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Sociology of Self-Employment: On Determination of a Subject*

Abstract

Structural changes in demand and supply sectors within the Ukrainian labor market in late 1990s caused a phenomenon of reconsideration of an usual career of wage or salaried worker as the only one possible and acceptable. In search of work with satisfactory reward almost 10% of Ukrainians turned to self-employment — a new working activity with neither state nor research experience of dealing with. These people are neither considered as unemployed nor as entrepreneurs by themselves. The author is engaged in a problem of self-employment as a new labor market perspective, trying to fill the methodological gap within the Ukrainian social and economic sciences by means of conceptualization of self-employment and entrepreneurship. The author has presented a clarification of the pointed central concepts, their theoretical and empirical meanings based on a profound categorical analysis. The most appropriate, from the sociological point of view, definition of self-employment suggested by author after generalization of Ukrainian, Russian, and foreign scientific resources would be important for consideration in further statistical and sociological survey of self-employment and its socio-economic interpretations.

In Place of Introduction

J. Philips, American economist and founder of self-employment studies, in 1960s concluded that self-employment, as a matter of fact, is

* Translated from the Ukrainian text “Sotsiologhiia samozainiatosti: do problemy vyznachennia predmeta”, Sotsiologhiia: teoriia, metody, marketynh, 2002, № 4, pp. 189–196.

a protection from unemployment [1]. From decade to decade, from country to country, from one economic system to another, there were always examples or even waves of self-employment. Rises and falls of this social and economic phenomenon reflect the state of economy and official policy on employment (dealing with formation of labor market) in each country.

Contrary to the western countries and even some countries of Central and Eastern Europe where self-employment started to develop in 1930–1940s, for most post-Soviet states the mass self-employment of 1990s was a new real perspective of labor market, like an alternative labor employment. One of the significant features of transitional period in the market formation was an appearance of *new (non-traditional) forms of employment* — self-employment and employment in private enterprises — along with *traditional kinds of employment in the state sector*. Under such conditions, looking for earnings, some people manifested their inclination to form through self-employment their own “cells” of employment. To become self-employed is to become an employee and employer in one person.

Spontaneous “Appeal” of Working People or a Challenge of Market Economy?

In the beginning of 1990s, new political, economic, and social trends shook the Ukrainian society, the newly independent state after the USSR collapse. Socialist economy with its (theoretically) full employment started to conflict with the rational nature of coming market economy. Official and latent unemployment, spontaneous self-employment presenting the new social and economic phenomena became serious social problems without any corresponding governmental and research experience.

Socialist, command-administrative economy crashed in the post-totalitarian social space, and hundreds of thousands people capable of working suddenly lost their work and earnings. Moreover, the governmental bodies showed that they were unready to develop optimal management decisions in the labor market, so they “offered” self-employment to unemployed and workers with low salaries as a way to survival.

In 1990s, self-employment as “shuttle”-business and primitive open-air trading became a spread kind of working activity in Ukraine as well as in most CIS countries. According to the official statistical data of 2000, in Ukraine, self-employed consisted 8% of those taking part in

economic activity, in 1999, this number was 6.9% [2, p. 87]. This group included unemployed and those who lost this status but did not reach the level of entrepreneur. (As the State Committee on Regulative Policy observed, 70% of self-employed in organized markets were the citizens with higher or secondary professional education).

In comparison with the data of 1990s, the latest official statistics show that level of unemployment slightly decreased in Ukraine. In 2000, the unemployment level, determined with the help of ILO methods, was 11.7% of economically active population, that is lower by 0.2% than figures of 1999 [2, p. 43]. This fact can lead us to such a conclusion (though not very firm) that people found new ways in employment. Also, we can explain it by changes in attitudes to the government policy on employment, to the governmental registration of unemployed in particular. In the beginning of 1990s, most those who had been fired registered as unemployed because they trusted in governmental bodies. However, in the end of 1990s, public expectations changed and that became obvious. For most unemployed (real and latent), self-employment was the only practical way to avoid unemployment and poverty.

In order to conduct sociological analysis of self-employment, we need to compare this notion with its term equivalent spread in the scientific terminology of the western countries with sustainable market economies. National statisticians and economists (along with government employees) called (and go on calling) self-employment in our conditions *small entrepreneurship*; it was considered as a kind of business. This inaccuracy of terms is not rare among sociologists too.

Self-Employment and Entrepreneurship: Conceptual Enigma

Self-employment as a social and economic phenomenon appeared in scientific studies in the beginning of 1960s by J. Philips, American economist. However, since then, this topic rarely has been in the focus of sociological or economic research. American scientists made the most significant contribution in studies on self-employment, first of all economist R. Aronson and sociologist E. O. Wright. In an introduction to his book on self-employment (being the only special study on self-employment even 10 years later) R. Aronson stressed that research on self-employment was inelaborate [3]. His work was motivated by necessity to develop a course for students of Cornell University and by lack of scientific materials on this subject that he had found. In the end of 1980s,

E.O. Wright noted the same fact. He spoke about scanty research on general self-employment comparing to numerous works on small business, farming, various kinds of professional occupation, informal economic activity that were not to be identified with self-employment [4, p. 118]. In the middle of 1990s, sociological studies on self-employment activated due to attention of the western scientists to the statistical rise in self-employment indicators being registered in most countries of Western Europe and the USA during 1970–1980s, as well as its stabilization at the 10–12% level in 1990s.

In the modern national sociological scientific works, self-employment is practically absent as a subject of research. Even if it was mentioned before then only in context of negative social problems. So we cannot speak about significant scientific contribution. First works by national economists appeared in the end of 2001, only after statisticians had included self-employed as a category of economically active Ukrainian population in their documents of 1999.

Starting the studies on self-employment, irrespectively to their scientific approach, every researcher met with contradiction related to choice of the most appropriate definition of self-employment, especially in comparison with entrepreneurship. The search of the self-employment definition conducted through three dimensions of corresponding *economic behavior* — sociological, statistical and legal — and the research object — *those who work in non-governmental economy sector, where labor of employed workers is used or not used*.

The problem of self-employment definition really exists in economic sociology and raises in every study on non-traditional kinds of employment. Let us remind the R. Aronson's idea about the enigma character of the self-employment and entrepreneurship notions. Irrespectively to their aims or methods, sociologists and economists apply over dozen of various notions of self-employment. I will try to avoid complicated categorical analysis and substantiate my choice of the most suitable to sociological research notion of self-employment among known and "working" ones. However, we should remember about the point presented by A. Dale, well-known British sociological researcher, over ten years ago. "There cannot be any *correct* definition of self-employment" [5, p. 43]. Although some part of the western researchers still thinks that the notions of self-employment and entrepreneurship are synonymous, I will try to substantiate my distinct position: they are related but not interchangeable. According to general methods of scientific research on social phenomena, all categories, notions and terms having synonyms in a scien-

tific dictionary must be accurately defined; some of them can differ in their interpretations depending on the methodological approach.

Economic analysis needs from the self-employment definition (first of all) a statistical dimension in order to structure the employment sphere, and sociological analysis needs a sociological dimension for social structuring.

According to the definition of the State Committee on Statistics of Ukraine used by national economists studying labor, *employed in individual working activity (self-employed)* are those who conduct working activity on their own (without permanent wage workers), at their own expense, being owners of means of production and responsible for goods produced or services provided [2, p. 14]. Researchers-economists accept *two approaches* to the definition of self-employment in order to make the right choice of statistical dimensions: *narrow*, when we talk about those who work on their own without workers recruited irrespectively whether they earn a wage or not; and *wide*, related to an individual working activity for a micro-enterprise of up to five workers [6, p. 5].

Russian sociologists think that self-employed — *owners of individual or family business who are not wage workers and mostly work on their own* — could be called employed in an individual entrepreneurship or individual working activity on the non-contract grounds, but in the polls most of them do not see their employment status as a status of entrepreneur [7, p. 23]. As to T. Zaslavskaia, the main feature of self-employed that differs them from “classic” entrepreneurs is that their business is smaller and labor is individual, “*there is no component related to the organization of joint people’s activity*” [8, p. 4].

Let us start to develop the most suitable definition with rather general statement on self-employment by R. Aronson: “*an alternative way to get earnings for living by selling own labor*” [3, p. xi], although E. O. Wright clarified that a self-employed individual gets earnings due to his own labor without selling it to an employer for a wage. The category of self-employed becomes more sociologically specific in social and class schemes developed on methodology by J. Goldthorpe and E. O. Wright. At the same time, dividing society into the higher, middle and working classes, E. Giddens, British sociologist, collects those who work for themselves (self-employed), owners of small shops and small farmers in a stratum of middle class — *the old middle class* [9, p. 304].

E. O. Wright, being one of the most authoritative specialists in social and class analysis of American society, determines a social position of self-employed and defines them as those who have their *own means of*

production and do not employ anybody. From his position of “sociological materialism”, he sees basic indicators of class differences in attitudes towards property and in exploitation or being exploited. E. O. Wright collects self-employed in one of three main classes of capitalist society — *petty bourgeoisie*, and so he stresses that this class differs from two others: class of capitalists owning means of production and employing workers and class of workers without means of production and selling their labor to capitalists [4, p. 17]. J. Goldthorpe’s position is to separate professionals, small owners, “workers for their own account” and self-employed that are characterized by a certain amount of capital and *a high extent of autonomy*. It means that they are free of direct control over execution of their work tasks [10, p. 41]. There are two similarities in definitions of self-employed by these most influential scientists of the modern sociology: self-employed have *their own means of production and their working process is autonomous*.

Concluding our search for an adequate definition of self-employed, we can show the main differences between self-employment and entrepreneurship, as well as between self-employment and traditional employment with (regular) wage.

In my opinion, a line of demarcation between entrepreneurship and self-employment can be the fact that the latter does **not go after the necessary innovation** of economic activity, and such an innovation is the basic component of classic entrepreneurship. The difference between self-employment and traditional employment with regular salary is that self-employment is autonomous and individually directed in labor process, there is no control over it except taken by itself and conjuncture of the goods and services market. So, basing on categorical analysis of the known definitions of self-employment offered by economists and sociologists, we conclude that, from sociological point of view, *self-employment is an individual working activity in small production and providing services executed by basing on one’s own means of production; autonomous, without organizational control over labor process and without any employed labor*.

From Theoretical to Empirical Category of Self-Employment

Unfortunately, it happened so that in modern national studies in sociology, according to their aims and tasks, empirical categories of sociological analysis are left without *complete definitions* or without *any defi-*

tion at all within specific methodology if there is any. Self-employment belongs to such notions.

As I have been observing and studying new labor practices on the current “map” of employment in Ukraine since 1992, I would like to say a few words about interpretation of the self-employment category (appealing to the opponents who identify the entrepreneurship notion with the self-employment one). If we want to establish borders of the categorical essence, then self-employed differ from small entrepreneurs in the following dimensions (characteristics):

1. Property, its economic quality, and scale.
2. Existence and number of employed workers.
3. Labor “period” in non-governmental sector.
4. Status of unemployed and length of its bearing.
5. Legal status of economic activity (registration, level of taxation, legality).

The last indicator — registration of individual working activity — is rather significant for identification of person with self-employed. It plays the main role when economists and statisticians divide our labor market into two sectors: registered and unregistered economic activity. That is why national economists E. Libanova and A. Balanda think that *self-employment*, along with employed labor and entrepreneurship; belong to the *registered* kind of economic activity [11, p. 3]. There are no objections if we talk about employed labor and entrepreneurship, but while defining a status of self-employed, even these researchers encounter with a number of doubtful aspects. Self-employment is a non-standard (unregulated, unusual) working activity that can be registered as well as unregistered. As to E. Libanova and A. Balanda, “the latter... becomes of informal or illegal character. Informal employment cannot be controlled owing to gaps in registration system, whereas illegal one intentionally hides from any control” [12, p. 3]. In conditions when social and economic reality changes continuously, economic development is unstable because market relations are still forming, acts on labor related to entrepreneurship are permanently amended (for the years of independence, since the Act “On Individual Working Activity of Citizens of the USSR” there have been adopted over 50 new ones), scientists have to refer to the documents of ILO and change their certain opinions.

For example, “international recommendations of labor statistics on economic units not employing regular labor *do not stress that absence of registration is a feature of its obligatory character belonging to informal*

sector” (italics by the author) [13, p. 60]. Taking into account requirements of the national law and official (formal) criterion, we can divide all kinds of labor activity into formal and informal activity sectors, but, in my opinion, this statistical picture will look like a report without reflection of all variety inherent in the current Ukrainian employment. Selected sociological studies could help, especially if they reveal exactness of qualitative aspects of individually employed in formal and informal sectors or in both, because existence or absence of registration, though important, cannot be the main for definition of self-employment.

In interpretation of theoretical conception of self-employment, there was stressed that people work for themselves, it is also important for correct definition of self-employment. We should take into account the nature of labor; economy is divided into agriculture and industry (including services). We see the point in studying self-employment according to the economic spheres accepted in statistics and scientific research of the western countries (agricultural and non-agricultural self-employment). Such division is acceptable because, in the western countries the most significant changes (of the last decades) in self-employment occurred in the non-agricultural sector. However, the highest level of self-employment traditionally belongs to the agricultural one, and modern Ukraine confirms this fact. The western experience of studies on self-employment in industrial and post-industrial spheres, empirical social research provides us with a lot of useful information not only positive but also erroneous, like methodical imperfection of empirical measurements on self-employed and small owners in 1950–1960s that is often mentioned by modern western researchers.

If in traditional industry of all western countries including the USA, a rise of self-employment is registered mostly in building, then the non-industrial sector or post-industrial one (as it is often called) can thank for this new technologies and services related to business, information and communication, medicine and health protection, child and senior citizen care, professional services. Conclusions of the western studies on self-employment aimed to reveal the reasons that made this social and economic phenomenon so spread in the West mention of *consequences of structural economic changes that must be taken into account in the analysis*. National sociologists and economists in their studies on self-employment under transition to market economy should consider this idea.

Analysis of any character — statistical, economic or sociological — has to begin with a status of self-employment. However, quantitative

studies of employed and unemployed would be ungrounded without qualitative contents of each group: it is impossible to obtain a complete picture of all kinds of employment or unemployment if we forget that they cannot be separated and may cover the “areas” of each other. Such research needs well-developed methods with correct definitions of the main notions; their theoretical essence has to be in accordance with empirical experience of real socio-economic processes. The mass character of self-employment in economy in the end of 1990s and its rise make us understand that these studies cannot be limited by quantitative analysis and comparison of the features of economic activity. New social and economic conditions, when we experience the “new economy” ideology, add new essential features to the category of employment as a whole and individual employment in particular.

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