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11-1-1990

Self-Employment and the Petty Bourgeoisie: Comment on Steinmetz and Wright

Marc Linder

John Houghton
St. Edwards University

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96 *American Journal of Sociology* (1990), 9 pages.

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Commentary and Debate

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SELF-EMPLOYMENT AND THE PETTY BOURGEOISIE: COMMENT ON STEINMETZ AND WRIGHT

Steinmetz and Wright (*AJS* 94 [March 1989]: 973–1018) analyze the increase between 1976 and 1983 in the share of the labor force classified by the census as “self-employed.” In attempting to explain this increase, they find it to be not so much a countercyclical response to unemployment as a structurally significant result of expansion in postindustrial sectors characterized by high rates of self-employment and, even more, a result of increasing rates of self-employment within traditional industrial sectors. Such findings lead them to conclude that there has been a structural reversal of historic proportions in the decline of the petty bourgeoisie (pp. 1006–7, 1009). This comment argues that their conclusion is unwarranted and grounded in an analytic framework that fails to address critically the nature of self-employment and the relationship between self-employment and class position.

Steinmetz and Wright's perspective too hastily equates those classified by surveys as self-employed with the petty bourgeoisie (pp. 974–81). It is this equation that allows their conclusion, for example, that a seven-year increase in census-identified self-employment in the transformative “traditional core of industrial society” has played a major role in producing a partial substantive return to the American ideal of petty bourgeois auton-

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omy (pp. 1002–9). They reach this particular conclusion not by way of analyses of changing social relations of production in industrial occupations but rather through an analysis of self-employment rates in 31 industrial categories. The self-employment trend that they attempt to decompose into these broad categories is itself highly ambiguous, but the principal weakness of their framework is that their categories of analysis are too broad to permit conclusions regarding historic changes in dependence and independence in the employment relationship. This comment will focus on Steinmetz and Wright's fourfold failure: to explore whether those reported as self-employed are in fact employees; to question whether all self-employed are in fact petty bourgeois; to examine whether any real-world trend reversal has taken place and, if so, how limited its scope is; and to provide a socioeconomic explanation of the alleged reversal.

Before a notional rise in self-employment can be deemed relevant for class analysis, a reversal in the secular trend toward economic dependence would have to be confirmed. If even a century ago size differences between capitalist and autonomous commodity producers had begun to make a mockery of the latter's alleged independence (Laurie, Hershberg, and Alter 1981, p. 105), then in an era of accelerating economic concentration and centralization, the status of the self-employment must be scrutinized even more critically. Although articulating criteria to create a socioeconomically valid distinction between dependent employees and independent self-employees has occupied legislatures, administrative agencies, and courts for centuries (Linder 1989*b*), Steinmetz and Wright fail to reflect on it adequately; although defining self-employed as "being one's own boss" (p. 974) surely captures a very important dimension, it is not without its own ambiguities. Yet if neither the Bureau of Labor Statistics (BLS) nor the Census Bureau has defined the category of self-employed (Christensen 1989, pp. 196–97, n. 14), why should it be assumed that "self-employed" is used by respondents in the same manner that Steinmetz and Wright—let alone Marx—use it? Ironically, the authors inadvertently spot this issue without realizing its implications: "We suspect that many self-employed people who sell their services to individuals and are paid on an hourly basis incorrectly check the 'employee of private . . . individual, for wages' category" (p. 990, n. 20). What is ironic here is that these respondents may have understood more deeply than the sociologists just how dependent their work is. Further, the direction in which the respondents are supposed to have erred seems implausible given the claim that "being self-employed . . . is a deeply held ideal in American culture" (p. 974). For it is more plausible that some employees delude themselves into believing that they have achieved the "fantasy" (p.

974) of independence than that achievers mistakenly renounce independence.

By engaging their trend analysis before having determined whether the census classification "self-employed" adequately reflects Marx's category of simple commodity producers (*kleine, or selbständige, Warenproduzenten*), which ostensibly informs their approach, Steinmetz and Wright prejudice the outcome. The result is an ahistorical framework that lacks the social-theoretical underpinning required for class analysis. Examination of whether a reported rise in self-employment can be equated with an expansion of the petty bourgeoisie involves two related but nevertheless distinct inquiries. The first goes to whether the workers in question are employees or self-employees; the second asks whether these self-employed are petty bourgeois. In Marx's framework, the former question, the transition from self-employment to employment, is analyzed historically as well as categorically as a process of the formal subsumption of labor under capital. Without any other changes in the existing labor or production process, the formerly self-employing must sell their laboring power because they no longer own their own means of production or means of subsistence (Marx [1861–63] 1982, pp. 2130–31).

Even if it is granted that the self-employed "are distinct from workers in that they own their own means of production and do not sell their labor power on the labor market" (p. 980), mapping the boundary encircling those who sell their labor power remains far from a simple analytic determination (Linder 1987). It becomes particularly complicated in the case of workers in occupations (such as carpentry) who generically furnish their own tools, regardless of whether they are employees or self-employed, and even more so for service providers who use no means of production (Linder 1989a). Moreover, when even relatively solid contractors do not have the cash flow (i.e., the means of subsistence) to finance their consumption during the life of a project and must require periodic payments from their customers, employers, or contractees, this criterion loses its class-categorical character (or, alternatively, indicates how constricted the scope of economic independence has become). To remedy this gap, a sensitive methodology must seek to supplement analysis rooted in the relations of production with derivative market-oriented criteria of social class to determine whether the producers in question are in a position to appropriate their own surplus labor (Marx 1982, pp. 2180–81).

More light can be shed on the political-economic role of the so-called self-employed by exploring the specific relationships of the self-employed with the entities for which they work. First, this inquiry involves exploring not only their subordination in terms of workplace control and integration but also the level of real entrepreneurial risk (i.e., of loss of

existing capital assets and not merely of potential income) they assume (Linder 1987). Although Wright (1985) has conceptually recognized the existence of "semi-proletarianized self-employed" (p. 62, n. 47) who "have little choice over how they produce or, in some circumstances, even over what they produce [because] their options are constrained by markets, by credit institutions, by long-term contracts with capitalist enterprises" (p. 53), his own questionnaire does not permit empirical identification of this stratum (p. 304).

The second inquiry asks whether all workers who can be classified as marginally self-employed should automatically pass muster as petty bourgeois. Speaking against such a facile equation is the fact that, in many low-paid occupations, the self-reported self-employed earn significantly less than employees (U.S. Bureau of Labor Statistics 1989)—*prima facie* evidence of macrosocial dependent status inconsistent with membership in the petty bourgeoisie. Similarly, many if not most self-employed occupy that status part-time or intermittently, receiving the bulk of their income as employees (Linder 1983, p. 266; U.S. Bureau of the Census 1989, pp. 91–103, 147–57). These self-reported self-employed account for a disproportionate share of full-time working poor families (Ellwood 1988, p. 92), another fact that underscores the tenuous character of the self-employed as a social class.

The impermissibility of the conflation of the self-employed and the petty bourgeoisie also emerges from an examination of a stage before formal subsumption of labor under capital. Here, usurious or commercial capital may enter into relationships with self-employing peasants or domestic outworkers in which the workers are subject to no supervision and continue nominally to control the means of production. The resulting "ugliest exploitation of labor" (Marx [1851–63] 1980, p. 1546) does not sustain a petty bourgeoisie but creates instead "Debt-Slavery in distinction to Wages-Slavery" (Marx 1982, p. 2155). In a contemporary example, a shoe shiner with his own stand (which he may in fact involuntarily "lease") and subproletarian income, a shopping-bag man collecting aluminum cans (Rimer 1989, p. 16), or a woman caring for other people's children in her own home and earning less than minimum wage (Lewin 1990, p. B16) would be self-employed according to the Census Bureau and thus accepted as petty bourgeois by Steinmetz and Wright; yet Marx would probably have regarded them as lumpen proletarians (Himmelfarb 1985, p. 391) or "proletaroid" (Sombart [1903] 1954, pp. 455–58).

Nor are these examples fanciful, for "service occupations" were not only the fastest-growing segment of the self-employed between 1983 (when a new occupational classification was introduced) and 1988 but also the only sector to experience an increase in the rate of self-employment. Yet the four occupations of maid, janitor, hairdresser/

cosmetologist, and child-care worker, which are distinctly not petty bourgeois, accounted for 90.1% of the net increase of the service sector of self-employed and 31.7% of the net increase in aggregate self-employment (see table 1).

This concentration of reported self-employment in such occupations assumes enhanced significance in light of the modest and time-bound increase in the rate of self-employment computed by the authors. For, despite the reference to "rather dramatic change" (p. 978), their data indicate merely "a slight" increase restricted to the years between 1976 and 1983 (see, e.g., pp. 975, 978, 1010). Moreover, although Steinmetz and Wright note the declining impact of agricultural self-employment on the overall class structure (pp. 1001–2), they fail to emphasize the extent to which the decline of agricultural self-employment dominated the course of aggregate self-employment in the 1950s and 1960s. It is only by neglecting the fundamental divide between agriculture and nonagriculture and the fact that agricultural self-employment (including unpaid family members) declined from almost one-half of total self-employment in 1948 to less than one-quarter in the mid-1970s (calculated according to U.S. Bureau of Labor Statistics [1988], p. 625) that they can speak of a "monotonic" decline before the 1970s (p. 975). For not only did the volume and rate of nonagricultural self-employment stabilize in the 1950s, they have been declining once again since 1983 (U.S. Bureau of Labor Statistics 1988, p. 625).

The seven-year increase in notional self-employment therefore appears to be a slim reed on which to rest claims about a renaissance of the petty bourgeoisie as embedded "in a period of significant structural reorganization" of the class structure (p. 1009). To the extent that the increase in reported self-employment is not an index of an increase in economic independence or of the growth of the petty bourgeoisie, the phenomenon in question may turn out to be more a curious blip than a trend toward deproletarianization. This issue may be resolved, then, by research that produces thickly described analyses of those occupations with, purportedly, the highest levels or rates or greatest increases of self-employment. Here a fundamental distinction must be made between highly skilled and well-compensated professionals, such as physicians, and nonemploying shopkeepers, about whose self-employed status there may be little doubt, and unskilled and low-paid manual workers, such as janitors and farm workers, whose dependent status should be uncontested. A middle ground is occupied by skilled manual workers with minimal tools who are engaged in the interstices of capitalist enterprises.

By way of contrast, one of the chief weaknesses of Steinmetz and Wright's methodology is that, in seeking to answer the three questions they pose as possible explanations of the unreflectingly assumed increase

TABLE 1
 SELF-EMPLOYMENT IN SELECTED SECTORS, 1983-88

	1983 (thousands)	1988 (thousands)	INCREASE		RATE OF SELF- EMPLOYMENT (%)	
			In Thousands	In Percentage Terms	1983	1988
Total	9,143	9,917	774	8.5	9.1	8.6
Nonagricultural	7,563	8,519	956	12.6	7.8	7.6
Service	887	1,159	272	30.7	6.4	7.6
Maid, janitor, hairdresser, child-care worker	679	924	245	36.1	17.8	21.0

SOURCE.—U.S. Bureau of Labor Statistics (1989).

in the self-employed or petty bourgeoisie (p. 978), they operate at a level of aggregation (pp. 994, 1004–5) that is too high to permit insight into the actual roots of self-employment.

The first hypothesis—that self-employment responds countercyclically to unemployment—Steinmetz and Wright view as having diminished explanatory value in recent years (pp. 983, 998, 1007). Yet they undercut their critique of the countercyclical explanation by speculating that the rise in self-employment may be a response not to unemployment but to low-wage employment (p. 1008). Since the self-employed earn, on the average, significantly less, while working longer hours, than employees in the same occupations (Becker 1984, p. 18), the conjecture that self-employees are refugees from the low-wage sector does not appear robust—at least not as to real petty bourgeois self-employed. By the same token, the authors' approach underscores their failure to reflect adequately on what economic independence as a criterion of socioeconomic class entails.

The postindustrial explanation hypothesizes that the decentralization and low capital requirements peculiar to that sector introduce “greater possibilities for self-employment” (p. 987). Without being able to locate the occupations within the postindustrial services that have fueled the expansion of self-employment, the authors merely note that the effect stems from an increase of total employment rather than a rising rate of self-employment in that sector (p. 1006–7). Since the relevant occupations—for example, in legal, educational, medical, engineering, banking, and financial services (p. 1006, n. 36)—that do lend themselves to the creation of highly skilled and well-compensated positions for real petty bourgeois self-employment have not registered an increase in self-employment, this hypothesis contributes little to a resolution of the issue of whether an increase in the non-petty bourgeois non-self-employed underlies the reported increase in self-employment.

In testing decentralization in the “traditional industrial sectors” as the third and final explanation (p. 987), Steinmetz and Wright confirm the overwhelmingly dominant position of construction for all nonagricultural self-employment (p. 1006; cf. Linder 1983, p. 267). Yet the formal deproletarianization they find in this sector (pp. 1004–7) is immediately invalidated by the admission that the large contingent of labor-only self-employed is hardly distinguishable from waged workers (p. 1008). While acknowledging that their data do not allow them “to explore directly the possible explanations” for the expansion of self-employment in the traditional industrial sector (p. 1007), their reference to the chemical industries and utilities as ones in which a shift toward self-employment has taken place should raise a flag. For, if the BLS is puzzled by the existence of self-employed cashiers, receptionists, and bank tellers (Becker 1984, p.

17), then skepticism must also attach to findings of any self-employment in the chemical industries and utilities, let alone significant deproletarianization (p. 1007).

Of the tentative alternative explanations they offer, the most relevant is the concession that the trend reversal "does not reflect a sociologically meaningful expansion of the 'petty bourgeoisie'" insofar as "much of the apparent expansion represents" an effort to avoid employment taxes and unions (pp. 1007-8). Indeed, the extraordinary proliferation of such unilaterally imposed employer scams (Linder 1988, 1989c, 1989d; Linder and Norton 1987a, 1987b) alone may account for much if not most of the reported rise in self-employment—just the opposite of a reversal in the fortunes of the petty bourgeoisie. By the same token, the fact that the self-employed have opportunities for concealing taxable income unavailable to employees (Becker 1984, p. 18, n. 9) explains why some employees prefer to be called "self-employed."

In summary, then, Steinmetz and Wright have failed to explain or even to substantiate the reality of a renaissance of the petty bourgeoisie. Given the underdeveloped state of research, class analysis runs the risk of becoming a mere exercise in taxonomy unless the societal significance of the distinction between employees and self-employees is borne in mind. Currently, classification as self-employed triggers disqualification from membership in labor unions and participation in collective bargaining (Linder 1989c) as well as disentanglement to a host of state-enforced social security benefits, such as unemployment insurance and workers' compensation benefits, and protection against race, sex, and age discrimination (Linder 1988). If such distinctions make little socioeconomic sense as applied even to real petty bourgeois (Linder 1989a), an undifferentiated acceptance of the identification by the Census Bureau of dependent workers as self-employed and their sociological incorporation into the petty bourgeoisie ironically reproduce and exacerbate the atomized disempowerment of these marginalized workers.

MARC LINDER

College of Law, University of Iowa

JOHN HOUGHTON

St. Edward's University

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