



European Employment Observatory

EEO Review: Self-employment, 2010

Ireland

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Background: Data Sources

This report contains an analysis of self-employment in the Irish economy covering the period from 2000 to 2010. It, therefore, embraces a period of rapid growth from 2000 to 2008, and the subsequent impact of the current recession right up to the beginning of 2010.

In analysing the scale of self-employment in the Irish economy and related trends, the data source used is the CSO Quarterly National Household Survey (QNHS).¹ This inquiry is, of course, an integral part of the Eurostat Community Labour Force Survey. The definition of self-employment used in this inquiry is rather broad, but the data involve a number of advantages insofar as they cover all sectors of the economy, are reasonably up to date, and can be interpreted in the wider context of the labour force as a whole. They are also consistent over time.²

The definition of self-employment used in the CSO QNHS covers:

“persons who work in their own business, professional practice or farm for the purpose of making a profit, and who may employ other persons as paid employees”

They may also engage members of their family without payment (i.e. classed as “family workers”).

It is likely that the great majority of those classified as self-employed operate as small unincorporated businesses rather than as limited liability companies. In the latter situation (which is not referred to in the QNHS definitions) the self-employed person would technically become an employee of the company. However, given the nature of the survey, which is based on household interviews, it is questionable whether this distinction would become evident in the case of very small enterprises (e.g. sole traders).

The analyses are presented on an annual basis, the data for each year relating to the first quarter of the year. The main reason for the choice of quarter was that it allowed the analysis to be brought forward to quarter one 2010, the most recent period for which QNHS data are available.

The remainder of this Report is structured as follows. Part two contains a brief review of self-employment trends since the beginning of this decade, which is set in the context of changes in employment as a whole, and covers aspects such as gender, sectors etc. Part three describes some policy initiatives which directly or indirectly provide support to self-employed persons. Part four reviews the question of the quality of self-employment, while the final Part five contains a brief overview with some concluding remarks.

¹ The author wishes to express his appreciation to the CSO for supplying a range of special QNHS tabulations.

² An alternative source would be CSO enterprise based data within which a category of ‘family businesses’ is distinguished. While these figures provide a greater range of data (e.g. financial aspects), they do not extend to all sectors and would not be as up to date as the QNHS estimates. See McFeely and O’Brien (2008).

1. Introduction – Self-Employment since the Year 2000

1.1 General Trends

A notable feature of the self-employed is that they are predominantly male. It will be noted from Table 1a that, for the most recent year shown (2010), the share for males was 81 % even though this had fallen from 84 % over the course of the decade. Within gender categories, the proportion of self-employment among male workers was just under 25 %, the corresponding share for women being much smaller at 7 % (Table 1b). These particular shares have not changed very much over the period under consideration.

Table 1a. Employment classified by Status and Gender, 2000 to 2010					
Employment Status	Q1 2000	Q1 2004	Q1 2008	Q1 2009	Q1 2010
			(000)		
Males					
Self-Employed	250	265	297	275	248
Employees	736	797	903	802	748
Total	985	1,062	1,199	1,077	996
Females					
Self-Employed	49	54	61	59	60
Employees	620	712	864	830	802
Total	669	766	925	889	861
All persons					
Self-Employed	299	319	358	333	308
Employees	1,355	1,509	1,766	1,633	1,550
Total	1,654	1,828	2,124	1,966	1,858
Note. Employees include unpaid family workers					

Table 1b. Self-Employment Shares of Total Employment by Gender, 2000 to 2010					
SE Shares	Q1 2000	Q1 2004	Q1 2008	Q1 2009	Q1 2010
	%				
Males	25.3	24.9	24.7	25.5	24.9
Females	7.4	7.0	6.6	6.6	6.9
Total	18.1	17.4	16.8	16.9	16.6

The figures for all persons show that the total number of self-employed persons rose from just under 300 000 in Q1 2000 to nearly 360 000 in Q1 2008, the latter figure representing a peak prior to the onset of recession. However, in the following two years, as the downturn intensified, the number fell back to 308,000 by early 2010, almost the same as the original 2000 level. The relative decline in self-employment from Q1 2008 to Q1 2010 was 12 %, much the same as the percentage fall in the number of paid employees (which decreased by nearly 220 000 in absolute terms in the same period).

The estimates show that there are differences when the trends are viewed in terms of gender. The number of women self-employed entrepreneurs has hardly changed at all during the

course of the recession, remaining constant at about 60 000. In the case of males, however, self-employment fell by nearly 50 000 during the two years in question, from 297 000 to 248 000, a decline of nearly 17 %. This was mainly due to sharp declines in self-employment in the building sector and in agriculture (see below).

1.2 The Influence of the Agricultural Sector

Even though it is of declining importance in numerical terms, the agricultural sector still accounts for a significant proportion of total self-employment. Table 2 shows that of the total of 308 000 self-employed persons in the Irish economy in Q1 2010, nearly 65 000 (over 20 %) were in agriculture. The great majority of these, 58 000 or more than 90 %, did not have any paid employees (even though they may have been assisted by unpaid family members). In the non-agricultural sector there were 245 000 self-employed, of whom 150 000 (over 60 %) were ‘sole traders’ with no paid employees – a significant proportion, but much smaller than in agriculture. This means that there were just under 100 000 non-agricultural enterprises in which the principal was self-employed, but which also involved at least one paid employee.

However, the most interesting feature of these results relates to trends evident in the non-agricultural sector since the onset of recession. From Table 2 it can be deduced that, while the numbers in paid employment in this sector fell by 12 % between Q1 2008 and Q1 2010, self-employment declined by a smaller amount, about 9 %. However, there are very large differences within the self-employed group. The figures show that the majority group of ‘sole traders’ hardly decreased at all, but self-employed persons who had paid employees declined by no less than 17 %.

Table 2. Employment by Status, distinguishing the Agriculture Sector, 2004 to 2010³.					
		Q1 2004	Q1 2008	Q1 2009	Q1 2010
				(000)	
Agriculture	SE (with paid employees)	8	9	6	6
	SE (no paid employees)	83	82	72	58
	Employees	23	26	24	17
	Total	114	116	102	81
Total excl Agriculture	SE (with paid employees)	99	115	104	95
	SE (no paid employees)	129	153	152	150
	Employees	1486	1741	1609	1533
	Total	1714	2008	1864	1777
Total at Work	SE (with paid employees)	107	123	110	101
	SE (no paid employees)	211	235	223	207
	Employees	1509	1766	1633	1550
	Total	1828	2124	1966	1858

What these figures indicate is that ‘sole traders’ outside of agriculture have thus far survived the recession reasonably well, but sizeable numbers of self-employed persons who had

³ Comparative data are available only from 2004, due to revisions in the EU NACE classification.

employees have been forced out of business (along, of course, with their workers). The influence of the reorganised 'Back to Work' support schemes for the unemployed (described in Section 3) may have been a factor in assisting the sole traders. Their primary objective is to encourage persons to start work on a self-employed basis, and the numbers supported have increased over the past year.

It must be borne in mind, however, that the changes described here are net changes in employment stocks, and there could be significant offsetting inflows and outflows associated with some of the groups in question which cannot be identified. For example, numbers of 'sole traders' could have been forced to quit, but were replaced (or displaced) by out of work former employees who re-entered the labour market in a self-employed capacity, some of whom may have been assisted by the above mentioned schemes.

1.3 Sectoral Trends

It is of interest to expand on the foregoing discussion and observe more recent trends in self-employment for a range of different sectors. In this commentary the analysis will be restricted to a brief overview of the major developments relevant to self-employment which have occurred in the period since the current recession commenced, i.e. in early 2008. In this regard Table 3 shows relative changes in self-employment and in paid employment by sector between Q1 2008 and Q1 2010.

Table 3. Sectoral Employment Changes by Employment Status, Q1 2008 to Q1 2010			
Sector	Self-Employed	Employees	Total
		%	
Agriculture	-29.5	-33.5	-30.4
Industry	-10.4	-14.5	-14.1
Construction	-32.8	-55.4	-48.8
Distribution, Hotels etc.	-0.2	-13.8	-12.2
Transport & Communications	5.6	-0.3	0.7
Finance, Business Services	-16.4	-11.9	-12.3
Professional & Technical	0.7	-11.1	-8.1
Public Admin, Education, Health etc.	38.1	3.9	5.1
Other Activities	-7.0	-6.1	-6.4
All Sectors	-14.0	-12.2	-12.5

Observing the data for the self-employed, it is clear that the overall decrease is significantly influenced by huge declines (of about 30 %) in building and construction and agriculture⁴ over the period in question. There were modest decreases (10 to 15 %) in manufacturing industry and in finance and business services, but for the remaining sectors the reductions were minimal and for some the numbers of self-employed actually rose. In the case of employees, the numbers at work again decreased sharply in agriculture and construction, and

⁴ The reasons underlying the collapse in the building industry have been well documented, but the fall in agricultural employment is more problematic. In fact the CSO is currently reviewing these figures (see QNHS Release, Quarter 1 2010). In previous recessions there was a tendency for agricultural employment to rise as unemployed farm family members drifted back onto the land.

to a lesser degree for all other sectors, except public administration, education and health, where paid employment actually rose by nearly 4 % over the two year period involved.

2. Assessment of national LM policies and recovery measures

There are few Government sponsored schemes which are specifically designed to promote self-employment, even though some measures which assist small businesses can be viewed in this context, as many of the participants tend to be working on own account (or at least initially so). Three measures are described in the following text.

2.1 Programmes to Encourage Unemployed Persons to take up Self-Employment

- 1) *The Back to Work Enterprise Allowance (BTWEA)*, which is operated by the Department of Social Protection (DSP), is designed to encourage the long-term unemployed and other specified welfare beneficiaries⁵ to take up self-employment opportunities by allowing them to retain a reducing proportion of their social welfare payment (and secondary benefits) for a fixed period.

While the measure was originally introduced as part of a larger scheme in 1999 (the Back to Work Allowance, BTWA), it was reorganised in April 2009 as part of the Government package of “Measures to Aid Recovery”. This involved refocusing the supports entirely on the promoting enterprise (i.e. self-employment): the employee strand of the measure was at that point closed to new applicants and the measure was renamed as indicated.

The revamped measure (i.e. BTWEA) now involves a shorter qualifying unemployment period (down from 2 years to 12 months), but the period of support has been also been reduced, from four to two years. A beneficiary can retain 100 % of the unemployment payment in the first year and 50 % in the second. Furthermore persons who previously participated in the former BTWA scheme can now participate a second time (after a lapse of five years).

To qualify, applicants must be setting up a self-employment business, the plan for which must be approved by a Departmental Jobs Facilitator. BTWEA beneficiaries can also obtain financial support, through the Jobs Facilitator, from a Departmental Technical Assistance and Training Fund (TAT). This assistance can offset some of the costs associated with starting a business such as training, handling accounts, mentoring and public liability insurance (for which there is a specific grant).

- 2) *The Short-Term Enterprise Allowance (STEA)* is a further recently introduced self-employment DSP incentive for the unemployed. While it is similar in some respects to the BTWEA, it is restricted to those who are contributors to PRSI, the State Social Insurance system.

One can get *immediate* access to the allowance, but one must have an entitlement to Jobseeker's Benefit and have paid PRSI contributions for the equivalent of two years, or qualify for statutory redundancy support. The Short-Term Enterprise Allowance is paid for a maximum of one year. It ends when entitlement to Jobseeker's Benefit ends (that is, at either 9 months or 12 months).

⁵ The other beneficiaries include those receiving One-Parent Family Payment, Disability Allowance, Blind Person's Pensions, Carer's Allowance, Farm Assist etc.

As with the BTEA, applicants must first obtain approval for their self-employment business plan from a Jobs Facilitator, and they are entitled to seek further financial support from the TAT Fund as described above.

The number of participants currently being supported by the two above mentioned schemes is about 8 900, of which 7 500 are in the BTWEA. This compares with a total of nearly 8 200 in the corresponding measures prior to the 2009 reorganisation, bearing in mind that the latter total included some 3 600 who were being supported as paid employees. The change, therefore, gave rise to a notable increase in support for self-employment. The published Government Departmental Estimates anticipate the attainment of a significant increase in the level of assistance this year, as these figures indicate a forecast expenditure of nearly EUR 230 million on DSP Employment Support Services in 2010, compared with EUR 180 million in 2009.

2.2 County and City Enterprise Boards (CEBs)

Established in 1993 as limited companies on a non profit basis, there are 35 County and City Enterprise Boards (CEBs), located throughout the country. Their role is to develop indigenous enterprise potential and to stimulate economic activity at local level by assisting micro-enterprises (defined as having 10 or fewer employees). At Government level, the Boards fall under the policy remit of the Department of Enterprise, Trade and Innovation (DETI) which also funds the network in association with the EU ERDF. The current (2010) Budget allocation for the CEBs is EUR 28 million. The day to day administration of the network is the responsibility of Enterprise Ireland⁶. Each CEB includes representatives from the social partners, state agencies, and local voluntary groups as well as elected local public representatives.

As the CEB supports are restricted to small enterprises they are important in the context of assisting business initiatives in which the principal is self-employed. While precise figures are not available, it is understood that a significant number of the CEB clients are self-employed, many of whom are sole traders.

The CEB supports are provided to new and established businesses on the basis that the proposed projects have the capacity to achieve commercial viability. Both financial and non-financial assistance are available to a project promoter. The forms of financial assistance which are available include grants for business priming, expansion/development grants and feasibility/innovation activities. The provision of non-financial assistance can take the form of a wide range of business advice and information services, management capability training and development programmes.

In order to qualify for a grant or financial assistance, the supported micro-enterprises must be in the commercial sphere, must demonstrate a market for the proposed product/service, and have a capacity for growth and new job creation. Priority is given to enterprises in the manufacturing or internationally traded services sector, to women returning to the work force and to unemployed persons. However, the CEBs must give consideration to any potential for deadweight and displacement arising from a proposed initiative.

⁶ Enterprise Ireland (EI) is the State Development Agency for assisting indigenous firms.

In 2009 the CEBs approved grant aid to over 1 000 new projects and facilitated nearly 25 000 participants on training and management programmes. Overall since their inception in 1993 the CEBs have assisted in the creation of some 34 000 net new jobs.

2.3 Other Support Measures

There are a number of other recent initiatives which are relevant to supporting small businesses/self-employment. In October 2008 the Government announced tax relief measures for start-up enterprises which were designed to help small businesses to expand and promote an entrepreneurial culture. New start-up enterprises which have commenced business since the beginning of 2009 are exempt from tax for the first three years of operation, to the extent that their annual liability does not exceed EUR 40 000.

There are other support systems designed to assist the start-up of small businesses. One is, for example, the Seed Capital Scheme (SCS) which allows persons (including the unemployed) to reclaim tax paid in earlier years if it is invested in small enterprises. However, these are designed more to assist incorporated entities rather than self-employment projects.

3. The Quality of Self-Employment Jobs

No assessments of the quality self-employment jobs have been carried out in Ireland, nor indeed has such an issue been raised. It is thus difficult to respond comprehensively to the issues raised under this heading. One can, however, approach the quality issue by examining the educational levels of the self-employed. In this context Table 4 shows a classification of self-employed persons in Ireland by educational level and occupation for 2004 and 2010 based on QNHS data. It is necessary to include the occupational as well as the self-employed dimension in order to obtain a clearer picture, as these two entities are intrinsically linked.

The overall figures for all self-employed persons indicate that there has been a significant improvement in the educational profile during the six years in question. The proportion of self-employed with third level qualifications (including those at degree and diploma level) rose from 25 to 33 %. The share for 'higher secondary' rose more slowly from 34 to 37 %, while the percentage with basic qualifications up to and including lower secondary declined from 41 to 30 %.

Table 4. Persons in Self-Employment. Educational Level Shares within Occupations in 2004 and 2010.			
Occupation	Educational Level	Q1 2004	Q1 2010
			%
Farm Owners and Managers	Up to Lower Secondary	64.8	59.7
	Higher Secondary	29.1	33.4
	Third Level	6.2	6.9
	Total	100.0	100.0
Managers and Administrators	Up to Lower Secondary	30.3	18.7
	Higher Secondary	42.2	39.0
	Third Level	27.6	42.3
	Total	100.0	100.0
Professional	Up to Lower Secondary	3.2	-
	Higher Secondary	11.9	8.6
	Third Level	84.9	91.4
	Total	100.0	100.0

Table 4. Persons in Self-Employment. Educational Level Shares within Occupations in 2004 and 2010.			
Associate Professional and Technical	Up to Lower Secondary	7.1	7.7
	Higher Secondary	27.0	19.3
	Third Level	65.9	73.0
	Total	100.0	100.0
Clerical and Secretarial	Up to Lower Secondary	-	-
	Higher Secondary	54.3	46.2
	Third Level	45.7	53.8
	Total	100.0	100.0
Craft and Related	Up to Lower Secondary	44.1	28.1
	Higher Secondary	44.8	59.0
	Third Level	11.1	12.8
	Total	100.0	100.0
Personal and Protective Service	Up to Lower Secondary	24.1	20.8
	Higher Secondary	49.4	42.4
	Third Level	26.4	36.8
	Total	100.0	100.0
Sales	Up to Lower Secondary	35.2	32.3
	Higher Secondary	41.7	43.6
	Third Level	23.1	24.1
	Total	100.0	100.0
Plant and Machine Operatives	Up to Lower Secondary	66.0	56.0
	Higher Secondary	29.6	34.0
	Third Level	4.4	10.0
	Total	100.0	100.0
Other	Up to Lower Secondary	47.0	45.2
	Higher Secondary	32.0	40.9
	Third Level	21.0	14.0
	Total	100.0	100.0
Total	Up to Lower Secondary	40.7	30.2
	Higher Secondary	34.4	36.6
	Third Level	24.9	33.2
	Total	100.0	100.0

With regard to occupations, the data indicate that the occupational profile for farmers did not change much over the period covered. The proportion in the “up to lower secondary” group was nearly 60 % in 2010, down from 65 % in 2004. The 2010 share for this educational category is the highest among all the occupations indicated. In contrast the educational pattern for self-employed managers and administrators improved substantially. The “third level” share for this group increased from 28 to 42 % in the same period, while the proportion in the “up to lower secondary” category declined from 30 to less than 20 %. It should be noted that this occupation includes significant numbers of self-employed persons engaged in small enterprises in distribution and personal service activities.

For both categories of professional workers, as one would expect, the numbers with third level qualifications is large, and have continued to increase over the period covered. For full professionals the share with third level qualifications is now over 90 %, compared with 85 % in 2004. In the case of self-employed clerical workers and those engaged in personal and protective services, the main shift in the educational profile has been from ‘higher secondary’ to ‘third level’, while for own account craft workers and plant operatives the principal movement has been into ‘higher secondary’ from more basic levels of educations.

The figures for self-employed sales workers are of also interest as, unlike most other occupations, they do not indicate any significant improvement in the educational profile between 2004 and 2010, even though the share for lower secondary or below is significant (just over 32 %). This may derive from the fact that a necessary attribute for this occupation is more related to a capacity to communicate (and persuade) on an interpersonal basis, rather than the possession of qualifications.

4. Conclusions

The analysis shows that currently more than 20 % of the 308 000 self-employed persons in Ireland are engaged in agriculture, with about 16 % each in the building and distribution/catering sectors. The remainder are mainly in other services. A majority of the self-employed are ‘sole traders’ (i.e. without paid employees); even outside of agriculture this proportion is as high as 60 %. The self-employed sector is predominantly male, less than 20 % of such workers are women.

Since the onset of recession in early 2008 the number of non-agricultural sole self-employed traders has remained constant, even though their counterparts with paid employees have declined by as much as 17 % (which is greater than the decrease for the greater body of paid employees). The collapse in the building sector was a significant factor underlying this decrease. The survival of the sole traders may have been assisted by the enhancement of incentive measures designed to encourage unemployed persons to take up self-employment (in the form of the Back to Work Enterprise Allowance (BTEA)). Other measures, such as the supports for micro-enterprises provided by the County Enterprise Boards, may also have been a factor. One cannot, however, discount the possibility that some element of displacement or substitution may have occurred.

Apart from the BTWEA and some other similar schemes, there have not been any policies introduced in Ireland which specifically targeted self-employment. However, there is a range of supports and tax concessions for small businesses which are availed of by self-employed persons. These are mainly to provide assistance at the ‘start-up’ stage and do not provide support on an ongoing basis.⁷ This policy stance is unlikely to change.

Regarding the quality aspect, the analysis shows that the educational profile of self-employed persons has improved significantly in recent years.

⁷ The only exception in this regard is subsistence payments made to small farmers situated in the less developed regions in the West of the country.

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