

No Masters Above: Testing Five Arguments for Self-Employment*

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1. Introduction

Despite renewed interest in work, philosophers have largely ignored self-employment. In recent years, social and political philosophers have inspected issues like workplace authority, pay inequality, discrimination in hiring and firing, whistleblowing, and employee voice. But they have paid scant attention to self-employment, where few of these issues arise to begin with. This neglect is surprising, not just because self-employment was central to classic philosophizing about work—hence, for instance, in the work of Locke and Smith, who regarded it as a means to attain independence and escape domination by a landlord or employer. It is even more surprising given that half of the global workforce, including one in seven workers in OECD countries, are self-employed (Chen, 2019; Baker, *et al.*, 2018).

Moreover, the nature and normative status of self-employment is increasingly contested, which renders the philosophical neglect all the more puzzling. On the one hand, the composition and boundaries of the self-employed labour force are growingly diverse, with rises in professional-managerial and in unskilled occupations, including new forms of precarious and dependent self-employment, and declines in traditional petty bourgeois and skilled self-employment (Arum and Müller, 2004). On the other, self-employed workers face disparate legal and political circumstances that merit normative inspection. In some countries they enjoy training, legal support, and tax breaks, whereas in others they encounter cumbersome regulation, financial barriers, and no assistance, and in some others they face direct hostility from government.

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Careful examination of the nature and normative status of self-employment is thus badly needed. In this chapter, we take first steps on both counts. We start off by offering a definition of self-employment, one that accounts for its various forms while avoiding misclassifying dependent self-employed workers as independent contractors, and by mapping the barriers to becoming and remaining self-employed (section 2). We then examine five arguments why governments ought to promote self-employment, despite the forgone opportunities to promote employee work instead that this often entails (sections 3-7): the argument from job creation, the argument from job satisfaction, the argument from independence, the argument from occupational freedom, and the argument from subsistence under nonideal circumstances. Some of these are unconvincing, we argue, but others are not. Although the strength of the latter arguments hangs on various context-dependent conditions, such that they need to be carefully weighed against considerations of efficiency and equality, they nonetheless offer compelling *pro tanto* reasons to promote, and not just to protect, self-employment.

2. Unpacking self-employment

Philosophers and social scientists have often equated self-employment with the petty bourgeoisie, a class with high intergenerational inheritance and job security and distinct social and political views, frequently conservative. They have also often believed that self-employment was fated to wither away due to competition with large firms. ‘The small manufacturer, the shopkeeper, the artisan, the peasant’, Marx and Engels (2010: 494), for example, reckoned, ‘are ... not revolutionary, but conservative. Nay more, they are reactionary, for they try to roll back the wheel of history’.

Both assumptions are unwarranted. In recent decades, self-employment has not just ceased to decline. In many wealthy countries, it has grown (European Commission, 2017). And changes in its composition, with increases in professional-managerial (for example, communication, consulting) and in unskilled occupations (for example, construction, manual services) and declines in traditional petty bourgeois and skilled self-employment (for example, restaurateurs, skilled craftworkers), offer a quite complex picture (Arum and

Müller, 2004). This is more so if we include informal self-employed workers in developing economies and, more controversially as we discuss below, new forms of 'dependent self-employment', which is on the rise in advanced economies as a means to skirt standard employer liabilities, like collective agreements and employment taxes, and to adapt to demand fluctuation (Williams and Lapeyre, 2017).

Before inspecting the goods and ills of self-employment, we thus need a definition, one whose purview is sufficiently broad to account for its diversity but narrow enough not to yield false positives. Social stratification researchers have offered disparate classifications and definitions. But the growing consensus is that self-employment comprises a discrete category and is best defined by the independence of self-employed workers (Arum and Müller, 2004). Self-employment is increasingly defined as comprising three necessary features to warrant independence. One is autonomy about how to run one's business. Another is authority to hire and dismiss staff. The third is having more than one client. On this definition, which some courts are following in deciding the legal status of dependent self-employed workers, one in three self-employed in the EU fail to meet one or more of these features, counting as dependent self-employed (Williams and Lapeyre, 2017). Thus, although the particular status of such workers is moot, with some arguing that they be classified as any other employee and others as a separate labour category, we hereinafter put them aside and focus on those who are independent.

Among these, two further distinctions are relevant. One is whether they have employees or not. Self-employment with employees was typical in the past. But solo self-employment ('own account operators') is now increasingly the norm. For instance, despite marked variations by age and across industries, own account operators account for 71.5 per cent of all self-employment in the EU (European Commission, 2017). Another distinction is whether self-employment is voluntarily entered and remained in or not. In the past, self-employment was often a matter of inheriting a parental business. With some exceptions, like Italy and Japan, this is no longer true (Arum and Müller, 2004). The decision to become and remain self-employed hangs, then, on the incentives, resources, opportunities, and constraints in place. Thus, although a preference for self-employment exists in advanced

economies—41.8 per cent of the French, 64.2 per cent of New Zealanders, and 70.8 per cent of Americans claim to prefer it if they could choose (Blanchflower, 2004)—barriers to self-employment critically shape decisions to become and remain self-employed, and how voluntary these decisions are.

Many of these barriers are determined by state policies. We therefore need to make them explicit before inspecting whether the reasons for self-employment are compelling enough to favour reducing these barriers, given the forgone opportunities to foster employee work that so doing often entails. First, there are regulatory barriers that authorities create and uphold, like bans on self-employment or, more often, inefficient regulations that hinder market entry and let corrupt officials extract bribes (De Soto, 1989). A second kind is comparative: the disparate protection by labour law and social security that the self-employed enjoy compared to wage labourers, including uneven unemployment benefits, paternity leave, sickness benefits, and pensions (Williams and Lapeyre, 2017; Krueger, 2018). A final kind comprises barriers that state policies only influence, such as poor access to financial services and scarce human capital. Here governments at most fail to assist those wishing to become and remain self-employed—something some nonetheless do through loans, legal assistance, educational training, and tax breaks, with fair results (Baker, et al., 2018).¹

In brief, existing barriers to self-employment are diverse, and reducing them accordingly involves diverse state duties—not to interfere in some cases, ensuring equal treatment in some others, and assisting in various ways yet in others. We next inspect the main proposed reasons to discharge such duties, and how compelling they are.

3. Job creation

We begin, in this section and the next, by briefly discussing two arguments whose strength largely hangs on empirical evidence, before turning to more philosophical arguments in later sections. The first of these two arguments, which governments of various persuasions often cite, is that self-employment creates jobs, a view that

¹ A fourth kind of barrier includes cultural, religious, and family obstacles (Arum and Müller, 2005). Given that such barriers exceed the reach of the state, except perhaps in the very long run, we here put them aside.

comes in roughly three forms. The first is that small businesses, many of which are started and run by self-employed workers, account for the lion's share of job creation. On a second variant, small businesses often develop into large-scale enterprises, further increasing the workforce they employ. Finally, self-employment is often championed for its power to move jobless people into creating their own businesses, whether or not to later employ others.

All three views are contentious, alas. To start, although small businesses create jobs disproportionately, with firms under 50 employees accounting for over half of all new jobs in the US and in Europe (Neumark et al., 2011; European Commission, 2017), it is less clear that they are net job creators in the long run. Because 'gross job destruction rates are also substantially higher for smaller plants and firms', Davis et al. (1996, p. 170) argue, 'they [also] destroy jobs in disproportionate numbers'. Similarly, Haltiwanger et al. (2013) find that, although firm size and net job creation are negatively related, such that the smaller the firm the higher the jobs created, this relation is entirely attributable to most new firms being small. It is new firms that create jobs, regardless of size. Once firm age is controlled for, and given that small firms' survival is lower, 'the negative relationship between firm size and net [job] growth disappears and may even reverse' (Haltiwanger et al., 2013, p. 360).

The second view is also controversial, as it hangs on the traditional idea that the self-employed are entrepreneurs with employees who wish to grow their businesses. Arum and Müller (2004, p.453) find that this is no longer true. 'Self-employment today', they reckon, 'often no longer employs others nor does it always involve individuals who likely even aspire to developing firms into large-scale enterprises'. Hurst and Pugsley (2011) are sceptical, too. Where policymakers see Schumpeter-type innovators scaling companies up, they instead find that 75 per cent of businesses with less than twenty workers report no desire to grow big over their lifespan, and accordingly never grow. Similarly, the European Commission (2018, p. 82) finds that '[t]he vast majority of self-employed firms do not increase employment substantially in the five years following creation'. And in developing economies, Banerjee and Duflo (2011) likewise find that—albeit for different reasons, including low input quality and productivity—

the vast majority of small businesses, most of which operate informally, do not grow.

The third view, though less contentious, is limited in scope. Whether later employing others or not, self-employment no doubt gets some out of joblessness, especially in poor countries, where wage work is often scarce (see section 7). But in advanced economies, in which employee work is less scarce, the argument is less straightforward. Certainly, some workers pick self-employment to select themselves into industries, like accountancy or legal practice, for which employee work is often in short supply. Yet in industries in which employee work is less scarce, the ability of self-employment to get people out of joblessness may not suffice to justify governments fostering it, given the forgone opportunities to foster employee work that this entails. We also need to know its cost effectiveness compared to alternative means to reduce unemployment, which is unclear (Blanchflower, 2004).

In brief, these views may warrant that administrative barriers, including uneven treatment of employees and the self-employed, be removed or reduced, as self-employment no doubt creates employment. Whether they also suffice to vindicate that self-employment be actively fostered is less clear. This is because small businesses seem not to create net jobs in the long run, most of them never grow big enough to create much employment, and the cost effectiveness of self-employment vis-à-vis employee work in getting people out of joblessness, though critical in emerging economies, is contentious in developed ones.

4. Job satisfaction

Another much cited reason is that self-employment yields higher job satisfaction than drawing a paycheck from someone else. Despite marked differences by age and gender and across industries, self-employed workers report being on average happier with their jobs than employees, a result that holds for America, Canada, and most European countries (Benz and Frey, 2004). Moreover, a sizable portion of employees wish to become self-employed, even in countries where the latent desire for self-employment is modest, like Norway or Russia, where one in three report such preference (Blanchflower, 2004). It is thus tempting to conclude that

we should not just remove barriers to self-employment. We should actively foster it.

But this conclusion may be too hasty, for three reasons. First off, workers who are *compelled* into self-employment to escape joblessness are not happier with their jobs than employees (Binder and Coad, 2016). And although Binder and Coad find this result for Germany, it is likely to hold true for developing economies, where most informal self-employed workers, like street vendors and home manufacturers, wish, but are unable, to have a stable job (Banerjee and Duflo, 2011). This does not render the argument from job satisfaction inapposite. Yet given that self-employment amounts to more than half of the workforce in developing economies, and that unemployment is high in many developed ones, it limits its scope.

Second, the difference in job satisfaction may significantly decrease in the long run. Although becoming self-employed remarkably improves immediate job satisfaction, Hanglberger and Merz (2015) find that this largely stems from anticipation and adaptation to switching from employee work to self-employment. They find, to start, that being unhappy with your employee work, as some of the workers who report wishing to become self-employed presumably are, importantly explains the higher satisfaction of becoming self-employed, even when no lasting effect exists. And they also find that the satisfaction of becoming self-employed largely disappears after some years, once workers fully adapt to self-employment.

Third, and most important, to properly assess the argument from job satisfaction, we need to inspect what exactly renders self-employment more rewarding so that we are clear about the alleged reasons to foster it over employee work. Perhaps self-employment yields more rewarding outcomes for workers? This is contentious, alas, for the self-employed are consistently worse off than employees on a range of valuable items. They earn less. They work longer hours. And they are more stressed and exhausted (Blanchflower, 2004; Hyytinen and Ruuskanen, 2007). On this score, if anything, self-employment should be discouraged instead of promoted.

Alternatively, self-employment may be more rewarding not due to its beneficial outcomes for workers but to the conditions yielding such outcomes and, in

particular, because of the greater work autonomy it involves (Benz and Frey, 2004). There is evidence that control over one's conditions of work, such as equipment, work pace, and even temperature and ventilation, makes work more pleasing (Blanchflower, 2004). And although 'hierarchical types' may see grief in self-employment where 'independent types' see joy, work autonomy is an oft-quoted reason to find self-employment more pleasing (Dawson et al., 2009; Blanchflower, 2004). So perhaps governments should foster self-employment, if not for its outcomes, which are poorer, then for the autonomy it confers.

But how much more autonomous are the self-employed in practice? Two reasons suggest not as much as often believed. First, when the timing of the tasks within a typical workday is traced, as a study in Finland did at 10-minute intervals, it turns out that self-employed workers often follow routines very similar to those of employees (Hyytinen and Ruuskanen, 2007). In principle, the self-employed can pick when and how to work. And some, notably those who become self-employed for having dependent children, certainly do. But in practice many of them start the day, distribute hours, and interrupt work like employees do. Second, regardless of how they arrange work hours, self-employed workers have less off-duty autonomy. They have less leisure time available and can spend less time with their families, as they have to more often work on evenings and weekends (Blanchflower, 2004).

In sum, although the self-employed report more job satisfaction than employees, it is moot to draw clear support for self-employment from this difference. For one thing, self-employed workers only report being more satisfied when they are not compelled into self-employment, as many are. In addition, the difference largely disappears when we control for anticipation and adaptation effects. And, third, it may be sometimes based on an unrealistically rosy view of the benefits of self-employment, as Blanchflower (2004) reckons, at least regarding the degree of control over time use it involves, on the clock and off duty.

5. Independence

A third reason is that, whether or not it yields more effective control over working conditions, self-employment entails independence from a boss. Independence,

which is the chief reason the self-employed today cite in preferring self-employment (Dawson et al., 2009), was also central to classic philosophizing about work. Classic thinkers from Aristotle and Cicero to Kant and Marx typically regarded wage labour as a form of servitude, for it involved dependence on an employer's will. And others like Locke and Smith championed self-employment as a means to escape the 'servile dependency upon their superiors' that wage labour comprised (Smith, 1776, III.4.4). This view, which some have recently sought to recover (Anderson, 2015), comes in two forms. On an instrumentalist version, independence protects from arbitrary management. On a non-instrumentalist alternative, independence from alien authority is valuable as such.

Start with the instrumentalist version. On this view, self-employment is valuable because it shields workers from bosses' authority to issue arbitrary directives, which stems from the incomplete nature of employment contracts. Instead of attempting to specify the terms of exchange between employers and employees for every possible state of the world, employment contracts are rendered incomplete, such that employers, on whom authority over the unspecified terms of exchange is bestowed, can direct workers with flexibility as the innumerable contingencies of production unfold (Coase, 1937). But such residual authority may yield abuse, since bosses may use it to arbitrarily allocate overtime and reschedule working hours, discriminate against workers in promotion and compensation, or relocate them with no prior notice (Anderson, 2015).

Self-employment aims to solve the problem by attacking its cause, that is, by removing managerial authority altogether. Moreover, it may also reduce managerial abuse of employees, and not just of the self-employed. For employees can then resort to self-employment if employee work is unsuitably regulated and prone to abuse—as Arum and Müller (2004) find to occur in countries with loose labour legislation, in which self-employment is more prevalent. In a world in which opportunities for self-employment are scant, workers can quit a particular employee job, but cannot quit employee work altogether or avoid managerial abuse if such is rampant. By contrast, when employee work is not the only game in town, bosses face an incentive to restrain abusive behaviour, on pain of seeing turnover increase.

A limitation of the instrumentalist view is that if self-employment is valuable as a means to avoid arbitrary management, then alternative means may also pass muster. Suppose meaningful jobs abound and fitting workplace regulation is in place, including labour rights and worker representation. Some argue that potential workplace abuse is then much reduced, for bosses may issue directives but not arbitrary directives, and the instrumentalist case for self-employment is then less strong (González-Ricoy, 2014). Others retort that exacting regulation may yield, on net, more rather than less abuse. For regulators then need mightier powers to monitor and sanction noncompliance—powers that, due to the complexity of the regulatory task and the limitations of effective oversight by other state authorities, they may readily abuse (Taylor, 2017). Either way, it is undeniable that no means can better address arbitrary authority than removing authority altogether. But how effectively employee-work alternatives constrain bosses' authority is relevant to assessing the strength of the instrumentalist argument for self-employment vis-à-vis competing reasons for such alternatives. In other words, when employee work is properly regulated, such that self-employment adds little to reducing managerial abuse, reasons favouring employee work, if any, may more easily override the instrumentalist view for self-employment.

On the non-instrumentalist version of the argument, by contrast, it is superfluous how fittingly regulated employee work is. For what is valuable is independence from alien authority as such, no matter how constrained and accountable to workers' interests said authority might be. On this view, self-employment is worth protecting and promoting because it entails not having to answer to others as to when and how one works. It entails not having to clock in and out, to report on your progress, or to let your manager snoop on your work email, whether under rules that force her to track your interests or entirely at whim. Interference, and not only abusive interference, is what self-employment is taken to free workers from—a view that helps explain the higher job satisfaction that self-employed workers report. They may work longer, harder, for less money, and with no more effective control over time use. But they are independent from someone else's authority.

A criticism of this view, one that extends to the instrumentalist variant, is that self-employed workers may similarly depend, if not on their bosses, for they have none, on those with whom they trade, a view that comes in two forms. One is that market forces yield dependence on suppliers and customers, whose will the self-employed are compelled to observe to avoid going bust. But in a competitive market, in which trading alternatives are on offer, this idea stems from an ecological fallacy. For it infers dependence on individual suppliers and customers from dependence on the aggregate. This is not to say that the market may not compel self-employed workers through imperatives of competition, profit-maximization, and increasing productivity (Wood, 2002). But for all the dependence that the market may yield on the aggregate, the self-employed do not personally depend on any particular supplier or customer, whose wills they can skirt around. ‘A tradesman or artificer’, Adam Smith (1776, III.4.17) argued, ‘derives his subsistence from the employment, not of one, but of a hundred or a thousand different customers. Though in some measure obliged to them all, therefore, he is not absolutely dependent upon any one of them’.

A second view is that independence may be compromised when a single customer or supplier, or just a few, exists. True, when dependence is on a single *customer*, the status is no longer one of self-employment proper (see section 2). But when dependence is on a single *supplier*, like a powerful creditor, it is tempting to think that the relation, albeit distinct, is analogous to that between employer and employee. Not quite so, however, once we separate out market-mediated and authority-mediated forms of dependence. Market exchanges between independent contractors may no doubt involve dependence and abuse, as when a single creditor uses its market power to set extortionate interest rates (Vrousalis, 2019). But they do not involve authority-mediated dependence. For however powerful a creditor might be, it lacks authority to direct the self-employed contractor as to when and how to work.

To sum up: independence from alien authority offers a compelling pro tanto reason to foster self-employment, one that is discrete and that cannot be entirely offset by market-mediated forms of dependence that self-employed contractors often endure. That said, when independence is valued as a means to reduce

managerial abuse, the strength of this reason importantly hangs on whether there might be suitably regulated employee-work alternatives to self-employment.

6. Occupational freedom

A fourth reason is that occupational freedom may require that options for self-employment be available. Free choice of occupation, which is protected as a basic right in many jurisdictions, typically entails prohibitions on forced labour, on discrimination in hiring, and on the state's conscripting people into jobs and occupations. Despite the consensus it enjoys, however, it is unclear why choice of occupation merits protection as a basic right, and why options for self-employment may be needed to secure it. We here explore two views to this effect, one grounded on self-ownership and the other on autonomy, which respectively map onto two distinct understandings of occupational freedom—as a right not to be interfered with in one's occupational choices and as a right that occupational options be in place.

Take the self-ownership view first. On this view, occupational freedom is best seen as one among other incidents of the moral right to self-ownership, which includes rights to control, use, and transfer one's body and skills, as well as rights against others' non-consensual interference with these rights (Nozick, 1974). Self-owning people are king over their bodies: they are sovereign to decide what use to make of themselves with no compulsion from others, such that actions that are okay if consented to (for example, organ donation) become impermissible absent consent (for example, organ theft) (Van der Vossen, 2019). By the same token, forcibly allocating someone to a particular job, or preventing her from pursuing an occupation, is impermissible because it entails a non-consensual trespassing of her rights to control, use, and transfer her body and skills (Otsuka, 2008).

On this view, freedom of occupational choice, and to become and remain self-employed in particular, is entirely negative (Wilkinson, 2000). It commands that regulatory barriers to self-employment, like cumbersome registration procedures and steep fees, be removed, for they infringe on workers' rights not to be interfered with in their occupational decisions. But negative occupational freedom is wholly consistent with being unable to become self-employed due to constraints

not attributable to others—be they external, like capital shortage, or internal, like scarce skills. The upshot is that, although the view opposes administrative barriers to self-employment, it likewise opposes state policies to foster self-employment, like those offering training or start-up funds. This is so because, given that such policies are likely to entail redistribution via taxation, they violate others' property rights over the income generated from using their body and skills.

A serious drawback of this view is that it fails to ground core protections of occupational freedom (Stanczyk, forthcoming). Self-ownership renders it permissible, for instance, that workers agree to be bound to a single employer (Nozick, 1974) or to be covered by noncompetes, that is, contractual clauses that prevent employees from starting (or joining) a competing business in the same industry. Rights to quit, switch jobs, and start a business, all central to occupational freedom, go unfulfilled as a result. Self-ownership is also hostile to protections from discrimination in hiring, for an employer may refuse to hire women or blacks with no trespassing of their self-ownership. And enforcing a ban on discrimination would trespass the employer's self-ownership right to contract with whomever she likes.

The second view grounds occupational freedom, and freedom to become self-employed, on an interest in autonomy, which requires being able to act on one's aims and beliefs to pursue worthy plans (Raz, 1986). Occupational choices are critical to people's autonomy for various reasons. One is that for most people paid work is inevitable, for they cannot but work to make ends meet. Occupational freedom thus preserves their autonomy to decide, if not whether to work or to laze, then whether to become a lawyer or a nurse (Nickel, 2000). Second, like decisions about having children or where to live, occupational choices are structural: they have long-term and pervasive effects on other realms of life (Raz, 1986; Nickel, 2000). Finally, occupational choices are also central to autonomy because they let people develop their talents and skills, critically shaping their identity (Tomasi, 2012).

Unlike securing self-ownership, securing autonomy requires both negative and positive freedom of occupational choice. It certainly requires freedom from force and fraud, such that people can pick their occupation without being interfered with. Yet it also requires that decent options from which to choose be available

(Raz, 1986; Stanczyk, forthcoming). Work-related autonomy shrinks not just when people are coerced into taking a particular job, but also when taking a dull or precarious job is the only alternative. Surely, people need not be able to take their dream job to have their autonomy secured. But they should have, for the three reasons sketched above, a range of decent occupational opportunities to choose from.

Now, should these opportunities include self-employment? They probably should for workers who, albeit indifferent between employee work and self-employment, have marked preferences for occupations that the labour market, because jobs in such industries are unavailable, cannot meet. Indeed, the nature of one's occupation is the second most cited motivation among the self-employed (Dawson et al., 2009). Such workers may only become a translator, an accountant, or a restaurateur if they can become self-employed at bearable costs—something that, when necessary to realize a vocation, may also be critical to fulfil, or at any rate not hinder, their sense of purpose or 'fit' (Muirhead, 2004).

In principle, these workers could be moved along the indifference curve, such that they would be equally satisfied, by investing in employee work instead of in self-employment. But this may be ever more costly for industries in which firms are increasingly resorting to market contracting (Krueger, 2018). And it may also be unfitting for workers with a marked preference for independence from a boss, as discussed in the previous section. For any of these kinds of workers—and, more controversially, perhaps also for those who do not belong to these categories today, but may want to be able to revise their conceptions of the good in that direction in the future (González-Ricoy and Queralt, 2018, 634-35)—their work-related autonomy importantly shrinks when self-employment opportunities are lacking or prohibitive.

To take stock, although occupational freedom clearly requires that institutional barriers to self-employment be removed, whether it also supports fostering self-employment is less obvious. The self-ownership view, which only requires non-interference with occupational choices, does not. The autonomy view does. But its support importantly hangs on how scarce employee-work opportunities are, as well as on how inelastic and ubiquitous the demand for independence is—or on a controversial view of how self-employment opportunities improve the autonomy

of those who, having no desire for self-employment today, may want to become self-employed in the future.

7. Subsistence under nonideal circumstances

One last argument is that, where jobs and social rights are meagre, self-employment may prove the only alternative to destitution. This is the case in many developing economies, where vegetable sellers, food-cart pushers, shoe shiners, itinerant technicians, and other working poor get through as self-employed—typically in the informal sector and with scant or no access to legal and social protection, formal markets, and basic water, sanitation, and electricity infrastructure. Informal self-employment, which makes up 53 per cent of the workforce in low-income countries and 36 per cent in middle-income ones (Gindling and Newhouse 2014), has two main causes. One is failure by governments to forge conditions for employee work (Banerjee and Duflo 2011), the other being institutional barriers to access formal markets (De Soto, 1989). Though not ideal, protecting and fostering self-employment may be the most feasible way out of destitution, some argue (CLEP, 2008; Queralt, 2019).

But why not promote employee work instead, such that formal labour markets absorb the self-employed poor? This retort makes all the more sense once we realize that, where some see ‘plucky entrepreneurs’ in a hostile environment (De Soto, 1989), ‘reluctant entrepreneurs’ is likely to more accurately portray the informal self-employed in poor countries (Banerjee and Duflo 2011). This is because most of the informal self-employed would rather draw a stable paycheck from someone else, and only resort to self-employment to escape destitution (Todaro and Smith, 2015). However, although reasons to foster wage work instead of self-employment exist, this strategy has three limitations.

One is budgetary. Increasing employee work requires not just general measures, such as stimulating growth in labour-intensive sectors. It also demands specific policies like supporting job-generating businesses, enlarging the public sector, and investing in human capital to reduce unfilled job vacancies stemming from skilled workforce shortage (Fields, 2017). And these policies are expensive and difficult to design. Some lower-middle income economies may be well placed to enact them.

But absent increases in foreign aid, low-income countries, which struggle to meet their citizens' basic needs, may find them too onerous. Policies to improve the conditions of the informal self-employed are less burdensome and feasible to enact, as we discuss below.

A second limitation is that employee work may fail to raise living standards when monitoring and enforcement of labour rights is poor, as often is the case in developing economies. For instance, studying industrial jobs in Ethiopia, Blattman and Dercon (2018) find that the income security that factory jobs offer is often offset by the health and safety hazards they also involve. Two in three sweatshop employees quit within the first months for this reason, they find, resorting to street trade, farming, and other self-employed activities instead. Moreover, though weak enforcement of labour standards is common in early stages of industrialization, scarcity of funds and institutional capacity is not its only cause. In addition, keeping labour standards low often proves a way to improve poor countries' comparative position in unskilled-labour-intensive industries, since it can be attractive to job-creating foreign companies. Troublingly, creating employee work often requires that poor employment conditions be offered.

Third, even when employee work is a policy priority, absorbing the informal self-employed into the formal labour market takes time. For example, Africa would have to create, on some estimates, 54 to 72 million new stable jobs by 2020 to absorb those currently self-employed. But the ratio of employed to self-employed workforce is unlikely to grow as a result—and may actually drop, given the 122 million new workers joining the workforce during the same time (MGI, 2012). Thus, even on best-case scenarios, self-employment is likely to remain the only way to make ends meet in the short and medium term for a sizable portion of the global poor.

These limitations suggest, in brief, that efforts to expand employee work must be combined with policies to improve self-employment, which are of two kinds—depending on whether they seek to formalize or to protect the informal self-employed. Policies of the first kind seek to reduce administrative and financial barriers to formalization. To illustrate: while starting a business in New Zealand takes just one step, half a day, and almost no fee, doing so in Haiti takes 12 procedures, 97 days, and fees equal to two years of the average income (World

Bank, 2018). Ease in formalization requires, in a nutshell, simplified registration, swift licensing, and affordable fees. Although such legal changes may be difficult in countries with heavy-handed regulations and weak bureaucracies, there are examples of lower-middle-income countries, like India and Kenya, having significantly reduced the procedures, time, and money required to start a business (World Bank, 2018). Moreover, several towns in Uganda, where online procedures and merged applications have boosted business registration, show that local reforms may also achieve quite a lot (CLEP, 2008).

Policies of a second kind seek to protect, rather than formalize, informal self-employment, given that full formalization, whose effects on the poorest self-employed are limited, is probably unrealistic (CLEP, 2008). Because ‘informality is here to stay’, Martha Chen (2019) favours measures to protect informal self-employed workers, the poorest ones in particular. One is shielding them from repressive action by local authorities, such as arrests, confiscation of trade goods, and large-scale forceful evictions that street vendors routinely endure (Chen and Skinner, 2014). Another is replacing bans on informal trade, particularly street vending, with legislation that allows and regulates informal activity in public space. A third includes policies enabling access to transport and communication infrastructure, business training, and finance, which benefits informal and formal workers alike.

8. Conclusion

Not all inspected arguments are equally compelling, we have argued, at least when it comes to grounding policies to promote, and not just to protect, self-employment. Arguments that self-employment creates jobs or that it yields higher job satisfaction are contentious. Arguments that it offers independence or that it is needed to secure occupational freedom, by contrast, hold more promise. However, they are less persuasive when employee-work alternatives are abundant and appropriately regulated—or when the demand for independence is weak. Less contentious is the argument that in poor countries self-employment is often the only alternative to destitution. Yet under less severe conditions, arguments for self-employment, however convincing, offer pro tanto reasons and need to be

carefully weighed against considerations of welfare, equality, and efficiency, which is a task for another time. Having no masters above may be something worth promoting. But it may not be the only thing worth promoting.

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