

Managing Income Uncertainty: How Self-Employed Individuals Navigate Volatile Earnings

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Introduction

- Economical and labour market structure changes
 - Flexibilization & deregulation of work – gig work, agency work (Murgia & Pulignano, 2021)
 - Transformed traditional work arrangements
 - Vulnerabilities (Canale et al., 2022)
- Concern of an emergence of a precariat class within non-standard work
 - Facing financial insecurity, decreasing autonomy and limited access to rights (Palier, 2019; Standing, 2011, 2014)
- Financial instability complicates broader social safety net (OECD, 2018)
 - Impacts accuracy and timeliness of means-tested welfare benefits
 - Means-tested benefits are more sensitive to over- and underpayment
 - Further exacerbating stability when reliant on support

Self-Employment

- 13.7% EU (Eurofound, 2024)
- On average self-employed... (Åstebro & Chen, 2014)
 - Work longer hours
 - Face more volatile income
 - Exposed to more stressors
 - Less protected...vis-à-vis employees
- Less social security coverage and lack of access to employment rights + volatile and unpredictable income → increased risk to financial vulnerability

Profile of vulnerability

- Necessity (push factors): 40% involuntarily (Murgia & Pulignano, 2021)
 - Limited employment options
 - Exclusion labour market
- Already vulnerable workers (Åstebro & Chen, 2014)
 - Immigrants and lower skilled workers
 - Frequently changing occupation and employer
 - Low wage jobs
 - Multiple periods of unemployment

Liability of Poorness

- Coined by Morris (2022) based on disadvantage theory (Light, 1979)
- The poor are confronted by disadvantages at the start
- Success complicated by difficulties tied to precarious financial status
- Poverty context creates a scarcity induced short-term perspective
- Survivalist tendency to launch *commodity ventures* (Morris, 2018)
 - Focus more on preventing loss than making gains
- Poverty is a liability fostering a self-perpetuating cycle: immediate survival needs overshadow long-term growth and stability

Poverty risk

- Exposed to increased risk of financial instability and vulnerability
- Significantly higher poverty risk vis-à-vis employees (Horemans & Marx, 2017; Sevä & Larsson, 2015)
- Research in US and UK shows that the working poor are disproportionately represented in self-employment (Fisher et al., 2024; Henley, 2023)

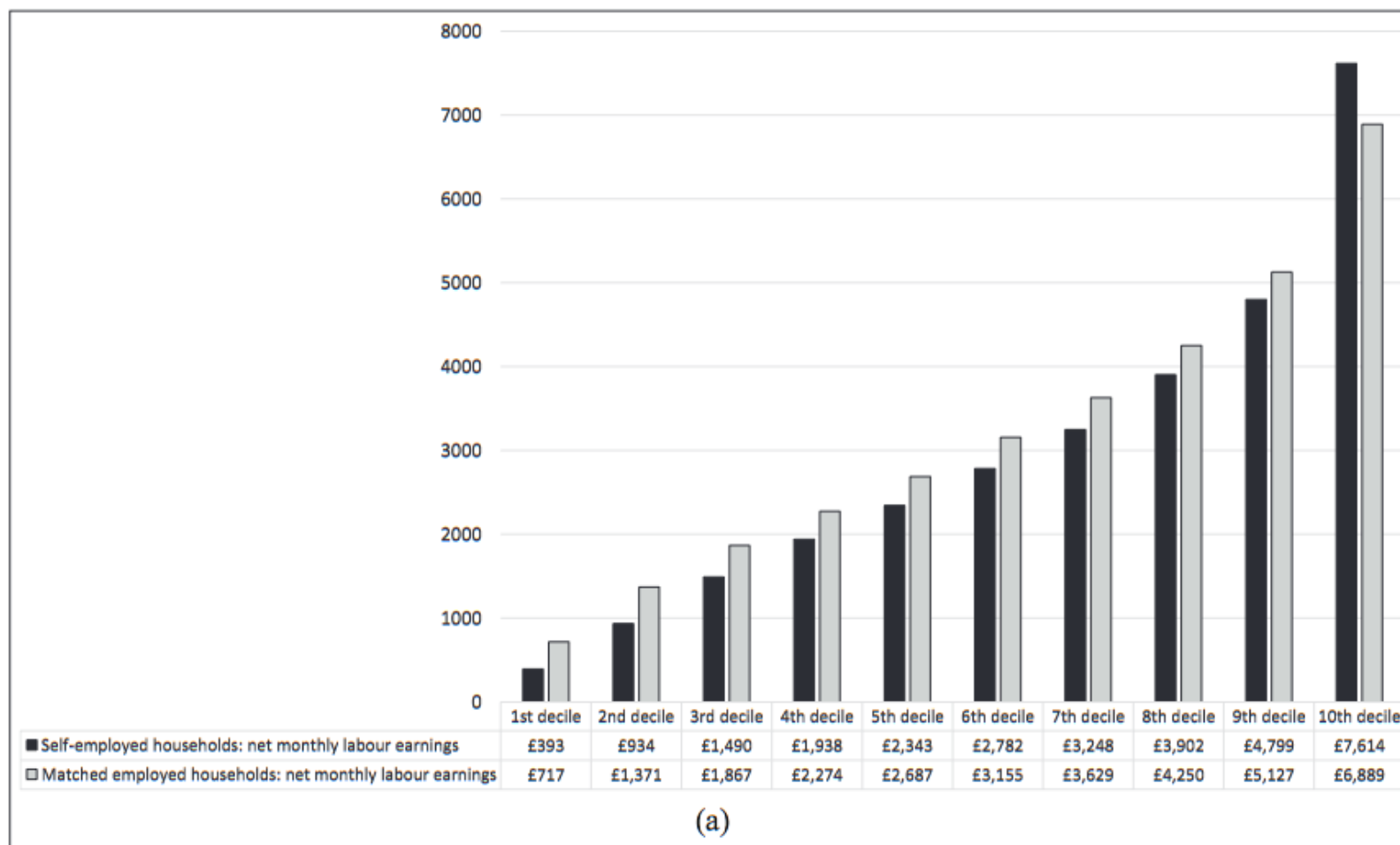


Figure 6. Analysis by household income decile, 2018/2019. (a) Self-employed household labour income and matched employed household labour income. (b) Incidence of deprivation (% of households reporting at least one item of deprivation). (c) Composition of self-employed households.

Source: Henley, 2023

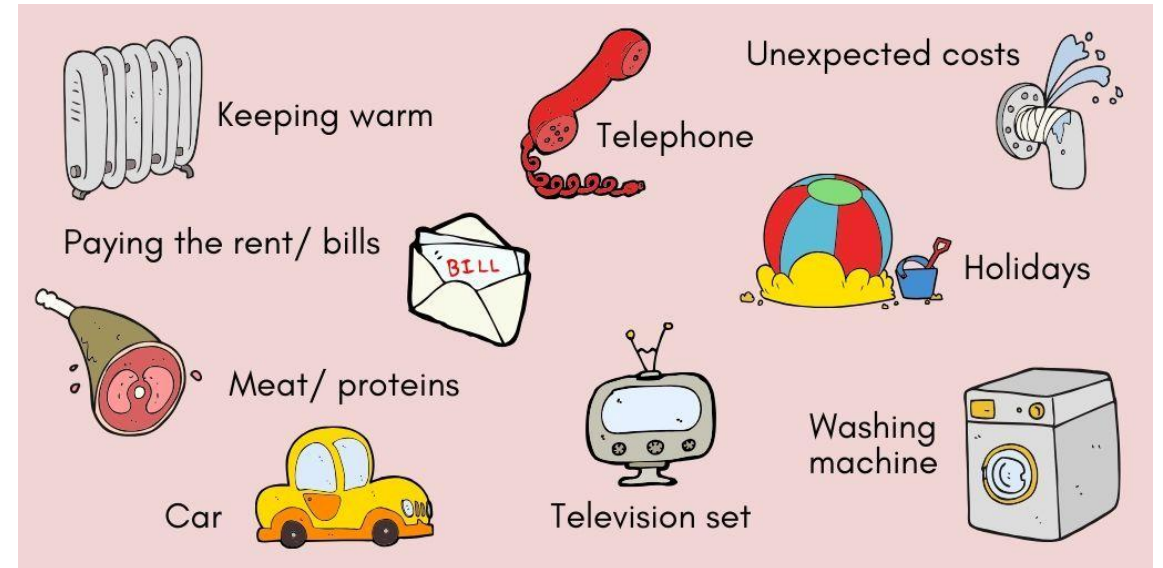
Income problem or income *measurement* problem?

The Measurement Paradox

- Self-employed earnings are notoriously hard to measure (Conen & Schippers, 2019)
- Not only methodological, also conceptual issue
 - Employees earn wages from their labour
 - Recorded through administrative tax systems
 - Employers deduct income tax and social insurance payments
 - Self-employed generate income from business earnings
 - Earnings are assessed through self-reported accounts
 - Followed by assessment of income tax and social insurance payments
 - Composition of income is complicated by income optimization strategies
 - Personal or business assets?
- Income unreliable proxy living standards

Material deprivation

- SE are less confronted with material deprivation
- Self-employed earnings appear unrealistically low compared to assets or material deprivation markers (Horemans & Marx, 2017)
- Among employees: positive correlation exists between poverty risk and material deprivation (Horemans & Marx, 2017)
 - Same effect elusive for SE
- Indicates mismatch living standards and earnings



How do self-employed
individuals experience and
manage income uncertainty?

Methods: qualitative approach

- Deeper understanding of experience with volatile income and coping strategies
- Pivot from focus groups to in-depth interviews with Belgian self-employed individuals
- Thematic analysis: patterns and themes
- Recode with Grounded Theory
 - Refine the themes identified through thematic analysis
 - Iterative process: theory grounded in data

Data

- 8 expert interviews: 7 men, 2 women
 - One double interview
 - Unions, interest groups & personal network
- snowball sampling

Nr	Pseudonym	Job
1	Lorenz	Freelance journalist
2	August	Intern architect
3	Stijn	Physiotherapist
4	Alessio	Intern lawyer
5	Gül	Owner cleaning company
6	Rik	Consultant
7	Jan	Bike store owner
8	Annemie & Kurt	Restaurant owner

Findings: Signs of vulnerability

Distilled themes

- Necessity
- Deliberate temporary work
- Job seeking
- Stress
- Low financial/fiscal literacy
- Payment arrears (two way)

"But in journalism, there aren't many jobs with a salary contract. So, I relatively quickly decided, 'Okay, freelance it is.' And at first, that actually suited me quite well because, after [working at a major Flemish university] ... I enjoyed having a bit of freedom. Now, though, I'm pretty fed up with it. By now, I'd rather just have a salary every month." (Lorenz, freelance journalist)

Adaptive Strategies and Coping Mechanisms

- Working through sickness
- Maximize fiscal efficiency
- Financial buffering strategies
 - Saving
 - Informal social insurance (family and friend network)
- Professional support
- Governmental support

“Aah that doesn’t happen, falling sick (ironic) (...) There hasn't been a day that I haven't worked because of being sick.” (Jan, bike store owner)

Conclusion

How do self-employed individuals experience and manage income uncertainty?

- Heterogenous group: respective strategies and experience
- Showcases structural inequalities and dysfunctional formal solidarity
- Lower earners: living standards more vulnerable to volatility
 - Living month by month
 - Limited saving buffers
 - Most reliant on formal insurance structures
 - Carry most proportional weight
- Higher earners: more robust living standards
 - Means for professional support
 - (complex) tax optimization and avoidance
 - Private insurance
- Reinforcement of economic inequality among self-employed

Thank you for listening
questions & feedback welcome!