

# Measuring the movement between employment and self-employment: a survey proposal

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## 1. Introduction

The *Oxford English Dictionary* defines self-employment as ‘the state of working for oneself as a freelancer or the owner of a business rather than for an employer’. This definition highlights that a self-employed person works for themselves ‘rather than for an employer’. However, some people work for an employer but are fiscally independent. These include, among others, the so called internal independent workers—individuals who are registered as self-employed but work at a firm where they are subject to organisational rules as are employees. Should these people be considered to be dependent or independent workers? Even Eurostat (European Union, 2018) sees as peculiar this professional status called *dependent self-employment*—itself a linguistic paradox.<sup>1</sup> Other ambivalent professional statuses occur worldwide. These definitions based on dichotomies are inadequate to define borderline types of employment.

Following the hypothesis that a multidimensional definition is needed to classify workers according to professional status, we analyse a plurality of viewpoints and propose a survey to statistically measure both the disputed and the undisputed categories of self-employment. All viewpoints pertain to people’s a priori conditions and not to their outcomes.

The rest of the paper is organised as follows. Section 2 highlights the critical factors in the movement between employment and self-employment to help researchers build categories, or blocks, of workers who—possibly in a future rebuilding of professional classification—could be considered to be self-employed. Section 3 presents a scheme to analyse Italian self-employment in relation to the European literature. Section 4 concludes with a nation-wide survey proposal.

## 2. Trends of self-employment

According to Eurostat, a self-employed person is the sole or joint owner of the unincorporated (i.e., formed into a legal corporation) enterprise in which they work, unless they are also in paid employment that is their main activity (they then are considered to be an employee). The self-employed also include unpaid family workers; outworkers, or those who work outside their usual workplace, for instance, at home; and workers engaged in production done entirely for their own final use or capital formation, either individually or collectively. The self-employed without employees are called *own-account self-employed*, and the self-employed with their own employees are called *employers* (<https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Self-employed>).

OECD/European Union (2017) data show that only a scant minority of Italian workforce seek self-employment. Only 1.6% of Italian job seekers are oriented towards independent employment, while 1.2% of the unemployed seek self-employment, and 1.8% of those previously or currently employed in dependent positions are willing to change status. Indeed, a large proportion of job seekers (23.4%) show indifference towards the professional status of

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<sup>1</sup> Dependent self-employment is a phenomenon of some importance in countries where few professions are regulated, such as the Netherlands (5.3% of the self-employed workforce), the Czech Republic (5.8%), the United Kingdom (6.7%), Cyprus (7.3%) and Slovakia (9.9%). In the EU-28, this category amounted 3.5% of self-employment and 0.5% of overall employment in 2017. In Italy, dependent self-employment amounted to 4.3% of self-employment and 0.9% of overall employment (European Union, 2018).

the sought job—and perhaps some might enter independent employment. Nevertheless, the data highlight that few Italians endorse the aim of starting one’s own business, but many more express the same level of liking for this professional status as employment.

Moreover, the propensity to exit self-employment is much higher than that to enter it. In 2019, 61.5% of self-employed workers who lost their jobs stated they were looking for employee positions, while 7.7% insisted on staying in self-employment, and another 30.8% were indifferent to both statuses. These results are somewhat expected because those who lose their job face psychological pressure to not repeat the negative experience. Instead, the propensity to stay in their dependent professional status is higher for former employees (83.9%), of whom only 1.8% would accept self-employment, while 14.3% are indifferent to both statuses.

In contrast, comparing the movement between professional statuses over time (Table 1), we see that 99.5% of Italian employees remain in a dependent status, and 98.8% of the self-employed remain in an independent status after one year. The largest movement is shown in the para-subordinate category,<sup>2</sup> in which only 86.8% remain after one year. The movement between dependent and independent work is the largest in absolute terms: in 2019, about 72,000 workers transitioned from a dependent status to an independent status, and 61,000 moved the other way. If we add the movement to and from a para-subordinate status to self-employment, the new entrants in an independent status were about 76,000, while about 62,000 left it. In relative terms, the data show an almost equal balance: those newly in an independent status numbered only 0.1 percentage points (23.2 versus 23.1) more than those who left it. The movement balance is null if we consider para-subordinates to be self-employed.

Among the self-employed categories, employers are the most stable (99.2% staying in the same category for one year), followed by those self-employed in craft, commerce and agriculture (98.7%), and freelancers (98.3%). Even cooperative workers dominantly stay (96.1%), though given their double status as associated owners and employees of their cooperatives, they might classify themselves as dependent or independent at different times. Family workers (97.3% stay) and para-subordinates (86.8%) are similarly hybrid but differ in commitment with respect to self-employment.

**Table 1. Transition matrix (%) between current and one-year-earlier professional status of Italian workers, Italy, year 2019** (*Authors’ analysis of Italian labour force survey data*).

<i>Condition 1 year earlier</i>	<i>Current condition</i>							Row total (%)
	Dependent	Para- subordin.	Employer	Freelance	Craft, commerce	Family worker	Cooperat. Worker	
<b>Employee</b>	99.5	0.1	...	0.1	0.2	...	...	100.0 (76.1)
<b>Parasubordinate</b>	9.9	86.8	...	2.0	1.2	0.1	0.0	100.0 (0.7)
Employer	0.4	0.0	99.2	0.1	0.3	...	0.0	100.0 (1.2)
Freelance	1.4	0.1	...	98.3	0.2	...	0.0	100.0 (6.3)
Craft, commerce	1.1	0.1	...	0.1	98.7	...	...	100.0 (13.5)
Family work	0.9	...	0.2	...	1.5	97.3	...	100.0 (1.5)
Cooper. worker	3.3	0.0	0.0	...	0.5	...	96.1	100.0 (0.6)
<b>Self- employment</b>	1.2	...	5.3	26.7	57.3	6.4	2.6	100.0 (23.1)
(Total)	(76.0)	(0.6)	(1.2)	(6.3)	(13.6)	(1.5)	(0.6)	(100.0)

<sup>2</sup> In Italy, the para-subordinate, or pseudo self-employment, category includes temporary or ad-hoc contracts of collaboration with a company for which the company requires that collaborators register themselves at the Chamber of Commerce as self-employed and pay directly their social security fees.

### 3. Model of the movement between employment and self-employment

The definition of self-employment has legal, organizational and economical aspects.<sup>3</sup> The legal aspect refers to who the employer is—a company or self-employed individuals themselves. This dimension leaves in a limbo some categories of workers who are recognized in Italy as self-employed but, strictly speaking, do not employ themselves (e.g., unpaid family workers and cooperatives' working partners). In another peculiar category are the dependent self-employed, who are legally self-employed but possess dependent traits of employees.

Organizational and economic aspects are also added to the definition of self-employment. A main economic characteristic is a worker's dependence on their income source—whether the source is unique or nearly so, or a worker can work for as many clients they want. Even organizational dependency, which refers to the work time and schedule, task order and content and ownership of work equipment (e.g., tools, space and premises), could distinguish employment from self-employment. The rationale is that these economic and organizational aspects reduce the ability to classify workers as self-employed to the degree that they depend on others' will. Unfortunately, there is no clear-cut rule. Suppose, for instance, that a worker is registered as self-employed but uses equipment at a company's workplace, and all organizational aspects of the job are ruled by this company that is this worker's only client. Should this worker be classified as an anomalous self-employed or an anomalous employee? Alternatively, suppose a worker autonomously organizes work tasks and can adopt a flexible working schedule. Is this worker more self-employed rather the previous anomalous worker? It is difficult to say; we can only state that other people's discretion concerning the workday and organization of the work environment makes self-employment classification a dubious task and requires further research.

From a social viewpoint, it is relevant to understand the reasons why workers became self-employed. Indeed, there is a clear distinction in classification based on whether a worker's decision to start their own business depends on their consolidated will or familial traditions or, instead, on contingent external pressures (e.g., the need for a flexible schedule or an explicit request from a former employer) or nearly random situations (e.g., a sudden opportunity a worker was prompted to take or a lack of opportunities to find a job as an employee). In the 2017 European labour force survey on self-employment (European Union, 2018), smoothly entering self-employment, as if it were written in one's destiny, was by far the most frequent answer when the self-employed were asked about their reasons for entering their current job (38.7%, to which can be added another 7.2% who stated that self-employment was a common practice in their field). This reason was followed by continuation of a family business (24%), environmental pressures (12.6%, of whom 10.3% could not find a job as an employee and 2.3% received a request from a former employer) and, finally, contingent reasons (7.5% for the need for flexible hours and 8.2% for other reasons).

It can be concluded that in the EU, the large majority of workers entered self-employment either instinctively or as a consequence of opportunistic reasoning. Consequently, only 1 of 8 self-employed workers would switch to employment if they could. In any case, even if motivation might influence the stability of self-employed workers' willingness to maintain this status, it does not affect their professional status.

To start and maintain a self-employed business (“pull factors”) is a positive attitude, particularly the feeling of being involved in and satisfied with work tasks. Involvement is a multidimensional condition that includes the opportunity to work with partners or family members who share responsibilities and efforts; the possible number of subcontractors and/or employees involved and the subcontractors and/or employees recently recruited; a high level

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<sup>3</sup> We could also consider fiscal and social security aspects. Concerning social security, Italy's National Social Security Institute includes the following among independent workers: small business owners in agriculture, craft and commerce; partners in ventures; home sellers; voucher-based workers; and freelancers.

of dedicated financial resources; and, in general, positive business prospects.

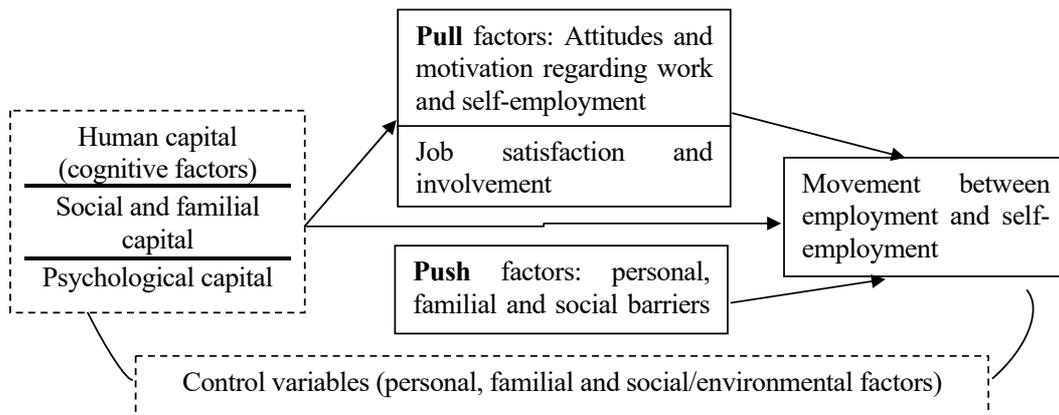
Another important attitude is workers' general disposition towards self-employment. This disposition is a direct consequence of workers' personal beliefs and system of values influenced by culture and life experience. A positive (or negative) disposition towards self-employment might strengthen or weaken at any turning point in life. Whatever happens to people may influence their attitudes towards professional decisions. Positive examples given by parents, relatives and peers certainly can push a young worker to start in the family business. Even a professional decision that seems determined from birth—as it may look for a younger generation continuing a family business—is effectively influenced throughout their lives. Indeed, some choose not to maintain a family business.

Let us now examine the barriers to self-employment (“push factors”). A first distinction is between individual and external sources. The main individual barriers to starting one's own business include a social disposition negatively oriented toward self-employment, the possible effects of impairments or chronic diseases on work activities and potential difficulties accessing and managing credit. The external barriers include workers' reflections on the social barriers, such as the time and guarantees required to get financing, level of administrative burdens, level of social protections and retirement fund coverage, and economic difficulties that restrain clients from asking for work or that delay or reduce payments.

The relevance of both individual and social barriers as perceived by workers should be observed with specific survey questions because social barriers affect individuals' business decisions depending on their coping ability. Social barriers influence the movement between employment and self-employment both before the initial choice and at all turning points during one's work life. The survey, therefore, should investigate the attitudes and perceptions of social barriers among all the adults, not only workers.

Figure 1 represents the pull and push factors that may influence the movement between employment and self-employment. The model can be considered an adaptation of Ajzen's (1991) theory of planned behaviour whose dependent variable is behavioural intention. A more comprehensive model to predict the movement between types of employment should include human, social and psychological capital and a set of control variables. This paper, though, does not include types of capital or control variables (dashed lines in Figure 1) because of space limits.

**Figure 1. Factors influencing the movement between employment and self-employment.**



#### 4. A survey proposal

Our analysis is aimed at defining a set of survey questions on the movement between

employment and self-employment. Our main conclusion is that the questionnaire should include a set of common questions for the entire labour force, not only workers, and the movement should encompass both employees and self-employed persons at any occupational turning point.

Our rationale is that no professional status is permanent, and when combined appropriately, certain variables are able to predict individuals' decision to start their own business. In this way, workers can be classified into statistical blocks with varying levels of self-employment scale. Our proposal is to pinpoint the crucial elements of this matter also to suggest official statistics institutions how to measure this changing-nature phenomenon.

The initial question to be submitted to all the adult population is 'Are you waiting to start a new job?'. This question is needed as some respondents who have completed their education and are simply waiting to start a new business might be confused with those not in education, employment or training, as shown in Fabbris and Scioni (2020). The answer options will be: 'Yes, waiting to become an employee'; 'Yes, waiting to become self-employed, possibly in a family business'; 'Yes, waiting to work as a cooperative member'; and 'No'.

The disposition towards self-employment and, conversely, employment will be highlighted with a question about the type of employment sought and why. This question will be posed to people looking for a job in a slightly different manner than those not looking for a job. For job seekers (including those who want to change jobs or are seeking a second job), the question will be: 'Generally, do you prefer to work as an employee or as self-employed?' The answer options will be: 'Prefer to work as an employee', 'Prefer to work as a self-employed or in a family business', 'Prefer to work as a cooperative member' and 'No preference'. For those not seeking a job, the question, with the same answer options, can be rephrased: 'In case you aim to seek a (new) job, would you prefer to work as an employee or self-employed?' The comparison between current and preferred status allows statistical evaluation of the strength of the respondents' preference for the professional status they are in, and the proportion of the respondents staying in or moving from the employment and the self-employment categories.

The reasons for the self-employment choice (pull factors) are described in Section 3. In addition, the reader is pointed to the questionnaire discussed in European Union (2018) and the Italian labour force survey questionnaire (Istat, 2018). In summary, we suggest that all workers should describe their job, either current or expected, in reference to the following dimensions:

- *Organisational independence*—the flexibility of work time, hours and schedule; work-life balance; ownership of work equipment, tools and machinery; working in one's own or others' offices and premises; possibilities for smart working; and having one or more than one client
- *Economic and social independence*—the quantity and stability of income, social security and retirement plans; strength of ties with employers and clients giving work; career prospects; and social relevance of job outcomes
- *Task autonomy and challenges*—personal influence over task content and order in the main job; level of responsibility for task complexity management; confidence in one's own professional means; quantity and variety of used competencies; risk-taking capability; proactiveness in seeking work opportunities; and learning in the workplace; may be considered to be a proxy for work quality
- *Business network width*—the number of partners, subcontractors, employees and mentors who usually work with the respondent; and engagement level in control of the budget and business volume; may be considered to be a proxy for work quantity.

Some of these questions could appear to pertain to only self-employment, but they are also

applicable to company managers and, in general, so-called *intrapreneurs*, who are described by Krueger and Brazeal (1994) and Douglas and Fitzsimmons (2013) as having a proactive attitude that drives their work activities irrespective of their workplace. These questions, therefore, will be asked of all workers in forms that depend on the communication channel with the respondents (i.e., telephone, face-to-face or www systems). In addition, surveying positive attitudes towards labour will require questioning all workers about their job satisfaction (e.g., overall job satisfaction, then for income, autonomy, complexity, challenge, career/business prospects and flexibility of job tasks).

Finally, a survey should include the socio-psychological barriers to self-employment (push factors). Limitations on succeeding at work can come from physical and social problems; previous failures; family expectations; care work for children and relatives; educational inadequacies; gender, age and other characteristics of the respondents that could interfere with work tasks; time and guarantees required to get financing; level of administrative burdens; coverage of social protection; difficulties recovering credit and finding work orders; and the like.

These varied questions can be organised in a battery so that they can be administered with the same scale to all the respondents. The umbrella question will ask how much the respondents perceive that current economic and social difficulties interfere with their decision to start their own business, say: ‘How much do you agree with the following statements?’, and the answer options will be ‘People with disabilities are discriminated against in the workplace’; ‘In private companies, women are discriminated against’; ‘It is no use seeking a job in such poor economic conditions’; ‘Only sly guys or those with friends in the right place get jobs in Italy’; ‘In Italy, it is difficult to access financial credit to start a business on your own’; ‘Once you fail, there is no chance for you to start your own business’; ‘It is only possible to balance private life and work if you work for a public organisation’; ‘A woman cannot have a job if she has children’; and so on.

It is worth saying that our model ignores the economic sector in which the worker acts and the harmonisation with European rules as possible interaction factors for self-employment classification purposes. These factors should be considered after the analysis of the survey results.

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