

Self-employment in OECD countries

David G. Blanchflower

*Department of Economics, Dartmouth College and National Bureau of Economic Research,
6106 Rockefeller Hall, Hanover, NH 03755, USA*

Abstract

The paper examines the role and influence of self-employment across the OECD. The overall trend in self-employment, at the economy level in the years since 1966, has been down in most countries. The main exceptions to this are Portugal, New Zealand and the United Kingdom where the trend has been upward. For most countries there is a negative relationship between the self-employment rate and the unemployment rate. The probability of being self-employed is higher among men than women and rises with age. The least educated have the highest probability of being self-employed, however, evidence is found that the most highly educated also have relatively high probabilities. The self-employed have higher levels of job satisfaction than employees. I could find no evidence that increases in the self-employment rate increased the real growth rate of the economy; in fact there was even evidence of the opposite. The self-employed are less willing to move from their neighborhoods, towns and regions than are employees, presumably because of the pull of their customers. I developed a flexibility index based on information provided by individuals in 1995. According to this index the US economy was the most flexible, followed by Canada, Germany and the Netherlands. Latvia, Russia and Hungary were found to be the least flexible countries. Of the OECD countries examined, Austria and Ireland were ranked lowest. © 2000 Elsevier Science B.V. All rights reserved.

Keywords: Self-employment; OECD countries; Agricultural employment

1. Introduction

A large proportion of the labor force apparently would like to be their own bosses. Self-employment presents an opportunity for the individual to set his or

E-mail address: blanchflower@dartmouth.edu (D.G. Blanchflower).

her own schedule, to work when they like, to answer to nobody and possibly even as a way to become rich. Unfortunately on the downside, if the business fails the individual may lose their job, their savings, their home if as often happens it is used as security on a loan, and perhaps even their marriage because of the stresses and strains. If we have learnt anything from portfolio theory it is that an individual should diversify their portfolio and not to pool their resources into a single risky activity.

Governments, on the other hand, frequently see self-employment as a route out of poverty and disadvantage and, for this reason, offer aid and assistance for small businesses. The justification for these actions is usually that it is argued that self-employment will help promote invention and innovation and thus create new jobs; new firms may also raise the degree of competition in the product market bringing gains to consumers; greater self-employment may also go along with increased self-reliance and well being. Unfortunately, economists have little evidence on whether these hypothetical benefits exist in practice. Even the widely held view, best expressed in Birch (1979), that small firms disproportionately are the creators of jobs has been challenged by Davis et al. (1996) who have undertaken the most careful empirical analysis of the job creation process to date.¹ They argue persuasively that “conventional wisdom about the job creating powers of small businesses rests on statistical fallacies and misleading interpretations of the data” (1996, p. 57). Indeed, they go on to conclude the following.

It is true that small businesses create jobs in disproportionate numbers. That is gross job creation rates are substantially higher for smaller plants and firms. But because gross job destruction rates are also substantially higher for smaller plants and firms, they destroy jobs in disproportionate numbers. We found no strong systematic relationship between employer size and net job growth rates. . . . Finally, and in contrast to the lack of a clear-cut relationship between employer size and job growth, . . . (we found) . . . clear evidence that large employers offer greater job durability. (1996, p. 170)

Despite the lack of clear and convincing evidence (I learnt that phrase from the Starr report!) of the benefits of having a larger small business sector and/or having a higher proportion of the workforce self-employed, as noted above, many governments around the world provide subsidies to individuals set-up and to remain in business. In Britain and France, for example, government programs provide transfer payments to the unemployed while they attempt to start businesses.² In the U.S., similar programs are being started for unemployment

¹ Studies of Canadian employers by Picot et al. (1994), of Dutch manufacturing by Huigen et al. (1991), of Australian manufacturing establishments by Borland and Home (1994) and of German manufacturing firms by Wagner (1995) also find that standard measurement procedures exaggerate the relative growth performance of small firms.

² See Bendick and Egan (1987).

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات