely to have received job-related training or education** in the last three months. There is no evidence that their likelihood of undertaking training has fallen in the recession, however.

1 Trends in self-employment

1.1 Aggregate self-employment

After the second world war, across the industrialised world, there was a substantial and apparently sustained decline in self-employment. In the UK, as in many other advanced economies, however, this trend came to a halt, and was reversed during the 1980s. Indeed, during the 1980s, the UK experienced one of the fastest rates of growth in self-employment of any country. Over the decade 1979-1989, there was an historically-unprecedented rate of growth in self-employment, with the level of self-employment almost doubling from 1.77 million to 3.43 million[1], and the self-employment rate (the proportion of all those in employment who are self-employed) growing from 7.3 to 13.1 per cent (see Meager and Bates, 2004).

This resurgence of self-employment in the 1980s led to considerable interest from policy-makers, and generated a debate about whether it represented a genuine growth in entrepreneurial dynamism which would help create employment for workers displaced by the recession of the early 1980s. The belief that some kind of sea change was underway was reinforced by the fact that the level and rate of self-employment grew steadily in every year of the 1980s, independently of the economic cycle (in particular, it grew strongly both during the recessionary years up to 1985, and during the boom years in the second half of the decade).

This belief was quickly undermined, however, by the experience of the next decade. Self-employment stagnated in the first half of the 1990s, and fell during the rest of the decade (Figure 1.1[2]), despite the strong economic growth experienced from 1993 onwards.

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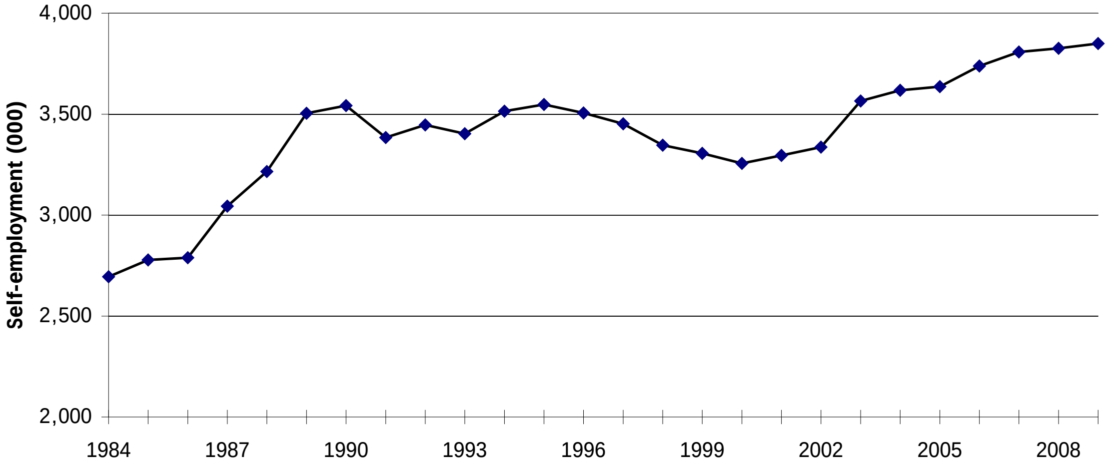
1 These data are from the Labour Force Survey (LFS) and cover Great Britain, rather than the UK as a whole. Elsewhere in this report we use more recent LFS data for the UK.

2 Note: in this figure and most of the other data from the LFS we use data relating to the entire population aged 16+, i.e. we do not restrict the data to the working age population. This is because of the recent growth in employment among older people, the abolition of the default retirement age, and the very high rate of self-employment among those above 'normal retirement' age.

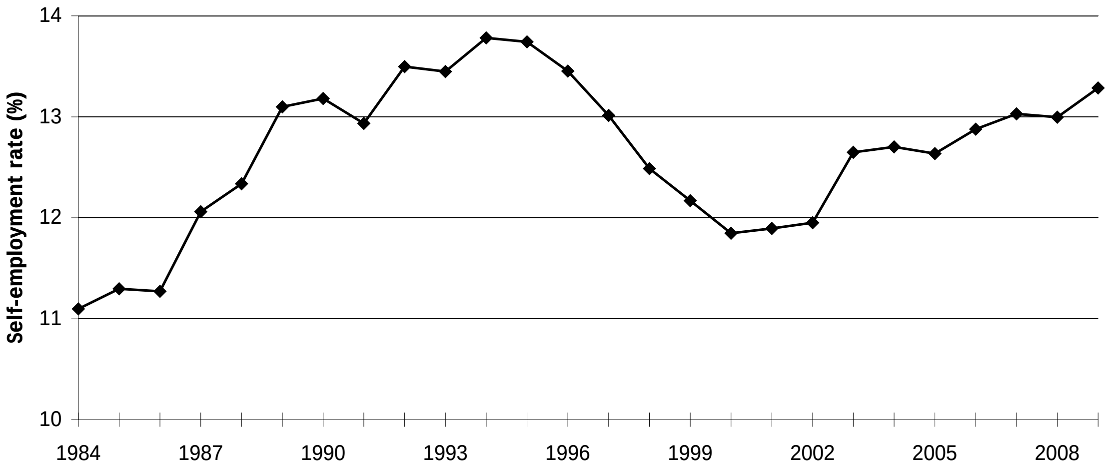
Figure 1.1 Self-employment: UK, 1984-2009



Source: Labour Force Survey (seasonally adjusted)

When the self-employment rate is examined (Figure 1.2), the contrast between the 1980s and the 1990s is even more marked: overall employment grew strongly during the 1990s, while self-employment stagnated. As a result, the self-employment rate fell from its peak of nearly 14 per cent in the early 1990s, to below 12 per cent by the end of that decade.

Figure 1.2 Self-employment rate: UK, 1984-2009

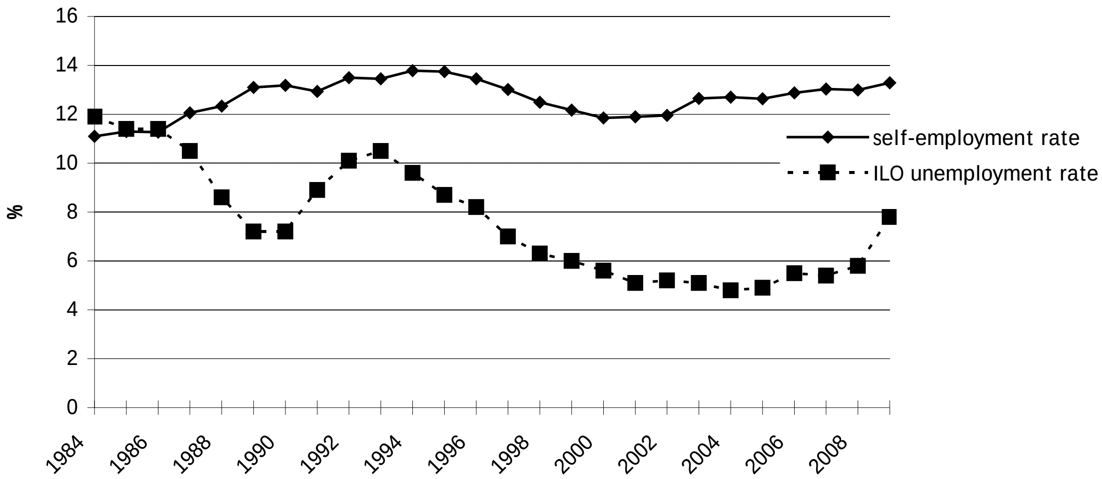


Source: Labour Force Survey (seasonally adjusted)

More recently, since 2000, however, the trends in both the level and the rate of self-employment have once more been upward, and again largely independent of the economic cycle. Thus self-employment grew during the period of economic growth until 2007, but it continued to grow following the banking crisis, and the recession which began in early 2008.

Figure 1.3 confirms the lack of any clear relationship between the self-employment rate and the aggregate unemployment rate over the last quarter century. While there is a debate in the literature about the extent to which self-employment growth reflects 'unemployment push' (i.e. a response to lack of job opportunities in the employee sector), it is unsurprising that trends in total self-employment are not strongly linked to the economic cycle. As several authors have pointed out (Meager 1992, Cowling and Mitchell 1997), the cycle has offsetting impacts on inflows to and outflows from self-employment. Thus in a downturn, many unemployed people may be encouraged to consider self-employment; at the same time, however, the survival of many small businesses will be threatened and more people than previously will leave self-employment. The net impact on the self-employment stock depends on the relative sizes of the inflow and outflow effects and will vary with the strength and timing of the downturn and the influence of other factors.

Figure 1.3 Self-employment rate and unemployment rate: UK, 1984-2009



Source: Labour Force Survey (seasonally adjusted). Note that the unemployment rate is the working age unemployment rate

To summarise, the recent history of UK self-employment falls into three distinct phases:

- the 1980s: strong growth in self-employment (in the early ‘80s recession, and the late ‘80s boom);
- the 1990s: stagnant or falling self-employment, while the economy and labour market (post-1993) grew strongly; and
- post-2000: resumed self-employment growth, continuing during the recent recession.

To put the third and most recent phase into context, and understand whether the growth in self-employment is likely to be sustainable, it is worth briefly reviewing the evidence which explains the first two phases. In particular it is of interest to understand whether and how the recent growth in self-employment is similar or different to that of the 1980s.

1.1.1 Self-employment in the 1980s

There is a large literature on the 1980s self-employment upsurge (see, for example, Meager et al., 1992; Campbell and Daly, 1992; Meager, 1993; Bryson and White 1997). The general conclusion is that no single factor explains the 1980s experience, which was unusual in UK historical terms and in comparison with other countries. To explain it, several inter-related influences need to be taken into account, some of which were found in other countries, but others were largely specific to the UK.

- **The economic cycle**: in the deep recession of the early 1980s, the ‘unemployment push’ effect dominated, and trends in aggregate self-employment were dominated by an inflow effect; later in the decade, strong economic growth stimulated further inflows into self-employment and reduced outflows, such that overall self-employment continued to grow.
- **Sectoral restructuring**: the UK experienced rapid decline in employment in sectors with low self-employment densities (such as manufacturing) and growth in some service sectors in which self-employment was more prevalent. This shift more than outweighed the impact of the continued decline in agriculture (which, although having a very high rate of self-employment, has relatively little weight in the UK’s overall employment picture).
- **Changing contractual arrangements**: most notable in the UK construction sector, with a major shift towards the use of self-employed workers and craftspeople (often working through ‘labour only’ subcontractors). In practice much of this new self-employment

represented 'disguised employment' or self-employment in name only (often being associated with avoidance of tax and social security contributions): see Winch (1998). Also in some other sectors, the decade saw a trend towards 'contracting out' of service functions by large employers and the growth of franchising, and these shifts in the contractual organisation of work contributed further to self-employment growth.

- **The UK's regulatory framework** for business start-up in this period was looser than in many other European countries (such as Germany: Meager et al., 1992), such that short-term self-employment inflows in the UK were more responsive to the economic and structural pressures described above.

- **The UK's market for credit and financial capital** was also less strict in this period than in many other countries, and underwent considerable relaxation due to financial deregulation in the later years of the Thatcher regime. Taken alongside growing home ownership and house price appreciation (with easy equity withdrawal from the housing market), this contributed to an environment of easy access to capital for business start-ups (see Cowling and Mitchell, 1997).

- The UK was an early adopter of **active labour market policies** aimed at encouraging unemployed people to enter self-employment, and the Enterprise Allowance Scheme (EAS) was one of the largest such programmes in Europe in the 1980s. While evaluations (Meager, 1996; Metcalf, 1998; Parker, 2004) suggest that such schemes had limited effectiveness in creating sustainable opportunities for unemployed people, they clearly contributed to the increased inflow to self-employment during the 1980s.

1.1.2 Self-employment in the 1990s

As noted above, the 1990s experience was dramatically different. In place of the steady growth in self-employment, the early 1990s saw fluctuations in the level and rate of self-employment, while from the middle of the decade both indicators fell steadily against the background of vigorous economic growth and falling unemployment.

What accounts for the difference between the two decades? While no conclusive explanation is found in the literature, researchers have put forward a range of hypotheses (see, for example, Bryson and White, 1997; and Meager and Bates, 2004).

- Some specific factors underlying self-employment growth in the 1980s did not persist to the same extent in the 1990s. The trend towards **outsourcing and contracting-out** was less marked and, especially in the construction sector, major changes in the enforcement of the regime[3] removed much of the incentive for shifts to self-employment. As a result, self-employment in this sector fell dramatically.

- The **market** for start-up finance was tighter during the 1990s than in the 1980s, and the depressed housing market of the early 1990s reduced the net wealth of many individuals.

- The emphasis of **active labour market policy** shifted away from supporting self-employment, and the Business Start-up scheme (the successor to EAS) was phased out in the mid-1990s. Although the 1997 Labour Government's New Deal programme included a subsidised self-employment option, the take-up was on a much smaller scale than EAS.

- While the **sectoral shift** to services continued, it was less marked than in the 1980s, and indeed significant service sector job loss was a feature of the early 1990s recession.

- Finally (see Meager and Bates, 2001), the 1980s and early 1990s saw shifts in the **composition of the self-employed:** new inflows during this period were more likely to be young, more likely to be female, and more likely to be drawn from the ranks of the unemployed, and rather different from the profile of the traditional self-employed entrepreneur. It is difficult to disentangle, from the research, the relative impact on self-employment survival rates of personal characteristics on the one hand, and the nature of the self-employment entered on the other. Nevertheless the changing profile of self-employment inflows over this period raises the possibility that they included people with personal and/or business characteristics associated with lower survival rates, and that this contributed to the fading out of the 1980s self-employment surge.

[3] New measures were introduced in the mid-1990s to tackle building workers claiming self-employment status for tax purposes, while they were effectively regular employees. These measures did not involve new regulations, but rather a new enforcement stance, shifting the onus to construction companies to determine their workers' true employment status. See also HM Treasury and HM Revenue and Customs (2009), a consultation document highlighting the extent to which this remains a live issue, but also estimating (p.13) that measures introduced in 1997 shifted 180,000 construction workers from self-employment to employee status.

1.1.3 Self-employment since 2000

Since 2000, self-employment has resumed its upward trend, and although the rates of growth in both the level and rate of self-employment are below those of the 1980s, by 2009 self-employment had largely made up the ground it lost in the 1990s. Equally notable, moreover, is the fact that self-employment continued its upward trend despite the marked slackening in the economy and labour market since late 2007 (with a fall in GDP even greater than that experienced in either of the last two recessions).

Unlike the 1980s, however, the recent return to self-employment growth has gone largely unremarked in the research literature, although some descriptive articles have documented the re-emergence of growth in the early part of the decade (see, for example: Lindsay and Macaulay, 2004; Ormerod, 2007), and there is little evidence on the factors driving this new trend. Despite this lack of evidence, two points are worth noting.

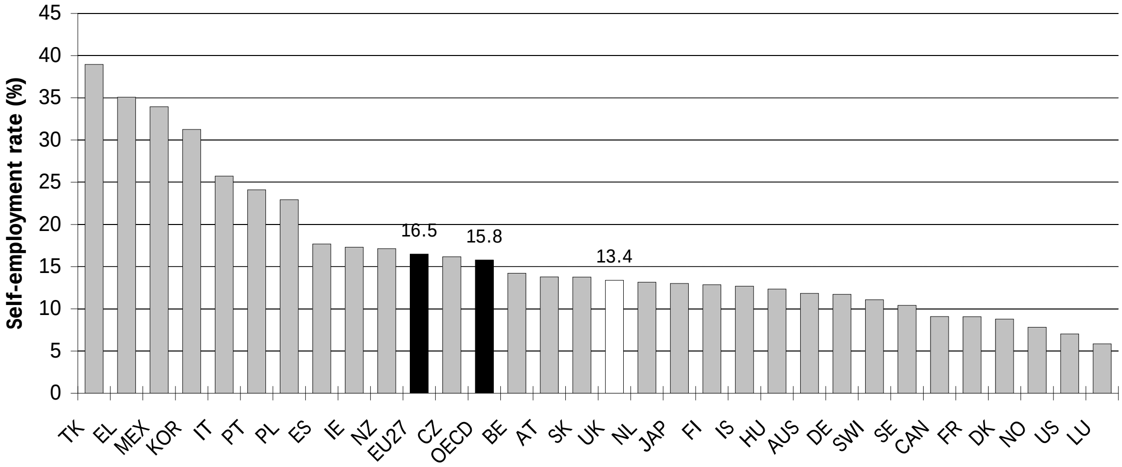
First, as in the 1990s, many of the factors identified as critical influences in the 1980s have not been present in the same way or to the same extent. In particular, there has not been a strong policy impetus to promote self-employment as an option for the unemployed (although recently the coalition government has exhibited renewed interest in this).

Second, and given these differences, there is an important question about whether steady self-employment growth over the last decade represents the start of a sustainable shift towards entrepreneurship, in a way in which the 1980s upsurge turned out not to be. To begin to address this question, we need to look in more detail at the characteristics of the current stock of self-employed and how they have been changing. Before turning to this question (in section 2 below), however, it is worth briefly comparing the UK's recent experience with that of other countries.

1.1.4 International comparisons

Figure 1.4 presents self-employment data for 2008 for a range of OECD countries showing that, at 13.4 per cent, the UK rate lies below the OECD average (15.8 per cent) and the average for the EU 27 (16.5 per cent). Those OECD countries with particularly high rates of self-employment (over 20 per cent), tend to be lower income countries (such as Turkey or Mexico) and/or countries with very different industrial structures from the UK (e.g. southern or eastern European countries with large agricultural sectors, such as Greece, Italy, Portugal or Poland).

Figure 1.4 Self-employment rates across OECD countries, 2008

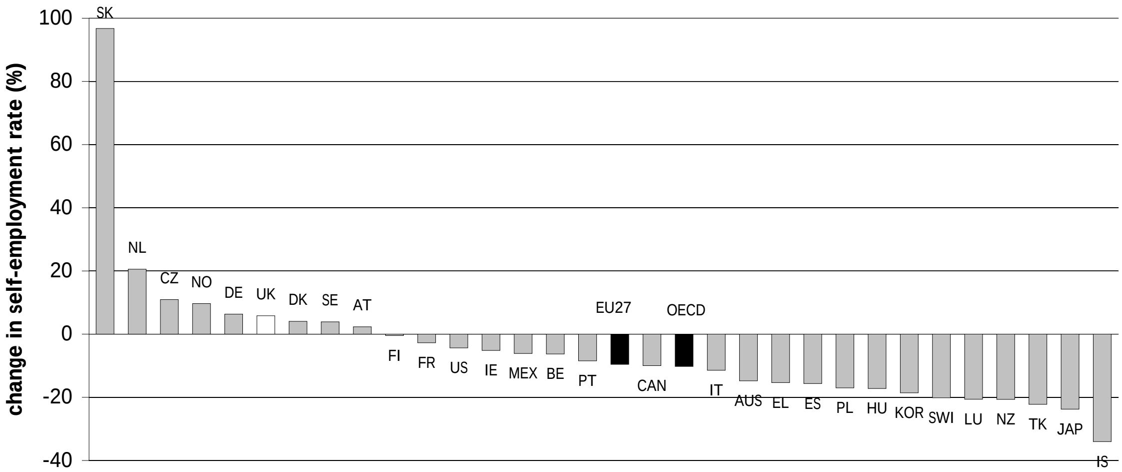


Source: OECD Statistics Database, Annual Labour Force Statistics

Looking at OECD data for the 2000-2009, however (Figure 1.5), the UK is one of only nine countries recording a growth in the self-employment rate. In most countries, and in the OECD and EU27 as a whole, the period saw declining rates of self-employment.

Clearly it is possible that a rapid growth in the self-employment rate, particularly in a recession such as that experienced recently does not represent a genuine upsurge in self-employment, but is simply due to the denominator (total employment, which mainly consists of employee-status employment) falling more rapidly than self-employment (the numerator). To check this possibility, therefore, Figure 1.6 repeats the cross-country analysis of Figure 1.5, but looks at changes in self-employment *levels* rather than *rates*. The overall picture is very similar, as is the ranking of countries, and the UK remains among the minority of countries experiencing self-employment growth.

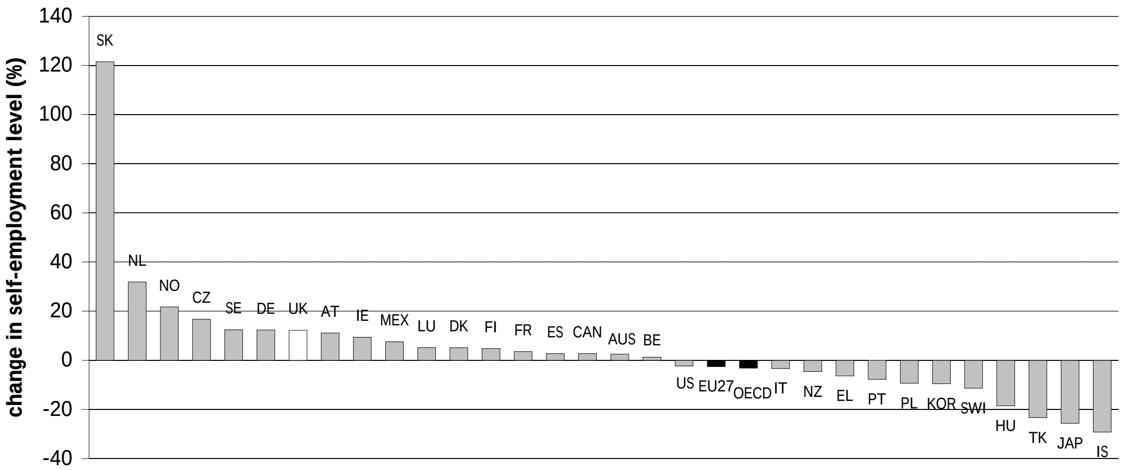
Figure 1.5 Change in self-employment rate, 2000-2009



Source: OECD Statistics Database, Annual Labour Force Statistics

Note: data for France, Luxembourg and OECD total refer to 2000-2008.

Figure 1.6 Change in self-employment level, 2000-2009



Source: OECD Statistics Database, Annual Labour Force Statistics

Note: data for France, Luxembourg and OECD total refer to 2000-2008.

It is clear from internationally-comparative studies of this question (OECD, 2000; Blanchflower, 2004), that explaining different rates of self-employment between countries, and different trends, is complex and driven by a range of different factors, which include:

- the relative importance of the agricultural sector (typically the larger the agricultural sector, the larger the rate of self-employment);

- the overall level of economic development, including the importance of family businesses and the ‘black’ or ‘grey’ economy within a country’s overall economic structure (Southern European countries, and countries with lower levels of economic development tend to have higher rates of non-agricultural self-employment);

- countries’ sectoral structure outside agriculture (self-employment rates tend to be higher in some private service sectors and construction than in manufacturing and public services);

- the policy, legislative and tax framework, including government policies aimed at supporting self-employment.

Even when these factors are taken into account, as well as major economic shocks (some post-communist countries exhibited rapid self-employment growth during the transition to a market economy), as Blanchflower (2004) notes, the data show unexplained rises and falls in the self-employment rate in individual countries over quite short periods, suggesting that some caution should be exercised in drawing strong conclusions. Nevertheless, the recent data presented above suggest that the UK has a relatively high rate of self-employment compared with similar economies (from Figure 1.4 it can be seen that the UK has the highest self-employment rate in the G7 countries, with the exception of Italy, whose self-employment rate is heavily influenced by the role of agriculture and the informal economy, especially in the south of the country); equally it is one of the few G7 economies that has experienced growth in self-employment in recent years (as Figure 1.5 shows, Germany is the only other G7 country with a growing self-employment rate, albeit from a lower level, partly reflecting a considerable recent policy effort in that country in stimulating self-employment as a labour market option: see section 4.1 of main report).

2 Characteristics of the self-employed

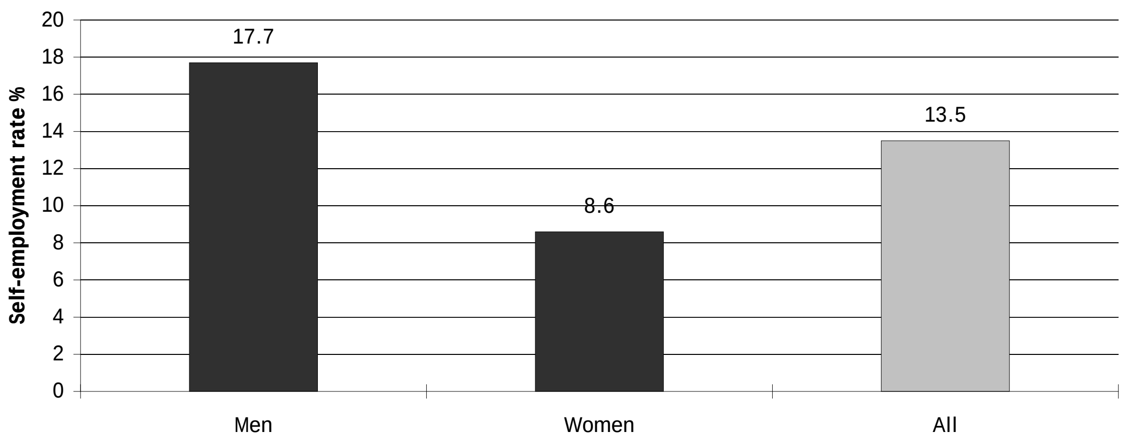
2.1 Personal characteristics

In this section we look at demographic and household characteristics of the self-employed, how the propensity to work as self-employed (rather than as an employee) varies with those characteristics, and how these characteristics and propensities have varied over time[4].

2.1.1 Gender

As in nearly all countries for which data are available, the self-employment rate of men in the UK is considerably higher than that of women: the male rate at 18 per cent is currently twice the female rate at nine per cent (Figure 2.1).

Figure 2.1 Self-employment rates by gender: 2010

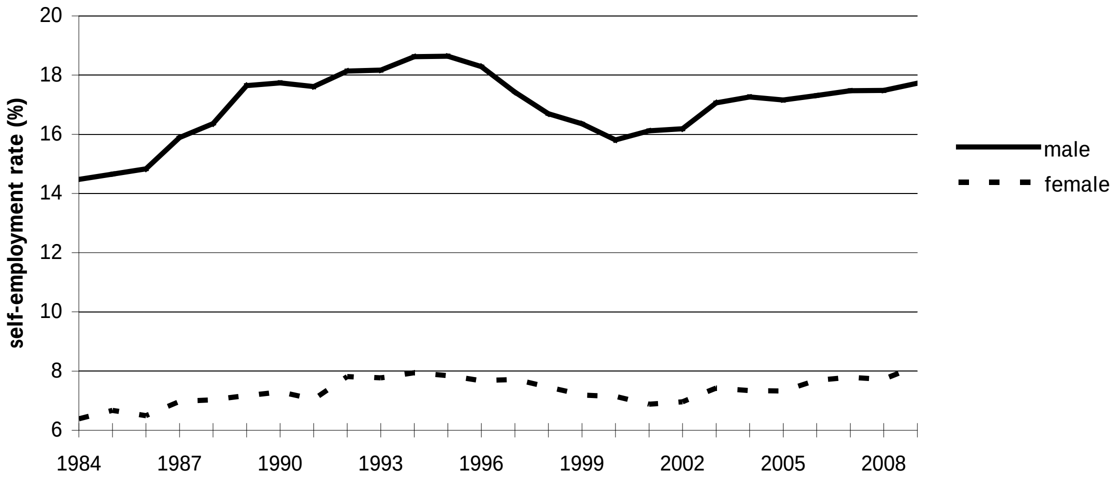


Source: Labour Force Survey (April-June quarter 2010)

[4] Note that the LFS data were reweighted in 2009 (using population estimates for that year). Reweighted data are available on this basis back to the Jul-Sep 2006 quarter (see: http://www.esds.ac.uk/government/lfs/). As a result, while ONS has published continuous reweighted series for some variables, this is not possible for many of the variables of interest. For the latter, therefore, we look mainly at recent changes since the last reweighting.

This is a persistent difference: Figure 2.2 shows that, in 1984, the rates were 14 and six per cent respectively.

Figure 2.2 Self-employment rates by gender: 1984-2009

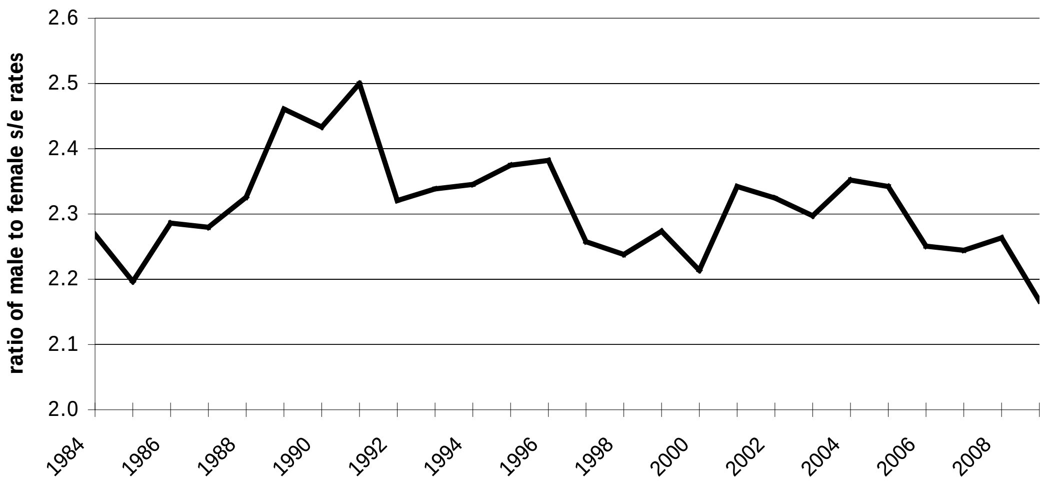


Source: Labour Force Survey (annual data, seasonally adjusted)

There has, nevertheless, been some narrowing over time in the gap between the rates, as shown by Figure 2.3, which looks at variations over time in the ratio between the male and the female rate. While there have been many fluctuations in the ratio, looked at across the whole period, it seems that the ratio tended to move up during self-employment growth in the 1980s (i.e. the male propensity to be self-employed grew faster than the female propensity). Since around 1990, however, the ratio has tended to fall, both during the period of self-employment decline in the 1990s and, interestingly, in the recent period of self-employment growth since 2000. The ratio between the male and female self-employment rates has now fallen back below the level it was at during the 1980s.

Thus, one key difference between the recent spell of self-employment growth and that of the 1980s, is that the recent trend is characterised by the female self-employment rate growing somewhat faster than the male rate, while the reverse was true during the 1980s.

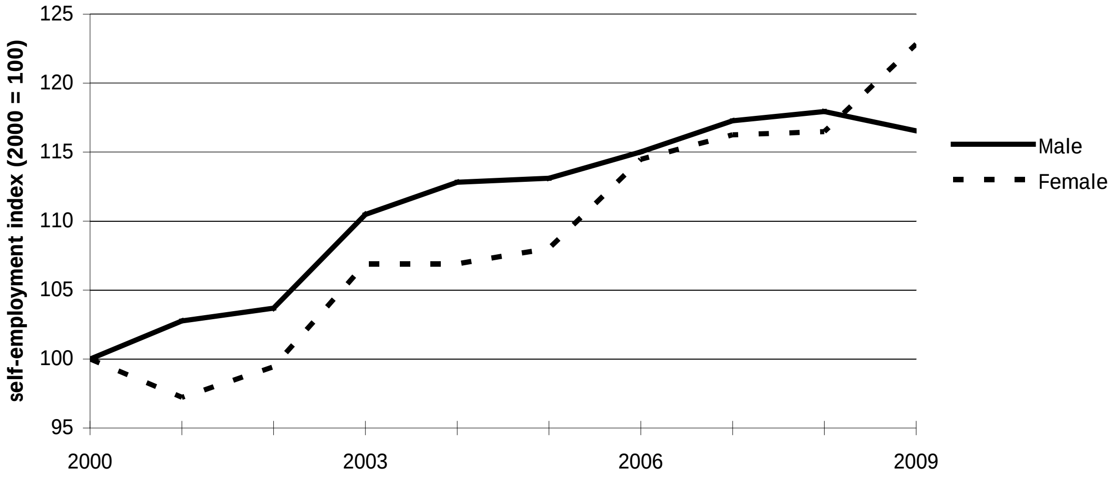
Figure 2.3 Ratio between male and female self-employment rates (1984-2009)



Source: Labour Force Survey (annual data, seasonally adjusted)

It is, however, important not to exaggerate the differences between the recent experiences of male and female self-employment. Figure 2.4 illustrates the trends since 2000, the point at which aggregate self-employment began to increase again. The overall increase in female self-employment over the period (22.8 per cent) was greater than the increase in male self-employment (16.5 per cent). However, female self-employment initially fell, and has increased by less than male self-employment throughout the period, until the last year (2008-9) when there was a particularly fast growth in female self-employment.

Figure 2.4 Trends in total self-employment by gender (2000-2009)

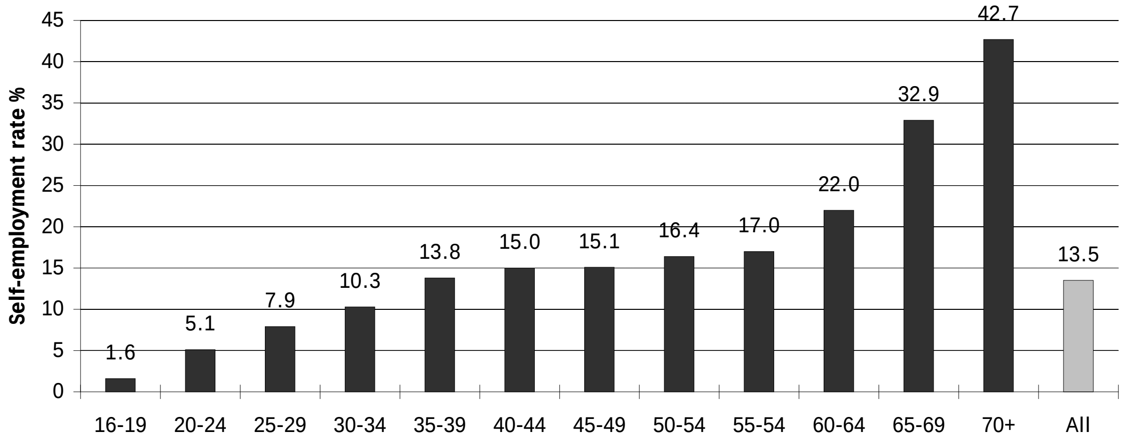


Source: Labour Force Survey (annual data, seasonally adjusted)

2.1.2 Age

Another defining feature of self-employment in most countries and in most periods is that the likelihood of being self-employed increases strongly with age. Data on self-employment dynamics (e.g. from panel surveys: see, for example, Meager and Bates, 2004) also show that the likelihood of self-employment entry tends to increase with age, while the likelihood of self-employment exit declines with age (or, looking at it another way, the duration and stability of self-employment increases with age). Many explanations have been put forward to explain this pattern, but most rely on the notion that individual accumulations of capital tend to increase with age, and that such accumulation may be both a precondition for self-employment entry, and a factor enhancing survival chances in self-employment. This applies both to certain kinds of human capital (e.g. skills and experience acquired in wage employment) and to financial capital (e.g. savings or inheritance which help overcome entry barriers to business start-up).

Figure 2.5 Self-employment rates by age: 2010



Source: Labour Force Survey (April-June quarter 2010)

Figure 2.5 confirms this pattern in recent UK data, with self-employment rates increasing dramatically with age, the highest rates being found among people above normal retirement age. There are several likely reasons for this latter finding. First, the self-employed, without a normal retirement age, have options to continue working into old age traditionally denied to people in salaried employment (it will, therefore, be interesting to see what effect the abolition of the default retirement rate for employees has on self-employment rates). Second, many people move from employee to self-employed status in later life, in some cases as a flexible route into retirement (the self-employed may, for example, have greater scope than employees to vary the hours and location of their work as they age). Lastly, there is some evidence (see, for example, Meager et al., 1996; Platman, 2003) that a significant group of self-employed people face low incomes and poor pension entitlements in later life and may, therefore, be less able than their employee counterparts to afford to retire.

Unfortunately there is no long-term consistent time series (such as that used in the overall analysis and the analysis by gender in the previous sections) enabling us to break down recent self-employment trends by age. It is possible, however, to look at changes since the onset of the recent recession, by comparing data from the April-June quarter of 2010, with the same quarter from 2007 (both weighted to 2009 population estimates)[5].

Table 2.1 shows the self-employment rate by age group (using broader age groups than those presented in Figure 2.5 above) for the April-June quarter of 2005, 2007 and 2010 respectively. There is no consistent pattern: the self-employment rate of nearly all age groups increased prior to the recession between 2005 and 2007 (the exceptions being the 55-64 age group for which it fell slightly, and the 45-54 age group for which it remained constant); over the period of the economic downturn, self-employment rates continued to increase for most groups, except for the 65-plus group and the 25-34 group, for which they fell. When looking at changes over short periods of time, however, it is clear that changes in the self-employment rate can be influenced not only by changes in the numerator (self-employment), but also by changes in the denominator (total employment). In a recession,

Table 2.1 Self-employment rates by age (2005, 2007, 2010)

Age	Self-employment rate (%)		
	April-June 2005	April-June 2007	April-June 2010
16-24	3.6	3.9	4.1
25-34	8.8	9.8	9.0
35-44	13.6	13.7	14.4
45-54	14.8	14.8	15.7
55-64	18.9	18.6	18.9
65+	34.2	36.6	35.9
All ages	12.5	12.9	13.5

Source: Labour Force Survey (April-June quarters)

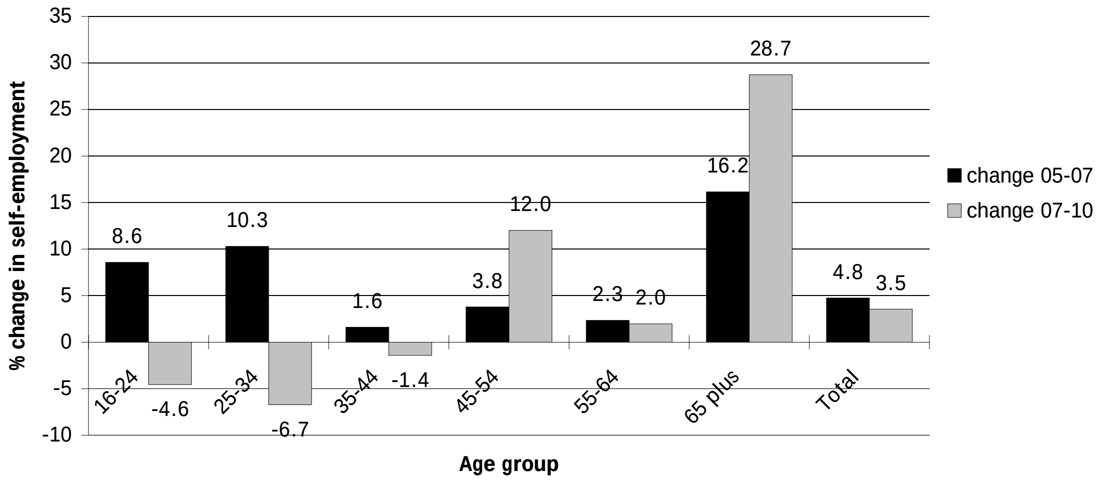
Note that data from 2007 and 2010 are weighted to 2009 population estimates, while data from 2005 are weighted to 2007-8 and are not, therefore, strictly comparable

therefore, self-employment rates may rise simply because employee jobs are being lost faster than self-employment jobs.

[5] To get a longer time frame of comparison, we also make comparison with the April-June quarter 2005, but it should be noted that the latter data are available only with weights based on 2007-8 population estimates and are not strictly comparable with more recent data, Care should therefore be exercised in drawing conclusions.

When looking at recent experience, therefore, it may be more useful to look at changes in the total level of self-employment by age group, which provide a rather clearer pattern. As Figure 2.6 shows, all age groups experienced growth in self-employment over the 2005-7 period immediately prior to the recession, with the growth being particularly marked in the 65-plus age group and (to a somewhat lesser extent) among younger people (in the 16-24 and 25-34 age groups). Over the period of the economic downturn between 2007 and 2010, however, the pattern changes significantly, with all of the younger groups (under 45) recording falls in self-employment, while all of the groups aged 45 and above experienced self-employment growth (and once again the strongest growth is among those aged 65-plus). While the reasons for this pattern are not fully clear, it is possible that job loss in the recession has encouraged middle-aged and older people to turn to self-employment as an alternative (perhaps using redundancy payments to aid business start-up). Among younger groups, by contrast, it seems that the recession may have reduced opportunities for business start-up.

Figure 2.6 Changes in self-employment (2005-07 and 2007-10), by age group



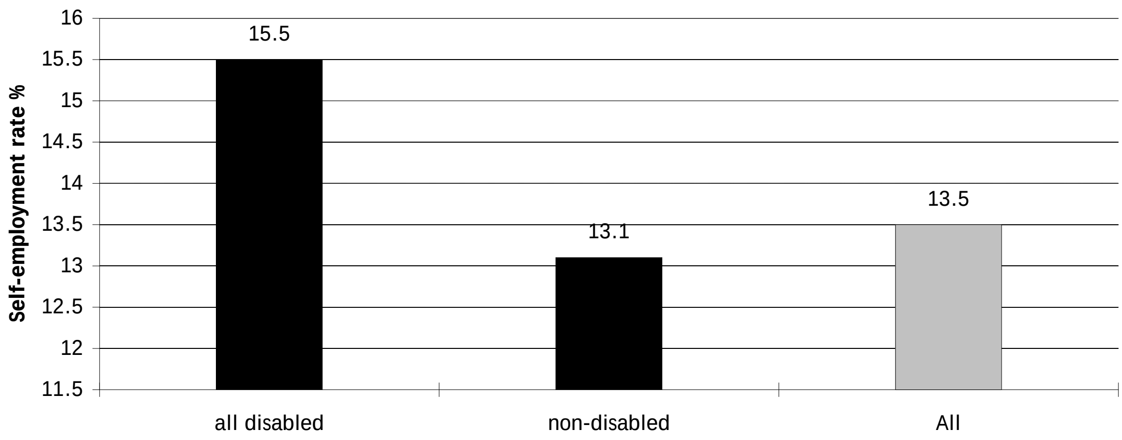
Source: Labour Force Survey (April-June quarters)

Note that data from 2007 and 2010 are weighted to 2009 population estimates, while data from 2005 are weighted to 2007-8 and are not, therefore, strictly comparable

2.1.3 Disability

Disabled people in work are more likely than their non-disabled counterparts to be self-employed (Figure 2.7). This is consistent with previous evidence for the UK (Jones and Latreille, 2006) and more across European countries (Pagán, 2009).

Figure 2.7 Self-employment rates by disability: 2010



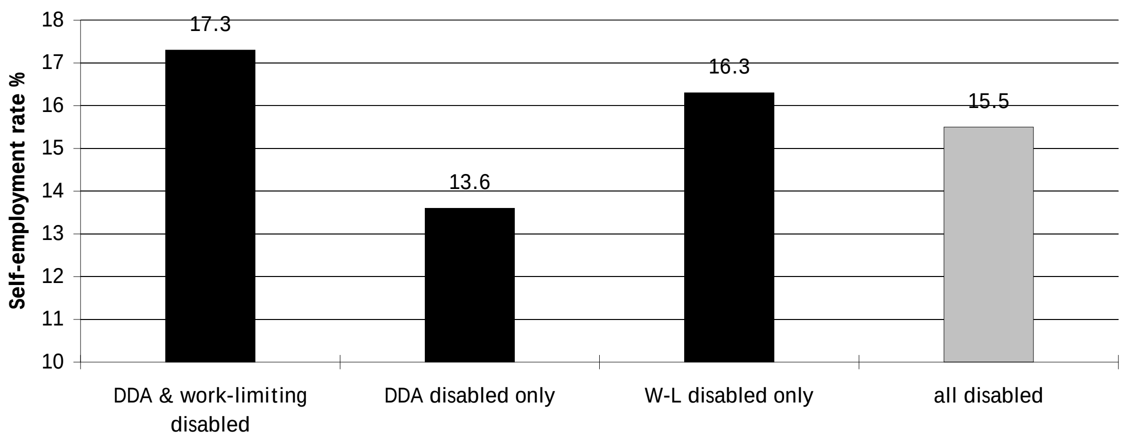
Source: Labour Force Survey (April-June quarter 2010)

It is unclear how far the greater self-employment propensity among disabled people is a positive factor (e.g. because self-employment offers a means for disabled people to adapt their working environments to their impairments), and how far it reflects a negative choice in response to discrimination by employers. It is, of course, possible that both factors are relevant, and both are certainly highlighted as possibilities in the existing literature.

It is, however, possible to disaggregate the category ‘disabled’ in the LFS data. The LFS uses two definitions of disability: ‘DDA disabled’ (i.e. according to the definition of the Disability Discrimination Act) and ‘work-limiting disabled’ (based on the respondent’s own assessment of whether their impairment limits the amount or kind of work they can do). The category (disabled) in Figure 2.7 above is based on a broad definition, including all people meeting the DDA disabled definition, the work-limiting disabled definition or both.

Figure 2.8 further breaks this category down into three groups: those who meet both definitions, those who meet the DDA definition only and those who meet the work-limiting definition only.

Figure 2.8 Self-employment rates by disability category: 2010



Source: Labour Force Survey (April-June quarter 2010)

The DDA-only group records a significantly lower self-employment rate than either of the other two, while the highest self-employment rate (over 17 per cent) is found among those meeting both definitions. As noted by other authors (Meager and Hill, 2005; Riddell et al., 2010), the three groups differ considerably in terms of their personal and labour market characteristics. Thus, the DDA-only group (consisting of people who have a disability according to the broad-DDA definition, but do not believe that this disability affects their working life) enjoy a very high employment rate (it is even slightly higher than that of non-disabled people), and are not significantly disadvantaged in employment terms. The other two groups have much lower employment rates, and among the 'DDA and work-limiting' group in particular, only around a third are in work. As Riddell et al. (2010, p.8) note: "Clearly those that are DDA and work limiting, a group which includes those who are severely disabled, are at the greatest labour market disadvantage".

It is interesting to note from Figure 2.8, that, among disabled people, this group with the lowest overall employment rate records the highest self-employment rate. This suggests that those who are more severely disabled are most likely, if they enter the labour market, to end up in self-employment (whether because of the flexibilities it offers to them, or because it is harder for them to find employee-status work).

Table 2.2 shows how self-employment rates for the different disability groups have evolved over 2005-2007-2010.

Table 2.2 Self-employment rates by disability status (2005, 2007, 2010)

Disability status	Self-employment rate (%)		
	April-June 2005	April-June 2007	April-June 2010
DDA & work-limiting disabled	15.9	18.0	17.3
DDA disabled only	12.0	11.5	13.6
work-limiting disabled only	15.3	16.1	16.3
all disabled	14.3	15.1	15.5
not disabled	12.3	12.6	13.1

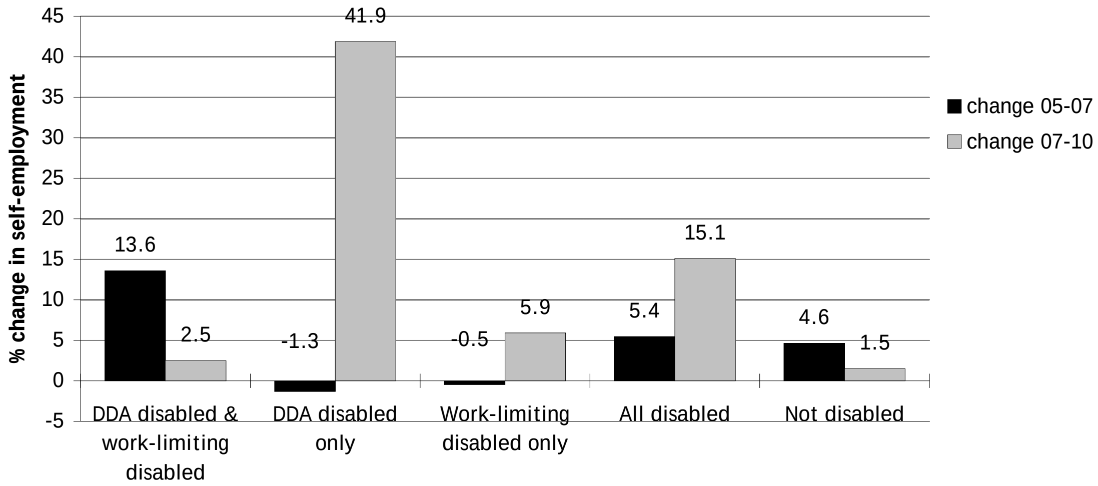
Source: Labour Force Survey (April-June quarters)

Note that data from 2007 and 2010 are weighted to 2009 population estimates, while data from 2005 are weighted to 2007-8 and are not, therefore strictly comparable

Taking all disabled people, the self-employment rate has increased throughout the period, at a slightly faster rate than that of non-disabled people. Among the other categories, however, the pattern is less clear, and the 'work-limiting disabled only' group is the only one of the three whose self-employment rate increased throughout the period. It is interesting to note that for those people with both a DDA disability and a work-limiting disability (as noted above, likely to be the most disadvantaged group), while the self-employment rate increased quite strongly before the recession from 15.9 per cent in 2005 to 18.0 per cent in 2007, by 2010 it had fallen back slightly to 17.3 per cent.

Once again it is also worth looking at the absolute changes in self-employment levels in each group over this period, for a fuller picture (Figure 2.9). Taking all disabled people together, self-employment grew faster than among non-disabled people both in the pre-recession period and over the recession, but the growth during the latter period (2007-10) among disabled people was particularly notable (growing by 15.1 per cent, compared with only 1.5 per cent among non-disabled people). It is also clear that this was largely due to the exceptionally large increase (42 per cent) among people in the 'DDA-disabled only' category (it is not clear what might explain this increase).

Figure 2.9 Changes in self-employment (2005-07 and 2007-10), by disability status



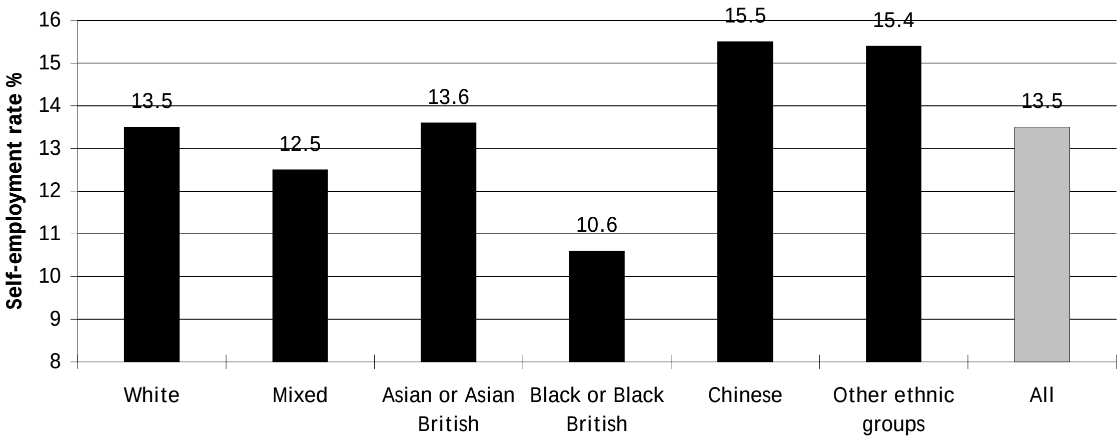
Source: Labour Force Survey (April-June quarters)

Note that data from 2007 and 2010 are weighted to 2009 population estimates, while data from 2005 are weighted to 2007-8 and are not, therefore, strictly comparable

2.1.4 Ethnic origin

There is some variation in self-employment rates between ethnic groups (Figure 2.10). The highest rates (over 15 per cent) are among those of Chinese origin and those from 'other' ethnic groups, while the lowest (10.6 per cent) are among those of Black/Black British origin. The self-employment rate among people of Asian/Asian British origin is very similar to that of white people.

Figure 2.10 Self-employment rates by ethnic origin 2010

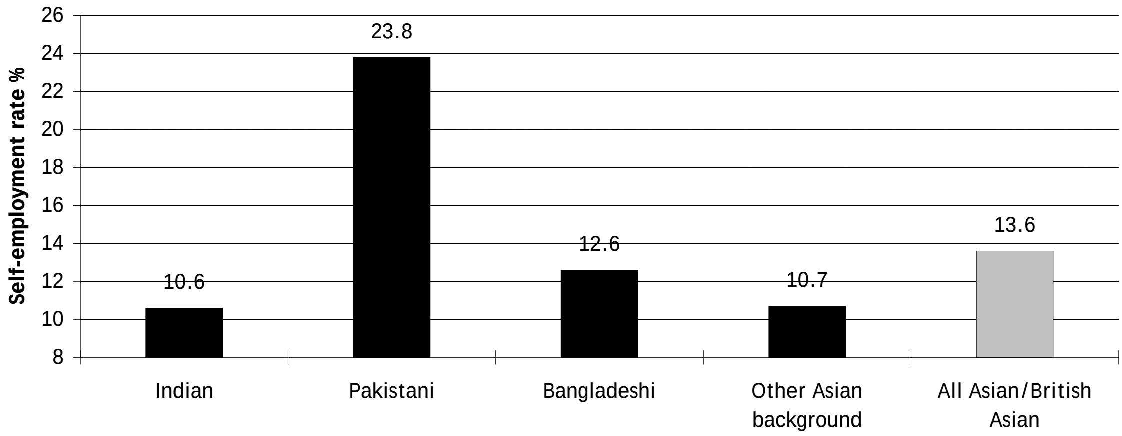


Source: Labour Force Survey (April-June quarter 2010)

It should be noted that this LFS analysis does not distinguish between immigrants and British-born ethnic minorities. These groups are likely to face different barriers. Immigrants are less likely to be fluent in English; are a self-selecting group (for example, may be more willing to take risks) and are less likely to have established social networks, as compared with British-born ethnic minorities (see Clark and Drinkwater, 2010). More generally, variation between ethnic groups has a number of possible explanations. Different groups face varying 'ethnic penalties' in the labour market, which may reflect employer discrimination in the labour market or other factors, such as social capital, not captured by quantitative data. These penalties persist when other factors are taken into account, with Pakistani, Bangladeshi, black Caribbean and black African individuals particularly affected (Heath and Cheung, 2006). Our LFS data do not, however, control for differing characteristics, so a variety of factors are likely to contribute to the variation across groups, including differing language skills; trends in migration; and regional and sectoral effects.

It is clear that the different minority ethnic groups in this analysis are themselves somewhat heterogeneous, but unfortunately the LFS sample sizes do not, for the most part, permit a more detailed breakdown of self-employment rates. The main exception to this is the Asian/Asian British category, which is further broken down in Figure 2.11, showing significant variation in self-employment rates, varying from 10.6 per cent among people of Indian origin, to 23.8 per cent among people of Bangladeshi origin. This may be linked to the reasons for different groups moving into self-employment. It has been suggested, for example, that some ethnic groups are more likely to undertake self-employment to take advantage of an opportunity while others are motivated by necessity; in particular, unfavourable labour market conditions. Thompson et al. (2010), using the Global Entrepreneurship Monitor, confirm previous research suggesting that ethnic minority men – especially those from Pakistani backgrounds – are more likely than white British counterparts to be 'necessity' rather than 'opportunity' entrepreneurs (although this differential is reduced for graduates).

Figure 2.11 Self-employment rates by ethnic origin 2010 (Asian sub-groups)



Source: Labour Force Survey (April-June quarter 2010)

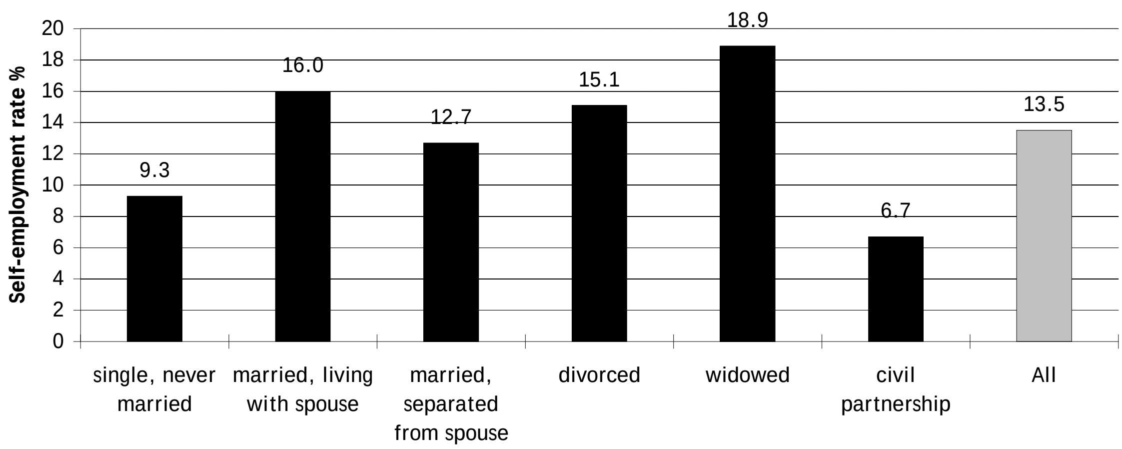
2.1.5 Marital/family status

Figure 2.12 shows how self-employment rates vary by marital status. Much of the variation appears due to the influence of age on self-employment. Thus single people tend, for example, to be younger on average than those in the other categories, and are therefore be less likely to be self-employed. Previous research (for example, Le, 1999) has however, shown that marital status has an influence, independent of age, on the propensity to be self-employed[6], and it has been argued by some authors (Blanchflower and Oswald, 1990; Bernhardt, 1994) that the presence of a spouse or partner (particularly if they are in employment) can be an important factor in helping the self-employed survive unstable and

6 Note, however, that more recent multivariate analysis for the UK, using LFS, finds no statistically significant association between self-employment likelihood and marital status (Dawson et al. 2009).

uncertain streams of income, especially in the early years of a start-up business. Thus Lin et al. (2000), using Canadian data, show that steady family income through wage employment from one spouse increases the self-employed's (the other spouse's) affordability to continue with the business venture and reduces the likelihood of leaving self-employment.

Figure 2.12 Self-employment rates by marital status 2010



Source: Labour Force Survey (April-June quarter 2010)

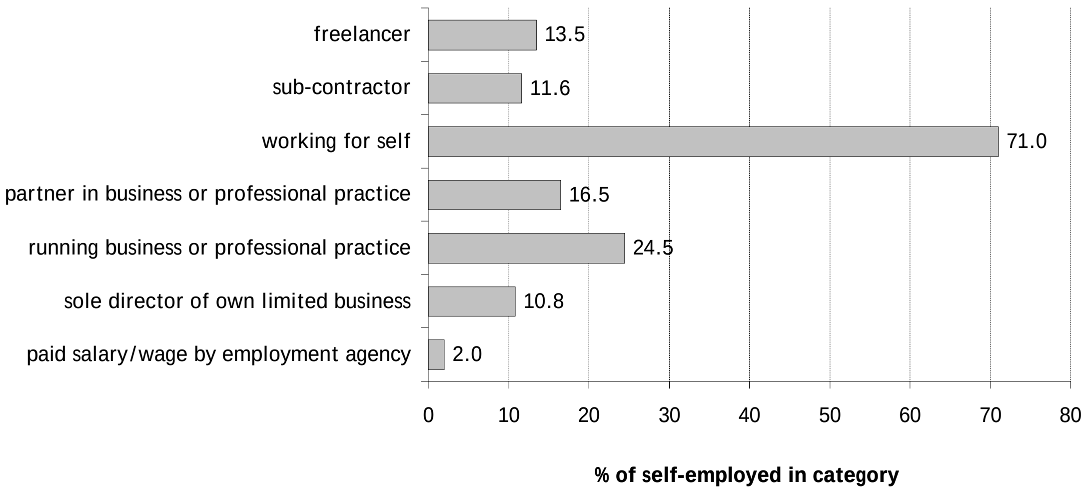
2.2 Employment characteristics

In this section we look in a little more detail at the characteristics of the work that self-employed people undertake and the nature of their businesses.

2.2.1 Mode of self-employment

In section 1.3 of the main report, we discuss the heterogeneity of the self-employed and variety of forms of activity (some much closer to employee status than others) typically captured by the broad term ‘self-employed’. Since 2008, the LFS includes a question throwing some light on this, by looking at how the self-employed receive their incomes. Figure 2.13 summarises the responses given in 2010 to this question showing that, while most self-employed regard themselves as ‘working for themselves’, there is a variety of modes of self-employment over and above this simple definition, with significant minorities reporting that they are freelancers or sub-contractors, and others acting as sole directors of their own limited company, running or acting as a partner in a business/professional practice.

Figure 2.13 Self-employed by mode of self-employment, 2010



Source: Labour Force Survey (April-June quarter 2010)
Note: percentages sum to greater than 100%, as respondents could give more than one answer

Further information on the diversity of self-employment and trends in its composition can be obtained through analysis of data at sectoral and occupational level, to which we now turn.

2.2.2 Sector

The sectoral concentration of the self-employed is very different from that of employees (Table 2.3). Compared with employees they are much more likely to be found in construction, agriculture and 'other services', somewhat more likely to be found in the banking, finance and business services sectors, and much less likely to be found in manufacturing, distribution and public administration, education and health.

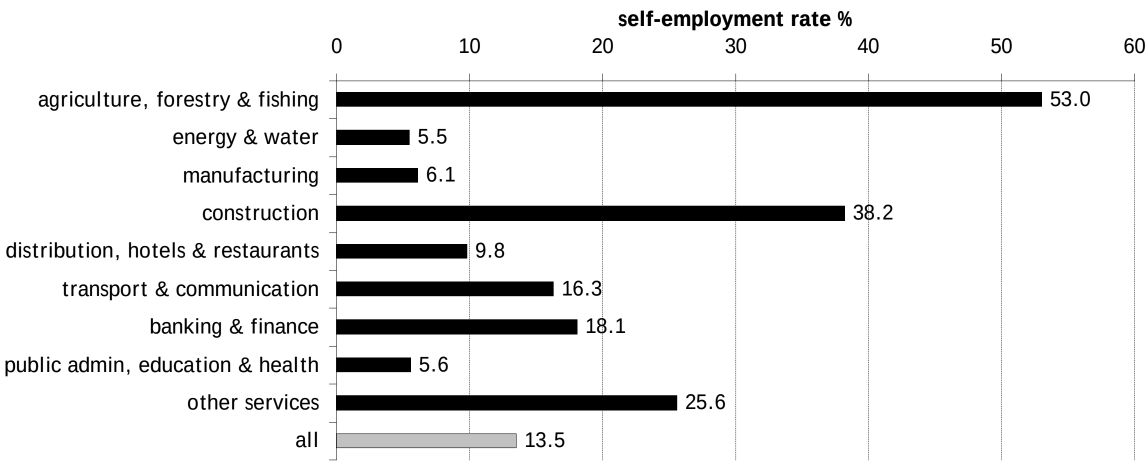
Table 2.3 Distribution of self-employed and employees by sector (SIC 2007), 2010

Sector (SIC 07-92)	Self-employed %	Employees %
A-B: Agriculture and fishing	4.6	0.6
C,E: Energy and water	0.7	1.8
D: Manufacturing	4.5	10.8
F: Construction	21.7	5.5
G-H: Distribution, hotels & restaurants	13.8	19.8
I: Transport & communication	10.1	8.1
J-K: Banking, finance & insurance etc.	21.4	15.2
L-N: Public administration, education & health	12.9	33.6
O-Q: Other services	10.4	4.7
TOTAL (thousands)	3,883	24,719

Source: Labour Force Survey (April-June quarter 2010)

These differences are revealed even more starkly through an examination of sectoral self-employment rates (Figure 2.14). Over half of agricultural workers, nearly 40 per cent of construction workers, and a quarter of those working in 'other services' are self-employed. By contrast only just over one in twenty of workers in energy/water, manufacturing and public administration/education/health are self-employed.

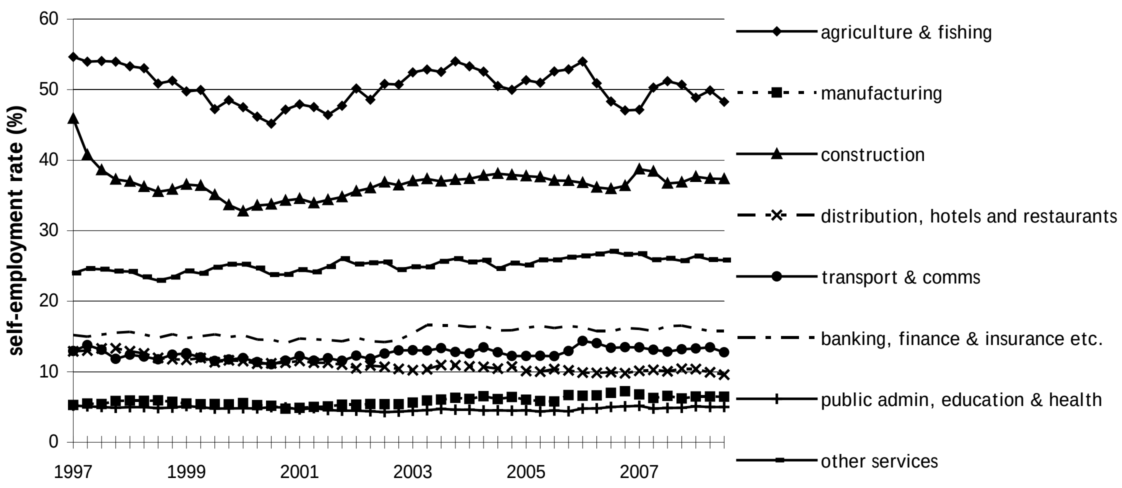
Figure 2.14 Self-employment rates by sector (SIC07), 2010



Source: Labour Force Survey (April-June quarter 2010)

Figure 2.15 uses historical LFS data for the period since 1997 (not directly comparable with the cross-sectional LFS data used elsewhere in this report), to look at trends in sectoral self-employment rates. While self-employment rates in most sectors have fluctuated over time, there are few clear trends in the data, and the dominant feature is that the ranking of sectors is markedly stable.

Figure 2.15 Trends in self-employment rates by sector (SIC92), 1997-2009



Source: Labour Force Survey (LFS) Historical Quarterly Supplement
Note: Energy and water sector excluded due to gaps in data series

The only marked trend in Figure 2.15 is the decline in the construction self-employment rate in the late 1990s (related to the changes in the tax regime mentioned earlier); it is interesting to note, however, that the rate has subsequently started to drift up, which may underly the recent HMRC consultation on further measures to reduce 'false self-employment' in the sector (HM Treasury, 2009). Also apparent is a less striking, but steady decline in self-employment in distribution, hotels and restaurants. This may reflect shifts in the structure of the sector, characterised (especially in retailing) by growing concentration, with gradual displacement of small family-owned establishments by large retail and catering chains.

2.2.3 Occupation

The occupational distribution of the self-employed is, like the sectoral distribution, markedly different from that of employees (Table 2.4). In particular there is a much greater concentration of the self-employed in skilled trades, and correspondingly smaller proportions in administrative and secretarial occupations, sales and customer service occupations and elementary occupations.

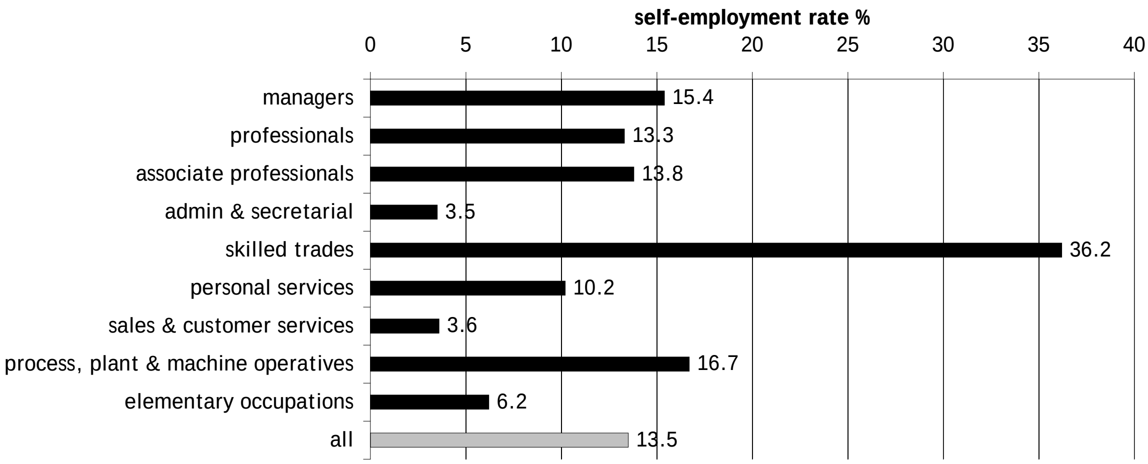
Table 2.4 Distribution of self-employed and employees by occupation (SOC 2000), 2010

Occupation (SOC 2000)	Self-employed %	Employees %
1: Managers & senior officials	17.6	15.1
2: Professional occupations	13.8	14.1
3: Associate professional & technical	15.1	14.7
4: Admin & secretarial	2.9	12.3
5: Skilled trades	28.6	7.8
6: Personal services	6.7	9.1
7: Sales & customer services	2.0	8.3
8: Process, plant & machine operatives	8.2	6.4
9: Elementary occupations	5.2	12.1
TOTAL (thousands)	3,894	24,789

Source: Labour Force Survey (April-June quarter 2010)

Figure 2.16 reinforces this picture, confirming that skilled trades stand out as the occupational group with the highest self-employment density (over a third of workers in these occupations are self-employed), while at the other extreme, the lowest self-employment rates are in administrative and secretarial occupations and sales and customer services.

Figure 2.16 Self-employment rates by occupation (SOC 2000), 2010

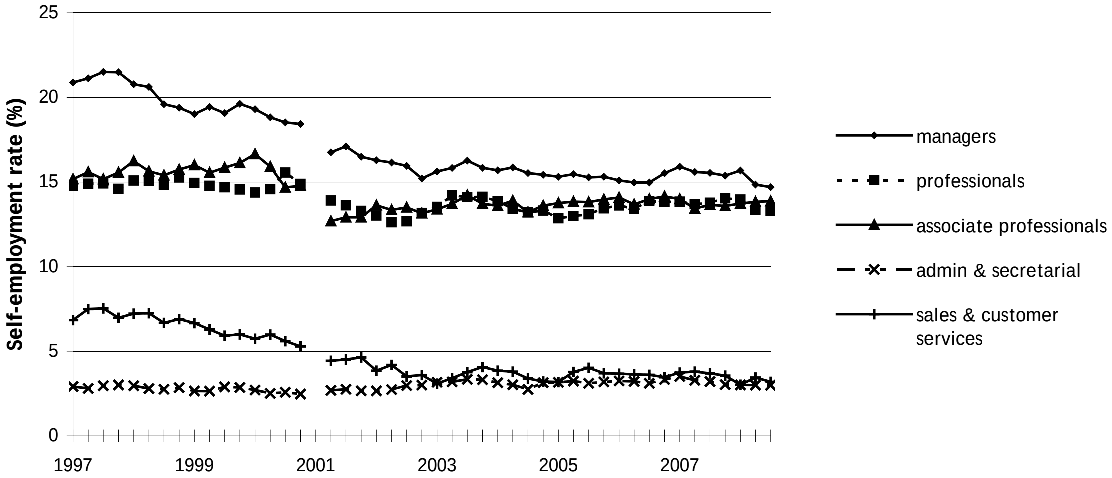


Source: Labour Force Survey (April-June quarter 2010)

Figure 2.17 and Figure 2.18 present recent historical data (since 1997) on trends in self-employment rates by occupation (Figure 2.17 contains data for non-manual occupations and Figure 2.18 the occupations with a significant manual or 'blue collar' component). In most non-manual occupations the trends in self-employment rates are flat, or downwards (the trend being most marked in the managerial and sales/customer service groups). By contrast, in the manual occupations, the trends are flat or upwards (in particular there is a strong upward trend in skilled trades and among process, plant and machine operatives). It is not immediately clear what is driving these trends, but they are of clear interest, not least because they seem to contradict received wisdom among some commentators regarding the recent upsurge in self-employment, for example: "….whereas the phenomenon used to be found mainly in skilled manual trades, today more white-collar workers such as consultants are opting to be self-employed." (Ian Brinkley of The Work Foundation, cited in Financial Times, 2010)

This picture is not altered by looking at the absolute numbers of self-employed (rather than self-employment rates). It is true that there has been some growth in self-employment among professionals and associate professionals, but this simply reflects an overall employment growth in these occupations, rather than any shift towards self-employment (if anything, as Figure 2.17 suggests, there has been a slight shift away from self-employment in these occupations). This is very much in contrast to the skilled trades which show both a strong growth in absolute numbers of self-employed and a growing self-employment rate.

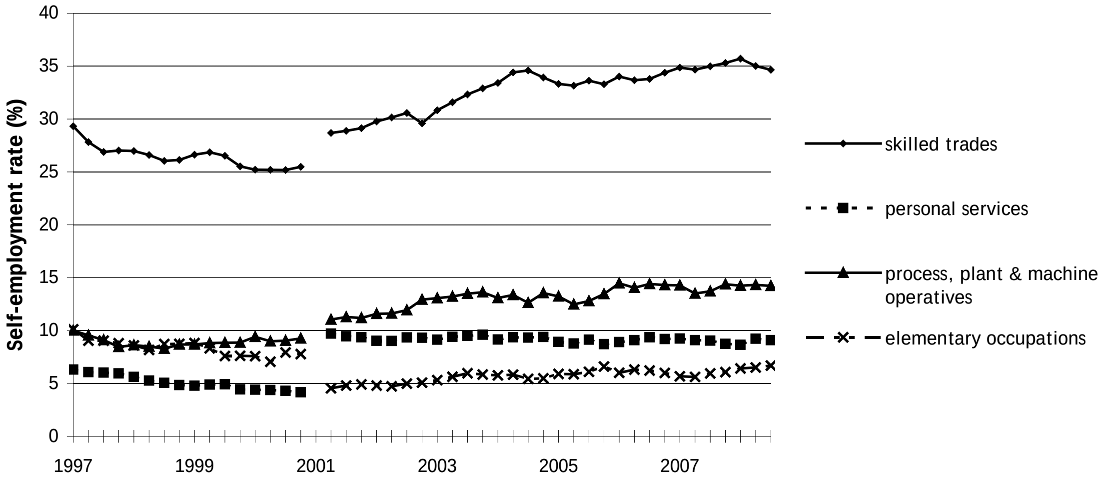
Figure 2.17 Trends in self-employment rates by occupation (SOC2000), 1997-2008 *(professional and non-manual occupations)*



Source: Labour Force Survey (LFS) Historical Quarterly Supplement

Note: break in series in Mar 2001 due to shift in occupational classification from SIC 90 to SIC 2000

Figure 2.18 Trends in self-employment rates by occupation (SOC2000), 1997-2008 *(manual occupations)*



Source: Labour Force Survey (LFS) Historical Quarterly Supplement

Note: break in series in Mar 2001 due to shift in occupational classification from SIC 90 to SIC 2000

2.2.4 Occupation within sector

To understand more fully the kinds of jobs in which self-employment is most common, it is helpful to look below the levels of sector and occupation. It is clear that even in sectors where self-employment is common (as indicated by a high self-employment rate), it is concentrated in specific occupations. Similarly, when we look at occupations with high self-employment rates, the rates for those occupations vary considerably between sector. In this light, Table 2.5 looks at occupations *within* sectors, and reports the self-employment rates at that level (e.g. within agriculture, it reports the self-employment rates among managers in agriculture, professionals in agriculture, and so on). It is then possible to identify self-employment 'hotspots' at this more detailed level (although cell sizes prevent us from looking at all combinations of sector and occupation in this way). So, for example, if we define a 'high' density of self-employment as an occupation within a sector where more than a quarter of workers are self-employed (remembering that the overall self-employment rate is 13.5 per cent), there are some self-employment 'hotspots' in this sense in Table 2.5 (marked as shaded cells in the table).

For clarity, we also list these occupational/sectoral hotspots in Table 2.6 below, along with the absolute number of self-employed in that occupation/sector (clearly the contribution that individual occupational/sectoral hotspots make to overall self-employment varies widely according to the size of the occupational group within the sector in question). Thus while the largest proportional concentration of self-employed is among skilled trades in agriculture (where more than three quarters are self-employed), the total number of self-employed in this group is only 127,000. By contrast there are 642,000 self-employed in skilled occupations in the construction sector (where 57 per cent of those in work are self-employed).

Table 2.5 Self-employment rates by sector (SIC07) and occupation (SOC 2000), 2010

	Sector (SIC07)								
Occupation (SOC 2000)	Agriculture, forestry & fishing	Energy & water	Manufacturing	Construction	Distribution, hotels & restaurants	Transport & communicatio n	Banking & finance	Public admin, education & health	Other services
1: Managers & senior officials	53.9	*	8.0	19.5	26.3	12.7	13.2	4.0	19.2
2: Professional occupations	*	*	16.5	18.5	14.3	27.2	8.7	17.7	13.3
3: Associate professional & technical	*	*	5.5	*	13.1	19.0	22.8	6.0	42.3
4: Admin & secretarial	*	*	*	10.5	3.0	*	6.8	*	*
5: Skilled trades	78.7	*	12.9	57.1	18.5	*	50.8	*	34.7
6: Personal services	*	*	*	*	*	*	16.6	5.8	35.1
7: Sales & customer services	*	*	*	*	3.6	*	4.9	*	*
8: Process, plant & machine operatives	*	*	2.3	22.4	5.2	34.8	*	40.4	*
9: Elementary occupations	22.7	*	*	32.0	1.3	4.6	17.1	*	12.9

Source: Labour Force Survey (April-June quarter 2010)
*Note: * indicates fewer than 10,000 self-employed in cell*

Table 2.6 'Hotspots' of self-employment (occupations within sectors), 2010

Occupation and sector	Self-employment rate (%)	Total number of self-employed in group (thousands)
Skilled trades in agriculture, forestry and fishing	78.7	127
Skilled trades in construction	57.1	642
Managers in agriculture, forestry and fishing	53.9	26
Skilled trades in banking and finance	50.8	101
Associate professional and technical occupations in 'other services'	42.3	195
Process, plant and machine operatives in public administration, education and health	40.4	37
Personal service occupations in 'other services'	35.1	119
Process, plant and machine operatives in transport and communication	34.8	200
Skilled trades in 'other services'	34.7	44
Elementary occupations in construction	32.0	47
Professional occupations in transport and communication	27.2	44
Managers in distribution, hotels and restaurants	26.3	281

Source: Labour Force Survey (April-June quarter 2010)

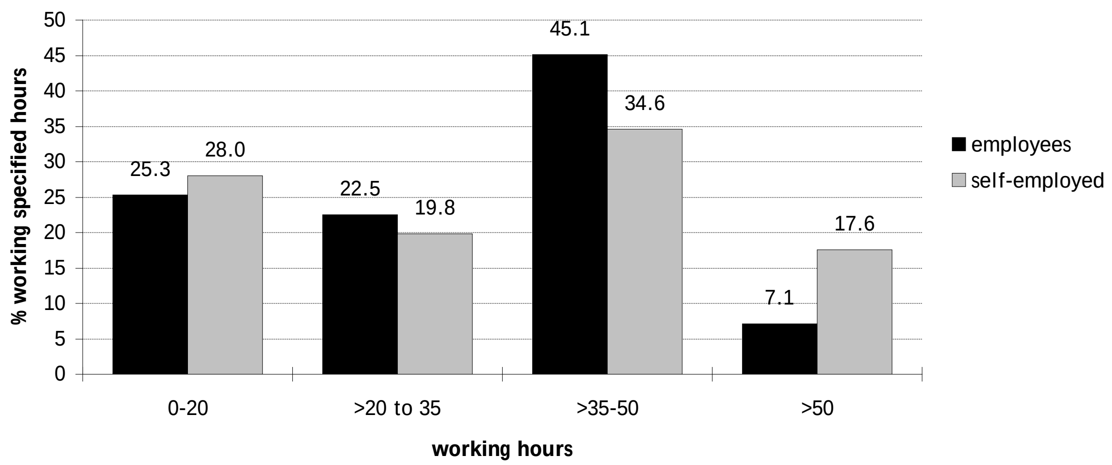
2.2.5 Working time

A persistent characteristic of the self-employed is that they work longer average hours than employees. This is likely to reflect the fact that they have no contractually-fixed working time, that their working time is not generally regulated by law and, in some cases, that the hourly earnings from self-employment can be very low and long hours may be required in order to achieve a reasonable income level[7]. As far as the latter is concerned, the study of start-up businesses supported by the Prince's Trust showed, for example, that many of these self-employed were effectively working at hourly rates well below the National Minimum Wage (see Meager, Bates and Cowling, 2003).

[7] It is unfortunately not possible to use the LFS to look at the relationship between hours worked and earnings among the self-employed, since the LFS collects earnings data only from employees.

Figure 2.19 confirms this pattern, showing that the self-employed are, compared with employees, heavily over-represented among long hours workers (they are also slightly over-represented among those working very short hours). Thus 18 per cent of the self-employed work more than 50 hours a week, compared with only seven per cent of employees.

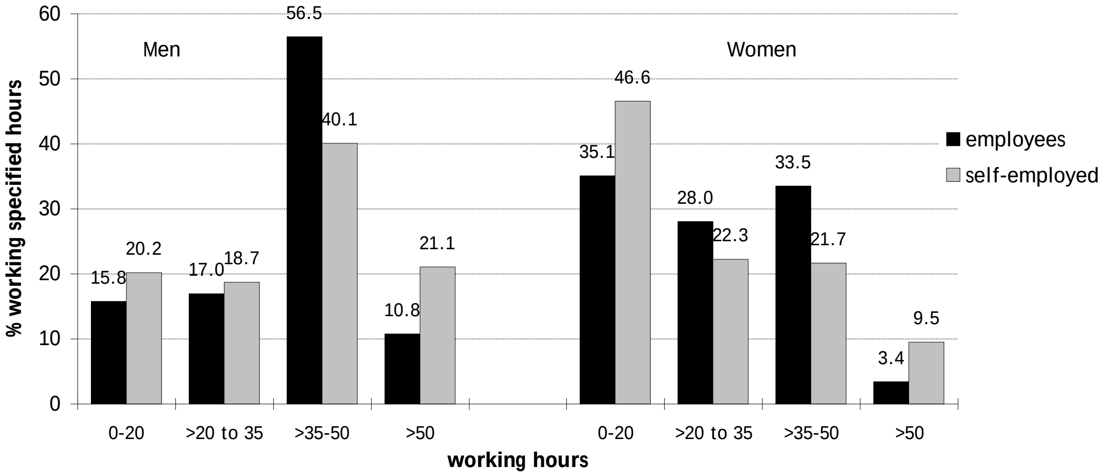
Figure 2.19 Total weekly working hours: employees and self-employed, 2010



Source: Labour Force Survey (April-June quarter 2010)

Figure 2.20 shows that there are marked differences between men and women. It is true for both men and women that, compared with employees, the self-employed are over-represented among those working very long hours and those working very short hours. However, self-employed men are particularly likely to be found among the long hours workers (over a fifth of self-employed men report hours in excess of 50 per week). Among self-employed women, by contrast, the large proportion in the very short hours category is particularly notable (almost a half of self-employed women work 20 hours or less per week). It seems that the opportunity for short (and possibly more flexible) working hours, which self-employment may offer, is particularly attractive to women.

Figure 2.20 Total weekly working hours: employees and self-employed, 2010 (by gender)

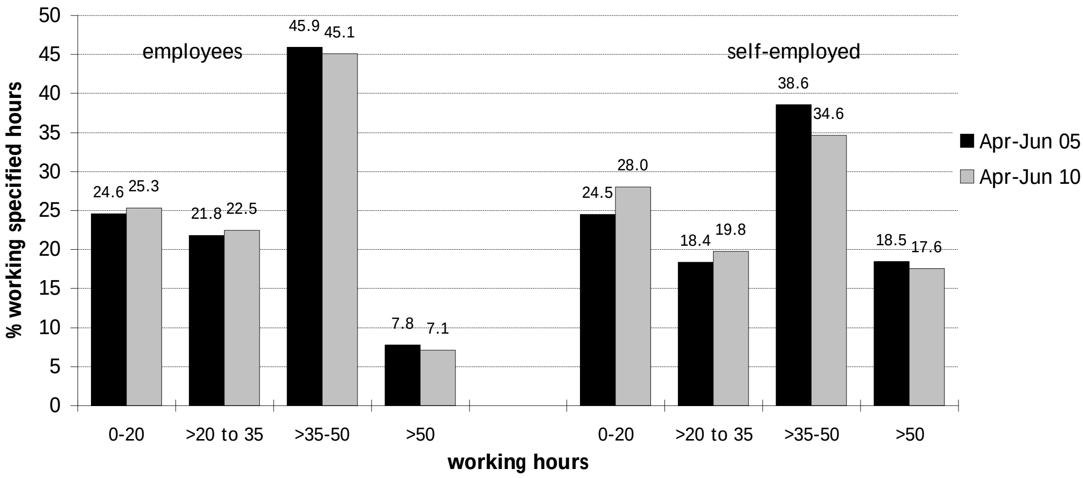


Source: Labour Force Survey (April-June quarter 2010)

It is also of some interest to consider how working time patterns of the self-employed vary over time, compared with those of employees, both before and during the recent recession. It might be expected that the working hours of the self-employed are more elastic to changes in economic demand, than those of employees. Thus when demand increases, although employers may increase hours through overtime working, beyond a certain point they are likely to increase recruitment levels. By contrast, the (regulatory and risk-related) barriers to recruiting staff faced by the self-employed might mean that hours adjustments will not only precede any decision to recruit others, but are likely to be more extensive and continue for longer. Similarly, in a downturn, employers can respond by cutting headcount, but this is less of an option for the self-employed (particularly if they are sole traders) and they are more likely to respond to falling demand through hours adjustments (although this could also operate, in some cases, to *increase* hours, if they respond to reduced demand by working harder to attract new business).

The recent evidence supports this hypothesis (greater cyclical volatility of working time among the self-employed) only weakly (Figure 2.21), and the changes (over the 2005-10 period) in the distribution of working time among both employees and self-employed are rather small. Both groups experienced overall reductions in working time, with reductions in the proportions working 35-plus hours per week, and increases in the proportions working fewer than 35 hours. Nevertheless, the changes were slightly larger among the self-employed than among employees which, although not conclusive, is at least consistent with the notion that hours flexibility over the economic cycle plays a greater role for the self-employed than for employees.

Figure 2.21 Total weekly working hours: employees and self-employed, 2005 and 2010

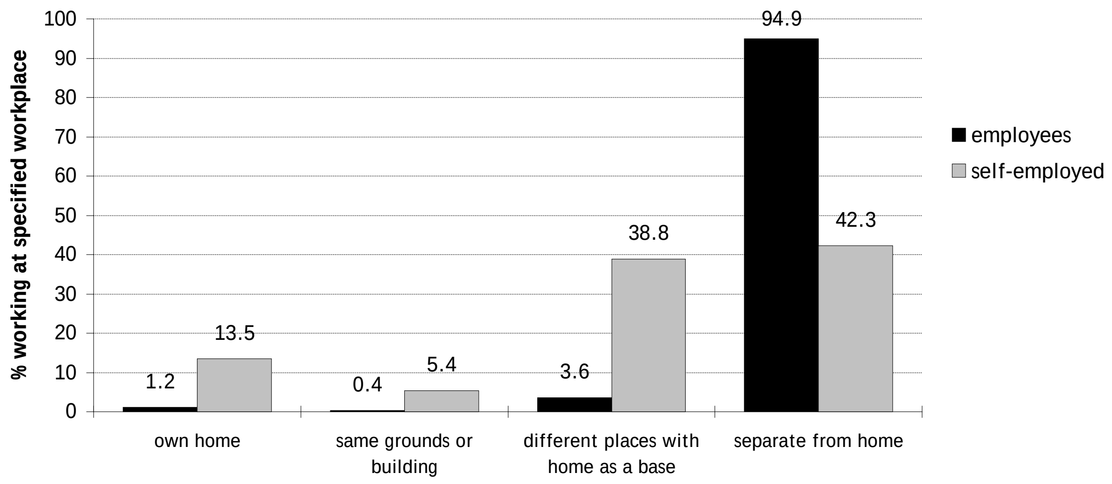


Source: Labour Force Survey (April-June quarters)
Note that data from 2010 are weighted to 2009 population estimates, while data from 2005 are weighted to 2007-8 and are not, therefore, strictly comparable

2.2.6 Location of work

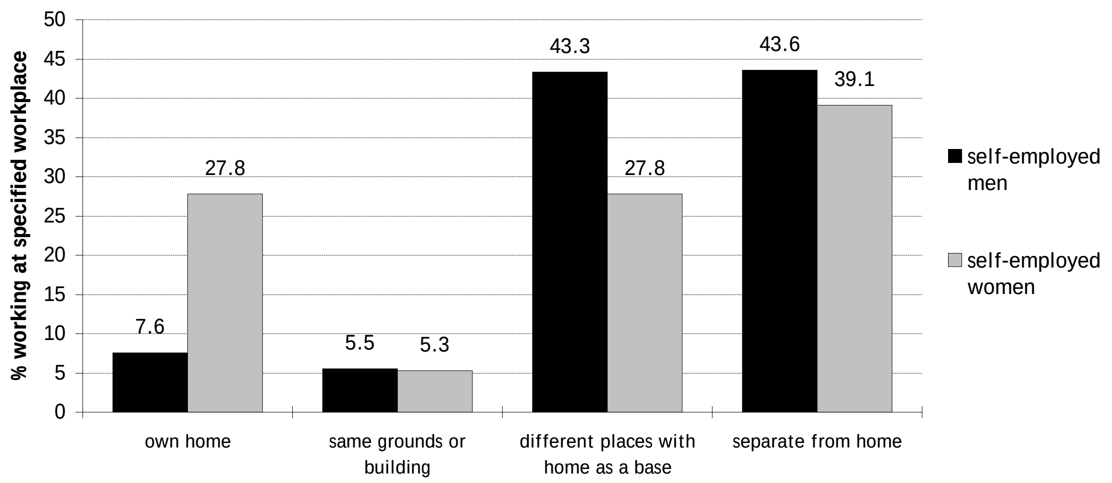
The self-employed are much more likely than employees to work at home, or with home as a base (Figure 2.22). Indeed it is possible that the option of home-working is a key advantage of self-employment over waged employment for some groups. Figure 2.23 suggests that this may be the case for women in particular: over a quarter of self-employed women work from home, and nearly two thirds work in a broader sense with home as a base.

Figure 2.22 Main place of work: employees and self-employed, 2010



Source: Labour Force Survey (April-June quarter 2010)

Figure 2.23 Main place of work: self-employed by gender, 2010

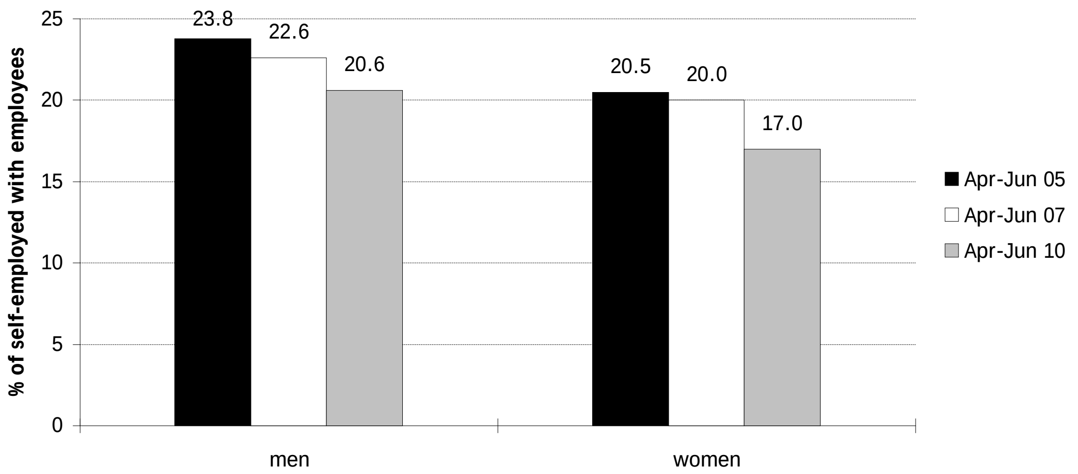


Source: Labour Force Survey (April-June quarter 2010)

2.2.7 Employment of others

A key policy interest in the promotion of self-employment lies not simply in the fact that the self-employed provide work for themselves, but also in the possibility that they will go on to employ others as their businesses grow. The LFS data for 2010 show, however, that only just under a fifth (19.5 per cent) of the self-employed have employees and (Figure 2.24) self-employed men are slightly more likely than self-employed women to employ others (20.6 per cent and 17.0 per cent respectively). Figure 2.24 also shows that, both among men and women, the proportion employing others has been falling over time. It is tempting to attribute this to the impact of the recession, but the data show that the proportion employing others was falling even during 2005-07 although it is true that the fall over 2007-10 was slightly faster. Irrespective of the recession, however, it should be remembered that this was a period throughout which self-employment was growing. When self-employment is growing, the proportion of the self-employed employing others inevitably falls since a growing share of the self-employed are new entrants, yet to get to the stage of taking on staff.

Figure 2.24 Self-employed who employ others, by gender (2005, 2007, 2010)



Source: Labour Force Survey (April-June quarters)
Note that data from 2007 and 2010 are weighted to 2009 population estimates, while data from 2005 are weighted to 2007-8 and are not, therefore, strictly comparable

Among those who do have employees, the vast majority employ very few people. Thus while 19.5 per cent of self-employed in 2010 had employees, 15.3 per cent of the self-employed (78.5 per cent of the self employed with employees) employed 10 or fewer; and nearly half of this latter group (49 per cent) employed only one or two people.

Table 2.7 Number of people employed by the self-employed, 2010

Total number of employees	Number	% of self-employed	% of self-employed with employees
None	3,131,689	80.5	–-
1-10	595,666	15.3	78.5
10-19	63,852	1.6	8.4
20-24	14,453	0.4	2.2
don't know but less than 25	**	**	**
25 to 49	35,699	0.9	4.7
50 to 249	22,579	0.6	3.0
250 to 499	**	**	**
don't know but between 50 and 499	**	**	**
500 or more	11,884	0.3	1.6
Total	3,890,033	100.0	100.0

Source: Labour Force Survey (April-June quarter 2010)

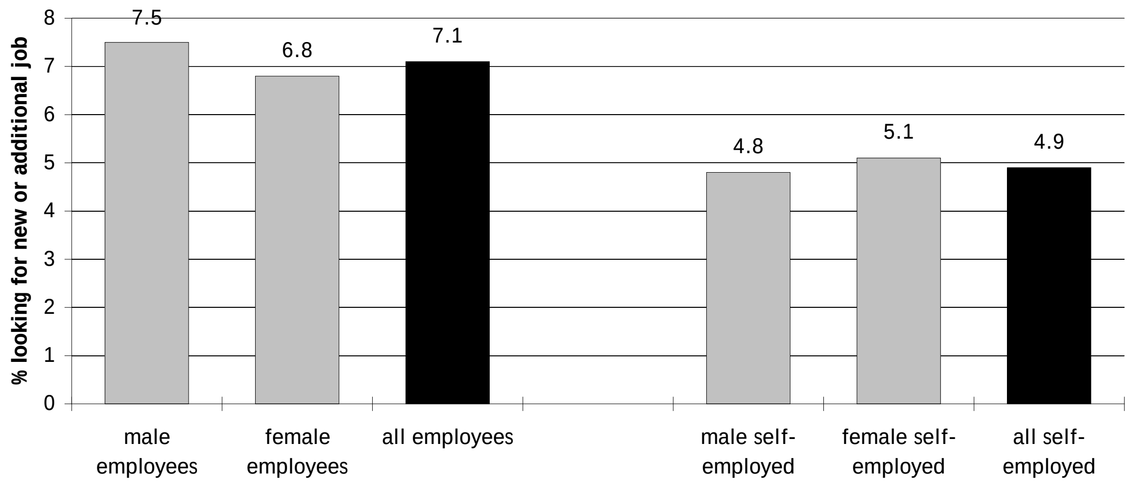
*Note: ** = fewer than 10,000 cases in cell*

2.2.8 Jobsearch activity

It is a common view (both in the academic literature and in popular culture) that people who choose self-employment rather than wage employment are driven by a desire for autonomy and independence[8] and that, as a result, they experience greater satisfaction with their work than do employees. The LFS data do not enable us to directly address this question of the relative job satisfaction of the self-employed. However, the LFS does include a set of questions about whether the respondent is currently looking for a different (or additional) job, and if they are, what is driving this job search, which provides some indirect evidence on this question of satisfaction. Figure 2.25 shows that the self-employed are significantly less likely than employees to be currently looking for a job, which would be consistent with the presumption of greater job satisfaction among the self-employed. The Figure also shows that there is little gender difference in this, although self-employed women are slightly more likely than their male counterparts to be looking for a new or additional job (among employees the reverse is true).

8 The LFS no longer asks about motivation for becoming self-employment, but data from 1999-2001 (when it did contain such a question) shows that the reason most cited (by 30 per cent of the self-employed) for becoming self-employed was given as "to be independent/a change", and the

Figure 2.25 Whether engaged in job-search, 2010

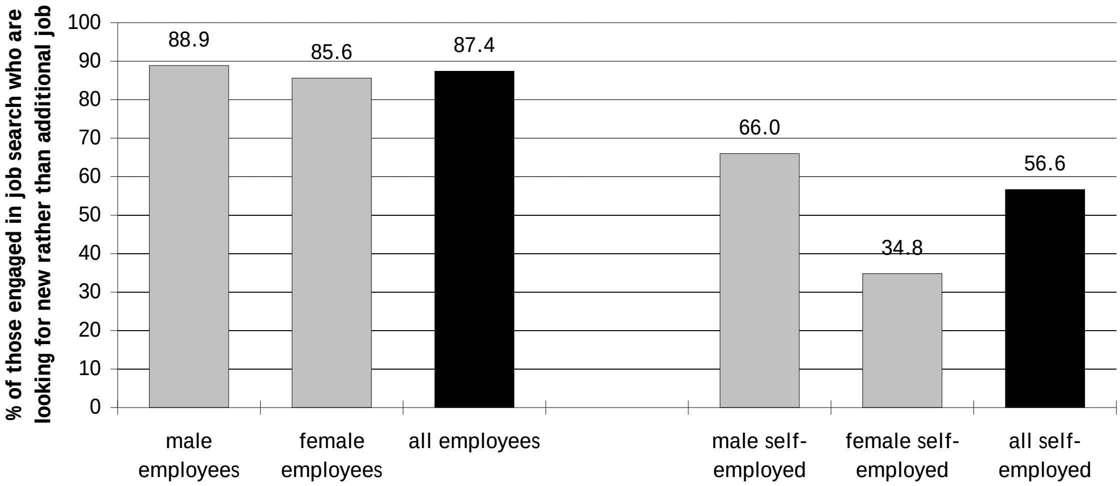


Source: Labour Force Survey (April-June quarter 2010)

The LFS also distinguishes whether the job search is connected with looking for a completely new job, or whether it is about finding an additional or supplementary job to the current one. Figure 2.26 shows that there are big differences between employees and the self-employed in this respect. The vast majority of employees (87 per cent) engaged in job-search are looking for a completely different job, whereas this is true of only just over half (57 per cent) of the self-employed who are looking for a job (i.e. 43 per cent are looking for an additional job alongside their current self-employed activity). There is also a big gender difference among self-employed job-seekers: a third of self-employed men are looking for an additional job rather than a new job, but two-thirds of self-employed women are seeking an additional job (by contrast there is little difference by gender among employee job-seekers).

second most common reason (cited by 22 per cent) related to the "nature of the occupation" (Dawson et al. 2009).

Figure 2.26 Nature of job-search (new or additional job), 2010



Source: Labour Force Survey (April-June quarter 2010)

Note: base is those employees and self-employed currently engaged in job-search

The LFS also asks those job-seekers who are looking for a new or different job (rather than an additional job to their current one), what are the reasons for this, and Table 2.8 compares the responses of self-employed job-seekers to this question with those of their employee counterparts.

Table 2.8 Reasons for looking for a different job, 2010

	employees (%)	self-employed (%)
present job may come to an end	17.5	23.2
present job is to fill in time before finding another job	12.8	8.5
pay unsatisfactory in present job	24.5	29.4
journey to work unsatisfactory in present job	5.8	2.6
want to work longer hours than in present job	11.7	9.5
want to work shorter hours than in present job	4.2	2.7
other aspects of present job unsatisfactory	27.1	18.7
want to change occupation/sector	18.5	19.3
other reasons	17.6	21.1

Source: Labour Force Survey (April-June quarter 2010)

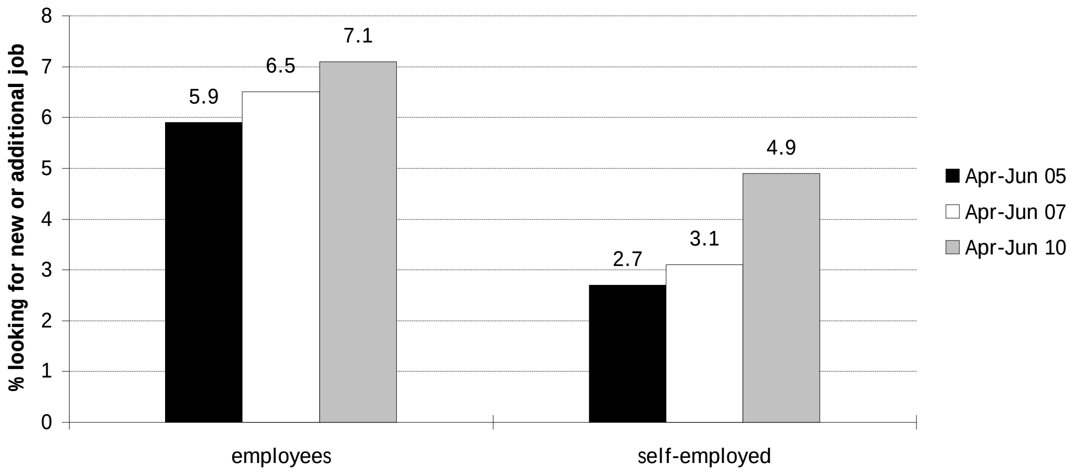
Note: columns sum to more than 100% because of multiple response

Base: employees and self-employed currently looking for different job

The overall pattern of responses is broadly similar among both groups, but the two reasons which are cited significantly more frequently by self-employed than by employee job-seekers relate to insecurity (present job may come to an end) or low pay, while the self-employed are somewhat less likely than employees to cite other intrinsic aspects of the job as reasons for changing.

Finally, Figure 2.27 shows how the proportion of employees and self-employed who are currently engaged in job search has increased in recent years. This proportion has increased steadily among both groups, both between 2005 and 2007, and during the recent economic downturn (2007-10); the increase among the self-employed was particularly marked in the latter period.

Figure 2.27 Whether engaged in job-search (2005, 2007, 2010)



Source: Labour Force Survey (April-June quarters)

Note that data from 2007 and 2010 are weighted to 2009 population estimates, while data from 2005 are weighted to 2007-8 and are not, therefore, strictly comparable

2.3 Dynamics of self-employment

Any analysis of the changing level and nature of self-employment ideally needs to consider the dynamics underlying those changes, looking in particular at how long people with different characteristics who enter self-employment remain self-employed, and at the size and composition of flows into and out of self-employment. Unfortunately the LFS provides little scope for looking at these issues in detail, but there are a few key aspects which can be illustrated with LFS data. First it enables us to look at how long individuals had been continuously self-employed at the time of the survey: in 2010, a significant proportion (42.3 per cent) had been self-employed for longer than ten years, and a further 19.1 per cent had been self-employed for between six and ten years. At the other end of the spectrum, 27.3 per cent had been self-employed for three years or less, and 11.3 per cent for four to five years.

Self-employed men have significantly longer durations of self-employment than self-employed women (Figure 2.28).

Figure 2.28 Duration of self-employment

Source: Labour Force Survey (April-June quarter 2010)

While a full analysis of movements in and out of self-employment would require use of a longitudinal panel data set, such as the BHPS (Taylor, 1999; Meager and Bates, 2004; Taylor, 2004; Georgellis et al., 2005), there is some limited scope offered by the LFS for analysing short-term movements. This can be done in two ways: the first which would involve exploiting the short-term panel element built into the LFS, is beyond the scope of the current small scale research project, and would raise issues of sample size, given that the panel analysis does not enable us to use the full LFS sample each quarter, and given the relatively small numbers likely to be moving in and out of self-employment in adjacent quarters. The second, however, which is used here, is to make use of the retrospective questions in the LFS which ask people about their labour market status 12 months prior to the survey itself.

This enables us to construct a one-year transition matrix (Table 2.9)[9] showing individual movements between different labour market statuses over the year (note that, importantly, it does not track intervening movements so that, for example, someone who was self-employed a year ago, who left self-employment during the year and returned again to self-employment by the time of the survey, would be recorded as continuously self-employed by this method).

Table 2.9 12 month transition matrix between labour market statuses (2009-2010)

% (numbers in brackets)	Status (Apr-June 2010)				
Status (Apr-June 2009)	employee	self-employed	ILO unemployed	inactive	Total, thousands (=100%)
employee	92.4 *(19,033)*	1.4 *(279)*	2.8 *(569)*	3.5 *(716)*	20,598
self-employed	4.3 *(125)*	90.9 *(2,614)*	2.2 *(64)*	2.5 *(73)*	2,875
ILO unemployed	33.7 *(525)*	4.2 *(66)*	44.6 *(695)*	17.4 *(271)*	1,557
inactive	12.5 *(1,157)*	1.4 *(128)*	7.4 *(679)*	78.7 *(7,271)*	9,235

Source: Labour Force Survey (April-June quarter 2010)

Note: working age (16-64 only)

The matrix shows, unsurprisingly that most people do not change their labour market status during the course of a year (the main exception being the unemployed, more than half of whom leave unemployment during the year). By this measure, self-employment is only slightly less stable than employee status, with 90.9 per cent of the self-employed in 2009 still self-employed a year later (compared with 92.4 per cent of employees who did not change status). Clearly, as the total of self-employed grew during the year, the numbers entering self-employment in the 12 month period (473,000), exceeded the numbers leaving (262,000). Also of interest, however, are the sources and destination of those movements. Thus among new entrants to self-employment, over half (59 per cent) came from employee status, while 27 per cent came from economic inactivity, and 14 per cent from unemployment. Among leavers from self-employment, however, the pattern is very different, with more than half of

[9] Note that unlike most of the other analysis in this report, the data in the transition matrix are based only on people of working age (defined as 16-64, for both men and women); otherwise the inclusion

them not moving into other kinds of work: only 48 per cent entered an employee job, while 24 per cent became unemployed, and 28 per cent left the labour market altogether (presumably a significant proportion of the latter, given the age profile of the self-employed, involved retirement).

2.4 Geographical variation in self-employment rates

There is a significant variation between UK regions in the proportion of the employed workforce who are self-employed (Figure 2.29). Generally speaking, the more prosperous regions of London, the South East, East and South West, tend to have higher self-employment rates than the national average, while the regions of the Midlands, Northern England and Scotland tend to have lower rates. Northern Ireland also has a much higher than average self-employment rate, and Wales a slightly higher than average rate (the latter being, in part, associated with the larger than average role played by agriculture in the economies of these two regions). These patterns are fairly persistent and long-standing and it has been suggested that a range of inter-related factors lead to some local economies being more dynamic and entrepreneurial than others, including different industrial histories and industrial structures (with self-employment rates tending to be lower in regions with a tradition of manufacturing, mining, heavy industry and public sector employment), and overall levels of per capital wealth and income (richer regions being able to support a larger number of small independent businesses, particularly in the service sectors).

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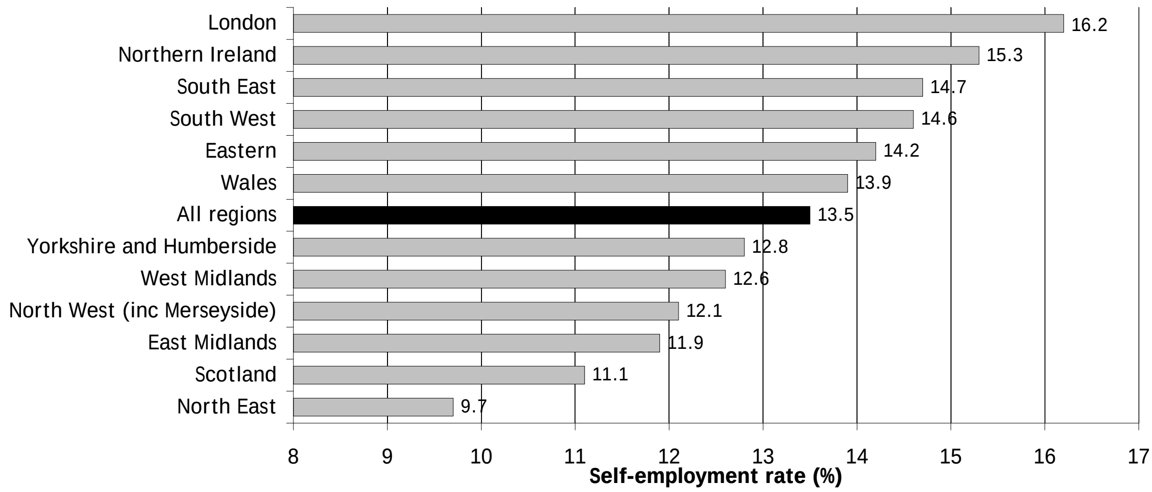
of large numbers of retired people, most of whom do not change their labour market status year-on-year, would unduly skew the figures in the table.

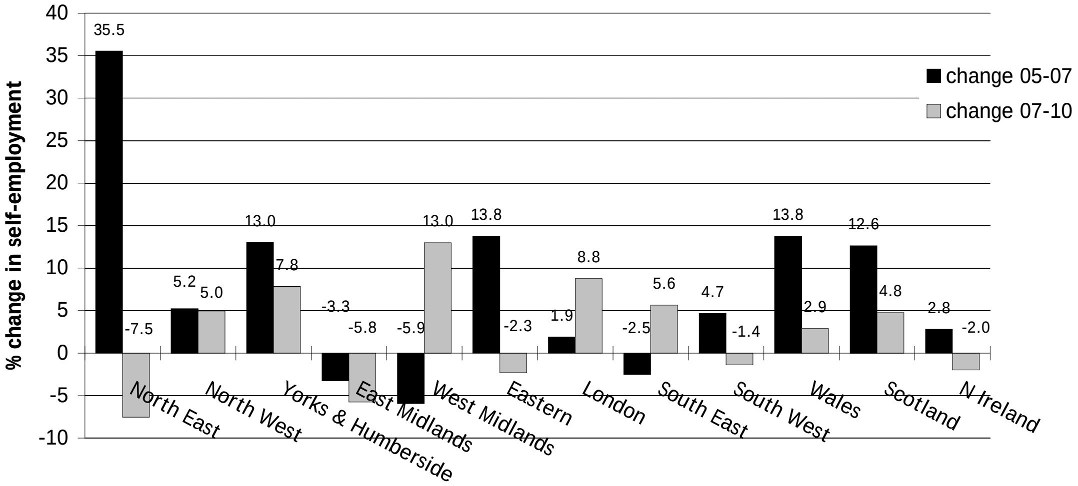
Figure 2.29 Self-employment rates by region, 2010



Source: Labour Force Survey (April-June quarter 2010)

Figure 2.30 looks at recent trends in self-employment levels by region, and shows considerable variation between the patterns both prior to the downturn (2005-07) and over the downturn (2007-10). Five regions recorded continuous self-employment growth throughout the period, namely the North West, Yorkshire and Humberside, London, Wales and Scotland. In only one region (the East Midlands) did self-employment levels fall across both periods. Of the remaining six regions, two (the West Midlands and the South East) experienced self-employment decline in the earlier period, followed by growth, while in four (the North East, Eastern, the South West and Northern Ireland) there was self-employment growth in 2005-07 and decline more recently over 2007-10.

Figure 2.30 Changes in self-employment (2005-07 and 2007-10), by region



Source: Labour Force Survey (April-June quarters)

Note that data from 2007 and 2010 are weighted to 2009 population estimates, while data from 2005 are weighted to 2007-8 and are not, therefore, strictly comparable

3 Education, training and skills

Given the focus of this research on the skills of the self-employed, how they are developed and their adequacy, it is of particular interest to analyse the various 'human capital-related' variables in the LFS, and what they show about the qualifications and skill development of the self-employed (both in their own right, and compared with employees).

3.1 Qualification level

The LFS collects a range of detailed information on the qualifications possessed by respondents. The most straightforward way to summarise these data in a way which proxies the level to which people are qualified, is to focus on the highest level of qualifications held by individual respondents.

3.1.1 Highest qualification held

Table 3.1 groups the highest levels of qualification into broad categories relating to the UK education system, and compares the distribution of qualifications of the self-employed with that of employees. Table 3.2 presents the same data, but with the various qualifications grouped according to their equivalent levels within the National Qualifications Framework (NQF), and separating out trade apprenticeships which are of particular relevance to the analysis of self-employment, but which can be taken at level 2 or 3 (or occasionally level 4) of the NQF.

From Table 3.1 it can be seen that the self-employed are slightly less likely than employees to be found in the two highest qualification categories (degrees and other higher education qualifications): 34.6 per cent of self-employed are qualified to this level, compared with 37 per cent of employees (this is likely, in part, to reflect the older age profile of self-employed people compared with employees). The self-employed are also under-represented among those with qualifications at GCSE (A*-C) level, while they are slightly over-represented among those with A levels, and with 'other qualifications' or no qualifications at all. Overall then, it would seem that the self-employed are on average somewhat less well-qualified than employees, although the difference is not large, particularly when one takes account of the different age profiles of the two groups.

As some of the previous research literature on this question has highlighted, it is to be expected that there is a fairly complex relationship between qualification levels and self-employment propensities (see our discussion of this in section 2.2 of the main report).

Table 3.1 Highest qualification held by employment status, 2010

	Self-employed %	Employees %
degree or equivalent	24.8	26.7
higher education	9.8	10.3
GCE A level or equivalent	26.2	23.1
GCSE grades A*-C or equivalent	17.5	21.4
other qualifications	12.2	11.2
no qualification	8.9	6.2
don't know	0.8	1.0
TOTAL (thousands)	3,896	24,815

Source: Labour Force Survey (April-June quarter 2010)

Table 3.2 paints a similar and even clearer picture: the self-employed are under-represented among the highest skilled groups (levels 3, 4 and above), and over-represented among the less-skilled groups (level 2 and below, and those without qualifications). Most notable from this table, however, is the over-representation of the self-employed among those with trade apprenticeships: the proportion of the self-employed with apprenticeship qualifications is just over twice as high as the proportion of employees.

Table 3.2 Level of highest qualification held by employment status, 2010

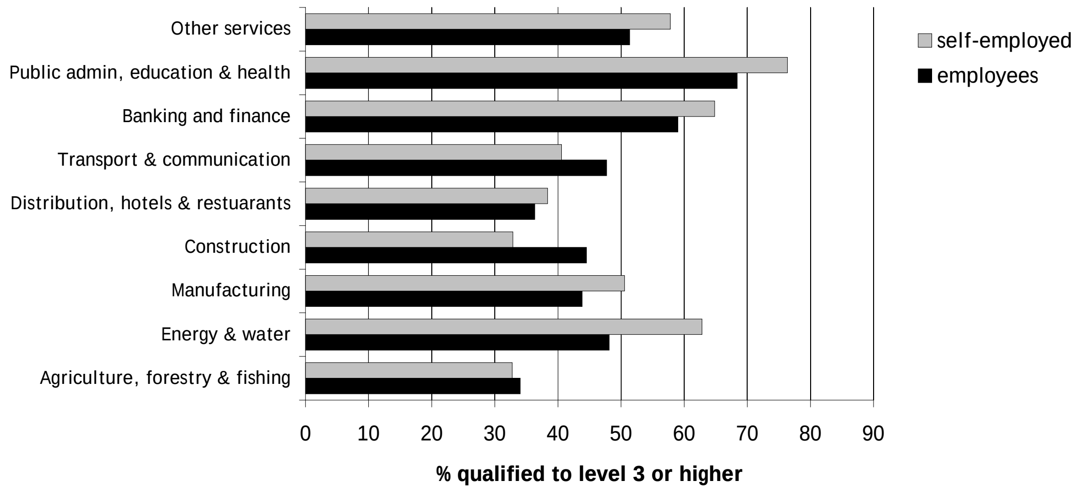
	Self-employed %	Employees %
NQF level 4 and above	34.6	37.0
NQF level 3	15.9	16.6
trade apprenticeship	8.5	4.1
NQF level 2	12.1	16.2
below NQF level 2	10.4	11.7
other qualifications	9.7	8.2
no qualification	8.9	6.2
TOTAL (thousands)	3,896	24,815

Source: Labour Force Survey (April-June quarter 2010)

What remains unclear from this analysis so far is how far differences between the distribution of qualifications among employees and the self-employed are primarily differences which related to being employed or self-employed per se, or whether they also relate to the different sectoral and occupational profiles of self-employment (which, as we have seen above, are considerable). That is, if we find that self-employed people are more likely to have no qualifications we can ask whether that is, in part, because certain sectors or occupations which have low skill requirements also happen to be sectors and occupations in which self-employment is more common (e.g. because it is an occupational or sectoral norm).

Looking first at sector, Figure 3.1 and Figure 3.2 shows, within individual sectors, the relative proportions of self-employed and employees who have qualifications at level three or above, and those who have no qualifications respectively. For the higher level qualifications (level 3 or above) there is no clear pattern (Figure 3.1); in some sectors the self-employed are slightly more likely to have higher level qualifications and in others employees are more likely to. In general, however, the variation between sectors is much greater than the variation between employees and self-employed within a sector. It would seem that the sector is possibly a more important determinant of the preponderance of higher level skills, than the employment status of the workforce.

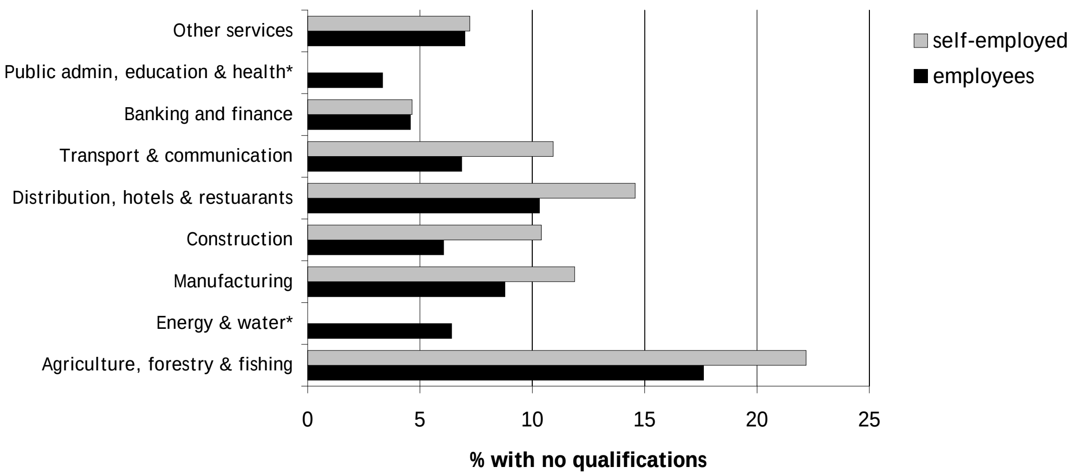
Figure 3.1 High qualifications by sector and employment status, 2010



Source: Labour Force Survey (April-June quarter 2010)

When we look at the proportions with no qualifications at sector level (Figure 3.2), however, the picture is clearer. While, once again the variations between sectors in these proportions are dominant, it is nevertheless the case that, in all sectors, the self-employed are more likely (in some sectors, considerably so) to have no qualifications than are employees.

Figure 3.2 Absence of qualifications by sector and employment status, 2010



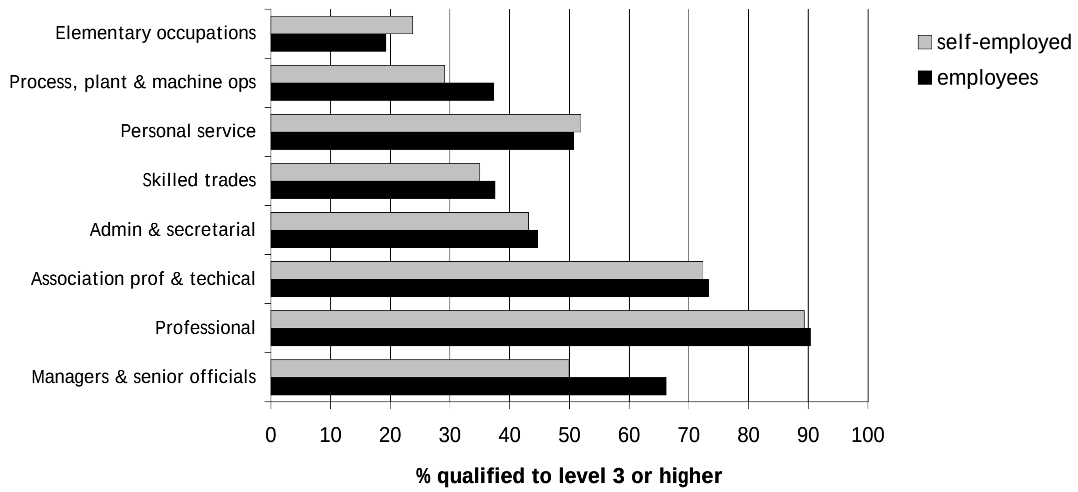
Source: Labour Force Survey (April-June quarter 2010)

** indicates cell sizes too small for reliable estimates*

The same analyses are repeated at occupation level in Figure 3.3 and Figure 3.4, with broadly similar results. Within occupations the proportions of employees and self-employed qualified to level 3 or above are similar (Figure 3.3), and generally slightly higher among employees than among the self-employed (with two exceptions: the difference is greater among managers than among other occupations, and among elementary occupations, the difference is in the other direction). Generally, however, these differences are not significant, and it is clear that the main determinant of the proportion of highly-qualified people is the nature of the occupation, rather than the employment status of people working in it.

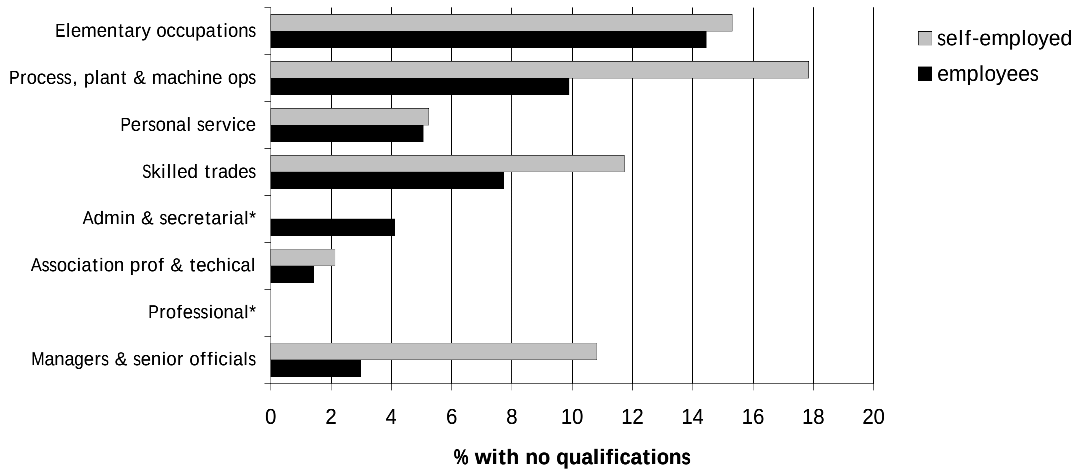
When we look at the proportions with no qualifications, however (Figure 3.4), employment status seems to play a bigger role. In all occupational groups, the self-employed are more likely to be unqualified than are employees, and the difference is particularly marked among managers, skilled trades, and among process, plant and machine operators. This raises the question of whether in these occupations people who lack qualifications are more likely to choose self-employment, perhaps because of the difficulty of pursuing a career as an employee in a managerial or a skilled occupation.

Figure 3.3 High qualifications by occupation and employment status, 2010



Source: Labour Force Survey (April-June quarter 2010)

Figure 3.4 Absence of qualifications by occupation and employment status, 2010

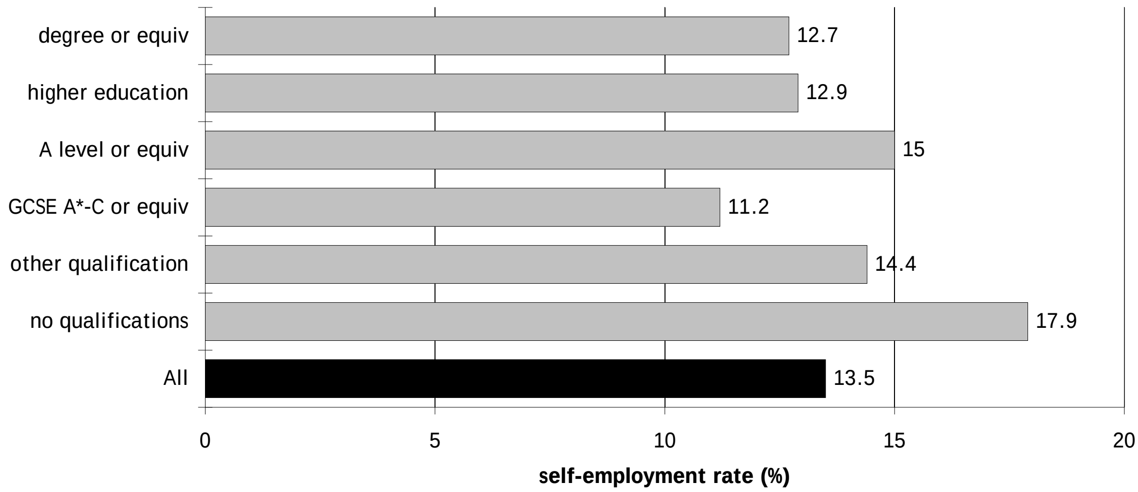


Source: Labour Force Survey (April-June quarter 2010)
** indicates cell sizes too small for reliable estimates*

3.1.2 Self-employment rates by highest qualification held

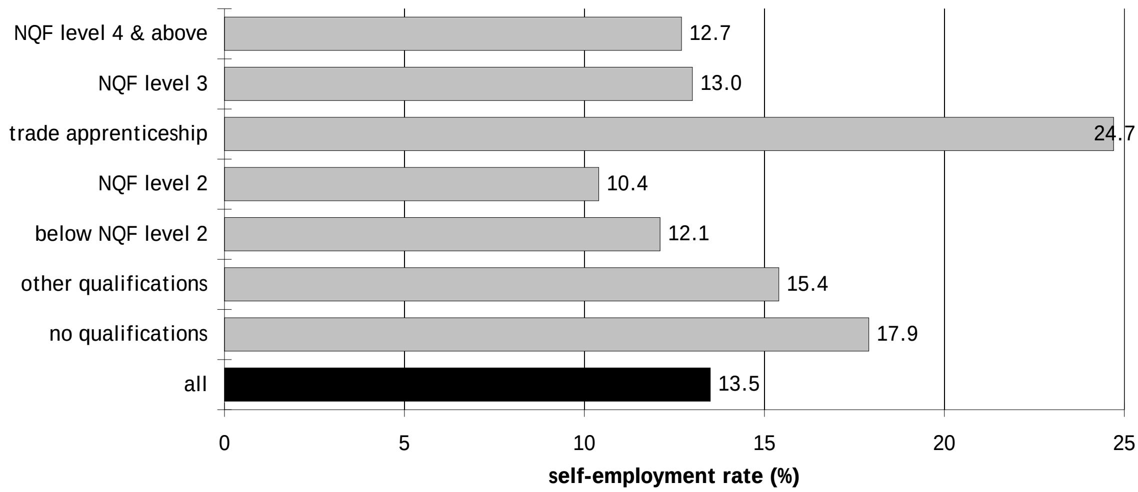
Another way to analyse the qualification data is to look at the propensity of people with different qualifications to be self-employed rather than employees. Figure 3.5 and Figure 3.6 show self-employment rates according to the two different approaches to grouping the highest qualification data. In Figure 3.5 the highest self-employment rate (18 per cent) is among those with no qualifications, while in Figure 3.6, it can be seen that a quarter of all those with trade apprenticeship qualifications are self-employed. This is, of course, consistent with the occupational and sectoral patterns reported above, suggesting that these are as much to do with sectoral norms, as with any differences in entrepreneurial orientation.

Figure 3.5 Self-employment rates by highest qualification held, 2010



Source: Labour Force Survey (April-June quarter 2010)

Figure 3.6 Self-employment rates by level of highest qualification held, 2010

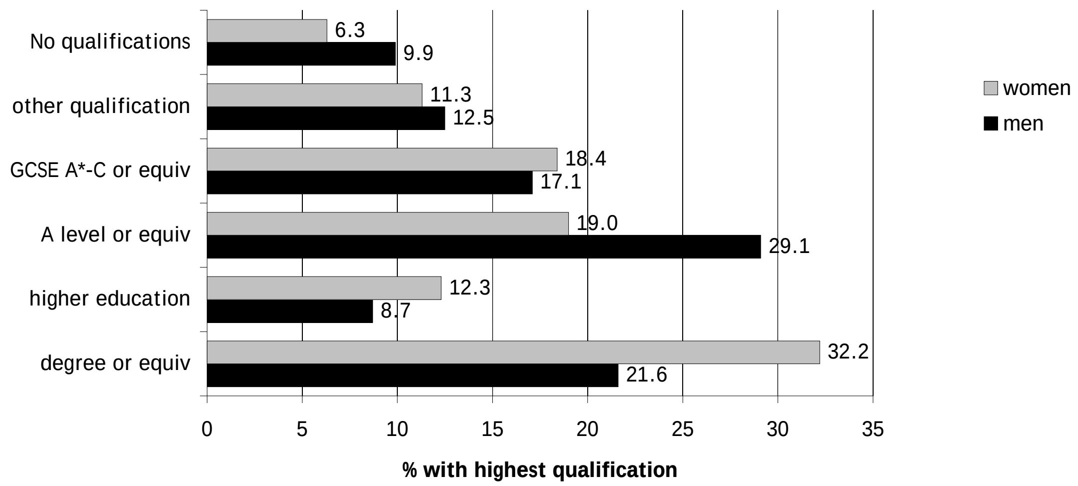


Source: Labour Force Survey (April-June quarter 2010)

3.1.3 Gender variation in qualification levels

There are significant differences between the qualifications of self-employed men and women. As Figure 3.7 shows, self-employed women are, on average qualified to a much higher level than self-employed men. Thus 44.5 per cent of self-employed women have a degree or other higher education qualification, compared with only 30.3 per cent of self-employed men. At the other end of the spectrum, self-employed women are also less likely to have no qualifications or 'other' qualifications than are their male counterparts, while self-employed men are much more likely than self-employed women to be qualified to GCE A level or equivalent (29 per cent and 19 per cent respectively). It seems likely that these are mainly self-employed men with craft/apprenticeship types of qualifications.

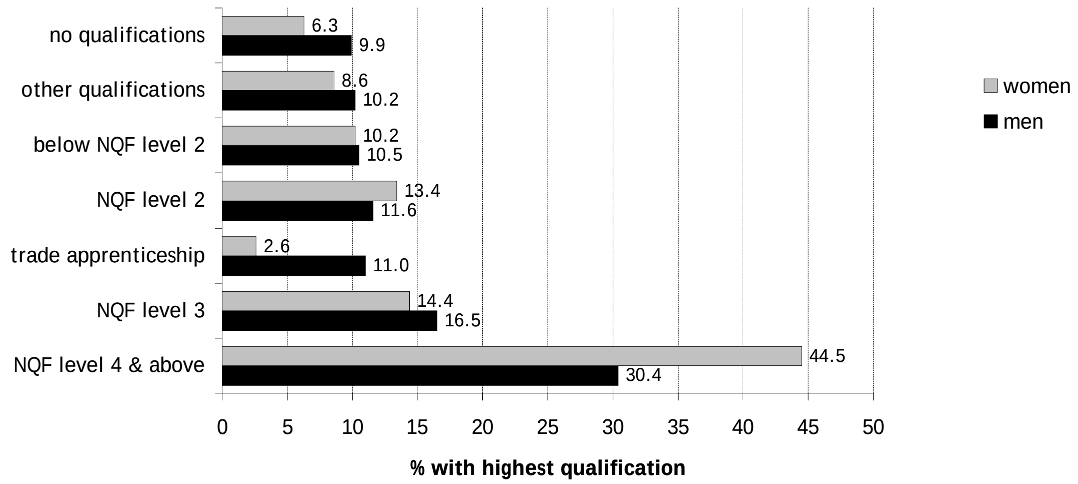
Figure 3.7 Highest qualification held by the self-employed, by gender, 2010



Source: Labour Force Survey (April-June quarter 2010)

This interpretation is borne out by the analysis of the level of highest qualification held, using the NQF-based classification (Figure 3.8), which shows that the percentage of self-employed men with a trade apprenticeship qualification is much higher than the percentage of self-employed women with similar qualifications (11.0 and 2.6 per cent respectively). The higher share of self-employed women with the highest level qualifications (NQF level 4 and above) is also clear from these data (44.5 per cent of self-employed women have this level of qualification, but only 30 per cent of self-employed men).

Figure 3.8 Level of highest qualification held by the self-employed, by gender, 2010

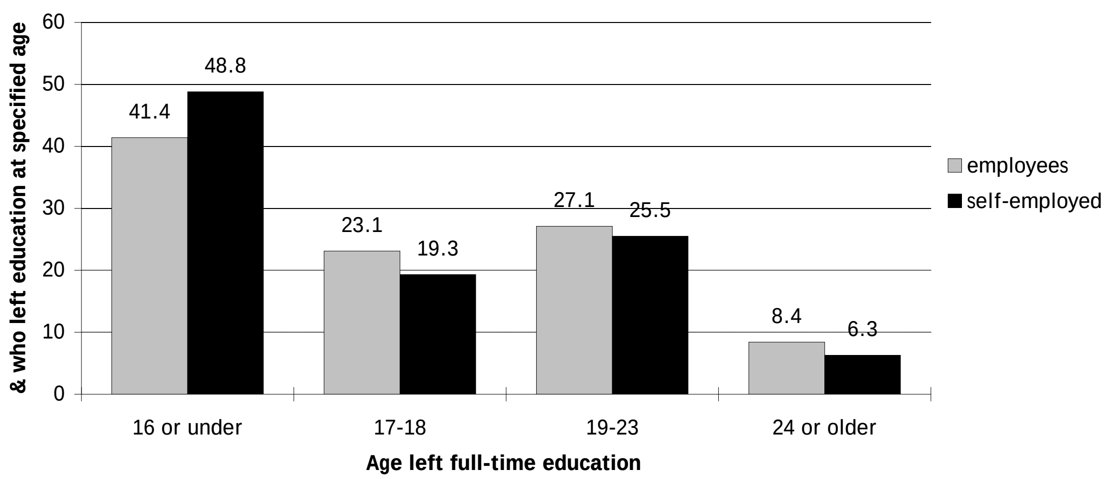


Source: Labour Force Survey (April-June quarter 2010)

3.2 Age left full-time education

Consistent with their lower levels of qualification, and their older age profile, the self-employed are somewhat more likely than employees to be drawn from people who left full-time education at 16 or earlier (Figure 3.9).

Figure 3.9 Age of completion of full-time education by employment status, 2010

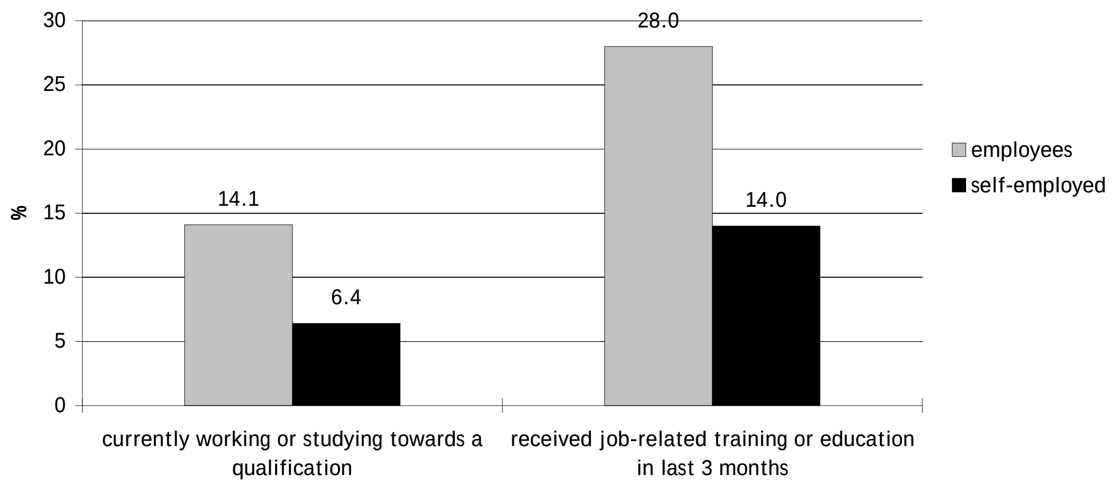


Source: Labour Force Survey (April-June quarter 2010)

3.3 Current education and training

A clear and consistent finding from the LFS data is that the self-employed are far less likely than their employee counterparts to be engaged in training activities or more broadly in developing their skills or human capital (at least when measured by formal education and training participation). Thus as Figure 3.10 shows, the self-employed are only half as likely as employees to be currently working or studying towards a qualification, and similarly only half as likely as employees to have received job-related training or education in the last three months. While it is inevitable that, for the most part, the self-employed do not share in the in-company training and development experiences of those who work for large organisations, these data suggest that they do not fully compensate for this by paying for and providing their own training. This training and development gap between the self-employed and employees does not appear to be a recent phenomenon: thus a government-commissioned study (Rix et al. 1999) in the late 1990s examining the training and development of 'flexible workers' (defined to include the self-employed), noted that LFS data on the proportion of workers receiving job-related training in the last 13 weeks suggested that this proportion was much lower among the self-employed than among any of the other groups examined (full-time permanent workers, part-timers, temporary/casual workers and agency workers).

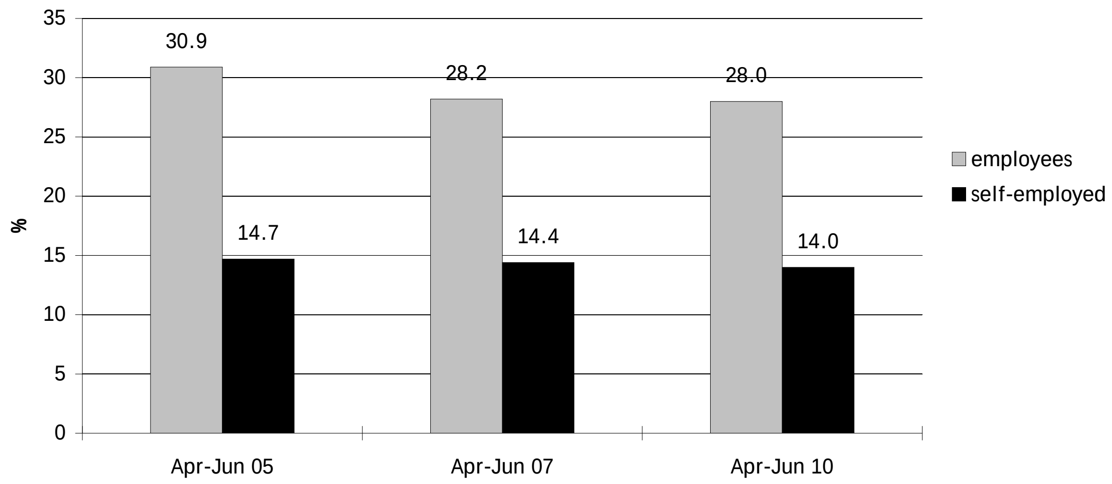
Figure 3.10 Current studying and recent training, by employment status, 2010



Source: Labour Force Survey (April-June quarter 2010)

This might be seen as some cause for concern. We have noted above (section 2.2.7) how few of the self-employed (fewer than 20 per cent) have employees, but it is at least arguable that if the self-employed are to be successful in their new enterprises, and if those enterprises are to grow and employ others, they will need, in the same way as their counterparts in waged employment (and perhaps more so), to acquire new skills, and to update their existing skills in line with changing markets and technologies. Even those who do not make the grade in self-employment but return to the regular job market may find their job-finding chances eroded if, while they were running their own businesses, they have missed out on training and development opportunities (and as we have noted above – section 2.3 – in a year more than nine per cent of the self-employed leave self-employment, almost half of whom become employees). However, it is not possible to conclude solely on the basis of the LFS findings how much of a concern the self-employed training gap is, not least because the LFS data do not record informal training and on-the-job skill acquisition which may be substantial for some of the self-employed. Recent research for the Global Entrepreneurship Monitor (Martínez et al., 2010) suggests that informal training is indeed important for this group, and other recent research (SFEDI, 2008, pp 53-54) shows that small business owner-managers tend to learn primarily through informal means. Further it needs to be remembered that the self-employed have traditionally been disproportionately drawn from those in middle age or older (consistent with the age distribution reported in section 2.1.2 above). They may, therefore, already have built up during their previous working lives both the financial capital and the skills they need to make a success of self-employment. Even if this is true, however, it is arguable that in today's fast-changing environment, the relevance of previously-acquired skills and knowledge can decay rapidly if not regularly updated, especially in industries dependent on current technologies (see Platman 2003). Further, if self-employment is to be taken up by non-traditional groups (including young people), as well as the various unemployed, inactive and disadvantaged groups likely to be the target of new policy initiatives in this area, they are even less likely to have acquired the relevant skills in previous employment. Much of the previous research on self-employment (Parker 1997, for example), shows that in income terms, the self-employed are a very polarised group, with large numbers at the bottom (as well as the top) of the earnings distribution, and that many new entrants to self-employment (including those supported by start-up programmes such as the Prince's Trust) have very low earnings. It would not be surprising, therefore, if many self-employed do not provide or purchase training for themselves; they are unlikely to be able to afford to, or to take time out from their businesses for skill development purposes. A further factor militating against this is the fact that many of the self-employed work extremely long hours (as confirmed by the LFS data in section 2.2 above); finding time for training and personal development under such circumstances may not be a priority.

Figure 3.11 Job-related training in last 3 months, by employment status (2005, 2007, 2010)



Source: Labour Force Survey (April-June quarters)

Note that data from 2007 and 2010 are weighted to 2009 population estimates, while data from 2005 are weighted to 2007-8 and are not, therefore, strictly comparable

4 Multivariate analysis

In many of the previous sections, we have looked at how the propensity to be self-employed (or the self-employment rate) varies with personal characteristics (age, gender etc.), with education level and qualifications, and with the nature of the activity (sector, occupation). It has also been clear from the bivariate analysis in the different sections above that many of these factors are related to each other. Thus, for example, self-employment rates vary between occupations and sectors and between qualification levels, but the skill level of the workforce also varies between occupations and sectors, so it is not clear from the bivariate analysis how much of, say the variation in self-employment rates by qualification levels is really driven by skills issues, or by particular sectoral or occupational norms.

In this section we briefly present some multivariate analysis (logistic regression) which looks at the separate influence of a range of personal, qualifications and employment related variables on the propensity to be self-employed. The results are summarised in Table 4.1 below and, for the most part, the patterns revealed by the multivariate analysis confirm those highlighted in the various bivariate analyses. In the simple logistic regression presented in Table 4.1, one category of each independent variable is chosen as the reference category. The odds ratio [Exp(B)] for the reference category is equal to 1.0, and the odds ratios for other values of the variable are interpreted relative to this reference category. Categories are interpreted relative to this one. An odds ratio greater than 1.0 means that the value of the variable in question increases the odds of an individual being self-employed, compared with the reference category. A odds ratio of less than 1.0 means that the odds are reduced compared with the reference category. In the table, significance values of less than 0.01 are indicated with a double asterisk (**). This means we can be confident (at the 99 per cent level) that the relationships found are not due to random variation; they are likely to reflect true relationships in the population.

The simple regression analysis confirms (all results significant at 99 per cent) that, controlling for the other variables in the model, and largely consistent with the earlier bivariate analyses.

- Men are more likely than women to be self-employed.
- The likelihood of being self-employed increases with age, throughout the age range.

- People with no qualifications are significantly more likely to be self-employed than those with qualifications (and this is not an age effect), but among people with qualifications there is little variation in the propensity to be self-employed, and no linear relationsip between qualification level and likelihood of self-employment.

- Occupation is a major influence on propensity to be self-employed, with the highest propensity found among the skilled trades. Relatively high propensities are also found among professional and managerial groups, personal service occupations and process, plant and machine operatives. Those least likely to be self-employed are those in administrative and secretarial occupations, sales and customer services, and elementary occupations.

- Similarly there are major sectoral variations in self-employment densities. These are highest in agriculture, followed by construction and ‘other services’. Intermediate densities of self-employment are found in banking, finance etc., transport and communications, and in distribution, hotels and restaurants. The lowest rates of self-employment are, unsurprisingly, in energy and water, manufacturing, and the public administration, education and health sector.

Table 4.1 Logistic regression

Independent variables		Exp(B), odds ratio
Gender (ref category: female)		
	male	1.110**
Age (ref category: 65+)		
	16-24	0.064
	25-34	0.138
	35-44	0.262
	45-54	0.311
	55-64	0.402
Qualifications (ref category: no qualifications)		
	NQF level 4 and above	0.901**
	NQF level 3	0.845**
	trade apprenticeship	0.813**
	NQF level 2	0.806**
	below NQF level 2	0.849**
	other qualifications	0.853**
Occupation (ref category: elementary occupations)		
	Managers & senior officials	2.329**
	Professional occupations	3.105**
	Associate professional & technical	3.159**
	Admin & secretarial	0.582**
	Skilled trades	6.958**
	Personal services	3.262**
	Sales & customer services	0.705**
	Process, plant & machine operatives	3.110**
Sector (ref category: agriculture & fishing)		
	Energy and water	0.051**
	Manufacturing	0.052**
	Construction	0.467**
	Distribution, hotels & restaurants	0.189**
	Transport & communication	0.211**
	Banking, finance & insurance etc.	0.288**
	Public administration, education & health	0.062**
	Other services	0.431**
constant		1.523**
- 2 log likelihood = 18293328.076		
Dependent variable: self-employed = 1, employee = 0		

Source: Labour Force Survey (April-June quarter 2010)

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