

Self-Employed Women

Policy Options that Promote Equality and Economic Opportunities

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Les emplois précaires et surtout le nombre des travailleuses autonomes ont augmenté dramatiquement, avec le résultat que de plus en plus d'individus travaillent sans avoir accès aux prestations légales, économiques et sociales. Cet article parle des changements dans les modèles d'emploi et met l'accent sur une étude des travailleuses autonomes qui examine les implications pour la sécurité de leur revenu et les options à envisager pour l'augmenter.

Entrepreneurship is typically accorded high status with its perceived opportunities for limitless income potential. The reality of self-employment today, particularly for women, is far different. While the self-employed includes business owners who have added new jobs to the economy and professionals who enjoy autonomy and high incomes, the vast majority of the self-employed are selling their services to individuals or to other businesses, have little if any capital to sustain the business, and often work on their own. Self-employed individuals run the gamut from home daycare providers and cleaners to consultants, free-lance writers, and doctors; and include those who keep cottage industries afloat, as well as owners of local stores and larger companies.

Entry into self-employment occurs for many different reasons, including job loss/downsizing, being pushed into it for lack of other job opportunities, and the desire for a work situation that provides more autonomy and/or flexibility in order to better combine work and family obligations. The latter reason is far more predominant among women.

Increasing rates of self-employment are part of an overall trend wherein workers increasingly have less access to standard work situations (most often characterized by work that is indefinite, better paid and with access to benefits). Instead, a higher proportion of today's workers, approximately one in three in 2002, are involved in non-standard work arrangements, such as part-time, contract or temporary work and own-account self-employment (or

“solo self-employment” in which individuals operate a business on their own with no employees)—all characterized by limited work contracts, typically lower pay, and few, if any employer-provided benefits (Cranford, Vosko and Zukewich, 2003). Consequently, an increasing proportion of today's workers, most notably the self-employed, are without access to work-related legal, economic and social protections. As a result, more individuals and families are likely to experience periods of income insecurity. This article highlights the challenges of being self-employed, particularly for women, and discusses possible options for improving their income security as revealed in our recent research.

The Rise of Self-Employment

While participation in all types of non-standard work situations has been growing, self-employment warrants closer scrutiny. In 2004, approximately 2.4 million people, or roughly 15.5 per cent of workers were self-employed in Canada, up from 11 per cent of the workforce of the 1970s (Delage; Statistics Canada 2004a). More than half of total net job growth during the 1990s came from self-employment (Baldwin and Chowhan), with particularly rapid growth among those working on their own account and among women (Schetagne). As a result, the number of self-employed women has grown to 826,000 in 2003; women account for more than 34 per cent of total self-employment (Statistics Canada 2004b).

There are some noticeable differences between self-employed men and women. While men outnumber women among the self-employed by a ratio of two to one, self-employed women are more likely than their male counterparts to work on their own account (61 per cent of self-employed women compared to 50 per cent of self-employed men, according to Delage). Self-employed women are more likely to be in the service sector, to have home-based businesses, and to work part-time (Hughes). Vari-

ous studies demonstrate that self-employed women face extra difficulties in starting up and managing their business, tend to start with less capital than men, and often favour less ambitious projects, orienting to a local market (Brown *et al.*). In particular, women who work on their own account may face barriers in obtaining capital and, on average, have lower earnings from their business than self-employed men or organizationally employed workers (Delage; Rooney, Lero, Korabik and Whitehead). The greater likelihood of reduced earnings that result from these factors and others, in turn, affects women's ability to save for maternity, sickness, and other family-related leave; to purchase health and business insurance; and to access business financing (Rooney *et al.*).

Further deconstruction of self-employment is required to better appreciate the circumstances and concerns of various subgroups within this broad category. There are important distinctions between individuals with businesses that are incorporated versus unincorporated; the own-account self-employed versus employers; and full-timers versus part-timers—including differences in the extent of income insecurity they experience and their attitudes about what policy options should be pursued. There is certainly ample evidence to support the idea that many self-employed desire the independence and benefits of self-employment while also being aware of the risks (Delage; Korabik, Rosin and Cocivera; Saunders). However, many of these individuals are entrepreneurs with considerable capital assets and employees who can assist in the business and/or are higher earning professionals who have the resources and means to better manage downtimes and to purchase insurance and other risk-allocation mechanisms for business hardship. These are typically the least precarious types of self-employment, while others are far more vulnerable without public protections.

Another interesting and overlooked subgroup are those individuals who are dependently self-employed (often referred to as "independent contractors"), such that they derive most of their income from one source, without the usual protections and benefits accorded regular workers. This group has also been growing. The dependently self-employed experience precariousness with respect to their questionable legal standing as truly self-employed, as well as financial precariousness and lack of access to social protection benefits (Whitehead). The incidence of dependent self-employed contractors is also much greater among women than men (Fudge, Tucker and Vosko; Vandenheuvel and Wooden).

Study of Self-Employed Women

In 2001-2002, with a grant from Status of Women Canada, we conducted a study to examine the financial challenges experienced by self-employed women in order to determine which policy options would be most appropriate to promote their economic equality and opportunities (Rooney *et al.*). This study utilized three stages of data collection and involved 168 self-employed women from across Canada involved in a variety of occupations and 56 representatives from federal and provincial governments,

banks and credit unions, the insurance industry, agencies that contract the services of self-employed women, professional associations, and non-profit organizations that offer training and support to self-employed women.

In Phase 1, 101 telephone interviews were conducted with a non-random sample of women across Canada who were involved in a wide variety of occupations, including professionals and higher earning business owners and women in lower earning, service sector type work.¹ During this phase, information was collected about the challenges of being self-employed and women's views about government involvement in providing Employment Insurance benefits to the self-employed.

Phases 2 and 3 employed a Policy Delphi methodology (Turoff). A new sample of key informants comprised of 67 self-employed women as well as representatives from government, financial institutions, professional associations and other organizations were interviewed. The Policy Delphi methodology is an iterative technique used by social scientists to facilitate decision-making on policy-related matters.

Our research project involved two rounds of contact with key informants. Various policy options for income protection mechanisms were canvassed including: (1) An employment insurance type program similar to the existing government-run Employment Insurance program; (2) A self-funded, tax-sheltered savings plan similar to a Registered Retirement Savings Plan (RRSP) that could be accessed during times of illness or acute family caregiving; and (3) Private insurance options for various kinds of leave. Responses from the first set of questions in Phase 2 were summarized and the information fed back to the same respondents in Phase 3, who were asked to consider the perspectives of the other stakeholder groups before responding to a final set of questions on the various policy options.

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Challenges in Taking Time for Maternity Leave/ Caregiving

About half of the women interviewed in the first phase of our study had taken time away from their business, for two weeks or more, to care for a newborn/adopted child or because of a personal or family illness or disability. Women who gave birth or who adopted an infant or child stopped working at their business for an average of nine weeks (ranging from less than one week to about a year and a half; with a median of five weeks). This is comparable to the amount of time reported by Statistics Canada from the 1997 Survey of Labour and Income Dynamics covering the 1993-1996 period, as reported by Marshall (1999), in which 80 per cent of self-employed women returned to work within the first four weeks of giving birth. Five women in our study indicated they did not take any weeks (full-time) away from their business after the birth or adoption of their child. Most self-employed mothers in our sample (72 per cent) said they would have taken a longer maternity leave had they had access to government maternity benefits.

On December 31, 2000 the length of EI-provided parental leave benefits was increased from 10 to 35 weeks. These 35 weeks may be added to the existing 15 weeks of maternity benefits, effectively extending coverage for new mothers for up to one year. For those individuals eligible to receive benefits, the average length of maternity/parental leave has increased from six months to ten months (Marshall 2003). Self-employed women, however, have not benefited from the extension of these benefits.

There were numerous challenges identified by these self-employed women in taking a leave, including:

- making ends meet on a smaller income and covering their operational costs;
- finding a suitable/knowledgeable replacement to manage their business;
- losing clients;
- losing visibility in their market;
- feeling exhausted;
- difficulties concentrating on the business;
- difficulties finding affordable child care;
- having to forgo networking activities; and
- difficulties in keeping their skills up to date.

Among self-employed licensed home childcare providers, there was the additional problem of compliance with agency regulations which limit the amount of time providers can be absent from their business.

Among women who took a leave for health reasons or because of serious illness in the family, 50 per cent indicated it was somewhat difficult or very difficult for them to make ends meet during that time. Of the women who took time away from their business after childbirth, 64 per cent indicated that, financially, it was somewhat or

very difficult for them to make ends meet. Similar concerns about taking a leave were voiced among self-employed women in professional occupations/high earning businesses and those in caregiving/personal service occupations.

One of the ongoing challenges for almost all of the self-employed women in our study was the challenge of finding someone to act as a replacement for the duration of a leave. This challenge was faced by women across the range of jobs and professions. Some professionals, such as chiropractors and dentists, mentioned the inability to find a locum to act as a replacement. Some mentioned the declining numbers of trained individuals who are willing to step into another doctor's practice for a limited time. Consultants noted that the expertise that they bring to their work is often specialized. Their unique skills and knowledge make it very difficult, if not impossible to find a replacement. Moreover, they may risk losing clients to the individual who does step in. Similar sentiments were expressed by those in service-type occupations such as home day care providers, who had virtually no options for finding a replacement because they are almost non-existent or so expensive as to be economically impractical.

Cutting back on expenses and relying on their spouse's income were common ways self-employed women coped financially during an extended leave for health or family caregiving reasons. Women who took a maternity leave were more likely to take a bank loan or line of credit and less likely to use personal savings compared to women who took a leave because of personal sickness or to care for an ill family member.

One of the other crucial impediments to secure income was the fact that many women stated that their loss of income persisted beyond the specific period of time they were away from their business. Loss of their visibility and loss of work often meant that the women experienced a lag between getting back to work and re-building their client base back to where it was before the leave was taken, taking anywhere from a week to many months.

Our findings from this part of the study indicated that the majority of women who had taken a leave from their business experienced considerable financial difficulty which was not limited solely to loss of income. Finding a replacement, taking on debts to cover both personal and business expenses, and loss of visibility and clients were other consequences. Although addressing the issue of income loss is paramount to protecting their personal incomes, protecting the viability of their businesses is likely to require a more comprehensive and multi-pronged approach.

Attitudes Toward the Role of Government in Granting Access to Special Benefits

One of the aims of the study was to determine the desirability of extending certain kinds of Employment Insurance benefits, such as sickness, maternity/parental

and unemployment, to self-employed individuals. We asked all Phase 1 participants how interested they were in having access to these benefits. Overall, women were more in favour of gaining access to sickness benefits (70 per cent) than to maternity benefits (42 per cent). However, when the women were asked about increasing access for all self-employed women, 90 per cent of participants thought that maternity and parental benefits should be extended to the self-employed and 81 per cent supported the extension of sickness benefits. The distinction between individual level perceptions (self) and collective level perceptions

to comment on the benefits of having special benefits extended to the self-employed and any reservations they had. Their responses focused on affordability, feasibility, social responsibility and equitable treatment, and personal benefits. Participants identified some of the following as key reasons to support an extension of special benefits:

- Special benefits are viewed as more feasible for providing maternity and family-related leave benefits than private insurance.

One of the crucial impediments to secure income was the fact that many women's loss of income persisted beyond the specific period of time they were away from their business. Loss of work meant women experienced a lag between getting back to work and re-building their client base back to where it was.

(perceptions of self-employed women generally) is important; because collective level perceptions are more frequently linked to a desire for, and actions towards social change (Tajfel and Turner). In this case, the desired social change would be to have maternity and sickness benefits extended to self-employed women.

There was a distinction in support between those in professional/higher earning categories versus those in service/lower earning categories. Women in lower earning categories (with annual net business income of less than \$30,000) were slightly more likely than self-employed women in professional or higher earning categories to support the extension of maternity and sickness benefits. This is largely attributable to the high cost of private disability insurance and limited opportunity to save for an absence due to illness and birth of a child.

There was also considerable support among Phase 2 participants. A sample of self-employed women was queried about the importance of setting up a government insurance plan for self-employed people comparable to the plan that exists for employees. Similar to Phase 1 findings, there was solid support: 87 per cent indicated it was very important or important that a government plan be set up. Similarly, there was strong support among representatives from the other stakeholder groups for a government-regulated plan to extend special benefits.² Eighty-six per cent indicated it was very important or important that a government plan be set up to extend special benefits to self-employed individuals.

Perceived Advantages of a Government Insurance Plan

Each stakeholder group (67 self-employed women and 56 representatives from various organizations) was asked

- The proportion of workers that fall outside labour and earnings protections is increasing due to the rise in self-employment. There is a social obligation to have some form of social safety net for all Canadians.
- All women, whether employed or self-employed, should have equal access to maternity benefits.
- There is especially a need for coverage for self-employed individuals in start-up companies and those with low revenue, as they are less likely to have emergency funds to carry them through an absence from their business.
- All individuals should have the right to access some form of earnings protection for sickness. A government program would likely grant access to self-employed individuals who are denied private insurance because of their self-employed status, low income, or pre-existing conditions.
- Income support for maternity and sickness benefits for self-employed individuals may encourage more women to become self-employed. The growth in self-employment creates more employment opportunities.
- Special benefits may serve as an incentive for self-employed individuals to declare their income.
- They ensure better cash flow management for self-employed individuals. Regular payments through a government program would improve stability of earnings.

Preference for a Voluntary Program

Self-employed women preferred a voluntary program. Overwhelmingly, given the choice, Phase 1 participants (75 per cent) and Phase 2 participants (63 per cent) were in favour of a voluntary program, even if it meant that the program would be more expensive. Although many women

commented on the importance of universal social protection, most preferred a program based on voluntary participation, even if this meant higher premiums. They did not want to force all self-employed individuals to contribute to the plan, as this was perceived as an additional form of taxation. Opinions favouring voluntary participation were somewhat stronger among self-employed women in higher income earning businesses; concerns about the potential cost of premiums were widely shared.

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Representatives from other stakeholder groups, including government officials and representatives of insurance companies, however, did not view a voluntary program as financially feasible for the government to undertake because of anti-selection bias. The concerns raised by our respondents (e.g., restrictive criteria, the level of premiums and payable benefits, basing benefits on net earnings) have important implications in terms of identifying the conditions under which the extension of special benefits would be acceptable to, and desirable by, the self-employed.

Self-Funded Tax Savings Plan

While there was very strong support for access to an Employment Insurance-type plan, there was also very strong support for a self-funded tax savings plan. Of the various policy options presented to the self-employed women in the study, this was the most preferred policy option. Since many were already using their personal savings for living expenses and to keep the business operational after the birth of a child or a period of poor health, the idea of being able to shelter any growth in their investments from being taxed was viewed positively. The availability of such a plan may also encourage more women to save in advance before a crisis occurs. In comparison to a mandatory government-regulated plan, the self-funded plan was seen as being associated with less government bureaucracy and offering greater flexibility and control. As well, money could be accessed immediately, without having to wait the two-week period under EI benefit rules. According to some of the bank representatives who participated in our study, this type of plan is a very feasible option. Banks and credit unions already have templates they could work from, such as the first homebuyer's plan.

One of the overriding concerns about this option, however, is that it is unlikely that the majority of self-employed women would be able to reap the benefits of this proposal. Considering that over 50 per cent of self-employed women take home less than \$20,000 annually from their business, one wonders how much money would be left over to invest in a specialized savings program for family caregiving and health reasons. The majority of our respondents were concerned that those in low-earnings occupations would not have the funds to contribute and that people may deplete their retirement savings to fund their own maternity or illness-related leave. The program would also be less likely to benefit individuals who already maximize their tax write-offs and those who have start-up companies that yield limited personal income. Moreover, several representatives from associations did not think that self-employed individuals would have the foresight to contribute. There are too many other financial obligations to worry about in the present, let alone worrying about things that may or may not happen in the future.

Role of Private Insurance

In our sample, 42 per cent of self-employed women reported having some form of disability insurance, a figure similar to findings from a national survey of the self-employed (Delage). Women in professional occupations/high earning businesses were slightly more likely to report being insured (50 per cent), compared to those in service/caregiving occupations (35 per cent). Women in our sample were more likely to have some form of supplementary health insurance (52 per cent) compared to 40 per cent in the national survey. Women in professional occupations/higher earnings were more likely to have private health insurance compared to women with lower earnings from self-employment and those in personal service/caregiving occupations (65 per cent compared to 41 per cent).

The source of coverage was dependent on the type of insurance. For example, among those with medical insurance, 59 per cent reported having benefits through their spouse's/partner's plan. Disability benefits were less likely to be offered through spousal plans: only five per cent of those with disability benefits reported being covered through their spouse's benefit plan. Close to 90 per cent of those with coverage had purchased disability benefits privately, either individually or through an association, compared to only 34 per cent who purchased health insurance coverage privately. We documented that a substantial proportion of self-employed women lack insurance that would provide partial income replacement in the event of sickness or disability; about half did not have supplementary health coverage.

Cost is a significant barrier for many self-employed women, particularly those in higher risk occupations,

those in occupations or businesses with low earning potential, and those in the start-up phase of their businesses. Other reasons for not having private insurance included *limited knowledge about the kinds of insurance they should be purchasing*; stringent eligibility restrictions; and benefits packages that are not tailored to the needs of small businesses and the own-account self-employed.

Given that self-employed individuals are denied access to maternity and parental benefits as administered through EI, we wanted to know whether self-employed women 1) thought these kinds of benefits should be offered privately; 2) what their reservations about private companies administering maternity and parental benefits were; and 3) the extent to which this proposal is feasible.

The findings from our interviews indicated that while self-employed women would like to have the option to purchase private insurance for maternity/parental leave and dependent care, this was not viewed as a viable option for insurance providers to undertake. Some women liked this option because they believed it would be more flexible than the extension of government benefits and the payable benefits would be higher. Our self-employed participants were concerned, however, that the cost of purchasing maternity/parental insurance would be prohibitive. As well, they felt that the eligibility restrictions would be too stringent and that the waiting period to receive benefits would be too long. In the past, a couple of insurance providers have attempted to offer maternity benefits, but were unsuccessful because of anti-selection bias: those most likely to use the program purchased the insurance, and there was not a big enough pool of contributors to spread the risk.

Income Protections for the Self-Employed

There is a tendency to view current Employment Insurance policies as static and to not always recognize just how dynamic their evolution has been. For instance, when first introduced, (un)employment insurance was only available to a limited number of job occupations, usually occupied by men. As the primary, and usually sole wage earner, protection against the loss of their earnings was thought to protect the family from the dire consequences associated with unemployment. Over time, employment insurance has changed to better meet the realities of the work force such that benefits are now tied to the worker rather than the family and coverage has been expanded to include a far greater number of work occupations and situations. Furthermore, the breadth of benefits has increased to include *sickness, maternity/parental leave, and most recently, compassionate care benefits* in response to the massive influx of women into the labour market (HRDC; Lin) and, in part, to address wider social concerns (health, balancing work and caregiving responsibilities).

The 1990s saw considerable reforms as Unemployment

Insurance became Employment Insurance. The objectives surrounding the reforms were to make the program financially solvent, eliminate some of the alleged behaviour aberrations it induced, and adjust the program to “the realities of today’s labour market” (Laliberté). The EI system now generates a substantial surplus and tighter eligibility criteria have reduced its use by seasonal workers and other repeat users. Unfortunately, one of the ongoing shortcomings in the evolution of (un)employment insurance is that there is often a lag in protections available and the needs of a continually changing labour force, a larger proportion of which falls outside of existing legal, economic and social protections.

With the growing number of individuals working in non-standard and precarious work, and particularly the major growth that has occurred in self-employment, the profile of Canada’s labour force has changed substantially. This has had a two-fold benefit as both employer organizations and some workers have benefited from the flexibility that these new alternatives generate. Unfortunately, these changes result in more income insecurity and perpetuates precarious income and social imbalances. For many self-employed individuals, access to private disability insurance is extremely cost prohibitive. Many self-employed forgo coverage or extend waiting periods to three months or longer in order to make the purchase affordable. Maternity/parental benefits, however, are not even available for purchase in the private insurance market.

Taking a maternity leave is extremely difficult for women when they work alone and there is no one to take over their business, particularly in knowledge-based businesses that rely solely on the specialized skills of the individual. It is also hard to save for a leave when earnings are low. As a result, self-employed women return to work much earlier than their employed counterparts.

This reality comes at a time when women’s attachment to the labour force has never been stronger. Furthermore, women are now dominating many self-employed professions such as law, dentistry and medicine. At the same time, women play the central role in childbearing and continue to assume the lion’s share of responsibilities for child care and other family-related duties, such as elder care. The absence of family-related income support for the self-employed reflects the fact that the EI objective of

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meeting “the realities of today’s labour market” has not been achieved.

Law professor Judy Fudge has made important recommendations for the extension of labour protections to all who are economically dependent upon the sale of their human capital to work. Fudge suggests that the only question ought to be, “to whom should this law apply?” not “is that person an employee?” The inconsistencies and gaps associated with the current classification of “employee” versus “self-employed” are not a good basis for determining the scope of labour protection, social insurance or tax legislation. Fudge suggests that “the distinction between employees and the self-employed should be dissolved for the purpose of labour protection and social wage legislation, such as unemployment insurance or public pensions. The majority of the self-employed much more closely resemble employees than they do entrepreneurs, although for legal purposes many would be classified as independent contractors and, as such, they would be denied the legal protection available to employees” (Fudge 43). This falls in line with the International Labour Organization’s (ILO) goal to have a minimum set of rights to which everyone is entitled, regardless of status in employment (cited in Saunders).

Québec has already passed legislation extending maternity and parental benefits to self-employed individuals living in that province. Bill 140, an *Act respecting parental insurance*, outlined a number of significant changes to the provision of maternity and parental benefits, including a change to the eligibility criteria to enable benefits to be available to working parents in non-standard forms of employment (e.g., part-time, self-employed) and an enhanced amount of payable benefits. The move to extend these benefits is viewed as a social policy/family policy issue, rather than a labour attachment issue and, hence, Québec plans to have these benefits administered outside the federal EI program. In addition to reclassifying benefits, Québec’s plans to enhance the level of benefits and allow for greater flexibility related to their payout are seen as desired improvements.

Conclusion

A reality of our new economy is that it now contains record numbers of self-employed individuals (and others in non-standard work arrangements). There is a strong desire for self-employment among many who see this work arrangement as a means to satisfy many different needs including increased income, opportunities for challenging and interesting work, greater autonomy, and as a means to balance work and family roles. What employers have been unable to provide in the traditional employer/employee context has been found outside it, while also satisfying employers’ needs to reduce costs and create a more ‘flexible’ workforce that they can call on as needed. Nevertheless, it is important to recognize that these chang-

ing economic times can have unintended consequences. Clearly, there is a need to widen the scope of public income protection measures to account for the increasing number of working individuals without basic coverage for illness, maternity/parental and compassionate care leave. Failure to do so has many negative consequences for individuals—particularly women and their families. Gender-based policy analyses have often demonstrated that public policies across a range of policy areas—including health care provision, disabilities, home care and social assistance have particular importance for women’s economic and social well-being. Our analyses of self-employment indicate that improvements can be made that would benefit both men and women. Policy changes that would address the situation of more precarious workers, including self-employed women working on their own account and/or with lower earnings are particularly critical to reduce inequities in the labour force.

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¹Participants in this study had to derive the majority of their personal income from self-employment. We aimed to include women in both lower and higher earning income groups, different regions in Canada, and with participation by visible minority and Aboriginal women. Recruitment was done through advertising via associations and business networks and a national registry of self-employed women; using telephone directories and making cold calls; referrals and word of mouth; and advertising through the University of Guelph.

While the sample was non-random, participants in Phase 1 and Phase 2 included a cross-section of self-employed professionals, own-account self-employed working in caregiving or personal service areas, and small business owners. On average, participants had been self-employed

for between five and six years. Almost half had owned their business for five years or less. The majority operated their businesses from their homes (Phase 1: 66 per cent, Phase 2: 52 per cent). Almost one quarter had paid employment (24 per cent) in addition to their business. On average, women worked 45 hours per week in their business. Consistent with other surveys (i.e., Delage), our sample had an older age profile: only 25 per cent were under 35 years of age; 68 per cent were 35-54 years old. About two thirds of the women were married or partnered and about two-thirds had children. A small percentage (roughly ten percent) consisted of women from immigrant, Aboriginal or visible minority groups. Consistent with other surveys on self-employed women, our respondents earned considerably less than paid employees. Over 50 per cent earned less than \$20,000 net. Women in caregiving and personal service industries earned considerably less than those in professional occupations.

²Special benefits refers to maternity/parental leave benefits, sickness benefits, and compassionate care benefits that comprise part of the Employment Insurance benefits available to employees. Special benefits excludes unemployment benefits.

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