

Income, material living conditions and economic vulnerability among necessity self-employed

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Background

- Heterogeneity
- Necessity and opportunity self-employed
- Necessity self-employed
 - less job and life satisfaction
 - lower health and less well-being
 - Lack motivational traits related to self-employment: independence, creativity and income
- Less is known whether necessity self-employed have less material resources and lower living standards

Aim

To investigate living standard among necessity self-employed and opportunity self-employed

Three central aspects of living standard are measured:

- Household income
- Material living conditions
- Economic vulnerability

Research questions

Is necessity self-employment in greater extent associated with

Household income

- Lower household income
- higher income poverty risk

Material Living Conditions

- Material living conditions
- Economic vulnerability

Definitions of necessity and opportunity self-employed

- Business opportunity or no other option on the labour market?
- Entering self-employment from unemployment or quit a job to become self-employed?

Measurement of necessity and opportunity self-employed

Method: LCA

- 1) Would you rather be self-employed or regularly employed?
- 2) How important in working life to realize an idea?
 - of great importance & quite importance = 1
 - fairly small importance & very small importance = 0
- 3) How important to be able to determine your own working situation?
 - of great importance & quite importance = 1
 - fairly small importance & very small importance = 0

Table 1: Latent cluster characteristics and sizes.

	Cluster 1	Cluster 2
Cluster Size	0.90	0.10
Indicators		
Preference for self-employment		
No	0.08	0.41
Yes	0.92	0.59
Important to realize an idea		
No	0.18	0.18
Yes	0.82	0.82
Important to be independent		
No	0.01	0.41
Yes	0.99	0.59

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Measurement of household income

- **Equivalent household income**
 - Income from labour, self-employment, other work related income and income from social insurance sources
 - OECD modified equivalent scale has been used (respondent =1, => 15 years=0,5, < 15 years=0,3)
- **Poverty**
 - Same income data as above
 - poverty = less than 60% of the median household income

Measuring material living conditions

- Material living conditions are measured through an additive deprivation index based on 29 items

Measuring economic vulnerability

- Economic vulnerability: an index based on the following questions:
 - What is the likelihood that you...
 - ... will be unemployed in the coming years?
 - ... not get the health care needed if you become sick
 - ... have to move from your residence in the coming years due to high costs?
 - ... receive a pension that will be too low to enable you to have an acceptable living standard
- Answer alternatives: 1) low probability -> 4) high probability

Examples of deprivation indicators

Table A1: Deprivation indicators

	Do have	Cannot afford
Dishwasher	74.0	5.5
Microwave oven	91.6	0.8
TV	96.4	1.0
DVD-player	90.6	2.0
Computer + internet	95.0	1.6
Daily newspaper	61.1	7.8
Home insurance	97.7	1.4
Mobile phone	98.3	0.7
Own home (not rent in secondary)	94.2	3.5
Driving license	91.9	2.8
Car	83.4	7.3
Boat	21.5	20.4
Summer cottage	25.8	28.1
Caravan or motorhome	8.2	24.5
Clothes that corresponds somewhat with fashion	74.9	9.7
A special outfit	81.8	8.4
Private pension insurance	65.0	15.9

Method employed

- Mean coefficients of MCMC-regressions
- Alternatives: Tobit-regression

Covariates

Gender

Men (ref.)

Women

Age categories

25-39 years

40-55 years

56-64 years (ref.)

Education

Primary (ref.)

Secondary

Tertiary

Region of birth

Sweden (ref.)

Other European countries

Outside Europe

Branch of Industry

Agriculture

Manufacturing (ref.)

High skilled service

Low skilled service

Others

Working Time

Results

Household income	Relative income poverty
Necessity self-employed tend to have lower household income -- but not statistically significant.	Necessity self-employed tend to have a higher odds-ratio to be relative income poor -- but not statistically significant.
Material deprivation	Relative material poverty
Necessity self-employed tend to be more material deprived -- and the result is statistically significant.	Necessity self-employed tend to have a higher odds-ratio to be relative materially poor -- and the result is statistically significant.
Economic vulnerability	
Necessity self-employed tend to be more economic vulnerable -- and the result is statistically significant (even though rather weak)	

Conclusions

- Necessity self-employment does not seem to affect household income -- conflict with a German study finding earnings to be less among necessity self-employed. The role of the household and national context?
- Necessity self-employed worse off regarding material living standard. Why a difference between income and material living standard?
 - In general a complex relation between income and relative deprivation.
 - Differences in the ability to make use of firm specific assets?
 - Income may be a particularly bad measurement of the living standard of the self-employed.