

# Executive Summary

## **Once entrepreneur, forever entrepreneur? Self-employment during the course of working life Titel**

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## **Executive Summary**

The present study investigates self-employment in Germany for the first time from a life-course perspective. The panel datasets of the adult survey of the National Education Panel (NEPS) serve as database. These datasets contain monthly information (mostly collected in retrospect) on the employment history of the birth cohorts 1944 to 1986.

### **Self-employed have discontinuous employment biographies**

On average, in the life span between 15 and 54 years (i.e. birth cohorts of the 1940s and 1950s), self-employed men go through six to eight different employment episodes, compared to eight to nine for self-employed women. The higher number of women's employment episodes is mainly due to periods of child-raising or domestic work which are rare for men. The majority of switches between different employment states occur before the transition into (first) self-employment. The average number of employment episodes has increased over time. Thus, younger birth cohorts are more likely to switch between different employment states than older cohorts.

### **Most self-employed are self-employed only once in their life, but repeated self-employment occurs increasingly**

The majority of self-employed under investigation were self-employed only once. Nevertheless, one in five self-employed has switched several times between self-employment and other employment states. In most cases, multiple self-employed were self-employed twice. Multiple self-employment has increased over time, especially among women.

### **The employment biographies of self-employed are highly individual**

If one considers both the order of different employment states as well as their duration, then no employment biography is completely identical with any other. In this sense, every self-employed person leaves his or her own biographical fingerprint. However, if the focus is solely on the order of employment states, some employment patterns can be identified, even if the majority of employment biographies remain unique. For both sexes, the most frequent life-course up to self-employment leads through apprenticeship and subsequent dependent employment. Otherwise, the "typical" ways of becoming self-employed are different for men and women.

### **Hybrid self-employment has become more important**

With a share of approx. 50%, younger birth cohorts start self-employment more frequently while being in dependent employment or in another employment status. Approximately half of the self-employed who were employees while starting self-employment hold on to this hybrid self-employment in the long run. However, hybrid self-employment is becoming less often a springboard into self-employment.

### **Self-employment is often only a temporary episode**

More than 80% of all self-employed investigated have started their own business until the age of 44 – and more than 40% of male and more than half of female self-employed have already given up self-employment until this age. The shares are even higher if one considers the life period up to the age of 54. An early termination of self-employment is more frequent among younger birth cohorts than among older ones. In general, former self-employed switch into dependent employment which typically lasts until the end of the observed lifetime. Self-employed often times also leave self-employment for family affairs (predominantly women), unemployment or apprenticeship. However, they are usually followed by further employment episodes.

### **Mandatory pension insurance for self-employed alone may not avoid poverty among the elderly**

The increasing discontinuities in the life-courses of the self-employed tend to increase their risk of poverty in old age. Against this background, the call for a general pension insurance obligation for self-employed persons is becoming increasingly important. It could fundamentally reduce their age-related poverty risk. Furthermore, pension insurance would be compulsory for all self-employed persons. However, effective old-age provision is linked to high, continuous insurance contributions. This would overburden precisely the low-income self-employed (or potential self-employed) to be protected and thus would deprive them of their economic existence.