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**The experience of self-employment among young people: An analysis of 28 low- to middle- income countries**

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## **Abstract**

Youth unemployment has become the global “wicked” policy issue for governments and multilateral agencies with many regions experiencing endemically high levels. In response, governments and international organizations have introduced more active labor market interventions to address youth unemployment. Self-employment and entrepreneurship programs are seen as the key mechanisms to reduce unemployment, welfare dependency, and poverty. We use the International Labour Organization’s 2012 School-to-Work Transition Survey from 28 developing countries to provide new evidence of young people’s experience of job quality and associated working conditions in self-employment. We find that self-employment is not necessarily a favorable employment status in terms of the economic and social benefits it provides for young people. In countries often characterized by limited formal employment opportunities, a large informal sector and depressed local labor markets, self-employment can be seen as the only realistic way many young people can generate an income. Entry into self-employment can be more accurately described as a pragmatic coping mechanism by the young person and their family to *get by* rather than as evidence of entrepreneurship and a pathway to get on in terms of social mobility and poverty alleviation. We find little evidence that young people are making utility maximizing decisions concerning their employment status. Furthermore, we argue that if youth employment policies overlook the importance and role of kinship networks in the uptake of self-employment, they are likely to be even less effective than other programs to promote entrepreneurship.

## **List of acronyms**

- Asian Pacific (APAC)
- Central Asia (CA)
- Latin America and Caribbean (LAC)
- Middle East and North Africa (MENA)
- School-to-work transition survey (SWTS)

## Introduction

Young people are increasingly finding themselves unemployed and looking for work with the International Labour Organisation (ILO) estimating that 75 million 15–24-year-olds across the globe are outside the formal labour market (2014a, p. 12).. Youth unemployment has become one of the ILO's 'big policy' challenges with regions such as the Middle East and North Africa (MENA), Latin America, the Caribbean and southern Europe experiencing endemically high levels. Higher income countries such as the UK and United States have not been spared with around one in five young people in the European Union estimated to be out of work and 7.5 million 15–24 year olds not in education, employment or training (NEETs) (European Commission, 2014; Green, 2013). International organisations and authors such as the ILO (2015) and Malik, and Awadallah (2013) warn that this situation presents not only economic challenges but threatens the social and political stability of nations.

In response, governments and international organisations have introduced more active labour market interventions to address youth unemployment (see ILO, 2012). Increasingly, self-employment (SE) is seen as a possible policy mechanism by which to reduce unemployment, welfare dependency and poverty (Banerjee and Duflo, 2011; Banerjee et al, 2015; ILO, 2012; Taylor 2017). This 'policy push' to increase youth self-employment makes several assumptions. Firstly, it assumes that programmes to create youth self-employment actually work. Secondly, it assumes that youth self-employment provides the same benefits to young people as employment in terms of both financial and non-pecuniary rewards. This article is concerned primarily with that second question: in terms of quality of employment, how does self-employment compare with being an employee? (for a review of the evidence on the first question, concerning the effectiveness of active labour market policies to create self-employment, see Burchell et al, 2015).

Job quality and quality of employment are complex concepts which have gained policy traction in recent years (Marmot 2010; Taylor 2017) A number of authors have made good progress in the last decade to define and clarify what we might mean by good or decent work (Green et al, 2013, Burchell et al, 2014, Sehnbruch et al 2015). The Taylor report commissioned by the United Kingdom government has demonstrated that there is now a understanding among policy-makers that this concept is multi-faceted and should include both a monetary dimension and non-financial other aspects. While many of these things are difficult to measure 'objectively' it is important not simply to rely on job satisfaction measures, as workers with low expectations of their poor jobs can paradoxically be more satisfied than workers with higher expectations of their better jobs.

Debates on employment and unemployment used to start from the premise that unemployment is such a challenge to the economic, psychological and social wellbeing of an individual, any job is better than unemployment (see, for instance, Jahoda, 1982). More recently, particularly with a focus on precarious employment, researchers have become more aware that the simple employment / unemployment dichotomy fails to take into account that a bad job (for instance, some zero hour contract jobs) may not provide the benefits normally associated with employment (Coutts 2009).

One recent scheme to analyse the benefits of employment suggested by Green et al (2013) lists seven qualities that a 'good' job should provide: a reliable income, future prospects, reasonable working hours, a safe and pleasant physical environment, a health promoting social environment, autonomy and freedom from over-intense work. Psychologists and social epidemiologists would add some additional benefits that contribute to good psychological wellbeing and mental health, such as shared goals with others, structuring of time, interpersonal contact and social support (Coutts et al 2015).

To compare employee and self-employment statuses globally, this paper uses the International Labour Organizations School-to-Work Transition survey (SWTS - 2012) of 28 countries to provide some insights into the experiences of self-employment for young people in low- and middle-income countries. In the case of the secondary analysis of the SWTS data, we are limited to the number of dimensions where we can directly compare the self-employed with the employees to some aspects of hours of work, satisfaction with work, employment duration and income. In addition, can also glean some insights into the relative quality of employment and self-employment by looking at the transitions between jobs, the entry routes and job search that led to current employment. Although far from a complete analysis of the relative quality of different employment statuses, the analysis does give some sense of the advantages and disadvantages and lived reality of self-employment compared to being an employee.

While this article cannot paint the rich, detailed picture of self-employment that other, typically ethnographic studies can do, it does give a more realistic and evidence based picture of the diversity and mundane reality of self-employment in less developed countries. Other studies have typically focussed on highly visible and extreme forms of self-employment such as working on waste dumps (Thieme, 2010, 2015), cow rearing (Blatman et al 2014), homeless youths (Aptekar and Stoecklin 2014) or street traders involved in illegal activities (Mfaume and Leonard 2004). Alternatively, there is often much attention paid to the rags-to-riches entrepreneurs (e.g. Makura, 2012) who are probably even more atypical. What the SWTS lacks in detail it makes up for in representativeness. We use this dataset to address the following research questions:-

- 1 How does self-employment compare to employee status in terms of job quality and working conditions for young adults?
- 2 To what extent do individuals choose to be self-employed rather than an employee, or is it a result of lack of alternatives in the labour market?
- 3 Is self-employment is associated with entrepreneurship and innovation, or a trap to stifle development?

## The experience of self-employment: Analysis of the School-to-Work Transition Survey (SWTS)

### Methodology

The 'School-to-Work Transition Survey' (SWTS) is collected as part of a partnership project 'Work4Youth' between the ILO and the Mastercard Foundation. The project included 28 countries (mainly low- and middle-income) in 2012-13.

The SWTS contains data from five regions: Sub-Saharan Africa (SSA), Middle East and North Africa (MENA), Latin America and Caribbean (LAC), Central Asia (CA) and Asian Pacific (APAC). Table 1 shows these countries classified by region and the World Bank's Gross National Income (GNI) per capita into the following four categories: Low (L), Low/Middle (LM), High/Middle (HM) and High (H). Note that Russia is the only one of these countries in the 'High' category, so for the purpose of the analyses in this paper the 'High' and 'High Middle' categories have been combined.

### Countries included in the dataset, by region and GNI

SSA	MENA	CA	LAC	APCA
Benin L	Egypt LM	Russia H	Brazil HM	Bangladesh L
Madagascar L	Jordan HM	Armenia LM	Colombia HM	Cambodia L
Malawi L	Palestine LM	Kyrgyzstan LM	El Salvador LM	Nepal L
Tanzania L	Tunisia LM	Macedonia HM	Jamaica HM	Samoa LM
Togo L		Moldova LM	Peru HM	Vietnam LM
Liberia L		Ukraine HM		
Uganda L				
Zambia L				

World Bank's Gross National Income (GNI) per capita: Low (L), Low/Middle (LM), High/Middle (HM).

Although these countries are neither a random nor a representative selection from within each region, breakdowns by these two classification schemes give important insights into the data.

The translation and exact method of questionnaire administration varied from country to country, but typically consisted of a multi-stage sampling of geographic regions and then households. All young people aged between 15 and 29 years of age at their last birthday were eligible for interview. Data was collected at the household level and then face-to-face for all of the young people who consented to be interviewed. Self-employment was one of many topics covered in the questionnaire. Fieldwork managers checked a proportion of interviews for accuracy and fraud.

The total achieved sample was 102,587. The gender breakdown was 49 per cent male, 51 per cent female, but this varied considerably between countries, with only 41 per cent males in El Salvador and 60 per cent males in Egypt. There was also a considerable disparity in sample size by country, varying from 9,197 in Bangladesh to

1,158 in Moldova. The quality of the sampling, translations and data preparation are probably variable between countries; hopefully these errors and inaccuracies are minimised by aggregating countries in the analyses. The analyses of this cross-sectional data presented here are correlational. We have taken an Exploratory Data Analysis approach, prioritised describing as many relevant facets of self-employment as possible rather than attempting to produce multivariate models of a small number. Although the data are not representative of continents or levels of economic development, all of the results presented are statistically significant where we infer differences. Although we have not controlled for prior variables such as age, gender, continent or level of development, we have in all cases checked to ensure that the relationships between variables that we discuss in the following sections are not spurious (i.e. they do not disappear when the data is also broken down by those variables).

**Analysis**

The main independent variable used in this paper is the respondent’s employment status. All workers were asked whether they were **employees** (working for someone else for pay in cash or kind), **self-employed** or own-account workers (not employing any employee), **employers** (employing one or more employees), **family workers** helping without pay in a business or farm of another household/family member, or ‘other’ (including producer cooperatives). This categorisation relied on their self-definition, which may or may not accord with official definitions.

Employers and self-employed respondents were prioritised in the analysis, comparing them to employees and unpaid family workers. Table 2 shows an age and gender breakdown of the economic status of the ‘workers’ in the dataset (omitting those who were not in paid or family work because they were either unemployed or in full-time education or they were otherwise economically inactive). These unemployed and economically inactive cases are excluded from most of the analyses in this paper, apart from the analysis of the work history part of the questionnaire.

**Table 2: Employment status by sex and age**

			% within sex		
Age groups, 5 year bands			Sex		Total
			Male	Female	
14-19	Employment status	Employees	44.3%	32.1%	39.3%
		Employer	0.9%	0.9%	0.9%
		Self-employed	16.9%	19.0%	17.8%
		Family workers	35.7%	44.6%	39.4%
		Other workers	2.2%	3.3%	2.7%
Total			100.0%	100.0%	100.0%
20-24	Employment status	Employees	61.6%	50.1%	56.9%
		Employer	2.3%	1.4%	1.9%
		Self-employed	20.4%	24.9%	22.2%

		Family workers	14.0%	21.3%	16.9%
		Other workers	1.8%	2.3%	2.0%
	Total		100.0%	100.0%	100.0%
25-29	Employment status	Employees	62.7%	51.0%	57.9%
		Employer	3.7%	2.4%	3.2%
		Self-employed	25.4%	29.9%	27.3%
		Family workers	7.0%	15.3%	10.4%
		Other workers	1.2%	1.3%	1.2%
		Total		100.0%	100.0%
Total	Employment status	Employees	57.8%	46.1%	53.0%
		Employer	2.5%	1.7%	2.2%
		Self-employed	21.5%	25.5%	23.2%
		Family workers	16.5%	24.6%	19.8%
		Other workers	1.6%	2.1%	1.8%
		Total		100.0%	100.0%

The proportion not working and not seeking work was 40 per cent of the total population, but much higher for women (49 per cent) than for men (32 per cent). Eight per cent of the sample reported that they were looking for work, and 8 per cent were looking to start a business. Of that latter group, women were slightly over-represented (9 per cent) compared to men (7 per cent). Note that the figures in this table are heavily influenced by the much higher proportion of women who are economically inactive.

Note also the age effects: there is a marked reduction in the proportion of 'family workers' throughout this section of the life cycle. The proportion of employees increases after the age of 20, and the proportion of self-employed workers increases after the age of 25. The proportion of employers increases monotonically throughout this period from about 1 to 3 per cent. At all ages, women were more likely to be family workers or self-employed, in contrast to the men who were more likely to be employees or employers.

## **Comparing employees, employers and the self-employed - Hours of work and underemployment**

Analysis of the SWTS suggests that in developing countries under-employment is common for the self-employed. For example only 60 per cent of the self-employed reported working 30+ hours last week. Family workers were even less likely to be working 30+ hours per week (51 per cent). Employees were much more likely to work 30+ hours per week (84 per cent), followed closely by employers (78 per cent).

Further, the analysis revealed a predictable gender gap, with 76 per cent of men working 30+ hours per week compared to only 68 per cent of women, a gap of 8 percentage points. This gap was only 5.6 percentage points for employees, but over 17 percentage points for employers and self-employed, so less than half of self-employed women were working 30+ hours. Eighteen per cent of men who were employers reported working 66 or more hours per week – the figure was less than 10 per cent for all other groups.

All workers were also asked whether they would have liked to work more paid hours in the last week. Twenty-five per cent of all workers replied that they would have liked to work more hours, but this was higher, at 30 per cent, for the self-employed. The data suggests that a proportion of young people (particularly women) opt for self-employment as a means by which to combine income-generating work with domestic responsibilities.

### **Satisfaction with work**

Three-quarters of all workers in the SWTS stated that they were very satisfied or somewhat satisfied with their job. The differences between groups and genders were relatively small, but employers were the most satisfied (82 per cent) followed by employees (79 per cent) and self-employed (70 per cent), with family workers the least satisfied (67 per cent). This was reflected in their responses when asked whether they would like to change their current employment situation. Overall, 42 per cent replied positively, and again this was highest for family workers (47 per cent), followed by the self-employed (42 per cent) and employees (41 per cent). Only 29 per cent of employers wanted to change.

Reasons for job change primarily related to the desire for higher pay (16 per cent of workers), followed by the temporary nature of their job (10 per cent), 'to improve conditions' (7 per cent) and 'to make better use of their skills' (5 per cent). Responses were broadly similar for all of the groups, except that 'improved conditions' was more important for the self-employed (10 per cent) than for employees (6 per cent).

### **Job security**

We have already seen above that one of the reasons that workers gave for wanting to change jobs is that their current job is insecure, but only for 9 per cent of employees, 7 per cent of self-employed, and 5 per cent of employers. They were also asked how likely it was that they would be able to keep their current job if they wanted to (but there was no code for 'don't want to keep current job'). Seventy-four per cent of employers considered it very likely, 65 per cent of self-employed, and the most



subjectively insecure group were employees; only 54 per cent of them felt it 'very likely' that they would be able to keep their job. In a follow-up question, of those who reported that it was 'likely but not certain' and 'not likely' to keep their job, all groups were split fairly evenly between those who were 'bothered by it' and those who were not.

## **Reasons for and nature of self-employment**

Next we consider the reasons that the self-employed and employers gave for being self-employment rather than a waged or salaried employee. For both groups, the most common answer was for greater independence; 41 per cent of employers and 39 per cent of the self-employed. Not being able to find a waged or salaried job was given as the main reason for 25 per cent of self-employed and 20 per cent of employers. In other responses, the two groups were quite different: being able to earn a higher income was much more likely for employers (23 per cent) than for the self-employed (12 per cent). Being required by the family to work in that way was given as the main reason stated by 13 per cent of self-employed, but only 7 per cent of employers.

When asked whether anyone helped them with their economic activity, this was the case for 78 per cent of employers, but surprisingly 39 per cent of self-employed without employees also said they had help, presumably mainly from their families.

The responses to a question about their main source of funding to start up their current activity showed predictable differences between the self-employed and employers, but for both groups informal sources were far more common than more formal sources of financial capital. Twenty-seven per cent of the self-employed said that they did not need any money, as did 13 per cent of employers. For the rest, money from friends and family was the most common response for employers (40 per cent) and the self-employed (33 per cent).

Thirty-three per cent of both groups relied on their own savings. A small minority of employers used loans from microfinance institutions (4 per cent) or banks (5 per cent), but this was less common for the self-employed (1.4 per cent and 2 per cent respectively). Loans from informal financial operators or from government and remittances from abroad were only used as the main start-up funding for 2 per cent or less of each group. Unfortunately, the question only permitted each respondent to give the one main source of funding, so these figures underestimate the prevalence of some sources as presumably many start-ups are funded from more than one source. Those with the highest levels of education were about three times as likely to use banks for finance compared to those with the lowest levels of education, but even for this group the proportion using banks was small compared to informal and family funding. The proportion using microfinance institutions was unrelated to education.

When asked about the most important problem they faced in their economic activity, 7 per cent of both groups said they did not have any problems. A lack of financial resources was the most common response given by 31 per cent of employers and 35 per cent of the self-employed (but the question does not differentiate between insufficient financial capital to invest in the business and their ongoing income being too low). 'Competition in the market' was seen as the most important problem by 21 per cent of employers and 14 per cent of the self-employed. Again, there was a puzzling number of 'other' responses – 12 per cent of employers and 21 per cent of the self-employed. All of the other response categories were used by 4 per cent or fewer of the respondents; in descending order of importance they were: Insufficient (personal)

business expertise; Shortages of raw materials (breakdowns in the supply chain); Labour shortage; Product development; Access to technology; Insufficient quality of staff; Legal regulations; and finally political uncertainties.

## **Income**

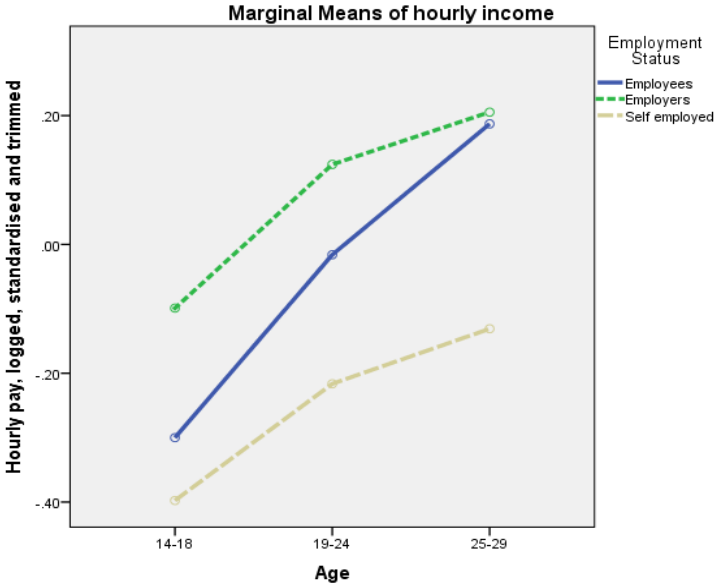
The self-employed and employers were asked about their income from sales or turnover and their expenses (e.g. rent, electricity, water, raw materials, salaries, etc.), and thus to calculate the profit for the past month. 1.4 per cent of both groups claimed to have made a loss in the last month, and 7 per cent of employers and 16 per cent of the self-employed gave their net profit as exactly zero (perhaps showing that a sizeable proportion of these businesses were inactive; many others may have only received income a few times a year, for instance, when selling their harvest).

Employees were asked about their most recent wages, and thus an hourly rate of pay could be calculated for employers, employees and the self-employed, although the compatibility of the data across the three groups is questionable. As the amounts were recorded in their local currency, the data had to be manipulated to make it comparable across countries. After negative and zero values were eliminated, the data was logged to reduce the skew. The data was then standardised separately for each country to give a mean of zero and a standard deviation of one. Finally, extreme values were trimmed ( $z > +3$ ). This eliminates the differences between richer and poorer countries, but permits some interesting insights into the patterns of pay broken down by employment status and age (controlling for the predictable and large gender pay gap).

Employers' incomes, thus measured, were higher than employees' wages and self-employed workers without employees received the lowest incomes, but this varied markedly between regions. Lower pay for the self-employed was particularly marked in the Latin American countries; it was small in MENA countries, but there was little difference in the other regions.

While comparisons between these three groups are questionable, breakdowns by other variables across these three groups do not have the same methodological shortcomings. The gender pay gap is even across groups, but disaggregation by age is particularly revealing; Figure 1 shows the way in which income increases with age. Employees had the steepest upward trajectory, so that by the age of 29 they had almost caught up with the employers. Self-employed workers without employees, however, showed less increase over time. This could be because of the limited nature of their businesses, or because there was less opportunity for learning new skills and increasing human capital in self-employed jobs.

**Figure 1: The relationship between employment status, income and age**



Employees were also asked about other benefits they received. A large number of common benefits were sick leave (60 per cent), annual leave (59 per cent), social security payments (48 per cent), medical insurance (44 per cent), pension (44 per cent), occupation (42 per cent), and meals (40 per cent). These questions were not asked of the SE, but presumably the levels would be very low, thus further exacerbating the pay gap.

**Education**

The SWTS contains information on the highest level of education attained by the respondents themselves as well as by the respondent’s mother and father. The relationship between education and employment status is particularly strong. For instance, examining the respondent’s own status (but patterns are similar when using parent’s education), 84 per cent of those with a high (post-secondary) level of education are employees, compared to 59 per cent of those with a medium level of education and only 39 per cent of those with low (none or primary) levels of education. The situation is reversed for self-employment with high rates for those with ‘low’ education (34 per cent), falling through ‘medium’ education (21 per cent) to just 9 per cent of those with ‘high’ education. The gradient for family workers is even more extreme, going from 23 per cent of ‘low’ educated to only 4 per cent of those with ‘high’ education. Interestingly, the proportion becoming employers was almost identical for the three educational groups.

**Region**

Table 3 shows the proportion of self-employment and family workers varies greatly between regions. Of all the workers in sub-Saharan Africa, the single largest category is self-employed (43 per cent), followed by family workers (29 per cent); only 20 per cent are employees. In all other regions, employees are the single largest group. The numbers of self-employed workers is low in MENA countries (6 per cent) and Central Asia (10 per cent). The gender effects noted above add to these. For instance, only 15 per cent of women in SSA countries are employees. In the majority of regions, women

were much more likely to be unpaid family workers, but this was not the case in Central Asia nor Latin America.

	Employment status					Total	
	Employees	Employer	Self-employed	Family workers	Other workers		
sub-Saharan Africa	20.1%	3.3%	43.2%	29.4%	3.9%	100%	
MENA	80.7%	2.3%	5.5%	11.4%	0.1%	100%	
Latin America	68.8%	1.9%	20.2%	8.1%	0.9%	100%	
Central Asia	71.9%	0.9%	9.5%	15.9%	1.8%	100%	
Asia and the Pacific	50.7%	1.8%	20.7%	25.8%	1.0%	100%	
Total	Count	23,924	987	10,449	8,929	831	45,120
	Row %	53.0%	2.2%	23.2%	19.8%	1.8%	100%

**Table 3: Employment status by region**

Due to the significant confounding of GNI and region in this dataset (with all low-GNI countries in this dataset being in SSA or APAC), the same gradient in employment, self-employment and family workers can be seen by GNI per capita, with the proportion of employees correlating positively with GNI while all other forms of economic statuses decrease. For brevity, the breakdown of countries in this paper is given by level of GNI, but, where regional differences exist, they are discussed separately (Table 4).

With a few important exceptions, strong regional or level-of-development effects on the quality of self-employment are the exception rather than the rule. Where there are clear regional effects, they tend to reflect the nature rather than quality of self-employment, and they are usually closely related to the higher prevalence of poverty in the low-GNI countries. For instance, when asked about the problems with being self-employed, the lack of resources is given as the most important problem by 44 per cent of those in the low GNI countries, 34 per cent in low-middle, and only 22 per cent the middle/high GNI countries. The corollary of this is that competition in the market is reported to be the number one problem by only 9 per cent of self-employed individuals in the poorest countries, rising to 26 per cent and 27 per cent in the middle and higher GNI countries.

**Table 4: Gross national income of country and employment status**

Active employment variable	Total
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		Employee s	Employe r	Self- employe d	Family worker s	Other worker s	
Low	Row %	29%	2.6%	36%	29%	2.9%	100%
Low- Middle	Row %	64%	2.2%	13%	20%	1.3%	100%
High/High -Middle	Row %	77%	1.6%	14%	6.2%	0.8%	100%
Total	Count	23,924	987	10,449	8,929	831	45,120
	Percent t	53%	2.2%	23%	20%	1.8%	100%

The proportion of self-employed that reported making a loss in the past month was very small in all groups, but the proportion whose net income was calculated to be zero was much higher in the poorest countries (21 per cent) than in the middle (9 per cent) or high (2 per cent) GNI countries. This suggests perhaps that many of those describing themselves as self-employed in the poorest countries are living a subsistence or cashless lifestyle.

The embeddedness or exposure to self-employment within the family or other networks also seems to vary significantly with levels of economic development and geographic region. For instance, when asked whether they have assistance from others in their main economic activity, only 9 per cent of the self-employed (i.e., without employees) in MENA and Latin American countries responded positively, compared to SSA (40 per cent), APAC (50 per cent) and Central Asia (64 per cent); without further detailed knowledge of who these people are and the nature of the assistance, it is difficult to understand this finding. The main reasons given for being self-employed also give confusing results. There was virtually no difference between groups saying that they became self-employed for a higher income or because of a lack of waged jobs, but the self-employed in the poorest countries were more likely to say that they chose self-employment for greater independence.

Levels of job satisfaction were not found to vary greatly between regions, but an interesting pattern was apparent. In regions where self-employment was more common (i.e., SSA and APAC) the average level of satisfaction was marginally higher among the self-employed than among employees, but where self-employment was less common, the self-employed were less satisfied than employees.

### Work histories

An attempt was made to record a full work history for each respondent, starting from the point at which they left full time education, or for those who never started education, from the first economic status that they experienced. They were then asked to list, sequentially, each employment experience that lasted at least three months up until their current situation. They were asked a number of questions about each of these activities, for instance, their economic status, dates of starting and ending that activity, type of contract, job satisfaction, and reason for leaving each job.

The number of activities recorded for each respondent varied from a large number who were still in full-time education and therefore had no activities in their work history, to one individual with 30 activities recorded. The data quality was somewhat mixed, suggesting a combination of problems with interviewee recall, the complex nature of many respondents' working lives with periods when they were combining several different jobs and other activities. Furthermore, different data collection or data entry conventions seem to have been adopted in different countries. For these reasons, it is prudent to treat this part of the dataset as being less reliable than the main body of the survey dealing with their current situation. Nevertheless, there are some aspects of this data that provide insights into the nature of flows in the labour market that are simply not possible to understand through data on current employment situations; the duration of completed spells is considered first, then the nature of transitions between and into and out of jobs.

**Durations**

The durations of completed activities varied between 7 per cent of activities that are two months or less (despite the instructions to interviewers) up to a few that lasted more than 20 years (because the start date was before the respondent was 10 years old and they had been in that same activity ever since). The median duration was 13 months, and the 90<sup>th</sup> per centile was 58 months or just under 5 years (as the duration data was highly skewed with a long upward straggle, medians will be reported instead of means).

Table 5 shows this duration data broken down by type of activity. The most stable form of work, by a large margin, is unpaid work as a family member, with a median duration of 33 months. Being engaged in home duties (e.g., housewife, stay-at-home father) or other forms of economic inactivity are also relatively enduring, both at 20 months. Interestingly, being self-employed is a more stable state (median=17 months) than being an employee (median=13 months).

**Table 5: Duration of economic activity (months)**

<b>Economic activity spell</b>	<b>Number of spells</b>	<b>Median</b>
Employee	20,875	13
Self-employed	3,288	17
Family Worker	3,893	33
Apprenticeship/internship	1,356	12
Available and actively looking for work	8,180	8
Engaged in Training	1,983	12
Engaged in Home Duties	3,823	20
Did not work or seek work for other reasons than home duties	2,672	20
<b>All activities (Months)</b>	<b>46,070</b>	<b>13</b>

Gender effects were small, although women formed the majority of those working as an unpaid family member and 'engaged in home duties'. They also tended to stay slightly longer than men in these duties. Predictably, having a limited-duration contract shortened average tenure, but only for the job contracts that were for less than 12 months. The level of GNI of the countries had a marked effect on median durations, such that the poorest countries had a median duration of 24 months, compared to only 12 months for the high- and middle-high income countries. This effect was spread evenly across all economic statuses.

Interpreting the duration data is equivocal. Discussion surrounding precarious employment emphasises the cost of short-term employment, so by that definition self-employment is not more precarious than employment, and working as an unpaid family member is the least precarious status. However, another interpretation is that turnover provides an indication of individual autonomy and/or progression, so those longer durations typical of the poorest countries, family work, and self-employment may represent a lack of dynamism in the labour market or opportunities for advancement.

## **Transitions**

Another strength of the work histories data is that we can examine trajectories as a way of understanding which types of economic status are likely to lead to advancement and which are likely to lead to stagnation or even deterioration in young people's working lives. For this set of analyses, adjacent spells in an individual's work histories are combined so that the relationship between a source job and a destination job can be determined. After cleaning the data, there were a total of over 50,000 such transitions.

First, which respondents are 'at risk' of becoming an employee in their next transition? Forty-seven per cent of destination spells were as employees, making it the most common destination. Those most likely to become employees were the unemployed job-seekers (79 per cent), followed by people doing home duties / childcare (53 per cent). The group least likely to become employed were the unpaid family workers (33 per cent) and the self-employed and apprentices/interns (both 34 per cent).

And who is at risk of becoming self-employed? Fourteen per cent of transition destinations were to self-employment, but this was much higher for unpaid family workers, 29 per cent of whom became self-employed in their next spell. Those doing home duties were also much more likely to become self-employed (20 per cent). The people least likely to become self-employed were the employees (10 per cent) and the unemployed (9 per cent).

More generally, the transitions data suggests that there are two 'clusters' of trajectories. Some individuals move from one spell as an employee to another, and if they are not in employment, then they are most likely to be unemployed. Other individuals transition between being a family worker, being self-employed, and being economically inactive. Although self-employment spells are much more common in the lowest income countries, this same pattern holds in all categories of countries by income group.

## Discussion

The analysis presented suggests that self-employment is not necessarily a favourable employment status in terms of economic and social benefits it provides for young people. In countries suffering from limited formal employment opportunities and depressed local labour markets self-employment may be seen as the only realistic way many young people can generate an income. Entry into self-employment is more accurately described as a pragmatic coping mechanism both by the individual and the family rather than as evidence of entrepreneurship.

There are large differences in the prevalence of self-employment between global regions, and probably strong regional differences (for instance, rural vs. urban) within countries. Self employment is generally associated with disadvantage, for instance for individuals with lower levels of education or living in poorer countries.

The evidence from survey respondents who were currently self-employed does not support the suggestion that there is a clear “good work-bad work” distinction between employees and self-employment. Job satisfaction scores and sense of job security did not differ much between the two economic statuses. This is consistent with research by Charman & Petersen, 2017 that has found that the stability of self-employment in developing countries had often been under-estimated; although business premises might open up and shut down regularly, this is often because the self-employed person is simply doing the same thing in a different location. Although the average weekly working time of self-employed individuals is well below that of full-time employees, only a minority of self-employed individuals state that they want to work longer hours. It may be that the rest of their week is taken up with other economic, domestic and leisure activities rather than being unproductive time that can be a characteristic of the unemployed. The tenure data from the work histories suggest that self-employment is, if anything, a more stable status than being an employee. There is evidence for both *push* and *pull* in entry into SE; for women the balance seems to be more push than pull, compared with men, but many respondents provided positive reasons for wanting to be self-employed. It is easy to dismiss these positive aspects of self-employment as either adaptive preferences, or ignorance of the longer-term benefits of being an employee, but it would be premature to dismiss all self-employment as inferior to regular employment.

Taking a long-term or lifecycle view, self-employment compares less favourably with regular employment. Rather than entering the formal employment sector, many career trajectories seem to be stuck in a churning cycle between self-employment and unpaid family work, which is itself seen as a far more negative (or less empowering) state by those currently in that position. Furthermore, there is a clearer upward trajectory in income for employees and employers; those who stay self-employed are likely also to remain on a low income. Although the work histories did not record being an employer as a category, it is important to emphasise that the data suggests that only a small proportion of self-employed ever progress to growing a business through employing others. Even the small proportion of employers in the SWTS dataset is probably an overestimate, as many of those individuals who claim to be an employer probably achieved that status by joining the family business rather than starting and growing their own business. Subsequent qualitative work suggests that many of those young people who describe themselves as employees are more accurately described as the



boss's daughter or son. If employing others is the key characteristic of entrepreneurship, the vast majority of self-employed individuals are not entrepreneurs, and much of the rhetoric linking self-employment and entrepreneurship is therefore misleading.

Indeed, the SWTS data also suggests other ways in which the self-employed challenge the neo-liberal rhetoric of heroic and individualistic entrepreneurs. Firstly, while self-employment is a relative rare category in developed countries, in sub-Saharan Africa it is actually more common than employee status. Secondly, rather than a category that attracts the individuals with the highest levels of human capital, the data suggests that self-employment is more likely to be drawn from those with the lowest levels of education. Thirdly, the idea of 'rugged individualism' that is associated with entrepreneurship does not seem to describe the typical self-employed individual in the sample who is reliant on kith and kin networks, not only to start up as self-employed but also in their daily working lives. There is little evidence that young people are making utility-maximising decisions concerning their employment status, as economists such as Douglas and Shepherd (2002) assert. Finally, many writers associate entrepreneurship with volatility – either the risk of failure, or the possibility of rapid economic growth. The dataset suggests that self-employment is actually rather a stable state, with only low risk of either failure or of rapid acceleration in earnings or profits.

While the SWTS provides some limited information on the daily lives of employees and the self-employed, it tells us very little about the impact of employment status on their mental health and psychological wellbeing. We know nothing about the excitement, boredom, challenge or status they derive from their jobs. We do know a little bit about the worries that self-employed people have. It seems that they sometimes worry about money, but then so do young people of all economic statuses. The only other worry that was reported by a significant proportion of self-employed (with and without employees) was that of competition from others. As Green (2013) suggests, the majority of undercapitalised business start-ups are in niches with low entry costs in terms of training or capital, leaving them vulnerable to rivalry from others looking to enter the same niche and drive down prices and profits.

Rather than ask the question as to whether self-employment is better or worse than being an employee, a useful theme for further research might emphasise the greater heterogeneity of self-employment: when it is good it is very good, and when it is bad, it is awful. The recent UK Taylor report on modern work practices recognises this and proposes that any government intervention to support the growth of self-employment should recognise the wide variety of forms of modern self-employment. (Taylor 2017, p. 74). It is possible that a focus on the quality rather than the quantity of self-employment would make more of a contribution to promoting social mobility, worker health and wellbeing and wider development goals. Potential future policies to support self-employment may be directed at up-skilling self-employed individuals, provide reliable business advice to lessen fiscal disincentives to business growth and improve resilience and future prospects. At the macro policy level, countries could review their welfare systems to ensure that self-employed individuals have the same levels of social and economic protection and access to healthcare and pensions as employees (Taylor 2017).

This comparison of the relative *quality* of employment for employees and the self-employed might, in many cases be further complicated by the same individual being

simultaneously employed and self-employed. This may be because, as Ezrow and Frantz, (2012) found, those in the formal labour market (as teachers, civil servants) in middle- and low-income countries take second or even third jobs in the informal labour market such as self-employed newsagents or taxi drivers, complementing the longer term prospects of employment with additional income from self-employment.

### **Limitations of the research and future directions**

The School to Work Transition Survey (SWTS) is an ambitious project that has done much to clarify the nature of young people's lives in developing countries, and to replace myths with facts. It is hoped that it will be repeated, with an enhanced set of questions to determine more exactly the nature of the businesses of respondents who are not employees.

The wider evidence base on self-employment is improving steadily, but there remain some aspects of the major life-course events or transition periods (start-up/failure) of the self-employed and small businesses that remain under-explored. For instance, what are the consequences of business failure and how does these impact the individual? As we know from the evidence base on unemployment and redundancy the social, economic, health and wellbeing impacts can be significant for the individual, and for families and creditors who can be left with unpaid debts. Further, there is little information to determine how often the end of a period of self-employment is followed by a seamless transition into another activity, or how often it can lead to extreme deprivation or even peonage.

Perhaps one reason that our understanding of self-employment is lacking is due to a mismatch between the phenomenon of self-employment and survey research methods. Employment is typically conceived as a relationship between an individual and an employer, supplemented by some other peripheral institutions (such as trade unions and factory inspectors). Therefore, surveys of individual employees, asking about them and their relationship to their employers, are largely adequate (and occasionally we interview employers to complete the picture).

Yet, self-employment is often a completely different type of labour-market status. Instead of 'own-account workers' interacting autonomously with the market, the situation (in both developed and developing countries) is often better described as a complex network involving many co-dependent actors, and many of those links are with members of the same nuclear and extended families. We need to be far more aware of the way in which the self-employed (and potential self-employed individuals) are embedded in networks, and the abilities of those networks to provide skills, capital and other resources before we start to understand let alone intervene through active labour market policies (ALMPs) for the self-employed. This will require both qualitative and quantitative research dedicated to the understanding of the nature of self-employment and the context in which it is conducted, rather than bolting on a section on self-employment to surveys of employees.

This article has provided some indications of how the experience of self-employment is different to the everyday experiences of an employee, but stops far short of giving a rich account of either the daily or the long-term experiences of self-employment for young adults in developing countries. Many of the findings here have been supported through the qualitative findings of other researchers on self-employment in developing countries for instance, Roncolato and Willoughby (2017), but, unlike the findings

presented in this paper, those studies cannot be generalised beyond the specific location of their fieldwork. It does show that some of the wildly optimistic accounts of youth entrepreneurship are not representative of the experiences of young people in developing countries, but neither are some of the accounts of extreme exploitation through self-employment.

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