

Towards Researching
Decent Self-Employment:

A Three-Country Comparison
of Social Protection for the Self-Employed

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Towards Researching
Decent Self-Employment:
A Three-Country Comparison of
Social Protection for the Self-Employed

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Abstract

In the UK, before the Covid-19 pandemic, self-employment was at an all-time high and a distinguishing feature of the UK labour market's recovery from the last recession. Yet, the solo self-employed often earned less than employees in a comparable position. Thus, the great risk of volatile and low income for the self-employed makes welfare provision for them a policy problem of growing importance.

In this thesis, I analyse welfare systems as they relate to the solo self-employed so that we can understand them better, compare them, and research their effects. I, so, give moral and practical purpose to the process of effectively engaging the research community in the policy problem of how to shape welfare systems that enable decent self-employment. My research focus is on de-commodifying entrepreneur labour and the entrepreneurial process, applying Esping-Andersen's de-commodification concept for the first time to self-employment. I define six causes of low profit that force an entrepreneur to conceivably need de-commodification. I use this conceptual framework to compare the welfare systems of the UK, Germany, and Denmark, each with different traditions and views of the role of the welfare state, and, in so doing, consider how welfare regimes vary in enabling or constraining room for de-commodification for the solo self-employed.

Based on document analysis of welfare regulations and guidance, and semi-structured interviews with welfare and self-employment experts, I compare and discuss the conditions linked to receiving benefits in each of the three welfare states. I also explore the policy rationale and policy discourse arising from traditional practice and economic circumstances.

My research contributes to three areas of knowledge. In relation to welfare theory, for the first time, I apply the thinking on de-commodification to self-employment. In relation to entrepreneurship research, my research shows that welfare systems should be considered part of the entrepreneurial ecosystem. Moreover, my work challenges entrepreneurship theory as it does not usually discuss labour as an entrepreneurial resource, whereas I explicitly consider how much labour an entrepreneur is willing and able to invest. In terms of implications for decency, my

work contributes to the thinking about and discussion of decent work in general and amid the rise of self-employment specifically.

My research has implications for policy and opens up an important research agenda. It highlights the dilemmas that policymakers face when considering how to support entrepreneurs at risk of low or no income. Self-employment cannot be decent in all circumstances, and policymakers must consider in which circumstances the state would accept to support self-employment.

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Chapter 1. Introduction

1.1 Background

In many countries globally, self-employment is a central form of work. The percentage of people around the world who are self-employed was 46.5% on average in 2019 (Buchholz, 2021)¹. In low-income countries, that number was as high as 80.3% on average and ranging up to 95.1% in Niger (Buchholz, 2021). In high-income countries, on average 12.2% of workers are self-employed (Buchholz, 2021).

In Europe, self-employment has long been promoted to create “more and better” jobs. The European Council’s Employment Guidelines suggest that European Union member states boost demand for labour and facilitate the creation of quality jobs by promoting entrepreneurship and self-employment (European Council, 2018). Today, 13.3% of the EU workforce is self-employed (Eurostat, 2020). However, as Spasova and Wilkens (2018: 98) commented, this general trend masks some “interesting developments” including that the share of the self-employed with employees is slowly decreasing and the share of self-employed workers without employees is increasing.

In the UK, before the Covid-19 pandemic, self-employment was at an all-time high. Over five million workers were self-employed in January 2020 (Clark, 2022). Self-employment was also “a distinguishing feature of the UK labour market's recovery from the last recession” (CIPD, 2018: 5).

Yet, the solo self-employed often earn less than employees in a comparable position. In the UK, full-time self-employed entrepreneurs earned on average only £240 per week whilst employees earned £400 in 2016 (Sidhu, 2018). Self-employment by gender also uncovers inequalities: the number of full-time self-

¹ Notably, the data includes subsistence farming and people working without pay for their family businesses as self-employed.

employed women grew by 84% since 2001 (Sidhu, 2018), but data from 2016 shows that full-time self-employed women only earned £243 per week to men's £363 (Sidhu, 2018). According to the Rowntree Foundation (MacInnes et al., 2015: 43), poverty rates were also high in families that include a self-employed worker:

- 40% in couples where one partner is self-employed
- Nearly 40% for part-time self-employed workers who are single
- 26% in couples where both partners are self-employed
- 26% for full-time self-employed workers who are single.

Against this background, it may be time to reinterpret the welfare state as has been done so often before since Beveridge's report in the UK in 1942 (e.g., Bonvin and Laruffa, 2022). In contemporary (managed capitalist) welfare states, economic development drives much of the social policy debate. Social policies are means to promote growth and drive employment (Hirvilammi, 2020). Any job is considered a good job. Workers have less and less room to de-commodify their labour as activation policies sought to empower them to join the labour market (K. Jones, 2022). Instead, as Bonvin and Laruffa (2022) argue, welfare should become a means to recognise human agency and social policy should start from the perspective of human well-being and flourishing. Social policy "should strive to instil alternative conceptions of what is valuable human agency (at work or beyond work) relying on a more encompassing conception of the doer dimension, e.g. through subsidising programmes and measures promoting such alternative views" (Bonvin and Laruffa, 2022: 491). In this context, the authors argue, social policies may be a powerful tool for rewarding activities that contribute to, for instance, environmental value creation. Here, the welfare literature overlaps with recent entrepreneurship literature, which has also begun considering the role of entrepreneurs in democracies (Audretsch and Moog, 2020). Arguably, the Covid-19 pandemic has only heightened the need for a discussion on the boundaries between the market and welfare state: if welfare states are, in fact, fit for purpose (Shafik, 2021; Murphy and McGann, 2022). "At stake is how we envisage the value of work and what it means for people to contribute productively to society beyond the commodification of their labour" (Murphy and McGann, 2022: 444). This thesis can be the beginning of this necessary conversation for self-employment (in comparison to employment).

Such thinking aligns with what I elaborate in this thesis; that more differentiation in relation to self-employment (e.g., de-commodification of labour and the entrepreneurial process) enables these recognitions as a more layered understanding of who may be enabled (or hindered) to pursue decent self-employment is necessary.

The self-employed depend on their own labour as a resource for income generation and are thus at great risk of income volatility and low income (Chapter 2). The rise of self-employment and the corresponding rise of low-paid self-employment suggests we maybe need a better-designed welfare system to prevent poverty in self-employed families. Equally, we may need an approach discouraging entrance into low-paid self-employment and encouraging early exit.

My research focuses on the solo self-employed because for them their labour is closely linked to their ability to achieve profit. For the solo self-employed entrepreneur, profit and drawings from the business are crucial because they directly sustain their ability to invest their labour as a resource. Profit also sustains their business, for example through mandatory or voluntary insurances such as health insurance or private unemployment insurance, which in turn relates to their ability to invest their labour. Lastly, drawings sustain the entrepreneur's household (Chapter 3).

Against this background, in this thesis, I develop a concept towards researching "decent self-employment" and analyse how different welfare systems shape the conditions for decency in self-employment. I compare the welfare provision for the self-employed in the UK (Chapter 6) with the welfare regimes of Germany (Chapter 7) and Denmark (Chapter 8) to highlight who might be at risk of indecent self-employment and why. I compare the three countries because they are economically comparable but with philosophically different views of the role of the welfare state (Esping-Andersen, 1990; Chapter 2). This allows for comparison not just of different approaches to self-employment policy but also to derive policy recommendations to address poverty among the self-employed.

Specifically, I focus on decent self-employment through de-commodification. Labour de-commodification refers to the “degree to which individuals, or families, can uphold a socially acceptable standard of living independently of market participation” (Esping-Andersen, 1990: 37). For the first time, I apply this concept to self-employment. I focus on de-commodification in self-employment because financial capital (i.e., how welfare is paid) is a fungible resource and can play different roles in entrepreneurship. It is a means of input into the business but also output. Financial capital as input to the business could be an investment in equipment, inventory, or working capital to allow business operations. It may be used to invest in resources such as social and cultural capital. As an output, financial capital is primarily a means of “pay” to cover living expenses (Vinturella and Erickson, 2013). While research on decent self-employment would be interested in financial capital both as an input and output, in this thesis I consider financial capital only as an output, as income.

1.2 Research aims

From these considerations, the project’s research aims are to:

1. Propose a concept towards what "decent self-employment" may look like
2. Analyse welfare rules that regulate self-employment de-commodification and identify patterns of de-commodification, and what this means in how different welfare states enable or hinder decent self-employment through de-commodification
3. Compare three state welfare systems as to how they perform in relation to objective (2) and what this says about the welfare states today.

1.3 Originality and contribution

My research contributes to three areas of knowledge.

First, in relation to welfare theory, I advance thinking on de-commodification. In the past, research on and thinking about de-commodification focussed on employed

labour. For the first time, I apply the thinking on de-commodification to self-employment. My conceptual framework notes six causes of low-profit in self-employment where de-commodification would support the entrepreneur and their household to achieve a decent income – I differentiate “income” in detail in Chapter 3. I thereby differentiate between de-commodification of self-employed labour and the entrepreneurial process in thinking about the need for de-commodification overall. Additionally, I argue that the entrepreneur's business and family life course should also be considered.

Second, I conduct empirical research and apply the framework in three countries (UK, Germany, Denmark). I analyse the welfare regulations of three philosophically different welfare states in detail and draw on interviews to understand the systems further, as well as the state of the policy debate in those settings.

Third, I open a future research programme. I cannot address all of the questions that my research raises in relation to what decent work may look like in relation to self-employment and what this means in terms of different welfare states enabling decent work. There are implications of inequality for those who are hindered to achieve decent self-employment and in this thesis I point to further research that should be carried out to understand how these groups are hindered to achieve decent self-employment, and how they could be supported instead.

In relation to entrepreneurship research, my work shows that welfare systems should be considered part of the entrepreneurial ecosystem. Moreover, my work challenges entrepreneurship theory as it does not usually discuss labour as an entrepreneurial resource. I explicitly do so, considering how much labour an entrepreneur is willing and able to invest.

In terms of implications for decency, my work contributes to the thinking about and discussion of decent work (Somavia, 1999) in general and amid the rise of self-employment specifically (Taylor et al., 2017). I am the first person to begin thinking about decency in self-employment academically: I develop a framework through which we can begin thinking about conditions under which decency – as it relates to having sufficient income – is at risk.

My work also has implications for policy. It highlights the dilemmas that policymakers face when considering how to support entrepreneurs at risk of indecent work. Self-employment cannot be decent in all circumstances, and policymakers must consider in which circumstances the state would accept to support self-employment.

1.4 Thesis structure

The thesis is structured as follows:

In Chapter 2, I propose a way of thinking about “decent self-employment”. I show how thinking about “decent work” has centred on paid employment. Starting from the International Labour Organization’s (ILO) definition of decent work, which is work that is productive and carried out in the “conditions of freedom, equity, security and human dignity” (Somavia, 1999: 3), and considering the broader academic literature, I outline which aspects should be considered to make up decent self-employment. I also highlight the complex factors that may make achieving a universally acceptable or standard definition of decent self-employment elusive by nature. I point to the dilemmas that policymakers face when considering how to create the conditions that allow for decent self-employment for different people. In this way, I lay the foundation to pose a set of questions for thinking about decent self-employment. These questions are, in part, pursued in the following chapters.

Chapter 3 builds on this conclusion. I discuss how entrepreneurship is about commodifying resources, including labour and financial capital, into revenue. Understanding resources will enable thinking about how the welfare state relates to providing resources and thus enabling decent self-employment. I consider the importance of resources throughout the business life cycle to discuss how they enable decent self-employment. I draw on the resource-based view of the firm to facilitate this thinking (Barney, 1991). Chapter 3 also shows that labour capital is important, but always combined with other capitals and always combined under conditions of uncertainty, although that uncertainty does vary.

In Chapter 4, I introduce the de-commodification literature (Esping-Andersen, 1990) in order to link it to decent self-employment. According to Esping-Andersen (1990), de-commodification is the level of welfare state provision to labourers that allows them to meet their basic needs without having to work, e.g., during times of unemployment, maternity, or illness. In the past, de-commodification has always been thought of in relation to employed labour. For the first time, I apply the de-commodification concept to self-employment. I present a conceptual framework that outlines the causes of low profit in which welfare may de-commodify self-employed labour or the entrepreneurial process. I distinguish between de-commodification of the entrepreneur's labour, for example, when they are unable to invest all of their labour, and the entrepreneurial process, e.g., when the market interferes with the entrepreneur's ability to achieve profit such as in times of a crisis. Based on their degree of de-commodification, Esping-Andersen (1990) proposed a typology of three welfare regime types. In Chapter 3, I also outline the characteristics of each regime and present reasons why in my empirical work in later chapters, I go on to analyse the three welfare states of the UK, Germany, and Denmark as examples of these regime types.

Chapter 5 describes this thesis' methodology and research design. In it, I argue why the critical realist ontology underpins this research project and why document analysis and semi-structured interviews were used to rigorously describe welfare provision for the self-employed in the UK, Germany and Denmark. The chapter concludes with an account of the data analysis process and of my learning from the research process.

Chapters 6, 7, and 8 are the empirical chapters that describe the conditions of welfare support for the self-employed in the UK (Chapter 6), Germany (Chapter 7), and Denmark (Chapter 8). Each chapter outlines (i) the conditions of welfare support for the self-employed (addressing RQ2), (ii) an analysis of the conditions of welfare support relating to the six causes of low profit as outlined in the conceptual framework (addressing RQ2), (iii) an analysis of welfare systems based on the interviews, and an initial view into the state of the policy debate in each welfare state in relation to de-commodification and self-employment (addressing RQ2), and (iv) an

assessment as to the decency of self-employment in the respective welfare state (addressing RQ3).

In Chapter 9, I compare the causes of low profit that the three welfare systems support and do not support across the three countries. I analyse welfare rules that regulate self-employment de-commodification and identify patterns of de-commodification, and what this means in how different welfare states enable or hinder decent self-employment through de-commodification (addressing RQ2).

Based on the comparison in Chapter 9, in Chapter 10, I discuss what the forms and patterns of de-commodification mean in how each welfare state enables or hinders decent self-employment for different groups. I compare the three state welfare systems as to how they perform in relation to RQ2 and what this says about the welfare states today (addressing RQ2). Lastly, I also present the thesis' contributions to welfare theory, entrepreneurship theory, and implications for decency, and policymaking.

The final chapter provides a thesis overview, returning to the initial research aims and questions to relate them to the overall analysis. It summarises the theoretical and practical contributions to knowledge. This is followed by potential limitations of the research approach, which leads to opportunities for further research.

Chapter 2. Towards decent self-employment

2.1 Introduction

In this chapter, I want to begin to propose a way of thinking about “decent self-employment”. I argue why – despite its criticisms – the ILO’s Decent Work concept is a useful starting point for thinking about decency in self-employment. Among others, the concept offers various levels of analysis – the macro, meso, and micro – that allow a nuanced analysis of conditions of work and how they are shaped. I therefore argue that the Decent Work concept can be a systemic thinking tool for policy and research. Starting from the ILO’s definition of Decent Work, which is work that is productive and carried out in the “conditions of freedom, equity, security and human dignity” (Somavia, 1999: 3), I discuss conditions of work and how they relate to my developing understanding of decent self-employment. Analysing what exactly makes self-employment decent is an endeavour too broad for this thesis. Therefore, I justify why focusing on income as a starting point makes sense; it is both central to decent work and relates directly to welfare, which is the subject of the thesis. My work should be seen as the start for a deeper academic and policy discussion on the question of what decent self-employment may look like, and for whom. As previous thinking about conditions of work has often centred on paid employment, this thesis contributes to knowledge because it challenges an established paradigm.

In my discussion, I also highlight the complex factors that may make achieving a universally acceptable or standard definition of decent self-employment elusive by nature. I point to the dilemmas that policymakers face when considering how to create the conditions that allow for decent self-employment for different people. To operationalise decent self-employment in this thesis, I identify both income and income security as keystones for decent self-employment. In my thinking I focus on income – which can take various forms in entrepreneurship, such as profit and drawings – as for the solo self-employed entrepreneur, income is crucial because it directly sustains their ability to labour. It also sustains the business, for example through mandatory or voluntary insurance such as health insurance or private

unemployment insurance, which in turn relates back to the entrepreneur's ability to labour. Lastly, income sustains the entrepreneur's household.

Furthermore, I discuss six dimensions that affect decency in self-employment. While I move forward with a focus on income, as described above, my thinking towards a concept of decent self-employment aims to be a starting point for a wider academic and policy discussion. In this thesis, I cannot discuss each of these aspects in detail, but highlight the complexity of thinking about the various aspects of decent self-employment.

The chapter is structured as follows: first, I introduce the International Labour Organization and its Decent Work Agenda. I then present and discuss the reception (and critique) of the ILO's decent work definition. Building on this, I critique the Decent Work concept and outline why it makes sense to apply its thinking to my research project. Lastly, I discuss the various conditions of work and how they relate to decent self-employment.

2.2 The International Labour Organization and its Decent Work Agenda

The International Labour Organization (ILO) was founded in 1919 following the First World War (Ferraro et al., 2016). Its aim was and remains to raise labour standards and thus bring about social justice and peace (Standing, 2008; Ryder, 2015). The objective of the ILO is to defend people's freedom, dignity, economic security, and equal opportunity (ILO, 1944). Today, the ILO is a specialised tripartite international organisation that is an agency of the United Nations and brings together representatives of governments, employers, and workers.

The ILO's 1944 'Declaration Concerning the Aims and Purposes of the International Labour Organization' (Philadelphia Declaration) is one of the core texts that constitute the aims and objectives of the ILO. It specifically declares that labour is not a commodity (ILO, 1944). This declaration is grounded in the understanding that workers should be regarded not as mere "labour units" and "factors of production"

because, as human beings, they have dignity and are therefore worthy of respect (Kolb, 2008). Labourers have dignity no matter their status and relationships, e.g., if they are employer or employee, customer, or vendor (Kolb, 2008). The Philadelphia Declaration was change-making within the ILO's history because it widened the ILO mandate beyond working conditions to state categorically that workers should enjoy freedom, dignity, economic security, and equal opportunities (Lee, 1994). Set against the background of the Great Depression, mass unemployment and poverty in the 1930s, its authors were reminded of the impact of economic policies on labour conditions and thus the limitations of labour legislation (Lee, 1994). The Philadelphia Declaration put a new emphasis on economic and social policies to attain social objectives. As Perulli wrote, the ILO's goal was to "spread awareness" that labour is not divisible from the individual carrying out the labour (2018: 7). A labourer is not an "inanimate product that can be negotiated for the highest profit or the lowest price. Work is part of everyone's daily life and is crucial to a person's dignity, well-being and development as a human being" (Perulli, 2018: 7).

In turn, the 1980s, the decade leading up to the launch of the Decent Work Agenda, was a time of economic liberalism and welfare cuts during which the ILO as an institution was also losing importance (Van Daele, 2008). The 1980s (and 1990s) were a time of economic liberalisation, globalisation, and technological transformation. The labour market was flexibilised (Ferraro et al., 2016) and labour capital progressively came to be seen by employers as a mere means to an end (Somavia, 1999). Labour was used to create wealth and growth without regard for the quality of work. In this context, the then ILO Director-General Juan Somavia set up the Decent Work Agenda to address the dangers to labourers (Somavia, 1999: 1). He aimed for jobs to be a means towards social cohesion and proposed "decent work" as an antidote to the "race to the bottom" (Somavia, 2000).

In 1999, Juan Somavia set out the Decent Work Agenda to "combat degradation of the labour market" (Ferraro et al., 2016: 79). The decent work approach focussed the ILO's work on all forms of labour including self-employment (Deranty and MacMillan, 2012). Somavia was the first ILO Director-General from a developing country (Chile) and intended to bring informal work, prevalent in the Global South, into formal labour structures.

Somavia based this new policy direction on the mandate that all “those who work have rights at work” (Somavia, 1999: 4). The ILO’s Constitution called for the improvement of “conditions at work” and thus, Somavia argued, it is the role of the ILO to improve working conditions “whether organized or not, and wherever work might occur, whether in the formal or the informal economy, whether at home, in the community or in the voluntary sector” (Somavia, 1999: 4).

Somavia coined the term “decent work” and made it a strategic objective of the ILO but did not specifically define what it constitutes. He merely described it in different places. Three quotes from the Decent Work report outline what Somavia understood decent work to be:

“The primary goal of the ILO today is to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity” (Somavia, 1999: 3).

“The ILO is concerned with decent work. The goal is not just the creation of jobs, but the creation of jobs of acceptable quality. The quantity of employment cannot be divorced from its quality” (Somavia, 1999: 4).

“Decent work means productive work in which rights are protected, which generates an adequate income, with adequate social protection. It also means sufficient work, in the sense that all should have full access to income-earning opportunities” (Somavia, 1999: 13).

In addition to a focus on security through adequate income and adequate social protection, the ILO definition includes a focus on productive work. In the context of enterprise and for the purposes of considering decent self-employment, I understand productive work to mean economically profitable work². This reflects the logic of capitalist welfare states.

² Importantly, I want to note that this definition of productivity devalues unprofitable work and how this excludes some forms of social value creation. This is a dilemma I pick up on repeatedly in this thesis.

Importantly, the Decent Work Agenda encompasses an understanding of “work” that goes beyond traditional employment. Somavia explicitly refers to all forms of work and his acknowledgement that the Agenda is “concerned with all workers” (Somavia, 1999: 3) and that “[a]lmost everyone works, but not everyone is employed” (Somavia, 1999: 3) acknowledges non-employment forms of work. In fact, Somavia references self-employment explicitly. He wrote:

“The ILO is concerned with all workers. Because of its origins, the ILO has paid most attention to the needs of wage workers — the majority of them men — in formal enterprises. But this is only part of its mandate, and only part of the world of work. Almost everyone works, but not everyone is employed. Moreover, the world is full of overworked and unemployed people. The ILO must be concerned with workers beyond the formal labour market — with unregulated wage workers, the self-employed, and homeworkers” (Somavia, 1999: 3-4).

Lastly, I want to highlight that Somavia specifically included social protection in his Decent Work Agenda. He included thinking about institutions such as the welfare state and their role of protection amid volatile economic developments (Somavia, 1999).

In conclusion, the Decent Work concept may be summarised as free, secure, equitable, dignified, and productive work. That is, work that prevents precarity because the worker earns an adequate income which allows them and their family to ensure their economic well-being. Additionally, the worker should be able to balance their physical and mental health by being able to balance their work alongside any family or personal responsibilities. This presumes adequate hourly pay, and it also considers that work should not (always) take place during anti-social hours, e.g., weekend work (Messenger, 2006). A social protection net should be in place that provides the worker and their family with provisions against life contingencies such as ill health or unemployment.

The Decent Work Agenda's considerations for an adequate income, and social protection in case an adequate income cannot be realised, make it suitable for the purposes of this research project. Decent work rests on an income that allows an adequate living wage, ensuring the economic well-being of entrepreneurs and their households, but also the ability to invest in improvements to the entrepreneurial process to create future profit, including having an income while undertaking training and further education. Additionally, the ILO's Decent Work concept specifically includes a reference to social protection in circumstances where an adequate income cannot be realised. Focusing on achieving an adequate income and having some protection when this cannot be realised is proposed as at least the foundational layer of a concept of decent self-employment. Especially as the Decent Work Agenda was meant to be "an aspirational political and social agenda" and my proposal for what should be decent self-employment contributes to this agenda (CIPD, 2017: 12). So, I can draw on aspects from the Decent Work Agenda to include in my thinking of decent self-employment. The next section turns to discuss the reception of the Decent Work Agenda.

2.3 Reception and critique of the Decent Work Agenda – and why it suits my research agenda nevertheless

In this section, I highlight core points of critique regarding the Decent Work Agenda. I compare it with other theories on conditions of work and acknowledge that it is not a perfect concept to use. I discuss these criticisms and explain why I decided to apply the Decent Work approach in my research nevertheless.

2.3.1 The Decent Work concept reflects the complexity and multi-dimensionality of conditions of work

One major criticism of the Decent Work agenda was that it lacked a clear definition of decent work (Standing, 2008). Countering this critique, Somavia argued that ILO is a global international organisation and therefore cannot define minimum levels of income etc. as they must be understood differently in different cultures and, most of all, in different economies (Somavia, 1999).

In detail, the ILO was criticised for a lack of clarity in regard to its wording. Standing (2008) criticised the ILO's use of watered-down terminology which diluted social protection by not being specific: for example, social dialogue replaced freedom of association and collective bargaining. This lack of clarity led to more questions such as if "rights at work" mean a minimum wage or living wage, or the right to an employment contract (Moore et al., 2015). Similarly, the Philadelphia Declaration's reference to dignity could be upheld in courts as dignity is a concept based on the human rights agenda, whereas a term like "decency" was merely linked to the principles of the ILO (Moore et al., 2015). Later, the lack of a tight definition led to a wide-ranging discussion on how to measure decent work (Ghai, 2003). Burchell et al. (2014), for example, argued that the ILO's Decent Work Agenda has not been adopted as widely in academia as other concepts, such as job quality, because they are much easier to compare and measure (Burchell et al., 2014; see also Piasna et al., 2020). The authors suggested that the job quality concept is easier to measure because it focuses on specific and quantifiable aspects of work, such as wages, working hours, and job security (Burchell et al., 2014).

For the purposes of my research, working with the Decent Work concept makes more sense than theories such as job quality, because of the Decent Work Agenda's legacy of looking at social protection, which is a level of analysis the job quality debate does not have. I elaborate on this in more detail in the following paragraphs.

The Decent Work concept lends itself to thinking about the conditions of work – for the employed, the self-employed, and workers in other forms of non-standard work – because it considers different levels of analysis; from the micro through the meso to the macro level. The concept so allows a more nuanced understanding of the complexity of the conditions of work.

At the macro level, we can use the Decent Work approach to consider the broader conditions of work, including how institutions – like the welfare state – shape work. The Decent Work Agenda made specific reference to social protection and, so, is taking a higher level view of the conditions of work (Somavia, 1999: 13). This

institutional level is what my thesis is about – how the welfare state as an institution shapes the conditions of work for entrepreneurs.

At the meso level, Decent Work allows considering the entrepreneur's household or business (Carter et al., 2017). We can differentiate how different circumstances in life shape entrepreneurship, such as how the household make-up (e.g., multiple income streams to the household) can mean either additional security or how a lack of other incomes can be a cause of stress for entrepreneurs. The same applies to the business: a nuanced reflection on how investing labour in entrepreneurship (e.g., Rouse and Jaywarna, 2014) is supported or hindered throughout the business life course is possible.

At the micro level, the Decent Work concept allows me to analyse the individual more closely. It allows for thinking in a more nuanced manner about the worker's ability to labour (e.g., as a solo self-employed entrepreneur) or how the entrepreneur themselves perceive the decency of their work (Webster, 2016).

2.3.2 The Decent Work concept explicitly includes self-employment

In addition to enabling a more nuanced analysis of the conditions of work over different levels, the Decent Work approach specifically includes forms of work beyond employed labour (Somavia, 1999). In this section, I show that researchers have often focussed on conditions of work in relation to employment. This thesis with its focus on the conditions of self-employed work thus presents a challenge to the established paradigm.

Academic research (more than policy work) on the conditions of work tended to focus on paid employment (e.g., see Brill, 2021 and on decent work more widely Christie et al., 2021). When researchers included self-employment in their thinking and discussion, it was often understood as subordinate working relationships, such as when the self-employed are in bogus self-employment³ (e.g., Muñoz de Bustillo et

³ Bogus self-employment is a form of non-standard employment where an employer treats a worker as an independent contractor. The employer thus hides that objectively the worker meets the requirements to be an employee. The ILO considers bogus self-employment a “disguised employment

al., 2011; Rubery et al., 2018). For example, Rubery et al. (2018) have partially considered what I call “decent self-employment”. They analysed and discussed the challenges in “normalising” precarious work and developed a proposal to achieve greater inclusion of precarious workers⁴; although their understanding only included dependent self-employed workers (Rubery et al., 2018).

In the grey literature, the Chartered Institute of Personnel and Development (CIPD, 2017), a UK-based professional association for human resource management professionals, proposed a list of six key dimensions of job quality. These are:

1. Pay and other rewards: including objective aspects such as wage level, type of payment (for example, fixed salary, performance pay) and non-wage fringe benefits (such as employer-provided pension and health cover) and subjective aspects (such as satisfaction with pay);
2. Intrinsic characteristics of work: including objective aspects such as skills, autonomy, control, variety, work effort, and subjective aspects such as meaningfulness, fulfilment, social support and powerfulness;
3. Terms of employment: including objective aspects such as contractual stability and opportunities for training, development and progression and subjective aspects such as perception of job security;
4. Health and safety: including physical and psycho-social risks;
5. Work–life balance: including working time arrangements such as duration, scheduling and flexibility, as well as work intensity; and
6. Representation and voice: including employee consultation and trade union representation (CIPD, 2017).

relationship” (ILO, 2016: 17) where a service is delivered under a contract for services when it should be a contract of employment. Workers in bogus self-employment tend to be denied the employment and social protection rights as they are granted to employees normally. The practice emerged in the last decades as a result of businesses shifting risks to the worker and to save money, e.g., on social protection costs.

⁴ Rubery et al. (2018: 510) define precarious work as work that is not in the form of a standard employment relationship, which in turn supports de-commodification of labour.

Notably, the CIPD's consideration of the conditions of work are focussed primarily on employed work and how work is organised within organisations. The six dimensions consider (among others) the contract and pay level (dimensions 1 and 3), the relationship between the employee and employer (dimension 6), and how work shapes the employee's work-life balance (dimension 5). In terms of the level of analysis, it is more about organisations (meso level) and the individual (micro level) than the macro level, which includes thinking about institutions beyond the employing organisation. In contrast, the Decent Work concept specifically calls for thinking about the conditions of work of the self-employed and allows for an analysis at this societal level considering institutions that shaped the conditions of work, such as the care system or the social protection system.

A notable exception to thinking about decency in self-employment specifically is the Association of Independent Professionals and the Self-Employed (IPSE). IPSE is a British not-for-profit organisation that represents and promotes the interests of the UK's self-employed. In the realm of the 2017 publication of the Taylor review on "good work", IPSE had considered what "good self-employment" may look like and summarised their thinking in "ten principles of good self-employment":

1. A reasonable income that is at least equivalent to the hourly living wage;
2. A way of coping with the variability of income, through a savings buffer, income pooling, insurance or other means – as well as fair access to financial products and state benefits;
3. Prompt payment by clients on payment terms that do not exceed 30 days from completion of work;
4. Genuine control and autonomy over their work, without unreasonable client requests that impinge on their independence;
5. A healthy and positive relationship with clients, based on mutual respect and a clear understanding of rights and obligations on both sides;
6. The absence of social isolation at work, be that through the use of co-working spaces, spending time with clients, or being home with family members;
7. Genuine choice in working hours that suit the individual, without pressure from clients to work longer or unpaid hours;

8. Ability and confidence to take time off work for holidays, sickness or other personal commitments when needed;
9. Access to affordable training and professional development opportunities to improve their skills; and
10. The freedom and opportunity to undertake work they find meaningful and gives them a sense of progression (Briône, 2018: 24).

While the IPSE framework explicitly focuses on addressing the working conditions of the self-employed, it encompasses a range of issues and serves as a call to policymakers to consider rather than as a well-considered conceptual framework. It encompasses different levels of analysis, including income (principle 1) and income variability (principle 2) at both the macro level (shaping institutions like the welfare state) and the meso level (influenced by the household and business dynamics). Relationship dynamics (principles 2 and 5) are situated at the meso level, while the notion of meaningfulness (principle 10) pertains to the micro level, the individual. Consequently, while the IPSE framework would offer an analysis at various levels, it is more a political call to action than a well-considered comprehensive and coherent theoretical tool that allows a discussion of a decent (or good) self-employment concept.

More generally, research concerned with conditions of work is a broad area spanning multiple disciplines where there is no unity to be found. As Findlay et al. (2013: 442) wrote: “defining and measuring job quality is difficult. Although a number of definitions, measures and even indexes of job quality exist, there is no consensus about what constitutes job quality”. Conceptualisations of job quality do not tend to agree on indicators (single or multiple) or the weighting of each indicator (Findlay et al., 2013). There are also differences across disciplines: economists tended to differentiate “good” and “bad” jobs by how well they are paid (e.g., Adamson and Roper, 2019), sociologists focus on skill and autonomy, and psychologists have in the past proposed concepts such as “meaningful work” arguing that meaningful work is a human need and thus a human right (Yeoman, 2014). Furthermore, the very ideas of job quality may contain gender biases, as the concept of desirable employment is often shaped by traditional male-breadwinner models (Wright, 2013). Also, there are often differences in geography, focusing on individual countries, even

regions, or various types of countries, such as advanced or developing nations. For example, in the UK, the term “good work” was used in an influential policy review (Taylor et al., 2017). Likewise, discussions regarding whether job quality should be defined objectively or subjectively often reach a point of impasse (Finlay et al., 2013).

2.3.3 Gender as an explicit focus included in the Decent Work Agenda

In contrast to the above-discussed critique, some feminist researchers welcomed the Decent Work Agenda. It pays significant attention to gender, considering it an imperative (Somavia, 1999: 9) and feminist researchers applauded the focus on informal and atypical workers as this addressed discrimination against women (Vosko, 2002). However, they criticised the Decent Work Agenda in so far as it did not substantially improve women’s work because the ILO continued to measure work based on the understanding of a male breadwinner working in full-time employment (Standing, 2008). Equally, the term “decent work” continued to describe paid work rather than also include unpaid care work, or voluntary and community work, which are forms of work carried out “by more people for more time than any other form of work” (Standing, 2010: 314). The argument was that women continued to be treated as secondary earners only, who would drop out of the labour market during market recessions. For the purposes of my thesis, the focus on gender allows for a lens through which to consider the specific circumstances of entrepreneurs and how they may be hindered from investing all of their ability to labour (e.g., due to having to invest time in care work).

2.3.4 Answering the ILO’s aspirational political and social agenda

Lastly, with this research, I put myself in the tradition of the ILO answering to their activist nature. The Decent Work Agenda was established by the ILO as an aspirational political and social agenda (CIPD, 2017). My research towards decent self-employment contributes to this agenda: the ILO sought to create a shared vision and sense of common purpose and send a clear message that the public, policy, and research should discuss decent work (Somavia, 1999: v). My work is a mere starting point for a wider discussion that is necessary in academia as well as in policy circles.

I cannot provide a final definition of what may make up decent self-employment as both time and space prevent(ed) me from analysing and discussing in-depth various literatures, proposals, and lenses. However, my work can be a starting point for a wider discussion towards what decent self-employment may look like and that is what I aim to contribute by considering how welfare systems can shape decent self-employment.

In summary, in this section of the chapter, I discussed the reception and critique of the Decent Work Agenda, highlighting its lack of clarity and definitional issues. Despite these criticisms, I justify my decision to apply the Decent Work approach in my research. I argue that the Decent Work concept offers a more comprehensive understanding of the complexity of work conditions, considering different levels of analysis. This allows for an examination of institutions' role in shaping work conditions, including the welfare state. While previous research primarily focused on employed work, my thesis challenges established paradigms by focusing on self-employment. Lastly, I conclude that across various disciplines there are numerous proposals to think about conditions of work. Within the constraints of a mere PhD thesis, I cannot discuss all of these concepts in detail. Notably, each of the aspects is worthy of further in-depth analysis and discussion. However, given the limitations of time and space, this research and analysis will need to be deferred to a future research agenda.

2.4 Towards decent self-employment

In the following section, I outline my thinking on decent self-employment. I discuss six individual dimensions of conditions of work and how they relate to my developing understanding of decent self-employment. I also situate my work in the wider academic (and policy) literature highlighting how it contributes to knowledge. I discuss aspects that contribute to decency in self-employment and highlight how complex thinking about decent self-employment can be. Each of these aspects is worthy of further in-depth research and my work can only be the start for a wider discussion.

2.4.1 Income

It is noteworthy – albeit not surprising – that when researchers and interest groups such as IPSE have considered the working conditions of self-employment, their starting point has often been income and the volatility of income (Findlay et al., 2013; Briône, 2018; Rubery et al., 2018). Income sustains both the entrepreneur and their business, but also their household (Toovey, 2022a). Income instability or low income can mean different things for different people and, depending on the specific circumstances of the entrepreneur, a lack of or volatile income could lead to stress and insecurity (Jepps and Yordanova, 2020). This applies particularly to solo self-employed entrepreneurs (and their families) for whom their labour resource is often directly related to their ability to earn an income (Citizens Advice, 2015). Unlike larger organisations with multiple employees, where tasks can be delegated and distributed among team members, a solo entrepreneur has to handle every aspect of their business on their own (unless they can afford to outsource the work; e.g., accounting). Additionally, a self-employed worker's labour resource is crucial to their income generation as they rely on their own skills and expertise to provide products or services. Their unique abilities or craftsmanship are often the core of their business offering (Barney, 1991). Their time and effort may be constrained by outside sources: as a one-person operation, the amount of time and effort the entrepreneur invests directly impacts the business's productivity and output (Carter et al., 2017). Lastly, solo self-employment may mean having limited resources, such as financial capital and manpower. They must make the most of their own labour to minimise costs and maximise profits. In the academic literature, for instance, Rubery et al. (2018: 509) discussed the “challenges and contradictions in the ‘normalising’ of precarious work”. The authors identified security, opportunity, fair treatment (through institutional protection such as voice mechanisms), and life beyond work (e.g., through regular hours and clear division between work and non-work time) as means by which precarious work (including precarious self-employment) may be addressed (Rubery et al., 2018). The authors argue for a strengthening of those aspects of the standard employment relationship that support the de-commodification of labour, namely protections through employment rights and social protection (Rubery et al., 2018: 510). Yet, arguably, income underpins all of these for the self-employed. Therefore, income is also my starting point.

Before analysing the role of income in entrepreneurship in detail, I want to differentiate different types of income in entrepreneurship: profit, drawings, and savings⁵. Profit is the financial surplus generated when the revenue collected from customers surpasses the expenses incurred over a specific time frame (Young, 2018). This surplus is essentially the property of the business owner(s). They have the option to either reinvest this profit back into the enterprise for the creation of additional valuable goods and services, or they can choose to withdraw the money from the business for their personal use (“drawings”) (Young, 2018). In sole proprietorships, the business and the owner are considered the same legal entity, so the money can be withdrawn as "drawings" rather than salary. In turn, business savings usually refers to retained earnings or funds set aside for specific future objectives, contingencies, or investments. Unlike drawings, savings are not withdrawn for personal use but are kept within the business. They add to the financial strength and stability of the business, allowing it more flexibility to invest in new opportunities, weather downturns, or take calculated risks. Savings can also be utilised for paying off business debts or buying necessary assets without relying on external funding. Table 1 summarises how these terms are understood in this thesis. Having defined the core terms, I now turn to discuss the evidence about the effects of low income.

Table 1 Explanations of core terms used in the thesis

Term	Explanation
Profit	Financial surplus generated when revenue collected from customers surpasses business the expenses incurred over a specific time frame
Drawings	Money withdrawn from the business for the entrepreneur’s

⁵ Arguably, these thoughts require more discussion in their own right, for example as it would be important to also deliberate credit in detail. In times of lack of turnover, credit would sustain the entrepreneur’s cash flow and by extension their ability to potentially draw from the business and so sustain their labour. Due to space constraints, however, this discussion will need to be part of the wider research agenda.

	personal use
Business savings	Retained business earnings or funds set aside for specific future objectives, contingencies, or investments

As a sole proprietor, the entrepreneur and their business are inextricably intertwined. Firstly, profit sustains the entrepreneur's business. Profit may cover business costs like membership fees in professional associations such as chambers of commerce or trade associations to secure access to information, contacts, and ensure their representation in case of changes to the business environment that may impact their work (Pongratz, 2017). Profits may also cover mandatory or voluntary insurances (e.g., health insurance) which enable to the entrepreneur's ability to labour (Conen and Schulze-Buschhoff, 2019). The absence of profit can create stress and uncertainty for the self-employed entrepreneur. They may experience anxiety about the sustainability of their business, fear of failure, and the constant pressure to generate more profit. This can have negative effects on their mental well-being; in other words: affect their very ability to labour and create profit (Jepps and Yordanova, 2020). Even more, a lack of profit can hinder the entrepreneur's ability to invest in the growth and development of their business (Young, 2018). Without sufficient profit, they may struggle to invest in the necessary equipment, technology upgrades, marketing campaigns, or hire additional help (Rouse, 2020).

Then, at a personal level, if the entrepreneur's business fails to generate sufficient profit or experience consistent periods of low profit and, so, the entrepreneur may not withdraw (sufficient) drawings, it can lead to personal financial hardships, difficulty meeting personal expenses, and potentially reduced quality of life for the entrepreneur (Toovey, 2022a, 2002c). Drawings sustain the entrepreneur's ability to labour. They cover the entrepreneur's living costs, ensuring in turn that the entrepreneur is able to work in a capitalist economy. Depending on their circumstances (e.g., if they lack background wealth or other sources of income to the household), an entrepreneur with low drawings may be stressed and unable to perform well (Williams, 2020; 2021b; 2021a). That said, it is important to acknowledge that the decision to make drawings or to save within a business often depends on various factors. These include other sources of personal income that the

business owner may have, the individual's consumption commitments, and the wider household economy (Carter et al., 2017). The level of drawings needed may also change with the needs of the household (e.g., a birth into the family) or the entrepreneur's perception of what they consider sufficient (Webster, 2016).

Indirectly, (the level of) drawings allows the self-employed worker to maintain a decent work-life balance. In the absence of an adequate profit – and by extension drawings –, the self-employed entrepreneur may be forced to work more hours to make up for what may be missing. As self-employed entrepreneurs already tend to work excessive hours (Cohen, 2018), insufficient income could exacerbate this situation. Entrepreneurs may be forced to work unsocial or atypical hours, e.g., night or weekend work; potentially in addition to their standard working week, e.g., to finalise contracts. For instance, as of February 2023, approximately 39.5% of self-employed people in the United Kingdom worked between 31 and 45 hours a week (Clark, 2023). 20.3% even worked more than 45 hours (Clark, 2023). In comparison, the average weekly number of hours worked by full-time workers in the United Kingdom was 36.6 hours (Clark, 2023b). However, more hours worked do not necessarily equate to more profit and thus potential drawings. An entrepreneur may invest time in business development but that must not automatically translate to successfully earning more money.

Ultimately, a lack of profit (and by extension low or a lack of drawings) can affect the entrepreneur's ability to achieve decent self-employment. Insufficiently valuable self-employment might force a worker to accrue debt to continue trading. While debt can be an investment in the business, it may also lead to poverty (Montgomerie, 2013). A prolonged precarious state may then lead to a range of issues. These issues can vary in gravity in different welfare regimes: for instance, in asset-based welfare states, like the UK, where social assistance payments are comparatively low, being unable to enter savings contracts such as mortgages or pensions (O'Leary, 2014) could in the worst-case lead to old-age poverty (Brenke and Beznoska, 2016).

Yet, it is important to note that low income must not necessarily be felt as “indecent” (Webster, 2016). According to research by IPSE, the Association of Independent Workers, self-employment is characterised by both “push” and “pull” factors (Jepps,

2019). However, their research has consistently found that flexibility, autonomy, and freedom are the top motivating factors for people entering self-employment (Toovey, 2022e). According to a 2019 IPSE survey, the allure of self-employment lies primarily in its flexibility, with 83% of people valuing the freedom to choose their work location and 84% appreciating the ability to set their own hours (Jepps, 2019). Additionally, 73% of freelancers pointed to an improved work-life balance as a significant incentive (Jepps, 2019). Beyond just when and where to work, self-employment also offers the freedom to choose the type of work, a factor that motivated 65% of freelancers (Jepps, 2019). Across all demographic groups, flexibility stood out as a crucial motivating factor, but it was particularly significant for women, 91% of whom cited it as a reason for opting for self-employment (Jepps, 2019). In contrast, earning more money in self-employment than as an employee was not the key motivator for the majority of freelancers, with only 27% agreeing that this had influenced their decision (Jepps, 2019). Also, individuals with disabilities are turning to the flexibility self-employment offers in assisting them to meet both professional and financial goals (Toovey, 2022e).

In turn, business savings can mitigate business risks. They may mitigate entrepreneurial risks such as when a client pays late or in regard to the temporary absence of a market, e.g., during seasonal work (see also IPSE's principle 2 from their proposal for good self-employment; Bri ne, 2018). They may also mitigate risks related to the entrepreneur's ability to invest their labour. For example, if the entrepreneur is (temporarily) unable to perform labour, e.g., when pregnant or caring, or while ill (Carter et al., 2017). For instance, a self-employed landscaper who suffers from back pain and is not able to perform physical tasks like lifting heavy equipment or digging holes, or a consultant who experiences severe depression and anxiety and is unable to interact with clients or attend meetings, may need to rely on business savings for a personal income. Business savings also provide a safety net in the face of unexpected expenses or downturns in the market. It allows the entrepreneur to handle emergencies or unplanned costs without having to rely on external financing or personal funds. Business savings can be especially important for entrepreneurs who cannot invest all of their labour and may need to rely on other sources of income to a household (Carter et al., 2017).

In summary, I have laid down why income for me is the cornerstone of decent self-employment. I here differentiate three types of income in entrepreneurship: profit, drawings, and savings. Income enables the entrepreneur's labour in the present as well as provides a measure of potential security for the future. In addition, an adequate income enables the business itself. In this regard, it is important to note that "adequate" might mean different amounts of income at different points in the professional and personal life of the self-employed worker. On a personal level, what can be considered adequate might change within the life of the individual, for example with the arrival of children. Policymakers will need to consider all of these aspects when designing systems to address self-employed entrepreneurs' lack of income or income volatility.

2.4.2 Terms of work

Terms of work that relate to decent self-employment include opportunities for training, as well as the perception of job security. These aspects are important to consider as they relate to how the business may develop and where self-employment may tip over to be characterised as bogus self-employment.

The opportunity to access training and develop new skills is increasingly important in a world where workers retire later and are much less likely to work in a single occupation or sector throughout their lives (Rubery et al., 2018). Training opportunities are particularly important for the self-employed because they must maintain sector-specific knowledge to stay competitive as well as business-related skills. Accessible training opportunities, e.g., enabled via tax deductions, may also allow a worker to upskill outside of their field to improve their business prospects. For the low-earning self-employed, skills development can help improve pay prospects or be enabled to build a broader client base (CIPD, 2017).

Building skills and earning qualifications can also be a way to better quality work, improving progression opportunities and reducing insecurity (Gable, 2022). A lack of skills has been found to be a problem for low-paid and insecure self-employment in the UK (CRSE, 2017). Researchers found that 30% of the self-employed who undertook training managed to "escape the low-pay trap one year later" because

they were able to boost their earning capacity (Briône, 2018: 8). Yet, formal training rates for the self-employed are low (Briône, 2018). Solo self-employed workers with low earnings are unable to make the necessary investments in training to improve their skills (CIPD, 2018). This may be explained by the specific constraints that the self-employed face regarding accessing training. They must balance considerations in regard to spending time and money on training, as well as the burden that they forgo earning an income during the time they undertake a training activity. The self-employed are also a very heterogeneous group and further education or training opportunities might not be available for all. Solo self-employed delivery drivers working shifts, for example, even if they were willing to balance the other constraints, might not be able to attend training. Importantly, though, the self-employed are a heterogeneous group and while women in self-employment often struggle to access training (Toovey, 2022c) this does not need to apply across the entire group of self-employed.

Underinvestment in training can also lead to labour market segmentation (Rubery, 1978). Labour market segmentation describes the breaking up of the labour market into smaller and smaller chunks of individual tasks carried out by different people, rather than one organisation or one employee (Rubery, 1978). This can be a trap for low-level work and a source of inequality (Rubery, 1978). The example of gig work⁶ illustrates the point: for gig workers labour market segmentation risks deskilling. Deskilling means that gig workers are overqualified for low-skilled tasks which make up much of platform work, which could damage both the worker and the economy at large as it does not make use of the skills available (Mandl, 2019). It potentially also hampers career progression for the gig worker. They may be stuck carrying out primarily those tasks that they are rated highly for on a gig platform (Mandl, 2019). As such, when platform work is made out to be a stepping-stone into traditional

⁶ Gig work is also referred to as platform work. Platform work has been defined as “a form of employment that uses an online platform to enable organisations or individuals to access other organisations or individuals to solve problems or to provide services in exchange for payment” (de Groen et al., 2018: 9). Eurofound characterised platform as: “paid work is organised through an online platform; three parties are involved: the online platform, the client and the worker; the aim is to carry out specific tasks or solve specific problems; the work is outsourced or contracted out; jobs are broken down into tasks; services are provided on demand” (2018a: 9).

forms of employment, it can instead become a vicious circle for career management (Mandl, 2019).

Security of employment status also shapes decent self-employment. Where a self-employed worker's employment status is not clearly defined, it becomes a source of contention regarding rights to social protection (CIPD, 2018). For instance, employment status in the UK is effectively defined retrospectively through case law and decided only on a case-by-case basis. As an example: the UK-based *Uber* drivers James Farrer and Yaseen Aslam were involved in a legal battle with the platform over their employment status for the five years between 2016 and 2021⁷. When the self-employed themselves are not sure about their employment status, it is difficult to achieve decent self-employed work. They may fall through the cracks of the social protection net by assuming they are entitled to protections to which they may not be. For example, in the UK trade unions represent mainly "workers", so the different legal status of the self-employed as independent contractors, workers, employers etc. mean that depending on their status, they may not always have recourse through representation (Brock, 2019).

2.4.3 Health and safety

Health and safety are as important to decency in self-employment as income (Somavia, 1999). Often, the self-employed do not enjoy the same statutory health and safety protections as employees (Grimshaw et al., 2016). For example, the health and safety rules at a building site apply to both employees and self-employed

⁷ Aslam and Farrar sued Uber (*Uber BV vs. Aslam*) arguing that they should be paid the minimum wage and receive protections and benefits as per the 'worker' status in UK labour law. Uber argued that the drivers are self-employed independent contractors and thus that Uber is not obliged to provide these social protection measures. The case had gone through all legal stages in the UK: at first, Aslam and Farrar were confirmed as 'workers' with the entitlements to minimum pay and holiday pay. This ruling was appealed by Uber but the appeals court dismissed the appeal in 2018. Uber (in *Uber BV and others v Aslam and others*) again appealed to this judgment and took its case to the UK Supreme Court where in February 2021 a judgement was handed down and the Supreme Court unanimously dismissed Uber's appeal.

workers. However, self-employed workers are not covered by EU regulations such as the 48-hour work week⁸.

Similarly, the self-employed may be subject to a lack of enforcement of their health and safety rights (Grimshaw et al., 2016). Depending on the state, minimum health and safety standards may be regulated either through legislation or via collective agreements. Where workers are not protected via collective agreements, they may fall back on the state for the enforcement of their rights. Where state protection is then difficult to access, self-employed workers face grave difficulties. For example, the rise of fees to bring a claim to a labour tribunal in the UK are a barrier for self-employed workers to see their health and safety protections enforced by the state (Grimshaw et al., 2016). Similarly, where workers rely on state protection and monitoring of health and safety legislation meant to protect them is weak, they find themselves at risk and without means to ensure their protection (Grimshaw et al., 2016). Grimshaw et al. also pointed out that protection rules become “associated with the most vulnerable workforce groups in society” such as self-employed migrants, which makes them more likely to comply with insecure working conditions (2016: 230).

Health and safety protection also relates back to income. Where the self-employed must protect themselves, for example through insurance, adequate pay is needed to allow for their holistic health and safety provisions. It is thus worth highlighting the inter-relationships and trade-offs between the different aspects of decent self-employment as one more layer of complexity in relation to thinking about decent self-employment and the conditions to enable it. For instance, a higher price may be secured for being prepared to do unsafe work or costs may be saved; for example, the builder who cannot afford to hire scaffolding climbs a ladder. In turn, income relates to business costs that can support some of these things such as staff or equipment. Also, where the self-employed have recourse via forms of representation, their collective voice can contribute to their safe working conditions. Therefore, there is a complexity related to these questions, that this chapter and thesis, can only indicate rather than solve.

⁸ The European Union’s “Working Time Directive” limits weekly working hours to 48 hours.

2.4.4 Work-life balance

The Decent Work report outlines “decent working time” as adequate hours of work considering physical and mental health, a balance between work, family and/or personal life with adequate hourly pay, and employment opportunities (Anker et al., 2003).

As has been mentioned regarding income, self-employment is then decent, when the worker can maintain a work-life balance to achieve an adequate income. This ensures they do not have to self-exploit to make ends meet. Also, it must be considered that in self-employment, time spent working does not necessarily equate to income. For instance, time spent on accounting or business development is not time that is billed. As such, if earnings are not adequate, then work and life will necessarily be out of balance because less income is compensated by more hours. Self-employed labourers are known to work a “feast or famine” calendar and to live an “always on” culture (Briône, 2018). As such, self-employment may then be considered not decent when the worker is unable to determine their own work hours or work intensity. Picking up the previous example of just-in-time supply chains, indecent self-employment occurs when stress in production does not allow the individual to either move work hours, for instance away from night-time work, or distribution of work hours, e.g., to meet production targets (Tammelin, 2019). This aspect of work-life balance applies particularly to carers who may have entered self-employment to balance their responsibilities with a job that allows them a certain flexibility or reduced hours (Jayawarna et al., 2011).

Further issues arise for entrepreneurs with caring responsibilities in regard to training and development (terms of work), especially in workfare⁹ social security systems. Where carers, who are mostly women (Clark, 2022) have to balance demands to spend a specific number of hours on their business to be eligible for welfare benefits with their caring responsibilities, they have less time to spend on training and

⁹ The term workfare describes policies that require a welfare claimant to engage in work or programmes such as job training or other active-benefit systems (Peck, 2001).

developing their skills (K. Andersen, 2022). This may be even when an investment in training would allow them to pursue better paid work, such as university studies (K. Andersen, 2022). In self-employment, this may also mean investing time in business development activities that necessarily involve risk and so may or may not prove profitable in the long term.

Relatedly, a solo self-employed worker might also lack the security to refuse jobs. Moore and Newsome (2018) call the obligation that the self-employed “have to” take on more hours in a culture of unpaid overtime. They also find that inflexible work reinforces the insider/outsider status which “degrades” those workers dependent on flexible jobs (outsiders) in relation to those with stable jobs (insiders) (Moore and Newsome, 2018).

2.4.5 Intrinsic characteristics of work

Intrinsic characteristics of work, which describe an individual’s expectations from their work and reflect their attitude towards it, may include aspects such as skills, autonomy, control, variety, work effort, as well as meaningfulness, fulfilment, social support, and powerfulness. In the ILO’s Decent work understanding, they appear subsumed in the reference to dignity (Kolb, 2008). Because work characteristics such as fulfilment are highly subjective and thus fraught to include in a proposal for decency in self-employment, I will only consider objective characteristics of work such as autonomy and control.

As per the ILO's understanding that decent work is about freedom and dignity, formal characteristics of work such as autonomy and locus of control are important to decency in self-employment. As such, the conditions in which a worker enters into self-employment remains, and eventually leaves self-employment must be their free choice. Self-employment can only then be decent if it is entered into and remains voluntary. Where entry into self-employment is not a voluntary choice, but driven by contextual circumstances such as underemployment or hidden unemployment, it is not the enabling force for meaningful work that policy paints self-employment to be (Caraher and Reuter, 2019a; Tammelin, 2019). While trading, self-employment is in danger of becoming not decent where, for example, a worker finds themselves

closely tied to their customers' needs because of their integration into a just-in-time supply chain (Tammelin, 2019). The worker's autonomy is constrained and they are not free in their work efforts and in control. That said, in some industries such as taxi driving, construction, or photography, self-employment is the industry norm.

2.4.6 Representation and voice

Lastly, the importance of representation and voice to decent self-employment should be considered (Pongratz, 2017). Already for the ILO, decent work was "about rights, dignity and a voice" (ILO, 2003: 17 in Ferraro et al., 2016: 80). Juan Somavia argued that representation means being heard and thus having influence (Somavia, 2000). For the solo self-employed that would mean to have recourse to stand up for their rights, for example when they suffer late payment, and address power imbalances, e.g., in relation to minimum prices.

Being represented – either via a trade union or via other means of interest representation – can bring various benefits. Collective bargaining reduces wage inequality (Abbenhardt and Pongratz, 2019) and representation provides social legitimacy, especially in the highly liberated labour markets of liberal market economies (Marchington and Dundon, 2017). The ability to set minimum standards means workers “are less exposed to precarious conditions the more that employment protections over pay, job security and working time are set at a decent level and extend to all workers regardless of employment contract” (Grimshaw et al., 2016: 4). For highly stratified social systems such as Germany, there are various benefits for self-employment linked to stability and continuity:

1. Interest groups may set rules regulating entry into the field as well as continuous professional development (e.g., educational requirements such as exist in the medical field)
2. They may monitor the field and maintain quality standards (e.g., requiring up-to-date licenses)
3. They may enable networking among the self-employed to exchange experiences

4. They may foster transparency through information sharing including on pricing
5. They may provide their own social protection measures (e.g., insurances; Pongratz and Bührmann, 2018).

Where those trading in goods rather than services come together, for example in trade associations or chambers of commerce, representation and voice also matter. They allow businesses to lobby policymakers and shape the business environment. For example, this may be in relation to infrastructure, both physically and digitally, or the tax system.

Yet, depending on the state, the self-employed face problems being represented and heard. They are not eligible for representation in trade unions in all countries (Grimshaw et al., 2016). For instance, in some countries, collective bargaining among self-employed workers is prohibited as it would be against cartel law. According to EU competition law, the self-employed are “undertakings”¹⁰ and as undertakings they risk infringing competition rules if they would bargain collectively. Scholars have argued for those engaged in precarious work to be included in trade union representation and in collective bargaining as it protects especially the precariously working self-employed like young workers, migrant workers, and those in sectors that are highly fragmented such as in agriculture, food production, or hospitality (Grimshaw et al., 2016; Pongratz, 2017).

In summary, there is great complexity in thinking about what may contribute to decent self-employment. There are debates to be had in relation to terminology, the level at which decency is considered to exist, and the relationships between individual components of decent self-employment. Policymakers will need to consider all of these aspects when designing systems to address self-employed entrepreneurs’ lack of income or income volatility, as well as other aspects of decent self-employment.

¹⁰ The European Commission defines “undertaking” as any entity engaged in economic activity; that is, an activity consisting in offering goods or services on a given market, regardless of its legal status, and the way in which it is financed. To qualify, no intention to earn profits is required, nor are public bodies excluded.

Against this background, instead of providing a conclusive definition of decent self-employment, I take forward that income and the importance of considering volatility of income are most applicable to decent self-employment. Because entrepreneurship is insecure and uncertain, any proposal for decent self-employment must start with considerations around income. In addition, what defines decent work may differ for each individual at different points in time. It is possible that a final definition may not be possible to reach, on this basis, but that we should instead think of principles that have greater force for different self-employed workers.

2.5 Conclusion

In this chapter, I proposed a way to start thinking about what “decent self-employment” may entail. I drew on the ILO’s Decent Work concept to do so. One of the reasons is that it conceptualises work at multiple levels of analysis, allowing a nuanced understanding of how conditions of work are shaped. This includes analysis at the institutional level, which enables a closer examination of the welfare state, the focus of this thesis (Chapter 4). In my empirical analysis of different welfare regimes (Chapters 6-9), I will examine how a welfare state supports an entrepreneur’s income, which, as I have shown, enables both the entrepreneur’s ability to labour and the entrepreneurial process, and is how welfare is provided.

I further explored six conditions of work and what decency in self-employment may look like. I exposed the complexity of thinking about decent self-employment and pointed to the dilemmas that policymakers face when considering how to create the conditions that allow for decent self-employment for different people. My work should be seen as the start of a deeper academic and policy discussion on the question of what decent self-employment may look like, and for whom. For the purposes of this thesis, I use income from entrepreneurial activity, but in the context of households and mixed economies personally and at a household level as the starting point for an exploration of decent self-employment and how welfare systems enable or hinder it.

In the next chapter, I build on this takeaway of the importance of income and income volatility to consider how labour as the source of income for solo self-employed entrepreneurs and access to resources, enables entrepreneurship. I discuss how capitalist welfare states expect workers to create an income (Chapter 4). This then culminates in questions on how welfare states can incentivise labour whilst also protecting people.

Chapter 3. Entrepreneurship and resources

3.1 Introduction

In the previous chapter, I outlined why a focus on income and income security is the right starting point for an exploration of decent self-employment. In this chapter, I build on this conclusion. I discuss how entrepreneurship is about commodifying resources, including labour and financial capital, into revenue. Understanding resources will enable thinking about how the welfare state, as elaborated in the next chapter, relates to providing resources and thus shaping decent self-employment.

In this chapter, I consider the importance of resources throughout the business life course to discuss how they enable decent self-employment. Resources are crucial to entrepreneurship because without their labour and other resources, an entrepreneur may not have goods or services to sell. I draw on the resource-based view of the firm to facilitate this thinking (Penrose, 1959; Barney, 1991). The resource-based view conceptualises a firm as a combination of resources and capabilities used to gain competitive advantage. It lends itself to thinking about how resources are acquired, used, and maintained to understand their role and importance in shaping decent self-employment.

Among the many resources that contribute to successful entrepreneurship, a particular focus will be on financial capital. Money plays a complex array of roles in enterprise compared to employment. It is a means of input into the business, but also its output. In this thesis, I am primarily interested in money as an output, as means of having enough money to live off. I do not consider money, for example, as a means to invest, although entrepreneurs may use money received in the form of welfare to buy other resources that they may need to combine with their labour to make goods or services.

This chapter will also show that labour as a resource is important, but always combined with other resources and always combined under conditions of

uncertainty, although that uncertainty does vary. Importantly, labour as a resource closely relates to financial capital for solo self-employed entrepreneurs, which will be the focus of this research project; that is, financial capital in the narrow sense of money required to keep enabling the entrepreneur to use their labour resource for the business. We may differentiate money to compensate for low earnings, and money to invest in buying resources to be used in the entrepreneurial process, other than the entrepreneur's labour, such as equipment, premises, taxes, staff, or training. Among these resources, an entrepreneur's labour resource is crucial. This is what their decent work is all about. For example, low earnings may be caused by prioritising the creation of other forms of value, investing entrepreneur labour in the entrepreneurial process now with the hope of future reward from currently uncertain future sales, compensation for lack of demand despite attempts or wish to make sales, or compensation for not undertaking entrepreneurial action – being involved in non-enterprise activities like childcare or leisure.

The chapter is structured as follows: at first, a definition of entrepreneurship is presented. Then, drawing on the resource-based view, the importance of resources is considered. I explain why I focus specifically on financial capital amid the various resources needed and used for entrepreneurship and how they relate to decent self-employment.

3.2 Entrepreneurship definition

In this first section, I introduce the entrepreneurship definition that is the foundation of this research project and outline how it enables my thinking on decent self-employment and how welfare states enable or hinder it. I draw on Kitching and Rouse's definition of entrepreneurship (2016).

Kitching and Rouse (2016: 559) defined entrepreneurship as "investments in resources intended to create new goods and services for market exchange emergent from the interaction between agential, social-structural and cultural causal powers". The authors argued for entrepreneurship to be understood as the causes, processes, and consequences of entrepreneurial action (Kitching and Rouse, 2016).

Such a definition rooted in access to resources to take entrepreneurial action, which also considers the environment in which the entrepreneur pursues their business, lends itself to address this thesis's research aims.

Kitching and Rouse's definition considers the influence of the market on an entrepreneur's ability to achieve profitable trade. According to Kitching and Rouse (2016), agency is enabled, motivated, or constrained by the individual's context, for example the market and welfare state, and as such particular agents pursue particular projects. Cultural settings that have developed over time such as gender and socio-economic structures may enable or constrain certain groups of actors and thus their capacity to trade (Kitching and Rouse, 2016). In other words, Kitching and Rouse's definition offers a resource-centric lens to understand how resources like entrepreneur labour are activated or restrained (by market conditions). Moreover, their definition includes non-material factors influenced by long-standing cultural structures like gender and socio-economic circumstances. These socio-cultural circumstances can significantly impact an entrepreneur's capacity to engage in trade. Therefore, leveraging Kitching and Rouse's definition enables me to explore the multi-layered dynamics of how market structures and institutions like the welfare state (welfare as financial capital that enables entrepreneur labour) influence the deployment of key resources, such as entrepreneur labour. It allows me to understand how these resources are either enabled or hindered under various market conditions, including those where a market may temporarily not exist. Kitching and Rouse's perspective also allows me to delve into the temporal and demographic variations in resource enablement, investigating how resource access and utilisation may differ for different (prospective) entrepreneurs and evolve over time.

At the same time, according to Kitching and Rouse, entrepreneurs have agency in the market. This agency may be shaped by the availability and allocation of various resources. In essence, entrepreneurs with greater access to resources such as financial capital, labour – or who are supported via welfare – can be better positioned to exercise their agency by selecting and dedicating themselves to projects that they subjectively value. Here, the welfare state can act as an enabler of this agency by providing financial resources that give entrepreneurs the freedom to explore projects

without the immediate pressure of financial constraints. This allows me to consider diverse entrepreneurial endeavours and (1) different levels of economic return that the individual entrepreneur may accept as a success, (2) different business practices, and eventually (3) different entrepreneurial outcomes (Kitching and Rouse, 2016). The individual has the choice to act, but the market, or welfare system, and the entrepreneur's ownership of resources (including their own labour) may make some particular actions “possible or impossible, easy or difficult, rewarding or costly” (Kitching and Rouse, 2016: 562).

Lastly, Kitching and Rouse's (2016) definition, rooted in critical realist ontology, enables thinking about decency in self-employment. Their definition of entrepreneurship as “investments in resources intended to create new goods and services for market exchange emergent from the interaction between agential, social-structural and cultural causal powers” allows to discuss the complexities involved in entrepreneurial action (Kitching and Rouse, 2016: 559). In this understanding, the ability to exchange goods or services in the market is a function of individual entrepreneur labour, which in turn is influenced by social-structural and cultural causal powers. Some entrepreneurs may decide to not invest all of their labour or they may not be able to invest their labour in full due to care responsibilities. This allows asking question around how welfare may be used to pursue leisure – is it a citizen's right to do so and if so, to what extent and for how long? On the other hand, some entrepreneurs may not have at their disposal resources to pursue self-employment or are constraint in how they pursue their self-employment. Entrepreneurs who have background wealth to fall back on may be enabled to pursue entrepreneurship even when they invest their labour with a profit motivation but do not achieve sufficient profit. Others may be labouring to provide profitable goods and or services but will only get paid in the future or suffer late payment. Others again may experience a temporary absence of a market or they may create low or no profit but social (or other) value. In these circumstances, the welfare state emerges as a pivotal structure that can either enable or constrain entrepreneurial agency by shaping the distribution and accessibility of financial resources (in the form of welfare). Kitching and Rouse's critical realist perspective thus allows for a nuanced analysis of how the welfare state policies address, or fail

to address, the resource needs of entrepreneurs, directly influencing the conditions under which they can engage in self-employment.

In short, this thesis adopts Kitching and Rouse's (2016) definition of entrepreneurship, which is rooted in a critical realist ontology and access to resources. Their definition allows a nuanced exploration of how resources shape entrepreneurship for different people. It also allows considering cultural and socio-economic factors like gender and economic background as layers of enablement or constraint. The definition allows me to think about how an entrepreneur pursuing their entrepreneurial action is shaped by the welfare state – and how this enabling or hindering relates to decency in work, in terms of the adequacy and security of income to cover basic living costs. The definition allows thinking about whether particular welfare systems enable specific entrepreneurial goals, such as entrepreneurship that pursues primarily social, cultural, or environmental goals, at the cost of growth or profit. It allows me to think about if an entrepreneur is supported in their entrepreneurship if they are investing their labour but maybe struggle to create sufficient profit to allow a decent living.

3.3 The resource-based view

Having outlined how the definition of entrepreneurship that this thesis uses is rooted in resources, this section focuses on the importance of resources in general and the importance of financial capital in decent self-employment in particular. In this section, I introduce the resource-based view and then relate it to entrepreneurship and specifically self-employment to highlight how closely resources relate to an entrepreneur's ability to labour – and thus how this influences decent self-employment.

The resource-based view of the firm conceptualises the firm as a combination of resources and capabilities to gain competitive advantage (Barney, 1991). A firm has competitive advantage when it creates more economic value than rivals (Barney and Hesterly, 2015: 369).

Building on similar work, Jay Barney in 1991 was the first to formalise the then-fragmented resource-based literature into a comprehensive (and thus empirically testable) theoretical framework (Newbert, 2013). Barney (1991) examined the link between firm resources and sustained competitive advantage. His analysis followed previous strategy research in competitive advantage by, for example, Porter (1980) whose work was focussed on external factors of competitive advantage.

Barney defined resources as the tangible and intangible assets that a firm controls, which it can use to conceive of and implement strategies (Barney and Hesterly, 2015: 374). Firm resources are all assets, organisational processes, firm attributes, information, or knowledge controlled by a firm that enable the firm to conceive of and implement strategies that improve efficiency and effectiveness. He distinguishes resources as physical capital (e.g., technology, geographic location, raw materials), human capital (e.g., experience, relationships of staff), and organisational resources (e.g., reporting structure, formal and informal planning, coordination systems, external relationships; Barney, 1991). Capabilities, on the other hand, are a subset of a firm's resources, defined as tangible and intangible assets, that enable a firm to take full advantage of other resources it controls (Barney and Hesterly, 2015: 369). A firm's capabilities could be the processes by which resources are exploited. By managing or enabling access to resources and capabilities, a firm can attain competitive advantage.

Barney's seminal papers on the resource-based view sought to explain how companies achieve and sustain competitive advantage through the deployment of valuable, rare, and non-substitutable resources (Barney, 1991; Barney and Hesterly, 2015). According to this view, not all resources are of equal importance, nor possess the potential to become a source of sustainable competitive advantage. The key concept is that the possession and effective deployment of resources can enable a firm to outperform its rivals (Barney and Hesterly, 2015). In Barney's formulation, for a resource to provide a firm with the potential for a sustainable competitive advantage, it must meet several criteria. Specifically, it must be:

- Valuable: The resource must enable a firm to conceive or implement strategies that improve its efficiency and effectiveness.

- Rare: Resources that are valuable but common will not result in a competitive advantage. For a resource to provide a competitive edge, it must be unique or rare among current and potential competitors.
- Inimitable: Even if a resource is rare, it could still be easily imitated by competitors. To provide a sustainable competitive advantage, a resource must be difficult or costly for competitors to imitate.
- Non-substitutable/organisational set-up: The resource must not be easily replaced by some other kinds of resources. If competitors can easily substitute the resource with another, its potential for sustained competitive advantage is limited.

Jay Barney's resource-based view has been highly influential and widely cited in the field of strategic management (Newbert, 2013). It offers a framework for understanding how to leverage a firm's internal resources for achieving competitive advantage, thus focusing attention away from the external competitive environment (e.g., Porter, 1980) to look inward at the unique capabilities and assets of the firm.

In relation to self-employment, the resource-based view aids me in thinking about how an entrepreneur's resources combine into goods and services to sell for profit. It allows me to consider who gets to continue to pursue self-employment by drawing upon welfare. Entrepreneurs must deal with general trends in the market such as digitalisation or new policies. But in contrast to large businesses, solo self-employed entrepreneurs are more directly affected by resource fluctuations or long-term resource scarcity and must develop strategies to cope (Bates et al., 2007; Welter, 2012). The resources of solo self-employed entrepreneurs are often closely linked to their capacity to labour. The difficulty for the entrepreneur in substituting their labour as unique and rare resource can mean that solo self-employed individuals are inherently more vulnerable and may require additional support. Applied to this thesis, the VRIO framework so allows considering which entrepreneur is supported (in which situation) by the welfare state to invest their labour to achieve profitable trade: an entrepreneur may need to draw on welfare support because they invest their labour to pursue other values than economic profit, e.g., social value entrepreneurship (Liñares-Zegarra and Wilson, 2022); because they have other

constraints on their labour as resource such as carers who cannot invest all of their labour due to (unpaid) care work (Carter et al., 2017); or because they have invested their labour with a goal to achieve profitable trade but a crisis situation disrupts the market (Blackburn et al., 2021). Thus, thinking about resources amid different contexts can help think about how the solo self-employed commit to different entrepreneurial projects: which entrepreneurial projects they commit to, for how long, at which point in time, and who does so in the first place. For the purposes of this thesis, I consider resources for profitable trade also as lack of resources and what are the conditions of attaining resources to maintain profitability, e.g., in the form of receiving welfare benefits. Specifically, welfare can be both an input to the business and a substitute for not earning from the business. So, in my conceptual framework I differentiate how welfare may be used in relation to the entrepreneurial process and entrepreneur labour.

The resource-based view considers all resources and capabilities available to a firm. This includes the different types of capital including human capital, i.e., an entrepreneur's knowledge and experience, social capital, i.e., relationships through which resources can be acquired, and financial capital. This opens a broad research agenda; for instance, how does the welfare system support resource accrual and application as capabilities to shape decent self-employment. Such an agenda is too broad for a PhD project and so in this thesis, I focus on one particular resource: financial capital as it enables an entrepreneur to invest their labour in their enterprise and as it enables de-commodification - so sustaining the enterprise even when it does not compete well enough to produce sufficient profit. This also reflects the importance of financial capital vis-à-vis the features of decent self-employment as discussed in Chapter 2. I seek to understand how entrepreneurship is enabled or disabled for different entrepreneurs based on their social background (Rouse and Jayawarna, 2011; Rouse and Jayawarna, 2017), and access to and possession of different forms of resources as self-employment is shaped by many different aspects, where and when they carry out their self-employment (Messenger, 2006), their relationship with others (Carter et al., 2017), or their socio-economic status, immigration status, race (Ram et al., 2012), nationality, and ethnicity.

To summarise, the resource-based view is useful to consider which resources, such as financial capital, enable entrepreneur labour and the circumstances of de-commodification of labour. It also allows considering which resources self-employed entrepreneurs have – or have not – at their disposal and at which point in time, and what that means in terms of their ability to achieve decent self-employment. I can then think about how the welfare state through financial capital, i.e., benefits, enables or constrains market access and trading conditions for the entrepreneur (Chapter 4).

3.4 Financial capital

From the resource-based view overall, in this section, I focus on one resource specifically – financial capital. I consider in detail the relationship between financial capital and a self-employed entrepreneur’s ability to work decently. I cover the importance of financial security for business success, the consequences of business and private finance mingling, and the role of debt.

In entrepreneurship, financial capital is a fungible resource and can play different roles. It is a means of input into the business but also output. Financial capital as input to the business could be an investment in equipment, inventory, or working capital to allow business operations. It may be used to invest in resources such as social and cultural capital. For example, financial capital may be used to join business networks, which increases the entrepreneur’s social capital. While trading, financial capital is needed as input to enable growth (Vinturella and Erickson, 2013). As an output, financial capital is primarily a means of “pay” to cover living expenses (Vinturella and Erickson, 2013). While research on decent self-employment would be interested in financial capital both as an input and output, in this thesis I consider financial capital only as an output, as income.

A focus on financial capital is sensible because without financial capital an entrepreneur risks the immediate end of their business (Mason, 2018). The business might need supplies, facilities, materials, or insurance and these are usually purchased using money. For the solo self-employed entrepreneur, money also pays

for their own and others' labour. Small enterprises tend to have more trouble absorbing income fluctuations than larger businesses (Toovey, 2023). The self-employed specifically feel losses personally as for them it often means either having to absorb a loss of income or having to work more (Pongratz and Bührmann, 2018). Even more, the self-employed have often only small windows of time in which they can survive without incoming financial capital (Toovey, 2022d). Their business survival may either be linked to personally suffering losses by "investing" their personal savings or collateral in the enterprise to prop it up or they may have to borrow or face the failure of their enterprise.

Equally, a focus on financial capital makes sense as it is a means by which the state may improve conditions of work for the self-employed. In welfare support, for example, financial provision is the primary form of resource enhancement. State benefits such as those provided through a state-funded support programme, for example, may be used by an entrepreneur in the start-up phase. Later, it is possible that welfare benefits may be used to top-up income during times of low or no profit.

Lastly, income is core to the Decent Work Agenda (Somavia, 1999). Income links directly to social protection and the two may be seen as two sides of the same coin. Depending on the welfare system, welfare benefits may allow the entrepreneur to remain in business when facing low earnings due to, for example, prioritising the creation of other forms of value, investing entrepreneur labour capital in the entrepreneurial process now with the hope of future reward, compensation for lack of demand despite attempts or wish to make sales, or compensation for not undertaking entrepreneurial action, that is, being involved in non-enterprise activities like childcare or leisure.

In summary, focussing on financial capital allows me to ask who has access to resources and can participate in and achieve a level of decency in work through self-employment. Seen through a critical realist lens, research into decent self-employment must consider that, because the self-employed are a very heterogeneous group, a lack of resources or difficulties in accessing resources and its consequences is caused by, and effects, numerous social relations including those of age, gender, ethnicity, or socio-economic status. Access to or availability of

resources must also be considered at different times in the life course of the business and of the entrepreneur to understand how different resources relate to the decency of self-employment. The following sections will cover this in more detail.

Having outlined the importance of financial capital in the entrepreneurial process at a higher level, the next sections will explore financial capital as a resource at different stages of the entrepreneurial process, and for different people. I will differentiate how financial capital shapes self-employment, for which recipient, and in which circumstances to highlight the policy dilemmas that welfare states face in enabling decent self-employment.

3.4.1 During start-up

First, people enter self-employment for different reasons (Carsrud and Brännback, 2011; Murnieks et al., 2020). These varied motivations relate to prospective entrepreneurs' resources as well as their private lives (Jayawarna et al., 2011). In relation to welfare support, entry into self-employment may be enabled or hindered through support programmes. Welfare states, it has been shown, shape the feeling of security amid self-employment for the solo self-employed (Rapp et al., 2017). It is thus worth taking these considerations further and analysing the potential enabling factors or barriers to entry for prospective self-employed entrepreneurs.

Second, upon entering self-employment and throughout the start-up period, different entrepreneurs are differently well-positioned to commodify resources into profit. Entry into and the start-up phase of self-employment are risky and at least to an extent dependent on having financial means (Jayawarna et al., 2011; Jayawarna et al., 2014). This may either be in the form of having savings to fall back on while a customer base needs to be built and income may be fluctuating and uncertain during the start-up period. It may also mean the acceptance of forgoing income and, where necessary, lowering one's living standard to accommodate entrepreneurship (Carter, 2011; Carter and Welter, 2016). Relating this risk back to the welfare state, it becomes evident that welfare benefits can significantly influence the experience of self-employed entrepreneurs as they navigate the challenges of entering and sustaining their ventures. The availability and nature of welfare benefits within a

given welfare state can either enable or hinder self-employed entrepreneurs in various ways: welfare benefits may provide a safety net until profits can be generated steadily. On the other hand, the structure and conditions of welfare benefits can impact the choices self-employed entrepreneurs make. If welfare benefits are designed to penalise or discourage self-employment profit, individuals might be less likely to pursue entrepreneurial opportunities that do not offer immediate financial stability. At the same time, policymakers may consider the possible dilemma that if welfare benefits provided are too generous or easily accessible, there may be less motivation for individuals to take the risks associated with entrepreneurship. The availability of comprehensive welfare benefits might discourage some potential entrepreneurs from fully committing to their ventures, as the need to forgo income and lower living standards could be reduced by relying on welfare programs. This potential reduction in the perceived personal costs of entrepreneurship could impact the overall competitiveness and innovative drive of the self-employed sector. Equally, entrepreneurs may draw upon welfare to voluntarily de-commodify their labour and only partially invest it in their enterprise.

Different types of entrepreneurs may be dis/advantaged based on their socio-economic status, gender, age, (dis)ability, and more. This may mean that entrepreneurs who face multiple disadvantages enter into business with low levels of financial capital (Rouse and Jayawarna, 2011). Access to start-up funding is most difficult for economically inactive and less-educated entrepreneurs in deprived areas (Rouse and Jayawarna, 2011). Socio-economic status may be an explanation of how the disadvantaged remain disadvantaged because of low inter-generational transfer of resources: because of low education, individuals encounter labour market rejection and have less paid work and savings or credit to finance business start-up (Rouse and Jayawarna, 2011). The entrepreneurs also cannot turn towards family and friends because they too are poor (Rouse and Jayawarna, 2011). This contradicts the traditional claim that entrepreneurship is freely available for all to start and there are no socio-economic barriers. Similarly, women-led businesses tend to rely more on informal funding such as personal or family wealth or personal credit and tend to face higher liquidity constraints (Rouse, 2020). Also, Jayawarna et al. (2014) found that those with parents of a higher social-economic status who can share human and capital resources, e.g., financial wealth, a good basic education

etc., are more likely to start a business. That said, while Jayawarna et al.'s (2014) work on life course pathways to business start-up is very interesting and useful, there are some limitations to their research. Their research is focussed on the UK, but different welfare states may also affect entrepreneurial motivation and how it relates to scarce resources. Here, this research project contributes by comparing different welfare regime types to explore how they handle business start-up support and periods of low or no income.

Lastly, entrepreneurs are exposed differently to risk upon entering self-employment. In light of welfare support, this can help us better understand which types of entrepreneurship may be enabled – and which may be hindered. As an example: Kautonen et al. (2011) found that there are pull and push factors influencing older people to engage in entrepreneurship. Pull factors involve the experience that older people have from years of working that can be utilised in an enterprise. Some skills are obtained through experience, and this knowledge can be utilised in entrepreneurial ways (Kautonen et al., 2011). Thus, older entrepreneurs are increasingly viewed as having more financial freedom than younger entrepreneur to pursue entrepreneurship. Rather than being an economic necessity, the older entrepreneur can indulge in their passions through entrepreneurship (Ratten, 2018). In addition, many older people have greater financial security than younger people (Kautonen et al., 2011). This means they have money to invest in starting a new enterprise and easier access to financial resources. Furthermore, some older people want to stay active in entrepreneurship and the only way to do that beyond the socially accepted age for hiring employees is to start their own enterprise (Kautonen et al., 2011). In addition, older people may be used to having a source of income and starting an enterprise provides a way to maintain their lifestyles. Push factors include older people being turned away from other employment options due to their age (Ratten, 2018). This means there is a lack of opportunity for them in the marketplace to be hired for a job. Thus, older entrepreneurs create their own jobs that they feel they can do based on their skills. In addition, there can be a perceived lack of promotions available for older people, which means being their own boss is preferable (Kautonen et al., 2011; Kibler et al., 2012). In further research, Kautonen et al. (2017) found that for late-career individuals, starting an enterprise is positively associated with change in the quality of life and negatively associated with a change

in income. However, Kibler et al. (2012) found that there are a series of deterrents and barriers to undertaking older entrepreneurship. These include perceived and “real” barriers as experienced by respondents (Kibler et al., 2012). These barriers appear to affect people in different ways, with particular barriers for women, those who have been unable to amass a pool of financial resources and savings, and those that have limited social capital (Kibler et al., 2012). For the purpose of this thesis, these considerations show that there are policy dilemmas that policymakers and researchers should research and discuss in relation to the start-up period, self-employment, and welfare support. We should seek to understand the different circumstances in which different types of entrepreneurs may draw upon welfare benefits to support themselves while only earning a low or no income amid the risks of starting an enterprise. My work thus contributes to more clarity (for policymakers and researchers) to understand conditions when welfare may be needed as “pay” to enable the entrepreneur’s labour resource. In addition, it helps differentiate not just who is enabled through welfare (to continue to work in their enterprise) but also which forms of enterprise (e.g., social value entrepreneurship).

To conclude, for the conceptual framework, it is important to understand that there are constraints, advantages, and disadvantages related to financial capital as a resource in the start-up period. Some entrepreneurs may have more resources – in the form of financial capital – at their disposal to start a business; for example, they may be able to rely on background wealth to tide them over periods of low or no income or are able to fall back on other income to the household. This means that some entrepreneurs or even forms of enterprise, such as social value entrepreneurship, may be enabled to take on the risk of starting-up an enterprise. Equally, entrepreneurs can accept different levels of (low) income in the start-up period, or later in times of low profit, depending on their life course, for instance, they may or may not have children.

3.4.2 While trading

Similarly, while trading different entrepreneurs are differently well positioned to commodify resources into profit. Continuous enterprise success – or sustained competitive advantage (Barney, 1991) – requires some security and steady ability to

draw from one's enterprise, which may be easier to achieve for some entrepreneurs than for others. The proposed conceptual framework can help think about the policy dilemmas that arise.

To illustrate, women entrepreneurs or women-led enterprises tend to be less likely to seek or receive investments (Rouse, 2020). In a "State of the Art" review, Rouse (2020: 2) summarised that there is broad evidence that women-led enterprises rely more on informal funding such as personal or family wealth or personal credit, use lower amounts of start-up capital, face higher liquidity constraints, and struggle for second or later stage funding. Similarly, entrepreneurs in the UK's remote regions have been found to struggle to access finance (Brown and Cowling, 2022). Also in the UK, social enterprises tend to rely on government funding and grant schemes rather than commercial financing (Liñares-Zegarra and Wilson, 2022). Liñares-Zegarra and Wilson's (2022) analysis of social enterprises further highlighted the intersecting dimensions of disadvantage: they found that social enterprises in the UK tend to be located in less well-to-do areas of the UK such as the Northeast of England, Northern Ireland, or Wales. Additionally, social enterprises tend to be led by female entrepreneurs or entrepreneurs with a minority ethnic background (Liñares-Zegarra and Wilson, 2022). These examples highlight how receiving welfare may shape the ability to invest labour for women, rural, and social value entrepreneurs. The conceptual framework that this thesis presents can help to think more clearly about what welfare support may mean for these entrepreneurs and, so, how they may be enabled to continue to pursue their enterprise – or not. It lays open who but also which type of entrepreneurship (e.g., social value entrepreneurship) is enabled or hindered. The conceptual framework thus can be a systemic thinking tool for researchers and policymakers. The related empirical research that compares how different welfare states enable (or not) different types of entrepreneurs, for how long, and in which circumstances allows for a comparison with one's own welfare state and potential learnings.

Then, some entrepreneurs are better able to invest resources – including their labour – than others (see for example Carter et al., 2017 on women's entrepreneurship and the household). Financial capital is directly linked to managing workload (Boeri et al., 2020; Dinh et al., 2020). If self-employed entrepreneurs do not possess the

necessary financial capital and/or the knowledge or experience needed to successfully run their enterprises, they may run into workload issues. By balancing work and other commitments, self-employed workers tend to lean into pressures or demand on their working time and effectively work unsocial hours, at home and on the move, and in that accept unpredictability and the “always on” culture of self-employment (Cohen, 2018). Cohen (2018) described self-employment as a 21st century poorhouse as people work more than they would prefer. This is a particular problem for self-employed women, who shift their work towards the weekend to also balance other responsibilities (Cohen, 2018). Martinez Dy et al. described the problem in relation to women’s self-employment as follows:

“When weighted with hours of work invested, financial returns to self-employment are lower than those to employment; gender exacerbates this differential with self-employed women experiencing notable income penalties particularly for those working part-time from home (Yuen et al., 2018). Claims of flexibility, often cited as a rationale for women to pursue self-employment given autonomy to decide upon where, when and how the venture will be operated, should be assessed with relation to the detrimental impact this has upon returns that are directly tied to labour capacity and time investment” (Dy et al., 2020: 2).

As work under these circumstances may become indecent, policymakers may need to consider if welfare states can de-commodify self-employed labour through welfare top-up. And if so, for whom they do so?

When thinking about – or attempting to differentiate – how welfare support enables different entrepreneurs, it is important to also consider the household of the entrepreneur. Entrepreneur income and household income are closely related (Carter et al., 2017). Entrepreneurial decisions and conduct can be seen to be rooted in the socio-economics of the household in several ways: the initial motivations to start up (Jayawarna and Rouse, 2011), the provision of ongoing business resources (Rouse, 2020), and the establishment of business decisions and routines may all be predicated on the needs and deeds of the household (Carter et al., 2017). Within this highly intertwined context, the demarcation between enterprise and household may

become blurred (Kneiding and Kritikos, 2013), as the culture and evolution of the enterprise itself will correspond to that of the family as household routines, membership dynamics, and resource constraints and conveniences change over time (Carter et al., 2017). Household income other than the entrepreneur's or background wealth may enable decent self-employment for some entrepreneurs.

Self-employed entrepreneurs tend to mix private and business financing, which can be a burden to both the household and enterprise (Wiatt et al., 2020). If household income is used to alleviate enterprise pressure, money might be missing to support basic necessities. Then, money that flows from the enterprise to the household may mean forgoing investments that could enable business growth. Self-employed entrepreneurs are known to be more likely to mix business and private income at the household level to manage income fluctuations (Haynes et al., 1999; Yilmazer and Schrank, 2006; Kneiding and Kritikos, 2013). While this financial intermingling in theory can go both ways from the enterprise to the private realm and the other way around, in response to business interruption, the household often supports the enterprise by various means (McDonald and Marshall, 2017). For example, financial intermingling might be used as a financing strategy when regular business loans might not be accessible (Kneiding and Kritikos, 2013). Equally, if the enterprise faces cash-flow problems, owners tend to delay drawing from their enterprise, use their private credit cards for purchases, and put up private assets as collateral; if they borrowed money for the enterprise, they are more likely to transfer money from the household to the enterprise to cover loan payments (McDonald and Marshall, 2017). This means that household-level income in self-employed households needs to be understood as circular and fluid. Consequently, while this could be beneficial, there is also a risk for self-employed entrepreneurs. Loss of self-employment profit needs to be understood within the household context. Where the self-employed individual is the main breadwinner or where a self-employed individual is also a lone parent, then household financial distress is likely to be more severe and immediate. Given that self-employment takes place in this way, self-employed entrepreneurs who are the main breadwinners in their families are potentially more at risk of working under indecent conditions to ensure that their enterprises can continue and they are able to provide for their families (Citizens Advice, 2015). Relatedly, this pressure to manage

risk, including and maybe most importantly financial risk, can lead to stress, anxiety and ongoing poverty from precarious work or low income (Danson et al., 2021).

Lastly, a lack of resources may significantly shape the decency of self-employment. Financial capital cannot just be used for entrepreneurial action if it is owned, but also if it is borrowed. It can be a replacement for lack of profit that sustains the entrepreneur's labour (as drawings). Therefore, to understand finance as a form of resource this thesis needs to consider borrowing. If profits amid trading are lacking, it may force an entrepreneur to increasingly commodify their labour. They may, for example, work longer hours to make up for any lack of income. Equally, they may feel pressured to find (other) work or to take up any kind of work. This is of significance as non-standard work exposes the worker to further bad jobs; that is those with a low income, no health insurance or pension, and no further career opportunities (Occhiuto, 2017). Debt or even the risk of debt may increase the risk of self-exploitation as in the pursuit of having or wanting to pay back their debt, the solo self-employed entrepreneur may be forced to take on work at any cost and potentially drive down their price. At a lower rate per hour, in turn, they then might have to self-exploit in the form of working longer hours. Relatedly, debt – while it can finance investments - can also become a concerning problem. It can cause stress, anxiety, family breakdown, domestic violence, and suicide (Montgomerie and Tepe-Belfrage, 2019). If endured over the long term, debt can lead to detrimental lifestyle changes as it “creates dependencies through moral claims, triggers distinct emotions through shaming, enforces legal claims on borrowers, and determines market citizenships (e.g., via credit ratings)” (Montgomerie and Tepe-Belfrage, 2019: 310). Consequently, entrepreneurs who may be investing their labour in the hope of future profit or entrepreneurs who have invested their labour but face shortages due to late payment and who therefore have to borrow to make up their shortages may be at self-exploitation. Additionally, a possible lack of exit routes out of such situations may mean that in the pursuit of having or wanting to pay back their debt, the solo self-employed entrepreneur may be forced to remain in their potentially unprofitable self-employment. This thesis' conceptual framework and empirical analysis thus contribute to understanding when and where these circumstances may be more likely to arise - and thus where self-employment may become indecent.

This section has shown how continued enterprise success is closely linked to financial resources in general and enables the entrepreneur's ability to labour in particular. It has also shown how labouring under conditions of uncertainty or lack of finance may be more difficult for some entrepreneurs, e.g., carers, entrepreneurs in remote regions, or social entrepreneurs. As such, policymakers face various dilemmas when they need to consider the conditions under which welfare support may be used to support struggling entrepreneurs. These relate to the entrepreneur, the enterprise, and the entrepreneur's life course (e.g., wealth or other household income).

3.4.3 Upon exiting

Lastly, policymakers face the dilemma to consider when and how to support a struggling – or failing – entrepreneur to leave their unprofitable enterprise. Self-employment exit is influenced by age, experience, wealth, organisational success, personal values, and other factors (Wolfe and Patel, 2019). Exiting is also influenced by considerations of health and well-being, or balancing one's work, career and family life satisfaction (de Jager et al., 2016). Equally, balancing the financial and emotional cost of exit shapes the decision to either remain in self-employment even if it is failing, or to exit (Wolfe and Patel, 2019). Yet systemic structures – including the welfare state – might mean that an entrepreneur remains in precarious self-employment when actually they should be leaving their unsustainable business. The circumstances under which self-employment exit takes place – and for whom – are thus important to consider.

This work on the conditions of receiving welfare amid low income can help to better understand which entrepreneurs may be enabled to leave self-employment – and who may be unable to leave due to systemic structures (Elder-Vass, 2010). For example, for women, the decision to exit self-employment has been found to be influenced if she has young children or not, and by a trade-off between time and income (Jayawarna et al., 2020). Jayawarna et al. (2020) conducted a gendered quantitative analysis of households to understand how business operations at specific points in life influenced the exit decision. The authors found that women who have to care for young children are more likely to exit self-employment if their income

is limited because they cannot balance work and caring demands, especially if their income is smaller in comparison to a second earner in the household, so that the household can fall back on that larger income – often of a male partner (Jayawarna et al. 2020). Such understanding considers money flowing into the household from different partners (Carter et al., 2017). The conceptual framework as a thinking tool can help differentiate under which conditions – and for how long – an entrepreneur can draw on welfare benefits to continue their enterprise and under which conditions the entrepreneur may eventually need to leave her enterprise.

My work also allows for more differentiated thinking about when an entrepreneur may be enabled to leave low-income entrepreneurship – and when this may not be the case. Self-employment starts then to become successful when the self-employed worker manages to “survive” in self-employment for at least one year as the survival in self-employment and the likelihood to exit reduces and income increases with the length of tenure (Shane, 2003). Similarly, a lack of experience and/or understanding of business and sales have been found to shape self-employment exit (Oberschachtsiek, 2012). Equally, some entrepreneurs might also be accepting less income, or combine less income with welfare benefits (Carter and Welter, 2016). Frugal entrepreneurs may extract only notional drawings, but the amount will vary depending on personal needs and business affordability. Larger rewards, such as dividends and profit, may similarly be varied, in order to maximise personal and business advantage (Carter et al., 2017). This work, which contributes a conceptual tool to help think about the conditions for receiving welfare while in low-income self-employment, thus contributes to knowledge by helping to better understand when an entrepreneur may be enabled to leave low-income entrepreneurship – or when this may not be the case.

My work can also contribute to understanding better whether, and under what circumstances, policy should help people to sustain enterprises with low sales prospects via giving financial capital. Prior knowledge and experience in running an enterprise positively contribute to enterprise stability and risk mitigation. Stability in self-employment is closely related to the self-employed worker’s previous experience: novice or one-time entrepreneurs are more endangered in their self-employment than habitual entrepreneurs (Castanias and Helfat, 2001 in Barney et

al., 2001). Financial literacy also contributes to self-employment success (Ćumurović and Hyll, 2018). That is to say, those entrepreneurs who are experienced in their enterprise or who have the financial understanding to assess risk and their impact in the short-, medium, and long-term are likely to be able to protect themselves against risks. An understanding of how to run a business has been shown to lead to net wealth growth (Ćumurović and Hyll, 2018). Self-employed entrepreneurs with business and sales experience or previous experience being self-employed also tend to leave self-employment earlier (Oberschachtsiek, 2012). Their understanding of business and ability to assess risks helps them to understand when to exit a venture that might be underperforming. It is this awareness – among others – that trading in the present always needs to remember sustainability for the future. Periods of no or low income demand constant assessments as to the entrepreneurs' and their enterprise's future. These assessments are easier for experienced than novice entrepreneurs. As such, to work decently by achieving decent profit and being able to achieve decent drawings, a self-employed worker is more secure if they have business experience. This knowledge amid considerations for decent self-employment in relation to the welfare state raises the question of whether, and under what circumstances, policy should help people to sustain enterprises with low sales prospects via giving financial capital.

In summary, as these last sections have shown, financial capital is crucial to self-employment decency and eventually stability and success in self-employment. Also, in self-employment financial capital is closely related to the labour capital of the entrepreneur: who they are and what resources they have available. Especially, the availability of financial capital fuels their labour. All of these considerations highlight that when considering how the welfare state interacts with the solo self-employed individual, we must distinguish between who the entrepreneur is and at what stage of their business – and in their life – they are. The need for support may be different at different stages for the entrepreneur and their enterprise.

3.5 Summary

In this chapter, I outlined the definition of entrepreneurship that is the foundation for my conceptual framework. I draw on Kitching and Rouse's entrepreneurship definition as "investments in resources intended to produce goods and services for market exchange" that draws on critical realist ontology (2016: 569). It allows me to analyse in depth which entrepreneurial action may be enabled potentially amid adverse market conditions by the welfare state.

Moreover, I draw on the resource-based view with its focus on how resources are combined into goods and services to sell for profit to highlight the policy dilemmas that welfare states face in relation resource enhancements. I discussed the importance of resources, access to resources, and availability of resources. I specifically examined the importance of profit as the fuel for labour. I considered how resources are acquired, used, and maintained by whom and under which circumstances and thus contribute to shaping self-employment.

I build on these take-aways in the next chapter when I examine welfare states as structures that organise to whom, when and how many resources are made available, e.g., through welfare benefits which compensate when labour cannot be enacted and, so, profits are low.

Chapter 4. De-commodification and Esping-Andersen's three welfare regimes

4.1 Introduction

In this chapter, I introduce the de-commodification literature (Esping-Andersen, 1990) in order to link it to decent self-employment. According to Esping-Andersen (1990), de-commodification is the level of welfare state provision to labourers that allows them to meet their basic needs without having to commodify their labour, e.g., during times of education, unemployment, maternity, or illness. In the past, de-commodification has always been thought of in relation to employed labour. For the first time, I apply the de-commodification concept to self-employment. I present a conceptual framework that outlines the causes of low profit in which welfare may de-commodify self-employed labour. Notably, I distinguish between de-commodification of the entrepreneur's labour, for example, when they are unable to invest all of their labour, and the entrepreneurial process, e.g., when the market interferes with the entrepreneur's ability to achieve profit such as in times of a crisis.

Based on their degree of de-commodification, Esping-Andersen (1990) proposed a typology of three welfare regime types. In this chapter, I outline the characteristics of each regime and present reasons why in my empirical work in later chapters, I go on to analyse the three welfare states of the UK, Germany, and Denmark as examples of these regime types.

The chapter is structured as follows; first, the concept of de-commodification as suggested by Danish sociologist Gøsta Esping-Andersen is introduced. Then, Esping-Andersen's three worlds of welfare typology is explored to justify the empirical analysis of the UK, Germany, and Denmark as examples of the three welfare regime types. Lastly, I present a conceptual framework of de-

commodification in self-employment that allows thinking about how welfare states shape the conditions that enable or hinder entrepreneurship.

4.2 Labour de-commodification

“It is possible to withhold washing-machines from the market until the price is agreeable; but labour is unable to withhold itself for long without recourse to alternative means of subsistence” (Esping-Andersen, 1990: 37).

The provision of these alternative means of recourse – such as welfare benefits – is central to Gøsta Esping-Andersen’s work on de-commodifying labour. The Danish sociologist proposed the de-commodification concept to explain how welfare states differ in enabling workers to live decent lives independently of the need to sell their labour (Esping-Andersen, 1990). Esping-Andersen also conducted empirical research to assess Western welfare states based on their degrees of de-commodification and identified three types of welfare regimes (1990).

Taking inspiration from the work of Karl Polanyi (1944), Esping-Andersen (1990) argued that workers who live in welfare states that offer more de-commodification are less reliant on their labour, and thus the market. He argued that the welfare state de-commodifies labour by providing a certain level of support to meet basic needs without having to work (Esping-Andersen, 1990). De-commodification refers to the “degree to which individuals, or families, can uphold a socially acceptable standard of living independently of market participation” (Esping-Andersen, 1990: 37). Being de-commodified enables citizens to “freely, and without potential loss of job, income, or general welfare, opt out of work when they themselves consider it necessary” (Esping-Andersen, 1990: 23). Individuals may be de-commodified when they are in compulsory education, in old age and in receipt of a pension, when sick, while on parental leave, or when receiving unemployment benefits. They are also de-commodified when pursuing activities other than paid work (Esping-Andersen, 1990). Esping-Andersen argued that because de-commodification occurs as a matter of citizens’ rights, it occurs to different degrees in different welfare states depending on how the welfare state has developed historically (1990). He argued that eligibility

criteria for welfare benefits and benefit levels differ. Based on these degrees of de-commodification, Esping-Andersen developed a typology of three welfare regime types (the liberal, conservative, and social democratic regime, section 4.3), each with different characteristics.

In addition to their level of de-commodification, Esping-Andersen used the concept of social stratification to differentiate welfare regimes. Stratification describes a society's "social layering" (Petring, 2012: 36). Esping-Andersen used stratification to describe the extent to which the welfare state stratifies (orders) the population through welfare benefits, and thus to what extent it maybe enhances or diminishes existing class status (Esping-Andersen, 1990). He so argued that a welfare state contributed to social stratification (Petring, 2012). This may happen through educational offers, access to the labour market, or if welfare is provided universally and thus "is meant to cultivate cross-class solidarity" (Esping-Andersen, 1990: 25). Esping-Andersen wrote:

"The welfare state may provide services and income security, but it is also, and always has been, a system of social stratification. Welfare states are key institutions in the structuring of class and the social order. The organisational features of the welfare state help determine the articulation of social solidarity, divisions of class, and status differentiation" (Esping-Andersen, 1990: 55).

Esping-Andersen argued that de-commodification and social stratification are "key to a welfare state's identity" (1990: 3). He used the de-commodification concept to get at the "salient characteristics" of welfare states (1990: 3) arguing that social rights have always been the essence of social policy. In addition, he used social stratification as a lens because thinking about how welfare states perpetuate inequalities has been neglected (Esping-Andersen, 1990). Both de-commodification and social stratification shape the market-state nexus, which is where differences in welfare regime types arise.

For the first time, I apply the de-commodification concept to describe the circumstances in which entrepreneurs may need to de-commodify their labour or the entrepreneurial process. Welfare assistance, that is, financial capital, may be an

investment in the entrepreneurial process which can enable self-employment amid uncertainty, for example when working towards realising future profit, or in times of low income, for example amid a market crisis. Profits are always risky, and those risks are partially socially produced and difficult to control. The risks could be offset if welfare was used as an input to the business, creating more resources to produce profitable goods and services. Similarly, entrepreneurs can have negative income and they can borrow to invest, so the “floor” is not “no income”, but “negative income”. How, then, do we think about de-commodification in self-employment? Questions arise as to when, for whom, under what circumstances, and for how long de-commodification may be enabled by the welfare state; equally, to create what value? I propose that Esping-Andersen’s work can be a way to think about sustaining self-employed labour when the worker cannot sustain themselves through entrepreneurial action.

In more detail, I argue that the de-commodification concept lends itself to differentiate the very heterogeneous group of the self-employed. It can help thinking about which entrepreneur may draw on welfare for support, and in which circumstances. For example, self-employment for some groups in society such as women, including single mothers, and people of colour may be very different than for others (e.g., Liñares-Zegarra and Wilson, 2022). An older white male entrepreneur, who may look back at a successful career in business, potentially has saved a financial buffer that allows him to cover a period of uncertainty when starting out as an entrepreneur. He may also draw on a vast network of contacts. In contrast, for a young mother who aims to become a childminder to help her balance paid and care work, self-employment and access to welfare support while starting up may be very different (Gingerbread, 2018). Equally, for a woman in a conservative welfare state that traditionally understood care to be a mother’s role – as opposed to a welfare state where the care infrastructure is well-developed – the disadvantages based on gender may shape her self-employment considerably (Lietzmann and Frodermann, 2021).

In his empirical analyses, Esping-Andersen used de-commodification and stratification to group welfare states into three welfare regime types. He classified 18 Organisation for Economic Co-operation and Development (OECD) countries and

analysed welfare regimes in capitalist economies “in recognition of the fact that all Western countries tax and spend between 30% and 60% of GDP and spend more than half the money on social policy or ‘welfare’” (Headey et al., 2000: 117). Based on this analysis, Esping-Andersen proposed “three highly diverse regime-types, each organised around its own discrete logic of organisation, stratification, and social integration” (1990: 3). He described the liberal regime, the conservative, and the social democratic regime types (Esping-Andersen, 1990). The following section introduces these regime types.

Lately, the trend towards labour re-commodification has been discussed in the academic literature (Greer, 2016; Rubery et al., 2018) . It refers to the process of reversing or rolling back previous efforts and policies aimed at de-commodifying labour. Labour is re-commodified when there is a shift or erosion in welfare policies and a resurgence of market-oriented approaches to labour and social security. Greer (2016) argues that welfare reform affects workers and workplaces by increasing the pressure to accept low-quality jobs and reducing the bargaining power of labour. He proposed a framework to analyse how welfare reform interacts with labour market institutions, collective action, and individual coping strategies (Greer, 2016). The move towards labour re-commodification often reflected a broader ideological shift towards market liberalism and a belief in the efficiency of free markets to solve social and economic problems (Hansen, 2019). However, it can exacerbate income inequality, job insecurity, and social exclusion, particularly for vulnerable groups in society, as the safety nets previously provided by de-commodification policies are eroded (Rubery et al., 2018). Rubery et al. (2018) examined the implications of precarious work becoming the new norm for employment and social protection systems. The authors identified different processes of normalisation driven by social policies that both de-commodify and re-commodify labour. They analyse the challenges and contradictions of these processes for workers, employers and society and call for a new vision of reform that promotes greater inclusion and protection for precarious workers (Rubery et al., 2018). Against this backdrop of labour re-commodification, my work gains increasing relevance as it explores the pressures faced by the self-employed in their attempts to de-commodify their labor for the sake of decent work. This focus not only adds a new dimension to the existing debates but

also contributes valuable insights to our understanding of labour dynamics in the context of shifting welfare and market policies.

4.3 Three Worlds of Welfare Capitalism

Esping-Andersen proposed three welfare regime types, each with its own characteristics and logic of de-commodification and social stratification. He proposed the liberal regime, the conservative, and the social democratic regime types. Generally, the liberal regime can be characterised by freedom, the social democratic regime by equality, and the conservative regime by security (Esping-Andersen, 1990). Each of these will be introduced in the following sub-sections.

4.3.1 Liberal regime

The liberal welfare state primarily provides help to self-help (Esping-Andersen, 1990). There is a belief in the traditional liberal work ethic, where work is favoured over claiming welfare, and the welfare state is set up in a way that makes – or ought to make – work attractive; for example, due to low benefit levels. An entrepreneurial mindset and personal action are rewarded. The liberal welfare regime believes in the ability of the market to ensure social protection for the worker and that the market should be left to its own devices. The market is believed to provide work for everyone who wants to work so that everyone can provide for themselves. Some welfare provisions exist for those who cannot work, such as the young, old, or ill, but there are expectations of the family, church, and community to deliver welfare instead (Esping-Andersen, 1990).

The liberal welfare regime is tax-financed, and state welfare is considered a last resort security. Benefits are means-tested and often modest so that they only meet one's basic needs to incentivise work instead of relying on welfare payments. Claiming benefits is often stigmatised, and claimants often remain in poverty. Also, there tend to be strict entitlement rules (Esping-Andersen, 1990). Because of low benefit levels and a certain reliance on the family and community to provide social protection, there is minimal de-commodification in the liberal welfare regime. For

example, mothers may choose either a short maternity leave, as a time of de-commodification, or have to go back to work; unless they can afford to de-commodify their labour thanks to others, maybe private, means.

The liberal welfare regime overall is characterised by a high degree of social stratification. That is to say, there is high inequality between the rich and the poor. The poor may effectively only rely on the welfare state with its low benefit levels, whereas the middle classes may take out private insurance and enjoy occupational fringe benefits (Esping-Andersen, 1990).

Based on his empirical analysis, Esping-Andersen declared the United States, Canada and Australia to be the clearest example of the liberal welfare regime type overall. As an example of the liberal welfare regime in Europe, he named the United Kingdom. However, he classified the UK not as a “clear” example of the liberal regime but instead as mixed. Still, Esping-Andersen also commented that Britain “increasingly” is a liberal welfare regime (1990: 33). A review of the later literature found the UK to be primarily classified as a liberal regime type (Powell et al., 2019).

4.3.2 Conservative regime

The conservative welfare regime is contributions-financed and driven by distinctions among class and status. It is shaped by a historical paternalistic ideology, including a belief in hierarchy, authority, and subordination to the patriarch or state. But that is not to say that benefit levels are low. Social rights are accepted based on citizenship rights, and welfare provision is generous (Esping-Andersen, 1990). Social stratification is high, meaning some groups benefit more than others. These differences are often along the job type, income, and gender dimensions and perpetuate class and status. For example, civil servants in countries like Germany, Austria, or France enjoyed - and continue to enjoy - “extraordinarily lavish” welfare provisions (Esping-Andersen, 1990: 59).

De-commodification in the conservative welfare state is high for certain groups as benefits stem from work and contributions to the statutory insurance pool. For example, German employees pay into the statutory unemployment pool throughout

their work life. In case of unemployment, they are entitled to 60% of their previous net income for 12 months. Consequently, those who earn a higher income are also entitled to higher levels of unemployment benefit. Such a set-up benefits the male breadwinner, as opposed to their wife, who may earn a secondary income part-time due to her traditional unpaid care and domestic responsibilities. Because of its historical development that favoured certain groups such as civil servants, many historical roots still make themselves felt in conservative welfare regimes today. For example, social protection is often provided through occupational insurances, which means there are countless schemes that differentiate by occupation, and by extension by status, each with different rules, financing, and benefit structure. Even more, as the conservative welfare regime also tends to be shaped by the church and its commitment to traditional family values such as motherhood, social insurance typically excluded wives that are not economically active (Esping-Andersen, 1990). For example, childcare infrastructure and other family services were “conspicuously underdeveloped” as the family was seen as the central welfare provider, to women’s disadvantage (Esping-Andersen, 1990: 27).

4.3.3 Social democratic regime

The social democratic regime is also tax-based, but its benefits are generous and delivered universally. The social democratic welfare state has the ambition of “universal solidarity” (Esping-Andersen, 1990: 28) where welfare is extended to the level of the middle class for all. The social democratic welfare state is fundamentally preventive: through comprehensive social services and uniform cash transfers, fewer people end up in permanent welfare dependence (Petring, 2012).

De-commodification in the social democratic welfare regime is high. Benefit levels are high, and access to benefits is universal, resting on being a citizen or long-term resident of the country (Esping-Andersen, 1990). The welfare state’s idea is that manual workers enjoy the same social insurance as salaried white-collar workers or civil servants (Esping-Andersen, 1990). Esping-Andersen described the social democratic approach as “people’s welfare” (1990: 48) but noted some inherent difficulties. A system where everyone benefits generously depends on everyone working to help pay for these generous welfare benefits. Therefore, the social

democratic regime is committed to – and dependent on – the social norm that full employment is ensured in a way that neither of the other two regime types are.

Because of its commitment to universalism, stratification in the social democratic welfare regime is low. The welfare regime also aims for high levels of emancipation for the family, where women are enabled to work. Therefore, childcare and other care services are widely available and delivered as a public service, freeing women to participate in the labour market fully. Again, this reflects the fragility of the system, where a “peculiar fusion of liberalism and socialism” prevails (Esping-Andersen, 1990: 28). It is therefore maybe no surprise that in Esping-Andersen’s empirical data, the social democratic welfare states were the smallest group (1990).

4.3.4 Comparing the three worlds of welfare regimes

Comparing across the regime types, de-commodification in the liberal regime rests on market emancipation of the worker, and the “commodity-logic is supreme” (Esping-Andersen, 1990: 43). In the conservative welfare regime, de-commodification rests on family dependence, and in the social democratic regime the worker is “truly” de-commodified (Esping-Andersen, 1990: 46) because the welfare state allows the worker to pursue activities other than work, including re-education and leisure while maintaining a living standard even over an extended period.

The liberal welfare regime does not stratify society through welfare provision. Because of a belief in the possibilities of the free market, the state does not interfere with stratification that arises from the market as the worker and their “effort, motivation, adeptness, and self-reliance” has a choice to ensure their welfare (Esping-Andersen, 1990: 62). Only through private means, such as private insurances for those who can afford it, does social stratification in the liberal welfare regime exist. In contrast, the conservative welfare regime is highly stratified. Because of historical developments, different occupational groups attained different statuses, and so different levels of social protection. These are perpetuated in today’s conservative welfare states, for example in the form of different occupational insurance schemes. The social democratic regime applies universality in the welfare

state to preserve solidarity. Therefore, it aligns social benefits to middle-class standards. Table 2 summarises these characteristics of Esping-Andersen’s welfare regime typology.

Table 2 Characteristics of Esping-Andersen's welfare regime typology (Pierson, 2006: 173)

	Liberal	Conservative	Social democratic
Role of Family	Marginal	Central	Marginal
Role of market	Central	Marginal	Marginal
Role of state	Marginal	Subsidiary	Central
Dominant mode of solidarity	Individual	Kinship, corporatism ¹¹ , etatism ¹²	Universal
Dominant locus of solidarity	Market	Family	State
Degree of de-commodification	Minimal	High (for breadwinners)	Maximum

4.4 Evaluation of Esping-Andersen's de-commodification concept and welfare regime typology and its application in this thesis despite criticisms

¹¹ Corporatism describes the organisation of society by certain groups. In relation to post-war welfare states, it describes welfare states in which an implicit “social pact” between organised capital and labour – employers and trade unions – existed (Ebbinghaus, 2021: 280). Workers benefit from extended social rights while they accept the social market economy in return (Ebbinghaus, 2021).

¹² *Etatism* (from the French *état*: state) describes the political view that the state is of paramount importance in economic and social life. It is usually associated with centralised conceptions of the state (Schubert and Klein, 2020).

It has been over 30 years since the publication of Esping-Andersen's *The Three Worlds of Welfare Capitalism*. Since then, the book has been called a "modern classic" (Emmenegger et al., 2015: 3), became the "dominant heuristics for classifying and understanding modern welfare states" (Danforth, 2014: 164), and founded an entirely new academic industry, the "welfare modelling business" (Powell and Barrientos, 2011: 69). It has become part of the canon of comparative social policy (Headey et al., 1997) and one of the most cited works in social policy (Powell et al., 2019). However, while *Three Worlds* is still a central piece of research, it has been critiqued and discussed extensively since its publication. In the next section, I compare Esping-Andersen's work with other theories on varieties of capitalism and present a critique of Esping-Andersen's work to outline which aspects of Esping-Andersen's theory this thesis builds on.

Comparative political economy in general, and comparative welfare state research in particular, is a dynamic field. Following Esping-Andersen's work, other researchers proposed other typologies of capitalism, deriving their categories from different policy areas. For example, Estevez-Abe et al. (2001) focussed on the educational aspect of the welfare state. Hall and Soskice (2001) argued that firms are central to how varieties of capitalism have developed. But these theories do not necessarily lend themselves to thinking about decent self-employment in the way that the de-commodification concept does. For example, for Hall and Soskice, it is firms that are vital to how corporate governance, labour relations, education and training, and employer-employee relationships are shaped and thus how comparative economic advantage can be explained via comparative institutional advantage (Hall and Soskice, 2001). They place the firm at the centre of their research. Firms seek to advance their interests and, consequently, shape industrial relations because they bargain over wages and working conditions with the labour force (Hall and Soskice, 2001). Similarly, they shape the (vocational) education and training sector because they seek to secure a suitably skilled workforce to ensure competitiveness. This actor-centredness (Hall and Soskice speak of firms as "crucial actors" in a capitalist economy, 2001: 6) disqualifies Hall and Soskice's work from being helpful to this thesis. Esping-Andersen's focus on structure is more suited (1990). His analysis of resources available to workers independently of their labour force (de-commodification) allows me to consider which welfare and social policy

arrangements may influence the conditions of self-employment before, during, and upon exit (Esping-Andersen, 1990).

Esping-Andersen has been criticised for not applying de-commodification as a concept correctly. He put himself in the tradition of Karl Marx by using Marx's concept of labour as a commodity, but Room (1999) argued that he did not apply Marx's work correctly. According to Room, Esping-Andersen was right to base his work on Marx's argument that labour commodification threatens the worker because, if they cannot work, they may not be able to ensure their subsistence. Nevertheless, Room criticised Esping-Andersen as "revisionist" (1999: 332) for omitting Marx's further concern regarding workers' self-development. Marx called for working conditions that meet humans' physical needs as well as their social needs. Workers need to work creatively and cooperatively and capitalism, as Marx argued, takes this creativity and cooperation away (Room, 1999). Room thus criticised Esping-Andersen for only going half the way by considering welfare programmes that deal with income securities rather than an approach based on, for example, a universal income, which, as Room argued, would be the only genuine option not to work (1999). While this is valid criticism, the de-commodification concept focuses on degrees of de-commodification. For the purposes of this thesis, these degrees help me think about the conditions under which self-employment occurs. Esping-Andersen measured degrees of de-commodification using empirical data around welfare programmes, namely pensions, sickness, and unemployment cash benefits. He used these programmes to understand who has access to them; if access is based on guaranteed social rights or if conditions apply such as a previous record of work in the welfare state; if, and if so how, welfare benefits are needs-tested; or if they may be time-limited. In the same manner, I apply the de-commodification concept to understand the conditions that shape self-employment and how they may shape self-employment differently in different welfare states. For example, conditions on the length of receiving welfare benefits may affect what it means to pursue economically unprofitable self-employment over a longer period of time, such as when an entrepreneur tries to get their business back on track. Equally, Esping-Andersen's concept allows me to ask who may benefit from de-commodification. As Esping-Andersen put it: "a programme may very well offer luxurious benefits and

liberal conditions, but if it addresses solely a small clientele, it has obviously a limited capacity to de-commodify" (1999: 49).

Substantial discussions of Esping-Andersen's work relate to his empirical analysis (Danforth, 2014). As Bambra put it: "indeed, much of the burgeoning comparative welfare state literature since 1990 can be seen as a 'settling of accounts' with Esping-Andersen" (2005: 198). Esping-Andersen was criticised that his inclusion and exclusion criteria were not clear, and his overall methodology (Kangas, 1994; Ragin, 1994; Shalev, 1996; Böger and Öktem, 2018). There were also discussions on specific countries and to which regime type they may or may not belong, on the Antipodean countries see Castles, (1998); on the Netherlands see Visser and Hemerijck, (1997); and on Esping-Andersen's general focus on Western European welfare states, see Powell et al., (2019). Building on Esping-Andersen's work, authors have put forward different typologies ranging from three to five welfare regime types. Van der Veen and van der Brug (2013) re-categorised Esping-Andersen's data into the conservative and liberal welfare regime types, but instead of a socialist model, they classified a universalist regime type. Others agree with Esping-Andersen's three welfare regime types but propose an additional Mediterranean model (Ferrera, 1996; Trifiletti, 1999). Others again proposed a five-type model of welfare regimes (Korpi and Palme, 1998; Aspalter, 2011). However, as Danforth put it, the "new worlds" discovered after *Three Worlds*, were mainly "products of more recent waves of democratisation and thus probably postdate the emergence of Esping-Andersen's three worlds" (2014: 166).

In this thesis, I take forward Esping-Andersen's original three regimes typology as more and more research finds that its three case countries – Denmark as an example of the social democratic regime, Germany as an example of the conservative regime, and the UK as an example of the liberal welfare regime type – are placed fairly consistently. A 2019 "review of reviews" found that while fewer and fewer "pure nations" exist, in 80% of analyses Denmark and Germany are pure cases and most countries can continue be placed in the "same broad group" (Powell et al., 2019: 68). Future research may consider de-commodification of self-employment in individual contested countries such as the Netherlands as hybrid

cases; or additional regime types such as the Mediterranean type; and look beyond Western Europe.

The countries I analyse each represent one of Esping-Andersen's regime types. I chose the countries purposively to meet the study's objectives of understanding differences between systems (Maxwell, 2012). The three countries, Denmark, Germany, and the UK, have been chosen because they are economically comparable but with philosophically different views of the role of the capitalist welfare state. This allows me to compare the expectations placed upon the self-employed and consequently how welfare for the self-employed is delivered. Furthermore, each of the three countries places either purely (Denmark and Germany) or with a medium-high consistency (UK¹³) in Esping-Andersen's typology (Ferragina and Seeleib-Kaiser, 2011). In addition, the countries are all comparable in their spending on welfare. In 2019, social spending as measured by the OECD¹⁴ ranged from 20.6% as a percentage of GDP for the UK, to 25.9% for Germany, and 28.3% for Denmark (OECD, n.d.). This reflects Esping-Andersen's original approach (Headey et al., 2000).

In summary, for the purposes of this thesis, I take forward Esping-Andersen's work on a labourer's ability to lead a decent life outside of the need to sell their labour (de-commodification) and his classification of welfare states into regimes based on their

¹³ Ferragina and Seeleib-Kaiser found the liberal welfare regime type to be the "least cohesive" (2011: 13) compared to the clear logic of the other two regime types. A finding that was later confirmed by Böger and Öktem (2018). But as Powell et al. (2019) showed in their review of reviews, the UK is mostly described as "liberal" or placed in categories that match Esping-Andersen's characteristics of a liberal welfare regime, e.g., "low spending" (Bonoli, 1997), "basic security" (Korpi & Palme, 1998), or "low generosity" (Scruggs & Allan, 2006).

¹⁴ The OECD understands social expenditures to include "cash benefits, direct in-kind provision of goods and services, and tax breaks with social purposes. Benefits may be targeted at low-income households, the elderly, disabled, sick, unemployed, or young persons. To be considered "social", programmes have to involve either redistribution of resources across households or compulsory participation. Social benefits are classified as public when general government (that is central, state, and local governments, including social security funds) controls the relevant financial flows" (OECD, n.d.).

degrees of de-commodification. In the following section, I outline a conceptual framework for understanding de-commodification in self-employment.

4.5 Conceptual framework: de-commodification in self-employment

Esping-Andersen conceptualised de-commodification in relation to employment. In the literature to date, there appears to be no conceptualisation of de-commodification in relation to self-employment. In this section, I conceptualise de-commodification in self-employment. I distinguish between de-commodification of self-employed labour and de-commodification of the entrepreneurial process and, based on this distinction, I build a conceptual framework that allows thinking about the terms in different welfare regime types and whether/how they represent de-commodification for the self-employed. This raises awareness of the complex dilemmas a welfare state may face in relation to de-commodification and self-employment. The distinction is important as de-commodification expands across several axes of which one relates to labour and the entrepreneurial process. However, other dimensions relate to the entrepreneur's personal circumstances (e.g., their household) and business (e.g., the business life course). In other words, welfare regimes may be positioned in this multi-dimensional place, rather than it being merely a simple dichotomy (total de-commodification/lack of de-commodification). By being able to consider shades of de-commodification, the theoretical framework I propose is valuable in its applicability to all capitalist welfare systems, beyond the three empirical country cases I explore in later chapters.

This thesis is concerned with what de-commodification might mean in relation to self-employment. De-commodification in self-employment raises questions about profit, about the wider infrastructure in which work takes place, and about which social values the state supports. These are welfare systems' fundamental practical problems, and as such it is worth researching how the two interact – how welfare systems understand and deal with self-employed claimants. My research lays the foundation for a wider policy discussion. The thesis provides a cross-country perspective and refining of our understanding of how different welfare regimes could

be categorised in relation to how they support, or not, self-employed labour. It analyses what kind of self-employment may not be supported without there being a discussion or clarity and transparency on the issue, and by extension which groups of self-employed workers may not be supported. For this reason, my work is conceptually important. Moreover, the thesis challenges entrepreneurship theory by unbundling the implicit assumption, among others, that an entrepreneur has unfettered amounts of labour, and motivation to use their labour to maximise profit (my work is building on prior critiques of this presumption such as in Jayawarna et al., 2011; Rouse and Jayawarna, 2017).

Notably, the welfare state can enhance entrepreneur resources by other means. The welfare state may support an entrepreneur through training or business coaching to make more of their labour resource. Equally, a welfare state may invest or ease access to other resources such as financial capital to buy equipment or promote social capital, so that the entrepreneur can find resources in their networks or provide access to markets to enable profitable selling, such as via public sector procurement. While these other means of support are important to consider, as this is a single PhD project, these would need to be part of a future, wider research programme that at this point I can only point towards.

The commodification of labour in self-employment can be thought of as the process whereby labour and other resources are combined into profitable goods and services under conditions of uncertainty and risk. In turn, de-commodification in self-employment must mean the extent to which labour and other resources are commodified into profitable goods and services (see Table 3 for a comparison).

Table 3 Comparison of de-commodification in employment and self-employment

	Employment	Self-employment
What is labour de-commodification?	Being provided for by the welfare state when a person is unable to support themselves or, while in employment, to	The degree to which an entrepreneur has to commodify their labour and other resources into <i>profitable</i> goods and services and so being provided

	not have to commodify one's labour at all costs to meet one's living standards (exploitation)	for when entrepreneurial effort produces low/no profits or when entrepreneurial effort is limited
Other means by which a welfare state may support an individual	- Education and training - Childcare infrastructure	- Investment of any other kind of resource (e.g. training or coaching)
Additional means by which a welfare state may support de-commodification in self-employment	/	- By shaping market conditions - Public procurement

In relation to de-commodification and self-employment, I differentiate between de-commodification of self-employed labour and de-commodification of the entrepreneurial process. Previously in academic research and policy thinking, labour and the entrepreneur tended not to be differentiated. I expand the understanding by opening various distinctions. I ask welfare researchers and policymakers to consider that welfare may be effective at commodifying labour, but the welfare state may not necessarily be good at de-commodifying the entrepreneurial process. I understand the terms as follows: de-commodification of self-employed labour is person-centric and relates to an entrepreneur's ability to work. It is about how much labour a person is investing – or able to invest – and the causes why entrepreneurs may invest different amounts of labour. For instance, an entrepreneur may not be able to invest more time in their business because they have other constraints on their labour, such as caring responsibilities - effectively, unpaid labour. De-commodification here means that the pressure to invest labour is removed. De-commodification of the entrepreneurial process, on the other hand, relates to pressure to create profit from the combination of resources into goods and services. For example, an entrepreneur with profit motive may not produce a sufficiently financially valuable good or service

or may produce a good or service but may be unable to sell it. In these circumstances, the process of de-commodification would reduce the pressure to trade profitably. The distinction between de-commodification of entrepreneur labour and the entrepreneurial process is helpful because there are different reasons why an entrepreneur may not create profit, which may then lead them to claim welfare. Some of these causes relate to known risks of the entrepreneurial process, some are unknown risks, and some relate to how much labour a self-employed entrepreneur is able to invest or is investing. In other words, there are different causes of low or no income from entrepreneurship: sometimes they relate to the entrepreneurial process and sometimes they relate to input of a specific form of resource to the entrepreneurial process - entrepreneur labour. The different circumstances relate to different policy problems.

My contribution to knowledge thus relates to the unblurring of lines of “self-employed labour de-commodification”. The cause of unprofitability is not always labour and the question arises for policymakers, which causes of unprofitability are worthy of welfare support? Welfare, as it has been considered and set up in welfare states so far, tends to be good at labour de-commodification, but it may not be good at de-commodifying the entrepreneurial process or distinguishing between different causes of low income and targeting particular conditions for de-commodification. The theoretical framework I developed covers the multiple dimensions of self-employed labour de-commodification to the de-commodification of the entrepreneurial process to help make these distinctions clearer. This may aid policymakers in addressing moral and political problems relating to deciding what self-employed businesses to support through welfare.

In the discussion that follows, I identify six causes of low income in self-employment and think through what de-commodification would mean in relation to each (Table 4).

Table 4 Causes of low-profit entrepreneurship

Type	1) Entrepreneur is only partially investing their labour resource	2) Entrepreneur is unable to invest their labour in full due to care responsibilities	3) Entrepreneur invests their labour with profit motivation but is not achieving sufficient profit	4) Entrepreneur is labouring to provide profitable goods or services but will only get paid in the future (or is suffering late payment)	5) Entrepreneur experiences a temporary absence of a market	6) Entrepreneur is creating low or no profit but is creating social value
Type of de-commodification	Labour	Labour	Entrepreneurial process	Entrepreneurial process	Entrepreneurial process/ Labour	Entrepreneurial process
Description	Entrepreneur is choosing to only partially invest their labour to preserve leisure time (e.g., as an artist, Berndt, 2008).	Entrepreneur is unable to invest their labour in full or invest more labour because of other caring responsibilities, i.e., unpaid work (Cohen, 2018; Orgard, 2019; (Kvist, 2019;	Entrepreneur invests their labour and has motivation to make economic profit but is not achieving sufficient profit (Abbenhard, 2018), for example because	Entrepreneur is providing profitable goods or services but will only get paid in the future or may be suffering late payment (Toovey and Jepps, 2021).	Entrepreneur has invested their labour in producing a good but a crisis situation disrupts a market, or the entrepreneur is only able to deliver a service at specific times (Broegaard, 2020;	Entrepreneur produces a good or service with low or no economic value and cannot achieve a sufficient profit while also creating that social value (Berndt, 2008; Darko, 2021; Liñares-Zegarra

		Boroumand, 2021).	<ul style="list-style-type: none"> - They are trading in a good or service without sufficient financial value; - They misjudged the market or the market has changed; or - They are trading with a (reasonable) hope for future profit. 		Rouse et al., 2021).	and Wilson, 2022).
Example	Self-employed surfer or artist	Self-employed parent	Entrepreneur launching a business or getting their business back on track after a downturn	Entrepreneur farmer who will only achieve profit after raising their crops or who is suffering late payment from goods supplied to a customer	Entrepreneur providing seasonal services or during a crisis such as a pandemic	Social entrepreneur

<p>Policy issue</p>	<p>Is it a citizen's right to be supported via welfare to pursue leisure? And if so, to what extent and how long should welfare be granted?</p>	<p>How can this entrepreneur be supported to invest more (or all) of their labour? This may include non-financial means such as access to a state caring infrastructure.</p> <p>Does the state want to supplement their income in recognition of their care labour?</p>	<p>How can this entrepreneur be supported to trade in a sufficiently valuable good or service?</p> <p>Is the hope of profit reasonable and for how long should they be supported?</p>	<p>Should welfare policy help with a cash-flow or late-payment problem?</p>	<p>How/who/how long to support an entrepreneur in a crisis?</p> <p>What seasonal work does policy want to subsidise (e.g., remote tourism)?</p>	<p>What non-economic value creation should be supported, and for how long?</p>
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The first two causes of low profit relate to entrepreneur labour. First, an entrepreneur may choose not to invest their labour in full to preserve leisure time. They may trade at low or no profit because they are voluntarily using their labour resource in other ways. We can here think of someone who pursues a hobby, such as surfing or creating art (Berndt, 2008). The surfer or artist may be voluntarily de-commodifying their labour: they forgo income for the sake of more free time to surf or to create art that they do not plan to sell or which they do not reasonably expect to sell for a profit that would reward the labour invested in it. The policy question that arises from such a cause of low profit is if it is a citizen's right to be supported via welfare to pursue leisure pursuits. And, if so, to what extent and for how long, should welfare support be granted?

Statistics on artist payments in the UK reveal a challenging landscape for many creative professionals. According to an Arts Council England survey (2018), 66% of respondents reported annual gross incomes, including non-artistic activities, of less than £15,000. The distribution of income in the arts is also unequal: for a minority of artists, incomes can be exceptionally high (the high earners in the arts earn more than the high earners in many other professions). However, empirical data indicates that the majority of visual artists earn little (Arts Council England, 2018). The Arts Council describes that visual artists tend to be self-employed, operating a portfolio or project-based career, characterised by multiple short-term contracts. To supplement the unstable payments associated with their practice, many artists hold additional jobs, both related to art and not. This means that, as a workforce group, visual artists share a tendency of sporadic unpredictable incomes. There is limited evidence on artists' financial planning, security, any steps taken towards financial stability, and how the nature of their art livelihood affects them (Arts Council England, 2018).

Second, an entrepreneur may be unable to invest their labour (in full) because they need to use it in other ways, for example, to care for others, i.e., doing unpaid work (Cohen, 2018; Orgard, 2019; Boroumand, 2021). Here, policy needs to consider how this entrepreneur may be supported to invest more or all of their labour in their entrepreneurial process. This may include non-financial means, such as improving

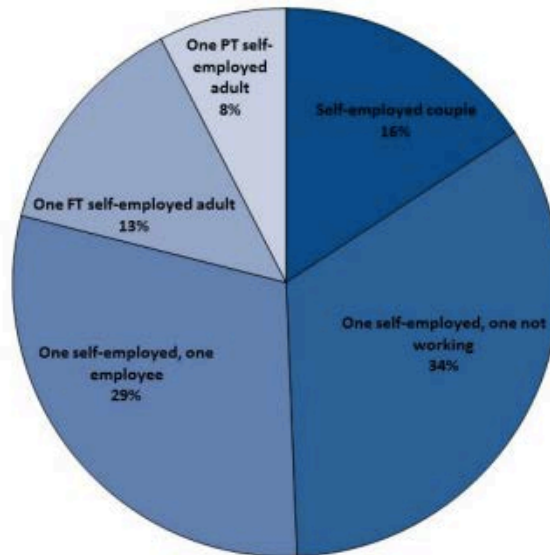
access to care infrastructure (Kvist, 2019). Moreover, the question arises if the state wants to supplement the entrepreneur's income in recognition of their care labour.

Self-employed entrepreneurs, particularly those unable to invest their labour fully into their enterprise due to caregiving responsibilities or other commitments, may be at risk of facing low-income levels. Over recent years, there has been a notable surge in part-time self-employment, with the number of women working in this capacity increasing by a substantial 290,000, reaching 770,000 (Citizens Advice, 2015). Financial struggles tend to be more prevalent among part-time self-employed households, but surprisingly, full-time employee families are equally likely to reported difficulties making ends meet, at around 40% (Citizens Advice, 2015). Families with part-time self-employed members tended to be more likely to be in poverty than their full-time employed counterparts. The link between low income and shorter working hours appears to be evident, with the highest poverty rate observed among families comprising one self-employed and one non-working adult (Citizens Advice, 2015).

Figure 1 Employment composition of low income self-employed families (Citizens Advice, 2015: 22)

Low income self-employment, in depth

Figure 16: Employment composition of low income self-employed families



Source: Family Resources Survey, DWP. The data is for 2013-14.

Third – and moving towards considering de-commodification of the entrepreneurial process – an entrepreneur may invest their labour fully in their entrepreneurial process and pursues a profit motive but still does not achieve sufficient profit (Abbenhardt, 2018). This might occur for different reasons: they may be trading in a good or service without sufficient financial value; they may have misjudged the market, or the market may have changed; or they may be trading with a (reasonable) hope for future profit. Here, policymakers ought to consider how such an entrepreneur can be supported to trade in a sufficiently valuable good or service. For instance, they may benefit from business coaching. Alternatively, policymakers may need to consider if the entrepreneur's hope of profit is reasonable and for how long the entrepreneur should be supported. Policy makers may also want to consider when an entrepreneur who is motivated to make profit, but is not achieving this, should be supported to leave 'unsustainable' entrepreneurship.

Fourth, an entrepreneur may be providing goods or services profitably but will only get paid in the future, or they may be suffering late payment. Policymakers then may need to consider if it should help with a cash flow or late-payment problem. In the UK, IPSE research found that late payment is a concern for the self-employed with almost a third (30%) of freelancers concerned by not being paid on time by a client (Toovey and Jepps, 2021). This echoes some of their previous research findings – that late payment has become increasingly common since the beginning of the pandemic, with over third of respondents (36%) reporting that instances of late payment had increased (Toovey and Jepps, 2021). For those who had experienced late payment, almost a quarter (23%) had used all or most of their savings as a result (Toovey and Jepps, 2021). In total, over half (56%) of self-employed had experienced delays in payment at some point in their careers (Toovey and Jepps, 2021). Previous IPSE research has also shown that the self-employed lose significant amounts of time and money each year chasing late payments and are sometimes not paid at all (Toovey, 2022b). IPSE found that the average amount currently owed to self-employed entrepreneurs in the UK is £5,230 (Toovey, 2022b). Late payments seriously damage the financial wellbeing of self-employed workers, with one in five (20%) finding themselves without the money to cover basic living costs (Toovey, 2022b).

Fifth, an entrepreneur may experience a temporary absence of a market (Rouse et al., 2021). This cause of low profit may be a matter of the entrepreneurial process or labour. This may be for various reasons. Where an entrepreneur is unable to invest their labour because of a crisis (i.e., as a reason for the absence of a market), this cause relates to labour de-commodification. For example, the entrepreneur may have invested their labour in producing a good, but a crisis situation disrupts the market. Where an entrepreneur, for example, a seasonal worker such as a canoeing operator, may only be able to deliver a service at specific times in a year, i.e., the summer, as a reason for the absence of a market, this cause of low profit relates to entrepreneurial process de-commodification (Broegaard, 2020).

The policy questions then are how, how long, and who should be supported in a crisis or other conditions that create a temporary absence of a market. An entrepreneur who

does not achieve sufficient profit due to such a cause may need to be supported temporarily to enable household income, and by extension to be enabled to continue to pursue their business when the market picks up. In particular, policymakers may need to consider what seasonal work they want to subsidise. For instance, a tour guide in a remote location such as the Scottish Highlands may not have the same options to fall back on other jobs as a tour guide in a city like London. As has been indicated, the policy question here relates to risk. Some risks are knowable, e.g., for seasonal workers, while others may not be, e.g., a crisis situation. The question a welfare state thus ought to consider is what kind of risks a state will bear? In some instances, the state may want to sustain seasonal demand to support remote economies founded on tourism or agriculture, even though the risk of a poor market is a regular problem. In others, they may only want to support less predictable risks or no risks at all.

The Covid-19 pandemic was one such severe crisis situation that impacted self-employed entrepreneurs' ability to achieve profit. In the UK, 18 months into the pandemic, their incomes and profits remained notably below pre-crisis levels (Blackburn et al., 2021). Despite witnessing a degree of economic recovery and growth, survey data from September 2021 revealed that 39% of self-employed workers reported having less work in August 2021 than usual for that time of year (Blackburn et al., 2021). This figure showed progress compared to both January 2021 (62%) and August 2020 (58%; Blackburn et al., 2021). However, a significant 72% of those experiencing reduced work attributed it to Covid-19 and the ensuing restrictions. Consequently, just under 30% of self-employed individuals continued to face financial difficulties in meeting essential expenses.

Lastly, an entrepreneur may produce a good or service with social value and cannot achieve a sufficient profit while also producing that social value; for example, an entrepreneur who pursues a social, cultural, environmental, or other non-economic value (Berndt, 2008). Here, policy would need to consider which types of non-economic value is supported, for whom, and for how long.

Again, in terms of data, in the UK, the social enterprise sector is a dynamic and expanding contributor to the economy, with over 100,000 social enterprises¹⁵. According to Darko (2021), these enterprises collectively contribute £60 billion and employ approximately two million people. Notably, this is a diverse sector with 47 per cent of social enterprises being led by women (Darko, 2021). Furthermore, 22% of social enterprises operate in the most deprived areas of the UK (Darko, 2021).

These six causes of low profit are conceptual tools to consider in relation to the welfare state. Welfare states shape the working and living conditions of these entrepreneurs and different welfare regime types enable more or less room for labour and entrepreneurial process de-commodification for these types of entrepreneurs. Notably, the various causes may also combine. All causes are at work at the same time for entrepreneurs, but in different ways. As such, there may be cross-over causes. However, this thesis cannot describe every single case individually. Instead, I separate key conditions and consider how welfare states deal with each.

In addition to the entrepreneur and their labour resource, policymakers may also need to consider the specific circumstances of the entrepreneur and their business. Entrepreneurs from different social backgrounds, of different ages, living in different areas, may need different degrees of support and for different periods of time (e.g., relative to their household). So, further conditions that policymakers may need to consider include:

1. the life course of the business (e.g., start-up period)
2. the characteristics of the entrepreneur (e.g., age or social background)
3. the entrepreneur's family life course
4. the market.

There are times in the life course of a business that tend to be more uncertain and risky. One such time is the start-up period. As such, welfare policy may need to

¹⁵ Notably, these figures do not reflect the number of solo self-employed social entrepreneurs, as social enterprises operate under different legal forms and are distinct from sole proprietorships.

consider if they “acknowledge” this time as one that is different from the usual entrepreneurial risk.

Equally, policymakers may seek to support different target groups in order to support specific macro-economic goals or to support specific groups, such as young entrepreneurs, or specific communities (e.g., migrants or specific ethnicities). Again, welfare states need to consider if welfare provisions should be tailored to these groups.

In addition, the demands on level of income (profit) change across the family life course; e.g., with the arrival of children (family life course).

Lastly, policymakers may specifically consider the competitive market (e.g., displacement). For example, what happens to the established market if a start-up photographer is supported by welfare? Importantly, this thesis is not considering this issue.

These multiple dimensions of entrepreneur labour, the entrepreneurial process, the entrepreneur’s background, their personal life course, and the life course of their business allow a more differentiated understanding of the relationship between the welfare state and self-employment. The conceptual framework (Table 4) aims to be a tool to help think through these idiosyncrasies of entrepreneurship.

With regard to welfare provision, questions thus arise: as unprofitability in self-employment starts and stops, the question for the welfare state arises how much they are going to tolerate supporting entrepreneurs in different conditions of low profit. For example, does trading for several months per year, e.g., as a seasonal worker in a remote tourist location, allow the worker to draw welfare support for the other months? Similarly, policymakers need to ask themselves if, and if so when, struggling entrepreneurs are supported to leave unsustainable entrepreneurship. These are the questions that the empirical analysis seeks to address for the three welfare states.

Having outlined the causes of low profit in entrepreneurship that may need de-commodification through state welfare, a more fundamental consideration may need to be addressed to conclude this section. This thesis considers how the ability to lead a decent life applies to self-employment as a component of making self-employment “decent”. Thereby, my thinking is rooted in the ILO’s conviction that labour is not a commodity and so I ask under what conditions an entrepreneur can achieve an adequate income. Esping-Andersen viewed social rights through a welfare state’s room for de-commodification, that is, to what degree citizens are permitted to make their living standard independent of pure market forces. This thesis related this room for de-commodification to an entrepreneur’s need to commodify their labour and the entrepreneurial process into goods and services to achieve a level of profit that sustains their living, and their family. Yet, the question *if* the welfare state has such a role has not even been addressed. In applying Esping-Andersen’s de-commodification rationale – that labour has been commodified by capital – and that social rights must mean they are allowed a degree to which they can meet their living standard independent of pure market forces (Esping-Andersen, 1990: 3), the answer to this question must be yes.

4.6 Conclusion

In this chapter, I have sought to highlight the role of the welfare state in enabling a decent life for its citizens and residents through de-commodification. I have outlined the thinking around labour and entrepreneurial process de-commodification and how the concept can help understand the conditions that shape self-employment indicating which questions may be asked. Specifically, labour de-commodification in self-employment is similar to de-commodification in employment, as has traditionally been explored, in some ways but different in others. This raises different questions that are so far not thoroughly addressed in the welfare literature. These include: what does de-commodification mean for the self-employed, and what dilemmas does the welfare state face? Therefore, there is value in comparing on the ground how three different welfare systems tackle that problem.

The chapter has also outlined the arguments for why Esping-Andersen's welfare capitalism theory – despite its critique – is still worthwhile applying today to help contextualise decent self-employment. A rationale for choosing the UK, Germany, and Denmark as case countries has also been provided.

Following these explorations around decent work (Chapter 2), the resource needs for successful entrepreneurship (Chapter 3), and the role of the welfare state in enabling a decent life (this chapter), the following chapters explore the research questions arising from my conceptual framework to analyse the welfare of the UK, Germany, and Denmark. In this next chapter, I outline the research method I used to conduct this analysis.

Chapter 5. Methodology and research design

5.1 Introduction

In the previous chapter, I presented a tool to think about de-commodification in self-employment. I also introduced Esping-Andersen's (1990) typology of three welfare regime types. This chapter describes the methodology and research design used in this study. I first outline the critical realist ontology that underpins this research project. Then, the data collection methods used to rigorously describe welfare provision for the self-employed in the UK, Germany, and Denmark are described. I also discuss the process of gaining initial insights into the policy debate about how well the three welfare systems are designed for the self-employed. The chapter concludes with an account of the data analysis process and of my learning from the research process.

5.2 Critical realism and why it underpins this thesis

Critical realist ontology underpinned this research project. In this section, I outline what it offers and why it helped achieve my research aims to develop a thinking tool on what decent self-employment looks like and empirical research on how three welfare states shape the conditions to achieve decent self-employment through de-commodification.

First, critical realist researchers seek to understand the mechanisms that shape society and the critical realist philosophy enables thinking about how underlying social relations create events and experience and how researchers can generate deep causal explanation (Rouse and Woolnough, 2018). Critical realist research's foundational idea is depth ontology (Bhaskar, 2008). Roy Bhaskar argued that social reality is stratified into three layers - the Real, Actual, and Empirical. The Empirical is where we make observations and things are experienced, the Actual is where events occur (events may not be observed), and the Real is what causes events in the Actual domain (Easton, 2010). Bhaskar argued that it is the business of a critical realist scholar to uncover underlying layers, to lay open unrecognised mechanisms by

structural powers, rather than simply reporting what is easily observable. He also posed that the three layers are not separated but are laminated, which is to say they are entwined and connected with one another. The “laminated system” is useful to understand the physical and social systems around us - “all of which [different distinct layers] the research needs to consider when attempting an explanation” (O'Mahoney and Vincent, 2014: 7). Social phenomena are produced by mechanisms that are real, but that are not directly accessible to observation and are discernible only through their effects. For critical realism, the task of business research is to seek to uncover causal mechanisms and thus to explain how social phenomena come into being (Bell et al., 2019). Critical realist researchers acknowledge the world as complex and causal powers as made up of various aspects. The social world is not closed like a laboratory but open to a complex array of influences which change both temporally and geographically, often in unexpected ways. So, critical realist research needs to specify under what conditions this might be the case as a number of contextual factors, such as the labour market, cultural norms, employment regulation, and institutional arrangements might influence this relationship (O'Mahoney and Vincent, 2014). For the purposes of this thesis, Bhaskar's distinction allows an exploration of de-commodification and how it shapes the business and working conditions of solo self-employed entrepreneurs. Table 5 notes the three layers and exemplifies how they relate to this thesis.

Table 5 Critical realist ontology applied to this thesis

	Explanation	Example
Real	Real generative mechanisms emerge from intersecting structures of domination that serve to position individuals and groups within social hierarchies. These complex and dynamic mechanisms privilege or disadvantage (enable or constrain) agents in relation to social mobility and material,	Privilege and dimensions of discrimination can explain who benefits and who is disadvantaged in entrepreneurship and in welfare states. Thinking about the real domain helps to think about how demographic factors relate to deeper social relations and how they shape who is able to combine scarce resources into

	political, social, cultural, and economic resources.	valuable goods and services for profitable trade or who is supported to trade under particular conditions of low income.
Actual	Enablement or constraint on the basis of positionality impacts people's lives – in particular, by offering or limiting opportunities and choices, and affecting how they are perceived and treated by institutions, groups and individuals.	This domain helps us to think about how the rules that determine trading and welfare conditions shape who has access to resources, markets and welfare support. (This thesis is primarily concerned with this level of explanation).
Empirical	Via their tendencies, privileges and disadvantages are recognised, acknowledged, and understood by individual agents, others, institutions. To some degree they may be measurable or quantifiable. They may or may not be taken into account and considered in the exercise of agency.	This domain helps us to observe who actually receives welfare payments. (The subjective reality of receiving welfare is not considered in this thesis)

Second, depth ontology and an understanding of the multiple causal powers in society can help policymakers make decisions based on well-understood social events and so critical realist research fits this thesis' policy focus. Critical realist research's drive to understand the multiple causal powers that shape society allows researchers and policymakers to attempt to predict the consequences of a possible change and thus if the change offers progress (Bunt, 2016; Rouse and Woolnough, 2018). Even more, critical realist research is focused on emancipation and emancipation depends on explanation: policymakers need a good understanding how the social world works and how it could work differently (Elder-Vass, 2010). Researchers need to understand multiple causal powers of how social events are determined (Elder-Vass, 2010) to

change them. A critical realist view is called upon to understand the mechanisms that tend to be triggered in particular contexts (Rouse and Woolnough, 2018). Specifically, critical realist researchers are accountable to creating good explanations of marginalisation and using knowledge to create change. In the engaged-activist scholarship literature – that draws on critical realism – scholars are called upon to explain underlying conditions of the "always" underlying conditions of action to create knowledge of marginalisation, for example socio-economic circumstances, ethnicity, disability, sexuality, age, place or borders, and their intersecting effects (Rouse and Woolnough, 2018: 433). In my research, uncovering these mechanisms then means that policymakers can better understand how different causes of marginalisation cause low profit and may be supported through de-commodification, with which consequences for whom. I consider when, in the business, household, or individual life course, there may be a call for welfare systems to compensate for low earnings to support the entrepreneurial process or to compensate a micro-enterprise household receiving low earnings from business profits, including what causes disadvantage (Bunt, 2016). In short, critical realist-driven research seeks to help name and identify the disempowered and the causes of their situations and to drive policymakers to think more clearly about how they respond.

Third, critical realist thinking demands that the researcher considers how social phenomena interact with one another in a process of emergence (Sayer, 2000). Critical realist thinkers theorised that each thing has constituent properties (Elder-Vass, 2010). When several things interact, they have emergent properties that go beyond the sum of their parts; for example, "wet" is an emergent property of water, which is made up of hydrogen and oxygen but neither hydrogen nor oxygen have the constituent property "wet" (Elder-Vass, 2010). These "emergent properties" are the product of causal mechanisms (Elder-Vass, 2010). Causal mechanisms are processes that depend upon interactions between the parts (Elder-Vass, 2010). Understanding the constituent and emergent properties of "things" allows me to explain the potential "how an entity can have a causal impact on the world in its own right: a causal impact that is not just the sum of the impacts its parts" (Elder-Vass, 2010: 5). In the context of this research, emergence allows me to consider how

different levels of disadvantage, for instance, shape the conditions of business – when claiming welfare – for different groups (Martinez Dy, 2015).

At the same time, critical realist epistemology demands that critical realist thinkers are aware of the potential fallibility of their work. They believe that research towards understanding a universal truth is needed and that this is work in progress and knowledge is always limited. Thus, a researcher can only make tentative claims about the world whilst research works towards understanding it better and better (Ackroyd and Karlsson, 2014)¹⁶. There should always be competing explanations based on different interpretations of the data to ensure the "best" interpretation but leave room for revision. Knowledge is always fallible, and its usability varies in various social situations, since there are many different levels and forms of social practice (Danermark et al., 2001: 202). As such, instead of making finite, outright claims such as that cause C led to effect E, a causal mechanisms model stipulates that there is a series of causal mechanisms or events E_i leading from cause C to effect E (Little, 1991). Critical realism has been described as a method for opening a black box to show "the cogs and wheels of an internal machinery" (as cited in Lackéus, 2016: 35). So, as I open conversations about decent work and de-commodification in self-employment in my research, I am aware that my work is only a first proposal and not a full or infallible explanation.

Lastly, critical realist thinkers' consider not just structure as outlined above but also an individual's agency (Archer, 2000). Margaret Archer argued that the individual has creative agency to navigate a structure because they can decide how to respond to it and reflect on their action (2000). She further argued that objectivity (structure) and subjectivity (reacting to structure, agency) come together in forming behaviour (Archer, 2000). The way the individual arrives at navigating the structure is through

¹⁶ Ackroyd and Karlsson (2014: 37) quote Pawson's example to illustrate the need for tentative claims: "Remember A"; "beware of B"; "take care of C"; "D can result in both E and F"; "Gs and Hs are likely to interpret I quite differently"; "if you try J make sure that K, L, and M have also been considered"; "N's effect tends to be short lived"; "O really has quite different components-P, Q, and R"; "and S works perfectly well in T but poorly for U";..."little is known about V, W, X, Y, and Z".

internal conversation or reflexivity. By reflecting, the individual considers their constraints and what enables them (Archer, 2000). This helps to think about policymakers responding to the structures that shape markets and people's social positioning but also their decision making. Policymakers may seek to drive entrepreneurs' decision making to invest more of their labour (or to invest labour in care), to be profit motivated, to handle the absence of a market in a particular way or to create/not create social value under circumstances that make it difficult to create economic value.

To summarise, the critical realist ontology underpins this research project because it allows me to identify the mechanisms that shape the business and working conditions of the solo self-employed (depth ontology). Additionally, depth ontology and an understanding of the multiple causal powers in society aids my aim to provide explanations that can help policymakers make decisions based on well-understood social events, which in turn can help policymakers to attempt to predict the consequences of a possible change and thus if the change offers progress. And, critical realism helps me to consider each side of the policy dilemma, as this relates both to shaping the circumstances people occupy and their choices.

5.3 Methodology

Deriving a suitable research design from my research aims and ontology, various methodologies would fit. Theorists would argue that a critical realist ontology calls for a mixed methods approach (Danermark et al., 2001). I do not follow this call but employ a case study methodology as I am not a quantitative researcher and qualitative research lends itself to understanding the political and economic interests that shape welfare states - in order to enhance the possibilities for changing them (Bell et al., 2019).

A comparative case study approach in which I analyse the welfare system in three countries that are examples of the three systems conceptualised by Esping Anderson (1990) allows me to provide a broad explanatory framework and rich, thick description of how the six causes of low profit are treated in three welfare states. I employ the

case study methodology because case studies enable an understanding of causation and the context around it (Kessler and Bach, 2014). The case study approach and a critical realist ontology pair well because case studies ask questions both of causation and the context around it (Kessler and Bach, 2014). It explores what produces change (Easton, 2010). Critical realist research may ask "What causes an event associated with a phenomenon to occur?" (Easton, 2010). Comparison enables deeper understanding of each system through the specification of how they differ (or not) (Ackroyd and Karlsson, 2014). The case study methodology is beneficial because it explores "entities in context and to reveal underlying causative or generative mechanisms which reflect the interaction between structure and agency at different levels" (Kessler and Bach, 2014: 183).

I opt for case study research because it "is the basic design for realist research" (Ackroyd and Karlsson, 2014: 23) where a case can be a particular type of economy (Ackroyd and Karlsson, 2014). In critical realism, context and situational influences are crucial to understanding processes and emergent outcomes. Emergence is "above all a product of coupled, context-dependent interactions" (Elder-Vass, 2010: 21). The case study lends itself to understanding this emergence because it is an investigation into "a contemporary phenomenon in depth and within its real life context" (Kessler and Bach, 2014: 168).

I chose the case study methodology over other approaches such as grounded theory because case studies are a suitable vehicle to identify causal mechanisms at work. A case study can help identify a context in which a specific causal mechanism is at work and then be explored (Ackroyd and Karlsson, 2014). In comparison, the grounded theory methodology – although it is in line with the critical realist ontology (Kempster and Parry, 2014) – seeks to understand, identify and explain causal powers to build theory (Urquhart, 2013).

In particular, I chose a comparative case study design. The approach fits as multiple-case studies allow me to compare and contrast the findings deriving from each of the cases (see Chapter 9). This in turn encourages consideration of what is unique and what is common across cases, and frequently promotes theoretical reflection on the

findings (Bell et al., 2019). More specifically, comparative case study research helps to clarify both the nature of a mechanism and the range of variation in both process and outcome that can occur. A multi-national multi-case study research design can show variation of key outcomes and as such there is the possibility of developing better-founded knowledge of the nature of mechanisms and their properties (Ackroyd and Karlsson, 2014). As Ackroyd and Karlsson wrote:

“One way of thinking about comparative case design is that it helps to clarify the extent to which outcomes are attributable to a mechanism or its context or their interaction. Where a common mechanism can be identified a better approximation to scientific explanation is achieved. If some features of an operative mechanism are partly identified, more general knowledge may be sought through the consideration of more data or comparison of a number of instances” (Ackroyd and Karlsson, 2014: 31).

A comparative approach allows to seek explanations for similarities and differences or to gain a greater awareness and a deeper understanding of social reality in different national contexts (Bell et al., 2019). It also improves theory-building (Bell et al., 2019). By comparing two or more cases, the researcher is in a better position to establish the circumstances in which a theory will or will not hold (Eisenhardt, 1989; Yin, 2014). The key to the comparative design is its ability to allow the distinguishing characteristics of two or more cases to act as a springboard for theoretical reflections about contrasting findings.

A “case” in relation to this research project is a country’s welfare state and specifically in relation to welfare benefits for the self-employed (e.g., Wood, 2018; Collington, 2022). My case study selection was driven both by theory as well as a purposeful approach (Kessler and Bach, 2014). I follow Kessler and Bach's argument that “purposeful sampling does not negate the possibility of choosing for convenience, but it does suggest that there needs to be some rationale underpinning the sample frame of cases finally selected” (Kessler and Bach, 2014: 137). Kessler and Bach (2014) label this rationale “light theorization”. They describe it as a tentative but plausible account of similarities or difference that might be revealed by the case comparison. An

approach based on light theorisation reveals divergence in process and outcomes related to the structural or institutional features which characterise the cases selected. If, counter to the theory, there is a convergence in processes or outcomes, it would suggest greater scope for agency and the weaker influence of these shared emergent properties (Kessler and Bach, 2014). The welfare states of the UK, Germany, and Denmark are chosen because they are economically comparable but with philosophically different views of the role of the capitalist welfare state. This allows for a comparison of the expectations placed upon the self-employed in these capitalist economies. Furthermore, each of the three countries places either purely (Denmark and Germany) or with a medium-high consistency (UK) in Esping-Andersen's typology of welfare regimes (Ferragina and Seeleib-Kaiser, 2011). The cases were chosen with a select-to-differ approach in mind (Kessler and Bach, 2014). Their selection means "information richness" (Eisenhardt, 1989: 333). The advantages of a multiple-case design are more compelling and robust because cases are not just compared across but may also be compared within, which may raise a new set of questions and thus lead to deeper analysis (Yin, 2014).

5.4 Data collection

In critical realist research, there is particular value in triangulating data (Kessler and Bach, 2014). Complementary data sources establish a more assured basis for the identification of tendencies or demi-regularities. I used two data collection methods, document analysis and semi-structured interviews, to analyse welfare rules that regulate self-employment de-commodification. I, so, can identify patterns of de-commodification and discuss what this means in how different welfare states enable or hinder decent self-employment through de-commodification.

5.4.1 Document analysis

Document analysis is the "systematic procedure for reviewing or evaluating documents" (Bowen, 2009: 27). It is often used as one approach among several (triangulation) to make sense of social phenomena and corroborate information (Bowen, 2009). I prioritised documents in this research because they can reveal

something about an underlying social reality (Bell et al., 2019). In this case, the documents that I analysed set out the rules of welfare benefits. I drew on documents to develop a rigorous description of the eligibility and conditions attached to receiving welfare and to analyse how each welfare system responds to the six causes of low profit as well as the business and family life course as identified in my conceptual framework. This, in turn, enabled me to uncover the form of de-commodification enabled by each system. Document analysis allowed me to understand possible gaps in social protection, for example for specific entrepreneurs, or which forms of value creation may be valued by the welfare states.

Specifically, I drew on peer-reviewed papers, legal and governmental reports or reports by civil society organisations, guidance documents to job centre caseworkers, and guidance issued by trade unions or other civil society organisations addressed to help welfare claimants. For both the UK and Germany, I drew on official guidance documents or explanatory notes for job centres that outlined how welfare claims by the self-employed should be handled (e.g., DWP, 2020). In both countries, I could download these documents from official websites, such as the UK government or the German Federal Employment Agency websites. Documents issued by other organisations, such as the guidebook "Leitfaden ALG II / Sozialhilfe von A – Z" (Thomé, 2022), I ordered or downloaded from civil society organisation websites. Furthermore, some academic and policy interviewees (see 5.4.2) highlighted some of their own or their organisation's work, saying that they may be of interest to me. I then reviewed the resources to ascertain whether they could help me identify how the six causes of low profit and family and business life course would be treated. Part of my process was comparing sources and relying more heavily on claims made in more than one document or in the most official documents, such as the official guides provided. Overall, I referenced 45 documents. Table 6 outlines them in detail (for a full list see Annex 3).

Table 6 Overview of referenced documents

	Denmark	Germany	UK	Total
Peer-reviewed papers	11	4	4	19
Reports	5	0	2	7
Guidance documents, briefings, court rulings	0	11	3	14
Blogs, websites	1	0	1	2
Other (legal database, collective agreements)	3	0	0	3
Total	20	15	10	45

When considering the authenticity of the document (Bell et al., 2019), I confirmed the document's origin by verifying, among other things, the URL to which the document was uploaded. For example, the official UK decision maker guidance was published on the UK government's website (DWP, 2020) and I thus deemed it credible. In the case of guidance documents issued by civil society organisations, I also verified the URLs through which the documents were provided. Additionally, I compared the guidance issued by civil society organisations to official guidance, where it was available. Often, the civil society guides used personas and cases to illustrate the official rules, which provided further insights. For example, I drew on documents by organisations such as the UK's Citizens Advice Bureau, which is an independent organisation that provides free advice to assist people with legal, debt, consumer, housing, and other problems. In my evaluation of the documents, I further considered the following questions (Bell et al., 2019):

- Who produced the document?
- Why was the document produced?
- Was the person or group that produced the document in a position to write authoritatively about the subject or issue?
- Is the material genuine?
- Did the person or group have a particular agenda, and if so, what is it?
- Can I corroborate the information presented in the document?

As listed above, I considered the documents' intended audiences or who produced the document with a view to a potential underlying particular agenda. I so also considered how the documents themselves structure the reality of welfare provision for the self-employed (Ainsworth and Hardy, 2009; Bell et al., 2019). For example, the language used is socially constructed in ways to create certain responses from those reading them, e.g., not claiming benefits because it is too complicated or creating a neo-liberal atmosphere through choice of words (Bell et al., 2019: 473). This also reflects power relations (Potter, 1997). For instance, the Danish Disruption Council alluded to jobseekers' motivation in their call for the need to have everyone working: "The active labour market policy must help unemployed persons find work. The municipalities and unemployment insurance funds must motivate and help the unemployed find work and help ensure they strengthen their competences so that they can work in new industries with new responsibilities" (Danish Disruption Council, 2019: 10). A further, more recent example (from the UK): in relation to the Administrative Earnings Threshold (AET), the Department for Work and Pensions in September 2022 issued a press release on the rise of the threshold level. It describes how the AET rises for Universal Credit claimants (DWP, 2022b) and that this means Universal Credit claimants' "boost their wages, helping families improve their prospects and pay". This reflection of the policy change foregrounds the opportunities of the shift, but it does not discuss how it also means that more claimants are pressured into finding work or increasing the number of hours they work as they are moved into the "intensive work search" group (see a detailed explanation and discussion in section 6.4.2). This narrative plays down one side of how the AET constructs the reality of welfare claimants. Recognising the potential biases and narrative constructions within these documents influenced my approach to using documents as sources of information more generally. It prompted me to delve deeper into the underlying rules and policy frameworks governing welfare systems, setting aside the narratives that might be intended to shape a particular perception. This awareness of narrative bias enabled me to construct a more nuanced and comprehensive analysis of the rules and policy landscape surrounding welfare provisions for the self-employed, ultimately contributing to a more balanced and insightful understanding of the subject matter.

I drew on documents in several languages (including the languages spoken in the three case countries; English, German, and Danish). I do not speak Danish fluently but spent time learning Danish to help with the research. I also benefitted from support by my Danish-speaking supervisor Professor Helle Neergaard, and colleagues at Aarhus BSS in Denmark where I was based when doing field work for three months. Working in German and English did not constitute a problem as I speak these languages fluently. Where translations are used in this thesis, for instance of interview quotes, they are my own translations.

In my review, I encountered some problems which led to research limitations. First, despite my best efforts and looking in all reasonable places, and despite the engagement of my Danish supervisor in order to bridge any Danish language shortcomings, I did not find the same type of guidance documents for Danish caseworkers that I was able to identify for both the UK and Germany. Second, the documents were not always sufficient detailed (Bowen, 2009). That is, they did not always speak to how each of the six causes of low profit would be treated in the respective welfare state. As such, I had to infer from the rules and examples how each of the six cases and the business and life course would be treated. Notably, the absence of these cases may also indicate that the cause(s) of low profit have not been considered by policymakers.

However, as Atkinson and Coffey (2011) argued, documents have a distinctive ontological status in that they form a separate reality which the authors refer to as a “documentary reality”, and they should not be taken to be “transparent representations” of an underlying organisational or social reality. In other words, documents cannot be “firm evidence” (Atkinson and Coffey, 2011: 58) and so they need to be recognised for what they are—namely, texts written with distinctive purposes in mind, and not as simply reflecting reality. As such, to employ documents as a means of understanding, I needed to support an analysis of documents with other sources of data. Therefore, I now turn to my second data collection method: semi-structured interviews.

5.4.2 Semi-structured stakeholder interviews

The second data collection method used were semi-structured interviews with stakeholders. These helped to fulfil my primary research aim, to develop a rich and rigorous description of each welfare state so that I could then analyse it in relation to my conceptual framework. The stakeholders could help fill in or align information. While I was with the informants, I also asked how well they considered the system protected the self-employed or created decent self-employment. I have used their responses to inform my analysis of welfare systems and to give an initial view into the state of the policy debate. However, this study was not designed to conduct a fully comprehensive analysis of a policy debate nor did it explicitly yield thought on my own analysis of systems; this analysis only emerged after interviews. I therefore offer my analysis of the policy debate as a partial and provisional insight. My primary data problem was collecting a rigorous understanding of welfare rules and I am confident that the combination of document analysis and interviews ensured this and, where data proved to be unavailable, this is noted.

For the purposes of this research project, the term stakeholder is understood widely. It might be a decision-maker or someone in a leadership role (Leech, 2002), a top-level bureaucrat, an interest group leader, an activist, or any other key actor in the policy process (Lancaster, 2016). Equally, it could be someone with specialised expertise (Morris, 2009).

Interviews were particularly suitable to address my research aims because they provide direct access to the viewpoint of the interviewee. The semi-structured approach also fits a critical realist ontology well. Smith and Elger favoured the approach because it allows the interviewer to take on an "active" role in which the interviewer attempts to activate the respondent's stock of knowledge and "bring[s] it to bear on the discussion at hand in ways that are appropriate to the research agenda" (Smith and Elger, 2014: 113). The open-ended format particularly allows the interviewee room to respond fully (Aberbach and Rockman, 2002). Further, semi-structured interviews lend themselves especially to multiple case study research as they allow comparison (Bell et al., 2019).

I chose to conduct interviews instead of focus groups or other qualitative approaches. Focus groups tend to leave the researcher with less control over proceedings in comparison to individual interviews (Bell et al., 2019). Additionally, focus groups can create large amounts of data quickly, which can make it difficult to analyse data (Bell et al., 2019). As Bell et al. summarise (2019: 467): "Developing a strategy of analysis that incorporates both themes in what people say and patterns of interaction is not easy". Focus groups can also be difficult to organise and when conducting focus groups, technically, they can be prone to inaudible elements and time-consuming to transcribe generally (Bell et al., 2019).

I chose the interviewees based on a purposeful selection strategy with aspects of convenience sampling relating to access to experts (Maxwell, 2012). I identified experts through a desk-based review. At the start of my data collection phase, I collated a list of possible interview partners of some nearly 200 people. It included experts from ministries, government agencies, local government (e.g., municipalities), trade unions and professional bodies (e.g., business groups), civil society organisations, think tanks, universities, and research institutes. Based off of this list, I contacted possible interview partners from across different bodies to achieve a broad base of experts from different groups. I sought to speak to those people who could speak to the conditions of social protection for the solo self-employed. They tended to be welfare state or self-employment specialists. I specifically sought to speak to a civil servant in each of the countries as well as academics and civil society organisations. In relation to civil society organisations, I paid attention to the countries' idiosyncrasies. For example, given Denmark's collective agreement system and, so, the importance of trade unions, I sought to speak to self-employment specialists in different trade unions to reflect the heterogeneity of self-employed workers. I also spoke to professional bodies such as trade associations, representing employers. Similarly, in the UK, I sought to speak to a variety of civil society organisations as they are often crucial in providing support in navigating the benefits system. Additionally, it is also often civil society organisations who conduct business support training to advise individuals when entering self-employment. In addition, when collating my list, I benefitted from the support of local colleagues at the two research institutes where I

spent time as guest researcher (in Denmark and Germany). For instance, as guest researcher at *Institut für Mittelstandsforschung Bonn* in Germany, I had presented my research project at an all-staff meeting on my very first day there. Following the presentation, the team suggested interviewees. I researched these potential experts and I contacted them. Where the experts that I contacted were unable to take part in an interview, they often suggested other contacts.

Unfortunately, I did not manage to speak to a representative of one of the two Danish unemployment insurance funds that service self-employed entrepreneurs. I had contacted them but had no (additional) personal means to facilitate a conversation and in the end was unable to get an interview. As such, I was unable to identify in detail how unemployment benefit rules enable or hinder forms of de-commodification for the different causes of low profit in Denmark and I could not speak to the exact conditions of supervision by Danish caseworkers.

Between November 2019 and July 2020, I conducted 30 semi-structured interviews. They lasted from between half an hour to 90 minutes. Prior to commencing the interviews, I obtained ethical approval from Manchester Metropolitan University's Business and Law Research Ethics and Governance Committee (EthOS Reference Number: 11139; Annex 1). I envisioned and encountered no ethical dilemmas, so long as standard ethical procedures around informed consent and anonymity were observed. All interviewees would be above the age of 18 and would voluntarily participate in the interviews. Interviewees were approached in English or German and none voiced concerns that their language abilities would be an issue. They could also withdraw at any time. In addition, interviewees were guaranteed anonymity.

The interviews helped to fill in gaps and align information regarding how welfare systems interact with self-employed claimants. In addition, I could discuss the decent self-employment concept and how the experts felt it applied in their countries. The interviews were structured around three thematic blocks. First, on the "logic" of the welfare state, to open the conversation. This approach allowed me to focus the interviewee on the welfare state without already restricting the conversation to any specific aspects. I proceeded this way on purpose so as not to pre-empt any thinking

around the second broad area of conversation, which was the concept of "decent self-employment". The theme brought both blocks together and asked for the interviewee's assessment of the welfare state delivering on decent self-employment. This structure allowed me to uncover mechanisms of (de-)commodification, although without using that language. For example, I was able to discuss the position of social value entrepreneurs specifically in the German welfare state, which offers specific support to artists, or how the Universal Credit system leads to increased pressure for seasonal workers. Lastly, the interviews highlighted the nature of policy debates.

Notably, if I was to go back and do the study all over again, I would change my approach to the interviews. It would be beneficial to ask the experts about the specific causes of low income that the thesis has identified and that are outlined in the conceptual work and about the forms and conditions of de-commodification. It would be interesting to see the experts' opinion on how well the systems attend to these circumstances. I did not systematically ask the experts about these circumstances because not all causes had been developed in as much detail in my conceptual thinking at the time of the interviews, but some of them emerged organically, such as speaking about the conditions of seasonal workers or women entrepreneurs.

Before each of the interviews commenced, I reiterated the objectives of the study and participants had the opportunity to ask questions. They had also been sent a Participant Information Sheet (Annex 2) in advance. In addition, the experts were asked to sign an Ethical Consent Form (Annex 1). As well, I reiterated the information outlined in the Participant Information Sheet that all interviewees were guaranteed anonymity. At the end of the interview, interviewees once more had the opportunity to ask questions. They were also invited to raise any points they considered important which were not previously discussed.

Of the 30 interviews, due to the Covid-19 pandemic ongoing since 2020 as well as manging time and financial constraints around travelling, only some interviews took place in person and most via online-conferencing systems or over the phone. I conducted nine interviews with experts in Denmark, eight with German experts, and 13 with British experts. Interviewees spanned the following areas: academia (10),

think tanks (4), professional bodies (e.g., trade unions and interest representations; 6), civil society organisations (7), and ministries (3) (see Tables 7 and 8).

I mostly gained access to the stakeholders by reaching out formally by email from my university email account. In some cases, I was recommended experts to contact, and consequently did so. Most interviewees were able to and spoke freely to me. They were not restricted in what they could say and that I had assured all interviewees of anonymity likely helped the interviewees to feel like they could speak freely with me. Soley, some of the civil servants felt they were more restricted in what they could discuss. Answering some of my questions, they would answer they could or would not speak to the issue in question. In other instances, the civil servant interviewee would provide their view but highlight that they spoke as a private person in that moment.

Table 7 Overview of interview partners

	Denmark	Germany	UK	Total
Academia	5	4	1	10
Think Tank	0	1	3	4
Professional Body	3	2	1	6
Civil Society Organisation	0	0	7	7
Ministry	1	1	1	3
Total	9	8	13	30

Table 8 List of interview partners (generic role descriptions used)

Category	Country	Role
Academia	UK	Professor
Think Tank	UK	Researcher
Think Tank	UK	Director
Civil Society Organisation	UK	Director
Civil Society Organisation	UK	CEO
Civil Society Organisation	UK	Programme Manager
Ministry	UK	Civil Servant

Think Tank	UK	Researcher
Professional Body	UK	Policy Advisor
Civil Society Organisation	UK	CEO
Civil Society Organisation	UK	Policy Advisor
Civil Society Organisation	UK	Policy Advisor
Civil Society Organisation	UK	Policy Advisor
Professional Body	Germany	Consultant
Academia	Germany	Researcher
Academia	Germany	Assistant Professor
Ministry	Germany	Civil Servant
Academia	Germany	Professor
Academia	Germany	Professor
Professional Body	Germany	President
Think Tank	Germany	Researcher
Academia	Denmark	Associate Professor
Academia	Denmark	Professor
Academia	Denmark	Associate Professor
Academia	Denmark	Associate Professor
Professional Body	Denmark	Consultant
Professional Body	Denmark	Advisor
Professional Body	Denmark	Consultant
Ministry	Denmark	Civil Servant
Academia	Denmark	Professor

The interviews took place in either English or German. All interviews with Danish experts took place in English. All interviewees consented to conduct the interviews in English, assessing their language skills as good enough. No communication problems occurred and where Danish idioms or terms were used, for example as sayings to convey a meaning (e.g., a Danish interviewee spoke about "the smell in the bakery", which is part of a Danish saying, *lugten i bageriet*, that is akin to the English saying "taking the heat in a kitchen") or when using specific terms (e.g., *a-kasse*, the Danish unemployment insurance funds, or *køntanthjælp* which describes the Danish social assistance payment), the interviewees spelled out and, where applicable, explained

the phrase to help me understand fully what they meant to convey. With regard to the Danish language specifically, I also spoke to Danish colleagues to gain a better understanding of language idiosyncrasies as they surfaced in the interviews, specifically in relation to sayings (Fersch, 2013). All interviews with experts on the German welfare state or self-employment took place in German. Interviews with British experts took place in English.

All interviews were then transcribed verbatim. I transcribed all Danish interviews manually to ensure that any Danish terms were captured properly. For the interviews in German and with native English speakers, I made use of transcription software and then manually proof-read and where necessary corrected all transcriptions. This way I already became familiar with the data. All data was stored securely and according to data protection regulations.

5.5 Data analysis

Critical realist research searches for tendencies, not laws (Danermark et al., 2001: 70). Critical realists must go beyond observing events to retroduce, that is logically reconstruct the basic conditions that underlay empirical events, and, so, identify the deep, laminated system of intersecting structures that create the conditions of action (Rouse and Woolnough, 2018). These tendencies can be seen, for example, in rough trends or broken patterns in empirical data. Critical realists call these “demi-regularities”. Demi-regularities can be effectively identified through qualitative data coding (Fletcher, 2016). I used a coding approach leaning on the foundations of Grounded Theory to label and organise my interview data and arrive at demi-regularities (Urquhart, 2013). Coding is used to understand the empirical (variables), actual (analysing perceived connections between variables, patterns), and real (researcher’s hypothesises about the real structures and mechanisms that could account for the relationships between the categories; Bunt, 2016).

I did not code for theory building but used the approach to identify categories. Categories may subsume two or more concepts, which in turn are arrived at through open coding the data (Urquhart, 2013). I coded the interviews for the causes of low

profit, that is, deductively, and inductively mapping everything else that was spoken about, such as the interviewees' perceptions of decent self-employment or the factors that shape room for de-commodification, for example the role of caseworkers and their decision making leeway. I coded the data for the different causes of low profit as they had been developed at that point, e.g., as "seasonal work" rather than differentiating why an entrepreneur may experience an absence of a market as the cause is now described in my conceptual framework (and so distinguishing between seasonal work and, for example, a crisis). As such, the process was messy at first and required me to go back and forth between the codes and the conceptual framework in development. Equally, my thinking around family and business life course continuously developed and I went back and forth to the data (both interviews and documents). To code the data, I used the data analysis tool Nvivo. It helped with ongoing data analysis and ease of data management.

Similar to how I would approach the interviews differently, if I were to re-do the study, I would code my data differently. At the time of data collection I had not fully developed all causes of low income. For example, I was able to code for causes such as entrepreneurs not being able to invest all of their labour due to care responsibility or social entrepreneurs creating social but low economic value, but the case of an entrepreneur investing their labour but not achieving sufficient profit was then not as differentiated. The clearer the causes of low profit became, the better I was able to analyse how (and to what extent) they would be de-commodified drawing on the documents and interviews. As such, arguably, my approach was a bit ad hoc but my repeated going back to the sources to understand and eventually be able to analyse how the causes and business and family life course would be treated meant I was able to produce rigorous explanations.

Following the coding process, I used critical realist's abduction and retrodution to explain the consequences of how the causes of low profit are treated and what demi-regularities might be at play; for example in relation to how gender, socio-economic circumstances, or race in relation to welfare regulations enable or hinder decent self-employment through de-commodification more for some groups of entrepreneurs than others (Danermark et al., 2001). Abduction uses empirical data to infer interpretations

of a particular phenomenon or event. It is the process of theorising from empirical data with an acknowledgment that the theory may be fallible (Fletcher, 2016). Additionally, critical realist researchers use retrodution – a reasoning process that moves from the concrete to the abstract and back to infer theory – to inform existing theory. As such, critical realist researchers can “modify, support, or reject existing theories to provide the most accurate explanation of reality” (Fletcher, 2016: 190).

5.6 Conclusion

This chapter outlined the methodology and research design used in this study. A critical realist ontology underpins this research project. Critical realism helps explore when, in the business and household life course, there may be a call for welfare systems to compensate for low earnings to support the entrepreneurial process or to compensate a micro-enterprise household receiving low earnings from business profits, and how these welfare states handle these calls for support. A case study methodology that analyses the welfare states of the UK, Germany, and Denmark has been chosen for this research project as case studies enable an understanding of causation and the context around it. The case study approach and a critical realist ontology pair well because cases studies ask questions both of causation and the context around it; this works as much on a wider societal level. In detail, I drew on documents (peer-reviewed papers, laws and guidance documents to job centre caseworkers, guidance by support organisations to welfare claimants, science-for-policy and interest group reports, and think tank reports) to understand the welfare conditions for the solo self-employed. I also conducted 30 semi-structured expert interviews to uncover mechanisms of (de-)commodification, discuss the decent self-employment concept, and understand the nature of policy debates. Limitations to my research are further discussed in Chapter 11.

Based on this description of the methodology and research design, in the following chapters I examine the conditions for de-commodification for each of the three case countries. They are completed by a chapter comparing these conditions across the three countries (Chapter 9) before I then present my discussion.

Chapter 6. De-commodification of self-employment in Universal Credit

6.1 Introduction

This research project's overarching goal is to understand how different welfare regimes enable or constrain decent work for the self-employed; more specifically, I analyse how welfare systems respond to low income in self-employment and the forms and terms of labour or entrepreneurial process de-commodification this represents. The following empirical chapters use the conceptual framework outlined in Chapter 4 to describe and explain three welfare states for the self-employed. Each is an example of one of Esping-Andersen's welfare regimes and so there is an expectation that entrepreneur labour and the entrepreneurial process will be de-commodified on different terms. I will also analyse and discuss if Esping-Andersen's three regime typology holds for the self-employed (Chapter 10).

The empirical research analyses the conditions linked to receiving welfare benefits and so being able to de-commodify entrepreneur labour or the entrepreneurial process, in each of the three welfare states. Each chapter outlines (i) the conditions of welfare support for the self-employed (RQ2), (ii) an analysis of the conditions of welfare support relating to the six causes of low profit as outlined in the conceptual framework (RQ2), (iii) an analysis based on interview data of welfare systems and to give an initial view into the state of the policy debate in each welfare state in relation to de-commodification and self-employment (RQ2), and (iv) an assessment as to the decency of self-employment in the case country (RQ3).

Data analysis allows me to theorise the mechanisms and dilemmas through which different welfare systems support decent self-employment. I draw on the instances of de-commodification outlined in the conceptual framework to understand how welfare systems enable "decent" self-employment. This means analysing the conditions attached to the de-commodification dimension of the entrepreneurial process and/or

labour, as well as other dimensions as outlined in Chapter 4 (section 4.5). The welfare rules governing social protection will vary according to how far welfare systems seek to pressurise the self-employed to commodify their labour and other resources into goods and services that trade at a particular level of profit in a given situation and over a particular phase of the business, household or individual life course. This, in turn, will depend on how far different welfare systems value non-economic forms of value that may arise from self-employment and, so, the definition of decent self-employment they adopt, and how far welfare systems want to compensate for low incomes, regardless of value creation. Decisions about what form of decent self-employment to support, what forms of de-commodification to invest in, and how this should vary temporally, spatially and for different people and in different social times are essentially political. The analysis in this and the next two chapters essentially establishes the social contract that has been forged through political processes in each country. The data then provides a basis for analysing different systems and assessing their effects (Chapter 10).

This is the first of three analysis chapters. It focuses on the UK as an example of the liberal welfare regime type. This and the following chapters are structured as follows: first, I present how self-employment is defined in the UK. I then introduce the Universal Credit system and the conditions to receive Universal Credit as they apply to self-employed claimants. Next, I analyse what these multiple dimensions mean in relation to the six causes of low profit as identified in Chapter 4. I also present the findings as they emerged from the semi-structured interviews with experts.

6.2 Self-employment and welfare in the UK today

This section introduces the British welfare state and self-employment in the UK today. It assesses if Esping-Andersen's label of the UK as a "liberal welfare regime type" is valid when considering self-employment¹⁷; and finds this to be the case. Therefore,

¹⁷ To be precise, while I refer to Esping-Andersen's language of welfare states and while in section 6.2 I do consider the British welfare system at large, my later analysis on self-employment support is solely focussed on the UK's Universal Credit system.

there is value in using the UK as an example of the liberal welfare regime type when considering international explanations of welfare systems for the self-employed.

The section also provides a background on the state of self-employment in the UK today. It paints a picture of who is self-employed, what drives self-employed entrepreneurs, and to what extent they may need to rely on welfare for support (and why).

6.2.1 The British welfare state as an example of Esping-Andersen's liberal regime type

Esping-Andersen characterised the liberal welfare regime type as providing help to self-help (1990). Work is the primary means to secure one's subsistence, and entrepreneurial and personal action is rewarded. The liberal welfare regime relies on the ability of the market to ensure social protection for the worker and that the market should be left to its own devices (Esping-Andersen, 1990). State welfare is considered a last resort, so security and benefits are means-tested and often modest. There is also a certain reliance on the family and community to provide social protection because benefits are low. As welfare support is usually small, there is minimal labour de-commodification (Esping-Andersen, 1990).

Various researchers found that today's UK remains an example of Esping-Andersen's liberal welfare regime type (Deeming, 2017; Powell et al., 2019). The UK provides welfare benefits on a means-tested, needs-based basis, is characterised by a welfare-to-enable-work approach ("workfare") and welfare conditionality¹⁸, and focuses on labour activation (Dwyer and Wright, 2014; Caraher and Reuter, 2019a; 2020).

¹⁸ Welfare conditionality describes expectations of "responsible" behaviour in return for welfare benefits. A principle of conditionality holds that access to certain basic, publicly provided, welfare benefits and services should be dependent on an individual first agreeing to meet particular obligations or patterns of behaviour. Those in favour of welfare conditionality believe that individuals who refuse to behave in a responsible manner (e.g., engage in job search activities, ensure their children attend school), or who continue to behave irresponsibly (e.g., engage in anti-social behaviour, refuse to accept help in tackling the problems they may face) should have their rights to support reduced or removed (Welfare Conditionality, n.d.).

Welfare conditionality is the dominant paradigm in the British welfare state. Conditionality has been a feature in the British welfare state since the late 1980s but has become more and more prevalent with recent governments (Reeve, 2017). In the 2010s, the Coalition government introduced the “harshest regime of benefit sanctions in the history of the UK benefits system” (Reeve, 2017: 65). It "embarked upon a decade-long assault on welfare spending" whereby welfare cuts saved the Treasury approximately £14.5 billion per year (Castles and Pierson, 2021: 876). Welfare claimants are expected to be proactive in ending their need for support. They are pressured to find work, as opposed to “being supported” to find work. They must engage in activities suggested by the job centre, such as meetings with a case officer, group sessions, (psychological) profiling, motivational and CV workshops, and other training and monitored job searches (S. Wright et al., 2020). Ultimately, they must accept jobs offered to them (S. Wright et al., 2020). Non-compliance can lead to sanctions in the form of cuts to welfare benefits. Yet, conditionality sometimes achieves the opposite effect of bringing claimants into work; it pushes people into poverty, debt, homelessness, black-market activity, or even suicide due to the stress caused by sanctions (e.g., Reeve, 2017; T. Jones et al., 2018). In light of these demands on welfare claimants, it is justified to analyse the UK as an example of Esping-Andersen’s liberal welfare regime, in terms of what is known about its approach to employment, at least.

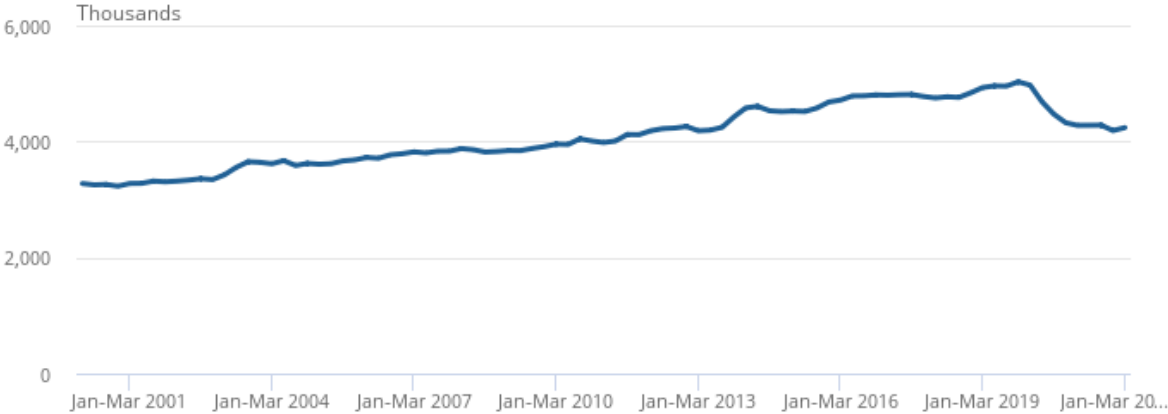
6.2.2 Self-employment in the UK today

Self-employment in the UK has been on the rise since 2001, and before the Covid-19 pandemic, it had reached an all-time high, with over 5.03 million self-employed people in the UK (Clark, 2022). Since 2001, self-employment had been “a distinguishing feature of the UK labour market's recovery from the last recession” (CIPD, 2018: 5). Between 2008 and 2019, the self-employment sector grew by 40% until, due to the Covid-19 pandemic, in 2020, the self-employed population was reduced by 5% compared to 2019 (Toovey, 2021).

Figure 2 Number of people aged 16 years and over in self-employment (thousands, seasonally adjusted), UK, January to March 2000 to January to March 2022 (Brown et al., 2022)

Figure 1: Self-employment peaked at 5.0 million people at the end of 2019 but has since fallen to 4.2 million

Number of people aged 16 years and over in self-employment (thousands, seasonally adjusted), UK, January to March 2000 to January to March 2022

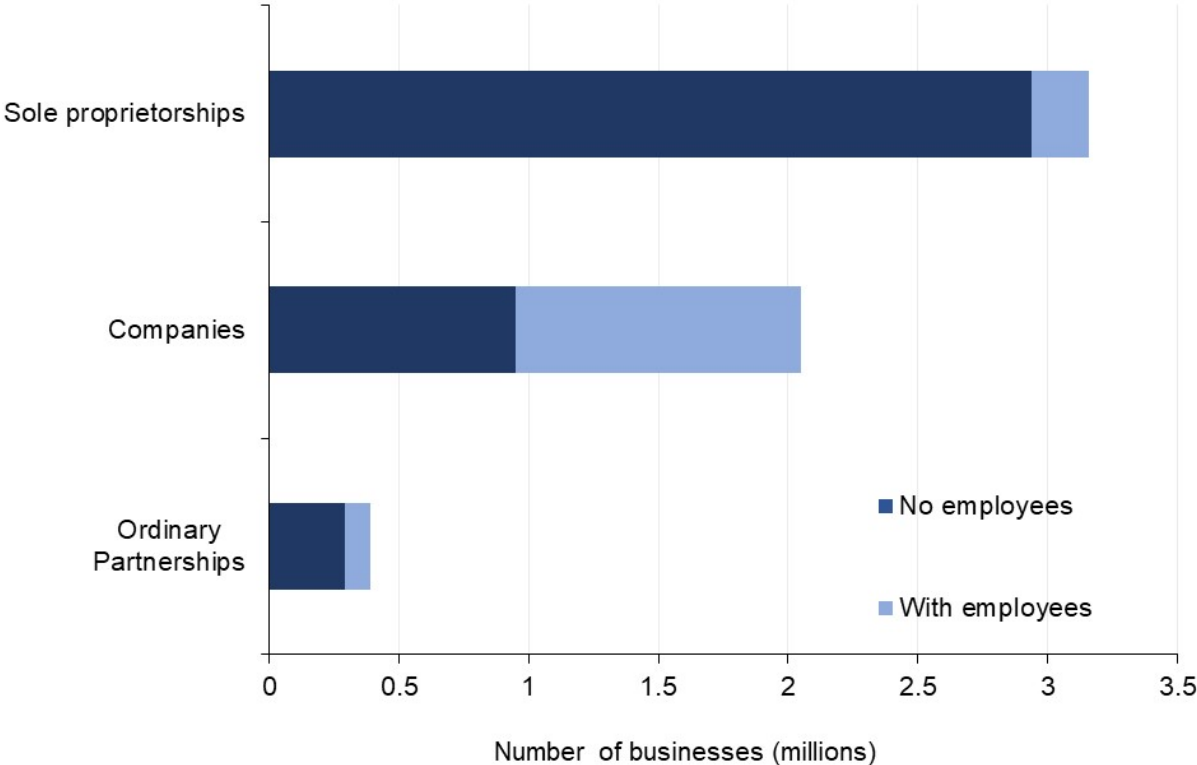


Various reasons have contributed to this growth in self-employment numbers. Among others, there has been notable growth in self-employment among older workers and part-time self-employed people (Toovey, 2022e). The number of self-employed mothers has also grown (Toovey, 2022e). The number of self-employed workers has risen over the long term because of stronger in-flows from employment and unemployment, offsetting a net out-flow to inactivity. These movements, as well as more robust intra-self-employment flows – movements from full-time to part-time self-employment in particular – suggest that recent growth in aggregate self-employment is related to workers managing their retirement differently than previously. Part-time self-employment has grown considerably: it grew by 88% between 2001 and 2015 – compared with 25% for full-time self-employment– and accounted for a large share of the increase in the self-employment share of all employment between 2008 and 2015 (Wales and Amankwah, 2016). There is little evidence that part-time self-employed workers wanted a full-time position or were dissatisfied with their self-employed status (Wales and Amankwah, 2016). Data by the Office for National Statistics (ONS) indicated that over the 15 years until 2015, there was considerable growth in the

propensity for workers to be self-employed (Wales and Amankwah, 2016). There are now over 549,000 solo self-employed mothers, which represents 13% of all solo self-employed people (Toovey, 2022e). The total number of solo self-employed mothers has increased by four percent since 2021 and looking at the long-term trend, the number of working mothers has increased by 55% since 2008 (Toovey, 2022e).

The highest proportion of the UK's solo self-employed are working in the construction and building trades, road transport drivers, artistic, literary, and media occupations, or agricultural and related trades (Toovey, 2022e).

Figure 3 Number of businesses in the UK private sector with and without employees, by legal status, start of 2021 (BEIS, 2021)



It has been argued that self-employment growth has reflected a lack of employment opportunities in the UK labour market, particularly a lack of good job opportunities ensuring affordable and decent living standards and working conditions (Borghetti et al., 2018). For instance, CIPD (2018) found that the self-employed only leave self-employment if employee roles are available, and if exiting is made easy, otherwise

they remain in underperforming businesses. While 80% of the solo self-employed are incentivised to try self-employment because of enabling factors such as pursuing flexibility and autonomy, specific groups, for example, the young aged 16-29, are found to be looking for other forms of employment (CRSE, 2017). This could suggest that they take up self-employment because they cannot find different routes to work. The Trade Union Confederation estimated that, in 2016, 1.7 million low-paid self-employed earned less than the Living Wage (CIPD, 2018). The Department for Work and Pensions (DWP) found that, between 1991 and 2008, the self-employed were more likely to be in low-income self-employment, with less than half (46%) having a chance of exiting low-income self-employment (Social Security Advisory Committee, 2014).

Overall, the UK self-employment sector has been growing, driven mainly by part-time self-employment and workers managing their retirement differently. While self-employment provides flexibility and autonomy, some workers take up self-employment due to a lack of good job opportunities. Self-employment is prevalent among industries such as professional, scientific, and technical, construction and building trades, road transport, artistic, literary, and media occupations, and agricultural and related trades. Additionally, the number of working mothers in self-employment has increased significantly over the last years.

6.2.3 Who is defined as self-employed?

Having outlined the broad logic of welfare de-commodification in the UK welfare system and provided an overview of self-employment in the UK, this section outlines who is understood to be self-employed and in which legal entities self-employment in the UK may take place. This allows the narrowing of the analysed audience and the conditions to draw upon Universal Credit. It also sheds light on the possible dilemmas the welfare state faces on who is understood to be self-employed.

There is no single definition of self-employment in the UK. This makes it possible that someone may miss out on employment protections if they are misclassified based on their status. In UK employment law, someone is self-employed if they work under a

contract *for services* and pay tax and National Insurance contributions (O'Leary, 2014). UK tax law differentiates between two types of tax status: employees and someone who is self-employed. Employees pay tax as they earn (PAYE), whereas the self-employed are exempt from PAYE and fill in a tax Self-Assessment instead. Concerning welfare, Her Majesty's Revenue and Customs (HMRC), the UK government department responsible for taxes, tightened eligibility rules for self-employed working tax credit claimants in 2015. They defined self-employment to claim tax credits as trading on a commercial basis and that the business must be conducted to make a profit (HMRC, 2015).

There have been many calls upon policymakers to either review or outright define a statutory definition for the self-employed (e.g., O'Leary, 2014; Brock, 2019) as this lack of clarity risks workers being wrongly classified as self-employed, and thus being denied employment protections from which they should legally benefit. Lack of clarity can also lead to lengthy disputes over employment status as, effectively, an employment status may be determined retrospectively through, for example, employment tribunal cases (CIPD, 2018). During the Covid-19 pandemic, issues with regard to paying national insurance and favouring workers whose primary job is self-employment meant that some self-employed entrepreneurs were not able to claim support (Rouse et al., 2021).

In terms of legal entity, someone may be self-employed in one of three ways: as a sole trader, as someone who is self-employed in a partnership or limited liability partnership, or as a company director of a limited liability company. Of those, sole trader status and company directorship are the forms that apply to solo self-employed workers. A sole trader is registered with HMRC for their tax Self-Assessment. They pay income tax on their profit and National Insurance contributions at a different rate to employees. They can keep all profits after tax but are personally responsible for business liabilities. A sole trader may employ staff. A company director of a limited liability company owns company shares. In comparison to the sole trader, it is the company that carries liability. A company director often is an employee of the company, which means they pay tax as they earn. A limited liability company pays corporation tax on their profits. Salary payments may be claimed as allowable

expenses to reduce the amount of profit, thus reducing the amount of tax to be paid. Depending on the level of the company director's salary, the business and the employee may have to pay National Insurance contributions. Therefore, a director's payment is often delivered in dividends as it can be tax efficient, but also for other reasons such as that entrepreneurs merely follow the advice of their accountant (it is just "what you do") without any real understanding of tax¹⁹. Dividends are payments from company profits (after corporation tax) to shareholders. Dividends are tax-free up to a certain amount (£2,000 in 2021).

The analysis in this chapter will include both forms of legal entity for a solo self-employed entrepreneur; as a sole trader and company director.

The next section covers the UK's Universal Credit system. In my analysis, I will only focus on the UK's Universal Credit system, although welfare claimants may receive Universal Credit or may still be claiming so-called "legacy benefits", which precede Universal Credit. Equally, there are other means of (financial) support that (specific groups of) individuals can claim, such as the New Enterprise Allowance^{20 21}.

¹⁹ In the 2021-22 tax year, it is most tax efficient to be paid £736.66 per month as a salary to avoid that the business must pay National Insurance contributions but for the employee to gain credits towards their pension.

²⁰ The New Enterprise Allowance (NEA) is a government scheme that provides support for unemployed individuals who wish to start their own businesses. The scheme was launched in 2011 and is available to people who have been receiving Jobseeker's Allowance, Employment and Support Allowance, or Income Support for at least 26 weeks. Under the NEA scheme, eligible individuals can receive a weekly allowance as well as access to a mentor who can provide guidance and support in setting up their business. Participants can also apply for a loan to help with startup costs. The NEA scheme is designed to encourage entrepreneurship and self-employment as a pathway out of unemployment. However, Smith et al. (2019) found that lessons learned from previous schemes have had little impact on decisions made in recent years. The authors suggested that policy understanding of the connection between social exclusion, unemployment, and enterprise has developed little in the time period studied (Smith et al., 2019).

²¹ For a discussion of self-employment support in the academic welfare and entrepreneurship literature prior to the Universal Credit system refer to, among other: Smith et al. (2019), Arshed et al., 2014, 2016, and also considering Universal Credit: Jackman et al., 2022.

6.3 Universal Credit

Universal Credit is a means-tested social security benefit in the UK designed to replace six existing means-tested benefits with a single payment. By introducing Universal Credit, the UK government wanted to streamline the benefits system, incentivise work and searching for work, and thus tackle poverty among low-income families and reduce the scope for error and fraud (Bellis and Kennedy, 2018). This section will describe the rules that govern Universal Credit for the self-employed.

The idea of Universal Credit was first proposed in 2010 by the Conservative-Liberal Democrat coalition government (DWP, 2010), but its implementation did not begin until 2013 (DWP, 2013). The original plan was to implement the scheme nationwide by 2017 (Butler and Walker, 2016), but the rollout was repeatedly delayed due to technical and administrative issues. The scheme continued to face numerous problems, including issues with the online application system, delays in processing claims, and concerns about the impact of the benefit cuts on vulnerable claimants (Weaver, 2017). Today, Universal Credit is still being gradually rolled out across the country (BBC, 2020).

The aims of Universal Credit – to simplify the benefits system, to “make work pay”, and to reduce error and fraud – made welfare conditionality a default (Dwyer and Wright, 2014). In detail, Universal Credit expects claimants’ “responsible” behaviour in return for welfare benefits. Access to welfare benefits is dependent on an individual first agreeing to meet particular obligations or patterns of behaviour (Welfare Conditionality, n.d.). Universal Credit effectively made the individual responsible for external circumstances and macro-economic movements (Dwyer and Wright, 2014). Universal Credit also applied conditionality not just to those out of work but those working on low incomes too (Dwyer and Wright, 2014). This means that those previously thought of as “deserving” because of their status as holding down work, as opposed to “undeserving” claimants of job seekers’ benefit, were then stylised as “undeserving” for earning too little and relying on benefits (Dwyer and Wright, 2014). Wright (2012) found that there were only two main roles around which the welfare narrative was spun: the two identities of “worker” versus “welfare claimant”. Such a

duality forced out other identities, such as “mother”, and, she argued, left no room for emotions (S. Wright, 2012). Indeed, it is noteworthy that the original “pathways to poverty” analysis did not mention or consider mental health and care responsibilities. A lack of local availability of work and discriminatory processes were also not mentioned.

Universal Credit can be claimed if someone is out-of-work or on low income and is calculated per household. In a simplified manner, the Department for Work and Pensions (DWP) works out how much money someone is entitled to receive in two steps: (i) it works out what they think the household should need to live on, based on their circumstances, and then (ii) it takes away some of the income the claimant (based on their household) earns (DWP, 2020).

Universal Credit is paid monthly and in arrears mirroring a work contract and is structured in a way that is meant to smooth the transition between unemployment and work and tapers out the more earnings claimants have (at a rate of 63 pence per pound sterling) (Millar and Bennett, 2016). By replacing in-work and out-of-work benefits, claimants are meant to be incentivised to work as they are better off in work than out-of-work (Millar and Bennett, 2016). Universal Credit claims are made and managed via an online platform (Summers and Young, 2020). It is important to understand that Universal Credit set out to change behaviour and save the taxpayer money (S. Wright, 2012). It aimed to get people into any form of work, with the work of job centres also carried out by for-profit agencies where payment is based on the number of people placed in jobs, whether they are low-paid, insecure, or unsustainable (S. Wright, 2012). Policymakers saw self-employment as a means of entry into the labour market, especially for marginalised groups. It was seen as an avenue into the labour market for people who might otherwise face barriers, such as those with health conditions, with other responsibilities such as caring duties, or ageing workers (Gingerbread, 2018). Their working would then mean they would need to claim less, thanks to the taper.

A self-employed worker may claim Universal Credit if they pay their class 2 National Insurance Contributions. However, they must access any private savings before they

can claim Universal Credit. Those with more than £16,000 in savings are not eligible to receive Universal Credit benefits (DWP, 2020). As Universal Credit is calculated at a household level, there is an in-built mechanism to rely on other household members before Universal Credit may be accessed.

In terms of the level of payment, a single Universal Credit claimant over 25 receives a standard allowance of £409.89²² per month (£594.04 if part of a couple). If they rent privately, their housing entitlement is the lower end of the Local Housing Allowance for their area, or the rent paid, whichever is the lower. If they rent from the council or a housing association, their rent will be paid, although subject to the “bedroom tax”, if the number of bedrooms in their home exceeds their bedroom entitlement. There is also a child allowance per child of £235.83 (subject to the two-child limit), plus up to 85% of childcare costs. The claimant is also entitled to a “work allowance”, which allows them to earn a set amount, which is not tapered. Above this allowance, their entitlement is tapered at a rate of 63% in addition to income tax and national insurance contributions, once the respective thresholds are reached. From the sum of the standard allowance, plus any elements that apply (the so-called “maximum amount of Universal Credit”), the income is then subtracted to work out the Universal Credit award the claimant is entitled to (DWP, 2020).

To illustrate and allow comparison with Germany and Denmark, I have calculated the Universal Credit benefit for some of the causes of low profit as outlined in the conceptual framework²³.

²² NB: this calculation includes the temporary £20 per week COVID-19-related increase.

²³ The following conditions remain constant in all scenarios:

- All members of the household are British citizens
- No claimant or their partner is a student
- No one is in prison
- No claimant or their partner suffer from long-term illness or disability, or are in care
- For the purposes of the calculation, a Salford-based postcode is applied
- Except where defined otherwise (e.g., single mother), the claimant lives with a partner (married or living as couple)
- The claimant and their partner are in their mid-30s
- The claimant and their partner do not receive any benefits as yet

A low-income couple. A household consisting of a low-income self-employed worker with an average income of £800 and £100 monthly business expenses, and an employed partner who earns minimum wage (£1,351.35) (no children) would not be entitled to Universal Credit. It may be that the household's income changes month to month, and they may become eligible for Universal Credit in some months.

A single-parent household. A single parent who cares for one child aged 10 (who is not disabled and who attends after-school club five days a week, costing £62.13²⁴), and who does not receive income from spousal maintenance, is eligible for £1181.92 per month consisting of Universal Credit (£1038.12), Child Benefit²⁵ (£91.65), and Council Tax Support (£7,15). It is important to note that a self-employed single parent with a fluctuating income, even if they would receive the same total earnings at year's end, could be worse off than their employee colleague as the Minimum Income Floor (see below) is applied.

Universal Credit aims to equalise the conditions applied to welfare entitlement between employees and the self-employed. It does so through the Minimum Income Floor (MIF). The MIF is an earnings assumption applied to self-employed Universal Credit claimants who have been trading for 12 months. It is applied following a "start-up phase". The MIF assumes that a self-employed worker earns equally to an employee in a similar position. The MIF also includes a notional deduction for tax and national insurance.

-
- The claimant and their partner live in private rented accommodation and pay £495 in monthly rent; the property is liable for council tax (Band A, £1,343.29)
 - The claimant and their partner do not pay into a private or occupational pension
 - They do not have any savings (or private property)
 - They do not have any non-work income
 - All are self-employed for longer than one year at the time they make their claim.

²⁴ Retrieved from <https://www.daynurseries.co.uk/advice/childcare-costs-how-much-do-you-pay-in-the-uk> on 21 November 2021

²⁵ Child benefit is a benefit for everyone, except for high income families. It is not a low income benefit specifically.

The Minimum Income Floor for a self-employed worker aged 23 and above is £1,351.35 per month. If a claimant earns more than the MIF, their Universal Credit payment reduces gradually as they earn more. The MIF was introduced following issues that the government identified with the previous Tax Credit system²⁶. Tax credits allowed for the “self-employed surfer”, who was self-employed, e.g., teaching surfing for a couple of hours every week, but would not have been economically self-sustaining without Tax Credits (Rowe, 2022). There were also only “minimal checks” in Tax Credits (Sainsbury and Corden, 2013; Rowe, 2022: 1). This advantaged the self-employed over employees who were subject to conditionality rules. Researchers at the Social Market Foundation estimated for 2016 that about 190,000 welfare-claiming families with an individual whose main job is self-employment were in this position (Rowe, 2022).

In summary, Universal Credit is a UK benefits scheme that was introduced to bring welfare claimants into work, or increase their work hours, to end their need for state support. It equalised the position of employees and the self-employed through conditionality rules, especially through the introduction of the Minimum Income Floor. Universal Credit is a household payment that tapers out the more a claimant earns.

The following sub-sections will describe in detail the rules of claiming Universal Credit when self-employed during phases in the business life course.

6.3.1 Universal Credit during the start-up phase

Any self-employed entrepreneur seeking to claim Universal Credit is assessed as to whether their self-employment is “gainful” (Sainsbury and Corden, 2013). The test seeks to determine if the self-employment is organised (e.g., does the claimant have a business plan, are they marketing their business activity), if it is regular (e.g., how many hours per week is spent on the activity), and if the activity is carried out with an expectation to be profitable. Equally, the assessment verifies that the claimant is registered as self-employed for tax purposes and how much the claimant earns from

²⁶ As Rowe put it, tax credits were a “minimum income guarantee and genuine alternative to wage labour for people who designated as ‘self-employed’” (2021: 1).

their activity. It might also be considered if the business is regarded as an ongoing concern by, for example, the business' banker or any creditors, as well as the circumstances through which the claimant comes to claim Universal Credit. This might include if the claimant intends to re-start working in their business when economic circumstances permit. If yes, the claimant is deemed to be gainfully self-employed. If a claimant is deemed not to be gainfully self-employed, they may need to look for and be available for other work (DWP, 2020). They would still need to report any self-employed earnings to calculate the level of their Universal Credit payments.

If a claimant is found to be gainfully self-employed, and if they are in the first 12 months of starting their business, they benefit from a start-up phase. This exempts them from meeting certain conditions, such as having to spend a certain number of hours searching for work to allow them to focus on developing their business; the Minimum Income Floor is also not applied (DWP, 2020). During this grace period, other conditionality expectations are also lightened. Claimants must only liaise with their work coaches for interviews on a quarterly basis. This includes sharing information on which actions they are taking to build their business. If they fail to show they have taken appropriate steps, their start-up grace period could be ended, and the Minimum Income Floor applied (DWP, 2020). Self-employed claimants are only entitled to one start-up period every five years, or when changing into a different area of business (DWP, 2020). The start-up phase has been criticised as being too short. Suggestions to remedy the issue include calls for a grace period of 36 months (e.g., IPSE, 2018) or suggestions to gradually phase in the MIF (Adam, 2018).

To assess a claimant's need and to calculate their level of Universal Credit, earned income is defined as the remuneration or profit from a trade, profession, or vocation (DWP, 2020). For each assessment period, the actual amount is calculated, that is received money, not money that is owed. Earned income are payments for goods or services, the sale of assets, tips and gratuities, but also in-kind payments, income tax or VAT returns, or NIC re-payments. From that amount, permitted expenses – that is, actually paid expenses – are subtracted (see Table 9 for a summary of the steps; DWP, 2020). Expenses must be “reasonably incurred” (DWP, 2020: 44). Reasonable describes expenses that are appropriate and necessary and these may be decided by

a caseworker on a case-by-case basis (DWP, 2020). Accounting for earned income and expenses needs to be done at the end of each assessment period (four weeks). Where a claimant is unable to provide the exact cash-in cash-out calculation, e.g., because they are in a hospital, the job centre decides on a case-by-case basis if an estimate may be accepted instead (DWP, 2020).

Table 9 Calculation of earned income for Universal Credit

Step 1	Starting point for the calculation is received earnings in an assessment period
Step 2	Deduction of any permitted business expenses
Step 3	Deduction of money saved for taxes and national insurance
Step 4	Deduction of money saved towards a private pension
Step 5	Deduction of any losses from previous assessment periods
Step 6	Final sum: earned income as a basis for Universal Credit award

In short, claiming welfare during the start-up period means having to show the job centre that self-employment is or is likely to become “gainful”. Where this is deemed not to be the case, the claimant may be asked to look for other work, including employment. The start-up period is a grace period in which an assumed income (Minimum Income Floor) is not yet applied to allow the self-employed to start and develop their business. The level of Universal Credit is calculated anew for each assessment period, based on earned income, but the MIF is not applied and so those with low or no income still qualify for Universal Credit.

6.3.2 Universal Credit while trading

After the 12 months start-up period, the Minimum Income Floor is applied. The Minimum Income Floor is calculated using the minimum wage of the claimant’s age group multiplied by the number of hours they are expected to look for and be available for work. If a self-employed claimant’s earned income is below the MIF, then the MIF is applied as assumed income. Adjustments to the MIF apply to some groups, such as carers. The number of hours they are expected to look for work is lower (see also section 6.4.3).

The Minimum Income Floor was introduced to sift out unprofitable businesses and address issues in the previous Tax Credit system (Sainsbury and Corden, 2013). Previously, a self-employed individual could claim support when they declared zero profits or a loss. The DWP in 2013 stated that 100,000 self-employed individuals declared income equivalent to only 10 hours of work at minimum wage (DWP, 2013). Individuals who did not achieve a profit from their self-employment were entitled to Working Tax Credit plus other benefits like Housing Benefit or Council Tax Benefit (Royston, 2012). This could have meant that a self-employed welfare claimant under-declared their earnings to receive state support. The MIF intends to incentivise low-income self-employed workers to increase their profits from their self-employment or take up other work and thus possibly leave unprofitable self-employment (Klair, 2018). It effectively incentivises them to declare their earned income. Equally, the MIF is meant to put self-employed Universal Credit claimants on par with employed claimants with conditions attached to their Universal Credit claim (Klair, 2018).

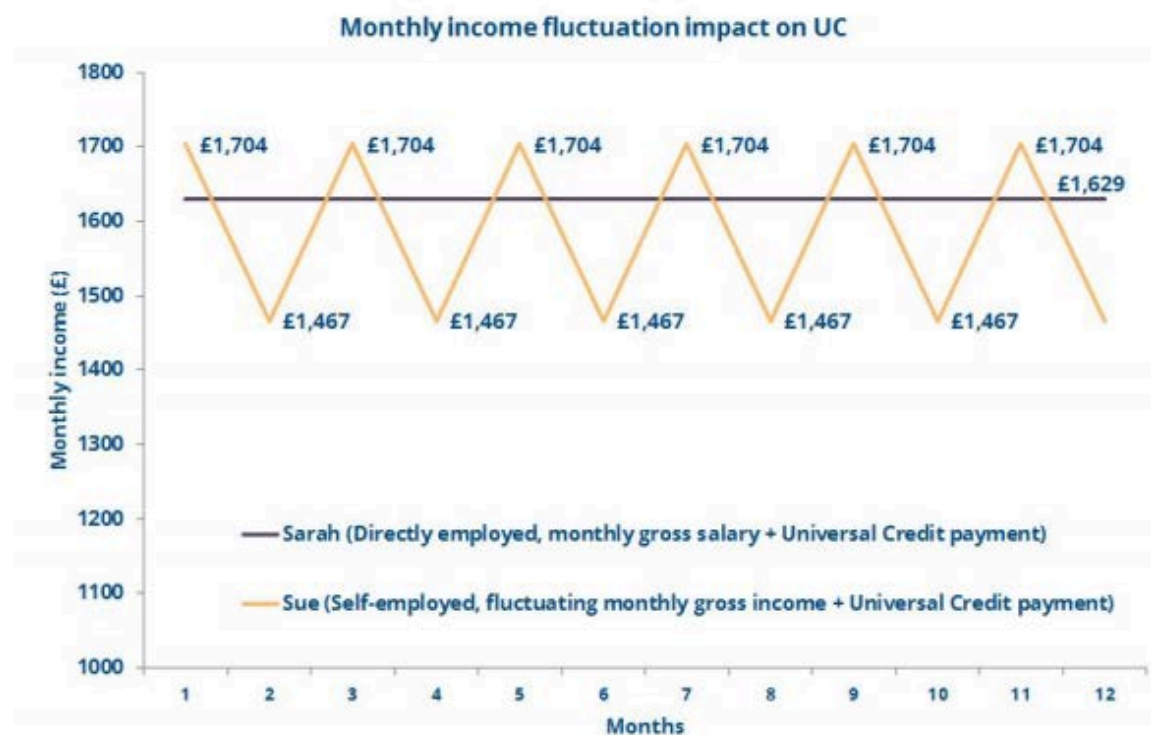
Self-employed claimants of Universal Credit are expected to report monthly earnings on a cash-in, cash-out basis. Whilst this is meant to benefit them as their Universal Credit benefit is adjusted monthly to provide them with raised levels of help when needed, it burdens them in other ways. First, claimants have to report their earnings and expenses monthly, which does not reflect reporting for income tax or company accounts. Experts have criticised this reporting approach as cumbersome and not reflective of how business works (LITRG, 2017). Second, the monthly assessments can exacerbate income volatility instead of smoothing it. The surplus earnings rule determines that a claimant whose earned income in one month is too high for them to be entitled to receive any Universal Credit will have the surplus income banked. The surplus refers to the amount by which their income exceeds their Universal Credit cut-off point plus £300. If they return to Universal Credit within six months, any surplus earnings from the month they left along with any surplus earnings in the months they were not claiming Universal Credit will be treated as earned income when they re-claim. The surplus earnings will continue to be applied until they have been used (Williamson, 2015). For a self-employed claimant, the surplus earnings rule means that surplus income is carried forward, even though, in the next month(s), the claimant may not have any earnings. As self-employed entrepreneurs' income fluctuates

across months, it can mean that calculated over a year, they may be worse off than employee claimants in a comparable position. The following Citizen's Advice example and visualisation in Figure 2 illustrate this:

“Sue and Sarah are both single parents with one child, earning £9,750 a year, with housing costs of £150 per week. However, Sue is self-employed and her income from this work fluctuates - by around £162.50 each month on average ... Sarah, on the other hand, is directly employed, works fixed hours and is paid the same amount each month. The pattern of their incomes over 12 months - including UC payments – is set out in the chart below.

Every time Sue's monthly income falls below the MIF, the amount she gets in UC is not adjusted. Yet on the months she earns significantly more than the MIF, her UC payment is reduced accordingly: Sarah receives £9800 in UC payments, while Sue receives £9275. This means that, even though over the year she earns exactly the same amount of money as Sarah, Sue and her family are worse off by £525” (Citizens Advice, 2018b: 7-8).

Figure 4 Illustration of how income fluctuation for a self-employed worker disadvantages her in comparison to an employee claiming Universal Credit (Citizens Advice, 2018b: 7-8)



Various policy organisations called for the MIF to be amended to achieve a more adequate picture of a self-employed individual's earned income. Proposals included that, within every twelve months (after the start-up period), a self-employed worker could be allowed three separate months below the MIF without being penalised. The MIF could then be applied in the fourth month, as this would suggest a pattern of low earnings rather than simply volatility (LITRG, 2017). Equally, using a 12-month rolling average to calculate earned income was recommended (Verma, 2017). Moreover, work coaches could be given the discretion to disapply the MIF (LITRG, 2017). All approaches would ease the burden on the self-employed claimant and bring the reality of business more in line with the protections of the public purse that the MIF means to enable.

In summary, while trading, claiming Universal Credit is characterised by the conditions enforced through the Minimum Income Floor. The MIF is an assumed income applied if a self-employed claimant earns less than £1,351.35 (2021 rate) per month. If a claimant earns more, their Universal Credit claim is reduced at a taper rate of 63 pence per pound. The MIF intends to put self-employed claimants on par with

employee claimants who have conditions attached to their welfare claim and to prevent taxpayers from supporting unprofitable enterprises. As with Universal Credit conditionality for employee claimants, some adjustments apply to different groups of people, such as single parents.

6.3.3 Universal Credit upon exiting self-employment

A Universal Credit claim ends if there is no further need for support. A self-employed worker can take up a new Universal Credit claim if they need an income top-up in the future. Specifically, within six months of the end of their claim, they can re-start their old claim. More than six months later, they will need to submit a new claim (DWP, 2020).

Where a claimant exits self-employment due to business failure or continued low earnings and conditionality, they could become a job seeker and receive Universal Credit. In this case, the claimant may receive more benefits because the MIF does not apply to the unemployed. They would instead be subject to conditionality as it applies to (un-)employed welfare claimants.

6.4 Analysis: self-employment de-commodification in Universal Credit

Based on the above description of how the Universal Credit system works for the self-employed, this next section analyses what these rules mean regarding who is granted support and under what conditions. This allows an analysis of who might be enabled or hindered to de-commodify in their self-employment, what terms of entrepreneurship, and which entrepreneurs are supported when in their own and the business' life course.

6.4.1 Business life course

Before analysing how the six causes of low profit are de-commodified under Universal Credit, I will first analyse the room for de-commodification in the business life course.

The UK is the only country with a grace period where the entrepreneur enjoys a higher degree of de-commodification of both entrepreneur labour and the entrepreneurial process. The Minimum Income Floor is not applied in the first 12 months of the enterprise's existence, the start-up phase. The entrepreneur also does not have to look for other paid work but must attend meetings with their workcoach every three months to describe the steps they are taking to increase their earnings.

While trading, after the 12 months start-up phase, entrepreneurs are subject to welfare conditionality in the form of an assumed income, the Minimum Income Floor. While trading, entrepreneur claimants are subject to intense regulation and surveillance, and commodification. They must note their earned income each month in the Universal Credit system, note any changes to their circumstances in the system, and meet their workcoach regularly to discuss ways to increase their earned income. The workcoach also has discretion to ask the entrepreneur claimant to take up other work to increase their earned income. This may be part-time employed work alongside their self-employment. If a workcoach can ask an entrepreneur to give up their self-employment altogether is not defined in caseworker guidance.

Under Universal Credit, there is no clear guidance on when an entrepreneur should exit low-profit self-employment, and how to do so. This may mean that an entrepreneur becomes "stuck" in their low-profit self-employment. This lack of clear exit routes is noteworthy because where a claimant exits into unemployment (i.e., as jobseeker under Universal Credit), they could receive higher welfare benefits because the assumed income (MIF) does not apply to the unemployed. They would be subjected to conditionality as it applies to (un-)employed welfare claimants.

6.4.2 Entrepreneur is only partially investing their labour resource

The cause of low profit is here that the entrepreneur is choosing to only partially invest their labour to preserve leisure time. The policy question is then whether it is a citizen's right to be supported via welfare regardless of how they invest their labour. And if so, to what extent and for how long benefits should be granted.

Universal Credit supports "people to be self-employed but only insofar as self-employment is the best route for them to become financially self-sufficient" (DWP 2012: 29 in Sainsbury and Corden, 2013: 5). An entrepreneur who is only partially investing their labour would be required to work more or earn more from their hours under Universal Credit (Sainsbury and Corden, 2013; DWP, 2020). This would be discussed in their meetings with their workcoach. If the entrepreneur fails to invest more of their labour, they may be asked to give up their self-employment and take up other work (DWP, 2020).

In a recent paper, Rowe (2022) analysed that in Universal Credit – and in comparison to the Tax Credit system – there is only one set of circumstances, beyond the start-up period, where a self-employed worker can de-commodify their labour: when they use the "Administrative Earnings Threshold" (AET), which allows claimants to limit the amount of wage labour (Rowe, 2022). The AET is an earnings threshold used in Universal Credit to demarcate two labour market regimes, the Intensive Work Search regime and the Light Touch regime. One of Universal Credit's six labour market regimes, claimants in the Intensive Work Search regime are required to meet all Universal Credit's work-related requirements. Claimants in the Light Touch regime are not required to fulfil any of Universal Credit's work-related requirements. Rowe summarised that there is "some limited emancipatory potential", but "so far there appears to be little public knowledge of the AET" (Rowe, 2022: 3), and it is a loophole in Universal Credit.

In summary, the commodification logic in Universal Credit is strong, and guidance provided to workcoaches would ultimately always lead to entrepreneurs being asked to invest more of their labour into their self-employment or take up other paid work. A caveat applies with regard to the start-up period, where entrepreneurs only need to intend to make a profit. Different rules also apply if labour is invested in care. This cause of low profit is dealt with in the next section.

6.4.3 Entrepreneur is unable to invest their labour in full due to care responsibilities

Under Universal Credit, carers are sorted into different groups (so-called “work groups”) depending on the child's age. Each work group has different work-related requirements. In the “no work-related requirements group”, claimants do not have to prepare or look for work. In the “work-focused interview group”, claimants must regularly meet their work coach. In the “work preparation group”, claimants must meet their work coach regularly and prepare for work. Lastly, in the “all work-related requirements group”, claimants must do all they can to find a job or earn more (see Table 10; Citizens Advice, 2018a).

The work groups change based on the age of the child. A carer caring for a child under the age of one is in the no work-related requirements group. A carer caring for a child at the age of one is in the work-focused interview group. A carer caring for a child at the age of two is in the work preparation group. Lastly, a carer caring for a child three years of age or above is in the all-work-related requirements group. For this group, some considerations are made until the child is 13 years old; for example, the work must fit around the child's school hours (see Table 10). Consequently, the requirements for a self-employed carer claiming Universal Credit change with the child's age.

Table 10 Universal Credit work groups and their related requirements (amended from Citizens Advice, 2018b)

Workgroup	Work-related requirements	Child's age
No work-related requirements group	The claimant does not have to prepare or look for work.	Under 1
Work-focused interview group	The claimant must attend regular meetings with their work coach to discuss plans for a future move into work.	1
Work preparation group	The claimant must meet their work coach regularly and prepare for work. This may	2

	include writing a CV and going on training or work experience.	
All work-related activity group ²⁷	The claimant is expected to work a maximum of 16 hours a week or spend 16 hours a week looking for work.	3 to 4
All work-related activity group	The claimant is expected to work a maximum of 25 hours a week or spend 25 hours a week looking for work.	5 to 12
All work-related activity group	The claimant is expected to work a maximum of 35 hours a week or spend 35 hours a week looking for work.	13 and above

These conditions allow self-employed carers some room for labour de-commodification depending on the number of hours they are expected to invest in their entrepreneurship. The MIF is only partially applied depending on a child's age. In other words, the carer is supported via a lower MIF.

6.4.4 Entrepreneur invests their labour with profit motivation but is not achieving sufficient profit

Before evaluating how this case would be supported via Universal Credit, I note that the caseworker guidelines and information provided to claimants via Citizen's Advice (or similar) do not directly speak to circumstances in which an entrepreneur invests their labour but is not achieving sufficient profit.

In general, caseworkers would assess the entrepreneur's profit motive to assess eligibility for Universal Credit. If the entrepreneur was found not to be sufficiently profit motivated, they would be required to find other work (DWP, 2020). If a claimant is pursuing a profit motive, that is they are found to be gainfully self-employed, and is experiencing a loss of income, they would be granted Universal Credit – subject to the Minimum Income Floor (unless they are in their start-up period). They would also be

²⁷ While the child is under the age of 13, the work coach must ensure that the work activity fits around the child's school or nursery hours (incl. travel time there and back); the work group may change if the child has extra care needs (e.g., a health condition).

required to update their caseworker on their progress to increase their income (DWP, 2020).

The caseworker has discretion to ask the entrepreneur claimant to find other routes to increase their earnings, such as through employment. However, caseworkers are not guided for how long an entrepreneur may invest their labour into an insufficiently profitable good or service. In other words, there potentially is uncertainty for the entrepreneur and caseworker. Also, the entrepreneur could potentially remain in their low-profit self-employment for a longer time - or the caseworker could ask the claimant to leave their self-employment.

6.4.5 Entrepreneur is labouring to provide profitable goods or services but will only get paid in the future (or is suffering late payment)

While caseworker guidance does not speak to this cause of low profit specifically (DWP, 2020), the logic of Universal Credit as well as continuous lobbying efforts by self-employed and freelance organisations (e.g., Lima-Matthews, 2017) indicate that dealing with late payments is considered a business issue. Furthermore, an analysis by Summers and Young (2020) on the administrative logic of Universal Credit indicates that Universal Credit does not consider late payments a specific issue. Universal Credit was set up to relieve the administrative burden for the welfare system, not for claimants (Summers and Young, 2020). Workers used to other patterns of income - from work and social security benefits - and who have developed corresponding budgeting processes must adjust to Universal Credit's pattern of four-week assessment periods (Summers and Young, 2020).

Entrepreneurs who tend to receive larger payments at specific points in a year are penalised by the MIF in months where they do not earn any or very little income. They are also penalised following a month in which they have received a payment as they do not receive any Universal Credit because of the surplus earnings rule (DWP, 2020).

As such, because the assumption of regular earned income is theoretical and does not reflect business volatility, seasonally working self-employed workers struggle under Universal Credit (Lima-Matthews, 2017). In comparison, losses are carried forward to the next assessment period (DWP, 2020: 63). In other words, Universal Credit has made it more complex for those who rely on welfare to receive benefits (Lima-Matthews, 2017). So, entrepreneurs who labour to provide profitable goods or services but will only get paid in the future are highly commodified.

6.4.6 Entrepreneur experiences a temporary absence of a market

Similarly to the previous cause, Universal Credit guidance does not provide specific examples that speak to the cause where an entrepreneur is only able to work for parts of a year (DWP, 2020). Only Universal Credit's gainful self-employment test indicates how self-employed claimants who may not earn a profit at certain times in a year, for instance, because they can only work seasonally such as a ski instructor, would be treated (DWP, 2020).

A claimant would be considered gainfully self-employed (1) if their business is *not* considered a concern by the business' bank or creditor, (2) if the entrepreneur hopes or intends to restart work in the business when economic conditions improve, (3) if the person is undertaking any activities in connection with the self-employment, (4) if the person is regarded as self-employed by HMRC, (5) if there is work in the pipeline, and crucially (6) if the interruption in question is part of the normal pattern of the person's work (DWP, 2020: 22-23). However, no indication is given as to the timeframe that may be considered, e.g., if working for half of the year means that claimants would be eligible to claim Universal Credit for the other half of the year. Additionally, caseworker guidance states that not all of these questions would be relevant to whether a person is still gainfully self-employed and it would depend on the facts of the particular case (DWP, 2020: 23). As such, there can be great uncertainty as to whether, and for how long, an entrepreneur who experiences a temporary absence of a market will be supported. Researching income protection for small traders during the Covid-19 pandemic, Rouse et al. (2021) also concluded that the interests of micro-entrepreneurs had not been properly considered.

In summary, while there is some uncertainty for how long these entrepreneurs may be supported and if working for some months in a year enables them to claim Universal Credit for the other months, the gainful self-employment test (and by consequence caseworkers' discretion) enforces commodification on these entrepreneurs.

6.4.7 Entrepreneur is creating low or no profit but is creating social value

In Universal Credit, businesses with a profit focus are supported. A caseworker is guided to approve benefits where an entrepreneur can indicate that their need for welfare is temporary, and their business prospects will improve (DWP, 2020). For entrepreneurs who cannot forecast such a development, caseworkers are guided to suggest that a claimant end their self-employment (DWP, 2020).

This lack of support for non-economic value creation compares against the growth of social enterprises in the UK. There are more than 100.000 social enterprise businesses that together contribute over £60 billion to the UK economy (Darko, 2021). While most of these are companies limited by guarantee, community interest companies, or companies limited by share, the lack of support for single entrepreneurs does not chime with the help the UK government has afforded the social enterprise sector in recent years (Darko, 2021).

It is also worth noting that the Universal Credit system does not have a specific provision for artists or other creative workers who may seek to create social value, but not necessarily term themselves social entrepreneurs.

6.4.8 Summary

In summary, Universal Credit is an intensely regulated and surveilled system of tapered commodification. Adjustments are made – and so pockets of de-commodification are created – for entrepreneurs in the start-up phase and entrepreneurs with care responsibilities. Generally, however, low-profit entrepreneurs are required to present a plan for how they will develop their businesses to achieve higher earned income and are closely surveilled in this endeavour. Where they are

unsuccessful to work more or earn more from hours worked, they can be asked to reduce or give up their self-employment. That said, as caseworkers are afforded great discretion and few causes of low-profit and how they should be supported by welfare are codified, there is uncertainty and some risk that some entrepreneurs may get stuck in their low-profit self-employment.

6.5 Policy discussion

This last section outlines the findings from the expert interviews on decency in self-employment in the UK. The interviews were secondary to my primary data collection through document analysis. The interviews helped to fulfil my primary research aim, to develop a rich and rigorous description of each welfare state so that I could then analyse it in relation to my conceptual framework.

I interviewed experts to gather an accurate assessment of the conditions of de-commodification in self-employment, as presented above. Additionally, I was interested in experts' views on how the system had developed and how far it was delivering decent self-employment. This more general discussion provided me with insights as to why the system has developed in the way it did and how well the experts think it is working. I analyse their assessments using the concept of de-commodification to help understand how the debate among these particular experts shaped a kind of logic around de-commodification and self-employment. In other words, it helps me to critically analyse thinking around the system. As outlined in Chapter 5, I spoke to academics, think tank staff, staff in civil society organisations and a lobby group, as well as a civil servant. I sought to speak to those people who could speak to the conditions of social protection for the solo self-employed. As such, they tended to be welfare state or self-employment specialists.

6.5.1 Discrepancy between entrepreneurship culture and welfare support

The interviews showed awareness that there appears to be a discrepancy between the UK's entrepreneurship culture and how self-employment is supported. UK policy is driven by a particular enterprise logic where, on the one hand, it wants to be seen as

supporting entrepreneurship, but on the other, it also intends to support competition. For the solo self-employed, these visions clash. For instance, interviewee UK9 (*civil society organisation policy advisor*) described how the government “really struggled to understand self-employment” and that there are “political misconceptions about what self-employment is”. He described how government officials have very little idea about self-employment and that therefore the policy is designed in a way that does not account for the way that self-employed people operate businesses and that their income fluctuates over time.

"It's a very interesting thing about politics: the rhetoric of helping people set up their own business, become self-employed, be an entrepreneur is very often not matched by the actions of government. In terms of the environment that they then try and build in order to help these people. [...] things like Universal Credit can be detrimental to those who are just setting up a business" (*UK9, civil society organisation leader*).

Similarly, interviewee UK10 (*civil society organisation leader*) argued:

“So, I think that in broad terms, the way that the UK Government has addressed self-employment over the last 20 or so years, has been to privilege it in terms of tax. But to be negligent of it in terms of rights, entitlements and protections” (*UK10, civil society organisation leader*).

He argued that this misconception relates to how the UK pursues a mythological understanding of self-employment, where the self-employed are seen exclusively as future successful entrepreneurs (UK10).

"The self-employed are all putative Mark Zuckerbergs, setting up dynamic businesses working all around the clock in order to become, you know, massively successful entrepreneurs" (*UK10, civil society organisation leader*).

This mythological understanding misses the business reality of some self-employed workers (UK11). It is also in stark contrast to the previous Tax Credit system, which

granted struggling entrepreneurs some security. The policy assumption appears to be that problems occur only in the start-up phase and that, while trading, the entrepreneur should either be competitive or not exist.

"I think one of the things that we've heard has always been a bit of a problem. There's a lot of evidence out there, which suggests that the vast majority of businesses are not profitable in their first year. And this is the period where they take on the most risk, where they will have a lot of upfront investment costs and things like that. We feel you should really be a bit more lenient in terms of how you apply the grace period for possibly even up to three years" (*UK9, civil society organisation policy advisor*).

The security of Tax Credits meant that entrepreneurs could invest some money in their business as opposed to just funding their own labour.

"A lot of parents, particularly single parents, got into work through low-income self-employment, which enabled them to juggle, with tax credits. That tended to work quite successfully for them because it ironed out the glitches in their income from one month to the next. And just gave them the standard level of support for the year which would then be adjusted at the end of that year" (*UK11, manager in a civil society organisation*).

"There is a very specific point about the interaction between Universal Credit and self-employment whereby the Minimum Income Floor is a particularly egregious policy because effectively it comes from a place where the Department for Work and Pensions assumes that anyone self-employed is lying about their earnings and because this is the sort of internal culture - what is in the mind's eye of the policymaker, because they assume self-employed people are lying about their earnings – anybody whose earnings are too low, 'Well, they're lying', so you just assume that it's higher than that" (*UK1, professor*).

Additionally, it appears to be a design feature and driven by ideology that some groups of entrepreneurs are disadvantaged. Yet, this ideology might mean a potential

"loss" (UK13, *civil society organisation policy advisor*) of entrepreneurs, such as women or non-profit entrepreneurs. While, on the one hand, non-profit entrepreneurship is supported through government funding and programmes, entrepreneurs who pursue value other than economic profit and end up claiming Universal Credit to be supported would be subject to the gainful self-employment test and potentially forced out of their non-profit entrepreneurship. At the same time, there is a lack of a policy discussion that considers these concerns.

"I mean, there is a big case to be made around Universal Credit that the position of women may not be great ... But that's, that's by design. And I do think that's vastly ideological" (UK7, *civil servant*).

"We haven't figured out whether actually, we care enough about that [cultural, social or other value creation] to fund it" (UK13, *civil society organisation policy advisor*).

6.5.2 Does the UK welfare state deliver decent self-employment? Impressions from interviews

Generally, none of the interviewees considered that the British welfare state enabled decency in self-employment. This includes experts from lobby groups that tend to be in favour of the trade-off in the system between a low tax regime and less social protection. The interviewees considered, among other things, that the Minimum Income Floor is a crucial barrier. In addition, the start-up period is regarded as too short for building up sufficient and regular earnings that enable a decent standard of living, before the MIF applies. The Universal Credit logic is about making work pay, but it seems to be about making work pay now instead of enjoying long-term sustainable self-employment.

"Not at the present time, because I think it doesn't allow people the time to develop a business that would become decent self-employment. [...] it is better to get somebody into a job where they can flourish and where they can progress in a career" (UK4, *civil society director*).

"God, self-employment is really, really a poor place to be if you're reliant on welfare. [...] The welfare system actually for self-employed people is, you know, it is a resolute failure really. [...] There is a moral obligation for the sixth wealthiest country in the world to do better about the people that are operating here" (UK5, CEO of civil society organisation).

"The welfare state does not do anything to help decent self-employment in the UK" (UK1, professor).

There also appears to be no coherent thinking of the self-employed instead of it being a coherent and embedded, cross-sectoral theme.

"I mean, what we seem to do in this country is grow small little offerings that don't... there's no sense of a joined-up vision in terms of an idealistic and ideological approach to welfare and the safety net. It's more people lobby as a reaction. And it's, it's sticking plasters over... I don't think we had a joined up strategic approach" (UK13, civil society organisation policy advisor).

6.5.3 Summary

In summary, the UK government appears to support entrepreneurship as a means of access to the labour market and as an economic driver. The UK primarily pursues competition and understands entrepreneurs to be as successful future entrepreneurs. There is no regard for the times when entrepreneurs may be struggling and this fails to consider the reality of business, which can be risky and insecure. As a consequence, some groups of entrepreneurs can be disadvantaged. Women entrepreneurs and those who pursue non-profit entrepreneurship may be particularly lacking support. It appears that there is no coherent thinking in self-employment policy.

6.6 Conclusion

In conclusion, Universal Credit is an intensely regulated and surveilled system of tapered commodification. Additionally, Universal Credit is better at de-commodifying entrepreneur labour than the entrepreneurial process.

Because of regulations like the Minimum Income Floor, the surplus earnings rule, and close surveillance of how entrepreneur claimants progress in developing their enterprise (to work more hours or earn more from hours worked), Universal Credit is an intensely regulated and surveilled system of commodification. This commodification is tapered for entrepreneurs in the start-up phase and for entrepreneurs with care responsibilities: Universal Credit de-commodifies entrepreneur labour and the entrepreneurial process for all causes of low profit during the start-up phase. The Minimum Income Floor is not in force and so lifts conditionality in relation to being profitable. Additionally, entrepreneurs who are unable to invest their labour due to care responsibilities are de-commodified pro rata.

Universal Credit tends to be better at de-commodifying entrepreneur labour than the entrepreneurial process. Following the start-up phase, Universal Credit primarily de-commodifies entrepreneur labour. It does not (appear to know how to) de-commodify the entrepreneurial process. In fact, often the impact of market forces on the entrepreneur's ability to achieve profit appears not to have been considered, or at least been provided for in caseworker guidance. All causes of low profit – with adjustments for entrepreneurs who are unable to invest their labour in full due to care responsibilities – are expected to invest more of their labour or earn more from hours worked. If they fail to do so, they can be asked to take up other work alongside their self-employment or leave self-employment altogether.

This analysis and the interviews tentatively show that there is no joined-up logic in relation to self-employment policy. Also, the rules and guidance around Universal Credit for low-income self-employed counter enterprise policy in the UK. On the one hand, the government seeks to support entrepreneurship and competition and entrepreneurs are the "almost pure form the ideal of the highly active, flexible, permanently competing individual who relies more on their own ingenuity and craft than on collective forms of social protection, while acting as a rational and self-

interested agent" (Caraher and Reuter, 2019: 204), and the "everyday heroes of neoliberalism" (Rouse et al., 2021: 18). On the other hand, when entrepreneurs struggle to achieve sufficient profit, there is no holistic support and how the impact of the market on entrepreneurship should be supported is not clarified.

Chapter 7. Self-employment de-commodification in the German welfare state

7.1 Introduction

Following the analysis of the British welfare state, this chapter examines a case of the conservative welfare state, Germany, in a similar manner.

7.2 The conservative welfare regime type

Esping-Andersen (1990) characterised the conservative welfare regime as driven by class and status distinctions; by a historical paternalistic ideology, specifically a belief in hierarchy, authority, and subordination to the patriarch or state; that social stratification is high, for example based on dimensions of job type, income and gender; that de-commodification is high for certain groups, e.g., the male breadwinner; that the role of the family is central in the provision of welfare, whereas the role of the market is marginal, and the role of the state is that of a subsidiary. As will be shown, many of these assertions remain true today. This section outlines some of the main characteristics of conservative welfare provision in Germany today and relates them to self-employment.

First, the German welfare state remains highly stratified. For instance, Germany's social security system is not universalistic but wage-dependent. Benefits like unemployment are derived from entitlement rights acquired in the past (Palier, 2021). In other words, the more money a worker earned and paid into the statutory unemployment insurance, the more they receive in case of unemployment (up to a ceiling, see more in 7.4.1). Similarly, there remain different insurance associations, trade union relief funds, and cooperatives that ensure protection for their members. Traditionally, these have been organised by profession. For example, pension provision in Germany is based on three pillars. These are: (i) Germany's statutory pension scheme; (ii) company pension schemes, and (iii) private pension schemes. The first pillar includes the statutory pension insurance, pension schemes for farmers,

civil servants, and soldiers and occupational pension schemes. These occupational pension schemes are an essential part of the first pillar and are equal to - but independent of - the statutory pension insurance. Occupational pension insurance schemes are only available to members of the liberal professions, including the self-employed. For example, occupational professional pension schemes exist for doctors, pharmacists, architects, notaries, lawyers, accountants, and dentists. Other labourers, such as craftspeople, have no access to these pension schemes. In practice, nearly every independent profession has its pension fund in each federal state (Herchenröder, 2015). Different groups, i.e., strata of society, are therefore differently well protected.

Second, Germany remains a welfare state that tends to benefit the male breadwinner (Nill and Shultz, 2010; Bundesregierung, 2017). Various rules and regulations still favour the male breadwinner and disadvantage homemakers. For example, in tax law, married couples may declare their tax together and use each partner's tax-free allowances. However, it is beneficial mainly to use a homemaker's tax-free allowance if she earns nothing or a small supplementary income and the male breadwinner earns a big salary to which this allowance is applied (Overkämping, 2013; Wersig, 2015). The rule makes it difficult for women to gain financial independence (Wersig, 2006). These structures also perpetuate gendered role attitudes for labour market behaviour (Lietzmann and Frodermann, 2021). Women in couple households tend to be less active in the labour market than their male counterparts. These differences in employment are the largest in couples with children (Lietzmann and Frodermann, 2021).

Women's disadvantage in tax law is related to – and perpetuated by – a lack of an adequate care infrastructure that would allow women to enter the labour market on par with men. Because perceptions in Germany have long been according to the male breadwinner model, care work has been organised in the private realm. Consequently, for a long time, the public infrastructure to provide care such as kindergartens has remained under-developed. With the slow improvement of the infrastructure, Germany has moved from a one breadwinner model to a main breadwinner model with a supplementary earner, who tends to earn a smaller second income. However, this is merely a variant of the breadwinner model (Bundesregierung, 2017). In summary,

gender relations and their interactions with both the labour market and welfare systems are critical in shaping the form and prevalence of precarious work (Grimshaw et al., 2016).

To summarise, several aspects of Esping-Andersen's 1990 characteristics of the conservative welfare regime type remain valid in Germany today. It remains a welfare state that is highly stratified and where care is carried out primarily within the family and often to the disadvantage of women. Consequently, there is value in researching Germany as an example of the conservative welfare regime type.

7.3 Self-employment in Germany

Before explaining how the German welfare state functions in relation to self-employment, it makes sense to get a grounding in what self-employment looks like in the country. This section shortly introduces (i) Germany's enterprise culture, and then (ii) self-employment in Germany today.

Germany's enterprise culture tends to be quite traditional. I will illustrate this in relation to *Mittelstand* companies, which include the solo self-employed and which is a good representation of everyday entrepreneurship in Germany (Pahnke and Welter, 2019)²⁸. The majority of German *Mittelstand* enterprises legally operate as sole proprietorship, sometimes as so-called registered merchant (*eingetragener Kaufmann*) or non-incorporated firms, all without limited liability protections. In other words, for them, economic success and private wealth are inseparable linked (Pahnke and Welter, 2019).

Germany's traditional *Mittelstand* companies tend to be driven by more than a mere striving for profit (Welter and Schlepphorst, 2020). *Mittelstand* companies often have strong regional roots and maintaining their (family) business is a priority (Welter and

²⁸ Pahnké and Welter conceptualise *Mittelstand* companies by their identity of ownership and leadership and that entrepreneurs have the *Mittelstand* mindset, i.e., they feel like they belong to the German *Mittelstand* (Pahnke and Welter, 2019).

Schlepphorst, 2020). As such, these companies are often closely linked to their local community having provided employment opportunities sometimes across generations. Therefore, employee satisfaction, job creation, and environmental stewardship are highly important (Welter and Schlepphorst, 2020). Business relationships are also often based on trusting, long-term and partnership-oriented cooperation (Welter and Schlepphorst, 2020). As such, they are characterised by a mindset of longevity and long-term orientation where the focus is on core competencies. *Mittelstand* entrepreneurs also tend to closely identify with their businesses and they value their economic and personal independence, which is reflected in, for example, a preference for self-financing (Pahnke and Welter, 2019).

This reflection of everyday entrepreneurship in Germany reflects Germany's variety of capitalism, which is characterised by a strong focus on corporatist structures. That means, a pronounced role for trade unions, employer associations, chambers of crafts, and industries etc., relational banking structures, cooperative, and consensus-oriented stakeholder relationships, both reflected in and a result of its *Mittelstand* structure (Pahnke and Welter, 2019).

Following this short characterisation of everyday entrepreneurship in Germany, I now turn to describing self-employment in Germany today. In 2018, there were 4 million self-employed (9.6% of the labour force), of which 2.2 million were solo self-employed (Statistisches Bundesamt, 2020). For the past 20 years, this number has been fairly consistent between 10% and 11% of the workforce (Bonin et al., 2022). Self-employed workers tend to work in professional, scientific, and technical activities (e.g., as lawyers, accountants, architects) and in the trade sector (e.g., retail or wholesale trade), followed by construction (Statistisches Bundesamt, 2020). Solo self-employment in Germany has been increasing in waves with various policies incentivising uptake of self-employment (Manske and Scheffelmeier, 2015). Since 2002, solo self-employed workers have been prevalent among the self-employed (Bonin et al., 2022). Women are less often self-employed than men. In 2018, around 12% of working men were self-employed (including 6% solo self-employed). However, just under 7% of working women were self-employed (Bonin et al., 2022).

There is no common definition of self-employment across different areas of German law. German social law does not define who is self-employed but only outlines who is not an employee (MISSOC, 2022). Employees are characterised by a subordinate relationship (*Weisungsgebundenheit*), i.e., they are told what to do and have set working hours and a workplace. As such, it is indicative of someone being self-employed if they carry out work on their own account. The self-employed also tend to carry a business risk, oversee their labour and pricing and payment, and decide upon their work time and equipment. Additionally, they may bring or send another person to do the work in their stead. It is often a case-by-case assessment if someone is considered self-employed by a state agency, for example in relation to one of the social insurances. In short, while there is not one definition of self-employment, the characteristics of how self-employment is understood in Germany reflect the lack of a subordinate work relationship (*Weisungsgebundenheit*).

Someone may be self-employed in Germany in one of two forms. They may be working in a liberal profession (*freier Beruf*) or be a trader (*Gewerbe*). Entrepreneurs in liberal professions provide services personally and independently. Often, but not always, this ability rests on their professional qualification as, for example, architects, doctors, or dentists (IHK Stuttgart, 2021). The self-employed in the liberal professions may choose to be a sole trader, which requires them to register with the tax authority to get a tax number. Sole traders do not have to put up any minimum capital and do not pay business tax (*Gewerbesteuer*). A self-employed trader may incorporate a business. Then, they must register with the companies' register (*Handelsregister*) and, where applicable, the chamber of commerce or professional association of their sector, e.g., to facilitate social insurance. Different legal formats exist to incorporate. A self-employed entrepreneur may incorporate a *Gesellschaft mit beschränkter Haftung* (GmbH) or *Unternehmergeellschaft* (UG). A GmbH or UG carries liability and must pay business tax (IHK Stuttgart, 2021). The individual must pay tax on their salary.

The self-employed tend to earn lower wages than employees with the same background (Bonin et al., 2022). In 2018, the median monthly net income of all self-employed was €1.660, slightly lower than that of employees at €1.675. Before tax, the median was "identical" at €2.500 (Bonin et al., 2020: 37). At the same time, the self-

employed tend to work more weekly hours. Employees tend to work 40 hours per week, but the self-employed tend to work 48 hours per week (Bonin et al., 2022).

In summary, self-employment in Germany has been growing, and the solo self-employed have become the largest group among the self-employed. Women are less often self-employed than men. Concerning their income, the self-employed are mostly on par with their employed peers, both before and after-tax.

Having outlined the state of self-employment in Germany today, the following sections will explain how the German welfare state works in relation to self-employment.

7.4 The German welfare state

Germany's social security system is based on five insurances. Employees are compulsorily insured in each of them and receive half the contribution from their employer. The self-employed pay the insurance premiums entirely on their own. However, the self-employed can choose whether, how, and where to insure themselves. This system, created at the beginning of industrialisation, has developed over time and various special regulations have been added. Overall, however, the system is very static and not adapted to changing occupations and employment status over time, or in parallel (ver.di, n.d.).

The five social insurances are:

1. Health insurance: Health insurance covers among other medical treatments, medication, dental, maternity benefits, and sick pay. All citizens must have some kind of health insurance. It is one of two mandatory insurances the self-employed have to take out. They decide if they want to be insured in the statutory system or take out private health insurance.
2. Long-term care insurance: Long-term care insurance protects against the financial risk of needing long-term care, especially in old age. It is the second compulsory insurance for the self-employed.

3. Retirement provision: Mandatory for employees, but not yet for all self-employed²⁹.
4. Unemployment insurance: Employees mandatorily pay into the statutory unemployment fund and receive unemployment benefits. (See section 7.4.1 for how it applies to the self-employed.)
5. Occupational accident insurance: Occupational accident insurance pays for medical treatment, injury benefits, and pensions after occupational accidents and diseases. The self-employed may voluntarily take out this insurance. For some professions, it is compulsory (ver.di, n.d.).

Concerning protection in the case of low or no profit, there are two forms of income protection for German self-employed: unemployment benefit (*Arbeitslosengeld I*) and social assistance (*Grundsicherung*). Unemployment benefit is paid to registered job seekers. Social assistance may be used as an income top-up. In the following sections, both tiers are introduced and I will explain when each benefit can be claimed.

7.4.1 Unemployment benefit

Importantly, while I shortly introduce unemployment benefit insurance in this section, I will not cover it in my analysis because entrepreneurs cannot use it as an income top-up when they experience low or no profit. Unemployment benefit claimants are jobseekers, their status is not that of entrepreneurs. Unemployment benefit claimants must be available to the labour market, that is, to take up any work that a workcoach suggests. Instead, unemployment benefit is akin to a safety net that is available for entrepreneurs who end their self-employment. This depends on the condition that they have previously paid into unemployment insurance and are eligible to claim from it.

The self-employed may voluntarily insure themselves in Germany's statutory insurance scheme, or privately. A self-employed person who decides to pay into the statutory unemployment insurance fund pays an income-independent fixed monthly

²⁹ The current government coalition seeks to make retirement provision mandatory in this legislative term.

contribution. In 2021, this was €78.96 in West Germany and €74.76 in the East. In the year that the business is set up, until the end of the next calendar year, the contributions are reduced by 50%. This time is considered a start-up period.

A claimant may receive unemployment benefit if they have paid into the insurance for at least twelve months (in exceptional cases, six months) in the last 30 months. They may then receive unemployment benefits for 12 months. For those aged 50 or above, specific rules apply³⁰: depending on their age, they may receive unemployment benefits for 15 to 24 months. It is important to note that a self-employed entrepreneur who wants to insure themselves voluntarily, must register with the unemployment insurance within three months of taking up their self-employment (Jahn and Oberfichtner, 2020). Recently, fewer and fewer self-employed have voluntarily insured themselves in the statutory unemployment scheme. While in 2013, 145,000 self-employed voluntarily insured, that number dropped to 81,000 in 2017 (Oberfichtner, 2019).

The level of unemployment benefit a self-employed entrepreneur may receive is guided by a fictitious income depending on their educational background. It ranges from €866,10 (2018) per month for someone with no training to a university graduate receiving €1.529,40 (Oberfichtner, 2019: 3).

7.4.2 Social assistance

Social assistance is Germany's most basic level of social protection. Anyone aged 15 to 65 and residing in Germany who may need financial support may claim social assistance. It is a means-tested, household-level benefit and may be used as an income top-up for those on low incomes. Social assistance is Germany's tax-financed support scheme for those in need of help (*hilfebedürftig*) (Bundesagentur für Arbeit, 2021c).

³⁰ If these workers have paid into the insurance for minimum 30 months, they may receive unemployment benefit for longer than the usual 12 months.

The principle underpinning social assistance is workfare (*“fördern und fordern”*, to support and demand), which is to say the claimant needs to engage to actively end their need for help. In other words, where they are physically and mentally able to work, they are expected to be looking for work and be available to the labour market (BMAS, 2020: 45). Fit to work means being able to work a minimum of three hours per day (Arbeit, 2021c). A self-employed claimant can be expected to return to a previous profession, or they may be expected to move to a different location, although such a move would consider their family situation (BMAS, 2020).

In 2021, the rate for a single-person household was €446 per month. Other monetary benefits are available, for instance, housing support. Social assistance is managed via the local authority. Social assistance is meant to cover one’s food, clothing, personal hygiene products, household effects, and, where applicable, those of other household members (Bundesagentur für Arbeit, 2021c)³¹. It is important to note that "household" (*Bedarfsgemeinschaft*) describes those (family) members living together who share resources³². The job centre assesses who should be included and excluded in the household for the purpose of a social assistance claim (Bundesagentur für Arbeit, 2021c). Where a household is eligible to claim other forms of support such as housing support or child benefit, they must claim these first before claiming social assistance (Bundesagentur für Arbeit, 2021c).

Social assistance is paid from the first of the month in which the claim is made or backdated to that date (Bundesagentur für Arbeit, 2021c). Notably, a claim can be made informally, for example by telephone or email, with documentation to be

³¹ The amount calculated reflects the subsistence level in Germany (*Regelbedarf*). It is based on the standard of living of low-income households and includes requirements for food, clothing, personal hygiene, household effects, household energy (excluding the shares attributable to heating and hot water production) as well as requirements for participation in social and cultural life in the community. Its calculation is being carried out every five years by the Federal Statistical Office since 2011. Social assistance rates are adjusted annually based on price developments and general wage developments.

³² Family here does not necessarily mean related; it can also be a couple living together. And *Bedarfsgemeinschaft* does not necessarily include *all* members of the household. If any extended family lives together, e.g., including an aunt who may earn an income, she would not be considered part of the *Bedarfsgemeinschaft*.

supplied later. Social assistance is then approved when the documentation is complete. This means that a social assistance claimant could make a formal claim in month 1, and even if they only finally supply all materials in month 2, they will receive social assistance back paid from the first month.

Social assistance rates vary for different types of entrepreneurs³³ (see Table 11). A self-employed worker (not pregnant, no disability) living with a partner and paying (together) €1100 in rent, whose income is €700 net per month and whose partner receives minimum wage³⁴ coming to €1235.46 net per month, receive social assistance at a level of €527.

An entrepreneur who pursues primarily social value creation and who earns €400 net per month (and who also lives with a partner earning minimum wage) receives €747 in social assistance.

A single mother of a 12-year-old and a net income of €700 (living alone and paying €550 in rent) receives €658 in social assistance.

Table 11 Social assistance levels for different entrepreneurs achieving only low profit

	Entrepreneur invests their labour with profit motivation but is not achieving sufficient profit	Entrepreneur is creating low or no profit but is creating social value	Entrepreneur is unable to invest their labour in full due to care responsibilities
Living situation	Not pregnant No disability Living with partner (rent = €1100)	Not pregnant No disability Living with partner (rent = €1100)	Living alone (rent = €550) 12-year-old child
Monthly income	€700 net	€400 net	€700

³³ All calculations are made via <https://www.caritasnet.de/alg2/rechner/>

³⁴ €1664 = €9.60 hourly minimum wage x 40 hours per week x 52 weeks / 12 months. Does not pay church tax, tax band 1 (West), 39 years old and insured in Germany's statutory insurance system.

Income partner	€1664 (minimum wage)	(minimum wage)	€1664 (minimum wage)	/
Social assistance	€527		€747	€658

A self-employed individual can claim social assistance as an income top-up based on a simple income and expenses basis. To calculate the amount of social assistance, all household-level income is considered first. Income here may include wages, pensions, child allowance, lottery wins etc. Savings up to €5.000 are not included in the needs calculation (including savings that a spouse or partner has, also up until €5.000) and for the self-employed, some savings such as private old-age pensions are also protected. However, it is important to note that "negative income" such as debt is not considered in the calculation. Table 12 outlines the simplified accounting steps.

To calculate social assistance for entrepreneurs, first, the business' profits are calculated considering expenses such as running costs, and then taxes and social insurance contributions are subtracted. From that "qualifying profit", €100 is exempt as tax free allowance plus any progressive tax-free allowances (see example in footnote³⁵). The sum is the basis for calculating the level of social assistance. To prove incomes, contracts or invoices may be shown (Nikolaus, 2020). All expenses need to be "appropriate"³⁶. If an expense can be avoided, it is deemed unnecessary. Similarly, if an expense does not "obviously" correspond to the claimant's business situation, it can be deemed as not appropriate (Bundesagentur für Arbeit, 2022: 2). For example, it is legitimate that a self-employed worker may need a laptop to write their invoices. However, they may not need a top-of-the-range model (Bundesagentur für Arbeit, 2022: 2). If the job centre deems an expense inappropriate, the claimant

³⁵ A self-employed worker can earn up to €100 per month tax free. Then a progressive tax is applied: between earnings of €100 and €1000, 20% of those earnings are also tax free. An example: a self-employed worker earns €700 per month, of which €100 are tax free. From the resulting €600, 20% are then also tax free, so €120. In total, €220 of their €700 earnings are tax exempt. For their social assistance it means that they will receive their social assistance plus €220.

³⁶ For example, they need to be shown to be necessary, that is that it is not possible to acquire them later, and they need to not be excessive.

may not be eligible to claim social assistance as they appear to be able to make expenses with which they should be covering their subsistence instead.

Table 12 Steps towards calculating social assistance needs for someone who is self-employed (Nikolaus, 2020: 13)

Step 1	Sales minus “narrow” business expenses: money that is used to generate turnover
Step 2	Minus “broad” business expenses: taxes, social security contributions, insurance contributions, income-related expenses etc.
Step 3	Minus any tax-free allowances
	= qualifying profit

The assessment period is six months based on a business forecast for this period. At the end of the assessment period, the actual income and expenses are verified, and the claimant must pay back any amount they received in excess. They receive additional benefits if they have received too little support because the business did not perform according to the forecast. A new forecast is made for the next six months (Bundesagentur für Arbeit, 2022). For seasonal or other businesses where income varies greatly, an assessment is made for 12 months instead (Bundesagentur für Arbeit, 2022). It is impossible to adjust a business forecast of how the business will perform while the current assessment period is ongoing (Nikolaus, 2020). The job centre can only confirm a final assessment at the end of the assessment period (Nikolaus, 2020). Any support received in excess will then need to be paid back.

There is no explicit rule that defines a maximum number of assessment periods. Job centre workers are guided to inform a claimant to take up other work or not pursue self-employment full-time after a “longer period of time” (Bundesagentur für Arbeit, 2021b: 18). Caseworker guidance merely outlines a three-step action plan for work coaches (see Table 13): first, there is a period of recognising the problem. It should take place within the first months of the claim but may also only be after the first assessment period. Second, the work coach and claimant develop a path to end the

claimant's social assistance need. This may be in months 6 to 12. The claimant may have to carry out a capacity forecast (*Tragfähigkeitsprognose*) to show that their continued self-employment will end their need for support (Bundesagentur für Arbeit, 2021b). Lastly, if, after 12 months, the business does not continue to be sustainable, the claimant should find other work (Bundesagentur für Arbeit, 2021c). Importantly, these timeframes are merely guidelines and the actual decisions are at the discretion of the caseworker.

Table 13 Job centre guidance as to how entrepreneurs' claims should be handled (Bundesagentur für Arbeit, 2021c: 20)

Month	Action	Note
1-3, possibly even only after the first claim (i.e., after 6 months)	Recognising the problem	All of these timeframes and steps are at the discretion of the caseworker
6-12	Development of solution paths / perspectives	
After 12 months	If the company is not sustainable: attempt to merge into employment with a view that any new role will reduce or completely end the need for help	

In practice, Pahnke et al. (2019) found that about 25% of households with self-employed workers still claimed social assistance after three years. In particular, older workers (aged 46 and above, especially those aged 55 and above), those with no qualifications, and single parents were "stuck" in their self-employment topped up by social assistance (Pahnke et al., 2019). Only 2.1% of the 4 million German self-employed claimed social assistance in 2018 (Pahnke et al., 2019). Most of them could leave social assistance again quickly because they achieved a profit (Pahnke et al., 2019).

Some conditionality applies when receiving social assistance. At the first meeting with the jobcoach, a self-employed worker must explain their situation providing their

business' accounting and business plan as well as, where available, any tax assessments from previous years, contracts such as rental agreements, and a prognosis for the future development of the business. Where a self-employed worker can justify that their self-employment will soon improve and, so, they will not need to claim benefits anymore, they may continue their self-employment. However, a caseworker may also ask a self-employed entrepreneur to take up other work such as part-time or temporary work. This may especially be the case if they possess qualifications or skills sought after in the labour market (Nikolaus, 2020). They may also be asked to carry out work "below" their level of qualifications or work in sectors where they do not have any work experience (Timmermann, 2020).

In summary, self-employed entrepreneurs may claim social assistance when they experience a time of low or no profit. The job centre approves claims for assessment periods of six months at a time and expects a business forecast and action plan to get the business back on track. Where no improvements have occurred within 12 months, the claimant may be asked to reduce or end their self-employed activities. However, research has found that some claimants received social assistance for several years.

7.5 Analysis: de-commodification of self-employment in the German welfare state

Following this explanation, the next section analyses what these rules mean in terms of self-employment de-commodification. How the welfare rules relate to the six causes of low income outlined in my conceptual framework are analysed in turn. As has been outlined (section 7.4.1), this analysis relates to social assistance only.

7.5.1 Business life course

Unlike in the UK, there is no start-up grace period of reduced commodification of labour or the entrepreneurial process in Germany. As such, welfare benefit rules, and so commodification or degrees of de-commodification of labour or the entrepreneurial process, apply to claimants building their business the same way as for those who are long-time entrepreneurs.

In relation to exiting self-employment as a matter of business life course, broadly speaking, regulations are as unspecific in Germany as they are in the UK. Although German caseworker guidance provides some timeframes as to which steps may be taken by a caseworker (see Table 13), there are no defined routes out of low-profit self-employment. The decision when to take which steps also remains at the discretion of the caseworker. As Pahnke et al. (2019) found, some self-employed social assistance claimants have received welfare support for several years. Although most claimants leave self-employment within one year because they achieve profit again (Pahnke et al., 2019).

7.5.2 Entrepreneur is only partially investing their labour resource

The entrepreneur claimant is expected to make use of “all” possibilities to reduce or end their need for help (Bundesagentur für Arbeit, 2021a: 90). This indicates that an entrepreneur would not be able to reduce their working time in favour of more leisure time while claiming welfare. In addition, the entrepreneur is also expected to carry out a capacity forecast to assess if they can end their need for help in the foreseeable future. As this capacity forecast would not change as the entrepreneur is voluntarily de-commodifying their labour, the caseworker would be guided to discuss other job options with the entrepreneur to secure a higher income, including employment.

As entrepreneur claimants are granted assessment periods of six months, an entrepreneur who only partially invests their labour would be de-commodified for at least one assessment period. This would be the period where the caseworker and claimant recognise the problem and develop solution paths (see Table 13). Wily entrepreneurs would here be able to provide a capacity forecast that speaks to the state's concerns that they are not investing their labour (in full) and use this first assessment period to enjoy voluntary labour de-commodification. Beyond this first assessment period, the caseworker would likely ask the entrepreneur to invest more of their labour to achieve a higher income or take up other work to increase their income. Caseworkers can also sanction claimants who do not do “all they can” to try and earn more (Bundesagentur für Arbeit, 2021c).

To conclude, for wily entrepreneurs there is room for voluntarily labour de-commodification at least in the first social assistance assessment period. Beyond that, their caseworker may be more demanding they show plans how they would use all possibilities to end their need for social assistance.

7.5.3 Entrepreneur is unable to invest their labour in full due to care responsibilities

Unlike the UK, entrepreneurs with care responsibilities in Germany are not expected to invest a certain amount of hours of labour. Soley, the conditions related to and level of social assistance for parents depends on the age of the child (Bundesagentur für Arbeit, 2021b). Entrepreneurs with a child aged 3 or older are expected to place it in day-care to enable them to work (Bundesagentur für Arbeit, 2021b). Notably also, social assistance claimants must apply for so-called priority benefits first (e.g., child benefit) before claiming social assistance. These are means of financial help from other providers.

The amount of benefit an entrepreneur with care responsibilities receives depends on their income, wealth, and needs to cover their living expenses. Their needs are calculated first. From this number, their income is subtracted (plus an allowance, see section 7.4.2). The difference between their income and what has been calculated as needs is then paid to the claimant. In other words, there is no expectation that the entrepreneur works a specific number of hours. Instead, their benefit calculation rests on their needs and income.

Therefore, if an entrepreneur with care responsibilities is unable to invest more labour into their business, their level of social assistance would be granted depending on their socio-economic circumstances. Further conditions that apply to other welfare claiming-entrepreneurs, i.e., that they have to write a capacity forecast, would also apply in this case.

To sum up, there is some room for labour de-commodification for the entrepreneur with care responsibilities. They are not expected to invest a specific amount of hours into their work, e.g., depending on the age of their child. Instead, their needs are assessed against their income and any shortfall is made up by state welfare.

7.5.4 Entrepreneur invests their labour with profit motivation but is not achieving sufficient profit

This cause of low income is most clearly described in caseworker guidance (e.g., Cottbus, 2012). Caseworkers are provided with some timeframe as to how long the entrepreneur may pursue their entrepreneurial activities and thus try to get their business back on track and achieve higher profit (Table 13). If after 12 months the entrepreneur does not appear to be successful in their endeavour, the caseworker should suggest other options to achieve a higher income, including employment (Arbeit, 2021b).

One local job centre guidance urged their caseworkers to be strict and also to check that self-employed claimants do not continue their unprofitable work so that it does not hold them back from taking up other roles (Jobcentre Cottbus, 2012: 9)³⁷. Notably also, where income from self-employment covers the needs of the self-employed individual, but not of their household, the caseworker should check whether employment may lead to a higher income (Jobcentre Cottbus, 2012: 7).

In short, the rules disallow long-term support but given the length of German assessment periods of six months, the entrepreneur who invests their labour with a profit motive but is not achieving sufficient profit would be de-commodified (the entrepreneurial process) for a comparably long time.

³⁷ Importantly, caseworkers are guided not ask the self-employed claimant to formally end their self-employment, that is to formally de-register it, but they should instead check for employee roles and can “demand” that self-employed entrepreneurs take these up (Jobcentre Cottbus, 2012: 7).

7.5.5 Entrepreneur is labouring to provide profitable goods or services but will only get paid in the future (or is suffering late payment)

To the best of my knowledge, no regulation speaks to this cause of low profit. This may mean that such a case has not been considered by policymakers.

If an entrepreneur is unable to make ends meet due to a lack of income, they would be able to claim social assistance as an income top-up. If they expect to be paid within the assessment period, their benefit level would be calculated including this income and reduced by it (Bundesagentur für Arbeit, 2021b). If at the end of the assessment period, they would not have been paid, the entrepreneur would be eligible for a repayment (Bundesagentur für Arbeit, 2021b). Based on these rules, the entrepreneur who will only get paid in the future would be able to claim social assistance as a stop-gap to cover a period of low income. However, the size of their future payment may mean that they do not receive large amounts of support.

If the entrepreneur suffers late payment, they face a similar situation – they could claim social assistance but their future payment would be part of their needs assessment. The entrepreneur could (and should, see section 7.4.2) draw on other means of state support, such as housing support or child benefit.

In short, arguably this cause of low profit is not adequately handled as the future or expected payment (in case of late payment) would always be part of the entrepreneur's needs assessment. So, in the short term, the entrepreneur may suffer low or no income because their needs are calculated including the payment. If the entrepreneur has not received their missing payment in the assessment period, they would be able to get a re-payment at the end of their assessment period. In other words, they remain without state support (or low levels of state support) at least until the end of their assessment period.

7.5.6 Entrepreneur experiences a temporary absence of a market

Seasonal workers – and those with other types of fluctuating incomes such as artists – are specifically considered in Germany's social assistance guidance documents. They can be granted an assessment period that lasts 12 months instead of the usual six (Bundesagentur für Arbeit, 2022). The longer assessment period is meant to mitigate income volatility and so provide the entrepreneur with sufficient income. However, entrepreneurs are also expected to set aside some money in good times for off-peak times (Nikolaus, 2020).

7.5.7 Entrepreneur is creating low or no profit but is creating social value

There are no specific rules that entrepreneurship must be having a for-profit motive. However, given that entrepreneur claimants must have a plan for coming off social assistance, there is some pressure to be profitable to at least cover one's own needs (and where applicable those of one's family).

Artists are considered in various ways in German social security rules. First, they are eligible for the longer assessment periods to smooth out income volatility. Additionally, a specialist German insurance vehicle is worth noting. Germany has a dedicated and partially state-funded *Artists' Insurance*. Since the early 1980s, self-employed artists and publicists (while the wording says artists and publicists, the understanding of who is covered is fairly broad) are entitled to be insured in the statutory pension, health, and long-term care insurance but they only pay half of the contributions. The other half is financed from a federal grant (20%) and artists' customer must pay a social insurance charge (30%). The insurance premium depends on the artist's income³⁸. The special protection mechanism exists because this group has been identified as creating common value and deemed worthy of tax-funded protection (Berndt, 2008). It has been reasoned that artists are typically found in economic and social situations comparable to employees because they are dependent on, for example, the participation of theatres, concert halls, galleries, and art dealers etc. to market themselves (Berndt, 2008).

³⁸ In 2021: 4.2%.

To conclude, artists benefit from support to address income volatility thanks to the longer assessment periods. However, for entrepreneurs who create other forms of value, such as social or environmental value, there are no specific stipulations. They would need to earn enough to cover their (and where applicable their family's) needs. They would be able to draw on social assistance in terms of low income but would be subject to the usual rules that their capacity forecast should indicate how they work towards ending their need for social assistance support. Otherwise they could be asked to leave their self-employment.

7.5.8 Summary

In summary, social assistance is a system of a benevolent but strict hand. Germany's assessment period of six or even 12 months provides room for labour (entrepreneur who only partially invest their labour and entrepreneur with care responsibilities) and entrepreneurial process de-commodification in general, and for seasonal entrepreneurs and artists specifically.

In contrast, entrepreneurs who invest their labour but suffer a late payment issue are potentially at risk of suffering a lack of sufficient income. Their future payment would be part of their business forecast. Where this payment does not come to pass, they receive a re-payment but only at the end of the assessment period. In the meantime, they may suffer low profit and a lack of state support.

I also pointed to Pahnke et al. (2019) who researched for how long self-employed claimants claim social assistance. Their research indicates that the rules as analysed above apply in theory but there appears to be some leeway in practice. Pahnke et al. (2019) found that some entrepreneur social assistance claimants (not the majority) have been found to receive welfare support for several years.

In Chapter 10 (Discussion), I will discuss these patterns of de-commodification in detail. I will point out which groups of entrepreneurs benefit or are disadvantaged against the background of Germany's high social stratification and its main (often still male) breadwinner model.

7.6 Policy discussion

The expert interviews highlighted the following three points: first, that self-employed workers continue to be less well protected than their employee counterparts. Second, the cost and voluntariness of insurance hinders decent self-employment. Third, friction at the points of entry and exit persist.

Overall, the German welfare state is perceived well but the self-employed are seen to be in a precarious position. Experts mostly described the German welfare state positively ("fair" *DE2, researcher*); "no one is left behind" (*DE1, political party*), it offers a "high standard" of social protection if compared internationally; the welfare state is characterised by a "caring character" (*DE5, civil servant*) and based on the "solidarity principle" (*DE3, civil society organisation*). Some thought that "in principle", the German welfare state made decent self-employment possible because it provides the freedom to become self-employed without losing "all" social protection since social assistance as last resort security exists (*DE1, political party*). Others acknowledged that, latterly, awareness has risen that the German welfare state has some responsibility for the working conditions of the precariously working self-employed and noted this development positively (*DE7, academia*). Yet while the interviewees described the German welfare state overall positively and as "comprehensive" (*DE2, researcher*), they often highlighted that, in comparing employees and the self-employed, the self-employed are disadvantaged. The welfare state has some "catching up to do" (*DE2, researcher*) because the self-employed are only covered "selectively" (*DE2, researcher*).

"The welfare state is, so to speak, a relatively tightly knit network for employees; to be there for eventualities when gainful employment does not work as well as it should, i.e., these are the well-known measures: unemployment benefit, and for those who are long-term unemployed, then also social assistance in combination with some further training measures" (*DE6, academia*).

The main issue are the (partly very) high insurance costs. The system works well for those who earn well, but not for entrepreneurs who only achieve low profit. The self-employed with their variable income tend not opt into statutory insurance schemes as they cannot afford to do so or perceive it to be that way.

“The problem is often with fluctuating income. It's not always the self-employed who earn well. Often you then say to yourself ‘Well, then I skip insurance policy because I don't necessarily need it’. Until the emergency comes, and you're just not covered” (*DE2, researcher*).

This is because the German welfare state mis-conceptualises self-employment (*DE7, professor*). Germany conceives of entrepreneurs as business persons who earn well. This image is still reflective of what Otto von Bismarck had in mind when he introduced the first social insurances in the 1880s: entrepreneurs (such as factory owners then) who could pay for their own social protection. In other words, cover the social security payments that would usually be split between employer and employee. In this conservative system, new forms of labour including solo self-employment, cannot be conceptualised well. The very foundations to think about these forms of work in the system are “missing” (*DE7, professor*) as the respective political instruments that may address these issues are missing too. The social security system rests on an employer-employee relationship, where the employer has some responsibility for their employee, but a user of self-employed labour (client) does not feel responsible for the social protection of a self-employed worker in the same way.

“You open up a very broad discussion of who should and who shouldn't be protected. So, then you would actually have to think a lot more about the conception of self-employment and discuss when self-employed people contribute to society, but which are discriminated against by the market in some form. ... But you have to have this discussion first. It has not yet been conducted” (*DE6, professor*).

The lack of a clear concept of self-employed labour relates to the lack of a holistic political discussion on the issue of low-income self-employment.

“Because at the moment there is only debt counselling or something like that when the disaster has already occurred. But there is no room for rational consideration: is it still worth it? Who could I clarify this with? I can finance private coaching, but then I don't necessarily have an expert there. There is no place I can turn to. There are limits to what the chambers of commerce provide: they'll just say: then stop. Find a job. But these are not solutions. It should be about: I've been working, I've been successful - how do I secure this competence? Maybe the capital, too? How can such a transition be made sensible? In such a way change is not a failure, but simply a career decision. Just as I change a company: I can switch from employment to self-employment and from self-employment to employment. And in between, when there is a crisis, I think about my situation: ‘Okay, do I have to change something about my self-employment, do I get a job, or do I need another solution?’ And for that you need institutional support” (DE7, professor).

Interviewee DE6 (*professor*) argued that academia has had this discussion but only to a small extent and a discussion in the political realm is missing.

In summary, the interviews indicated that there appears to be a lack of systematic discussion about the social protection of solo self-employed workers. In addition, the interviews highlighted inherent costs and barriers that cause friction both upon entry as well as exit of self-employment. This means that some self-employed remain "stuck" in their self-employment in the German welfare state.

7.7 Conclusion

In conclusion, Germany's social assistance is benevolent in providing room for both labour de-commodification and de-commodification of the entrepreneurial process in the short- to medium-term, but it is ultimately strict in the long-term. Germany's assessment periods of 12 months allow seasonally working entrepreneurs and artists de-commodification of their entrepreneurial process. Furthermore, entrepreneurs who

only partially invest their labour or are unable to invest their labour in full are also de-commodified (in the short-term).

However, in the long-term, the welfare state expects that the entrepreneur takes measures to improve their business conditions and, so, ends their need for state support. Notably, entrepreneurs who experience a temporary absence of a market are potentially at risk of an income that may not sustain their needs (lack of de-commodification in relation to the entrepreneurial process). Also notably, empirical research found that some entrepreneurs receive welfare benefits for several years (although this is an under-researched area) and most are able to stop drawing on state support as an income top-up because they achieve (higher) profit.

The expert interviews highlighted that Germany's social insurance-based system contributes to hindering entrepreneurs to achieve decent self-employment. There is friction at entry and exit to self-employment, which means that some entrepreneurs can be stuck in low-income self-employment. Additionally, a holistic policy discussion as to how to support low-income entrepreneurs has not yet taken place.

Chapter 8. Self-employment de-commodification in the Danish welfare state

8.1 Introduction

Denmark is known to be a social democratic welfare system. In employment terms, labour de-commodification is high, resting on the values of solidarity and egalitarianism. This logic is still prevalent today, even though the country, like many others, has experienced a neoliberal drift in the recent past. This chapter analyses the forms and patterns of self-employment de-commodification in the Danish welfare state by analysing the regulations governing Danish welfare support. I also present the findings from interviews with experts that give an insight into the internal policy debate.

8.2 The Danish welfare state

The Danish welfare state is based on the values of universalism and solidarity. It is universal in that it provides services equally to all citizens or residents in the form of tax-financed benefits independently of their contribution, and where means-testing and employment-related benefits play a limited role (Mailand and Larsen, 2018; Trenz and Grasso, 2018). Solidarity is another traditional value in the Danish welfare system. In Scandinavia's small and egalitarian societies that rely on a homogenous population in terms of ethnic, religious, and linguistic unity, solidarity means high levels of support for a universal welfare state (Trenz and Grasso, 2018). The Danish social contract is that citizens and residents can rely on the welfare state to be comprehensive and care for vulnerable groups as a centralised state caretaker (Trenz and Grasso, 2018). The welfare state takes care of everyone, where no one is abandoned (du Plessis, 2015). For Danish citizens, the Danish welfare model is not just a welfare state but is said to be a way and philosophy of life and "the way in which the citizens conduct themselves" (du Plessis, 2015: 17). By extension, there is a reliance that everyone works and, through contributing taxes, upholds the functioning of the welfare state. A citizen or resident only then claims and receives welfare when

needed (du Plessis, 2015). As Trenz and Grasso (2018: 24) put it: “solidarity is a civic virtue but it is also a moral obligation”.

Social protection is organised via the so called “Danish model” of labour market organisation. The Danish model describes an approach that rests primarily on collective agreements between employer organisations and trade unions. There are very few statutory regulations in Denmark. For instance, the Danish constitution contains very few sections on labour relations (Munkholm, 2018). Instead, collective agreements are negotiated between trade unions and employer organisations (the so called “social partners”) guided by the government (Ahl et al., 2016). In Denmark, a long tradition exists of the division of responsibilities between the government and the social partners: the government intervenes as little as possible in regulating pay and working conditions. Instead, pay and working conditions are mainly regulated through collective agreements. As such, trade union membership in Denmark has traditionally been high for employees.

Collective bargaining agreements are negotiated by sector and various aspects are negotiated through collective agreements, including wages, parental leave conditions, sickness benefits, paid holidays, occupational pensions, working time, and access to training and development opportunities. Collective bargaining agreements cover all workers in a sector or company, not just those unionised (Munkholm, 2018). However, the trend has been towards decentralisation of the collective bargaining system. The system split into smaller groups, with wages being more determined at the company level than in the broader sector (Ballebye et al., 2009).

However, generally, collective agreements do not cover the self-employed. Only in some sectors is there an intermediate approach. For example, the Danish Union of Journalists and other unions have agreed on collective agreements for freelancers and media workers with employers in the media sector (Mailand and Larsen, 2018). Mailand and Larsen, however, assessed these as not as comprehensive as collective agreements for employees: “Not all agreements have the same content, and a few are only pricelists, but all of them include far fewer aspects of economic activities than do

‘real’ collective agreements” (2018: 24). By price lists, Mailand and Larsen referred to the union's recommended minimum rates for freelancers.

Self-employed workers in Denmark are not allowed to bargain collectively as the Danish Competition Act prohibits them from entering into agreements to prevent that competition is distorted. The Danish Union of Journalists agreement holds up in this legal framework because the Danish Competition Authority found that their practices do not constitute anti-competitive practices as they merely recommend a minimum wage to its freelance members (Mailand and Larsen, 2018).

Recently, the Danish welfare state has developed and moved away from the values of universalism and solidarity (Balorda, 2018). Since the 1970s, the state has increasingly been characterised by neoliberal tendencies. It pivoted towards more and more unrestricted markets, monetarist policies focussed on lowering inflation, and maintaining a fiscal balance that is accomplished through public spending cuts (Kvist and Greve, 2011; Balorda, 2018). Along the same lines, the introduction of the Danish model of “flexicurity”³⁹ in the early 1990s may have reduced unemployment, but it also reduced welfare benefits (Anttonen and Sipilä, 2012). For example, social mobility in Denmark has been found not to be significantly higher than in the US (Landersøn and Heckman, 2017). This trend, however, has been observed in the wider Nordic welfare systems (e.g., Vabø, 2006; L. L. Andersen and Dybbroe, 2020). The global recession of 2008 has had a particularly significant impact on the Danish economy and is said to have been a pretext for increasing neo-liberalisation (Balorda, 2018).

Market-based approaches to welfare, such as private insurance alongside cutting public expenditures and de-regulation, have posed a threat to the idea of civic solidarity (Trenz and Grasso, 2018). All Danish governments have backed liberal market policies over the last two decades, particularly the liberal-conservative coalitions which have governed the country since 2001 (Trenz and Grasso, 2018).

³⁹ The Danish flexicurity model includes limited job protection, generous unemployment benefit, and active labour market policies, which together is said to create a mobile and transaction-friendly labour market (Bekker and Mailand, 2018).

Consequently, Denmark has experienced a general retreat from universal welfare services with a new emphasis on individual responsibility (J. E. Larsen et al., 2015; Trenz and Grasso, 2018). For example, the relationship between unemployment and benefits has been redefined so that the stick (e.g., reducing or taking away benefits), rather than the carrot, has become the key motivational element, effectively making the benefits system punitive. The introduction of labour market activation policies can be said to be in direct opposition to the very essence of the Danish welfare project which, in line with politics of de-commodification, aims to guarantee an acceptable living standard for all, independent of market participation (Balorda, 2018: 137). Mailand and Larsen (2018: 36) described the “most significant” trends in Danish social protection:

1. Benefits are increasingly dependent on employment status and collective bargaining coverage.
2. There has been greater diversity in the types and the levels of benefits.
3. There is a trend towards the “make work pay” approach.
4. Benefit levels are reduced to increase incentives to take up employment.
5. There is a trend towards stricter entitlement rules and other barriers to benefits.
6. There is an emergent focus on atypical employees related to the risk of unemployment “in the present decade” (Mailand and Larsen, 2018: 36).

The focus on (re-)entry into the labour market has particularly affected women in Denmark. Women’s equality policies have been said to be merely about neoliberal aspects, such as viewing women as a labour force and not recognising equality as a goal in itself (Ahl et al., 2016). Similarly, embracing the idea of “entrepreneurialism” in the Danish welfare state, where the freedom of the individual becomes central, specifically sought to address the issue that women’s labour capacity is un-/underutilised (Ahl et al., 2016). Policymakers aimed to stimulate entrepreneurship not to contribute to women’s well-being and financial or other independence or to equalise society but to foster entrepreneurship for economic gains (Pettersson et al., 2017).

Despite the trend towards increasing neo-liberalisation, Denmark still has strong social democratic regime characteristics. For example, active labour market policies in Denmark are positively framed and do not only tend to re-commodify a worker's labour capital (Mailand and Larsen, 2018; Fernandez-Urbano and Orton, 2020). Comprehensive support services that cover health, education, family, and other areas constitute investments in people that aim to prevent them from being caught in adverse situations, such as in in-work poverty jobs. Furthermore, welfare programmes continue to be popular among Danish citizens:

“The most recent European Values Study indicates that concern for vulnerable groups protected by the state has endured in the country, particularly concern for the elderly, the unemployed, and sick and disabled people [...] Preference for state provision of services over individual purchasing is also strong” (Collington, 2022: 315-316).

In summary, in the Danish welfare state, social protection is paid via taxes and driven by the values of universalism and solidarity. Social protection for workers (mainly employees) is not regulated via the state but negotiated through collective agreements between social partners. This is problematic for the self-employed as anti-trust legislation prevents them from being able to bargaining collectively to determine minimum income or other common standards. Furthermore, welfare benefits are provided independently of labour market participation, but there is a moral expectation that every citizen and resident participate and pay their taxes to uphold the system. De-commodification is strong, with the state explicitly recognised as playing an important role in the flexicurity system that allows frequent movement between employment and unemployment. Amid neoliberal turns, the Danish welfare system has introduced policies focused on workfare but the system's fundamental values remain essential today.

8.3 Self-employment in Denmark welfare system

Generally, the Danish welfare state is built on universal employment and wage earners. Social policy is thus potentially made against the interests of the self-employed. The self-employed benefit from the “general safety net of Danish social

protection” but are not a particular target group for protection (Bredgaard et al., 2009: 15). Mailand and Larsen surveyed the social protection rights of the self-employed and found that the Danish self-employed “not only de jure, but also de facto, have a weaker coverage of various forms of social protection and are less well represented by labour market organisations” (2018: 25). Similarly, Rasmussen et al. (2019) found the solo self-employed to be the least well-regulated and protected group due to their lack of opportunity to bargain collectively. Because the self-employed operate outside the collective bargaining system, they can be caught between employment and business, and it is difficult to identify the rules that apply to them (Ballebye et al., 2009). For example, a “larger share” of the solo self-employed suffer from income insecurity and job insecurity in comparison to full-time, permanent employees (Rasmussen et al., 2019: 23). Rasmussen et al. (2019) argued, however, that because the self-employed enter self-employment voluntarily and driven to see opportunities, job insecurity for them is lower as they are motivated to remain in their career (Rasmussen et al.: 2019). Scheuer (2017, cited in Mailand and Larsen, 2018) found 79% of the self-employed in Denmark to be self-employed through their own preferences.

To summarise, self-employment in Denmark is largely driven by voluntary entry into self-employment. The self-employed forgo an extensive social security net in comparison to employees and as they are not party to collective bargaining negotiations are unable to influence Denmark’s fundamental approach to how social protection is organised. The solo self-employed are said to be the least well-regulated and protected group of labourers.

The following sections describe self-employment in Denmark today, and which means of income protection are available to the self-employed.

8.4 The state of self-employment in Denmark

In 2018, Denmark had the lowest self-employment rate across the EU at 8% (Eurostat, 2019). Solo self-employed stood at 5%. Self-employment in Denmark has been stable and rarely varied by more than 1% between 1995 and 2015 (Rasmussen

et al., 2019). There are significantly more self-employed men than women in Denmark: 70% of the self-employed are male (Jepsen and Halabisky, 2020). Women were the least likely population group to set up a start-up (Jepsen and Halabisky, 2020). The healthy Danish labour market and the holistic Danish social security system can partly explain this low number in entrepreneurship (Jepsen and Halabisky, 2020). As the number of unemployed workers in Denmark is low, this likely influences the uptake of entrepreneurial activities: “the Danish welfare system with unemployment benefits and other social security measures also influence the business creation decision because the need to support yourself [is] less urgent than in other countries” (Jepsen and Halabisky, 2020: 9). In Denmark, the public sector is a significant employer too, although the business environment is considered to be very small enterprise-friendly (Jepsen and Halabisky, 2020). Nevertheless, there are said to be many “missing entrepreneurs” in Denmark. The OECD found that there should be another 52,000 entrepreneurs if the same rate for men aged 30-49 was applied across the population (Jepsen and Halabisky, 2020). However, there are no targeted policies to increase the rate of entrepreneurship among women, seniors, the unemployed, and those with a disability (Jepsen and Halabisky, 2020).

In Denmark, outdoor tourism (i.e., seasonal work) is a strategic growth theme in coastal regions (Broegaard, 2020). It is important for the rural labour market, sustains inhabitancy, and place development (Broegaard, 2020). Broegaard (202) found that rural tourism micro-entrepreneurs often combine an outdoor business with a (part time) salaried job so that they can draw upon resources from their employee role to develop their business. She also found that multiple part-time self-employment tends to strengthen and complement, rather than constrain entrepreneurial activities (Broegaard, 2020).

In Danish tax legislation, no formal definition of self-employment exists (Skat.dk, 2020). However, tax authorities have a “de facto definition” (Mailand and Larsen: 2018: 4). Self-employment is characterised as economic activities that take place at one’s own expense and risk to create a financial profit (Skat.dk, 2020). The activities must be frequent and of an “unneglectable volume” (Mailand and Larsen, 2018: 4).

This definition is juxtaposed against the definition of an employee who undertakes work directed by and for someone else at the expense of this employer.

Concerning social protection, no common definition of self-employment exists either. The Unemployment Insurance Act does not define self-employment and the unemployment insurance funds “openly admit that the tax authorities’ and the unemployment insurance funds’ definitions of self-employment are not the same” (Mailand and Larsen, 2018: 5). ASE, one of the biggest unemployment insurance funds for the self-employed (see 8.5.1 for a more in-depth explanation of unemployment insurance funds), focuses on ownership and control when defining self-employment. They write:

“The unemployment insurance funds and SKAT⁴⁰ do not always have the same definition of when a job is self-employed and when it is paid work. Below we give a brief overview of when you will be considered self-employed. [...]

You are self-employed if you own 10 percent or more of a business and sit on the executive board or board of directors. That is, you have a controlling influence in the company. You always have a controlling influence if you own 50 percent or more.

In addition, you will generally be considered self-employed if you are a co-owner of a partnership (I/S), work in an A/S, ApS, K / S, P / S, IVS or A.m.b.a⁴¹, where you have a decisive influence, or work in your spouse’s business. You will most often be self-employed when working in your spouse’s business. This also applies even if you are employed with a salary.

We will also always consider you independent if you, among other things, own a business where you or your spouse alone or with immediate family own a certain share of the company’s capital or voting value” (ASE, n.d.).

⁴⁰ The Danish Customs and Tax Administration (*Skatteforvaltningen*)

⁴¹ These are all forms of Danish legal entities. For example, A/S (*aktieselskab*) is a publicly traded or private Danish stock-based corporation.

The lack of legal definitions means that in practice, it is the caseworker in an unemployment insurance fund that effectively decides upon a worker's status (if self-employed or wage earner) and thus on their social protection (Mailand and Larsen, 2018).

There are two types of business legal entities in which one could be self-employed in Denmark. As sole proprietor (*Enkeltmandsvirksomhed*) or a private limited company (*Anpartsselskab* or *ApS*). A sole proprietorship has one owner and can hire employees. They are registered for VAT and all assets belong to the sole proprietor (Skat, n.d.). However, they are also personally liable for any business debt. Registering a sole proprietorship is free; one only needs a Danish civil registration number (CPR number) (Skat, n.d.). A private limited company needs to register with the Danish Business Authority and have a starting capital of DKK 40,000 (about £4,700). The company owner is not liable for the company's debt and all assets belong to the company. Establishing a private limited company requires articles of association and a memorandum of association. An ApS pays 22% company income tax (in 2021). As a shareholder, the owner pays personal income tax on their salary.

In terms of income, almost one in four of the Danish self-employed (24.5%) is at risk of poverty or social exclusion compared to one in 17 of those employed (6.0%) (Kvist, 2019). The situation of the self-employed is deteriorating, as the level is 3.7 pp higher than in 2012 (Kvist, 2019). The self-employed also face increasing material and social deprivation: the share of the self-employed who reported suffering from material or social deprivation increased from 1.5% in 2014 to 4.6% in 2017 (Kvist, 2019). If the current trend continues, in-work poverty will become a greater challenge for the self-employed than for employees (Kvist, 2019).

Value creation appears to be understood effectively as exclusively economic value in Denmark. For example, the Disruption Council⁴² portrayed entrepreneurship as driven

⁴² The Danish Government convened the Disruption Council to think of and about ways to seize technical opportunities amid global challenges. It especially considered these amid Denmark's labour

by economic profit (Erhvervsministeriet, 2017). In addition, unemployment benefit is dependent on the business consistently being profitable.

Similarly, entrepreneurship education, which has been heavily supported by the government since the 2010s, focuses on economic value creation (Brentnall et al., 2021). Entrepreneurship education in Denmark is delivered primarily via the state-funded but private Danish *Foundation for Entrepreneurship* (FFE). FFE was established by the Danish government to be a national actor in entrepreneurship education and is “positioned as *the* national expert on EE” (emphasis in original; Brentnall et al., 2021: 15). FFE funds, delivers, and evaluates Danish entrepreneurship education initiatives. As Brentnall et al. commented:

“FFE-JA represents a systematic homogenisation of EE activities which may very well be unparalleled internationally. Denmark has handed over the authority over EE into the hands of a meta-institution with a culture of its own and with hidden power relationships on multiple levels. This has made Danish EE power structures largely invisible and difficult to be held accountable” (2021: 15).

However, FFE’s model of entrepreneurship education is based on the “mini company model” that is driven by competition and a profit focus. FFE’s activities have been said to encourage: “the unacceptable face of capitalism”, contribute to corporate ideology in schools, help forge a neoliberal pedagogy, support masculinity, individualism and free market focussed identities, promote consumerism, be a conduit for neo-liberal culture, and force students to express a liberalised market view (Lackéus, 2017; Brentnall et al., 2018; Hytti, 2018; Brentnall et al., 2021).

Succinctly, self-employment in Denmark is very low compared to other European countries. Self-employment is not well-defined but characterised as economic activities to create a financial profit. While the conditions for business are good,

market model. The Disruption Council met from 2017 to 2018 and convened ministers, academics, artists, businesspeople, and the social partners.

workers mainly decide to take up self-employment for opportunity-driven goals although there are a small minority living close to poverty.

8.5 Income protection for the self-employed in Denmark

There are two levels of social protection in Denmark. First, self-employed entrepreneurs can voluntarily pay into and if necessary claim from an unemployment insurance fund. Second, social assistance is available for residents who are not insured. In the following sections, I will introduce both levels of social protection but my analysis of the six causes of low profit will then focus on unemployment benefit only. I will explain below why this makes sense.

8.5.1 Unemployment insurance and unemployment benefit

Unemployment insurance is voluntary. It is contributory, not means-tested, and taxable. The self-employed are, therefore, not automatically insured against unemployment. Unemployment insurance is managed by unemployment funds (*a-kasse*). These are state-authorized private member organisations. The state regulates the rate of funds and the requirements to receive benefits. Often, unemployment insurance funds serve specific professions and are closely connected to a trade union catering to the profession. For instance, *Akademikernes A-kasse* serves engineers, lawyers, economists, doctors, psychologists, dentists, librarians, architects, and other academic professionals.

The unemployment insurance fund pays out unemployment benefits to those in need who are members of the fund. 70% of the Danish workforce are members of an unemployment insurance fund (Mailand and Larsen, 2018). The unemployment insurance fund is co-financed between the state, which funds two-thirds of expenses, and members of the fund, who fund one-third (Mailand and Larsen, 2018). For the self-employed, there are dedicated unemployment insurance funds (e.g., ASE and DANA). In addition, some of the “standard” unemployment insurance funds are open to the self-employed, too (Mailand and Larsen, 2018).

To claim unemployment benefits (*dagpenge*), a self-employed worker must be a member of an unemployment insurance fund and previously have paid into the fund to have accrued rights. Unemployment benefits may then be claimed for a maximum of two years. The unemployment benefit level depends on the company's income in the last two financial years (Commission, n.d.-a). However, the business must have been profitable. If workers have exhausted their unemployment benefits, they can re-earn their rights by working 1.924 hours (full time) (Mailand and Larsen, 2018).

Full-time self-employed entrepreneurs may only claim unemployment benefits if they have contributed for five years (as opposed to two years for employees) and met the income criteria (about £28.675) within the last three years in a period of membership. They must also be available to the labour market, that is, to be available to work in paid employment. Claimants must also be available every three months for an interview with the insurance fund.

Unemployment benefits are paid for up to two years. In general, unemployment benefits will be paid at 90% of the recipient's former income from employment (Commission, n.d.-a). However, only to a maximum of DKK 18.633 per month (2018 rate, about £2.190). It is possible to prolong the period in which the benefit is paid by one year by working part-time (Commission, n.d.-a). Hours worked are recorded in an "employment account" that can be exchanged for unemployment benefits at a ratio of 1:2. Every hour of work counts towards extending the benefit duration.

During their job search period, entrepreneurs are not allowed to open another business for at least six months, either full-time or part-time, or risk losing their unemployment benefit. While it is possible that a previously unemployed person becomes self-employed and then shuts down their business again, maybe because it failed to be profitable, they would not be able to do this twice. The individual will need to "earn" their right to a new unemployment benefit period through one year of full-time work. As such, a full-time self-employed worker suffering from low trade and thus working part-time can draw upon unemployment benefits (if they are insured) as transitional support. But only for 30 weeks in two years (Grimshaw et al., 2016).

8.5.2 Social assistance

Social assistance in the Danish context is a last-resort benefit (F. Larsen and Caswell, 2022). Residents only qualify for this benefit if no other forms of provision or assets are available. Social assistance is a non-contributory benefit, means-tested, and taxable⁴³. Payment rates depend on age and family composition (European Commission, n.d.-a). It is meant to support those who cannot support themselves by any other means, such as via unemployment benefits, selling assets, or a spouse who can provide support.

Social assistance is the lowest security net in the Danish system, but low income as such is not a condition for becoming entitled to social cash benefits. Instead, a “social event”, such as unemployment, sickness, or disability, must have happened. Social assistance recipients are also subject to conditionality (Hansen, 2019). The share of claimants at risk of poverty is 54.7% for unemployment insurance and 70.3% for social assistance (Kvist, 2019). Denmark’s flexicurity model supports getting back into the labour market through active labour market policies and reconciling family and work life through family, education and social policies (Kvist, 2019).

The level of social assistance is different for different groups of people (e.g., a carer). Someone aged 30 or above without children may receive DKK 11.554 per month (2021 rate, about £1.350). The social assistance levels for different groups range from DKK3.639 (about £430) for someone aged 25 or younger to DKK14.860 (about £1.745) for a single parent aged 30 or older (see Table 14).

Table 14 Levels of social assistance for different groups

Situation	Level of social assistance
25 years of age or younger, living at home/not at home	DKK 3.639 per month (about £430) / DKK 7.541 (about £885)
Single parent, 30 years or younger	DKK 14.860 per month (about £1.745)

⁴³ Recipients of social assistance pay income tax. They do not pay the 8% social security contribution but do pay the supplementary pension scheme contributions if they have received social assistance for an uninterrupted period of six months.

Parent under 30 years old, married or co-habiting with a partner who also receives welfare support	DKK 10.396 per month (about £1.220)
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Claimants must be registered at the job centre to receive cash benefits, just as they must accept job and activation offers. Failure to do so may result in the loss of social assistance. Similarly, social assistance is reduced after receiving the benefit for one year if a person who can work has not worked a minimum of 225 hours in the previous 12 months (i.e., approximately one day per week). There is no duration to how long social assistance may be paid. However, the benefit is deducted at a 1:1 ratio if the claimant or their spouse has income from work.

Notably, social assistance is an individual benefit. This means that it is paid to an individual and not the household. As such, in couple households (without children) the benefit for one person may be waived entirely if that person (capable of work) has not worked at least 225 hours in the previous twelve months (Konle-Seidl, 2021).

In summary, social assistance is the most basic level of insurance that acts as last resort protection.

8.6 Analysis: self-employment de-commodification in the Danish welfare state

In my analysis I focus on unemployment benefit as opposed to social assistance as means of support. Social assistance is the last security net in the Danish system, but low income as such is not a condition for becoming entitled to social assistance. Instead, a “social event”, such as unemployment, sickness, or disability, must have happened (European Commission, n.d.-b). In that regard, it would be important to reiterate that unemployment benefit is a voluntary, semi-private insurance mechanism and not all self-employed pay into an unemployment benefit fund.

I also want to reiterate that I was unable to find caseworker guidance in the same manner that I did for both the UK and Germany or, unfortunately, to speak to someone

at one of the unemployment benefit funds for the self-employed (ASE or DANA). As such, I was often unable to identify in detail how unemployment benefit rules enable or hinder forms of de-commodification for the different causes of low profit.

8.6.1 Business life course

As Germany, Denmark does not have specific regard for any particular phases in the business' life course. There is no start-up phase or specific regulations in regard to exiting self-employment. Welfare benefit rules, and, so, degrees of de-commodification of labour or the entrepreneurial process, apply in the same way for all entrepreneurs.

8.6.2 Entrepreneur is only partially investing their labour resource

Entrepreneurs who experience low or no profit because they only partially invest their labour and draw on unemployment benefit to top-up their income (i.e., they are insured) would be highly commodified and be asked to invest more of their labour. Unemployment regulations stipulate that unemployment benefit claimants must be actively applying for work. They must also be able to take a job or be able to appear at meetings and courses with a day's notice. These rules reflect Denmark's neoliberal active labour market policies (Balorda, 2018).

8.6.3 Entrepreneur is unable to invest their labour in full due to care responsibilities

To assess if the entrepreneur with care responsibilities can de-commodify their labour through state welfare, it is first worthwhile noting that the Danish childcare infrastructure is very well developed. Comprehensive, universal and mostly tax-financed benefits in kind in social and health services make it possible to better reconcile work and family life (Kvist, 2019). So, women are more freed up to pursue their self-employment (Kvist, 2019). Boroumand (2021) described the case of a single mother who voluntarily decided to limit her work hours:

“Despite making less money than she had before, she was still able to make ends meet. With the help of the Danish welfare state, she was able to modify her work life in a way that best served her family life. This flexibility of work–family integration—a byproduct of both state-funded cash assistance and a national culture accepting of mothers who prioritise childcare over employment—was evident across many of my interviews in Denmark. Only a few respondents expressed having any financial problems” (Boroumand, 2021: 157).

Given the comprehensive care infrastructure and national culture of women working, the entrepreneur with care responsibilities can in fact invest more of their labour in comparison to other countries. If they decide, however, not to do so, their labour is de-commodified by state welfare.

8.6.4 Entrepreneur invests their labour with profit motivation but is not achieving sufficient profit

Only entrepreneurs who have paid into their unemployment benefit fund for five years may draw from it. This is a long time to accrue rights, also in comparison to Danish employees, who must have paid into their unemployment fund for one year to draw from up it (Commission, n.d.-b). As such, entrepreneurs just starting their business (and with no other means of support) and who experience low incomes could be at risk of not being supported.

While trading, a full-time self-employed worker suffering from low profit can draw upon unemployment benefit (if they are insured) as transitional support. But only for 30 weeks in a two-year period (Grimshaw et al., 2016). These rules mean that the entrepreneurial process of self-employed entrepreneurs who invest their labour but are not achieving sufficient profit is only partly de-commodified.

Notably, however, only those who are members of an unemployment insurance fund, labour market “insiders” (as opposed to uninsured “outsiders”), are protected. Labour market “insiders” have either a job, or if unemployed, are protected as a member of an

a-kasse. They benefit from generous (financial) social protection. In fact, one of the most acute problems facing the Danish social protection system is the growing inequality among workers covered by existing social protection and those either without or with weak coverage (Ilsøe et al., 2019).

8.6.5 Entrepreneur is labouring to provide profitable goods or services but will only get paid in the future (or is suffering late payment)

No regulation speaks to this case. Given Denmark's very liberal understanding of entrepreneurship (e.g., Brentnall et al., 2021), it is possible that no guidance speaks to this case because cash flow problems are considered a business issue.

In relation to unemployment benefit rules, the entrepreneur with a cashflow problem would be able to become unemployed part-time and claim support, if they have accrued rights to unemployment support. However, they would be subject to active labour market policies such as having to be available to take up suggested paid employment or do a training course at a day's notice.

Therefore, there is a high degree of commodification of the entrepreneurial process for this cause of low profit. Entrepreneurs with a cash-flow problem might consider if it is worth the effort to claim from their unemployment insurance fund instead of finding other ways to access (financial) support to bridge the time until their payment arrives.

8.6.6 Entrepreneur experiences a temporary absence of a market

In relation to income support when faced with a temporary absence of a market, I found no direct guidance that speaks to this case. Generally, an entrepreneur would be eligible to draw upon unemployment benefits temporarily if they are insured and make themselves available to the labour market. However, in the long-term, an entrepreneur in this situation would not be able to de-commodify the entrepreneurial process via unemployment benefit as they are only allowed to draw on benefits as transitional support for two years (they are only allowed to draw part-time benefit for 30 weeks over two years). As such, the entrepreneur who experiences a temporary

absence of a market might have to find other ways of earning an income if they want to pursue their seasonal self-employment. As described in section 8.4, in relation to rural tourism (as an example of a seasonal economy), Broegaard (202) found that rural tourism micro-entrepreneurs often combine an outdoor business with a (part time) salaried job so that they can draw upon resources from their employee role.

8.6.7 Entrepreneur is creating low or no profit but is creating social value

Denmark's enterprise culture is oriented towards creating economic profit, a neoliberal pedagogy, individualism and free market focussed identities, consumerism, and a neo-liberal culture and liberalised market view (Brentnall et al., 2021). The country's welfare state has also neoliberalised in recent years (Balorda, 2018; Hansen, 2019). As entrepreneurship in Denmark also tends to be opportunity-driven, while the Danish welfare state overall promotes the values of solidarity and universalism, self-employment and entrepreneurship is only partially supported through state welfare (Mailand and Larsen, 2018; Jepsen and Halabisky, 2020).

While I could not find regulations that describe how value creation other than economic profit would be supported in the Danish welfare state, the above culture and morals indicate that social value entrepreneurs would be expected to achieve sufficient income to cover their living expenses from their entrepreneurship, instead of benefitting from state support and so entrepreneurial process de-commodification.

8.6.8 Summary

In summary, it is difficult to speak to the detailed conditions that govern welfare for the self-employed in Denmark. Most importantly, the analysis shows that the degree of commodification of self-employed labour and the entrepreneurial process is high. Additionally, labour market insiders, that is, those entrepreneurs who are voluntary members of an unemployment benefit fund, are better protected than labour market outsiders, that is, those entrepreneurs who decided – or could not afford to – join a fund. Similarly, in relation to the business life course, entrepreneurs who are only starting their business – and so have not yet paid sufficiently into an unemployment

benefit fund – are also at risk of not being able to achieve a decent income through welfare de-commodification.

Notably, it is important to bear in mind that Denmark has one of the lowest self-assessment rates in the EU and experiences entry into self-employment primarily driven by opportunity seekers (Jepsen and Halabisky, 2020). Additionally, Denmark's holistic welfare system offers varied support in other forms than financial benefits, such as through education and training, and a well-developed care infrastructure. Nevertheless, the risk of inadequate income due to low profits and a lack of state support can be high.

8.7 Policy discussion

The interviews highlighted how Denmark differs to the other two countries in how entrepreneurship and social protection relate to one another. Interviewees believed that an entrepreneurial mindset drives workers to take up self-employment and that this means it is a choice driven by the search for opportunities, rather than out of other circumstances. Interviewee DK9, a civil servant, described Denmark as a country of employment:

“If you want to become an entrepreneur here, you really need to drive it. And you have to do it for value creation. It's because you think then I can make a lot of money and I can be on my own, an independent and don't have a boss and those kinds of things. It is not out of necessity” (*DK9, civil servant*).

He spoke of choosing to be an entrepreneur as “daring to go out to succeed on their own” (*DK9, civil servant*). In fact, he spoke of “insisting” of being self-employed (*DK9, civil servant*). This language (albeit the interview was conducted in English, not his native tongue) indicates how entrepreneurship is perceived differently in comparison to the other two countries.

Interviewee DK1, an academic conducting comparative labour market research, also reflected that there has not been a policy drive to market self-employment as a distinct

career option in Denmark – in comparison to the UK, for instance. Instead, she argued, Danish policymakers' focus has always been on training and developing workers (in line with the flexicurity approach). Interviewee DK9, for example, compared the security net for young workers arguing that being in a precarious situation in Denmark is preferable than elsewhere:

“I think that the discussion you have on working poor that you have in Germany, and entrepreneurs that you have in Spain, the question is if you are a young person here and you don't go into some kind of schooling, being it craft school or Higher Education, you would for at least six years get a student grant, which is 800 euros a month. So, young people here they tend to get education, right”
(DK9, civil servant).

Against this background, the experts were divided on the question if there is room for self-employed labour de-commodification in the Danish welfare state. Those who thought this was the case argued that Denmark's tightly knit social security system really demands an opting into self-employment. Interviewee DK3, an economist, highlighted that entrepreneurship must be providing a better choice than the outside options (unemployment or an employee role):

“I mean in a sense its Economics 101: if self-employment is not at least as decent as being on social transfer income, so the outside option – the social transfer income – with all the ties attached you know ... So, any self-employment must at least match that. And part of that self-employment could also be the benefit I get from running my own business or being my own boss”
(DK9, civil servant).

“Yes, I think it's decent self-employment in the Danish welfare system. There are good possibilities to create a good self-employment system and I think in the broad part yes but of course it's not perfect and there is a lot of regulation for the self-employed. So, I think sometimes it's hard to know how to start or how it works but the possibilities are good, I would say” *(DK8, Professional Body)*.

On the other hand, others highlighted how social protection is much more holistic for Danish employees than self-employed workers. As such, it is interesting to observe that experts such as the civil servant and academics compared Denmark's welfare state and the extent to which it is decent for the self-employed to other countries, whereas those criticising the system looked inwards and compared the self-employed to employees:

“So, as you can see, we have a welfare system, but it does not really cover the self-employed as well as employees, as normal workers. So, I would say, although we have the flexicurity system, it's more flexi than security for the self-employed” (*DK7, trade union adviser*).

This comparison reflects in part a lack of policy debate about in-work poverty specifically (Kvist, 2019). Instead, in-work poverty is a topic that is part of more general debates on social dumping, precarious jobs, low wages, inequality and poverty (Kvist, 2019). This discussion includes mobile EU workers, migrants and persons in non-standard jobs, but not low-profit self-employed entrepreneurs (Kvist, 2019).

Thinking about how self-employment could be more decent, experts suggested that self-employed workers be able to bargain collectively (*DK2, academic*). The trade unionists argued similarly:

“No, I think as long as... if we don't solve this issue of us (trade unions) being able to represent the weak self-employed then the answer is no. We need to have that possibility. And I'm quite sure that anybody else from abroad who looks into Denmark would say 'Of course they do'. But my job is not to compare us to the Mediterranean where they are all fucked. My job is to look at how are they compared to our employees. And there I must say they are worse off” (*DK6, trade union*).

The interviews highlighted how Denmark differs to the other two countries in how entrepreneurship and social protection relate to one another. Interviewees argued how an entrepreneurial mindset drives workers to take up self-employment and how that means it is a choice driven by the search for opportunities, rather than out of other circumstances. They also argued that a wider policy discussion on the social protection of the self-employed is missing despite academia and some professional bodies, namely trade unions, being aware of the issues that new ways of working and increasing self-employment could mean a fundamental challenge to the Danish model.

8.8 Conclusion

In summary, while the Danish welfare state values universalism and collectivity, the analysis of how low-profit entrepreneur labour and the entrepreneurial process are de-commodified (through unemployment benefit) shows that there is great risk that these self-employed cannot achieve a decent income. Active labour market expectations mostly force an entrepreneur to commodify their labour (except for entrepreneurs with caring responsibilities). There is also very limited support for an entrepreneur when they do not achieve a decent income due to adverse market conditions (entrepreneurial process de-commodification).

Notably, “labour market outsiders”, that is entrepreneurs who are not member of an unemployment insurance fund, and those who are members but do not have accrued rights to draw from unemployment insurance are at particular risk of not achieving a decent income through degrees of de-commodification. In other words, there is no acknowledgement of different phases of business life course and their varying risks not to achieve adequate profit. In contrast, entrepreneurs with care responsibilities are supported to invest more of their labour through Denmark’s comprehensive care infrastructure. If they decide not to do so, they are supported through welfare as Denmark national culture supports the choice to work or be a carer.

The policy discussion highlighted that entry into self-employment is driven by choice and the search for opportunities, which can partly explain the lack of welfare support

for entrepreneurs. The interviewees also pointed to Denmark's other means of support (outside of welfare benefits) when arguing that decent self-employment is enabled in Denmark. However, a lack of debate on in-work poverty persists as in-work poverty is mainly discussed in relation to social dumping.

Chapter 9. Cross-country comparison

9.1 Introduction

This study aims to explore how different welfare systems shape decent self-employment. The past three chapters described welfare provisions for the self-employed in the UK, Germany, and Denmark. In this chapter, I compare the causes of low profit that the three welfare systems support and do not support across the three countries. I analyse the role of the three welfare states in times of low profit, and the processes through which welfare rules regulate particular patterns of self-employment de-commodification. Based on this analysis, in Chapter 10, I discuss what this means in how each welfare state enables or hinders decent self-employment through de-commodification and in relation to Esping-Andersen's welfare regime typology.

To do so, I reiterate my understanding of decent self-employment as laid out in Chapter 2: the ILO described decent work as productive and carried out in the conditions of freedom, equity, security, and human dignity (Somavia, 1999: 3). As I have argued, an adequate income (drawings from profit) is the foundation of decent work.

The chapter is structured as follows: I will first contrast how self-employment is understood in each country to lay a foundation to understand if the three countries even serve the same populations. I will then compare the welfare rules relating to each of the six causes of low profit to develop a nuanced view of the responses to the six causes of low profit, and, so, explain the patterns of de-commodification in each country. This allows me to consider how the patterns of de-commodification may shape decent self-employment.

9.2 Comparing self-employment across the countries

By means of introduction, in this section, I contrast the understanding of self-employment across each country. Such a comparison helps understand if the three countries even serve the same kinds of populations.

None of the three countries use a single, common definition of self-employment that applies across different areas of the law, e.g., social law and tax law. In the UK, someone is characterised as self-employed if they work under a contract *for* services and pay National Insurance contributions. The self-employed also trade commercially with the expectation of profit and at their own risk (HRMC, 2015). Germany compares self-employment to employment to arrive at an understanding. Self-employment is characterised by a lack of a subordinate work relationship (*Weisungsgebundenheit*), which would characterise employment (MISSOC, 2022). Self-employed entrepreneurs have the autonomy to decide on their activities, where to do them, and when. They also use their own assets. Importantly, decisions as to whether someone is self-employed are often assessed case-by-case by different state agencies such as the German Pension Insurance. In Denmark, tax authorities have a “de facto definition” of self-employment (Mailand and Larsen, 2018: 4). It is characterised as economic activities that take place at one’s own expense – and risk – to create financial profit (Skat.dk, 2020). The understanding of self-employment is similar across all countries in that self-employment is characterised by the entrepreneur’s autonomy, risk-taking, and ownership of assets. Both the UK and Denmark also mention a focus on creating economic profit, which is not reflected in the German understanding.

This understanding already has some implications for considering decency in self-employment. Not all factors that enable successful self-employment, i.e., sufficiently financially valuable, are under the self-employed person’s control. As this thesis’ thinking is rooted in a definition of entrepreneurship that new goods and services are created for market exchange emergent from the interaction between agential, social-structural and cultural causal powers (Kitching and Rouse, 2016), entrepreneurship is unequally risky, and welfare systems have to decide how to respond. Where entrepreneurs invest their labour in markets that are prone to be unstable, e.g., seasonal markets or businesses in remote locations, their risk not to continuously achieve sufficient profit is likely to be higher. As such, their chances to continuously secure decent self-employment solely by their own means are impaired.

Comparing the three countries and their understanding of self-employment, the UK and Denmark with their focus on economic profit are at risk of hindering decency in self-employment through de-commodification for entrepreneurs that seek to create social or other forms of non-financial value. Where these entrepreneurs do not manage to achieve sufficient profit, they may be reliant on state welfare to support their income. In all three countries, seasonally working or remote entrepreneurs may also be more at risk of indecent self-employment if their entrepreneurial process and labour are not de-commodified.

In order to set the scene for the following comparison of the six causes of low profit, I summarise the levels of support a self-employed welfare claimant may receive in each country. However, it is not as straightforward to compare these numbers as an entrepreneur's specific circumstances need to be considered, e.g., their care responsibilities, as well as their savings and the corresponding savings thresholds in each welfare state.

The welfare benefits base rates for the three countries vary, in part considerably. A single Universal Credit claimant over 25 receives a standard allowance of £409 per month. In Germany, the 2021 rate for a single-person household was €446 per month (about £395; Arbeit, 2021a). In Denmark, someone aged 30 or above without children may receive DKK 11,554 per month (about £1300; 2021 rate). Additional benefits are available to claimants in Germany and Denmark, such as housing support (see Table 15). In the UK, the "housing element" is *usually* part of Universal Credit. Importantly, welfare benefits are assessed and paid at household level in the UK and Germany, whereas it is assessed and paid at individual level in Denmark. This has significant implications for gender equality. Having fewer and fewer individual entitlements can create dependencies if the lower-earning household member is the self-employed entrepreneur, who is often a woman (Garnham, 2018).

Table 15 Summary of welfare benefits base rates per country

	UK	Germany	Denmark
Welfare benefit level per month (base rate, single person)	£409	€446 (£395)	DKK 11,554 (£1303)

Overall, the Danish welfare state is much more generous. Universal Credit in the UK and Germany's social assistance are closer to each other in level. Although, as a reminder, Germany's social assistance is a last resort state support that can be used as an income top-up and is not comparable to the level of unemployment benefit (see section 7.4.1). The level of German unemployment benefit is guided by a fictitious income depending on the entrepreneur's educational background and ranges from €866 (2018 rate; about £760) per month for someone with no training to a university graduate receiving €1529 (about £1345; Oberfichtner, 2019: 3). Notably also, both the UK and Germany use forms of tapers as incentives for claimants to work more.

In relation to their universality, the UK and Germany provide universal welfare to self-employed claimants. Universal Credit in the UK is tax-financed and any entrepreneur (resident or citizen) who may be in need of support may claim it. There is no need to have previously paid into the system. Social assistance in Germany is also available to anyone of working age and residing in the country who may need financial support. In contrast, Denmark's unemployment benefit is less inclusive. Only entrepreneurs who have previously contributed to their respective unemployment benefit fund and, so, accrued eligibility rights, may claim support from it.

In the next section, I will very shortly compare the three countries' enterprise cultures. This is useful to analyse the degrees of de-commodification in self-employment in the following sections as basis for discussion in Chapter 10.

9.3 Enterprise culture

Broadly considering the countries' enterprise cultures allows me to see the systems that enable everyone to have a go at self-employment (addressing RQ2 and RQ3). It allows me to understand in the following sections why some causes of low profit may or may not have been considered or are treated the way they are, or indeed if there is a contradiction between welfare rules and enterprise culture.

9.3.1 United Kingdom

Concerns have been raised (see section 6.5.1.) that the view of enterprise culture in UK policy-making appears somewhat mythological. There is a discrepancy between the environment the UK seeks to create for entrepreneurship and the social security system as a last resort for entrepreneurs experiencing low profit (Rouse et al., 2021). UK policy aims to support self-employed entrepreneurs to grow their businesses because self-employment is seen as a growth model for the economy (e.g., Caraher and Reuter, 2019b). Entrepreneurs are presented as heroes and future successful business owners and managers (Anderson and Warren, 2011; Valdez, 2015).

The conditions of support for low-income entrepreneurs contradict these cultural messages. Entrepreneur success stories legitimate a meritocratic understanding of "making it" (which in addition is gendered and racialised; Cohen et al., 2018) and "hard-working small business owners" legitimate an ideological discourse of meritocracy (Littler, 2017), which obscures some of the poverty of self-employed work (MacInnes et al., 2015). For example, women have been encouraged to enter self-employment (e.g., as "mumpreneur", Orgad, 2019) but their increased insecurity, exhaustion, precarity, and anxiety are entirely absent from the discussion (Orgad, 2019). In reality, self-employed labour – as sub-contractors or freelancers – is one form of contingent labour available to employers (other forms include fixed-term contracts, agency or temporary workers, and zero-hours contract workers; CIPD, 2018). Employers looking for greater flexibility may seek self-employed labour. There are, of course, other reasons why employers might use self-employed labour, such as the need to bring in specific skills for a limited period or because the type of labour firms are looking for prefer to work as sub-contractors or on a freelance basis. Similarly, tax arrangements may play an important role in shaping entry into self-

employment (Adams et al., 2018). As Boeri et al. (2020: 172) commented: the self-employed have become part of a “reserve army”. Although this statement might be overstated for the entire self-employed population in the UK, it is fair to say that self-employment has become a more dominant form of reserve labour in the country compared to casual employment. Consequently, this shift has transferred (employment) risks from employers to self-employed workers (Allain et al., 2013⁴⁴; Danson et al., 2021). This has over time made reserve labour more precarious (i.e., less decent).

In detail, the self-employed in the UK only enjoy limited social protection. Universal Credit assumes that the self-employed have control over their self-employment, which does not entirely reflect the uncertainty of business in real life. It also expects that self-employment pays at least equivalent to minimum wage (MIF), which means that in cases where employers circumvent paying minimum wage through bogus self-employment, the self-employed are left in a difficult position (Social Security Advisory Committee). The Work and Pensions Committee (2018) described Universal Credit as “designed with little regard for the reality of self-employed work”. It stated that contrary to the government’s aspiration to support entrepreneurship and economic dynamism, it poses a “very real risk” to both (UK Parliament, 2018). An example highlights this policy problem: self-employed workers such as delivery drivers are directed by somebody else and not flexible to the extent other (“real”) self-employed workers are, for example, to develop their business. Their self-employment status thus means that their “employers” can transfer risk and costs to the self-employed worker (Moore and Newsome, 2018). A delivery driver, for example, might spend more time waiting for customers, that is, working more hours, but that must not translate into higher earnings (entrepreneur invests their labour but is not achieving sufficient profits). Even then, they may not have complete control over their earnings. Consequently, these workers risk becoming one of the most vulnerable workforce groups (Grimshaw et al.,

⁴⁴ Notably, while Allain et al. (2013) research the business models of forced labour, they do consider informality in their work (p. 11), which is where the solo self-employed may be at risk of indecent work. Specifically, they focus among others on the construction sector, where many workers are solo self-employed and where labour supply chains are characterised by flexibility and some degree of informality (p. 21).

2016). Then, the critical challenge is how to design social protection for the self-employed, who can readily alter their working status and incomes and address the problems of moral hazard and adverse selection that arise.

9.3.2 Denmark

Amid its neoliberalisation – and maybe somewhat surprisingly in light of Esping-Andersen’s characterisation of the social democratic welfare regime type – the Danish understanding of enterprise is very liberal and profit-driven. As self-employment is entered mostly voluntarily and in search of opportunities in Denmark – workers forgo a rather tightly knit welfare net – its enterprise culture is very similar to the UK. Entrepreneurship shows a libertarian, individualistic model of the self that strays from its founding principles (Trenz and Grasso, 2018). As an example, Danish entrepreneurship education, which the government has heavily supported since the 2010s, focuses on competition and profit (Brentnall et al., 2021). Entrepreneurship education activities have been said to encourage: “the unacceptable face of capitalism”, contribute to corporate ideology in schools, help forge a neoliberal pedagogy, support masculinity, individualism, and free market focussed identities, promote consumerism, be a conduit for neo-liberal culture, and force students to express a liberalised market view (Brentnall et al., 2021).

This enterprise culture is reflected in how low-profit entrepreneurs are (not) supported through the welfare state. In times where unfavourable market conditions mean that an entrepreneur is earning only low or no profit (de-commodification of the entrepreneurial process), the entrepreneur can access unemployment benefit to top-up their income (if they are insured). However, in exchange, welfare conditions apply. Unemployment regulations stipulate that unemployment benefit claimants must be actively applying for work. They must also be able to take a job or be able to appear at meetings and courses with a day’s notice. Unlike the UK, there is no acknowledgement of different phases of business life course and so entrepreneurs must strive to achieve sufficient profit at any time. This leads to particular risk for some groups when self-employed: new entrepreneurs who are only starting out (including the insured who do not yet have accrued sufficient rights to claim from their

unemployment benefit fund) and the uninsured who cannot draw from unemployment benefit.

9.3.3 Germany

Lastly, Germany's enterprise culture is characterised by a mindset of longevity and independence, mutuality and trust (Pahnke and Welter, 2019). I illustrated this when discussing *Mittelstand* companies, which include the solo self-employed. *Mittelstand* companies are long-term oriented and seek to contribute not just financially but are also characterised by a strong regional rooting and maintaining jobs for their workforce, often across generations (Pahnke and Welter, 2019). Also, Germany's variant of capitalism is one of a strong focus on corporatist structures (i.e., dedicated roles for trade unions, employer associations, chambers of commerce etc.), relational banking structures, and consensus-oriented stakeholder relations (Pahnke and Welter, 2019).

This description of enterprise culture was reflected in the interviews, where stakeholders argued that the German welfare state still views entrepreneurs as successful businesspeople, that is, earning well and having employees. But this view (partly) mis-conceptualises self-employment (Abbenhardt, 2018). In reality, most self-employed have no employees and they tend to earn less compared to employees in similar positions (Bonin et al., 2022).

In short, then, British and Danish enterprise culture are rather similar in their profit-driven orientation and neoliberal view of entrepreneurship as contributor to the state economy. Germany's enterprise culture is similar but moves slower and is more long-term oriented. The relationship between enterprise culture and how the welfare state supports entrepreneurs is reflected in these understandings. In the UK, entrepreneurs (with some exceptions) are highly commodified to earn more. Similar is expected of entrepreneurs in Denmark. However, the reasons for entry into self-employment differ in the two countries. The British and Danish assumptions are made despite there being a pattern of low-income self-employment in the countries.

9.4 Comparing the six causes of low profit and business life course

Having laid the foundation by providing a general overview of how self-employment is defined and some context on how each country perceives enterprise, I now turn to compare the welfare responses to the six causes of low or no profit in self-employment in Denmark, Germany and the UK in detail. This allows me to discuss the implications for decent self-employment .

9.4.1 Business life course

The UK is the only country that allows new entrepreneurs a grace period (of 12 months) when starting-up. In that time, entrepreneurs enjoy a higher degree of de-commodification of both entrepreneur labour and the entrepreneurial process. The assumed income (MIF) is not applied and other conditionality regulations are lightened; such as how often an entrepreneur should attend meetings with their workcoach. The entrepreneur also only has to intend to make a profit. No other time in the business life course is treated differently. Exit routes out of low-profit entrepreneurship are not defined in Universal Credit.

Unlike in the UK, there are no grace periods in the business life course in Germany. However, in contrast to the UK, caseworkers are provided with clearer timeframes how low-profit self-employment should be treated. That said, caseworkers cannot force an entrepreneur to give up their self-employment (Jobcentre Cottbus, 2012).

Denmark also does not have specific regard for any particular phases in the business' life course. There is no start-up phase or specific regulations in regard to exiting self-employment.

As such, while entry into self-employment is a simple process and has been supported by policy in the UK, the UK also acknowledges that the early phase of entrepreneurship is a time of uncertainty and risk. It so offers more room for testing to be an entrepreneur and de-commodification. No similar offer is available in Germany

or Denmark. Also, no country provides clear exit routes out of low-income self-employment and, so, entrepreneurs may be “stuck”.

9.4.2 Entrepreneur is only partially investing their labour resource

The first cause of low profit is that an entrepreneur may choose not to invest their labour in full to preserve leisure time; for example, they may trade at low or no profit because they voluntarily use their resources in other ways. As I have raised before, the policy question then is if it is a citizen’s right for their labour to be de-commodified via welfare; and if so, to what extent and for how long welfare should be granted.

Through the MIF, the UK enforces a high level of labour commodification – except during the start-up period (DWP, 2020). For the entrepreneur who is not investing all of their labour, the start-up period means that they do not face consequences if profits are low due to reduced time investment in trading. After the start-up phase, the MIF penalises the entrepreneur for only achieving low or no profit as they are assumed to achieve an income equivalent to minimum wage. The worker is expected to either work more hours or earn more from their hours and would be asked to do so by their workcoach. If this does not lead to an increase in earnings, a caseworker can ask the entrepreneur to take up other work. There is only minimal room to de-commodify labour under the Administrative Earnings Threshold, but this is rarely used and is a loophole in Universal Credit (Rowe, 2022). Additionally, Universal Credit pursues a definite economic profit logic through the “gainful self-employment” test.

Germany’s welfare regulations follow a similar logic as the UK. An entrepreneur would be expected to make use of “all” possibilities to increase their income (Bundesagentur für Arbeit, 2021a: 90). Caseworkers are guided to discuss an entrepreneur’s business forecast and development with them regularly, which means unless the entrepreneur would lie in the meeting to achieve the room for labour de-commodification, the worker would not be able to not invest their labour. Caseworkers would be able to use sanctions to enforce labour commodification. In detail, it likely depends on the individual case and the caseworker in how far an entrepreneur would be able to argue

that they do “all they can” to increase their income and in how far the caseworker accepts the explanation and business forecast.

I found no documentation speaking directly to such a cause of low profit in Denmark. However, in Denmark’s liberalised welfare state characterised by active labour market policies (Hansen, 2019), the entrepreneur seeking to draw on unemployment benefit to partially de-commodify their labour is expected to be available to take up employment or take part in other activation activities with a day’s notice. So, they would be highly commodified to invest more of their labour. There are also some means of surveillance in place such as if the entrepreneur has signed up to the official Danish jobseekers’ website.

The consequences for decent self-employment are as follows: as solo self-employment often moves in a field of tension between the need for autonomy, uncertainty, and the actual possibilities of free self-determination (Abbenhardt, 2018), the entrepreneur’s ability to pursue decent self-employment is rather gravely curtailed in all countries, at least in the long term. This is because of a mix of both active labour market measures (e.g., means such as the MIF) and moral pressure to participate in the labour market (e.g., Denmark’s welfare system rests on the understanding that all workers invest labour and, so, pay taxes). In one way or another, all systems force an entrepreneur to invest more or all of their labour; either indirectly by enforcing an assumed minimum income (UK) or directly by guiding caseworkers to get the entrepreneur to invest more hours or earn more from their hours, or as a last resort by making them take up other work. The entrepreneur’s subjective work-life balance may thus be hindered by the external pressure to achieve a higher income. While some parts of decent work are subjective (Fudge, 2017) and it is difficult for welfare states to regulate this, in terms of my thinking about decent self-employment, the ability of the entrepreneur who is not investing all of their labour is hindered.

9.4.3 Entrepreneur is unable to invest their labour in full due to care responsibilities

This cause of low profit is about the entrepreneur not being able to invest their labour in full or invest more of their labour because they need to use it to care for others, i.e., doing unpaid work. Here, policy needs to consider how this entrepreneur may be supported to invest more or all of their labour. Moreover, the question arises if the state wants to supplement the entrepreneur's income in recognition of their care labour.

In the UK, Universal Credit applies conditionality pro-rata for entrepreneurs with care responsibilities. Depending on the work group in which entrepreneurs with care responsibilities are placed, they are expected to work a defined set of hours. The number of hours is based on the child's age. The work groups range from not having to prepare or look for work, i.e., child under 1, to the all work-related activities group (child aged 3 or above with some caveats that the work activity fits around the child's school or nursery hours) where claimants must do all they can to work or earn more. As such, there is some room for labour de-commodification for entrepreneurs who are unable to invest their labour in full or more of their labour. Nevertheless, the MIF expectation can seriously affect how entrepreneurs with care responsibilities can pursue their self-employment. These issues of gender equality are further discussed in the next chapter.

In Germany, the level of benefit an entrepreneur with care responsibilities receives depends on their income, wealth, and their needs to cover their living expenses. Their needs are calculated and if their income falls short of covering them, it is made up by the state without an expectation to work a specific set of hours. Therefore, if an entrepreneur with care responsibilities is unable to invest more labour into their business, their level of social assistance would be granted depending on their socio-economic circumstances. Conditions as they apply to other entrepreneur welfare claimants, i.e., developing a capacity forecast, also apply. As such, there is some room for labour de-commodification for the entrepreneur with care responsibilities. However, it is important to note that carers in Germany may be disadvantaged in other ways. Women continue to be held back by Germany's weak care infrastructure and tax system, which benefits primary earners rather than secondary earners, who tend to be women. This means that women entrepreneurs may remain stuck in low-profit

self-employment as they are unable – or it does not pay off – to invest more of their labour.

Denmark is generally characterised by more effective work-family integration (Boroumand, 2021). Women tend to have the freedom to decide when and how to have children. They are compensated at market rates for care work and care work is more valued (Clift, 2021). This gives women more “actual” freedom to decide to enter self-employment. Overall, Denmark enjoys an inclusive gender regime, where work for either parent is protected, that has affordable childcare, low wage inequality overall and by gender, and individual social rights (Grimshaw et al., 2016). However, it may be argued that this equality is based on white, middle-class feminism where a specific group of women is freed up to labour. In terms of room for de-commodification, given the comprehensive care infrastructure and national culture of women working, the entrepreneur with care responsibilities is enabled to invest more of their labour in comparison to other countries. If they decide, however, not to do so, their labour is de-commodified by state welfare.

In relation to how welfare benefits are paid out, in the UK and Germany, benefits are calculated and paid out at the household level. As such, there is a reliance on kin for various types of support, including financial, instrumental, or emotional (Cohen et al., 2018). Consequently, some entrepreneurs with caring responsibilities may be better enabled to achieve decent self-employment than others (to “have it all”, a child and a career; Castles and Pierson, 2021): those who have the (financial) means to engage support to help with their caring responsibilities. Other entrepreneurs, such as cleaners who may not be able to take a sick child to their place of work, self-employment continues to (re-)produce constraints of and on work organisation and, at occupational and individual level, racialised, classed, gendered, and disablist modes of discrimination (Cohen et al., 2018). In Denmark, in contrast, benefit payments are calculated and paid at the individual level.

In short, all three welfare states enable room for de-commodification for the entrepreneur with care responsibilities. In the UK, their labour is de-commodified pro rata whereas in Germany and Denmark there is no expectation to invest a certain

amount of hours. However, some entrepreneurs with care responsibilities may still not be enabled to invest more of their labour – if they so wish – in all countries. This can be because of a lack of a comprehensive (Germany), affordable (UK) care infrastructure, or tax arrangements (Germany). Considering that decent work is about more than a fair wage but also a social goal that addresses the place of work in people’s lives (Somavia, 1999; Bletsas and Charlesworth, 2013), a commitment to decent work means a commitment to gender equality. These models afford differing levels of respect to caregiving, which in turn influences women’s opportunity structures in the labour market. These issues are further discussed in the next chapter.

9.4.4 Entrepreneur invests their labour with profit motivation but is not achieving sufficient profit

In contrast to the previous two causes, this one concerns the market and the entrepreneurial process rather than labour. Policy needs to consider under what circumstances entrepreneurs who are labouring but for various reasons are not achieving sufficient profit may be able to draw on welfare benefits to top up their income, for how long, to what extent etc. For example, an entrepreneur may be trading with a reasonable hope of future profit. Under what conditions and how long would these claimants then be supported? Further, policymakers may need to consider if and how an entrepreneur trading in an *insufficiently* valuable good or service can be supported to trade in a *sufficiently* valuable good or service or how they may be supported to leave unsustainable entrepreneurship.

In the UK, a caseworker should first assess if the entrepreneur is gainfully self-employed, i.e., their profit motive and ability to achieve sufficient profit. The caseworker should ask if there is work in the pipeline and, for example, if the entrepreneur is investing labour to advertise their business. It is then up to the caseworker to determine if the work is (still) regular and if there is an expectation of profit. Where this is not the case, the entrepreneur is not gainfully self-employed. The handbook also mentions that the caseworker “should make a determination on gainful self-employment based on a balanced view of the evidence. These are matters of

individual judgement for the DM [decision maker] concerned” (DWP, 2020: 23). This description indicates that caseworker guidance is fluid and highly dependent on the individual caseworker’s interpretation. If an entrepreneur is gainfully self-employed, varying levels of conditionality then apply depending on whether the entrepreneur is still in the 12 months start-up period or not. If the entrepreneur receives welfare benefits and, so, can de-commodify the entrepreneurial process, there is no clear indication for how long they may receive welfare. It is up to the caseworker to enforce degrees of commodification through take-up of employment. In other words, there is potentially uncertainty for the entrepreneur and caseworker. Also, the entrepreneur could potentially remain in their low-profit self-employment for a longer time; in other words: be “stuck”.

In Germany, this case is clearly described in guidance documents (Jobcentre Cottbus, 2012; Bundesagentur für Arbeit, 2021a). Social assistance is granted for a six-month assessment period based on a business forecast. At the end of the six months, an evaluation follows. The entrepreneur may either need to pay back benefits received or will receive further benefits if their business performed worse than expected. Importantly, caseworkers are guided to ask an entrepreneur struggling to achieve profit to take on other work only after the second assessment period, after 12 months. Notably also, where income from self-employment covers the needs of the self-employed individual, but not of their household, the caseworker should check whether employment may lead to a higher income (Jobcentre Cottbus, 2012: 7). In practice, Pahnke et al. (2019) even found that some self-employed social assistance claimants were supported for several years.

Lastly, the situation in Denmark is slightly different. Notably, due to Denmark’s extensive welfare system, prospective entrepreneurs tend to opt for self-employment for opportunity-driven reasons (Jepsen and Halabisky, 2020). To them, entrepreneurship appears as the “outside option” than either employment or unemployment. To then receive benefits as an income top-up, an entrepreneur must have opted to become a member of an unemployment fund and paid into the fund to be eligible to draw from it. They are a “labour market insider”. An entrepreneur struggling to achieve sufficient profit may get part-time unemployment benefit as

transitional support for 30 weeks over two years. Importantly, this means that entrepreneurs who are not “labour market insiders” are not covered. This setup means that in Danish welfare, the case of needing to de-commodify the entrepreneurial process because market conditions are unfavourable, appears to have not been identified or considered – or at least codified. Labour market outsiders are potentially at risk of pursuing entrepreneurship but not be supported in slow market conditions. Overall, this is somewhat logical given the different drivers to enter self-employment. Also, statistically, entrepreneurs in Denmark are mostly self-employed entrepreneurs with employees, who tend to earn more money (Jepsen and Halabisky, 2020). Yet, it also means that struggling self-employed entrepreneurs who are not members of an unemployment benefit fund appear to have few routes including relying on background wealth or ending their self-employment.

In terms of decency in self-employment, decent work means pursuing one’s work in conditions of freedom, equity, security, and human dignity (Somavia, 1999). Each will be considered separately now. Starting and running a new business venture can be a great source of personal fulfilment and satisfaction (Nikolova et al., 2021). Unlike many traditional occupations, entrepreneurs typically enjoy freedom and control, enabling them to derive meaning from their work, effectively cope with stress, and utilise their innate talents and skills (Nikolova et al., 2021). This freedom can be curtailed for entrepreneurs who are pressured to commodify their labour. In Britain, it would appear that self-employment is only then decent if it is continuously economically profitable and the entrepreneur does not suffer from a low income. One might then ask: do entrepreneurs with a stable and economically profitable income tend to even need to claim benefits? For policy, this implies that potentially successful businesses could be impaired: what happens to those businesses that eventually are successful, but may need longer than a twelve months start-up period? In short, the commodification logic of Universal Credit puts time pressure on businesses, shapes their economic vision – it promotes economically profitable self-employment, and allows only little space for self-realisation. The same applies to Denmark with its requirement that entrepreneur unemployment benefit claimants are available at a day’s notice to take up other work and with its heavy focus on enterprise as profit-driven venture.

Second, according to the ILO (1999), decent work is productive work, too. From this notion springs that economically unproductive entrepreneurs should be supported to exit unprofitable self-employment in the name of decent work. However, enabling exit from low-profit self-employment should consider the circumstances of the entrepreneur on a case-by-case basis and be facilitated carefully to mitigate adverse effects as much as possible. Where entrepreneurship enables workers to participate in the labour market and benefit from every other aspect of decent work, e.g., work provides dignity, self-worth, meaning, fulfilment, progression, or social empowerment (Somavia, 1999; Yeoman, 2014), then it is worth considering these circumstances; especially for entrepreneurs who may otherwise struggle to achieve a decent income in the labour market (Abbenhardt, 2018). Caseworkers may need to adopt a longer-term perspective and, in the first instance, provide struggling entrepreneurs with the necessary room to develop capabilities to overcome insufficient profits for equal participation over their life course. Decent work cannot just be meaningful for the well-off (Yeoman, 2014; Abbenhardt, 2018). Similarly, considering decent work, policymakers may need to consider that it can take time to establish oneself, e.g., depending on one's personal context and sector. As such, policymakers may consider more flexibility concerning the UK's 12 months start-up period (e.g., LITRG, 2017). Starting and running a new business venture is rarely straightforward. Many people who launch new companies terminate their efforts in less than a year (Nikolova et al., 2021). Only a third of all new ventures have positive cash flow after seven years, and two-thirds of all start-ups fail within the first ten years (Nikolova et al., 2021).

9.4.5 Entrepreneur is labouring to provide profitable goods or services but will only get paid in the future (or is suffering late payment)

Entrepreneurs who are investing their labour and trading profitably but will only get paid in the future or suffer late payment and thus suffer low or no income are not explicitly considered in any of the countries.

In the UK, caseworker guidance does not speak to this cause of low profit (DWP, 2020). The continuous lobbying efforts by self-employed and freelance organisations

(e.g., Lima-Matthews, 2017) indicate that dealing with late payments is considered a business issue. Formally, entrepreneurs who receive larger payments at specific points in a year are penalised by the MIF in months where they do not earn any or very little income. They are also penalised following a month in which they have been paid a larger payment as they are penalised by the surplus earnings rule (DWP, 2020). As such, entrepreneurs with a cashflow problem likely struggle under Universal Credit. Entrepreneurs who labour to provide profitable goods or services but will only get paid in the future are highly commodified.

Similarly, in Germany, if an entrepreneur cannot make ends meet due to a lack of income and decides to claim social assistance, their capacity forecast would consider the future payment and their level of welfare adjusted accordingly (Bundesagentur für Arbeit, 2021b). If they would not have been paid at the end of the assessment period, the entrepreneur would be eligible for a repayment (Bundesagentur für Arbeit, 2021b). Therefore, arguably this cause of low profit is not adequately handled. The future or expected payment (in case of late payment) would always be part of the entrepreneur's capacity forecast and in the short term, the entrepreneur may suffer low or no income because their needs are calculated including the payment. The entrepreneur would only be de-commodified at the end of an assessment period, through a re-payment.

For Denmark, the entrepreneur with a cashflow problem would be able to become unemployed part-time and claim support, if they have accrued rights to unemployment support. However, they would be subject to active labour market policies such as having to be available to take up suggested paid employment or do a training course at a day's notice. Therefore, there is a high degree of commodification of the entrepreneurial process for this cause of low profit.

In terms of decent self-employment, late payments are a highly prevalent issue and, for the entrepreneur, potentially very urgent. Suffering late payments means stress and additional work for the entrepreneur who needs to find a replacement income. There is also a power asymmetry at play, linking representation and voice as aspects

of decent work (Somavia, 2000). In all three welfare states, the entrepreneurial process of entrepreneurs with late payment issues would be highly commodified.

9.4.6 Entrepreneur experiences a temporary absence of a market

The question how an entrepreneur who experiences a temporary absence of a market, for example, they may have invested labour but cannot sell a good or service due to a crisis, or they may only be able to invest their labour at specific times such as a seasonal worker, is supported is not often directly addressed although states may have an interest in supporting these entrepreneurs through welfare.

In the UK, in this case, too, it would be considered first if the entrepreneur is gainfully self-employed. If that is the case, they would be able to claim Universal Credit, so would be de-commodified. Although in practice, Universal Credit through the MIF penalises seasonal workers. In months where they earn low or no profit, the MIF is applied and they are assumed to earn an income equivalent to minimum wage. However, the surplus earnings rule is applied in months when seasonal workers get paid. It means that claimants may not receive support in the months after they have received a larger payment.

There is no guidance (to entrepreneurs and caseworkers) how long an entrepreneur may have to work in a year to be considered eligible to claim welfare in the months where they experience an absence of a market. For example, if working for half a year means they would be eligible to claim Universal Credit for the other half of the year. Therefore, there is uncertainty not just if the entrepreneur can receive welfare but also for how long.

In contrast, Germany adjusts to seasonal patterns of work and de-commodification. Assessment periods are 12 months, double the length of “normal” claims, for seasonal workers. The longer assessment period is meant to mitigate income volatility and, so, provide the entrepreneur with sufficient income. However, there is also an expectation that self-employed claimants set aside money for off-peak times during good times (Nikolaus, 2020).

Because entrepreneurs in Denmark tend to be driven by “opportunity self-employment”, the temporary absence of a market as a cause for low or no profit appears to be the entrepreneur’s responsibility. Generally, an entrepreneur would be eligible to draw upon unemployment benefits temporarily if they are insured and make themselves available to the labour market. However, in the long-term, an entrepreneur in this situation would not be able to de-commodify the entrepreneurial process via unemployment benefit as they are only allowed to draw on benefits as transitional support for two years (they are only allowed to draw part-time benefit for 30 weeks over two years). As such, the entrepreneur who experiences a temporary absence of a market might have to find other ways of earning an income if they want to pursue their seasonal self-employment. Broegaard (2020) found that in rural Denmark, many self-employed workers support their self-employment with part-time employment to manage seasonality and the remote location.

In short, seasonality impinges on entrepreneurs’ ability for decent self-employment in the UK and Denmark. Neither the UK nor Denmark appears to have specifically considered the need for support for remote- and seasonally-working entrepreneurs. The UK’s surplus earnings rule may even hinder decent self-employment. In contrast, Germany allows seasonal entrepreneurs more room for de-commodification as it offers a more extended assessment period. Nevertheless, it expects entrepreneurs to make some provisions and save in good times for bad ones. It is worth it for policymakers to consider the intricacies of entrepreneurship which suffers from a temporary absence of a market. At the very least, considering in which circumstances policymakers may want to support, for example, remote entrepreneurship would provide security – in other words: decency.

9.4.7 Entrepreneur is achieving low or no profit but is creating social value

De-commodifying the work of social value entrepreneurs is a question of the entrepreneurial process. The policy questions to ask are: what social value is supported and under what conditions? The UK and Denmark are much closer to each

other in their lack of support for social value entrepreneurship. Germany stands out as another route.

In the UK, Universal Credit is setup to support profitable self-employment. This starts with the gainful self-employment test that entrepreneur claimants must pass to be eligible for welfare support in the first instance. Only gainfully self-employed entrepreneurs may use Universal Credit as an income top-up. Gainful self-employment is characterised as pursuing a profit motive even if the business is not always profitable. Following the start-up phase, the minimum income assumption (MIA) is applied, and this means that non-profit self-employment – that may need welfare support as a top-up – is curtailed. Self-employed entrepreneurs who may aim to create social, cultural, environmental, or other non-financial value but may be struggling with their income would be asked to take up other work, eventually even to give up their self-employment. The timeframe in which this happens is not defined, so there may be some room for de-commodification. If – and for how long – welfare is granted depends on the assessment of the caseworker.

In Denmark, value creation is also understood in a financially profit-oriented manner. In Denmark's enterprise culture, entrepreneurship is characterised as driven by economic profit. On the one hand, it is noteworthy that entrepreneurship is understood in such a narrow way in a regime so focussed on providing room for the individual and solidarity. On the other, it makes sense within the logic of the Danish welfare state: the Danish welfare values of collectivity and universalism can only function if every worker contributes their share. As such, entrepreneurship must be commodified, or else an entrepreneur would be unfairly advantaged (in comparison to employee claimants who are subject to active labour market policies). Generally, the rules as they apply to any entrepreneur claiming unemployment benefit would apply: entrepreneurs may draw on unemployment benefits part-time to top-up their income, but they must be available to the labour market.

In contrast to the UK and Denmark, the German welfare state does not enforce a for-profit entrepreneurship logic – in written at least. In fact, Germany maintains dedicated help for self-employed artists, a term understood widely, to support their social

protection. The state funds half of their social insurance costs acknowledging that they are an at-risk group but contribute to society. They are also granted an extended assessment period (of 12 months) to balance income volatility.

In summary, the three countries differ in how they enable (or disable) room for de-commodification for self-employed artists or other non-financial value creators. The UK and Denmark do not offer specific support but that is not to say there is absolutely no room for de-commodification. It merely means that this room is partially dependent on how the individual case is assessed and handled by the jobcentre caseworker. In Germany, artists (understood widely) are acknowledged as a group of self-employed entrepreneurs that may be at particular risk of market volatility and, so, income volatility or a lack of income.

9.5 Conclusion

In this chapter, I compared the patterns of de-commodification in case of low profit that the three welfare states of the UK, Germany, and Denmark. I showed that in terms of the business life course, only the UK creates room for increased de-commodification through welfare as it acknowledges the first 12 months of a business as a time worthy of a grace period where not all welfare conditionality rules are applied. In contrast, Germany provides enhanced room for de-commodification by extending the length of their “usual” assessment periods (from six months to 12) for entrepreneurs who are seasonally active and artists to accommodate their income fluctuation.

Entrepreneurs with caring responsibilities are de-commodified pro rata in the UK. They are expected to invest fewer hours into their business than other entrepreneurs acknowledging their investment in unpaid work (i.e., care). No such pattern of de-commodification is granted in the other countries. Germany does not count care work in terms of hours worked but tops-up income for entrepreneurs with care responsibilities who earn low or no income up until the calculated needs of the entrepreneur (and their family) are met. Nevertheless, because of Germany’s under-developed care infrastructure and tax structure, entrepreneurs with care

responsibilities, who are often women, may still be disadvantaged. Denmark, in comparison to the other two countries, is the only country that assesses and pays benefits at individual level – rather than at the level of the household.

Apart from these patterns of increased de-commodification, Universal Credit in the UK is an intensely regulated and surveilled system of tapered commodification. Universal Credit is also better at de-commodifying entrepreneur labour than the entrepreneurial process. Germany's social assistance is benevolent in providing room for both labour de-commodification and de-commodification of the entrepreneurial process in the short- to medium-term, but it is ultimately strict in driving commodification in the long-term. Like the UK, the Danish welfare state is very neo-liberal in how it provides welfare for the self-employed. If they previously paid into their unemployment insurance, entrepreneurs may draw from it but must be available to the labour market or to take place in activation measures. As these rules apply to most of the causes of low profit, it can be said that Denmark is equally good at de-commodifying entrepreneur labour as the entrepreneurial process.

The chapter also indicates that regulations have often been set up without proper regard for how the rules affect different types of self-employed. Self-employed entrepreneurs are considered one homogeneous group, which is far from reality. Distinguishing between the causes of low profit – the entrepreneur's ability to invest their labour or the market shaping their conditions of work – can help define a more equitable balance of welfare benefit rules between the entrepreneur managing usual business risk and the welfare state stepping in to support self-employment in defined circumstances where business is hindered outside the realm of the entrepreneur's influence; or where policymakers deem it appropriate to maintain a market for wider macro-economic benefits, e.g., concerning remote tourism.

This comparison is the starting point for discussing what the patterns of de-commodification mean in terms of Esping-Andersen's welfare regime typology. I discuss this in detail in the next chapter.

Chapter 10. Discussion

10.1 Introduction

In this thesis I set out to understand what welfare regulations in relation to self-employment mean in how different welfare states enable or hinder decent self-employment through de-commodification. In the last chapter, I compared three state welfare systems (UK, Germany, Denmark) in relation to how – and to what extent, for whom, for how long – entrepreneurs who experience low profit due to different causes are enabled to de-commodify entrepreneur labour and the entrepreneurial process.

In this chapter, based on the comparison in Chapter 9, I discuss the patterns of de-commodification and different phases of the business and family life course in relation to Gøsta Esping-Andersen's three welfare regime typology. I also present this thesis' contributions to welfare theory, entrepreneurship theory, and implications for decent work and policymaking.

10.2 Forms and patterns of de-commodification

This first section discusses the patterns of de-commodification and business and family life course.

10.2.1 Business life course

Room for labour and entrepreneurial process de-commodification varies across the three countries for new entrepreneurs. In Denmark, new entrepreneurs – unless they paid into unemployment insurance as employees before – are hindered from entrepreneur labour and entrepreneurial process de-commodification as they need to accrue rights to social protection first. For the full-time self-employed (who have not contributed before), it takes five years to accrue rights to draw from an unemployment benefit fund. These rules are very neo-liberal and highly exclusive to entrepreneurs who have not previously paid into the system. They may be discouraged from entering

self-employment in light that start-up entrepreneurship is highly uncertain and income might not flow (steadily) at first. Primarily those entrepreneurs who can rely on background wealth or other forms of income into the household would be enabled to pursue entry into entrepreneurship. At the same time, the requirement to wait five years to be able to draw on welfare is a long time to ask an entrepreneur to be self-reliant.

In Germany, while there is no formal grace period, new entrepreneurs may be able to de-commodify their labour and entrepreneurial process as social assistance is Germany's lowest security net and all citizens and residents are eligible to claim it. So, unlike in Denmark, there is no waiting period to draw from welfare (for residents and nationals). However, unlike in the UK, there is also no grace period where conditionality rules are lightened. This means that, like in Denmark, entry into self-employment is more secure (in terms of managing income volatility) for entrepreneurs who can rely on background wealth or other forms of income into the household.

Universal Credit in the UK is the only welfare programme that grants a grace period to new entrepreneurs. They are able to de-commodify their entrepreneur labour and the entrepreneurial process in the first 12 months of the business' life course. In 2020, that group equated to 484,000 or 13% of the self-employed (Toovey, 2022a). However, the length of the UK's start-up period has been criticised as too short (LITRG, 2017).

In terms of Esping-Andersen's characterisation of the three welfare regimes, Denmark in relation to business life course shows very neo-liberal characteristics by providing nearly no room for de-commodification for new entrepreneurs. In contrast, the UK, originally the liberal welfare regime, offers this room for de-commodification. It, so, shows characteristics of the social democratic regime: it provides room for de-commodification universally to all claimants. Germany, as an example of the conservative regime, is effectively also rather neoliberal today (NB: although I am not comparing today's rules with those that governed self-employment in 1990 when Esping-Andersen published his *Three Worlds* book). The fact that it requires its

“usual” degree of commodification, which means that entrepreneurs can be asked to take up other work, and in the last instance sanctioned, shows this.

In relation to exit routes from low-profit self-employment, none of the countries have well-defined steps that guide entrepreneurs and caseworkers. Solely Germany has guidance that indicates which steps a caseworker should suggest to an entrepreneur depending on how many assessment periods the claimant has already been granted (Table 13). Nevertheless, even then these information are just that – guidance – and some jobcentres have clearly stated that their workcoaches may not force entrepreneurs to de-register their business (Jobcentre Cottbus, 2012: 7). As such, while entry into self-employment has been supported by policy in all three countries, exit appears not to be considered in the same way. Thus, it is possible that low-profit entrepreneurs may be “stuck” in their self-employment. So, in relation to what self-employment de-commodification says about Esping-Andersen’s regime characteristics (refer to Table 2 for a summary), in the liberal regime the role of the market continues to be central – entrepreneurs are commodified but there are no clear exit routes out of low-performing self-employment and the role of the state in supporting this self-employment is marginal. The dominant locus of solidarity remains the market. Esping-Andersen’s characterisation of the liberal welfare regime thus holds up today for self-employment. The social democratic regime partly upholds as the degree of de-commodification is not at maximum and the dominant locus of solidarity is not the state, as the state does not support the entrepreneur much. Instead, the role of the market has gained. In other words: Denmark has liberalised. The role of the state has also increased in importance in Germany, as the role of the state was marginalised.

From this discussion spring directions for further research. In social insurance-based welfare states such as Denmark and Germany, individuals who are new to the social security system and who previously have not paid into the system and accrued rights to social protection have no or little protection. Specifically, the case of refugees or migrants should be researched further. This also applies to the UK, where refugees and migrants are not treated in the same way as British or resident Universal Credit claimants. This further research applies to all six causes of low profit and how the entrepreneurs and the entrepreneurial process may be de-commodified.

10.2.2 Entrepreneur is only partially investing their labour resource

This cause of low profit is highly commodified in all three countries (in the long term). While at first, entrepreneurs would be able to claim self-employment in the UK and Germany and, so, would be able to de-commodify their labour thanks to welfare benefits, the length of time they would be granted support would likely differ. Assessment periods in Germany are six months long and caseworkers require a capacity forecast. So, the entrepreneur claimant could describe a scenario to their caseworker in which their business prospects might improve – with or without additional labour. In the UK, in comparison, assessment periods are four-weeks long. Universal Credit claimants must also meet with their jobcoach regularly and as such, UK claimants might be able to, at first, inform their jobcoach that they are going to be improving their profits – or will invest more of their work – but if a caseworker then forces the entrepreneur to actually invest more of their work, e.g., through threatening sanctions, this is then a case-by-case issue. It is open if the entrepreneur might be able to negotiate with their caseworker in the same way for six months (i.e., the length of one German assessment period). In Denmark, unemployment benefit claimants are required to immediately sign up to the jobcentre and must be available to take up work (or participate in other activation measures) within a day's notice. In this way, they would be commodified not in the medium- to long-term but effectively already immediately after signing up for welfare.

These highly commodifying welfare conditions show that there is increased market-reliance in all three welfare states and, so, the regimes have liberalised. It is not just the UK that puts the market central, but the market has also moved to the centre in Germany and Denmark where it was previously marginal (and the role of the state was central in the social democratic regime, and the family in the conservative regime; the role of the family will be discussed in more detail in the next sub-section).

10.2.3 Entrepreneur with care responsibilities

The labour of entrepreneurs with care responsibilities is de-commodified pro rata in the UK. In Germany, the needs of the entrepreneur and their household are assessed and any shortfall in income (profits) is then compensated for by the state. There is no expectation to invest a certain amount of labour hours. In Denmark, the entrepreneur is also supported by state welfare to de-commodify their labour. In terms of patterns of de-commodification, the entrepreneur's labour is de-commodified in all countries. Partially so in the UK (labour de-commodification pro rata) and without specific restrictions in Germany and Denmark.

However, some entrepreneurs with care responsibilities may still be better enabled to invest more of their labour – if they so wish – in all countries. And some may be at risk of not achieving decent self-employment through de-commodification because of socio-economic circumstances. I will discuss these patterns in more detail below.

As self-employed entrepreneurs tend to work excessive hours, instead of alleviating work-family tensions, welfare conditionality can exacerbate these issues for carers (Cohen, 2018). Self-employed mothers do not work shorter hours but engage in “time-shifting”, meaning they move their working hours so that they work fewer daytime hours and more at atypical times such as evenings or weekends (Craig et al., 2012). Here a discrepancy arises where policymakers want women to contribute to the labour market, but the (welfare) conditions do not necessarily allow them to do so through self-employment (FSB, 2016; Gingerbread, 2018). The lack of comprehensive care infrastructure in Germany contributes to this problem for women entrepreneurs there. Equally, that tax arrangements benefit the main breadwinner instead of a secondary earner can mean that the entrepreneur, if they are the earner with the lower income, hold back on earning more as it is more tax efficient (Overkämping, 2013; Wersig, 2015). This makes it difficult for women (who tend to be the lower earner) to gain financial independence (Wersig, 2006). In contrast, Denmark offers comprehensive, universal and mostly tax-financed benefits in kind in social and health services make it possible to better reconcile work and family life (Kvist, 2019). So, women are more freed up to pursue their self-employment (Kvist, 2019). Denmark and Germany, thus, continue to uphold their 1990 welfare regime characteristics: in the conservative

welfare regime, the dominant locus of solidarity remains the family, whereas it is the state in Denmark.

In the UK, a discussion around self-employment and childminding exemplifies how the market shapes the business and working conditions for women and, so, that the liberal regime continues to allocate a marginal role to state welfare in relation to care: for example, where self-employed child minders could balance family and work with the help of tax credits, under Universal Credit, this is significantly more difficult. Women or single parents mainly carry out child minding in England and Wales to manage their time flexibly, accommodate their caring responsibilities, and earn a living (Gingerbread, 2018). Yet, they “often” barely make a profit from their work, and the work may be unstable, e.g., less work during the holiday periods (Gingerbread, 2018: 1). Under Universal Credit, this route to work may not be an option because of Universal Credit’s income expectations (MIF). Citizens Advice warned that Universal Credit could become an “active deterrent to people becoming - and remaining - self-employed” (2018: 11). Gingerbread (2018) criticised that reaching the MIF within 12 months is difficult in a field characterised by low net pay and tight margins. They illustrated their critique by citing the following example from their helpline:

“Melissa is a single parent who has a baby and lives outside London. She wanted to apply to become a childminder but has been put off by the MIF rules. In the area that she lives, the going net pay for a childminder is around £3 per hour. She is likely to only be able to look after one or two other children, due to limited space and having her own young child in addition. However, this would mean that she would not reach the MIF. Melissa thinks that childminding would be ideal way for her to work and care for her baby but does not think that this will be feasible under UC” (Gingerbread, 2018: 3).

Against the background of a child minders shortage in the UK, the MIF could worsen this situation (Gingerbread, 2018). The specific child-minding example highlights a moral decision that appears to have been made with the introduction of Universal Credit. Despite a shortage of child minders, there is a lack of support from the state to help these entrepreneurs. Given that care work is primarily women's work in the UK,

the position of self-employed carers and self-employed women is in danger of being particularly precarious. In fact, the logic of high commodification could deter people from becoming – and remaining – self-employed.

Further research in relation to care work, self-employment, and welfare support would be beneficial in relation to lone parents in particular. I did not analyse in detail particular forms of household, but it would be worthwhile doing so as the problem of how much labour can be invested (and how to do so) can be especially difficult for lone parents. Lone entrepreneurs with caring responsibilities must balance their self-employment and care work, domestic chores and other issues, such as staying home when a child is ill. They also have only one income rather than a dual-earner – dual caregiver household, and for women, this is likely less than it should be due to the gender wage gap (Boroumand, 2021). Less educated women may struggle even more to achieve sufficient profits to enable a decent life for themselves and their families (Boroumand, 2021). More support for lone parents would acknowledge their specific hurdles and mean more room to de-commodify – also by other means than welfare benefits (e.g., a comprehensive care infrastructure) – and thus afford decent work (Boroumand, 2021). In detail, Danish single parents are not as often in in-work poverty. Danish single parents have half the level of in-work poverty of the EU-28 as a whole, and where there are two parents, the figure is one-third (Kvist, 2019). This results from a policy package that consists of extensive full-time affordable childcare, combined with family and tax allowances that are extra generous for single parents (Kvist, 2019). In Denmark, a gender equity-based approach emphasises the unique needs of mothers, and parental co-responsibility is weaker, but state co-responsibility is stronger (Boroumand, 2021). Danish lone mothers have among the highest labour market participation and lowest at-risk-of-poverty rates. The paradox of the Danish welfare state is that its emphasis on being “mother-friendly,” in some instances, runs counter to gender equality; Denmark’s parental leave policy, gender wage gap, and persistent occupational segregation are three examples (Boroumand, 2021).

Relatedly, further research may consider how welfare rules compel self-employed claimants to pursue any work rather than work which seeks long-term prospects and sustainability, as welfare claimants are more likely to be in low-paid, insecure jobs

(Reis, 2018; K. Andersen, 2022). A knock-on effect is that the gender pay gap increases rapidly and that women are not enabled to pursue sustainable work; that is, work they are qualified for and, as such, advancing in the paid labour market (K. Andersen, 2022). Welfare rules that provide longer horizons to build one's business or get one's business back on track could allow entrepreneurs to pursue decent self-employment.

Moreover, there is different impact based on how welfare benefits are paid and calculated at household versus individual level. Household-based assessments (UK and Germany) tend to mean women are more often out of the labour market caring for others and thus leaving them without access to an independent income (Griffiths, 2018; Bennett, 2021). Having fewer and fewer individual entitlements can create dependencies if the lower-earning household member is the self-employed entrepreneur, who is often a woman (Garnham, 2018). When welfare benefits are individual benefits, claimants tend to be less at risk of being disadvantaged based on their gender; for example, as might be the case in Germany where women tend to earn a secondary income (Konle-Seidl, 2021). Similarly, that one payment is made for the entire household can be problematic because it can create dependencies if the lower-earning household member is the self-employed entrepreneur. Benefits have increasingly been aggregated into benefit or family units with fewer and fewer individual entitlements (Garnham, 2019). Therefore, there is a critical gender consideration to be made where primarily women are second earners in a household. As Dwyer and Wright (2014) noted, Universal Credit requirements threaten to make full-time motherhood the reserve of the more affluent members of society. The logic of Universal Credit places particular role expectations on carers: they are viewed merely as "workers", rather than as humans, e.g., mothers:

"In this way, welfare-to-work policies seek to squeeze the messy reality (Hoggett, 2001) of everyday experience into an androcentric mould, as if life events (such as redundancy, relationship breakdown or the onset of illness) are predictable, avoidable and impact-free. This fictional version of invincible humanity makes no concessions for influential or debilitating emotions (such as

love, fear, denial, anger, hatred), or physical and psychological affects (pain and suffering, conflicts or complexity)” (C. F. Wright et al., 2019: 323-324)

Overall, welfare-to-work policies overestimate how individuals can control their biographies (C. F. Wright et al., 2019).

Penultimately, the individual risks for indecent self-employment can exacerbate for entrepreneurs with multiple, intersecting dimensions of causes of low profit. Entrepreneurs with caring responsibilities who also pursue non-economic value creation can be disadvantaged by welfare rules in more than one way. For instance, the Minimum Income Floor and general liberal welfare expectations to earn more from hours worked can mean that entrepreneurs who cannot invest all of their labour and who also pursue non-economic value face more than one barrier to achieving sufficient profit. In the long term, these entrepreneurs may find themselves forced out of their self-employment: suppose they pursue social value entrepreneurship with the support of benefits. In that case, their self-employment may be deemed not gainful (under Universal Credit in the UK), and they would be asked to find other work, including employed labour. As women tend to be carers and women entrepreneurs are over-represented in social value entrepreneurship (Liñares-Zegarra and Wilson, 2022), there is a critical gender dimension of inequality that should be considered in future research. Where entrepreneurs with caring responsibilities may be asked to take up other work as their self-employment is deemed not gainful, they may have to take up work that is not as flexible as self-employment. This would contradict the narrative that self-employment is a means for entrepreneurs with caring responsibilities to “have it all” – balancing a career and their family life (FSB, 2016). Researchers and policymakers should therefore research and possibly devise systems to ensure good working conditions and productivity. The consequences of the different patterns of de-commodification that I observed point to this.

Lastly, as outlined in section 2.5.2, room for training and development are determinants of decency in self-employment and thus there is also room for further research here. The self-employed are responsible for their growth and must make their own training arrangement. Welfare conditionality can adversely impact this room

for training (Gable, 2022). Where conditionality requirements focus on working more hours or earning more from these hours, it may challenge these requirements with training possibilities; even more so for entrepreneurs who cannot invest more labour due to care work. In addition, as has been discussed (section 2.5.2), self-employment places additional burdens on managing one's time and resources, for example, the cost of training and associated indirect costs such as travel or finding childcare. While entrepreneurs have costs (e.g., training fees), they also forgo income. Training can lead to higher paid opportunities besides fulfilling non-pecuniary aspects, such as self-fulfilment. The role of caseworkers is also worth highlighting. Gable (2022) found that work coaches often did not adjust job search requirements to account for the time people spent studying. Caseworkers need to consider the intricacies of training, the entrepreneur's ability to meet conditionality requirements, and their non-paid work commitments (Gable, 2022). Policymakers need to consider that workcoaches may be trained to discuss and find training for entrepreneurs who have additional burdens. Instead of being passed between workcoaches, entrepreneurs need a positive, long-term relationship with one workcoach who understands their responsibilities (e.g., care responsibilities). Relationships and trust cannot be built in five-minute meetings (Gable, 2022). Training and development opportunities can help bridge the gender pay gap in self-employment and lead women out of the low-pay cycle. As IPSE found: in the constantly evolving world of self-employment, training and business skills development can help self-employed women better face competition, boost their day rates, and provide them with opportunities to find new clients (Yordanova, 2020).

How entrepreneur labour is supported in ways other than through de-commodification is also an avenue for further research. For example, in relation to child benefits and the care infrastructure.

In relation to Esping-Andersen's welfare regime typology, the UK, again, only partially reflects the characteristics of the liberal regime. It expects only some labour commodification of entrepreneurs with care responsibilities. Germany enables de-commodification based on household needs and so, in part, goes against Esping-Andersen's characterisation of the conservative regime. By allowing low-income households to have their income shortfall topped up by social assistance, it provides

the ability for entrepreneur labour de-commodification universally to all entrepreneur claimants and their households. Denmark continues to reflect the characteristics of the social democratic regime in that it provides universal right to labour de-commodification.

10.2.4 Entrepreneur invests their labour with a profit motive but is not achieving sufficient profit

The cause of low profit when an entrepreneur invests their labour with a profit motive but does not achieve sufficient profit is driven by the gainful self-employment test in the UK. Depending on the caseworker's (case-by-case) assessment, the entrepreneur may be granted welfare support to get their business back on track, or has to commodify their labour by taking up other paid work. If the entrepreneur receives welfare benefits and, so, can de-commodify the entrepreneurial process, there is no clear indication for how long they may receive welfare. In Germany, this case is more clearly described in guidance documents. Social assistance is granted for a six-month assessment period based on a business forecast. At the end of the six months, an evaluation follows. Importantly, caseworkers are guided to ask an entrepreneur struggling to achieve profit to take on other work only after the second assessment period, after 12 months. In practice, Pahnke et al. (2019) even found that some self-employed social assistance claimants were supported for several years. In Denmark, entrepreneurs who are "labour market insiders" and struggling to achieve sufficient profit may get part-time unemployment benefit as transitional support for 30 weeks over two years.

These conditions on receiving welfare show that in the short- to medium term there is a degree of de-commodification for entrepreneurs who invest labour with a profit motive but do not achieve sufficient profit. As such, arguably, there is a medium degree of de-commodification. Thus, not reflecting Esping-Andersen's characteristic of the liberal regime. However, in the long-term all countries are highly commodifying the entrepreneurial process of these entrepreneurs, reflecting, once again, a trend to liberalisation.

These conditions also highlight how entrepreneurs are differently well enabled to pursue their self-employment. First, there is uncertainty for these entrepreneurs as they can draw on welfare to get their business back on track (i.e., their entrepreneurial process is de-commodified), but regulations for how long they may do so are not codified. It is unclear if or when they may need to take up other work or even give up their businesses. At the same time, there are no clear routes out of unprofitable self-employment. Thus, in some cases, entrepreneurs may be stuck in their low-profit self-employment.

Second, a wider policy question of autonomy arises in relation to this cause of low profit. A struggling entrepreneur would eventually be forced to leave their unprofitable self-employment in all welfare states. However, the exact routes out of self-employment may be important to consider as enterprise failure (i.e., switching from self-employment to unemployment) is pervasive and can lead to financial losses and evoke emotions, such as grief, shame, and self-blame, and damage one's self-esteem. Founders form deep identity connections with the ventures they start as they pour time, energy, passion, hopes, and resources into nurturing the future growth of their businesses (Nikolova et al., 2021). Losing self-employment, for example, is more strongly correlated with feelings of personal failure and deviation from one's ideal self than losing salaried employment (Hetschko, 2016). It can also take several years for former business owners to adapt, and social stigma can further prolong recovery. At household level, losing savings because of business failure can deprive entrepreneurs and their families of essential financial resources and increase financial strain and feelings of insecurity. This can further exacerbate the psychological damage of unemployment and make coping with the adverse situation more difficult and prolonged (Nikolova et al., 2021). A longer recovery period may be necessary for failed entrepreneurs to bounce back, relative to people losing salaried jobs (Nikolova et al., 2021). The above issues also reflect how the systems are set up to serve themselves rather than the entrepreneur, for example, to get claimants into work or to simplify administration (Summers and Young, 2020; Rouse et al., 2021).

In all welfare states, there also appears to be a discrepancy between policy aims to support entrepreneurship and how entrepreneurs with a profit motive are supported.

Against the background of increasing self-employment rates, this discrepancy could mean that entry into self-employment is sought and promoted, but entrepreneurs then get stuck in low-income self-employment with wide-ranging negative consequences (Nikolova et al., 2021). It is worth for policymakers to consider and discuss this issue to gain clarity how entrepreneurs who invest their labour with a profit motive but fail to achieve sufficient profit are treated.

10.2.5 Entrepreneur is providing goods profitably but will only get paid in the future

While this cause of low profit is highly prevalent in the UK (Toovey, 2022b), it appears that it and its related policy issue – if temporary de-commodification should be granted – is not considered by policymakers. Previous research has shown that the self-employed lose significant amounts of time and money each year chasing late payments and are sometimes not paid (Toovey, 2022b). IPSE found that the average amount currently owed to self-employed entrepreneurs in the UK is £5,230 (Toovey, 2022b). Late payments seriously damage the financial wellbeing of self-employed workers, with one in five finding themselves without the money to cover basic living costs (Toovey, 2022b).

Under Universal Credit, entrepreneurs with a cashflow problem (i.e., they invest their labour with a profit motive and so are gainfully self-employed) may draw on Universal Credit for an income top-up in times of low profit. However, in these months of low profit, they are subject to welfare conditionality through the MIF. If the entrepreneur then receives the payment, it may be (depending on the size of the payment) that they are penalised by the surplus earnings rule in the following months. As such, entrepreneurs with a cashflow problem may struggle to be de-commodified under Universal Credit. It depends on their income and how volatile it is (see Figure 2). In Germany, arguably, this cause of low profit is not adequately handled. The future or expected payment (in case of late payment) would always be part of the entrepreneur's needs assessment and in the short term, the entrepreneur may suffer low or no income because their needs are calculated including the payment. The entrepreneurial process would only be de-commodified at the end of an assessment

period, through a re-payment. For Denmark, the entrepreneur with a cashflow problem would be able to become unemployed part-time and claim support, if they have accrued rights to unemployment support. However, they would be subject to active labour market policies such as having to be available to take up suggested paid employment or do a training course at a day's notice. Therefore, there is a high degree of commodification of the entrepreneurial process for this cause of low profit.

All three welfare states handle cashflow problems in a liberal way. Entrepreneurs with cashflow problems are subject to conditionality in all countries. So, the dominant locus of solidarity is the market (rather than the state). The degree of de-commodification is minimal.

It is worth for policymakers to consider how they may support cashflow problems. So far, welfare regulations appear to treat them mainly as a business issue. But policy may have a vested interest in enabling entrepreneurs to pursue their activities in specific markets or sectors that suffer from irregular payment norms.

10.2.6 Entrepreneur experiences a temporary absence of a market

Neither the UK nor Denmark appears to have specifically considered the need for support for entrepreneurs who experience a temporary absence of a market. In contrast, Germany allows seasonal entrepreneurs more room for entrepreneurial process (and labour) de-commodification as it offers a more extended assessment period to seasonally working entrepreneurs. There is no specific mention in German welfare regulations about granting this extended assessment period to rurally working entrepreneurs who experience a temporary absence of a market based on their location rather than their ability to achieve profit at specific times in a year. Overall, policymakers appear to have little consideration for this cause of low profit (Rouse et al., 2021). It is either not discussed or considered a business issue (e.g., in Germany; Nikolaus, 2020). Equally, there is uncertainty about the length of support and, so, pressure to commodify (UK).

It is worth it for policymakers to consider this cause of low profit. At the very least, considering in which circumstances policymakers may want to support, for example, remote entrepreneurship would provide security for entrepreneurs – in other words: decency. Additionally, crisis responses, such as amid the Covid-19 pandemic, fall into this category but have their own particular rules and have been little discussed (Rouse et al., 2021). But this is an important research direction.

The ways in which this cause of low profit is (de-)commodified in the three welfare states goes against Esping-Andersen's characterisations of the welfare regimes. Germany provides more room for (entrepreneur process and labour) de-commodification. It is not quite universal as only seasonally active entrepreneurs are singled out and granted more room for de-commodification. The UK and Denmark are very liberal in their lack of support for these groups. The MIF and surplus earnings rule enforce a high degree of commodification of labour (to make up the shortfall caused by the market). The same applies to Denmark, where the "usual" welfare conditionality is applied and entrepreneurs have to be available to the labour market.

10.2.7 Entrepreneur is creating low or no profit but is creating social value

Artists and other non-economic value creators appear to be valued, but their financial well-being is not considered in some welfare states. They struggle with de-commodifying the entrepreneurial process (UK, Denmark). Germany offers another route.

In the UK and Denmark, entrepreneurs who seek to create value other than economic profit may end up in a situation where they cannot pursue their entrepreneurship if it does not continuously create sufficient income. The cultural and creative sector is celebrated for its continuous growth and economic contribution in neoliberal Britain (Darko, 2021). Yet, a lack of support for non-economic value creation indicates a policy inconsistency whereby social (or other) value creation is sought, but entrepreneurs are not supported to manage a lack of income or income volatility. Due to this policy logic, entrepreneurs seeking to create non-economic value are (potentially) "lost" (interviewee UK3) to the UK economy. Germany, in comparison,

offers specific support for artists (the term is understood widely) to help them address a lack of income and income volatility. They may draw on social assistance as an income top-up and artists' welfare assessment periods are expanded to 12 months at a time to help them manage income volatility. In part, this reflects how Esping-Andersen described the corporatist regime – that different groups of workers are differently well protected. For these entrepreneurs in the UK and Denmark, their degree of commodification is high and, so, both countries are highly liberalised in relation to artists and other non-financial value creators.

10.2.8 Uninsured

The logical consequences of my analysis show that two groups of entrepreneurs are worthy of further discussion. First, like new entrepreneurs, the uninsured may suffer not being able to de-commodify labour or the entrepreneurial process through welfare. In social insurance-based welfare states such as Denmark (and in part Germany in relation to unemployment benefit but not social assistance), this group is therefore at risk of indecent self-employment because they would not be eligible for support. When entrepreneurs are overly optimistic about their future business success or do not want to afford (or cannot) contributions to membership in social insurance, they are at risk of not being supported in times of low income. This lack of universal protection goes against Denmark's core values of universalism and collectivity.

10.2.9 Ethnic minority and migrant entrepreneurs

So far, I have discussed the causes of low-profit as well as the business and personal life course of the entrepreneur. However, the logical analysis of conditions of welfare also points to the socio-economic background as a means that shapes the business and working conditions of the self-employed. I have alluded to this in places, e.g., in relation to background wealth as a means to sustain insufficiently profitable self-employment. Along these lines, one group that warrants further research in relation to welfare and self-employment are migrant and ethnic minority entrepreneurs as they are more likely to occupy some of the above-discussed low-income situations.

Over the last decades, in advanced industrial societies, self-employment and small business among ethnic minorities have increased significantly (Ram et al., 2012). For the UK, there is compelling evidence that (some) ethnic minorities turn to self-employment because of blocked opportunities or unemployment (Ram et al., 2012). Although, there is also research showing positive reasons for entry into self-employment. Equally, while trading, ethnic minority businesses can be spatially restricted, placing barriers on their ability to expand and potentially achieve higher profit (Ram et al., 2012). Funding for ethnic minority businesses is also depressingly difficult (Ram et al., 2012).

In relation to achieving decent self-employment, ethnic minority or migrant entrepreneurs can encounter various disadvantages. They relate to discrimination and resource constraints. Research suggests that first-generation migrants tend to engage in entrepreneurship as a necessity related to anticipated or substantive discrimination (Al-Dajani et al., 2020). These include employment discrimination, gender discrimination, and constrained resources required to integrate into the host country, such as language skills, accredited qualifications, and financial and social capital (Al-Dajani et al., 2020).

For ethnic minority or refugee women specifically, evidence suggests that ethnic and migrant women are more likely than other women to select self-employment due to discriminatory challenges constraining their access to mainstream employment (Al-Dajani et al., 2020). This raises concerns about women's autonomy and legitimacy to act as entrepreneurs. The confluence of these challenges has complex and varied effects on the type of firms that ethnic minority migrant women create and their potential for sustainability and growth (Al-Dajani et al., 2020). As Al-Dajani et al. (2020: 2) put it: entrepreneurship for ethnic minority women is an unsafe "safety net".

10.2.10 Summary

The previous sections have discussed causes of low profit and groups of entrepreneurs who may be at risk of low-profit and, so, not achieving decent self-employment through de-commodification. This discussion raised research and policy

questions about how welfare systems operate today and what may be possible instead. Table 16 summarises how the different causes of low profit are handled and notes the wider policy issues that arose from the analysis.

Table 16 Overview of consequences of the different causes of low profit and wider policy questions

	Entrepreneur is only partially investing their labour resource	Entrepreneur is unable to invest their labour in full due to care responsibilities	Entrepreneur invests their labour with profit motivation but is not achieving sufficient profit	Entrepreneur is labouring to provide profitable goods or services but will only get paid in the future	Entrepreneur experiences a temporary absence of a market	Entrepreneur is creating low or no profit but is creating social value
Consequences of how causes of low-profit are handled	In the short-term: entrepreneurs are asked to commodify more of their labour. In the long-term: entrepreneurs will be asked to leave	Gender inequality: carers who pursue forms of insecure entrepreneurship such as creating social or other value may be deemed not gainful and they would be asked to find other work, including	Some entrepreneurs may remain in insufficiently valuable self-employment when they should leave (in the short- and medium term). No	Although late payment problems are ubiquitous and its consequence are a health issue for the solo self-employed,	A lack of clear guidance how this entrepreneur is supported may mean that they are suffer a period of no	Where welfare rules to support social value entrepreneurship are not sufficiently clear, it is possible that social entrepreneurs may be driven

	<p>entrepreneurship to reduce or end their need for welfare</p>	<p>employed labour. This can impair their flexibility to be entrepreneurial and manage their family life. They may be asked to take up employee labour, which may be less flexible. They may also be asked to take up any work to increase their earnings, rather than quality work, i.e. work pursuing long-term prospects/sustainability, with the possible consequence that they end up in low-paid, insecure jobs.</p>	<p>country has explicit rules on when and how this should take place: there are no clear routes out of unprofitable self-employment.</p> <p>In all countries, discrepancy between policy aims to support entrepreneurship and how struggling entrepreneurs are supported. This discrepancy</p>	<p>they appear to be considered a business issue.</p>	<p>or low income</p>	<p>out of their self-employment</p>
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		<p>Welfare paid at household level creates dependencies. Being out of the labour market caring for others can leave claimants without access to an independent income.</p> <p>Lone entrepreneurs with caring responsibilities are especially at risk: they must balance their self-employment and care work, as well as domestic chores and other issues. They also</p>	<p>could mean that entry into self-employment is sought and promoted, but entrepreneurs then get stuck in low-income self-employment and without support.</p>			
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		<p>have only one income and for women, this is likely less than it should be due to the gender wage gap. Less educated women may struggle even more to achieve sufficient profits to enable a decent life for themselves and their families.</p>				
<p>Wider policy question</p>	<p>Where does the individual's autonomy and their free self-determination end?</p>				<p>In which circumstances does a state want to support entrepreneurs who experience a temporary</p>	<p>Which social value entrepreneurship does a state want to support?</p>

					absence of a market (e.g., a crisis)?	
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10.3 Self-employment de-commodification and Esping-Andersen's three welfare regime typology

Having discussed the patterns of self-employment de-commodification, I now discuss what these say about Gøsta Esping-Andersen's de-commodification typology applied to self-employment (addressing RQ3), also in relation to the policy discussions based on my secondary data collection method.

10.3.1 United Kingdom

I find that de-commodification in relation to self-employment in the UK mostly reflects Esping-Anderson's characterisation of the liberal welfare regime, with some adjustments in relation to labour de-commodification for entrepreneurs in the start-up phase and entrepreneurs with care responsibilities. The British welfare system in the form of Universal Credit is an intensely regulated and surveilled system of tapered commodification.

Through conditionality in the form of the Minimum Income Floor, the surplus earnings rule, and close surveillance of how entrepreneur Universal Credit claimants progress in developing their enterprises (to work more hours or earn more from hours worked), Universal Credit is an intensely regulated and surveilled system of commodification. This commodification is tapered for entrepreneurs in the start-up phase and for entrepreneurs with care responsibilities: Universal Credit de-commodifies entrepreneur labour and the entrepreneurial process for all causes of low profit during the start-up phase. The Minimum Income Floor is not in force and so lifts conditionality in relation to being profitable. Entrepreneurs who are unable to invest their labour due to care responsibilities are de-commodified pro rata because conditionality through the assumed income (MIF) is not in force.

In addition, Universal Credit applies the gainful self-employment test, which expects that entrepreneurs pursue a profit motive and take steps to earn an income or increase their income. The consequence of this logic are that entrepreneurs who pursue non-economic value and entrepreneurs who invest their labour with a profit

motive but do not achieve sufficient profit may be forced out of their self-employment. With the assumed income (MIF) in force, it is likely that in the long term, the entrepreneur must shift to achieving economic profitability. If they do not or fail to do so, the entrepreneur may be asked to exit their self-employment or at least take up other paid work. Of course, it is always possible that some entrepreneurs in these circumstances are able to draw on background wealth to “subsidise” their low income. Equally, the exact circumstances how an entrepreneur may be asked to take up other work depends on negotiations between the entrepreneur and their caseworker. Where entrepreneurs are able to convince their caseworker to continue to grant them Universal Credit, they would be de-commodified during this time.

Furthermore, I find that Universal Credit is better at de-commodifying entrepreneur labour than the entrepreneurial process. In Universal Credit, jobcentre caseworkers are guided better in how to handle a lack of entrepreneur labour (either through voluntary non-investment of labour or because the entrepreneur is unable to invest more labour). The expectations upon the entrepreneur with care responsibilities is clearly codified based on the age of the child. While it is not as clear how a caseworker should handle the case of an entrepreneur who voluntarily does not invest (all of) their labour – exact timeframes when what needs to be done are not defined – the overarching guidance is provided. Caseworkers should apply the gainful self-employment test and if they find the entrepreneur to be gainfully self-employed, they need to invest more of their labour to earn more. In contrast, regulations how causes of low profit that relate to the entrepreneurial process are to be handled are less clear. Caseworkers are not told for how long an entrepreneur who invests their labour but does not achieve sufficient profit may be supported. Equally, an entrepreneur who experiences a temporary absence of a market and entrepreneurs who create low financial profit but create social value also do not know exactly what the conditions are under which they may receive Universal Credit (for how long, if they may work for a certain number of months in a year and would then be eligible to claim support for the other months).

Thus, generally, there appears to be somewhat of a discrepancy between policymakers advertising self-employment as a means of access to the labour market

for marginalised groups (Yordanova, 2020) as well as flexible means of access to the labour market for specific groups such as carers (Gingerbread, 2018) and Universal Credit's commodification logic. The reality of self-employed labour supported by Universal Credit does not uphold these promises. This leads to the question if enterprise culture and programmes to support the self-employed are a joined-up policy and if it is honest in setting out the narrow conditions of which low income it will support and the general expectation of profitability. My research project here can be the starting point for a more comprehensive research agenda that considers the different cases of low profit in more detail and other aspects of the welfare state, such as childcare benefits.

Lastly, and this observation applies to the UK and Germany, household-based welfare needs assessment can create dependencies if the lower-earning household member is the self-employed entrepreneur, who is often a woman (Garnham, 2018). In welfare systems that assess needs and income at household level, there is a reliance on kin for various types of support, such as financial, instrumental, or emotional (Cohen et al., 2018), which can create dependencies. It may even be that the women entrepreneur is not entitled to any welfare based on the household income or savings. So, some of the low-income self-employed may not be supported at all. Specifically, entrepreneurs who are lone parents may be at risk of indecent work. They only have one income rather than a dual-earner – dual caregiver household, and for women, this is likely less than it should be due to the gender wage gap (Boroumand, 2021). Less educated women may struggle even more to achieve sufficient profits to enable a decent life for themselves and their families.

10.3.2 Denmark

The Danish welfare state is maybe the one that has moved away most from Esping-Andersen's original welfare state characterisation (1990). The Danish welfare state has liberalised in general (F. Larsen and Caswell, 2022) and the degree to which self-employed entrepreneurs have to commodify reflects this.

The Danish welfare state – within the realms of active labour market policies – allows modest room for de-commodification for all causes for low profit. Entrepreneurs who are eligible to claim unemployment benefits may draw upon them. However, the conditions to accrue these rights are strict. Full-time entrepreneurs (who did not previously accrue rights via an employee role) must have paid into their insurance for five years to be then eligible to draw from it. Then, they may claim unemployment benefit for 30 weeks over two years but must be available to the labour market (i.e., to take up (part-time) paid work or be available to take part in activation measures) at a day's notice.

As this expectation to take up work or take part in activation measures applies to all causes of low profit, arguably, the Danish welfare state de-commodifies both entrepreneur labour and the entrepreneurial process, but only for those entrepreneurs who are eligible for unemployment support.

In the long term, entrepreneurs would be subject to a high degree of commodification. If they are unable to draw from unemployment benefit – after two years – they must find other ways to increase their incomes. This may be to take up employment, unless they can find other ways to “subsidise” their low-profit self-employment, or they may accept their low income and adjust accordingly. Specifically, this may have consequences for social value entrepreneurship. Entrepreneurs who achieve only low financial value because they pursue social or other value may struggle in the long-term if they are unable to continuously make ends meet.

These patterns of de-commodification should be considered against the background that entrepreneurs in Denmark tend to enter self-employment for opportunity purposes (Jepsen and Halabisky, 2020). As such, they may be assumed to enter entrepreneurship with open eyes accepting entrepreneurial risk and reduced welfare protection in the hope of profit. They accept that, in part, they become “labour market outsiders”, especially if they also choose not to join an unemployment fund. This means that some entrepreneurs, such as those who are over-optimistic about their business success, take up entrepreneurship but may end up in a precarious position in the Danish welfare state. We can imagine that workers in employee roles that they

perceive not to be decent seek to enter entrepreneurship instead. These groups of entrepreneurs need to voluntarily insure themselves against lack of income by joining an unemployment benefit fund. They may not do so because insurance costs are an expense that entrepreneurs might not want to cover – or think they do not need to cover because they are optimistic about their business, underestimate risks, or something has happened in the market. In the case where they suffer risk, they are not well protected. They will then be in danger of lacking sufficient income if they are not insured. Equally, as entrepreneurs cannot immediately draw from the unemployment benefit fund in the early phases of their entrepreneurship, they are less well protected. A policy question arises concerning auto-enrolment and discretionary joining of social protection mechanisms. Should there be opt-in options that may leave the entrepreneur unprotected? The state here also likely considers the costs that it bears. In other words, to what extent are low-profit self-employed allowed to be a cost to the state? In short, it appears that – albeit small – a number of the self-employed may be at risk of only earning a low profit, which could fall through the social security net.

Lastly, as the expert interviews showed, the interviewees tended to make a noteworthy distinction: compared nationally, the self-employed are not as well protected as employees. Considering how social protection is rooted in Denmark's collective bargaining system, the weak social protection of self-employed entrepreneurs may be one of the most acute problems facing the Danish social protection system: the growing inequality among workers covered by existing social protection and those either without or with weak coverage (Ilsøe et al., 2019).

10.3.3 Germany

Germany's social assistance is benevolent in providing room for both labour de-commodification and de-commodification of the entrepreneurial process in the short- to medium-term, but in the long-term it is ultimately rather strict (in theory), i.e., drive commodification (of labour and the entrepreneurial process). However, this has been shown to not always be the case in practice (Pahnke et al., 2019). In short, the system

continues to provide different levels of social protection (in relation to income support). These, however, appear not to be the result of a cohesive policy.

Overall, Germany enables de-commodification of entrepreneur labour and the entrepreneurial process in all (but one) cases of low profit. Germany's assessment periods of six months provide room for labour and entrepreneurial process de-commodification for at least a couple of assessment periods across all six causes of low profit, according to caseworker guidance. Exactly how long social assistance is granted depends on negotiations between the entrepreneur and caseworker. A wily entrepreneur may be able to negotiate with their caseworker to allow them longer room for labour de-commodification if they voluntarily do not invest all of their labour. In relation to the causes of entrepreneurial process de-commodification, an entrepreneur who invests their labour with profit motivation but is not achieving sufficient profit and an entrepreneur who is labouring to provide profitable goods or services but will only get paid in the future could also be able to convince their caseworker to grant them further (entrepreneurial process) de-commodification until their business improves. It is more difficult to imagine that an entrepreneur who is achieving only low or no profit but is creating social value can argue that they are deserving of social assistance – unless they can show that their situation is temporary.

One group that is less well protected also in the short- and medium-term are entrepreneurs with cashflow problems. Their income forecast (for each assessment period) must include their expected payment and their level of social assistance is calculated accordingly, i.e., reduced by that amount. However, if they do not get paid in the assessment period, entrepreneurs in this situation may not have enough money and will only receive a re-payment at the end of the assessment period.

Germany also enables specific (entrepreneurial process) de-commodification to entrepreneurs who experience a temporary absence of a market – if they work seasonally – and artists. They, too, are granted extended assessment periods to manage their income volatility.

The labour of entrepreneurs with care responsibilities is de-commodified without expectations, as they apply in the UK for example. Their income needs (at the household level) are assessed, and any shortfall is made up. Nevertheless, these entrepreneurs may be disadvantaged because of a lack of a comprehensive care infrastructure and tax regimes that benefit the primary, often male, earner. In this regard, Germany continues to uphold Esping-Andersen's characteristics of the conservative regime: the welfare state disadvantages the secondary earner.

However, these measures apply in the short- to medium-term and in the long-term, the state expects that all entrepreneurs take measures to improve their business conditions and, so, end their need for state support. As such, there is increased pressure to commodify (labour and the entrepreneurial process).

Also notably, empirical research found that some entrepreneurs receive welfare benefits for several years (although I point to just one paper in this regard) and most are able to stop drawing on state support as an income top-up because their business situations improve and they make profit.

Against this mix-and-match of support that appears more the result of street-level regulations rather than a cohesive net of support across self-employment, the expert interviews highlighted that a holistic policy discussion has not yet taken place.

10.3.4 Summary

To sum up, there are large parts where the three welfare states reflect Esping-Andersen's classification (1990). The UK continues to be a highly commodifying welfare state. Germany continues to offer mix-and-match social protection and protects some entrepreneurs better than others, i.e., social stratification is high. Nevertheless, also Germany has liberalised and expects that entrepreneurs invest their labour and find ways to decrease or end their need for state support in the long term.

The Danish system is highly neoliberal today and, so, does not reflect Esping-Andersen's characterisation of the social democratic welfare regime. Denmark enables individual freedom by giving entrepreneurs the room to pursue their desires allowing them to opt out of the tightly knit social security net. At the same time, these entrepreneurs (must) accept that they are less well protected and may have to take up employed paid work if they cannot sustain a sufficient income from their self-employment.

There also are differences to Esping-Andersen's original regime characteristics. All countries – but notably Denmark – have liberalised. This is particularly visible in how Universal Credit in the UK forces claimant's commodification of their labour and the entrepreneurial process. Denmark, too, pursues a very neoliberal understanding of enterprise and entrepreneur labour and the entrepreneurial process is highly commodified. Those who are "labour market outsiders" are even less well protected. Germany has (liberal) expectations that the entrepreneur invest their labour and, so, become less reliant on state welfare in the long term.

10.4 Contributions to research and policy

In the following sections I outline my contributions to welfare and entrepreneurship theory and the implications of my work for decency and policymaking.

10.4.1 Contribution to welfare theory

In relation to welfare theory, I advanced thinking on de-commodification. In the past, research on and thinking about de-commodification solely focussed on employed labour. For the first time, I applied it to self-employment. Additionally, I empirically analysed how three welfare states enable or hinder de-commodification for the self-employed. As my research cannot address all questions concerning de-commodification and self-employment, I also opened a future research agenda.

First, I contributed to welfare theory by having conceptualised de-commodification as it relates to entrepreneurship. To date, de-commodification has only been thought

about in relation to employment, not self-employment. I developed a conceptual tool to help researchers and policymakers to think about de-commodification in entrepreneurship. My conceptual framework differentiates between de-commodification of self-employed labour and the entrepreneurial process and I also consider the entrepreneur's business and family life course.

I advanced six causes of low profit in self-employment:

1. An entrepreneur may choose not to invest their labour fully to preserve leisure time. They may trade at low or no profit because they voluntarily use their resources in other ways.
2. An entrepreneur may be unable to invest their labour in full or move of their labour because they need to use it to care for others (i.e., doing unpaid work).
3. An entrepreneur may invest their labour with a profit motive and still does not achieve sufficient profit. This may be for different reasons: they may be trading in a good or service without sufficient financial value; they may have misjudged the market, or the market has changed.
4. An entrepreneur may be investing their labour but will only get paid in the future or is suffering late payment. Policy then may need to consider if it should help with a cash-flow or late-payment problem.
5. An entrepreneur may experience a temporary absence of a market. The policy questions then are how, how long, and who should be supported in a crisis. An entrepreneur who experiences the temporary absence of a market may need to be supported temporarily to enable household income, and, by extension, to be enabled to continue to pursue their business. Furthermore, policy may need to consider what seasonal work it wants to subsidise.
6. Lastly, an entrepreneur may only achieve low or no profit because they produce a good or service with non-economic value. For example, this may be an artist or social entrepreneur. Here, policy would need to consider what social value is supported and for how long.

The framework of six causes of low profit helps to unblur the lines of when and how welfare may be needed to support the entrepreneur or the entrepreneurial process in times of low profit.

Second, I conducted empirical work and applied this framework in three countries chosen to represent Esping-Andersen's (1990) welfare regime typology. I compared the welfare states of the UK, Germany, and Denmark because they are economically comparable but with philosophically different views of the role of the welfare state. This allowed for comparison not just of different approaches to self-employment policy but also to derive policy recommendations to address poverty among the self-employed. Therefore, my empirical research adds knowledge. I analysed the regulations of three welfare regimes in detail, and interviews enabled me to understand further the systems and the state of the policy debate in those settings.

I find that de-commodification in relation to self-employment in the three countries largely reflect Esping-Anderson's typology but with some nuances. The UK continues to be a highly commodifying welfare state. Universal Credit is an intensely regulated and surveilled system of tapered commodification. Germany continues to deliver a mix-and-match approach to social protection and protects some entrepreneurs better than others, i.e., social stratification is high. Notably, Denmark's welfare state has liberalised significantly and self-employment (both in relation to entrepreneur labour and the entrepreneurial process) is highly commodified.

Third, my research raises important questions about inequalities, and as I cannot address all of these in this thesis, I open a future research programme. I analysed the conditions of welfare support and have shown that different social groups are enabled differently to achieve decent self-employment through de-commodification. Therefore, the welfare state creates social inequalities for different groups of entrepreneurs. As I have shown, some entrepreneurs live in a deprived place or come from ethnic minority backgrounds, they are women, and social entrepreneurs and these groups tend to be more likely to occupy some of these low-income situations (e.g., Liñares-Zegarra and Wilson, 2022). I draw on other researchers' analyses and raise concerns and research directions. This concerns women entrepreneurs: gender-based, and poverty and

socio-economic issues may be at play. It also concerns migrant entrepreneurs and those with ethnic minority backgrounds. Further research should also consider the effects of socio-economic circumstances as some entrepreneurs may be enabled to pursue their self-employment thanks to background wealth. As such, the causes of low profit that I conceptualised can be a starting point to look at these groups differently and in more detail. In short, my research project opens a future research agenda: researchers may analyse different groups and may do so through a welfare or entrepreneurship lens.

Lastly, based on my approach of applying de-commodification to self-employment, my work can help welfare researchers think about other forms of atypical work, such as zero-hours contracts or gig work. Further research might consider de-commodification in relation to gig work as there is value in developing concepts of what de-commodification means depending on the kind of exchange the worker is involved in. For example, future research might explore dependent self-employed workers' working and business conditions. They may be somewhat independent, but they nevertheless bear some risks that employees do not tend to bear (Grimshaw et al., 2017). These entrepreneurs may think of themselves as self-employed and enjoy doing so, but they are nevertheless exposed to higher risks than employees (Caraher and Reuter, 2020). Similarly, precarious workers, such as workers on zero-hours contracts, bear heightened risk. For them, as for the entrepreneurs conceptualised in this thesis, influences in their life course, wealth, background conditions of work, etc., shape their ability to de-commodify.

In short, I made a theoretical contribution to knowledge by having conceptualised de-commodification as it relates to entrepreneurship. De-commodification has always been thought of in relation to employed labour and for the first time I applied the concept to self-employment. I also compared the three welfare states of the UK, Germany, and Denmark in relation to how the welfare state treats low profit. This allows for comparison not just of different approaches to self-employment policy but also to derive policy recommendations to address poverty among the self-employed. Lastly, my research opens a future research agenda that may explore the business and working conditions of different groups of self-employed entrepreneurs, such as

women, in more detail. And that may consider de-commodification in relation to other forms of atypical labour, such as zero-hours contracts or gig work.

10.4.2 Contribution to entrepreneurship theory

My contribution to entrepreneurship theory is two-fold. First, my work shows that welfare systems should be considered part of the entrepreneurial ecosystem. Second, my work challenges entrepreneurship theory as it does not usually discuss labour as an entrepreneurial resource. I explicitly do so, considering how much labour an entrepreneur is willing and able to invest.

The entrepreneurship literature has so far not considered the welfare system as a core part of the entrepreneurial ecosystem and welfare benefits as a financial resource. There are a few exceptions (Caraher and Reuter, 2019b; Pahnke et al., 2019; Danson et al., 2021; Rowe, 2022) who began to do so, but there is much thinking to be done. My work indicates that the welfare state is an actor in the entrepreneurship ecosystem that can play a significant role at different points in the life course of the business. It can be a safety net during start-up to help manage income volatility or lack of income. Equally, it can do so while trading. It can also help learn more about entrepreneurs themselves: many entrepreneurs rely on welfare (at different points in time) and understanding the entrepreneur and their conditions of actions better can help better understand how the welfare state may be an enabling force for entrepreneurship.

This work also discusses labour as a resource. It challenges entrepreneurship theory, where labour is not yet discussed as a form of resource (for an exception, see Rouse's work). The implicit assumption is that entrepreneurs have unfettered amounts of labour at their disposal (Orgad, 2019). My work brings labour to the fore in the entrepreneurship literature as a form of resource (Barney, 1991) and shows that this may not always be the case. Entrepreneurs with caring responsibilities, for example, may be unable to invest all of their labour into their businesses. Instead, they may have to carry out unpaid work. Others may not wish to invest all of their labour or there may not be demand for their labour all year.

Furthermore, my research contributes to understanding social enterprise better. It contributes to discussions around explaining the entrepreneurial component in social enterprise and how the entrepreneur invests resources (Chalmers and Fraser, 2012).

Equally, my research contributes to explaining entrepreneurship in seasonal or volatile markets. It can be useful for policymakers and researchers to understand seasonal work better and act upon the research to support these entrepreneurs over the business cycle.

10.4.3 Contribution to thinking about decent work

My work contributes to the thinking about and discussion of decent work (Somavia, 1999) in general and amid the rise of self-employment specifically (Taylor et al., 2017). I am the first to begin thinking about decency in self-employment academically: I developed a framework through which we can begin thinking about conditions under which decency – as it relates to having sufficient income – is at risk.

I proposed a concept of decent self-employment that can be a starting point for discussion in academia and policy. It can help think better about welfare states in relation to self-employment, and entrepreneurship policy, including its aims. For instance, my starting point is supporting low or no income. While this makes sense to me because income enables security, it may be that other researchers place a greater emphasis on other aspects of decency (e.g., provision of education and training).

At the same time, my work highlights the dilemmas that policymakers face when considering how to support entrepreneurs at risk of indecent work. Self-employment cannot be decent in all circumstances, and policymakers must consider which socio-cultural circumstances the state would accept to support self-employment. Are artists (entrepreneurs who achieve low or no income but create other value) supported who are typically found in economic and social situations comparable to employees because they are dependent on the participation of other market actors such as

theatres, concert halls, galleries, and art dealers to achieve a profit, as is practised in Germany?

Policymakers may gain clarity on the conditions of support for entrepreneurs who experience a temporary absence of a market because the entrepreneur is unable to invest their labour due to seasonal working patterns. Also, how are entrepreneurs who experience the absence of a market supported in times of crisis? The state may have reasons to support some forms of entrepreneurship, such as seasonal work or entrepreneurship in remote locations to support the local market economy, which is not apparently supported in any of the countries.

Amid the rise of self-employment and low-income self-employment specifically, a discussion about what welfare is for is urgently needed. We should find a balance between, on the one hand, the state not supporting entrepreneurship that has no hope of reasonable profit, as is currently pursued in the UK. However, on the other hand, it is worth considering the other critical dimensions of decency. Where self-employment enables carers and women to enter the labour market while balancing their other responsibilities is one such reason.

At the very minimum, policymakers should consider the gap between encouraging self-employment and the lack of support for entrepreneurs who are encouraged to enter it, i.e., carers and women; seasonal and remote entrepreneurs; or social value entrepreneurs. Importantly, in this debate, labour de-commodification must be considered, as well as the entrepreneurial process. Labour is not merely an expendable factor of production (it is not a commodity, Somavia, 1999). In the face of a lack of employers being able to be held to account for working conditions, the state may need to stand in to correct power imbalances disadvantageous to solo self-employed entrepreneurs. It is a means of social positioning and is thus related to identity (Abbenhardt, 2018).

In addition, my research shows which groups of entrepreneurs tend to be at higher risk of indecent work. My logical analysis raises particular concerns for women, the uninsured, carers, people living in areas with high seasonal work, and social value

creators. Entrepreneurs whose disadvantages overlap are particularly at risk: women are over-represented as social entrepreneurs and over-represented in caring (Liñares-Zegarra and Wilson, 2022). Ethnic minorities are over-represented in living in deprived areas (Barry et al., 2022). So, there are concerns for ethnic minorities or the working class living in coastal towns. To illustrate, in the UK, people living in coastal towns are among the higher income deprivation category (Prothero and Sikorski, 2020). So, does welfare need to differentiate entrepreneurs if it wants to serve social justice? Should the conditions under which welfare states support self-employment be changed to make it more equal or more targeted? I have begun to stratify the causes of low profit and discussed with which audiences these causes may overlap. My conceptual framework leads to broader policy discussions: for example, how much income matters more than autonomy. At what point does the state intervene in continuously low-profit entrepreneurship and, for their own good, drive a welfare claimant out of bad-quality self-employment? In other words, how long does society give everybody a chance? Equally, further empirical research about the relative decency of self-employment could be insightful. It is pressing to understand the level of income that welfare systems are supporting: might there be an amount for the individual entrepreneur or at the household level that is decent? Research could analyse the needs of different people in different household situations and calculate the necessary level of benefits for each of the six conditions.

Lastly, and here the implications for decent work overlap with the discussions about welfare state theory, my raising the question of decent self-employment is effectively an extension of the debate on the processes of social reproduction (Picchio, 1992). Do welfare states “just” want to support a narrow understanding of entrepreneurship and economically profitable self-employment, or is self-employment also about self-realisation? If so, we need to ask who would shoulder more of the risks. Logical analysis based on my research shows that de-commodification is not the only way to support low-income entrepreneurs and make work decent. The welfare state may use other means by which it provides equality, such as training, providing more resources, improving procurement processes etc. None of the countries have defined way how to support entrepreneurs out of low-profit entrepreneurship (entrepreneur invests their labour but is not achieving sufficient profit). So, none of the countries have answers to

the question how an entrepreneur who may be happy in their work but financially unsuccessful can be supported to pursue this happiness without suffering a low income and needing state support.

10.4.4 Implications for policymaking

Ultimately – and maybe most importantly – with this thesis, I contribute an important thinking tool for policymaking. Policymakers should use the conceptual framework to help make sense of the current rules on de-commodifying labour and the entrepreneurial process, and in relation to the business and family life course. They should also debate (lively) what decent self-employment looks like, and, so, what forms of de-commodification should be supported, when, for whom, for how long, and to what extent. Policymakers should use the three country comparison to better understand their own systems and to consider alternative approaches.

Policymakers should use the conceptual framework to make sense of the current rules on de-commodifying labour and the entrepreneurial process. To date, welfare regulations in none of the countries differentiate between de-commodifying entrepreneur labour versus the entrepreneurial process. The conceptual framework helps policymakers to differentiate the moral questions of welfare states: do we want to de-commodify the entrepreneurial process for entrepreneurs who produce goods people do not want or that create social value? How does a welfare state handle the stage where goods are produced (i.e., labour is invested) but the entrepreneur does not yet know that they are not wanted? While the goods are produced, the entrepreneur pursues a reasonable assessment that the goods would be wanted. My conceptual framework, which shows that the cause of unprofitability is not always labour, can help policymakers to differentiate between causes of low profit as they relate to entrepreneur labour and the entrepreneurial process.

Across the three countries that I compared, for many of the causes of low profit, policymakers have not written explicit rules on how the welfare state ought to support the causes of low profit. While I cannot and would not claim policymakers have not thought about the causes of low profit, the research indicates that they at least have

not spoken about them. Indeed, interest organisations have highlighted that low-profit self-employment is an issue (Briône, 2018).

Policymakers also need to consider de-commodification in self-employment in relation to the business and family life course. The start-up phase may be acknowledged (as in the UK) as a phase of increased uncertainty and income volatility – or lack of income. Proper training for prospective entrepreneurs may be advisable before they set-up their business. Entries into self-employed business ownership tend to be associated with over-optimism (Dawson and Henley, 2012). Over-optimism is associated with a higher and faster rate of subsequent withdrawal from business ownership (or, conversely, lower rates of business survival) (Dawson and Henley, 2012). Thorough training thus would be an important foundation to prevent (continuous) low-income self-employment. It also needs exit routes from low-income self-employment. Leaving self-employment is not always easy: some businesses are hard to sell or exit can mean family disruption (Sainsbury and Corden, 2013). Business debts may follow a person leaving self-employment and some may perceive that as very difficult. As Sainsbury and Corden (2013) highlighted, understanding such issues when discussing the possibility of ending self-employment with claimants means caseworkers ought to be well trained and understand business. Caseworkers should be attuned to the struggles of self-employed entrepreneurs. They may struggle with leaving self-employment as it may be seen as an admission of failure (Nikolova et al., 2021). In relation to family life course, policymakers need to consider if – and if so what are the conditions – the state wants to supplement the income of entrepreneurs with care responsibilities in recognition of their care labour.

This also includes that policymakers should think outside of the current systems – which are all neoliberal and have developed ad hoc – to think more rigorously about how to craft a welfare system that promotes decent self-employment. The moral problem is that the welfare system and de-commodification are underwritten by the very concept that prospective welfare recipients are workers and their main obligation in life is to apply their labour for economic return. In a purely neoliberal capitalism model, an entrepreneur can only pursue economic value and would not be supported to be not working or not to create profit because they would be disrupting perfect

labour markets and perfect goods and services. But a balance needs to be found in managed forms of capitalism, which are also about creating good conditions for citizens. Policymakers need to decide why they would support unprofitable self-employment. Is it about supporting self-employed tourist guides in the Scottish Highlands? Is it about supporting entrepreneurs with caring responsibilities? There is a good reason for supporting imperfect competition because policymakers want to create consent to the idea that everyone can make it in entrepreneurship. Notably, causes of low profit are partly about labour, but not completely. Amid the rise of social entrepreneurship, ecological value creation etc., policymakers should consider provisions for social value - or codify them. They should consider seasonality and customer payment practices, as lobby groups have called for (Brîone, 2018).

Policy also needs to consider what causes of low profit it "accepts" or can support, and if so, for how long, because the state may want to encourage certain types of entrepreneurship, such as agriculture, remote tourism, or social value creation. Under certain policy conditions, the state may be interested in subsidising low-profit entrepreneurship. For example, whereas a self-employed worker in London may reasonably be expected to find other ways of earning an income, such as a temporary employee or working in a hybrid role, in a remote location such as Land's End or the Outer Hebrides, that might not be a tenable option. While policymakers have considered some causes of low-profit entrepreneurship, such as non-profit entrepreneurship (Germany) or entrepreneurs with caring responsibilities (Denmark), they could also consider the other causes, such as how an entrepreneur is supported in case of delayed payments.

Lastly, policymakers should consider the role and position of jobcentre caseworkers. In both the UK and Germany, caseworkers shape a claimant's self-employment in myriad ways. In the UK, caseworkers conduct the gateway interview to determine if a claimant's self-employed is "gainful". Already at that stage, they effectively determine if a claimant can pursue their self-employment drawing on Universal Credit to top up their profits or if they should leave self-employment looking for other ways of earning an income. Similarly, a caseworker's continuous assessment of a claimant's likelihood

of business profitability can decide if they can pursue their self-employment or have to leave it (in both countries).

The importance of caseworkers becomes even more important considering that work coaches' tasks are partially outsourced to for-profit businesses in some countries, such as the UK. Where there are incentives for companies to be "successful" – where success is measured in terms of getting jobseekers into any work – they may be driven to use self-employment to meet their short-term goals, rather than being concerned with the future profitability and sustainability, and so the decency, of a claimant's self-employment. More widely, policymakers should consider if caseworkers should be guided to give more space to the ongoing process nature of start-ups (Abbenhardt, 2018). As starting up may take longer than, for example, 12 months (LITRG, 2017), caseworkers should be trained to deliver long-term support and coaching (Abbenhardt, 2018). This means moving away from seeing claimants (employed and self-employed) as mere "cases" that need to be dealt with and where the onus is on the claimant to prove they are eligible for support and fulfilling their duties (Dörre et al., 2013). As Dörre et al. (2013) noted (for employee claimants), where claimants work hard to escape precarity, but find their dealings with the welfare apparatus is demotivating and exhausting, activation policies reinforce the problem that it is supposed to solve.

Equally, the broader question arises if a system can even be designed without becoming so bureaucratic because there would be so many different rules. Thus, in a sense, there is demand that to offer some guidance and allow discretion. Yet, there cannot be complete discretion because complete discretion means unfairness. Putting the issue on the agenda and openly discussing it based on an understanding of the demands upon and expectations of caseworkers is thus needed.

10.5 Conclusion

In this chapter, I discussed whether it is helpful to think of the three welfare states in terms of Esping-Andersen's regime typology. I also laid out this thesis' contributions to

welfare state theory, entrepreneurship theory thinking, implications for decency, and implications for policymaking.

I show that many of Esping-Andersen's characteristics of the three welfare regimes mostly hold up for the self-employed. However, all welfare states have changed, too. Denmark has liberalised and drives commodification of the self-employed. The UK has become a welfare state of high commodification and surveillance state in which Universal Credit enforces fairly strict labour commodification and commodification of the entrepreneurial process. Germany continues to enable de-commodification for some groups better than for others.

I contribute to the entrepreneurship literature by highlighting the value of thinking of labour as a resource and the welfare state as part of the entrepreneurial ecosystem. Then, I contribute to thinking about and discussing decent work in general and amid the rise of self-employment specifically. I propose a concept for decent self-employment that can be a starting point for further research and discussion. In large part, I contribute a thinking tool to policymaking and highlight discrepancies between policy goals. I want to start an important discussion for a more nuanced approach to understanding one of the recent characteristic changes in the labour market. I believe the thesis showed that the question of decency ought to be put on top of the (political) agenda.

Chapter 11. Conclusion

11.1 Introduction

This final chapter provides a thesis overview, returning to the initial research aims and questions to relate them to the overall analysis. I also summarise the theoretical and practical contributions to knowledge. This is followed by potential limitations of the research approach, which leads to opportunities for further research.

11.2 Background

Before the Covid-19 pandemic, self-employment was at an all-time high in the UK. Over five million workers were self-employed in 2020 (Clark, 2022), and self-employment was “a distinguishing feature of the UK labour market's recovery from the last recession” (CIPD, 2018: 5). In many other countries globally, especially the Global South, self-employment remains the majority form of employment (ILO, 2019), and also in Europe, self-employment remains an important form of labour (Cedefop, n.d.). Yet, the solo self-employed often earn less than employees in a comparable position. In the UK, full-time self-employed entrepreneurs earned on average only £240 per week whilst employees earned £400 in 2016 (Sidhu, 2018: 4). Self-employment by gender also uncovers inequalities: the number of full-time self-employed women grew by 84% since 2001 (Sidhu, 2018: 4), but data from 2016 shows that full-time self-employed women only earned £243 per week to men's £363 (Sidhu, 2018: 4). According to the Rowntree Foundation (MacInnes et al., 2015: 43), poverty rates are also high in families that include a self-employed worker:

- 40% in couples where one partner is self-employed
- Nearly 40% for part-time self-employed workers who are single
- 26% in couples where both partners are self-employed
- 26% for full-time self-employed workers who are single.

The self-employed depend on their own labour as a resource for income generation and are thus at great risk of income volatility and low income. The rise of self-employment and the corresponding rise of low-paid self-employment suggests we need a better-designed welfare system to prevent poverty in self-employed families. Equally, we may need an approach discouraging entrance into low-paid self-employment and encouraging early exit.

Against this background, I worked towards a concept for "decent self-employment" examining a core condition of decency – income. I compared the welfare provision for the self-employed in the UK with the welfare regimes of Germany and Denmark because they are economically comparable but with philosophically different views of the role of the welfare state. This allowed for comparison not just of different approaches to self-employment policy but also to derive policy recommendations to address poverty among the self-employed.

The project's research aims were to:

1. Work towards a concept for "decent self-employment"
2. Analyse welfare rules that regulate self-employment de-commodification and identify patterns of de-commodification, and what this means in how different welfare states enable or hinder decent self-employment through de-commodification
3. Compare three state welfare systems as to how they perform in relation to this objective and what this says about the welfare states today.

11.3 Key findings

In this thesis, I set out to understand what welfare regulations in relation to self-employment mean in how different welfare states enable or hinder decent self-employment through de-commodification. I compared three state welfare systems (UK, Germany, Denmark) in relation to how – and to what extent, for whom, for how long – they enable the de-commodification of entrepreneur labour and the entrepreneurial process. I also discussed the patterns of de-commodification and

different phases of the business and family life course in relation to Gøsta Esping-Andersen's three welfare regime typology.

I show that, first, entrepreneurs who only partially invest their labour resource are given room for de-commodification on a case-by-case basis in negotiation with their caseworker. This applies to the UK and Germany (notably though, both have different lengths of assessment periods which grant different levels of heightened de-commodification) and to insured entrepreneurs in Denmark. In the medium- to long-term: entrepreneurs are asked to commodify more of their labour in all countries. They may even be asked to leave entrepreneurship (in part or in full) to reduce or end their need for welfare. However, it appears that caseworkers cannot force entrepreneurs to leave low-profit self-employment (in the UK and Germany, I have no details for Denmark).

Second, the labour of entrepreneurs with care responsibilities is de-commodified pro rata in the UK. In Germany, the needs of the entrepreneur and their household are assessed and any shortfall in income is then compensated for by the state. There is no expectation to invest a certain amount of labour hours. In Denmark, the entrepreneur is also supported by state welfare to de-commodify their labour. In terms of patterns of de-commodification, the entrepreneur's labour is de-commodified in all countries. Partially so in the UK (labour de-commodification pro rata) and without specific restrictions in Germany and Denmark. However, some entrepreneurs with care responsibilities may still be better enabled to invest more of their labour – if they so wish – in all countries. And some may be at risk of not achieving decent self-employment through de-commodification because of socio-economic circumstances. Additionally, welfare payments assessed and paid at the household level can create dependencies.

Third, entrepreneurs who invest their labour with a profit motive but do not achieve sufficient profit may draw on welfare to get their business back on track for a specific period (i.e., de-commodification of the entrepreneurial process). This applies in all countries (in Denmark for insured entrepreneurs). Still, there is no clear guidance on how long they may draw on welfare support – again, in all countries. Germany

provides slightly more detailed steps for caseworkers to follow in relation to what to do based on two assessment periods. However, empirical research has shown that entrepreneurs may claim Germany's social assistance for several years (Pahnke et al., 2019). Continuously unprofitable self-employed entrepreneurs would always be asked to give up their businesses in the long term. At the same time, there are no explicit routes out of unprofitable self-employment. Thus, in some cases, entrepreneurs may be stuck in their low-profit self-employment.

Fourth, entrepreneurs with late payment issues are highly commodified in all three countries. However, this cause of low profit is especially inadequately handled in Germany. In the UK, under Universal Credit, entrepreneurs with a cashflow problem may draw on Universal Credit for an income top-up in times of low profit. However, in these months of low profit, they are subject to welfare conditionality through the MIF. In Denmark, the entrepreneur with a cashflow problem would be able to become unemployed part-time and claim support, if they have accrued rights to unemployment support. However, they would be subject to active labour market policies such as having to be available to take up suggested paid employment or do a training course at a day's notice. Therefore, there is a high degree of commodification in both countries. In Germany, arguably, this cause of low profit is not adequately handled. An expected payment (in case of late payment) would always be part of the entrepreneur's needs assessment and in the short term, the entrepreneur may suffer low or no income because their needs are calculated including the payment. The entrepreneur would only be de-commodified at the end of an assessment period, through a re-payment. While this cause of low profit is highly prevalent in business (Toovey, 2022b), it appears that it and its related policy issue – if temporary de-commodification should be granted – is not considered by policymakers. Late payment problems appear solely to be a business issue when, in fact, policymakers may have a vested interest in enabling entrepreneurs to pursue their activities in specific markets or sectors that suffer from irregular payment norms.

Fifth, there appears to be little consideration for entrepreneurs who experience a temporary absence of a market. Neither the UK nor Denmark appears to have specifically considered the need for support for entrepreneurs who experience a

temporary absence of a market. In contrast, Germany allows seasonal entrepreneurs more room for entrepreneurial process (and labour) de-commodification as it offers a more extended assessment period to seasonally working entrepreneurs. Overall, policymakers appear to have little consideration for this cause of low profit (Rouse et al., 2021). It is either not discussed or considered a business issue (e.g., in Germany; Nikolaus, 2020). Equally, there is uncertainty about the length of support and, so, pressure to commodify one's labour (UK). Additionally, crisis responses, such as amid the Covid-19 pandemic, fall into this category but have their own particular rules and have been little discussed (Rouse et al., 2021). But this is an important research direction.

Lastly, the specific cause of low profit of social value entrepreneurs is only explicitly considered in Germany. De-commodification in relation to social value entrepreneurs is a question of the entrepreneurial process and some welfare states have shown themselves to be struggling with this (UK, Denmark). While the cultural and creative sector is celebrated for its continuous growth and economic contribution in neoliberal Britain (Darko, 2021), coping with its precarity has become everyday normality in sustaining a freelance worker's livelihood (Giupponi and Xu, 2020). Due to this policy logic, enterprises seeking to create non-economic value are "lost" (interviewee UK3) to the UK economy. Where non-economic value creation by the self-employed gets lost, the welfare state undermines decent self-employment.

In addition to these six causes of low profit and their patterns of de-commodification, based on the logical analysis from my work, I derived further groups of entrepreneurs that are worthy of policymakers' discussion and researchers' consideration. They are: new entrepreneurs, and migrant and ethnic minority entrepreneurs. The UK offers a grace period where new entrepreneurs enjoy a higher degree of de-commodification (of both labour and the entrepreneurial process), but the length of the period has been criticised (LITRG, 2017). Neither Germany nor Denmark offer something similar despite the start-up period being a period of particular uncertainty and income volatility. In fact, new entrepreneurs in Denmark can be particularly at risk of falling through the social security net as they only begin to accrue rights to social protection.

Lastly, migrant entrepreneurs and entrepreneurs with an ethnic minority background are worthy of further research in relation to how they are protected (de-commodified) by the welfare state. Entrepreneurs from ethnic minority backgrounds tend to be more likely to occupy some of the above-described low-income situations (e.g., Liñares-Zegarra and Wilson, 2022).

Specifically in relation to Denmark and Germany, as social insurance-based welfare states, further consideration should be given to those entrepreneurs who are potentially not "labour market insiders", that is, the uninsured or those who are in the early stages of contributing to their insurance and who are not yet eligible for support. They may be unable to draw on the welfare state in times of low profit and, so, can be at risk of indecent self-employment.

I also discussed if Esping-Andersen's three welfare regime typology holds up concerning self-employment. In the literature, de-commodification has always been considered in relation to employment, not self-employment. I find that in the UK, with some exceptions, Universal Credit strongly commodifies entrepreneurial labour and the entrepreneurial process. As such, Gøsta Esping-Andersen's typology of the liberal regime type holds up for the UK when considering the self-employed.

De-commodification (of labour and the entrepreneurial process) in Germany depends on the cause of low profit and the entrepreneur's socio-economic background. But it de-commodifies labour and the entrepreneurial process more than the British welfare state. That said, there appear to be discrepancies between theory and practice. Empirical research found self-employed claimants claiming social assistance as a top-up for several years (Pahnke et al., 2019). A further exception to the general commodification logic is social value entrepreneurship. Artists benefit from a longer assessment period and other welfare support (*Artist's Insurance*).

The Danish welfare state has liberalised significantly (F. Larsen and Caswell, 2022), and for the self-employed has taken on distinctly neoliberal traits, such as in relation to enterprise culture. Entrepreneurship is understood rather narrowly as a profit-driven enterprise (Brentnall et al., 2021). In contrast, as benefits are not paid at the

household level (in comparison to the other two countries), there is more equality in the Danish system. Overall, Denmark's welfare state continues to reflect Esping-Andersen's logic despite its recent liberalisation.

11.4 Contribution to knowledge

With my PhD research, I contributed to knowledge and practice in different ways. I have made important advancements in the understanding of de-commodification in the context of self-employment. While previous studies have primarily focused on de-commodification in relation to employed labour, I have expanded this concept to encompass self-employment, making it the first of its kind. Through a novel conceptual framework, I differentiate between the de-commodification of self-employed labour and the entrepreneurial process, shedding light on distinct causes of low or no income from entrepreneurship. This framework allows researchers and policymakers to explore the diverse reasons why self-employed workers may struggle to generate profits and, consequently, may rely on welfare support. By identifying six causes of low (or no) profit in self-employment, I emphasise the importance of recognising various scenarios where welfare assistance can be pivotal in enabling decent self-employment. Additionally, my research examined three welfare states, assessing their roles in either enabling or hindering de-commodification for the self-employed. More broadly, I provided a framework to enable cross-country comparison. Furthermore, my work challenges prevailing assumptions in entrepreneurship theory, introducing labour as a critical entrepreneurial resource, and highlights the significance of considering welfare systems as integral components of the entrepreneurial ecosystem. Overall, my findings contribute to a deeper understanding of the complexities surrounding “decent self-employment” and offer valuable insights for policymakers and researchers grappling with the intricacies of supporting self-employed individuals in achieving sustainable livelihoods.

11.4.1 Contribution to welfare state and de-commodification literature

First, I advanced thinking on de-commodification. In the past, research on and thinking about de-commodification solely focussed on employed labour. For the first time, I

applied it to self-employment. In relation to de-commodification and self-employment, I differentiate between de-commodification of labour and de-commodification of the entrepreneurial process. This is helpful because there are different reasons why a self-employed worker may not create a profit, which may then lead them to claim welfare. Some of these causes relate to known risks (of the entrepreneurial process), some are unknown risks, and some relate to how much labour a self-employed entrepreneur is investing or able to invest. In other words, there are different causes of low or no income from entrepreneurship; sometimes, they relate to the entrepreneurial process and sometimes they relate to labour. I propose a framework to differentiate between these different causes and elaborated on how the different circumstances relate to different policy problems.

In my framework, I differentiate between de-commodification of self-employed labour and the entrepreneurial process. De-commodification of self-employed labour is person-centric and relates to a self-employed worker's ability to work. It is about how much labour a person is investing – or able to invest – and the causes why entrepreneurs may invest different amounts of labour. For instance, they may be unable to invest more time in their business because they have other constraints on their labour, such as caring responsibilities - effectively, unpaid labour. De-commodification here means that the pressure to invest labour is removed. On the other hand, de-commodification of the entrepreneurial process relates to entrepreneurial risk and market forces. For example, an entrepreneur may not produce a sufficiently financially valuable good or service or may produce a good or service but may be unable to sell it. In these circumstances, the process of de-commodification would remove the pressure to trade profitably.

Previously in academic research and policy thinking, labour and the entrepreneurial process tended to be collapsed into one. My work expands the understanding of labour and the entrepreneur by opening various distinctions. It asks welfare and entrepreneurship researchers and policymakers to consider that welfare may be effective at commodifying labour, but the welfare state may not necessarily be good at de-commodifying the entrepreneurial process. My contribution to knowledge thus relates to the unblurring of lines of “de-commodification in self-employment”. Labour is

not always the cause of unprofitability and policymakers should consider which causes of low or no profit are worthy of welfare support. Welfare as it has been considered and set up in welfare states so far tends to be good at labour de-commodification, but it may not be good at de-commodifying the entrepreneurial process. I developed a conceptual framework of six causes of low profit when entrepreneurs may need welfare support to achieve a sufficient income and so decent self-employment. The framework aims to help clarify these distinctions and may aid policymakers in addressing moral problems relating to supporting businesses through welfare.

I identified six causes of low profit in self-employment

1. An entrepreneur may choose not to invest their labour fully to preserve leisure time. They may trade at low or no profit because they voluntarily use their resources in other ways.
2. An entrepreneur may be unable to invest their labour in full because they need to use it to care for others (i.e., doing unpaid work).
3. An entrepreneur may invest their labour with a profit motive and still not achieve sufficient profit. This may be for different reasons: they may be trading in a good or service without sufficient financial value; they may have misjudged the market, or the market has changed.
4. An entrepreneur may be investing their labour but will only get paid in the future or is suffering late payment. Policymakers then may need to consider if they should help with a cash-flow or late-payment problem.
5. An entrepreneur may experience a temporary absence of a market. The policy questions then are how, how long, and who should be supported in a crisis. An entrepreneur who experiences the temporary absence of a market may need to be supported temporarily to enable household income, and, by extension, to be enabled to continue to pursue their business. Furthermore, policymakers may need to consider what seasonal work it wants to subsidise.
6. Lastly, an entrepreneur may only achieve low or no profit because they produce a good or service with non-economic value. For example, this may

be an artist or social entrepreneur. Here, policymakers would need to consider what social value is supported and for how long.

I used this as a framework through which to analyse each country's systems and to conduct across-country comparison. This conceptual framework and method of comparative analysis are both novel contributions from the thesis that can help foster further research. As my research cannot address all questions concerning de-commodification and self-employment, I also opened a future research agenda. My research opens the complexity of the decent self-employment issue, rather than resolving it.

In addition, by having applied Esping-Andersen's (1990) welfare regime typology to the realm of self-employment, I contributed to the welfare literature. This novel approach expands our understanding of how different welfare regimes influence self-employment and, in particular, sheds light on the concept of de-commodification in this context. I am the first researcher to systematically examine the relationship between self-employment and de-commodification within three distinct welfare regimes (UK, Germany, Denmark), offering a comprehensive analysis that underscores the complexities of this intersection. By doing so, my work advances our comprehension of the multifaceted nature of self-employment and enriches the broader discourse on welfare regimes.

Lastly, through my empirical analysis of the three welfare regimes in capitalist states, I have made a contribution to the ongoing discourse in the field of neoliberalism and political economy literature surrounding welfare. By identifying which of the three capitalist welfare states have shifted towards a more neoliberal approach in their welfare policies (UK, Denmark), and by specifically examining how these shifts manifest in relation to self-employment, my work not only deepens our understanding of the intricate interplay between neoliberalism and welfare but also provides insights into the tangible impacts of neoliberal ideologies on labour markets and social safety nets. This analysis adds a critical layer to the broader discussions surrounding the transformations in welfare states in the era of globalisation and neoliberalism.

11.4.2 Contribution to the entrepreneurship literature

As I have shown, low income is a common experience in entrepreneurship, in the UK and globally. In turn, governments across the world face the dilemma of when (or whether) to compensate for low income through welfare systems. Yet, with a few notable exceptions, (Caraher and Reuter, 2019; Danson et al., 2021; Jackman et al., 2022) the entrepreneurship community has largely ignored the welfare system as an institutional context, and source of financial capital, for entrepreneurship. As such, my contribution to entrepreneurship knowledge is that welfare systems should be considered part of the entrepreneurial ecosystem. Welfare systems as institutions shape entrepreneurial action and enterprise ecosystems. I contribute to the entrepreneurship literature by developing a multi-axis framework of conditions that may cause entrepreneurs to need welfare support and by judging policy responses in relation to levels of de-commodification, and so wider political economic theory. As well as making a theoretical contribution in its own right, the framework will be valuable as a system for analysing a given welfare system or crisis policy and, indeed, for conducting cross-country comparisons. In turn, it will enable international discussion of how to shape entrepreneurship to fulfil the Sustainable Development Goal of “decent work”.

Furthermore, building on work by Rouse (Rouse and Jayawarna, 2017), I challenge entrepreneurship theory as it does not usually discuss labour as an entrepreneurial resource. The implicit assumption is often that the entrepreneur has unfettered amounts of labour, motivation, and social position (Orgad, 2019). My work brings labour as a form of resource – like in the resource-based view – to the fore. It talks about the labour of the entrepreneur and if/how they can invest it into their business.

11.4.3 Contribution to thinking around decency

Lastly, I contributed to thinking and discussion around decency (Somavia, 1999). I proposed and defended the idea that the ILO's Decent Work approach is the best framework through which to think about the quality of self-employed work, and its causes. I developed a framework through which we can begin thinking about

conditions in which decency – as it relates to having sufficient income – is at risk. It can be a starting point for discussion in academia and policy. It can help to think better about welfare states in relation to self-employment.

11.5 Implications for public policy

Importantly, with the conceptual framework, I contributed an important thinking tool for policymaking. Policymakers should use the conceptual framework to help make sense of the current rules on de-commodifying labour and the entrepreneurial process, and in relation to the business and family life course. They should also debate lively what decent self-employment looks like, and, so, what forms of de-commodification they (should) support, when, and for whom. Policymakers should use the three-country comparison to better understand their own systems and to consider alternative approaches. I will discuss each of these implications for policy in detail below.

First, policymakers should use the conceptual framework to help make sense of the current rules on de-commodifying labour and the entrepreneurial process, and in relation to the business and family life course. For many of the causes of low profit, policymakers appear not to have written explicit rules on how the welfare state should handle these causes. While I cannot and would not claim policymakers have not thought about the causes of low profit, the research indicates that they at least have not spoken about them. Causes of low profit, such as seeking to create social value, are barely covered by welfare regulations and guidelines. It is important to distinguish and for policymakers to consider the specific circumstances of the self-employed, in comparison to employees, in general, and the causes of low profit specifically. As has been shown, welfare for the self-employed is not about de-commodifying labour but de-commodifying labour and/or the entrepreneurial process depending on the circumstances.

While there are other means to support the entrepreneurial process, I argue that policymakers also need to think about low-profit self-employment from a welfare perspective. Because, at the moment, the different causes of low profit are blurred. At any time, a combination of causes of low profit may combine and are at work, but in

different ways. Policymakers should think about how, when, for whom, for how long, and to what extent welfare can be used to de-commodify the entrepreneurial process. While labour may be the more visible issue, other reasons might also produce low-income entrepreneurship. Even more, policymakers should consider other forms of resource enhancements such as through public procurement, market stimulation, or economic development.

Policymakers also need to consider what causes of low profit it "accepts" or can support (and if so, for how long). The state maybe wants to encourage certain types of entrepreneurship, such as agriculture, remote tourism, or social value creation. Under certain policy conditions, the state may even have a vested interest in subsidising low-profit entrepreneurship.

Lastly, codifying how the causes of low-profit entrepreneurship should be treated also provides caseworkers with security and clear guidance. Here, the three-country comparison can help to better understand one's own system and to consider alternative approaches. Street-level bureaucrats (Lipsky, 1969) are left with some discretion and, arguably, with various issues without guidance. Therefore, there could be great unevenness.

Follow-up research could further illuminate how low-profit entrepreneurship may be treated differently. Caseworkers ought to be well-trained to understand the idiosyncrasies of (low-income) self-employment as they need to be able to correctly assess various nuances of a self-employed worker's specific situation (e.g., needing to be available to work) to negotiate and then decide how best to support this person and their entrepreneurial actions (Sainsbury and Corden, 2013). Follow-up research that examines how workcoaches make assessments, their resources and expertise, and how they would advise the precariously working self-employed entrepreneur would illuminate possible discrepancies in decision-making today. This is especially informative considering the workload pressure that work coaches face. It would also be helpful in considering which entrepreneurs may be "pressured" to leave self-employment and who remains. Similarly, research that quantifies how long self-

employed claimants claim benefits (such as Pahnke et al., 2019) would provide valuable empirical data.

11.6 Research limitations

I must acknowledge several limitations to this research project.

Notably, my knowledge of the rules of de-commodification for the self-employed in Denmark is not equivalent to my knowledge of the UK or Germany. I was unable to find caseworker guidance for Denmark in the same manner that I did for both the UK and Germany. Unfortunately, I also did not manage to speak to someone at one of the unemployment benefit funds for the self-employed (ASE or DANA). As such, I was often unable to identify in detail how unemployment benefit rules enable or hinder forms of de-commodification for the different causes of low profit in Denmark. I could not speak to the exact conditions of supervision by Danish caseworkers.

Relatedly, there are various claims that I cannot make as I do not have an empirical foundation. I cannot claim to know the intentions of policymakers. I cannot say for certain if my not finding caseworker guidance documentation – despite my best efforts – means that regulators and policymakers did not cover the causes of low profit and, so, how they should be handled.

If I were to re-do the research, I would spend more time on theory development at the beginning of the project and, based on that, conduct my empirical research differently. This would lead to more rigour in both data collection and analysis. For example, had I fully developed the - now - six causes of low profit, I would have asked different questions in my interviews, and so the purpose of the interviews would have been clearer. Relatedly, I could have looked to gather a different cross-section of interview partners to ensure I had information on each of the six causes.

11.7 Future research suggestions

Despite its limitations, this thesis opens a broad research agenda.

In relation to welfare state theory, further research could consider the other types of welfare regimes, e.g., the Mediterranean model (Ferrera, 1996), or contentious cases such as the Netherlands as a “hybrid case” (Visser and Hemerijck, 1997). After steadily growing for 10 years, the Dutch self-employment rate reached 1.29 million in 2021 (Buchholz, 2021). Of those, the majority do not have employees (just under 1 million) (Buchholz, 2021). The Southern model has been characterised as “women-unfriendly” because the family has to compensate for various state shortcomings (Manow, 2021). Additionally, significant inequalities continue to prevail between well-protected, male full-time workers and “under-protected” atypical workers in terms of benefits and social care (Manow, 2021). Against this background, analysis of how the self-employed are de-commodified (their labour and the entrepreneurial process) through state welfare could be a valuable contribution to policymaking in these countries and welfare regimes.

Other research could explore the different ways in which a welfare state can enhance entrepreneur resources. This could be related to welfare states promoting social capital through training and education so that the entrepreneur can find resources in their networks. It could be in relation to the state providing access to markets to enable profitable selling, such as via public sector procurement. Alternatively, it may be in relation to state infrastructure, such as the care infrastructure, to enable entrepreneurs to invest more of their labour.

Moreover, welfare researchers could focus on the role of jobcentre caseworkers in shaping decent self-employment. My work has shown that welfare rules for the self-employed are not (always) codified and there is discretion in how self-employed claimants are supported. A street-level approach (Lipsky, 1969) could provide insights into how discretion enables de-commodification (of entrepreneur labour or the entrepreneurial process) for some groups of self-employed and maybe not for others. Moreover, researchers could examine caseworkers' resources and expertise to understand if (or how) knowledge differences affect their decision-making and what that may mean for entrepreneur claimants. One may imagine using vignettes of self-

employed entrepreneurs and asking caseworkers to describe how they would handle the case and their decision-making process.

Additionally, researchers could consider what decent work through de-commodification may look like for other types of atypical work, such as zero-hours contracts, agency work, or gig work. Or workers, such as migrants or refugees, who are treated differently from residents or citizens in welfare systems.

Regarding self-employment, this research project did not directly speak to entrepreneurs to gauge the effect of welfare policies on entrepreneur behaviour. Engaging with entrepreneurs and focussing on their agency amid the welfare structure could be insightful.

Empirically, research akin to the work of Pahnke et al. (2019) on Germany could be carried out in other welfare states. They analysed which groups of entrepreneurs draw on Germany's social assistance and for how long. This would provide an empirical basis to understand better the prevalence of the (or some of the) causes of low profit. It could then guide policymakers' work.

In relation to decency, the various aspects of decent self-employment that I had to bracket would each deserve thorough consideration and discussion. They include terms of work, especially in relation to skills and training as a means of other forms of welfare support. Policymakers must consider all of these aspects when designing systems to address self-employed entrepreneurs' lack of income or income volatility and other aspects of decent self-employment.

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Annex 1: Ethics Approval Letter



02/10/2019

Project Title: Welfare Systems for the New Economy: A Three Country Comparison of Social Protection for the Self-Employed

EthOS Reference Number: 11139

Ethical Opinion

Dear Rebecca Weicht,

The above application was reviewed by the Business and Law Research Ethics and Governance Committee and, on the 02/10/2019, was given a favourable ethical opinion. The approval is in place until 30/09/2021 .

Conditions of favourable ethical opinion

Application Documents

Document Type	File Name	Date	Version
Consent Form	MMU Consent Form Rebecca Weicht	07/07/2019	1
Project Protocol	Research design Ethos	27/08/2019	2
Information Sheet	Participant Information Sheet Rebecca Weicht	27/08/2019	2
Recruitment Media	Participant Information Sheet Rebecca Weicht	27/08/2019	2

The Business and Law Research Ethics and Governance Committee favourable ethical opinion is granted with the following conditions

Adherence to Manchester Metropolitan University's Policies and procedures

This ethical approval is conditional on adherence to Manchester Metropolitan University's Policies, Procedures, guidance and Standard Operating procedures. These can be found on the Manchester Metropolitan University Research Ethics and Governance webpages.

Amendments

If you wish to make a change to this approved application, you will be required to submit an amendment. Please visit the Manchester Metropolitan University Research Ethics and Governance webpages or contact your Faculty research officer for advice around how to do this.

We wish you every success with your project.

Business and Law Research Ethics and Governance Committee

Annex 2: Participant Information Sheet



Participant Information Sheet

Welfare Systems for the New Economy: A Three Country Comparison of Social Protection for the Self-Employed

1. Invitation to research

I would like to invite you to take part in this research project. My name is Rebecca Weicht and I am doctoral researcher at Manchester Metropolitan University's Business School. My research is on social protection for the self-employed across the UK, Denmark and Germany.

I would like to interview you to learn more about welfare provision for the self-employed in your country, how policy has developed and any policy dilemmas that remain.

This research project is funded by Manchester Metropolitan University.

2. Why have I been invited?

This research project will analyse the rise of self-employment and the corresponding rise of precarious self-employment in the United Kingdom and beyond. The rise of precarious self-employment we observe suggests that we need a welfare system better designed to prevent poverty in self-employed families. This doctoral research project will analyse the risks created by self-employment, the role of welfare systems in moderating these risks, and the processes through which welfare rules can either encourage, discourage, or regulate particular forms of self-employment. It will culminate in policy recommendations to outline what a more effective welfare system might look like for the UK.

This research primarily relies on analysis of welfare rules and conceptualisation of these using welfare and entrepreneurship theories. The project also seeks to fill knowledge gaps by conducting interviews in each of the three case countries. You are invited to participate in this research project because of your expertise on welfare state policy and/or the self-employed.

I would welcome your suggestions whom else I might speak to that could inform this research.

3. Do I have to take part?

It is up to you to decide whether to take part. If you agree to an interview, I will describe the study and go through the Participant Information Sheet where I will ask you to sign your consent. I will leave a copy of this with you. You are free to withdraw at any time, without giving a reason.

Annex 3: List of referenced documents

Document Name	Type	Author	Country	Year
ADM Chapter H4- Earned income - self- employed earnings	Guidance	Department for Work and Pensions	UK	2013
Self-employment, tax credits and the move to Universal Credit	Report	Department for Work and Pensions	UK	2013
Social security provision and the selfemployed; A study by the Social Security Advisory Committee Occasional Paper No. 13	Report	Social Security Advisory Committee	UK	2014
SOCIAL SECURITY WHERE HAVE WE BEEN AND WHERE ARE WE GOING? If universal credit is the answer, what on earth was the question?	Briefing	Child Poverty Action Group	UK	2019
BAG ruling from 12 December 2001, Az.- 5 AZR 253/00	Court ruling	Bundesarbeitsgericht	Germany	2001
May-Strobl et al 2011 Selbstständige in der Grundsicherung	Guidance	Institut für Mittelstandsforschung	Germany	2011
Skat.dk The concept of self-employment	Website	SKAT	Denmark	2020

Social protection of atypical employment in Denmark	Paper	Mailand Larsen	Denmark	2018
Atypical labour markets in Denmark	Paper	Rasmussen et al	Denmark	2019
Danish Disruption Council	Report	Ministry of Employment	Denmark	2019
Danish Strategy for Growth through the Sharing Economy	Report	Ministry of Employment	Denmark	2017
Precarious Work in the Nordics: Introduction to The Theme of The Special Issue	Paper	Ilsoe et al.	Denmark	2019
Flexicurity and atypical employment in Denmark	Report	Bredgaard et al.	Denmark	2009
Hilfr collective agreement	Agreement	Hilfr	Denmark	2018
Denmark trends challenges and ways forward	Paper	Videbak Munkholm	Denmark	2018
Voocali Agreement	Agreement	Voocali	Denmark	2018
Self-employed person, employees and hobby.pdf	Legal database	Karnov	Denmark	2009
Grundsicherung in Corona-Zeiten; Rettungsanker für Solo-Selbstständige?	Guidance	Verdi	Germany	2020
Selbstständige Arbeit als Grenzgang; Erwerbshybridisierungen	Paper	Manske	Germany	2017

n im Kulturbereich				
Merkblatt SGB II	Guidance	Bundesagentur für Arbeit	Germany	2022
GRUNDSICHERUNG FÜR ARBEITSUCHENDE Sozialgesetzbuch SGB II Fragen und Antworten	Guidance	Bundesministerium für Arbeit und Soziales	Germany	2020
Arbeitslosengeld II/ Sozialgeld Grundsicherung für Arbeitsuchende	Guidance	Bundesagentur für Arbeit	Germany	2021
Leitfaden ALG II / Sozialhilfe von A - Z	Guidance	Harald Thomé	Germany	2022
Welche Arbeit muss ich annehmen, welchen Lohn akzeptieren? Info 605	Guidance	KOS	Germany	2020
Leistungen zur Eingliederung von Selbständigen § 16c Ab 1 SGB II	Guidance	Jobcenter München	Germany	2019
Geschäftsansweisung Umgang mit Selbstständigen im SGB II	Guidance	Jobcenter Cottbus	Germany	2012
Check you're in the right Universal Credit work-	Website	Citizen's Advice	UK	2018

related activity group				
Self-employed surfers, universal credit and the minimally decent life	Paper	Rowe	UK	2022
universal Credit roll-out inquiry; Gingerbread written submission the Work and Pensions Committee	Briefing	Gingerbread	UK	2018
Universal Credit, ubiquitous conditionality and its implications for social citizenship	Paper	Dwyer, P. and Wright, S.	UK	2014
Punitive benefit sanctions, welfare conditionality, and the social abuse of unemployed people in Britain: Transforming claimants into offenders?	Paper	Wright et al.	UK	2020
Universal simplicity? The alleged simplicity of Universal Credit from administrative and claimant perspectives	Paper	Summers, K. and Young, D.	UK	2020
Persistenz von Selbstständigen in der Grundsicherung	Paper	Pahnke, A., Schneck, S. and Wolter, H.-J.	Germany	2019

Arbeitslosenversicherung für Existenzgründer Unterschiedliche Leistungen trotz gleicher Beiträge	Report	Oberfichtner, M.	Germany	2019
Geschäftsanweisung 06/2012; Richtlinie im Umgang mit Selbständigen im SGB II	Guidance	Jobcenter Cottbus	Germany	2012
ESPN Thematic Report on In-work poverty - Denmark	Report	Kvist, J.	Denmark	2019
The Nordic Welfare Model: barrier or facilitator of women's entrepreneurship in Denmark?	Paper	Neergaard, H. and Thrane, C.	Denmark	2011
Out of the Fire and into the Frying Pan : When Women Leave Corporate Careers to Enter Entrepreneurship – Insights from Denmark	Paper	Neergaard, H. and Weber Carlsen, A.	Denmark	2021
Die Grundsicherung für Arbeitsuchende im europäischen Kontext	Paper	Konle-Seidl, R.	Denmark	2021
Lone Motherhood and Welfare Feminism: A Comparative Case Study of Iceland and Denmark	Paper	Boroumand, K.	Denmark	2021

Reducing Precarious Work; Protective gaps and the role of social dialogue in Europe	Report	Grimshaw et al.	Denmark	2016
Rural destination development contributions by outdoor tourism actors: A Bornholm case study	Paper	Broegaard, R. B.	Denmark	2020
Original Burger": The role of Junior Achievement in the McDonaldization of Entrepreneurship Education	Paper	Brentnall et al.	Denmark	2021
Toward a New Conditionality of Welfare? Reconsidering Solidarity in the Danish Welfare State	Paper	Trenz, H.-J. and Grasso, M.	Denmark	2018