

Self-employment among people with disabilities: evidence for Europe

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This paper examines the use of self-employment among people with disabilities in Europe. Using data from the European Community Household Panel for the period 1995–2001 for 13 European countries we found that people with disabilities were more likely to be self-employed than people without disabilities. Self-employment provides flexibility and a better adjustment between disability status and working life. Moreover, the levels of satisfaction with job, type of job and working conditions of self-employed disabled people are higher than those reported by disabled people who are wage and salary earners. Policy-makers must encourage self-employment to increase the levels of well-being and employment of people with disabilities in Europe.

Keywords: self-employment; disability; satisfaction; Europe

Introduction

In recent years an increase in self-employment has been one of the most significant changes in European labour markets. Self-employment has become a source of economic growth in industrialized and less developed countries (House 1983; Organisation for Economic Co-operation and Development [OECD] 2000). The promotion of entrepreneurship constitutes a fundamental pillar of the European Employment Strategy. For the European Union (EU) as a whole the self-employment share of total employment was 15.6% in 2005, down slightly (by 0.2%) from the year before (European Commission 2006). Although the share of self-employment has remained quite stable in the EU, in terms of overall employment levels the numbers of self-employed has been increasing and has varied significantly among European countries.

Within this context self-employment can be used as a viable employment outcome for disabled people, especially for those severe disabilities. According to McFarlane (1998) it is very important to understand the current employment options for disabled people, which include supported employment, early return to work strategies and self-employment, among others. The aim of this paper is to analyse the incidence of self-employment among people with disabilities across Europe. We are particularly interested in the relationship between self-employment and severity of disability, and how satisfied self-employed disabled people were with their jobs, type

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of jobs and working conditions compared with those disabled people who were wage and salary earners.

Traditionally academics have been interested in self-employment as a safety valve where the unemployed and victims of discrimination (e.g. women, racial minorities or people with disabilities) could find jobs (Clark and Drinkwater 1998; Blanchflower 2000) or as a human capital enhancement or job training programme, thereby enhancing earnings and employment options in the wage sector after exiting self-employment (Bruce and Schuetze 2004). Our main interest was to investigate whether disabled people may use self-employment to achieve a better balance between disability status and working life, i.e. self-employment may provide greater flexibility of work patterns and accommodate individuals' disabilities by choosing, for example, working hours, type of work, working conditions or environment. Accommodations can be modified over time with changes in the business and changes in disability status of the individual, and will help the whole company work more effectively (Doyle 2002). Furthermore, self-employment can be used as a potential rehabilitation vocational tool to achieve faster and better integration into the labour market of those individuals who become disabled (Arnold and Seekins 2002). Authors such as Boylan and Burchardt (2002) and Piggott, Sapey, and Wilenius (2005) have pointed out that it is necessary to remove barriers encountered for entering self-employment by providing assistance and support from employment advisors. However, we have to bear in mind that self-employment is also associated with higher job stress and hard work, long working hours, emotional energy and, above all, risk (Buttner 1992; Kaufman 1999).

The remainder of the paper is organized as follows. Section 2 reviews the existing literature on self-employment and disability and section 3 discusses the data. Section 4 presents the results and section 5 summarizes and draws some conclusions and makes recommendations for labour market policy.

Review of the literature

Although there is abundant literature on self-employment at an international level (see, for example, Evans and Jovanovic 1989; Blanchflower and Oswald 1998; Blanchflower 2000; Brown, Farrel, and Sessions 2006; Hyytinen and Rouvinen 2008), the evidence on self-employment and disability is extremely scarce due to the fact that most works on disability and employment have excluded self-employment from their analysis (see, for example, Baldwin and Johnson 1995; Kidd, Sloane, and Ferko 2000; Pallisera, Vilá, and Valls 2003; Danieli and Wheeler 2006). To our knowledge there is no previous evidence on the incidence of self-employment among people with disabilities for Europe. This lack of evidence for Europe is surprising if we take into account that many European governments have tried to promote self-employment (through subsidies and transfer programmes to individuals) as a way out of poverty and marginalization. Thus, our analysis fills this important gap in the literature and contributes to understanding the use and extent of self-employment among disabled people throughout Europe

Among the international studies on self-employment and disability it is worth mentioning a special edition of the *Journal of Vocational Rehabilitation* (2002), wherein there was a set of American works that introduced the concept of self-employment (Callahan, Schumpert, and Mast 2002; Kilsby and Beyer 2002) and analysed the role of vocational rehabilitation agencies and counsellors (Arnold and

Seekins 2002; Doyle 2002), the major activities and considerations when designing an enterprise (Griffin and Hammis 2002) and supported self-employment (Rizzo 2002), among others. For example, Callanhan, Schumpert, and Mast (2002) found that around 13% of the participants in the United Cerebral Palsy Associations who became employed chose self-employment over regular employment. This percentage was greater than that in the traditional rehabilitation services and even larger than the percentage of individuals who were self-employed in the general population. Also, Doyle (2002) concluded that self-employment is a 'true' option for disabled people and it is crucial for vocational rehabilitation counsellors to learn the realities of small business training, development, and ownership in order to support this important employment option for the disabled population. With respect to people with severe disabilities, Rizzo (2002) pointed out that these people can use this non-traditional work as a means of increasing their employment levels through a more intensive use of business and personal social support systems.

Recently Cowling and Taylor (2001), using the fifth wave (year 1995) of the British Household Panel Survey, found that having an illness that limits the type or amount of work increases the probability of being self-employed, especially for females. Finally, Boylan and Burchardt (2002) used data from the Labour Force Survey (2000–2001) and the Family Resources Survey (1998–2000) for the UK to assess the nature and extent of self-employment among disabled people as well as the barriers encountered and availability of appropriate advice and support. The results show that disabled people are more likely to be self-employed compared with non-disabled people. Both male and female disabled people out of work appear to be more open to self-employment as compared with their non-disabled counterparts. However, disabled people have more difficulty in accessing start-up capital, interaction with the benefit system and finding out about accessing appropriate training and advice.

Data

The data used in this paper were taken from the European Community Household Panel (ECHP) for the period 1995–2001. This database is an annual longitudinal survey designed by EUROSTAT and contains not only data at a household level but data on the individuals' characteristics (e.g. gender, marital status, age, educational level and health status) and questions related to their labour status, earnings and living conditions. One of the main advantages of this survey is the fact that the same questionnaire is used in all countries, which makes the information directly comparable.

In order to identify a disabled person we used two questions from the ECHP: do you have any chronic, physical or mental problem, illness or disability? If the person answered 'yes' to this question, the follow-up question – are you hampered in your daily activities by this chronic or mental health problem, illness or disability? – allows us to know the grade of severity of disability (yes/to some extent/no). According to Gannon (2005), it is possible to distinguish: (a) those reporting a chronic illness or disability and saying that it limits them severely in their daily activities; (b) those who report a chronic illness or disability and saying it limits them to some extent; (c) those who report such a condition but say it does not limit them at all in their daily activities. We included this last group of individuals in our definition of disability because a person may respond as not limited in daily activities, but without adaptation it is

possible that they should be classified as severely limited (Gannon 2005). In this sense many European countries are obliged by law to make 'reasonable accommodations' in the workplace for disabled people in order to facilitate better performance in their jobs.

To determine if a person is actually self-employed or not we use the question included in the ECHP questionnaire concerning the employment status of the individual. We define self-employment as those individuals who answer 'self-employment' and 'unpaid work in a family enterprise'. Following Blanchflower (2000), it does not seem appropriate to us to exclude those individuals who are unpaid family workers from the self-employment population because there are other forms of remunerating the self-employed than via wages. For example, individual's expenses can be charged to the business and/or the value of the business may increase over time even though no salary is being paid. In the same way, the OECD Labour Force definition indicates unpaid family workers should be characterized as self-employed since they work for profit or family gain and share in the income generated by the enterprise. The exclusion of unpaid family workers probably tends to understate the true level of women's entrepreneurship. Moreover, the extent to which individuals report being unpaid family workers is likely to be a function of both the tax regime and the welfare system prevailing within a country (Blanchflower 2000). These unpaid family workers are particularly important in agriculture, but are much less commonly observed outside the agricultural sector. In our case these unpaid family workers represented a reduced group, except in Greece and Portugal (around 8.7 and 3.5% of the total employed, respectively), countries in which the size of the agricultural sector is especially high.

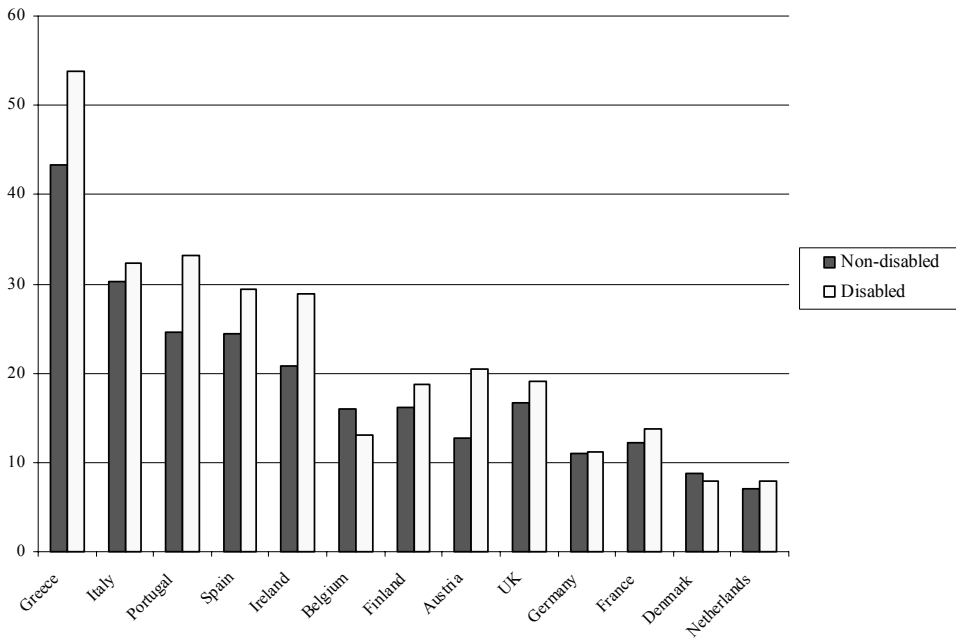
The sample consists of working age individuals (15–64 years old) from 13 European countries (Denmark, The Netherlands, Belgium, France, Ireland, Italy, Greece, Spain, Portugal, Austria, Finland, Germany and the UK) during the period 1995–2001. We excluded the year 1994 due to the fact that the definition of disability was slightly different. The final number of observations was 443,119 (253,943 males and 189,176 females). In the next analysis we use weighted samples by country to reflect characteristics at a population level and to correct for possible problems related to lack of representivity of the samples.

Results

Figure 1 shows the percentage of people (males and females) who are self-employed of the total employed by disability status. Firstly, for almost all European countries analysed self-employment (as a percentage of total employment) was higher for disabled people compared with non-disabled people. For males the self-employment differentials (in percentage points) in favour of disabled people were especially significant in Greece (10.52%), Portugal (8.64%) and Ireland (8.14%), whereas for females the highest differentials are found again in Greece (13.54%) and Portugal (10.32%), followed by Austria (8.21%) and Spain (7.68%). In contrast, this differential was statistically zero in Germany, Denmark and The Netherlands for males and Belgium, Finland, Germany, Denmark and The Netherlands for females. Only in Belgium did non-disabled males have higher self-employment rates compared with their disabled counterparts (2.95%).

Secondly, we observed that the prevalence of self-employment for both disabled and non-disabled people varied significantly among European countries. Overall, the

Males



Females

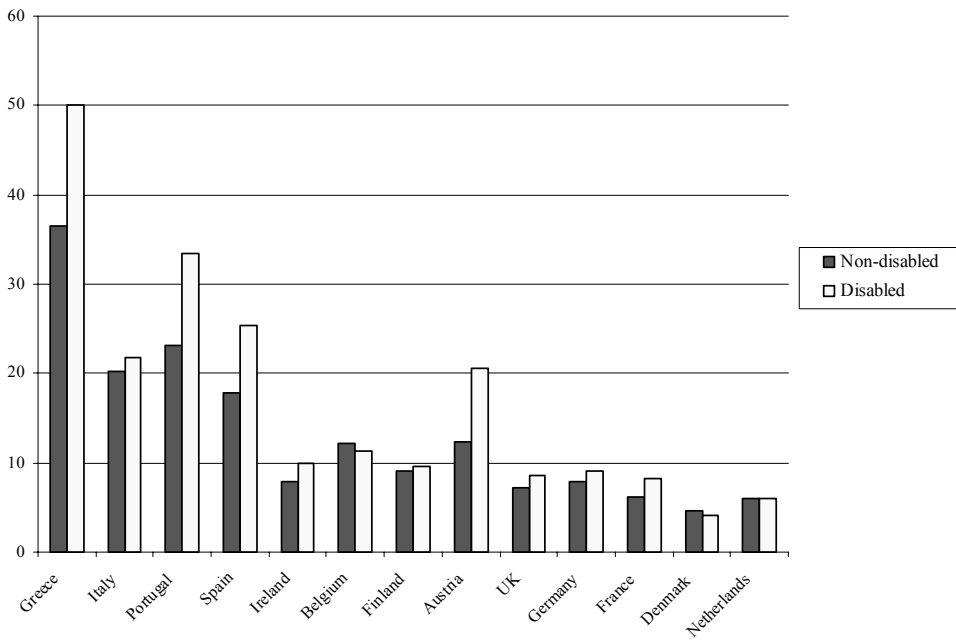


Figure 1. Self-employment as a percentage of the total employment by disability status. Source: European Community Household Panel (1995–2001). Individuals aged 15–64. Weighted data.

highest rates of self-employment were found in southern countries such as Greece, Italy, Portugal and Spain. For example, the prevalence of self-employment among disabled males was above 50% in Greece and around 30% in Italy, Portugal and Spain. As noted earlier, there was a high percentage of unpaid family workers in Portugal and Greece who were self-employed in the agricultural sector. For females this prevalence was again higher in Greece (50.12%), Portugal (33.48%) and Spain (25.44%). On the other hand, the self-employment rates for central and northern European countries were lower for disabled and non-disabled people, especially in France (around 10%), Denmark and The Netherlands (both with rates below 10%, especially for females). These results are in line with those obtained in previous works for the whole population of the EU (European Commission 2005). The OECD (2000) has pointed out that there is no unique set of causes to explain these cross-national variations in self-employment. Several works concluded that these cross-country differences in self-employment rates were related to the level of development of each country, with a clear negative relationship between self-employment and per capita gross domestic product (GDP) (the richest countries typically had a lower incidence of self-employment). These variations in per capita GDP partially explain the differences in self-employment between southern and northern countries. However, the demographic composition of the labour force and the sectoral composition of GDP are also factors to take into account. Self-employment rose with age, was higher among men, showed nonlinear patterns with respect to education and varied across countries as far as local unemployment was concerned (Blanchflower 2000). The relevance of education in the process of labour market positioning and specific qualificational requirements for self-employment affected the self-employment rates registered in each country. Acs, Audretsch, and Evans (1994) found a negative relationship between the self-employment rate and the rate of female labour force participation. These authors also reported a positive relationship between self-employment rate and the service sector share of GDP, which may be explained by technological factors that give the self-employed worker a comparative advantage in the service sector. Furthermore, some studies suggest that the self-employment rate may be related to the level of unemployment. However, the evidence from cross-country studies is ambiguous. For example, Staber and Bogenhold (1993) obtained a positive relationship between the unemployment rate and the rate of self-employment in 17 OECD countries, whereas Blanchflower (2000) reported the opposite result for most countries in his data sample. Nevertheless, this cross-country variability also depends on institutional factors that affect the worker's choice between self-employment and paid employment, taxation systems, labour and product market regulations, unemployment benefits and size of the public sector (see, for example, Robson and Wren 1999; Parker and Robson 2004; Torrini 2005).

As noted, it is very important to know whether this concentration of disabled people in self-employment is the result of employer discrimination or a voluntary choice as a means to achieve a better balance between disability status and working life. To analyse this fact, Figure 2 presents the levels of self-employment for disabled people by grade of severity (i.e. severe, some and no limitation). Those disabled people who were severely limited in their daily activities were more likely to be in self-employment than the other two disabled groups. In most of the European countries there was a clear relationship between disability status and self-employment. This result suggests that many disabled people (especially those with severe disabilities) were using self-employment as a source of flexibility to accommodate the

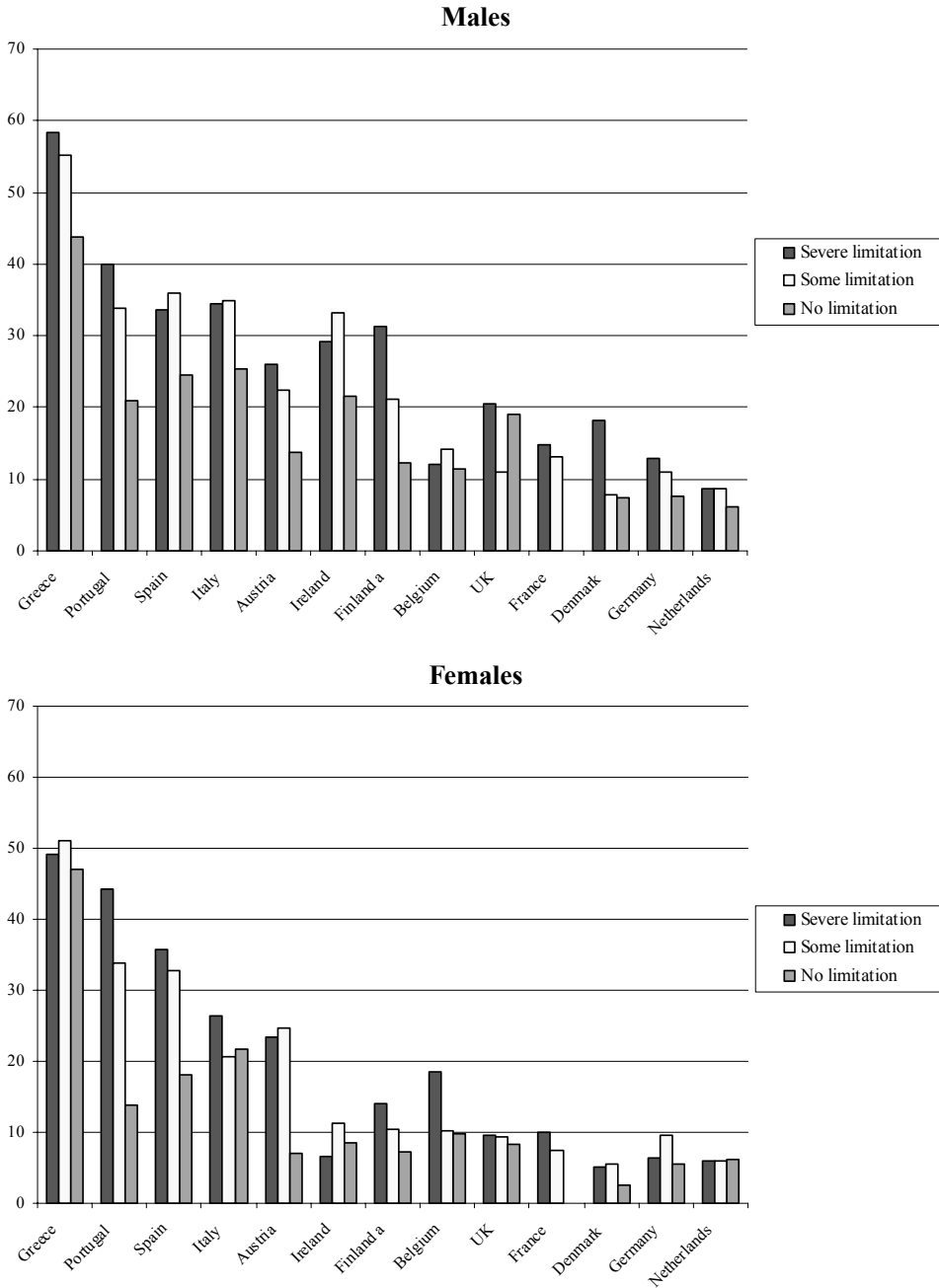


Figure 2. Self-employment as a percentage of total employment for disabled individuals by grade of severity. Source: European Community Household Panel (1995–2001). Individuals aged 15–64. Weighted data.

impact of their impairments on their ability to work (Boylan and Burchard 2002). Self-employment creates work activities and goals that fit disabled people’s interests, capabilities and personalities (Doyle 2002). For example, in the work of Boylan and Burchardt (2002) for the British case disabled people with musculoskeletal problems

were more likely to be self-employed than employees. Also, self-employed males were more likely than employees to report problems with circulation and digestion, while self-employed females were more likely than employees to report mental problems. Further, self-employment may become an option to combat the lack of paid work opportunities or discrimination in the labour market. According to Baldwin and Johnson (1995), discrimination against disabled people was more intense for those impairments or limitations that are subject to greater prejudice by employers (e.g. persons with mental and physical problems). For these disabled people self-employment may be the only option to be integrated into the labour market and increase their well-being and income levels. Looking at the self-employment rates by European countries, we detected significant differences between each sub-group of disabled people in Greece, Portugal, Spain and Austria for males, and Spain, Portugal and Austria for females. In contrast, there were no differences in self-employment rates by grade of severity in The Netherlands (for both males and females) and in the UK (for females).

On this point our results indicate that self-employment may be a valid option for many disabled individuals since it facilitates achieving a better balance between disability status and working life. The main consequence of this accommodation could be an increase in the productivity of these self-employed disabled workers compared with those who are employees. This higher productivity could be the result of having better working hours or schedules, adequate work or duties or a peaceful environment, among others. For example, people with mobility impairments can use self-employment to create flexibility and reduce their transportation difficulties. Also, people who have been out of the labour market for a long time or have never been employed can use this non-standard employment to make the transition from inactivity to employment.

To shed further light on the over-representation in self-employment of disabled people the ECHP questionnaire included questions concerning job satisfaction in general and some specific aspects of job satisfaction. Responses were coded on a scale from 1 (not satisfied at all) to 6 (fully satisfied). For the purposes of this paper we are interested in analysing 'overall job satisfaction' and two specific aspects of job satisfaction, i.e. 'type of work' and 'working conditions'. The analysis of these levels of satisfaction is a very important question because satisfaction is positively associated with productivity. Table 1 provides the average levels of satisfaction with overall job, type of job and working conditions for those disabled people who are self-employed and employees. We also include results concerning the test of equality in the average satisfaction between employees and self-employed disabled workers.

For males the results show that self-employed disabled individuals report higher levels of job satisfaction in Denmark, The Netherlands, Belgium, Germany and the UK. The job satisfaction differential was considerable in these last two European countries (0.16 and 0.10, respectively). In only three European countries (Greece, Portugal and Austria) did we obtain the opposite result. In the rest of the European countries (France, Ireland, Italy and Finland) the mean job satisfaction differences between the two groups were not significant at the 5% level. The highest levels of job satisfaction for self-employed disabled workers were found in Denmark (4.94), The Netherlands (4.74) and Finland (4.45), and the lowest in Greece (3.37), Portugal (3.59) and Italy (3.88). For females we found a lower number of European countries where self-employed disabled workers enjoyed higher job satisfaction as compared

Table 1. Average level of satisfaction with job, type of job and working conditions for disabled workers by employment status.

Country	Males						Females					
	Job		Type of work		Working conditions		Job		Type of work		Working conditions	
	EM ^a	SE	EM	SE	EM	SE	EM	SE	EM	SE	EM	SE
Denmark	4.86	4.94 ^b	4.81	5.31 ^b	4.71	5.35 ^b	4.86	5.18 ^b	4.78	5.14 ^b	4.59	5.45 ^b
The Netherlands	4.64	4.74 ^b	4.66	5.02 ^b	4.19	4.64 ^b	4.56	4.57	4.74	5.09 ^b	4.17	4.80 ^b
Belgium	4.22	4.31 ^b	4.41	4.89 ^b	4.10	4.45 ^b	4.43	4.27 ^b	4.69	4.58 ^b	4.37	4.78 ^b
France	4.17	4.18	4.48	4.77 ^b	3.93	4.06 ^b	4.13	4.12	4.40	4.57 ^b	3.98	4.01
Ireland	4.29	4.30	4.56	4.95 ^b	4.66	5.04 ^b	4.46	4.63 ^b	4.78	5.21 ^b	4.88	5.03 ^b
Italy	3.93	3.88	4.12	4.45 ^b	3.87	4.13 ^b	4.16	3.77 ^b	4.37	4.06 ^b	4.03	4.29 ^b
Greece	3.97	3.37 ^b	4.16	3.65 ^b	3.73	3.25 ^b	3.67	3.17 ^b	3.91	3.40 ^b	3.98	3.50 ^b
Spain	4.06	4.04	4.25	4.32 ^b	4.02	4.11 ^b	4.05	3.77 ^b	4.23	3.95 ^b	4.14	4.32 ^b
Portugal	3.70	3.59 ^b	3.99	4.13 ^b	3.98	4.04	3.89	3.46 ^b	4.23	3.92 ^b	4.26	4.06 ^b
Austria	4.72	4.14 ^b	4.93	4.77 ^b	4.79	4.88 ^b	4.70	4.21 ^b	4.82	5.13 ^b	4.91	5.27 ^b
Finland	4.45	4.45	4.36	4.48 ^b	4.32	4.44 ^b	4.52	4.66 ^b	4.46	4.72 ^b	4.46	4.55 ^b
Germany	4.13	4.29 ^b	4.36	4.78 ^b	4.11	4.54 ^b	4.28	4.20	4.43	4.41	4.28	4.72 ^b
UK	4.05	4.14 ^b	4.26	4.64 ^b	4.22	4.33 ^b	4.35	4.35	4.46	4.72 ^b	4.50	5.11 ^b

^aEM, employees; SE, self-employed.

^bDifference between non-disability and disability figures is significant at $P < 0.05$.

Source: European Community Household Panel 1995–2001. Individuals aged 15–64, weighted data. For Germany data are only available for the period 1995–1996.

with disabled individuals who were employees (Denmark, Ireland and Finland). In contrast, disabled employees have higher levels of job satisfaction in Belgium, Italy, Greece, Spain, Portugal, Austria and Finland. There were no significant differences in job satisfaction in The Netherlands, France, Germany and the UK. Those self-employed disabled individuals working in Denmark and The Netherlands reported the highest levels of job satisfaction (5.51 and 5.02, respectively), with the lowest ones in Greece (3.65), Portugal (4.13) and Spain (4.32). To explain these overall job satisfaction differences, and following Blanchflower and Oswald (1998), we can assume that self-employed disabled people may be intrinsically more optimistic and cheerful than others. Disabled people may share certain personality characteristics that affect the way in which they evaluate their jobs. Among these characteristics, the concept of self-efficiency, which refers to a person's belief in his or her capacity to perform a given task (Bandura 1997), may be relevant within this context, due to the fact that it is a good predictor of career choice and is positively associated with job satisfaction. People with higher self-efficiency rates may be more likely to demonstrate an intrinsic interest in the tasks that they perform, show greater persistence in the face of obstacles and setbacks and expend greater effort in their jobs. This fact may explain the detected differences in the levels of job satisfaction in the European countries analysed. In addition, some works have pointed out that for employees job dissatisfaction is an important precursor of moving to self-employment (Brockhaus 1980).

To analyse to what extent self-employment provides flexibility to disabled workers, Table 1 also shows the average levels of satisfaction with the type of work and

working conditions by employment status. In almost all European countries analysed self-employed disabled males reported higher levels of satisfaction with the type of work compared with those who are employees. The only exception was found in Greece and Austria (4.16 and 4.93 for employees, respectively). These levels of satisfaction were especially high in northern countries such as Denmark (5.31), The Netherlands (5.02) and Belgium (4.89). For females there was again a lower number of European countries where self-employed disabled workers enjoyed higher levels of satisfaction with the type of job (Denmark, The Netherlands, France, Ireland, Austria, Finland and the UK). In the rest of the European countries there was a premium of satisfaction with the type of job in favour of employees (except in Germany, where there were no differences).

Turning to the average levels of satisfaction with working conditions, the results are very interesting. In all European countries except Greece (for both males and females) and Portugal (only for females) disabled people who were self-employed were more satisfied with their working conditions than those who were employees. These levels of satisfaction were particularly high in Denmark, Ireland and Austria for both males and females. For males the highest differentials (in percentage points) in levels of satisfaction with working conditions were found in Denmark (0.64), Belgium (0.45) and Germany (0.43), whereas for females they were found in Denmark (0.86), The Netherlands (0.63) and the UK (0.61).

In general our results indicate that self-employment can be recognized as an important source of employment for many European disabled people. People with severe disabilities were more likely to be self-employed than those people who were only slightly or not limited in their daily activities. A limitation of the ECHP is that it does not contain any information on the type of disability and impairment that the person suffered. Although the grade of severity allowed us to control somewhat for the heterogeneity of the disabled population, having the type of disability available in the ECHP would have permitted a more detailed analysis. Despite this, this analysis contributes to increasing our knowledge regarding the situation of disabled people in the labour market and the opportunity that self-employment represents to reduce their poverty and marginalization. In many cases self-employment may be seen as a survival strategy for those disabled people who cannot find any other means of earning an income (e.g. those with psychological and mental problems, who suffer the most negative social attitudes and have the lowest probability of employment).

Conclusions

Self-employment represents an important part of total employment within the EU. This paper has analysed the incidence of self-employment among disabled people for 13 European countries. Using data from the ECHP for the period 1995–2001 we have estimated the levels of self-employment as a share of total employment for disabled and non-disabled people. The results show that disabled people are more likely to be in self-employment as compared with non-disabled people. Self-employment differentials in favour of disabled people were especially high in southern countries such as Greece, and Portugal. We have detected a clear relationship between disability status and self-employment, wherein those people who are severely limited in their daily activities are more likely to be self-employed than other groups (some and no limitation). That is, disabled people in the EU are using self-employment as an option to accommodate their impairment with their working life. Despite the frustration and

desperation many disabled people face with conventional employment, it should not be the only reason for disabled people to be self-employed. Self-employment provides an opportunity to achieve both employment and personal goals, thanks to the important advantages it creates (Doyle 2002). In addition, self-employed disabled workers report higher (or at least equal) levels of job satisfaction as compared with their employee counterparts in many European countries, especially males. Analysis of the levels of satisfaction with type of work and working conditions reveals the existence of a satisfaction premium for disabled workers in the majority of the European countries. Although our results are for the period 1995–2001, it is unlikely that the levels of self-employment among disabled people for the 13 European countries have changed drastically, as the self-employment rates for the population as a whole have remained relatively stable from 2001 onwards within the EU (European Commission 2006).

These results are in line with other international studies and have implications for public policy. Traditionally governments have concentrated their efforts on combating discrimination against disabled people, but the specific needs of those starting a business have received relatively little attention (Boylan and Burchardt 2002). There is no doubt that in many cases being self-employed is a hard and difficult task. However, policy-makers should encourage self-employment among disabled people in order to improve their employment opportunities. This would help to prevent their social and labour exclusion and reduce the employment gap between the disabled and non-disabled populations. For instance, some studies have noted that one possible impediment to entrepreneurship is lack of capital (Evans and Leighton 1989; Evans and Jovanovic 1989). To start up a company the availability of loans (at reduced interest rates) and grants to assist disabled people in their new role as entrepreneurs may be necessary. In many cases disabled people are less likely to be self-employed due to a fear of losing their disability benefits. Public benefits systems must allow the recovery of disability benefits when the option of self-employment for disabled people fails.

Moreover, support, advice, guidance, training and monitoring by public and private employment services, voluntary organizations, vocational rehabilitation agencies and principally friends and family are all necessary. Disabled people must see self-employment as a viable option that offers flexibility, autonomy, income and high levels of job satisfaction. With respect to employment services, many work advisors tend to discourage disabled people from starting up a company because it is very stressful and full of difficulties. These advisors must take into account the aspirations of disabled people, change their attitude towards them and move from a position of authority to a position where they work in collaboration with disabled people (Piggott, Sapey, and Wilenius 2005). Finally, and according to Callahan, Schumpert, and Mast (2002), all efforts should be made to ensure that self-employment does not isolate disabled people, however, personal preference should be a stronger motivation than integration with others. Hence, self-employment may provide a realistic opportunity for a working life for any person with disability.

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