

## Working for yourself: for love or money?

Findings from *Vocational qualifications, employment status and income: 2006 census analysis*

Whether it's one man, his dog and a building business, or the entrepreneurial stay-at-home mum, working for yourself is an idea that captures the imagination of many Australians. Around 20% of all workers are self-employed, a significant number that has steadily increased since the late 1970s. This overview describes research conducted by Anne Daly from the University of Canberra which looks at the characteristics of people with vocational qualifications who are self-employed and the differences between the self-employed and employees. The aim of the research was to investigate why people decide to work for themselves rather than work as an employee. It also looked at what affects the income of each of these groups. The release of the 5% sample from the 2006 Census of Population and Housing provided the opportunity to disaggregate data by qualification and location of residence, factors that may influence people's type of work and income.

## The findings of the research

Perhaps predictably, the generalisation of the tradie and his ute is not far off. The research finds that over a quarter of males with vocational qualifications are self-employed and most are working in skilled manual occupations. For those with certificate-level qualifications, around a quarter work in construction, demonstrating the significance of self-employment in this area of the Australian economy. On the other hand, only 14% of women with vocational qualifications are self-employed. A large number of these work in hospitality management and the community and personal services sector. As with employees, gendered occupational segregation among the self-employed is prevalent.

Those from non-English speaking backgrounds are also more likely to work for themselves. This suggests that self-employment is important for new migrants entering the labour force, many of whom face barriers to other work because of the difficulty in getting qualifications recognised, low levels of English literacy, and a lack of familiarity with the labour market in their new country. But while people from non-English speaking backgrounds are more likely to be self-employed, they tend to have lower incomes than Australian-born self-employed.

The self-employed are more inclined to be older and married. This perhaps highlights the importance of having greater life experience and a partner to provide financial support or assistance with the business. Women who are self-employed are also more likely to have more children than women who are employees, and while having children usually reduces income for women – both

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## RESEARCH OVERVIEW

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self-employed and employees – this is not the case for self-employed women with a diploma.

Around a third of the self-employed have no other employees and, for those who do, most have fewer than 20 employees. But income is related to the size of the firm, and the self-employed with no employees generally earn less than those who do employ people; people who employ 20 or more employees usually earn the most.

Patterns of self-employment vary by region. By comparison with Sydney, self-employment for males was higher in the rest of New South Wales and in Melbourne. It was lower in Brisbane, Adelaide, Tasmania, the Northern Territory, the Australian Capital Territory, Perth, and the rest of Western Australia. Compared with men with certificate-level qualifications in Sydney, men with the same level of qualifications in Western Australia and the Northern Territory have significantly higher incomes. Daly suggests that this reflects the impact of the economic boom associated with the mining industry in those areas.

Women are more likely to be self-employed outside the capital cities. Location does not seem to have much impact on the incomes of self-employed women with diplomas, but for those with certificates who live outside capital cities, incomes are generally lower.

Daly's research shows that higher unemployment rates tend to reduce the likelihood of self-employment, perhaps indicating that self-employment is a more popular option in a buoyant economy. This finding suggests that the self-employed choose this form of employment rather than being forced into it because of the lack of jobs.

One of the main findings of this research is that the self-employed tend to earn less than employees. Daly surmises that people who work for themselves are motivated by other lifestyle benefits and are prepared to trade off incomes for other benefits associated with self-employment, such as independence and freedom.

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This overview is based on the technical paper *Vocational qualifications, employment and income: 2006 census analysis* by Anne Daly, available from <<http://www.ncver.edu.au/publications/2459.html>>.

Readers may also be interested in *Where tradies work: a regional analysis of the labour market for tradespeople* by Phil Lewis and Michael Corliss, available from <<http://www.ncver.edu.au/publications/2458.html>>.