

The new self-employed in the Netherlands and the rest of Europe

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Introduction

The share of self-employed people in the Netherlands has risen quite a lot over the last decade. In 2002 10.6% of all employed, aged 15-64, was self-employed. In 2012 this percentage was 14.0. This increase is mostly due to the increase of the number of self-employed without employees. In 2002 two third of all self-employed did not have employees, in 2012 this has risen to almost three quarters. It mostly concerns a specific group of self-employed that offer services. Self-employed people like for example a baker, a butcher or a grocer, who have their own shop without any employees in which they sell their products, are types of self-employed without employees that have existed for a long time. At the end of the nineties a new type of self-employed emerged. Mainly in construction, but also in other sectors, employees started for themselves as own-account workers without employees. Often their previous employer would be their contractor. Because of this they actually find themselves in a grey area between being self-employed and being an employee which is why they are sometimes called “quasi employees” or “fake self-employed”. In the Netherlands this group gets a lot of attention because it could undermine the social security system which is based on the sole distinction between employees and self-employed people. They also get a lot of attention because of the economic crisis and the effect this has on them and other types of flexible contracts. It is said that during the first part of the crisis in 2010 unemployment in the Netherlands was still relatively low because this new type of self-employed was not covered in unemployment statistics because they continue to be (self)employed but possibly work for few productive hours.

The European Union promotes self-employment as formulated in the Lisbon Treaty of 2000. Based on data from the EU-LFS, this paper investigates whether the development of self-employment that took place in the Netherlands is a development that took place all over Europe. Is the development in the Netherlands unique in Europe or is the structure of the European labour market with the classical distinction between employees and self-employed people changing? If this is the case this could also have consequences for the measurement of the professional status. Questions recently added to the Dutch LFS to measure “quasi employees” or “fake self-employed” could also be relevant in the context of the EU-LFS.

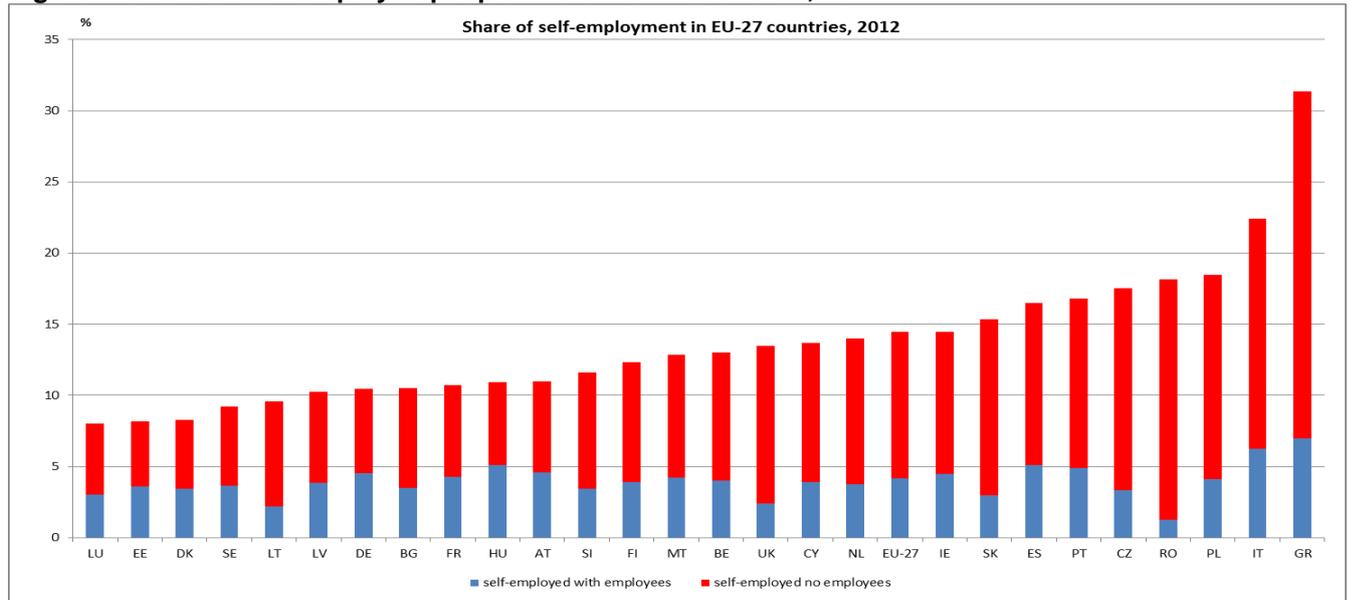
Development of self-employment in Europe

In 2012 14.5% of all employed in the EU-27 was a self-employed person, 71% of them was a self-employed person without employees (figure 1). The share of self-employed people was the highest in Greece with more than 30%. Also in Italy, Poland and Romania the share of self-employed is high. In the Netherlands the share of self-employed was 14.0%, which puts them somewhere in the middle of the EU-27. Self-employment is the lowest in Luxemburg. Only 8.0% of all employed in Luxemburg was self-employed in 2012. Also Estonia, Denmark, Sweden and Lithuania have a share of less than 10%.

In 2002 approximately the same share as in 2012 of all employed in the EU-27 was a self-employed person. Changes in the share of self-employment are for the largest part concerning changes in the number of self-employed without employees. The share of self-employment without employees is growing in the European Union. When all EU-27 countries are analysed separately, the trend is however not the same for all countries.

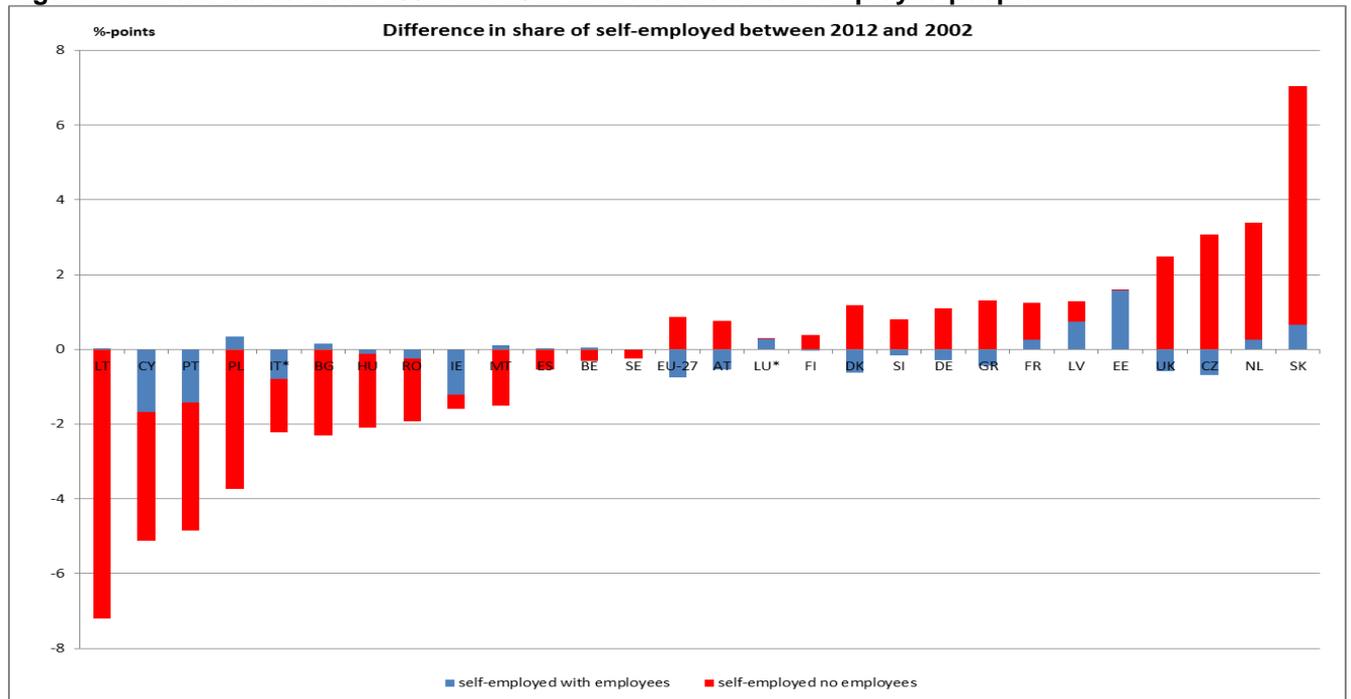
In 2002 Greece, Italy and Poland were also the top three countries where self-employment is concerned. However they did not show the largest growth in the past ten years. In half of the EU-27 countries the share of self-employed people grew. As can be seen in figure 2 the Netherlands were one of the countries with the highest rise of self-employed, namely 3.4%-points more than in 2002. It mostly concerned self-employed without employees. There were a couple of countries with a similar development of self-employment and self-employed without employees. The largest growth was measured in Slovakia, the share of self-employed people in 2012 was 7.1%-points higher than in 2002, mostly self-employed without employees. For the Czech Republic this was 2.4%-points and for the United Kingdom 1.9%-points. Similar patterns, but smaller can be seen in France, Germany, Slovenia, Denmark, Finland, Greece and Austria. Estonia, Latvia and Luxemburg also showed a rise in the number of self-employed, but here it mostly concerned self-employed with employees.

Figure 1. Share of self-employed people in the EU-27 countries, 2012



For the other part of the EU-27 countries the share of self-employed in 2012 was lower than in 2002. In Lithuania the number of self-employed was 7.2%-points lower, for Cyprus and Portugal around 5%-points and for Poland, Italy, Bulgaria, Hungary and Romania around 2 to 3%-points. Also here it mostly concerned self-employed people without employees.

Figure 2. Difference between 2002 and 2012 in the share of self-employed people



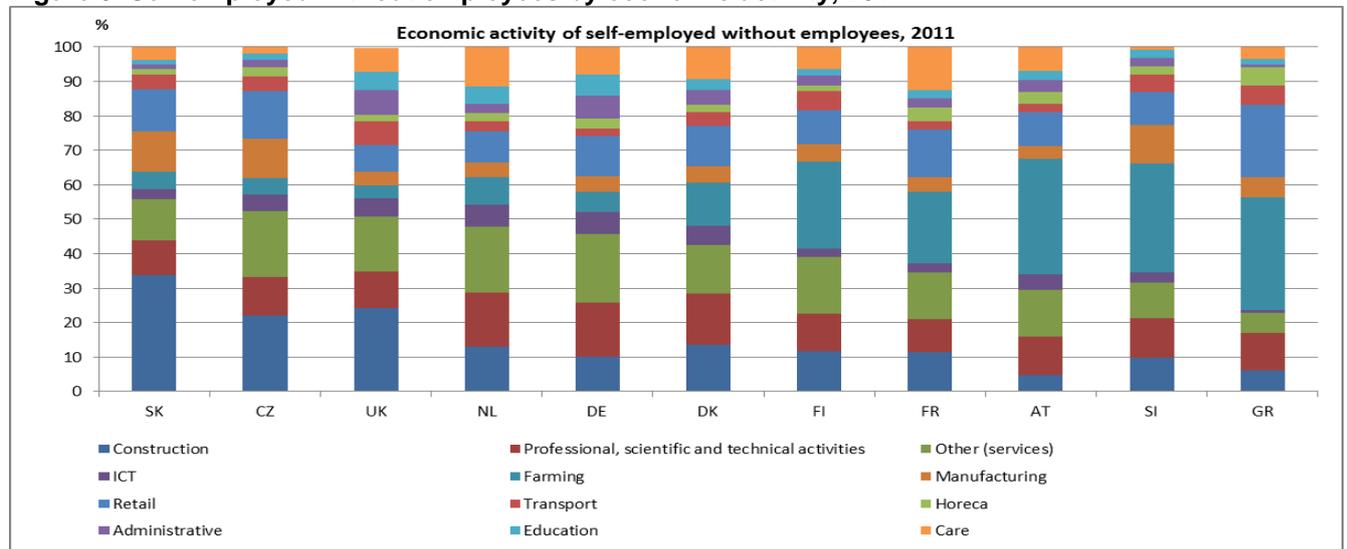
*For Italy and Luxemburg data on 2004 were used instead of 2002.

Economic activity of self-employed people without employees

In the Netherlands the rise of the self-employed without employees was caused by self-employed working in specific sectors, mainly service sectors, like ICT and construction. In the Netherlands more than 54% of these self-employed worked in the sectors professional, scientific and technical activities, ICT, construction and other services sectors (figure 3). In Slovakia, the Czech Republic and the United Kingdom this share was even bigger, respectively 59, 57 and 56%. Thus, the group of countries with the largest increase in self-employment, are those with a large share in these sectors.

The countries where self-employment was declining, like Italy, Poland and Portugal were countries where the farming and retail sector were relatively big. In the Netherlands own-account workers working in these sectors are not considered as the new self-employed. These professions mostly concern selling products in a shop or producing some kind of material, for example a grocer or a farmer. These professions are typical examples of professions that involved self-employed people without employees for a long time.

Figure 3. Self-employed without employees by economic activity, 2011

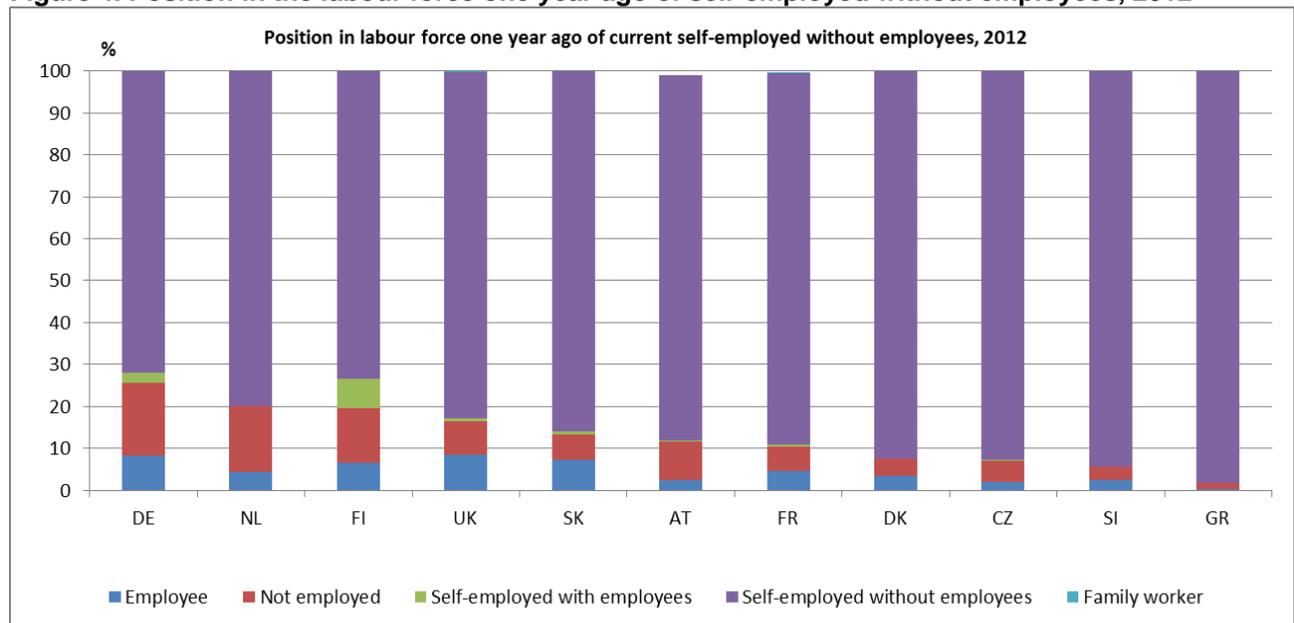


Previous professional status of self-employed without employees

Next to the economic activity another characteristic which would be interesting to know about these self-employed without employees would be their previous professional status. In the Netherlands it is suspected that a lot of these new self-employed started out as employees and then went to doing the same work as a self-employed person sometimes even having their previous employer as their main client. Now that unemployment is rising, a lot of people are starting for themselves as an own-account worker. The EU-LFS provides no information about the previous professional status or whether or not this person belonged to the labour force. Flow estimates could provide a solution for this lack of information. There is however information available on the professional status one year ago which could give an indication of the dynamics.

In the Netherlands, 20% of all people who in 2012 were a self-employed person without employees had a different position in the labour force a year before (figure 4). Almost 16% was not employed a year earlier and 4% was an employee. Similar patterns are found in Germany, Finland, the United Kingdom and Slovakia. Especially in Finland the share of new self-employed without employees who used to be an employee or someone who was not employed took a flight the last ten years. In Slovakia this share actually became less than ten years ago. In Greece, but also in Slovenia the majority of the people who were a self-employed person without employees was already a self-employed person without employees a year ago.

Figure 4. Position in the labour force one year ago of self-employed without employees, 2012



Measuring the new self-employed in the Netherlands

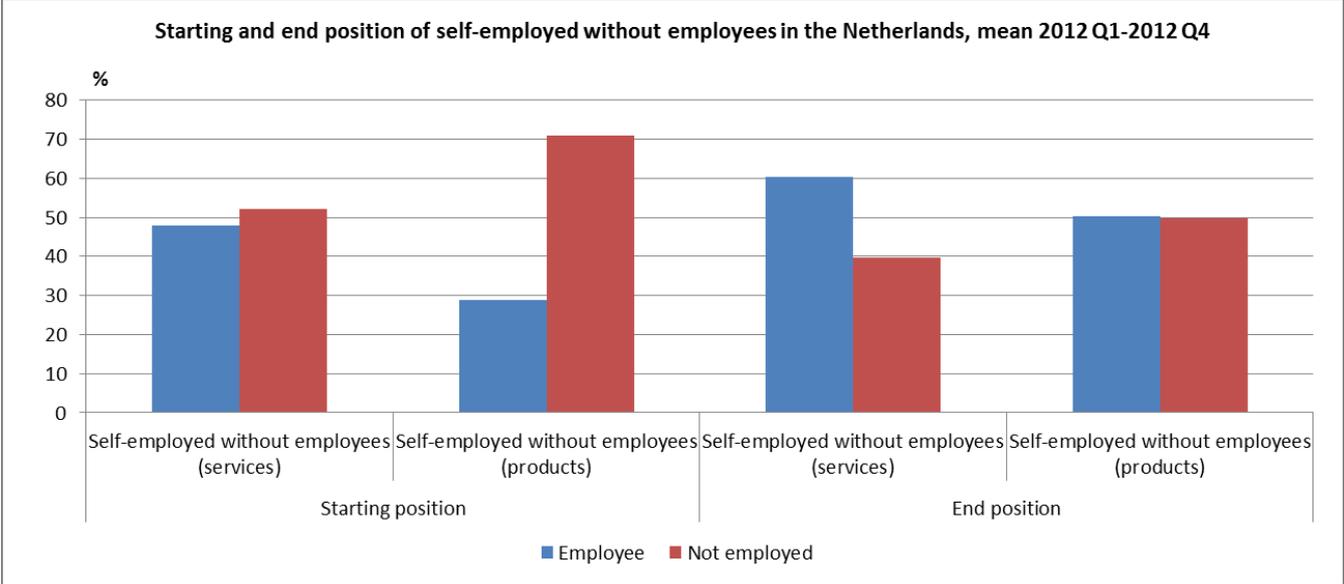
In the Netherlands the idea is that it concerns a specific group of self-employed people without employees who are causing the growth of self-employment. It is not the traditional group of own-account workers, like the grocers or bakers who have their own shop, that is growing. It is the self-employed person who is offering his/her own services, people who companies can hire whenever they need them and who they can also easily let go when they don't need their services anymore. These self-employed actually perform work which could also be done by employees, which is why they are sometimes called fake self-employed or quasi employees. To attain information about this specific group an extra question was added to the Dutch LFS. The self-employed without employees are asked "whether the main purpose of their business is to sell products or materials or that they mainly offer their own labour or services". This allows us to monitor this group and compare personal and job characteristics of the new self-employed without employees who offer their services to the traditional self-employed without employees who mainly sell products, but also to the self-employed with employees or to employees. The figures are now presented quarterly in StatLine, the [database](#) of Statistics Netherlands. Self-employed people who offer their own services are a relatively large group. They are younger, have a higher level of education and work less hours than self-employed without employees who mainly sell products. As expected the professions and sectors they work in also differ. The self-employed without employees who mainly offer their services are more often working in construction or higher educated professions like professional advisors. The self-employed without employees who mainly sell products mainly work in farming or retail.

Because the Dutch LFS has a rotating panel design it's also possible to make flow figures for these groups. The self-employed without employees show a lot more dynamics on the labour market than self-employed with employees. More people start but also more people quit as a self-employed person without employees. It could be that self-employed without employees who have just started will only start to hire employees when their business is going well. Because of this the share of successful self-employed with employees is probably bigger than the share of self-employed without employees also the chance of quitting is bigger for the last group. The new self-employed without employees who offer their own services show more dynamics than the traditional self-employed without employees and also more than employees. It could be that for a lot of people this type of self-employment is a temporary solution when they lose their job, when they find a job again they quit being self-employed.

A little more than half of the people who started as a self-employed person without employees who offers his/her own services started out as a not employed person a quarter before, about 48% was an employee in the previous quarter (figure 5). From the ones who started as a self-employed person without employees offering products a third was an employee the quarter before, two third of these starters was not employed. More than 60% of the self-employed people offering their own services who quit are an employee (again) a quarter later. This is in indication for the fact that the line between

self-employed without employees who offer their own services and employees is thin. The share of self-employed without employees mainly selling products who quit and start as an employee is a lot lower.

Figure 5. Starting and end position of self-employed without employees in the Netherlands (national definition), mean 2012 Q1 – 2012 Q4



Conclusion

By adding an extra question to the Dutch LFS a new type of self-employment in the Netherlands can now be monitored and analysed. It turns out this group is starting to become relatively large and their behaviour on the labour market is very dynamic and also close to that of employees, because a lot of these new self-employed used to be employees and also when they quit being self-employed they start being an employee again.

This growth pattern of self-employed and self-employed without employees is also visible in other countries in the EU-27, like for example in Slovakia, the Czech Republic, the United Kingdom, Germany, Denmark, Finland and Austria. The majority of the growth concerns people working in specific economic sectors like construction, ICT and other service sectors, which indicates that these are people mainly offering their own services. For a lot of countries there is also a lot of dynamics in this group. In Germany and Finland for example about 20 to 25% of these self-employed without employees were still an employee or were not employed a year ago. These results indicate that the labour market in Europe is changing. Measuring a new type of self-employed which is carried out in the Netherlands is also relevant for other European countries.