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Self-employment and Place: Are the self-employed less spatially mobile than paid workers?

Darja Reuschke

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Starting point

- place in general, and the regional context in particular, matter for entrepreneurship (e.g. *Delgado* et al. 2010, *Bönte* et al. 2009)
- surprisingly few studies have investigated how place shapes entrepreneurship/self-employment and vice versa
- notion of entrepreneurship as a 'local event' (e.g. *Audretsch* et al. 2010, *Stam* 2007)
- People 'simply' launch business in the place where they had lived (*Hanson* 2003, *Bathelt/Glückler* 2002)

Starting point – literature review

- entrepreneurs/the self-employed are strongly 'rooted' in place / 'place sticky' (*Hanson* 2003, 2009)
- agglomeration economies and cluster theory highlight location-specific capital for start-ups (e.g. *Feldmann* 2001, *Figueiredo* et al. 2001) :
  - business networks, localised social ties, market contacts, knowledge of local labour market etc.
- strong ties and the geographical proximity to family members (e.g. *Ekinsmyth* 2011, *Hanson* 2009)

Starting point – research desiderata

- studies explore entrepreneurship in relation to the place/regional environment in which business founders/the self-employed reside
  - Lack of comparative and longitudinal approaches

- population and migration research neglect relations between internal migration and the employment status
  - International migration and immigrant entrepreneurs (*Lunn/Steen* 2000, 2005)

Research questions

1. Are the self-employed more ‘rooted’ in place than paid workers with respect to their geographical mobility over time?
2. How does moves relate to individuals’ probability to enter self-employment?

Data and methodology

- representative annual household panel surveys:
  - German Socio-economic Panel Study (SOEP)
  - British Household Panel Survey (BHPS)
- subsamples of 10 waves:
  - SOEP 2000-2009
  - BHPS 1999-2008
- distinction between self-employment and paid employment relies on self-reported statement

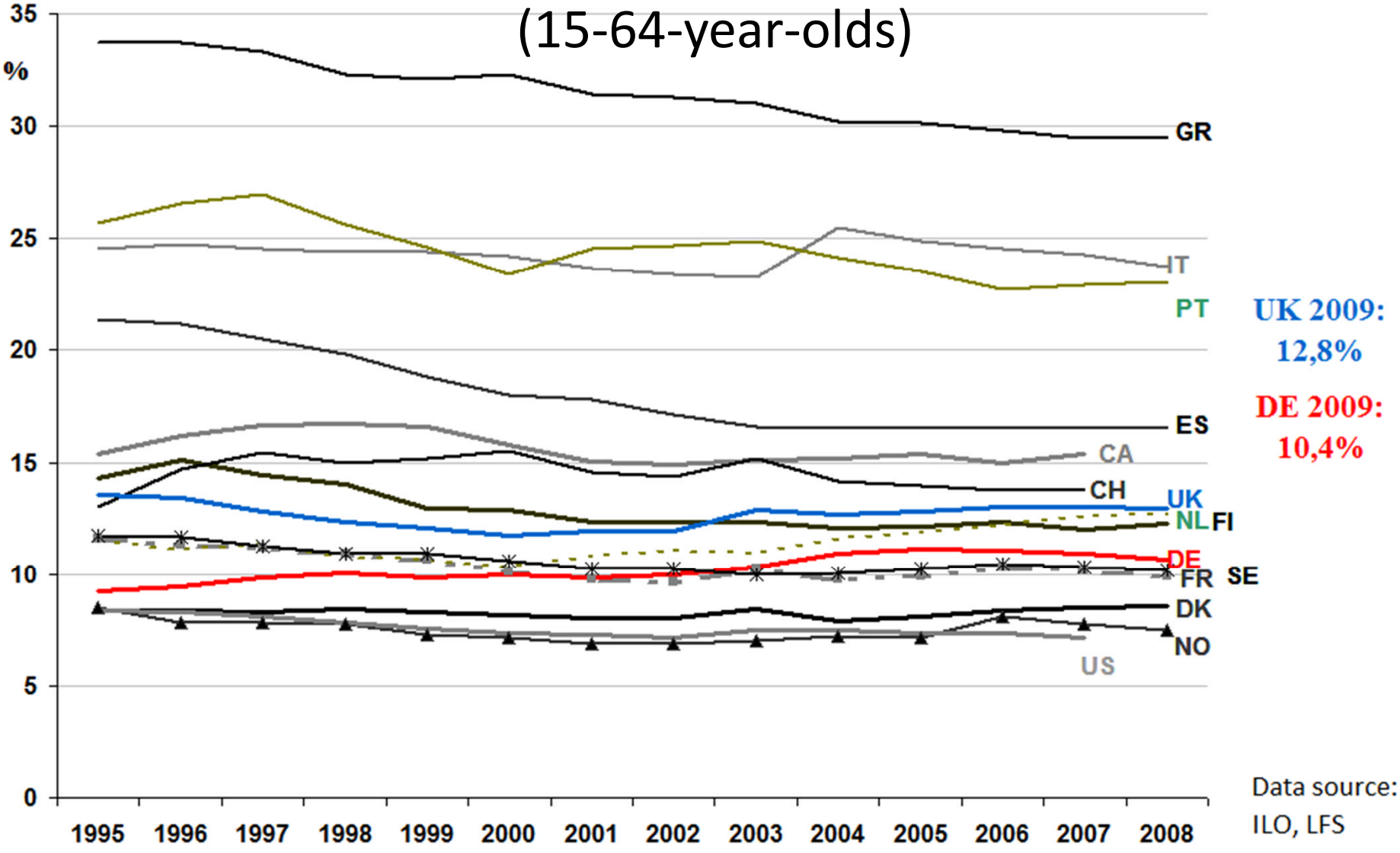
Data and methodology (cont.)

- Self-employed are those who consider themselves first and foremost (main job) as being self-employed
- Moves are captured on a wave-to-wave basis
- Interregional moves = moves across regional borders
  - Federal States in DE
  - Standard Regions in GB

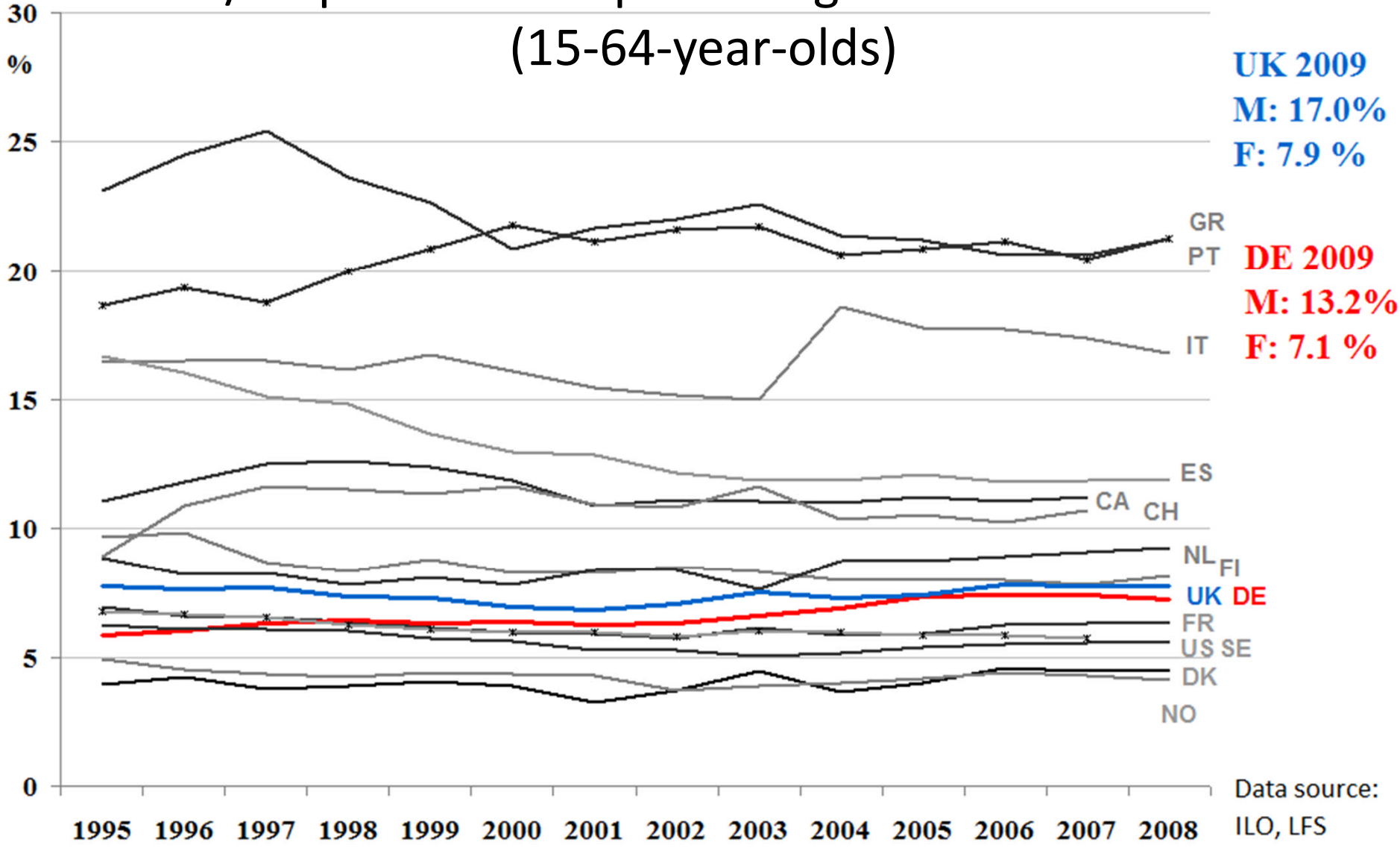
Self-employment in DE and GB – outline

1. Brief overview of self-employment in DE and GB
2. Descriptive tables of moves by employment status
3. Estimation results:
   - Probability of becoming self-employed (moves as explanatory variable)
   - Probability of having moved and of moving over time (employment status as explanatory variable)

Self-employed workers as percentage of total labour force (15-64-year-olds)



Female s/emp workers as percentage of female labour force (15-64-year-olds)



Solo self-employment

	solo self-employed workers as percentage of the self-employed (%)			solo self-employed workers as percentage of total labour force (%)		
	total	Males	Females	total	Males	Females
DE	55.3	51.0	64.6	5.7	6.8	4.5
FR	57.0	53.4	66.0	6.0	7.6	4.2
DK	57.4	52.6	69.7	5.0	6.3	3.6
SE	61.7	58.2	70.6	6.0	7.8	4.0
ES	64.9	63.0	68.9	10.2	11.9	8.0
FI	66.9	62.9	74.8	8.6	10.6	6.5
BE	67.8	64.8	74.7	9.2	11.3	6.7
NL	69.8	65.1	78.8	8.7	10.0	7.3
NO	70.3	68.5	74.9	5.2	7.1	3.3
PT	71.3	64.8	81.2	13.1	13.6	12.6
GR	72.3	69.1	80.5	21.2	24.3	16.5
IT	72.3	70.3	77.5	16.0	18.8	12.0
UK	80.0	78.9	82.5	10.3	13.6	6.6

Countries ranked by 1st column

Data source: 4Q2009 LFS

Moves by employment status, column percentages

		Self-employed workers			Employees
Germany / ***Britain***	**All**	**Prof-essionals**	**farm s/semp**	**Non-farm solo s/emp**	
No move $_{t+1}$	**90.4**	**89.5**	**93.2**	**89.4**	**89.0**
	91.2	**91.2**	**89.2**	**91.0**	**88.6**
Move $_{t+1}$	**9.6**	**10.5**	**6.8**	**10.6**	**11.0**
	8.8	**8.8**	**10.8**	**9.0**	**11.4**
Inter-regional move	**0.9**	**1.9**	**0.1**	**1.1**	**1.0**
	0.9	**1.3**	**-**	**1.1**	**1.2**

Note: SOEP pooled data 2000-2009, BHPS pooled data 1999-2008, cross-sectional weights, people aged 18-64. Moves are defined on a year-on-year basis.

Employment status at *t* by employment and moving status at *t*-1 (row percentages)

Wave *t*-1	Wave *t*							
	Movers (all moves)				***Non-movers***			
	Employed		Self-employed		Employed		Self-employed	
	DE	**GB**	**DE**	**GB**	**DE**	**GB**	**DE**	**GB**
Males								
Employed	93.9	**92.7**	1.1	**2.9**	94.1	**94.7**	1.1	**2.2**
Self-employed	6.5	**15.3**	90.7	**79.7**	5.9	**7.6**	91.4	**89.7**
Unemployed	27.6	**40.4**	2.4	**11.7**	26.4	**40.3**	2.2	**6.5**
Other, inactive	30.6	**11.3**	4.3	**3.4**	29.1	**7.8**	4.2	**2.1**
Females								
Employed	91.1	**92.0**	0.9	**1.2**	91.7	**92.7**	0.8	**0.9**
Self-employed	11.0	**21.7**	81.4	**63.7**	10.2	**15.3**	82.5	**81.7**
Unemployed	25.4	**48.4**	1.6	**3.0**	24.4	**40.4**	1.5	**1.6**
Other, inactive	17.6	**11.4**	1.3	**0.9**	16.8	**11.3**	1.2	**1.5**

	Interregional Movers			
Males & Females				
Employed	79.8	**86.3**	3.2	**5.0**
Self-employed	45.8	**22.2**	51.3	**64.4**
Unemployed	56.9	**73.8**	*	**6.1**
Other, inactive	35.7	**25.4**	*	**5.2**

Note: SOEP 2000-2009
BHPS 1999-2008
cross-sectional weights

Probability of becoming s/emp at *t*, random effects, odd ratios

	Germany			Britain		
features measured at *t* -1	Exp(B)		S.E.	Exp(B)		S.E.
Age (yrs.)	0.988	***	0.004	0.994		0.004
Sex (women)	0.494	***	0.046	0.359	***	0.034
→ Moved residence between *t* -1 and *t*	1.347	***	0.149	1.254	**	0.141
Couple household (with or without children)	0.933		0.098	1.411	***	1.537
→ employed at *t* -1 *(ref.: unemployed, other/inactive)*	0.300	***	0.026	0.402	***	0.041
not shown: owner occupation, education/training						
N observations (entry into self-employment)	103,081 (1,314)			64,341 (1,126)		
Log likelihood (Chi-Square)	-6,399.947 (337.61)			-5,279.393 (200.90)		
rho (within subject correlation)	0.675			0.567		
Pseudo R^2	0.034			0.023		

Note: SOEP 2000-09, BHPS 1999-2008, unweighted data, significance *** 1%, ** 5%, *10%.

Probability of having moved, working people, random effects, odd ratios

	Move between *t*-1 and *t* = 1							
	Model 1 Males & females		Model 2 Females		Model 3 Males & females		Model 4 Males & females	
features measured at *t*	**DE**	**GB**	**DE**	**GB**	**DE**	**GB**	**DE**	**GB**
Sex (women)	0.932 ***	0.927 ***			0.931 ***	0.925 **	0.930 ***	0.926 ***
Self-employed *(ref.: employed)*	1.068	1.047	1.142 *	1.003				
Types of self-employed workers *(ref.: all other working people)*								
Non-farm solo s/emp worker					1.158 **	1.032	-	
S/emp professionals							1.173 **	0.925
Not shown: age, owner occupation, household composition, education/training								
N observations	98,825	124,202	46,432	61,215	98,825	124,202	98,825	124,202
Log likelihood	-23,312	-39,516	-10,892	-19,050	-23,310	-39,517	-23,311	-39,784
rho (within subject correlation)	0.027	0.106	0.049	0.101	0.027	0.106	0.028	0.106
Pseudo R^2	0.103	0.157	0.107	0.165	0.103	0.157	0.103	0.157

Note: SOEP 2000-09, BHPS 1999-2008, unweighted data, significance: *** 1%, ** 5%, * 10%

Probability of having moved across regions, working people, random effects, odd ratios

	Interregional move between *t* -1 and *t* = 1					
	Model 1		Model 2		Model 3	
features measured at *t*	**DE**	**GB**	**DE**	**GB**	**DE**	**GB**
Sex (women)	0.932	0.977	0.928	0.978	0.930	0.974
Self-employed *(ref.: employed)*	1.141	1.137				
types of self-employed workers *(ref.: all other working people)*						
Non-farm solo s/emp worker			1.312 *	1.216		
S/emp professionals					1.490 **	1.560 **
Not shown: age, owner occupation, household composition, education/training						
N observations	98,825	114,472	98,825	114,472	98,825	114,472
Log likelihood	-3,565	-5,592	-3,564	-5,592	-3,564	-5,592
rho (within subject correlation)	0.289	0.375	0.289	0.375	0.289	0.375
Pseudo R^2	0.127	0.084	0.127	0.084	0.127	0.084

Note: SOEP 2000-09, BHPS 1999-2008, unweighted data, significance: *** 1%, ** 5%, * 10%.

Moves of business starters vs. workers in continuous paid employment over time

- people are traced over five years
- those who (1) became self-employed (2) were employed resp. at *t* and who remained in the same labour market status until *t*+4

Probability of moving across *t* to *t*+4, binary logit, odd ratios

	Move between *t* and *t*+4 = 1							
	Model 1				Model 2			
	DE		**GB**		**DE**		**GB**	
features measured at *t*	OR	p	OR	p	OR	p	OR	p
Sex (women)	0.913	0.13	0.974	0.71	0.910	0.12	0.973	0.69
Self-employed *(ref.: pers. in continous paid empl.)*	1.341	0.11	1.325	0.13				
Solo self-employed pers. *(ref.: employer s/emp & pers. in continous paid empl.)*					1.389	0.14	1.330	0.18
Not shown: age, household composition, education/training. Owner occupation								
N persons	8,164		5,877		8,164			
thereof: movers	1,863		1,412		1,863			
Log likelihood	-3,607		-2,734		-3,607			
Pseudo R^2	0.165		0.153		0.165			

Note: SOEP 2000-09, BHPS 1999-2008, unweighted data

Conclusion

1. Probability of a move/an interregional move do not differ between s/emp and employed workers
2. Spatially immobile employees are not more likely to enter s/employment than (non-)movers in other labour market states
3. Probability of becoming s/emp is higher for movers vs. non-movers
4. Solo s/employment & s/emp professionals are associated with a higher relative chance to have moved across regions

Discussion

- Literature overemphasised residential 'rootedness' of the self-employed
- Little empirical evidence that confirms 'stickiness' of the geography of self-employment
- Relation between self-employment and place needs to be re-examined
- More attention should be paid to the solo s/emp
  - Impact on urban labour markets
  - Contribution to the equilibrating of regional LM

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Thank you for your attention!

Contact:
Dr Darja Reuschke
darja.reuschke@st-andrews.ac.uk

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