

[1011] DETERMINANTS OF SELF-EMPLOYMENT ENTRY – EVIDENCE FROM PORTUGAL

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

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KEY WORDS: self-employment, determinant factors, Portugal.

1. INTRODUCTION

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

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

Portugal is among the European countries with the highest rates of self-employment and thus an interesting case study on the subject. Indeed, several authors have acknowledged the relevance of self-employment for Mediterranean or Southern European countries in general and the Portuguese case in a European context (García-Mainar and Montuenga-Gómez, 2005; Baptista and Thurik, 2007; Portugal and Addison, 2008; Teixeira and Davey, 2010). As might be expected, in Portugal, interestingly, self-employment rates are persistently among the highest when compared to other

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