



Job Quality and Self-Employment: Is it (Still) Better to Work for Yourself?

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Abstract. There has been a longstanding debate about whether self-employment represents ‘good work’, but little direct evidence on intrinsic job quality in any detail. This essay reports research using data from the UK Skills and Employment Surveys to compare intrinsic job quality and job satisfaction among employees and the self-employed. It finds that self-employment involves higher intrinsic job quality and job satisfaction than working as an employee, although self-employed people work harder, with less training, and with less satisfaction about their job security. More recently, over the 2006-2012 period, the quality of self-employment has deteriorated. However, the intrinsic quality of self-employment generally improved over the past two decades (compared with those working as employees), even if the relative advantages have fallen since 2006.

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1. Introduction

Since 2000, both before and after the 2008 onset of recession, the UK experienced strong growth in self-employment. Although some more excitable commentators suggested that this growth was unprecedented, it wasn’t; we experienced even faster self-employment growth in the post-1979 Thatcher era, and expansion at that time turned out to be short-lived³. Nevertheless, since 2000 self-employment has grown from 3.2m to 4.5m (as at summer 2014), or from 11.8% to 14.8% of the employed workforce, apparently independently of the economic cycle (the growth started well before the financial crisis of 2007-8, and continued at a similar rate thereafter).

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1. This essay, prepared for an IPSE Workshop on 14 November 2014 (and a special issue of the *International Review of Entrepreneurship*), is largely based on work undertaken by the author jointly with Ben Baumberg of Kent University, which will be published in an OUP edited volume in 2015 (Baumberg and Meager, 2015). While the current author is responsible for the views expressed in this essay, and any errors therein, the original analysis relied heavily on the expertise and quantitative skills of Dr Baumberg
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 3. See for example the analysis of self-employment trends, using the Labour Force Survey, in Meager and Carta (2011)

This growth has generated interest and debate about the nature and quality of the jobs undertaken by the ‘new self-employed’⁴. Are they as some would argue and the UK government would dearly wish, dynamic entrepreneurs creating satisfying work for themselves (and others) in growing high value-added sectors? Or are they, as others have claimed⁵, an army of ‘odd jobbers’ struggling for a toehold in a slack labour market via precarious low-skilled, poorly-remunerated work⁶? Or, as seems possible, do they contain important components of both? It is notable from the literature dating back to the 1990s (see Meager and Bates, 2004), for example, that the distribution of income of the self-employed has long been highly polarised (with high concentrations at both ends of the earned income distribution), and as previous work by the author shows:

“In practice, the self-employed tend to have much more polarised incomes than do employees, and once other characteristics are controlled for, the impact of being self-employed is to increase an individual’s likelihood of falling into the lower deciles of the overall income distribution while not increasing the likelihood of moving up into the higher deciles (Meager and Bates, 2001). More generally, it seems from the UK data that there is a ‘scarring’ effect from self-employment, in the sense that even when individuals leave self-employment, having self-employment experience can have a significant negative impact on employment and income prospects later in life” (Baumberg and Meager, 2015)

While conclusive data are not available for the post-2008 period, there is, nevertheless, some preliminary evidence that the balance may further have shifted in recent years towards low income self-employment, with Levy (2013) noting, on the basis of Family Resources Survey data, a dramatic fall in the median real incomes of the self-employed, which dropped by 16% in the three year period from 2007/08 to 2010/11 (much faster than the recessionary fall in real incomes of employees).

The answers to these questions about the nature and composition of the recent growth in self-employment (as the Bank of England⁷ and others have noted) have important implications for the UK’s economic future, and the rate of growth of productivity.

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4. Although even this is a bit of a misnomer since, as D’Arcy and Gardiner (2014) show, a significant part of the recent growth is due not so much to new people entering self-employment, but to existing self-employed people remaining self-employed for longer, particularly older self-employed people (perhaps because they are postponing retirement in the face of dwindling pension pots?)
 5. Chartered Institute of Personnel and Development: January 2012. *Work Audit: The Rise in Self-employment*
 6. As Baumberg and Meager (2015) note, part-time self-employment which has been growing faster than overall self-employment since 2000, recorded a rapid acceleration in the post-2007 period, both in absolute terms and as a share of total self-employment. For the first time, a higher proportion of self-employed than employees now work part-time.
 7. <http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q201.pdf>

2. Self-Employed and Employee Job Quality

In this essay, we consider one aspect of this interesting debate, namely what is known about the ‘quality’ of the jobs undertaken by the self-employed. In doing this we build on a raft of previous literature⁸ which reports greater levels of happiness and job satisfaction among the self-employed than among employees, and examine whether these differences are also reflected in more objective measures of intrinsic job quality. Our analysis makes use of a consistent survey data series going back to the 1980s (we refer to these⁹ as the Skills and Employment Surveys: SES). We present selected findings here, and a fuller analysis can be found in Baumberg and Meager (2015).

Our analysis looks at various measures of intrinsic (self-reported) job quality¹⁰ focusing on four particular aspects covered in the survey:

- Task quality (including discretion, variety and skill match).
- Skill requirements (training and learning).
- Generic skills.
- Work effort (both intensity and hours).

An additional aspect we look at (which, as noted above, has received more attention in the literature) is job satisfaction (or satisfaction with a range of elements of the job). While this is related to intrinsic job quality, it should be stressed that it reflects the individual’s satisfaction with the quality of their job, which may be influenced by a range of external factors as well as the quality of the job itself. A person’s expressed job satisfaction may for example change with the economic cycle, not because the quality of the job has actually changed but simply because, depending on economic circumstances, she or he may be more or less grateful to have a job at all.

8. This literature has both academic (Benz and Frey, 2008; Binder and Coad, 2013; Millán et al., 2013, Sutherland, 2013), and policy-oriented strands (D’Arcy and Gardiner, 2014; Dellot, 2014).

9. The data are drawn from a common data series, which runs from the Social Change in Economic Life Initiative in 1986 right through to the Skills and Employment Survey in 2012, taking in the Employment in Britain Survey (1992), the previous Skills Surveys (1997, 2001 and 2006), and interspersed with the Working in Britain survey (2000/1). See, for more information: <http://www.esrc.ac.uk/research/surveys/skills-and-employment-survey.aspx>

10. Note that, while it would be particularly interesting to examine how some of these measures of intrinsic job quality (especially task quality) evolve for individuals over time, such analysis is not possible with the repeated cross-section surveys used here, and would require a panel data set.

The survey data enable us to look first at how these aspects of job quality (and individuals' satisfaction with them) vary between the self-employed and employees¹¹. So we are, for example, able to re-examine some of the inferences emerging from earlier literature, such as that the self-employed may have better job quality in some aspects (e.g. higher levels of task discretion) but lower job quality in others (e.g. being more likely to suffer from overwork or exhaustion). Similarly we are able to explore some aspects of job quality which have not previously been considered in research on self-employment (e.g. the use of generic job skills).

Table 1, using pooled data from the 2006 and 2012 surveys, compares the self-employed with employees on a variety of standardised indicators of job quality, by running multivariate statistical models (of various types depending on the nature of the indicator) controlling for a set of personal and job-related characteristics (i.e. we attempt to take account of the possibility that any observed differences may partly reflect the fact that the self-employed are different kinds of people doing different kinds of jobs from employees). In practice, the results shown here with controls are (with few minor exceptions) largely the same as those emerging from a simple comparison between the self-employed and employees.

In simple terms the results show that, compared with employees, the self-employed have greater task discretion and variety, better skills match and longer learning time to do their jobs (albeit with less training). Compared with employees, they make greater use of some generic skills (physical skills, self-planning skills and client communication skills), but less use of others (computer, literacy and influencing skills); they work noticeably harder and longer hours¹² than employees, but slightly slower.

11. Note that the research reported in Baumberg and Meager (2015) also looks at differences in job quality between sole traders and the self-employed with employees, showing important differences between the two groups (with the-employed-with-staff working harder than sole traders, but having more satisfaction with various aspects of their job). However, the analysis is complicated by selection effects, since some self-employed-with-staff are a subset of people who set out as sole traders, who over time became more successful and were also motivated to expand.

12. Note that the working hours variable is one which is affected when the various controls are applied; the difference between self-employed and employees (while still apparent and statistically significant) is reduced considerably once the controls are applied. This suggests that part of the reason that the self-employed work longer hours than employees is due to the type of people they are and the types of job involved, rather than something related to self-employment *per se*. It should also be noted that the notion of 'working time' and the distinction between that and 'leisure time' may be less clear cut for the self-employed than for employees.

Table 1: Job quality: self-employed and employees compared (net of controls)

Variable	Construction of variable	Self-employed vs. employees: coefficient & significance	Type of model estimated
Task quality			
Discretion index	Aggregation of separate 4-pt scales on respondents' assessments of personal influence over: work intensity, tasks, how they do their job, quality standards (from no influence to great deal)	0.437**	OLS regression
Job variety	How much variety in job? (3-pt scale from none to great deal)	0.592**	Ordinal logit
Use of past skills/experience	How much opportunity to use past skills, experience & abilities in present job? (4-pt scale from v little to almost all)	0.504**	Ordinal logit
Skill requirements			
Job training	How much training received since leaving ft-education? (3 pt scale: none, < 2yrs, 2+ yrs)	-0.418**	Ordinal logit
Time taken to learn job	More than two years or not	0.669**	Binary logit
Generic skills			OLS regression
Computers – importance	These variables are indices derived by the Skills Survey team, based on over 40 questions on the importance of a type of skill in a respondent's job	-0.383**	
Computers – complexity		-0.106*	
Literacy		-0.183**	
Numeracy		-0.015	
Physical		0.351**	
Influence		-0.264**	
Self-planning		0.329**	
Client communication		0.331**	
Problem-solving		0.043	
Emotional		0.063	
Aesthetic	0.143**		
Work effort			
Work at high speed	How often does job require working at v high speed? (7-pt scale from never to always)	-0.192**	OLS regression
Work to deadlines	How often does job require working to tight deadlines? (7-pt scale from never to always)	-0.137+	OLS regression
Work hard	Job requires working very hard? (4-pt scale from strongly disagree to strongly agree)	0.367**	Ordinal logit
Work beyond what's required	How much effort put into job beyond what's required (4-pt scale from none to a lot)	0.437**	Ordinal logit
Work under tension	Work under a great deal of tension? (4-pt scale from strongly disagree to strongly agree)	-0.172*	Ordinal logit
Exhausted at end of day	How often come home exhausted? (5-pt scale from never to always)	-0.046	Ordinal logit
Negative job carry-over scale	Scale from Warr (1990), based on impact of work on feelings at home	0.014+	OLS regression
Usual working hours	Continuous variable	1.583*	OLS regression

**=p<0.01, *=p<0.05 += p<0.10

Source: Baumberg and Meager (2015); data pooled from 2006 and 2012 Skills Surveys

Control variables: gender, age, region, ethnicity, household composition, qualifications, prior work experience, sector and occupation (for details see Baumberg and Meager, 2015).

3. The Relationship with Job Satisfaction

Turning to job satisfaction (Table 2), the results are even clearer. Compared with employees, the self-employed are significantly more satisfied with their job overall, and with all aspects of it, with the sole exception of job security (with which they are slightly less satisfied than their employee counterparts). While some of these differences are expected, others (e.g. the significantly greater satisfaction of the self-employed with pay levels) might be regarded as surprising. It should, however, be noted that there may be unobserved differences between the two groups other than differences in intrinsic job quality which contribute to these differences in satisfaction. It is possible, for example, that self-employed people have different expectations about job quality; and/or that they have less appealing alternative jobs with which to compare.

Table 2: Job satisfaction: self-employed and employees compared (net of controls)

Variable	Construction of variable	Self-employed vs. employees: coefficient & significance
Satisfaction with...		
Pay	7-pt scales from completely dissatisfied to completely satisfied	0.216**
Job security		-0.116*
Use of abilities		0.389**
Use of initiative		0.547**
Hours of work		0.167**
The work itself		0.391**
Amount of work		0.185**
Variety in the job		0.290**
Overall satisfaction		0.399**

**= $p < 0.01$, *= $p < 0.05$ += $P < 0.10$

Source: Baumberg and Meager (2015); data pooled from 2006 and 2012 Skills Surveys

Control variables: gender, age, region, ethnicity, household composition, qualifications, prior work experience, sector and occupation (for details see Baumberg and Meager, 2015).

All models are OLS regressions

4. Job Quality and Job Satisfaction During and After the Financial Crisis

As well as these cross-section comparisons between the self-employed and employees, the time-series nature of the data set enables us to look at trends in the job quality of the self-employed, and at whether observed differences in job quality between the two groups (self-employed and employees) have been widening or narrowing over time. In Baumberg and Meager (2015) we consider longer-term trends going back to 1992; for the purposes of this present essay, however, we focus on the 2006-2012 comparison, partly because this period gives the most clear-cut evidence of changes in job quality (in that nearly all the

changes observed were in the same direction), but also because this period is of particular interest in the debate about what has been happening to self-employment during the period during and following the 2007-8 financial crisis.

As reported in Baumberg and Meager (2015), the period up to 2006 showed a mixed pattern of changes in the job quality of the self-employed, with some indicators improving over time, and some deteriorating. As Table 3 shows, however, the trends in the 2006-2012 period are more unequivocal, with nearly all the measures where statistically significant change was recorded, showing a fall. In particular, job quality fell as measured by the key indicators of task discretion, skills match, time taken to learn the job and the use of problem-solving skills, while there was little or no significant change on most of the other indicators such as job variety, or most of the measures of work intensity (the main exception being the small fall in the proportion working “beyond what’s required” for the job). Consistent with the patterns recorded in the national Labour Force Survey, there was also a dramatic fall in average working hours (associated with an increase in the incidence of part-time working among the self-employed).

Table 3: Recent trends in quality of self-employed jobs (net of controls)

Variable	2006	2012	Stat. signif of difference 2006-12
Task quality			
Discretion index (0-3 scale)	2.65	2.53	**
Job variety (a great deal)	44.6%	38.6%	+
Use of past skills/experience (can use 'almost all' skills)	53.8%	43.7%	**
Skill requirements			
Job training after f.t. education	50.4%	52.2%	*
Time taken to learn job (< 1 month)	11.4%	17.7%	**
Generic skills (1-4 scale)			
Computers – importance	2.23	2.34	
Computers – complexity	1.53	1.65	+
Literacy	2.47	2.32	+
Numeracy	1.97	1.88	
Physical	2.27	2.25	
Influence	2.03	2.01	
Self-planning	3.36	3.28	
Client communication	2.98	2.91	
Problem-solving	2.96	2.68	**
Work effort			
Work at high speed (1-7 scale)	3.91	3.83	
Work to deadlines (1-7 scale)	4.53	4.60	
Work hard ('strongly agree')	52.2%	48.0%	
Work beyond what's required ('strongly agree')	79.8%	73.7%	+
Work under tension ('strongly agree')	18.7%	17.1%	
Exhausted at end of day ('always')	17.3	15.1	
Negative job carry-over scale (0-1 scale)	0.441	0.431	
Usual working hours	39.9	36.0	**
Full-time (vs part-time)	75.2%	62.3%	**

**=p<0.01, *=p<0.05 +=p<0.10

Source: Baumberg and Meager (2015); 2006 and 2012 Skills Surveys

Note that estimates refer to average marginal effects: that is, estimating the outcome for each person in the combined sample, varying only their self-employment status and the survey year, and then averaging these predicted outcomes.

Control variables: gender, age, region, ethnicity, household composition, qualifications, prior work experience, sector and occupation (for details see Baumberg and Meager, 2015).

Job satisfaction indicators tended to follow these trends in job quality: overall job satisfaction of the self-employed fell during this period, as did each separate measure of job satisfaction, and nearly all of these changes were statistically significant (Table 4)¹³.

13. The fuller analysis in Baumberg and Meager (2015) also shows that, while the patterns are complex, for most of the period the position of self-employment relative to that of employees has improved (in terms of both job quality and job satisfaction). However in the most recent (2006-12) period, the relative advantage of self-employment in both respects has fallen back in comparison with employees.

Table 4: Recent trends in job satisfaction of the self-employed (net of controls)

Variable	2006	2012	Stat. signif of difference 2006-12
Satisfaction with.... (1-7 scales)			
Pay	4.91	4.63	**
Job security	5.33	4.97	**
Use of abilities	5.90	5.61	**
Use of initiative	6.19	5.90	**
Hours of work	5.37	5.36	
The work itself	5.87	5.63	**
Amount of work	5.26	5.09	+
Variety in the job	5.76	5.42	**
Overall satisfaction	5.80	5.56	**

**= $p < 0.01$, *= $p < 0.05$ += $p < 0.10$

Source: Baumberg and Meager (2015); 2006 and 2012 Skills Surveys

Note that estimates refer to average marginal effects: that is, estimating the outcome for each person in the combined sample, varying only their self-employment status and the survey year, and then averaging these predicted outcomes.

Control variables: gender, age, region, ethnicity, household composition, qualifications, prior work experience, sector and occupation (for details see Baumberg and Meager, 2015).

5. Some Preliminary Conclusions

This research leads to several tentative conclusions about the job quality of the self-employed¹⁴:

- First, self-employment appears to embody a higher job quality on most of the indicators we measure than does working as an employee (even taking into account the differences in the type of person who becomes self-employed and the type of work they do). There are also important differences between the types of generic skills emphasised in self-employment compared with those used by employees (although these differences cannot be claimed to embody ‘higher’ or ‘lower’ job quality).
- Second, in line with this, and consistent with much of the earlier literature, the self-employed are more satisfied with their jobs as a whole, and with nearly all aspects of their jobs (the major exception being that they are less satisfied with job security than are employees).

14. It should be stressed that this simple picture hides considerable heterogeneity within the self-employed (e.g. between sole traders, and the self-employed who employ others), which is further explored in Baumberg and Meager (2015).

- Third, over 2006-12 it seems that the quality of self-employment has deteriorated on several key indicators, as has the satisfaction of the self-employed with their jobs, which gives some support to concerns that at least some of the recent surge in self-employment is a response to the scarcity of work in an economic downturn and that recently created self-employment may involve work which is “less good” than that which preceded the recession. It is important not to overstate this, however: first, it is still the case that compared with employee work, the intrinsic quality of self-employed work generally improved over the last two decades, and it still rates higher than that of employees on many indicators, even if its relative advantage has diminished in the last few years; second, it is possible that falling job quality and satisfaction among the self-employed may partly reflect the impact of greater competition among the self-employed at a time when their numbers have increased rapidly (a hypothesis that can be further tested with future data on the relationship between self-employment trends and job quality).

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