

Chapter 44

Determinants of Self– Employment Entry: Evidence from Portugal

Nadia Simoes

Instituto Universitário de Lisboa, Portugal

Sandrina B. Moreira

Instituto Politécnico de Setúbal, Portugal

Nuno Crespo

Instituto Universitário de Lisboa, Portugal

ABSTRACT

Self-employment is increasingly an attractive labor market option worldwide. In a European context, Portugal is well-known for displaying one of the highest rates of self-employment. This study explores the main determinants of the probability to enter into self-employment in Portugal. We present results from a binary logit model using individual data drawn from national-level statistics. Our findings suggest that individuals older than 35, males, married, low educated, individuals with previous experience, and heads of household are expected to enter self-employment. The empirical study also reveals important differences regarding households' compositions and dimensions, current and former unemployment levels, and at a regional level in Portuguese NUTS II.

INTRODUCTION

Self-employment has received a great deal of attention from academics and policy makers alike. National economic policies have encouraged self-employment as a way of fostering economic growth and reducing unemployment and poverty. Moreover, the economic literature on self-employment has studied this topic extensively, thereby giving support to more appropriated policy measures for promoting self-employment.

DOI: 10.4018/978-1-7998-1760-4.ch044

Determinants of Self-Employment Entry

Even though an economist would not expect a large share of workers as self-employed, self-employment rates are quite impressive for certain countries. Taking into account OECD countries in general, for example, the last available data show that self-employment rates are 16.6% for EU27 and 16.1% for OECD (OECD, 2013). Turkey (38.3%), Greece, and Mexico top the OECD ranking of self-employment rates. At the bottom of the table comes Luxembourg (5.7%). Considering European regions in specific, self-employment rates are higher in Southern European countries (e.g. Greece: 36.3%; Italy: 25%; Portugal: 21.3%) than, for instance, in Central European (e.g. Austria: 13.8%; Germany: 11.6%) and Scandinavian countries (e.g. Denmark: 8.7%; Norway: 7.0%).

Portugal is among the European countries with the highest rates of self-employment and thus an interesting case study on the subject. Indeed, several authors have acknowledged the relevance of self-employment for Mediterranean or Southern European countries in general and the Portuguese case in a European context (García-Mainar & Montuenga-Gómez, 2005; Baptista & Thurik, 2007; Portugal & Addison, 2008; Teixeira & Davey, 2010). As might be expected, in Portugal, interestingly, self-employment rates are persistently among the highest when compared to other countries (Blanchflower, 2000; Cabral, 2007). Moreover, the same goes for latent entrepreneurship (Blanchflower, Oswald, & Stutzer, 2001; Grilo & Irigoyen, 2006; Gohmann, 2012). Using the last available data from the Entrepreneurship Flash Eurobarometer Surveys (European Commission, 2012), the declared preference for self-employment over wage employment in Portugal is above the EU average (49% compared with 37% at the EU level). The relatively high interest and awareness about self-employment in Portugal may provide a broader perspective for policymakers.

On the determinants of self-employment Portugal has had high international momentum on entry regulations. A recent regulatory reform awarded Portugal as the top reformer in business entry in 2005-06 and its position in the World Bank's Doing Business Index improved markedly (Branstetter, Lima, Taylor, & Venâncio, 2014). Among other findings, key estimates from Branstetter et al. (2014) indicate a positive effect of that entry deregulation on firm formation and employment. Other studies addressing the question of the factors that exert an impact on self-employment have focused on the Portuguese case, but they are, surprisingly, few in number. Moreover, to our knowledge, the available empirical research center either on a specific sector (Teixeira & Davey, 2010; Filipe, Ferreira, & Coelho, 2013) or on a certain Portuguese region (Silva, Trigo, & Antunes, 2011; Duarte & Diniz, 2012). The present chapter attempts to fill the gap by providing empirical evidence from Portugal on the factors that motivate self-employment in general. Thus, with an eye on the under-explored Portuguese case and taking into account the wide array of determinant factors from the existing empirical literature on self-employment, we estimate an econometric model using individual level data from the Portuguese Labor Force Survey.

BACKGROUND

According to Boskin (1974) and Taylor (1999), among others, the self-employment decision implies a comparison of the costs and benefits between paid employment and self-employment. A large number of factors influence that balance of costs and benefits, which might be either financial or non-financial in nature (Verheul, Wennekers, Audretsch, & Thurik, 2002). Much of the empirical literature has looked at the influences of these factors on an individual's entry into self-employment. Following Simoes, Moreira, & Crespo (2015), there are twelve critical individual determinant factors of the entry into self-employment grouped in seven categories: (i) basic individual characteristics (gender, age, and marital

26 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:
www.igi-global.com/chapter/determinants-of-self-employment-entry/245486

Related Content

E-Readiness Assessment Methods and Tools

Stephen M. Mutula (2010). *Digital Economies: SMEs and E-Readiness* (pp. 87-110).

www.irma-international.org/chapter/readiness-assessment-methods-tools/36106

Innovation in the Time of Pandemic: Insights from a Survey of Malaysian Small and Medium Enterprises (SMEs)

Mohammed Alnajjar, Abdelhak Senadjki, Au Yong Hui Neeand Samuel Ogbeibu (2025). *International Journal of SME Research and Innovation* (pp. 1-21).

www.irma-international.org/article/innovation-in-the-time-of-pandemic/368040

Proposed CSR Regulatory Sandbox: Mitigating Greenwashing in Corporate Sustainability Reporting for SMEs in Europe

Renata Thiébaudand Marc Selgas-Cors (2026). *International Journal of SME Research and Innovation* (pp. 1-11).

www.irma-international.org/article/proposed-csr-regulatory-sandbox/398953

Innovation in the Time of Pandemic: Insights from a Survey of Malaysian Small and Medium Enterprises (SMEs)

Mohammed Alnajjar, Abdelhak Senadjki, Au Yong Hui Neeand Samuel Ogbeibu (2025). *International Journal of SME Research and Innovation* (pp. 1-21).

www.irma-international.org/article/innovation-in-the-time-of-pandemic/368040

Copying with Dynamic Change: Collaborative Business Interfacing for SMEs under Intergated eOperations

Jayantha P. Liyanage (2013). *Small and Medium Enterprises: Concepts, Methodologies, Tools, and Applications* (pp. 1494-1506).

www.irma-international.org/chapter/copying-dynamic-change/76029