

Lessons Learned Own-Account Self-Employment in Canada

Final report

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This report is a re-edited version of the February 1998 *Own-Account Self-Employment in Canada: Lessons Learned - Final report* (Catalog number SP-AH044E-02-98). Changes made to the 1997 report are only stylistic in nature. The content of the study has not changed.

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Acknowledgements

This study summarizes lessons learned on own-account self-employment based on information that the Department of Human Resources Development Canada (HRDC) has on the topic as well as on other information available from various sources. In addition, new research was conducted for this study.

*The original work was done in support of the **Ministerial Collective Reflection on the Changing Workplace**. The results of the study served as input into the Report of the Advisory Committee on the Changing Workplace published in June of 1997.*

A work team was created to conduct this study. It was composed of HRDC representatives, mainly from the Labour arm of the Department, and there were also representatives from other departments.

*The study is based on a technical paper prepared by Norm Leckie of Ekos Research and Associates for, and under the direction of the Evaluation and Data Development (EDD) Directorate of HRDC. The technical paper, *Lessons Learned on Own-Account Self-Employment in Canada: Final Report (July 1997)*, is available on the Internet at the following address: <http://www.hrdc-drhc.gc.ca/edd>.*

Series

Canadian governments are trying to achieve the most productive and cost-effective results from human resource programs and policies. Professionally conducted evaluations can help government reach that goal. They document our experiences with policies and programs regarding similar goals. Evaluations also add to the “corporate memory” that helps us make better decisions in the future.

Human Resources Development Canada (HRDC) has a strong commitment to continuous learning. Over the past decade, at HRDC, we have invested time and money in evaluating many of our programs and policies. Evaluations have covered a wide range of human resource development programs and policy issues. Programs and issues have been complemented from our review of evaluations from other governments, in Canada and internationally, of evaluations of other human resource initiatives.

HRDC has developed the “Lessons Learned” series to make this wealth of information and insight available to more people, more easily. Lessons Learned is a series of documents and supporting videos that synthesize what evaluations in Canada and other countries have taught us about a range of high-profile human resource policy priorities. They summarize what we know about the effectiveness of policy initiatives, programs, services and funding mechanisms.

Lessons Learned are of interest to senior managers and policy analysts at all levels of government in Canada. Program managers, members of the academic research community and other stakeholders could also benefit from having a clearer idea of the lessons we have learned from past and present interventions.

HRDC is pleased to add this new study to the Lessons Learned Series. It focuses on the lessons learned from own-account self-employed individuals over the last few years. Although the self-employment phenomenon is not new, very little information exists on the topic. During the course of the Collective Reflection on the Changing Workplace exercise, it became evident that we needed to know more about this population. Therefore, EDD, in consultation with the Labour Strategic Policy and Partnership Group, produced this Lessons Learned study on the subject. The information produced for this study was used as input into the Report of the Advisory Committee on the Changing Workplace published in June of 1997.

As a learning organization, HRDC will continue to experiment with new approaches to interventions and evaluate their effectiveness. HRDC recognizes the vital importance of the evaluation process and is committed to continuing its work in this area.

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1. Introduction

This “Lessons Learned” study summarizes what we know about own-account self-employment (OASE) in Canada. Self-employed individuals usually do not hire paid help, and include both people who have incorporated their businesses, and those who are unincorporated.

Self-employment has become the way that a growing number of Canadians earn their living. OASE covers a diverse range of occupational realities, from the small-town carpenter working at a series of local construction sites to the high-technology consultant with an international clientele. Many self-employed people have chosen to pursue this kind of work environment (they are pulled into it), while others opt for self-employment as the only realistic job choice open to them (they are pushed into self-employment).

This study summarizes and adds to our knowledge of self-employment as an emerging human resource priority. This Lessons Learned study can help its readers better understand self-employment in Canada, and it can improve public policies and programs that affect or support self-employed people. It also allows us to gather a greater body of information that people considering this form of work can use to make better decisions.

The main issues that this study addresses are:

- **Trends, incidence and profile:** What is the current state of own-account self-employment in Canada and what have the long-term trends been? Who are the self-employed and what type of work do they engage in? Are men or women, or older or younger Canadians, more likely to be self-employed? How does the rate of self-employment vary across occupations and industries?
- **Reasons for growth:** What factors explain the rapid growth of self-employment? Are people being pushed or pulled into self-employment? Relating to the latter, why are people actively choosing to become self-employed?
- **Job quality:** How does the quality of jobs occupied by the self-employed compare to paid jobs in terms of issues such as income and benefits? How do self-employed people feel about their jobs?
- **Determinants of success and failure:** What are the factors contributing to the success or failure of a venture into self-employment? What are the financial issues that the self-employed face? How have

new communications technologies affected the self-employed? Do business and social networks and partnerships play a role in sustaining self-employment? To what extent are the self-employed turning to horizontal and vertical links to overcome disadvantages of being self-employed? What about personality traits and the attitudes of self-employed people?

- **Impacts:** What are the broader impacts of self-employment on individuals, families, communities, society and the economy?
- **Lessons learned:** What lessons, for policy makers and the potential self-employed, may be extracted from the experiences of the self-employed? What is the appropriate role of government regarding self-employment?

In addition, this study raises two methodological questions throughout:

- **Data quality:** What is the quality of the information on which conclusions about self-employment are being drawn?
- **Research gaps:** What gaps remain in our knowledge of self-employment on which future research should focus?

2. Methodology

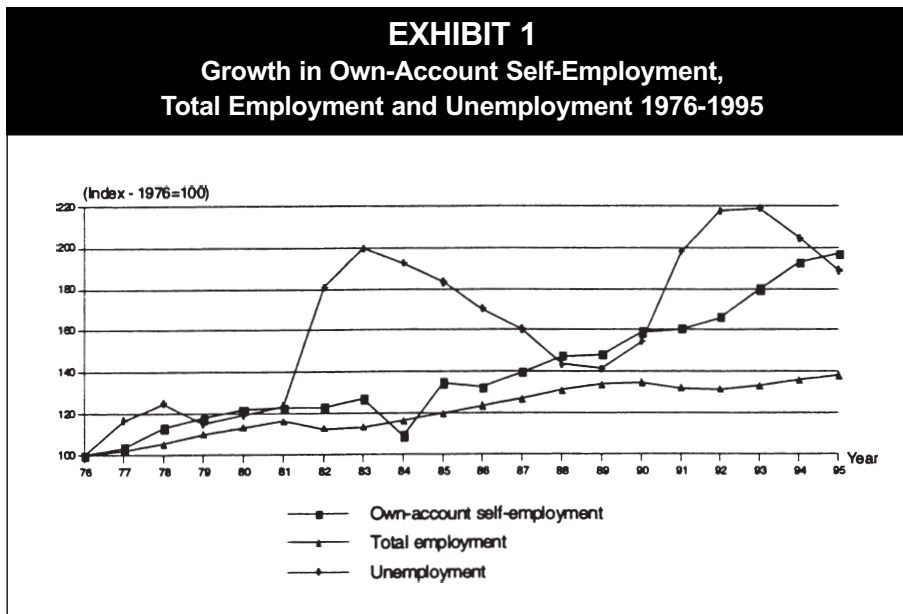
The methodology used to prepare this report consists of three elements. First, the researchers carried out a review of the data and literature on own-account self-employment. This included data from a range of Statistics Canada surveys and public opinion polling. It also included an analysis of previously published research on self-employment. This information was supplemented by a series of interviews with people actively involved with self-employment issues, either as program officials or researchers. These interviews provided an opportunity to test patterns or hypotheses suggested by the quantitative data, as well as to identify the most appropriate future policy and program suggestions. Finally, eight focus groups were convened to consider issues for the study on the basis of experiences and feelings of the self-employed.

3. Trends, Incidence and Profile

In 1997, there were nearly 1.5 million own-account self-employed people in Canada. That represented almost 10 per cent of total employment. Between 1989 and 1995, the number of self-employed Canadians grew by one-half. Between 1976 and 1995, self-employment almost doubled while total employment grew by less than 40 per cent over the same period.

This pattern of growth is a relatively recent phenomenon. Prior to the 1970s, the incidence of self-employment had been falling. Since farmers are often classified as self-employed, structural shifts in employment from agriculture to manufacturing had cut self-employment numbers. However, since 1976, growth in self-employment has been steady and largely insensitive to economic cycles as shown in exhibit 1.

Between 1976 and 1995, self-employment almost doubled while total employment grew by less than 40 per cent over the same period.



The increasing incidence of OASE has been observed for both men and women, for all age groups and in all industry and occupation groups except agriculture. In the 1990s, the phenomenon also transcended education groups and it occurred in all regions. Also, during the 1990s, the largest increase in the incidence of OASE was reported in business services and construction. As for occupations, growth for self-employment has been greatest in construction and professional, sales and service occupations.

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The own-account self-employed are more likely to be male, older, married, and to some extent, to have no more than a high school diploma.

OASE incidence rises from eastern to western Canada. It is particularly high for those with little education but is also high for those with a post-secondary degree or certificate.

The profile of the typical self-employed worker is different than that of paid employees. The own-account self-employed are more likely to be male, older, married, and to some extent, to have no more than a high school diploma. Comparing across population sub-groups, OASE incidence rises with age and is higher among males than females. This profile is shifting and at the time of this study OASE growth was faster among women and youth than among men and older workers. It is also noteworthy that while younger people are still less likely to be self-employed than older people, they are actually more likely to state an interest in self-employment than older people.

The self-employed are most likely to be found in such occupations as agriculture, business services, and accommodation, food and other services, and to be in primary, sales, service and other professional occupations. The most common occupations for own-account self-employed women are in services — particularly hair dressing, child care, sales and bookkeeping — while those for self-employed men are in sales, carpentry, and truck driving.

Some observers note a qualitative change in the make-up of the self-employed. There are now greater numbers of higher-skilled managers and professionals among the self-employed. Many people interviewed for this study described the managers and professionals entering self-employment occupations were more motivated and better able to succeed than many of their counterparts in the blue collar trades who previously dominated the self-employed ranks. There is a belief among those interviewed that, in today's labour market, the latter have fewer of the skills needed to survive as self-employed business persons.

4. *Reasons for Growth*

The general consensus is that employer practices such as downsizing and subcontracting have been the primary factor for self-employment growth (though it is also suggested that outsourcing has levelled off). The stigma that society attaches to being laid off and to self-employment is now much reduced, since there are increasing numbers of people “in the same boat”. Many of the growing number of self-employed managers and professionals have benefited from this factor.

Growth in self-employment over the last two decades can also be linked to the continuing growth of the service sector in Canada’s economy, a sector in which self-employment opportunities are more numerous. However, there has been a general rise in self-employment in all sectors of the economy and most observers agree that self-employment will continue to grow.

The above mentioned factors have increased both the “push” and “pull” into self-employment, although there are diverging views on the motivations. The implication that people tend to be “pushed” into self-employment is supported by the statements of a number of professionals who assist the self-employed. Many of their clients have indicated they would not have considered self-employment without the security of a severance package or a self-employment assistance benefit.

On the other hand, several respondents stated that, though they were initially pushed into self-employment through situations such as the loss of a job through downsizing and they have come to enjoy the “pull”-like aspects of their self-employment experience. In particular, they enjoy the independence, flexibility, and variety that self-employment offers. Commentators also identify technology, demography and the growth of niche markets as additional factors that encourage individuals to choose self-employment occupations.

There is a much-reduced stigma that society now attaches to being laid off and to self-employment, since there are increasing numbers of people “in the same boat”.

...several respondents state that, though they were initially pushed into self-employment...they have come to enjoy “pull”-like aspects of their self-employment experience.

5. Job Quality

While there is no doubt that self-employment has contributed significantly to the quantity of new jobs, what about the quality of self-employed jobs? In considering this, it is important to recognize a fundamental division within the ranks of the self-employed. That division may help to explain the dichotomy that exists in our findings on many of the qualitative aspects of self-employment.

Among the self-employed, it has been observed that there are two major groups, each with different intentions and needs. One group consists of those whose aim is merely to earn a “decent” wage and typically not to expand their businesses. Another group expects to “grow” their businesses into larger enterprises. The former could be characterized as the truly own-account self-employed and the latter as employers. Research has shown that the own-account self-employed individuals are less likely to be driven by a desire for independence than employers. Because they do not expect to expand their businesses, they have less significant capital requirements.

At first glance, the general data would suggest the job quality of the self-employed is lower than that of the paid employed. Evidence suggests that self-employed individuals work longer hours than paid workers, that the self-employed earn only about two-thirds of what paid workers earn on a mean annual basis (a gap that has closed since the mid-1980s) and that the self-employed have lower benefits coverage than the paid employed. People with higher education are better paid when they are employed by an employer than when they are own-account self-employed. The data also suggest, however, that own-account self-employed women have closed the earnings gap with their male counterparts faster than paid employed women (see Table 1).

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TABLE 1						
Mean Annual Earnings of Full-Time Full-Year Workers, for the Own-Account Self and Paid Employed, by Sex, Current 1985 and 1995						
	Own-Account Self-Employed			Paid Employed		
	1985	1995	1985-1995 Per Cent Change	1985	1995	1985-1995 Per Cent Change
Total	\$17,284	\$27,041	56.5%	\$25,300	\$36,792	45.4%
Males	\$18,80	\$29,335	56.0%	\$29,399	\$41,650	41.7%
Females	\$10,165	\$21,213	109.7%	\$19,175	\$30,35	59.1%
Female/male	54.1%	72.3%	—	64.9%	72.9%	—
OASE/paid	68.3%	73.5%	—	—	—	—
Source: Calculations by Ekos Based on unpublished Survey of Consumer Finances data from Statistics Canada.						

With respect to total income, self-employed unattached individuals earn much less and have a more polarized income distribution than families whose main wage earner is a self-employed worker. Reliance on self-employment rises with income level. But since at least 1987, dependence on self-employment income has diminished at all income levels — and particularly at the bottom and top quintiles. This has occurred despite the growing incidence of self-employment in Canada’s economy.

These findings are open to question because of methodological and conceptual concerns with the underlying data. First, with regard to hours, it is not clear what hours worked really means for the self-employed. Does time spent on activities benefiting the business and not contracts per se constitute work hours? Second, with respect to earnings, the self-employed are able to write off expenses, which means that self-employment earnings may in reality be higher than they appear. Third, while some note that income is considerably lower for the self-employed, others point out that commuting and clothing costs are lower for those who work at home. Fourth, the self-employed may realize capital gains through their efforts, a possibility not open to paid employees. These issues point to an inability to draw firm conclusions about the relative job quality, in financial terms, of the self-employed and the need for better data and further research.

Other aspects of job quality are the irregular income flow of self-employment and the nature of job security for the self-employed. Some experience a great deal of anxiety over the irregular income flow (“feast or famine”) which makes credit and purchases of supplies and equipment difficult. Focus group participants complained about the long hours they

have to put in to protect themselves against downtime. Others, despite the uneven income flow, enjoy the fact that their income is directly tied to their work effort. Those individuals are also more likely to believe that they have greater control over their job security. They feel that they can increase work effort to make up for downturns. Also, by having many clients they are not “putting all their eggs in one basket”, and do not have to depend on the good fortunes of one employer.

Many self-employed people view the lack of employment benefits as a serious drawback. Few of the self-employed consulted realized there are private companies selling benefits at group rates to individuals. Also, many have the incorrect impression that few individuals have access to employer-provided pensions. Few of the self-employed consulted feel they put enough aside towards their own retirement in the previous year.

Other disadvantages of self-employment that people cited are isolation from fellow employees, a lack of training opportunities, negative attitudes of family and friends, and having to perform all tasks required of a business, including accounting, purchasing, debt collecting, researching and marketing. Contradictions over the advantages of self-employment may be also attributable to the fact that many of the perceived benefits linked to “independence” and “control” are often more apparent than real. The self-employed often operate in situations where the client in effect becomes the boss, a state of quasi-employment.

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6. Determinants of Success and Failure

The success or failure of any self-employed initiative is the product of many factors, some more tangible than others. Some factors are linked to the essential aspects of operating any business, such as the start-up process, overall financing and the impact of technology. These exist in the context of the broader external circumstances that also affect businesses such as the state of the economy and particular markets.

Business startup is a challenge for many own-account self-employed people. This has many aspects. Marketing and promotion are difficult during the first year. A business plan that offers a concrete, well-researched vision of what the business will be and how it will succeed is valuable. However, few formally prepare for self-employment in terms of planning and training, relying instead on informal contacts. Of those who do prepare themselves, most are older and have been “pulled” into self-employment. They have acquired information about the advantages and disadvantages of self-employment, and have looked into programs and resources that offer support to self-employment start-ups, such as mentoring and training programs.

The lack of capital and the difficulty in obtaining adequate financing are problems for many of the self-employed. Financial institutions are reluctant to lend money to those perceived as high-risk, and who lack physical collateral. To some extent, this may be attributed to an inability to evaluate the human capital embodied in the own-account self-employed person, which is in effect his or her key business asset. For many self-employed people, personal savings, “nest eggs” and use of informal forms of credit such as loans from relatives or friends can be more common methods of financing.

Another aspect of financing is overall business expenditures. Many observers have noted the importance of tying personal and business spending, especially during the start-up period, to realistic expectations of income. They have emphasized the value of thrift such as the purchase of used equipment.

Technology is increasingly essential for any business, and this is equally true of the self-employed. Office technologies such as fax machines or personal computers, are important to the “knowledge workers” who are often ideal candidates for self-employment.

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Practitioners and officers assisting the self-employed feel that there is potential for the Internet to provide information and open up business opportunities. The Internet is also seen as a way of overcoming isolation and lack of employer-provided training. It appears, however, that many self-employed people are unaware of this potential tool or, if they are aware, do not have the perseverance, know-how or focus to use it to find opportunities. It was also observed that the Internet is not necessarily useful for those whose business requires person-to-person contact.

... there is growing reliance on informal networks among the self-employed.

The issue of person-to-person contact arises in a different way in terms of the growing reliance on informal networks among the self-employed. These networks have both economic and social value. Within them, the self-employed can take advantage of the camaraderie, contacts, and support provided by self-employed colleagues as well as the economies of scale in banding together on group discounted benefits packages, pensions and possibly overhead. Networking also allows the self-employed to address the social isolation that many of them feel.

Research for this study suggests that older workers who have come into self-employment from a traditional school system and a stable, longstanding employment relationship can be expected to have much more difficulty adjusting to self-employment than younger persons. That latter group consists of people who are products of an education system and a labour market which mentally prepared them for, and exposed them to “flexible” employment relationships, as opposed to an expectation of lifetime careers. Regardless of age and prior employment tenure, the impact of self-employment on higher-skilled, white-collar employees with greater capital and connections is likely to be more positive than on lower-skilled blue-collar workers without those attributes.

Most research and the qualitative intelligence gathered in this study identify the fundamental importance of personal traits and actions by the self-employed to their success. Other identified determinants of successful self-employment include:

Most research identifies the fundamental importance of personal traits and actions by the self-employed to their success.

- **Personality:** displaying commitment, perseverance, “courage” and flexibility;
- **Expectations:** being reasonable about success of the enterprise, particularly in the first year when long hours and low income are distinct possibilities;
- **Job content:** working at something enjoyable; working at a job where a person can excel; and exploiting potential niche markets in economic growth areas such as advanced technologies;

- **Skills:** having business skills acquired through previous employment and maintaining ties to the previous employer;
- **Training:** acquiring adequate training on the diverse skills that are needed to run a business.

7. *Impacts*

The impacts of self-employment are identified both in the literature and by focus group participants in this study. Self-employment is seen to have both positive and negative economic and social impacts, for individuals, the community and society at large. Many of the impacts identified are speculative, anecdotal, and otherwise unsubstantiated by quantitative evidence. This suggests there is a need for further research on this subject.

At a personal level, one could argue that the growing number of highly-skilled self-employed workers could have a positive impact on perceptions of self-employment. This could contribute to more growth, innovation and diversification for this type of employment.

At the labour market level, since the alternative for some of the self-employed might be unemployment, self-employment can help reduce dependence on social assistance and other transfers. It can also provide a “stepping stone” for workers going through life transitions such as school-to-work transition, part-time to full-time employment or vice versa, and workers moving from standard employment to enterprise development or semi-retirement. Finally, there is potential for this generation of employment as own-account self-employed workers could expand their businesses and they could hire employees.

At the community level, observers suggest that the growth of self-employment is leading to a number of changes in urban settlement and economic patterns. Among the changes observed are:

- greater numbers of people working at home;
- location and construction of residences in so-called “edge cities” away from downtown;
- less dependence on the core and relocation of other businesses into the edge cities to serve the business and family needs of the self-employed;
- less commuting, less car pollution and less need for public transportation;
- less restrictive zoning bylaws, permitting home-based businesses;
- construction or renovation of houses to include home offices;
- greater economic diversification of communities, with less dependence on a single, large employer.

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A number of negative social and economic outcomes of self-employed growth are also cited, though evidence has not been produced to substantiate them. In acknowledgement of this lack of evidence, we have included the costs of self-employment among the research gaps listed below. Suggested costs include the following:

- the economic costs of more bankruptcies due to the high failure rate among the increasing numbers of self-employment businesses;
- increasing numbers of persons without disability and extended health insurance, pension coverage and training, for which workplaces have normally been the major source;
- the possible growth of “hidden” employment and erosion of the tax base and possible concealment of income;
- rising incidence of marriage breakdown, caused by people working long hours, leading to increased family tensions; and
- the possibility of reduced social cohesion, or at least a less significant role for the workplace as a social centre, due to more people working in isolation.

8. *Lessons Learned*

The evidence and comments from self-employed people and program experts suggest six lessons.

1. Opportunities for government to support self-employment exist.

The research, and the views of self-employment experts and of many self-employed people suggest that opportunities for government to support self-employment exist. A typical rationale for government intervention in most cases is market failure, where, for example, externalities, information gaps and intangible factors result in socially undesirable outcomes. Where such factors are identified, governments face the challenge of determining, based on social cost-benefit analysis, whether intervention might lead to outcomes that are more desirable.

A typical rationale for government intervention in most cases is market failure...

Our review suggests various dimensions of market failure relating to self-employment. Self-employment hurdles suggested by respondents include the following:

- self-employed persons have inadequate access to financing, possibly because of irregular income flow and their chief business asset, their human capital, cannot be used as collateral;
- self-employed individuals typically are isolated, they often lack information regarding professional development, health, marketing opportunities, and advice;
- the information indicates that self-employed workers compared to paid workers have poorer working conditions; and
- qualitative evidence indicates that the benefit coverage and training opportunities are less for the self-employed.

To the extent that such hurdles result from market failures that could be alleviated, society would realize both efficiency and equity gains if they were eliminated or at least minimized. Efficiency gains would result from a reduction in the high bankruptcy rate of self-employment businesses, which could translate into increased employment and economic growth as well as lower dependence on public assistance. Equity gains could result from removing the disparities between the self-employed and paid employees (horizontal equity) and, possibly, between lower and higher income groups (vertical equity).

Any social benefits of government intervention would of course be accompanied by associated costs, such as the basic costs of administering programs. There may also be dead-weight costs — funding something that the program client would have undertaken without government assistance (windfall). Empirical evaluation would be required to determine definitively whether the benefits of government intervention outweigh the costs.

...there are different views on the best steps to take.

Assuming that government intervention is a cost-effective means of overcoming barriers and reducing the high rate of self-employment market failures, what form should it take? There are different views on the best steps to take. Focus group participants and key informant interviewees offered several suggestions.

Some suggest that government should do no more than provide a climate amenable to new and existing self-employment businesses.

2. Some self-employed workers only want a better business climate.

Some focus group participants suggested that the government should take a minimal role. They suggest it should do no more than provide a climate amenable to new and existing self-employment businesses, including relief from the paper burden associated with tax filing and other government processes.

3. Some self-employed individuals want governments to play a more active role.

Focus group participants also suggested a more interventionist role for government in support of self-employment, including:

- establishing employment and disability insurance funds for self-employed workers;
- assisting self-employed workers from overcoming the lack of financing by making capital more easily available or, at least, persuading financial institutions to lend more money to the self-employed;
- alleviating the high failure rate for the self-employed workers by providing more information and training to prepare individuals for the regime of self-employment;
- providing training in Internet skills and other technologies to help the self-employed access training and market opportunities, as well as providing information about learning opportunities using technologies;
- providing advice and mentoring for those who are already self-employed to offset the isolation in which they typically work;

Some suggested a more interventionist role for government in support of self-employment...

- increasing awareness of the network supports for the self-employed — particularly companies selling group benefits, the opportunities for savings from pooling resources with other self-employed individuals, and the possibility of joining pools of self-employed individuals; and
- filling research gaps that would contribute to more effective policy and would help prospective and existing self-employed people prepare for the future.

4. Programs should recognize diversity.

Any government actions should recognize the diversity within the target population. The self-employed represent a client group with widely diverging characteristics, skills, expectations and needs.

Any government actions should recognize the diversity within the target population.

5. Young people and older people have different self-employed expectations and needs.

Another source of diversity is age and experience. Government should be cognizant of the fact that younger people may be better able to sustain the self-employment experience because they have up-to-date skills, are more amenable to a challenge and have greater interest in self-employment. Older workers with outdated skills, on the other hand, who have been in a traditional employment arrangement for some time, may be in greater need of assistance, despite their greater connections, their life skills and their capital. Similarly, those coming from layoff situations who have been in management and professional positions are probably better equipped, have greater motivation and connections (informal networks), and therefore have less need for help.

Another source of diversity is age and experience.

6. Gaps exist in our knowledge of self-employment.

A number of research gaps were identified by the key informants and through the overall data gathering process. The following are some of the most important issues requiring further research to help address questions regarding success factors in self-employment and the proper role of government:

A number of research gaps were identified...

- **Push-pull motivations:** To what extent are the self-employed divided into two groups with different characteristics and motivations? The first group is represented by those who may have been forced into self-employment through layoff and who are content to earn a decent living without expanding their business. Many from that group might also have chosen the self-employment because they wanted time to care for children or elderly parents, to continue their learning or supplement

family income. The second group is composed of those who have willingly entered self-employment in search of independence and entrepreneurship, have expansion plans and thus the potential for generation of work for others.

- **Transitions into self-employment:** What are the effects of transition of employees into self-employment, on the individual, and in terms of the resulting changes in wages, benefits and occupation?
- **Self-employment exits:** What are the circumstances of, and factors associated with, the failure of and repeated re-entry into self-employment — in terms of the length of the self-employment tenure, the characteristics of the individuals and their businesses, their activities prior to and during the experience, and the role played by external factors such as the economy, the market, and the financial institutions?
- **Advantages:** To what extent are flexibility, independence and control more perceived than real among the self-employed? To what extent does this perception or reality depend on the characteristics of the individuals and their reasons for joining the ranks of the self-employed?
- **Success factors:** To what extent does success depend on the motivations, activities and characteristics of the person? To what extent do outside factors such as government, financial institutions, markets, and the economy matter?
- **Employment benefits and training:** What impact does the lack of workplace-based employment benefits such as insurance and training have on self-employed workers? How do they overcome this deficiency, whether on their own (self-financed), through an employed spouse, through organizations or networks, or through companies that sell group plans to self-employed persons?
- **Hours and wages:** What do hours and wages constitute for the self-employed? Of what quality are the jobs that the self-employed occupy?
- **Financing:** To what extent do self-employed workers need capital? To what extent do they have difficulty in obtaining capital? What are the reasons for the difficulties? To what do self-employed workers rely on alternative sources of income such as friends and family (other than themselves, financial institutions and government) for start-up, expansion and slow periods?
- **Sources of income:** Why has the incidence of self-employment risen while self-employment has declined as a source of income?

- **Networks:** To what extent do self-employed individuals make use of informal and formal networks to overcome the lack of connection to a workplace? By getting business contacts? Bartering services? Saving on overhead? Participating in discounted benefits packages?
- **Self-employment organizations:** How many self-employment organizations exist? What types and quality level of services do these organizations offer? How useful are the services in helping self-employed workers overcome barriers to self-employment, such as lack of training, information, and employment benefits? Is there a possible role for government in support of these organizations?
- **Impacts of self-employment:** What are the overall social and economic impacts of self-employment? How does the level of benefit coverage, human capital development, the cost of bankruptcies, social cohesion, family breakdowns, and the erosion of the tax base impact self-employed individuals?
- **Quasi-employment:** To what extent are self-employed workers an effectively paid segment of the labour force? What are the implications on tax policy where long-term arrangements exist and single clients provide the majority of business? This is really a problem of definition: when is a self-employed person self-employed in the eyes of the law?
- **Impact of public policy:** What are the impacts of public policy on self-employed workers? How does policy that assists and encourages self-employment, taxation, and coverage under social security and training programs, employment standards, and freedom of association impact self-employed workers?
- **Hidden employment:** What extent of self-employment is in the black market? What are the implications for the tax base?

Sufficient information is not now available to fill many of these research gaps. The longitudinal Survey of Labour Income Dynamics captures employment transitions, but currently suffers from insufficient sample size for analyzing paid-to-self-employment transitions. It also does not yield data permitting an examination of the job quality of the self-employed. Tax files also have potential, but suffer from an inability to provide information on transitions in any detail in terms of short-duration self-employment and the reasons for entry and exit, among other issues.

What are the impacts of public policy on the self-employed?

9. Conclusion

This “Lessons Learned” study allowed us to gain a better understanding of own-account self-employed individuals in Canada. This study provides information on self-employment issues, including a profile of self-employed workers, the trends and reasons for growth, the job quality, the determinants of success and failure, the impacts, and the lessons to be learned.

As with other studies in the Lessons Learned series, by expanding the information on self-employment in Canada, we can improve public policies and programs that affect or support the self-employed. As we learn more, we can make informed decisions that will benefit self-employed workers, our labour market and our economy.

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