

no longer generates an inherent tendency towards the degradation of labor. Instead, as Piore and Sabel (1984) have argued, we may be in the midst of a "second industrial divide" which requires labor with much higher levels of technical training and work autonomy than characterized "Fordist" production, training which makes workers capable of flexibly adapting to rapid changes in technology and the organization of work. The positive class shift for skilled workers within the transformative sector in the 1980s (+2.17), reversing the considerable negative class shift (-5.41) in that sector for this category in the 1970s, is consistent with this account.

These trends do not imply that "post-Fordist" capitalism is any less capitalistic than its predecessors - surplus is still appropriated by capitalists; investments are still allocated on the basis of profit-maximizing in capitalist markets; workers are still excluded from control over the overall process of production. And they also do not imply the immanent demise of the working class. In spite of the decline we have observed, the working class remains around 40% of the labor force in 1990, and when skilled workers are added, the extended working class is still over 50%. What these results do suggest, however, is a trajectory of change within developed capitalist societies towards an expansion, rather than a decline, of contradictory locations within class relations. Unless these trends are a temporary detour, it thus appears that the class-structure of capitalism continues to become increasingly complex rather than simplified around a single, polarized class antagonism.

## 4. The fall and rise of the American petty bourgeoisie

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200 years ago Thomas Jefferson (1786 [1984: 580]) argued that the prospect of self-employment justified whatever depredations accompanied indentured service and wage labor: "So desirous are the poor of Europe to get to America, where they may better their condition, that, being unable to pay their passage, they will agree to serve two or three years on their arrival there, rather than not go. During the time of that service they are better fed, better clothed, and have lighter labour than while in Europe. Continuing to work for hire a few years longer, they buy a farm, marry, and enjoy all the sweets of a domestic society of their own." In the middle of the nineteenth century Abraham Lincoln (1865 [1907: 50]) also saw self-employment as the natural route to individual prosperity: "The prudent penniless beginner in the world labors for wages awhile, saves a surplus with which to buy tools or land for himself, then labors on his own account another while, and at length hires a new beginner to help him." And even in the waning years of the twentieth century, in an era of large corporations and powerful governments, Ronald Reagan (Public Papers of the Presidents of the United States. Ronald Reagan 1983: 689) extols the virtues of self-employment. Speaking at the awards ceremony for the National Small Business Person of the Year, Reagan remarked: "I am vividly reminded that those shopkeepers and the druggist and the feed store owner and all of those small town business men and women made our town work, building our community, and were also building our nation. In so many ways, you here today and your colleagues across the country represent America's pioneer spirit . . . You also hold the promise of America's future. It's in your dreams, your aspirations that our future will be molded and shaped."

Being one's own boss, being self-employed, is a deeply held ideal in

American culture. In the 1980 US class analysis project data, 54% of people in the American working class, and two-thirds of male workers say that they would like to be self-employed some day (for detailed results, see Wright 1997: 115–117). What is more, this ideal is not a complete fantasy: while, depending upon precise definitions and data sources, only about 8–14% of the labor force in the United States was self-employed in 1980, 16% of current employees have been self-employed at some time during their work lives (almost 20% for men), which means that at least a quarter of the labor force and a third of the male labor force either is or has been self-employed. If we go back one generation, about 31% of Americans currently in the labor force come from families within which the head of the household was mainly self-employed when they were growing up, and 46% came from families within which the head of household was self-employed at least part of the time while they were growing up. Finally, if we ask Americans to describe the jobs of their three best friends, 31% indicate that at least one of their friends is self-employed, and 7% are married to someone who is self-employed. Taking all of these data together, two-thirds of Americans in the labor force have some direct personal linkage to self-employment, by being or having been self-employed themselves, by coming from a family of origin in which the head of household was self-employed, by having a close friend who is self-employed, or by being married to someone who is self-employed. What is more, this density of ties to self-employment varies hardly at all across the different class locations among employees.

This intermeshing of the lives of the petty bourgeoisie and employees is not a unique feature of the United States. Roughly comparable figures are found in the other countries in the Comparative Class Analysis Project. In Sweden, Norway and Canada, about 55% of the labor force has some direct personal tie to self-employment, while in Japan the figure is 68% (mainly because of a much higher level of people who are currently self-employed). Where the United States does seem to differ markedly from the other countries is in the aspiration of employees to become self-employed: nearly 58% of US employees say that they would like to be self-employed someday, compared to 49% in Canada, 40% in Sweden, 31% in Japan and only 20% in Norway.

Self-employment is thus a central part of both the ideological and social fabric of American life. Yet, remarkably, self-employment has received almost no systematic empirical study by sociologists. When sociologists study stratification, it is rare that self-employment is treated

as a distinct problem. With limited exceptions, the typical class schema for sociological studies goes from upper white collar to lower blue collar and farm occupations, with the self-employed being fused with these categories according to their occupational activities. And, while there are many studies of small business and of specific categories of self-employment, especially farmers and various kinds of professionals, there is very little quantitative research on the general problem of self-employment.

The basic objective of this chapter is to analyze the historical trajectory of self-employment in the United States, particularly in the post-World War II period. The chapter will revolve around a striking feature of the time trend in rates of self-employment in the labor force: on the basis of the best available time series it appears that from the nineteenth century to the early 1970s there was a virtually monotonic annual decline in the rate of self-employment in the United States, dropping from around 40% at the end of the nineteenth century to about 20% in the 1940s and to under 10% in the early 1970s; from 1973 to 1976 the self-employment rate was basically stable, but since then there has been a gradual increase in the rate of self-employment (for detailed time series, see Wright 1997: 119). By the early 1990s, that rate was a full 25% higher than it had been in the mid-1970s. Similar trends are found in a number of European countries (Bechhofer and Elliott 1985). What is the explanation for this dramatic change? Does it reflect a response to the relative stagnation in the American economy from the early 1970s to the early 1990s? Is it an aspect of the transition to a “post-industrial” economy in which a variety of new kinds of services, often involving relatively little physical capital, is growing?

These questions are particularly relevant for the concerns of this book since the rise of self-employment in the last quarter of the twentieth century runs *counter* to traditional Marxist expectations of the demise of the petty bourgeoisie as a result of capitalist development. As noted in chapter 3, traditional Marxism identified two long-term causal processes which shape the historical trajectories of the petty bourgeoisie and small employers. First, there is the inherent tendency for the expansion of capitalism to destroy all precapitalist forms of economic relations, including subsistence producers and simple commodity producers. Second, as capitalism develops, there is a tendency for capitalist units of accumulation to become larger both relatively and absolutely which reduces the proportion of small employers in the population.

Taken together, these two causal processes lead Marx and subsequent Marxists to predict that the Petty Bourgeoisie (understood as small

employers and the pure petty bourgeoisie combined) would gradually wither away. Certainly on a broad historical scale, this has been one of the most robust of Marx's predictions. While rates of change may have varied, in all developed capitalist countries, there was a steady decline in self-employment from 40–50% at the end of the nineteenth century to 10–15% or so at the end of the twentieth. Yet, in more recent decades, this longstanding decline seems to have been arrested and possibly even reversed. The task of this chapter is to explore why this may have occurred.

#### 4.1 Self-employment and economic stagnation

One possible explanation for the recent increase in self-employment is that it is a direct response to cyclical patterns of unemployment. A certain amount of self-employment is plausibly a response to a lack of good wage labor employment opportunities. While unemployment insurance and welfare programs may reduce the incentives for the unemployed to seek self-employment, one would nevertheless expect increases in the unemployment rate to generate increases in self-employment. Given the relative economic stagnation in the American economy from the early 1970s into the 1980s, it might be the case that the apparent reversal of the long-term trend in self-employment simply reflects increases in unemployment in the period.

The best way to test this possibility is to estimate time series regression equations predicting the rate of self-employment and then see if the effect of time on self-employment changes when we control for the annual rate of unemployment in the equation. I calculated these regressions in a variety of different ways to be sure that the results were robust. The results were quite unambiguous: the positive time trend in self-employment since the early 1970s is significant even when we control for rate of unemployment (for details see Wright (1997: 127–130)). While long-term stagnation might be a contributing factor, it seems unlikely to provide the main explanation for this reversal of the historic decline of the petty bourgeoisie.

#### 4.2 Sectoral decomposition of changes in self-employment

Another possible explanation for the reversal of the historical trajectory of the petty bourgeoisie is that expanding opportunities for self-employment are in one way or another bound up with the transition to a "post-

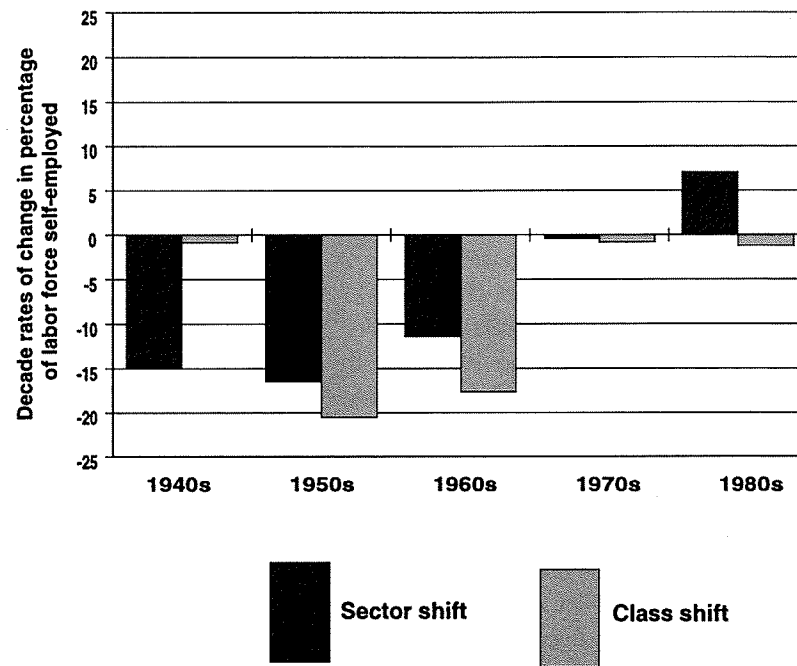


Figure 4.1 *Decomposition of decennial rates of change of self-employment, 1940–1990.*

industrial" society as discussed in chapter 3. One might hypothesize that the expansion of various kinds of high-tech services opens up greater possibilities for self-employment, since in many instances these services require relatively little physical capital.

We will explore in a preliminary way the plausibility of the post-industrial hypothesis by examining the relationship between changes in the sectoral composition of the labor force and self-employment using the same kind of sectoral shift-share decomposition procedure we adopted in chapter 3.

Figure 4.1 presents the sector-shift components and the class-shift components for the rates of change of self-employment in each decade between 1940 and 1990. Two things are especially striking in this figure. First, the sharp, negative class-shift component for self-employment – indicating a steep decline of self-employment *within* sectors – is heavily concentrated in the 1950s and 1960s. In the 1940s, virtually all of the decline in self-employment was attributable to sectoral changes in the composition of economy (especially away from agriculture), and, in both

the 1970s and 1980s, the class-shift component is negligible. Second, the expansion of self-employment in the 1980s is entirely the result of changes in the distribution of the labor force across sectors. The decline in rates of self-employment may have been reversed in the mid-1970s, but this is not because it is increasing within sectors.

In order to get a more fine-grained picture of the economic processes that underwrite these changes, I disaggregated the total sector and class shifts for each decade into the contribution of the six broad sectors of the economy we examined in chapter 3. Selected results are presented in Figure 4.2 (for complete details see Wright, 1997: 134). First let us look at the sector-shifts. From the 1950s on, there is a steady reduction of the effect of declines in the extractive sector (primarily agriculture) on self-employment. Agriculture is the sector of the economy with the highest levels of self-employment. Declines in the agricultural sector, therefore, have historically contributed heavily to the sectoral effects on the decline of self-employment. In the 1950s, the decline in the extractive sector reduced self-employment by roughly 22%. This dropped to about 16% in the 1960s, about 4% in the 1970s and less than 2% in the 1980s. As the agricultural sector becomes smaller and smaller, its continuing decline has less impact on the overall class structure of American society. In a complementary manner, the expansion of certain service sectors, especially business services, has an increasingly significant positive effect on self-employment.

The class-shift components also show interesting variations across sectors over time. In the 1940s there was a small *expansion* of self-employment in the transformative sector which partially countered the decline in self-employment in most other sectors. The result is that the overall class shift was a modest  $-4.2\%$ . In the 1950s, self-employment declined in all but one of the six broad sectors of the economy, generating a considerably larger total negative class shift. The decline of self-employment within sectors accelerated in the 1960s. During that decade, the sectoral contributions to the negative class-shift component were large and fairly evenly distributed across the economy, indicating a very broad pattern of destruction of self-employment within every economic sector of the economy.

The decade of the 1970s represents a sharp break in the pattern of the previous two decades. In those sectors which still contributed a negative class-shift component during the 1970s, the negative effects are always much smaller than in the 1960s. And in two sectors – the transformative sector and business services – the negative class-shift effect is actually

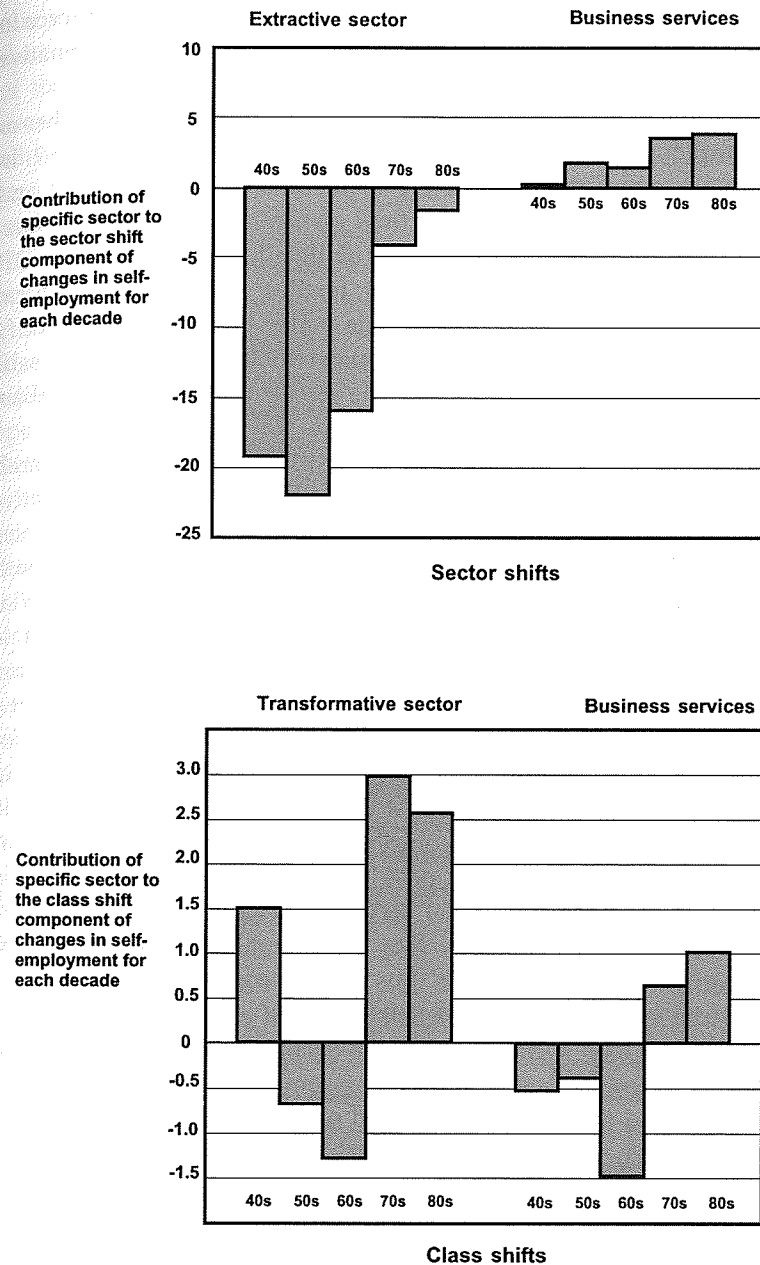


Figure 4.2 *Decomposition of changes in self-employment for selected sectors, 1940-1990.*

reversed: self-employment increased as a proportion of the labor force in these sectors over the decade. This basic trend in the transformative sector and business services continued in the 1980s.

How do these sector-specific results bear on the question of whether or not self-employment is largely a "post-industrial" phenomenon? In order to get a more nuanced picture of the changes in the 1970s and 1980s, I further disaggregated the sectoral results into a much more fine-grained 32-sector typology (examples of detailed sectors in this 32-category typology include entertainment; textiles; machine tools; education; insurance; and repair services). This makes it possible to identify the specific sectors which contributed most to the expansion of self-employment in the 1970s and 1980s. (The results are reported in Tables 4.10 and 4.11, in Wright 1997: 136–138.)

In the 1980s, 6 of the 10 sectors which contributed most to the overall expansion of self-employment are dominated by post-industrial activities: business services, medical and health services, professional services (law, engineering, etc.), banking, education and insurance. A seventh sector, childcare services, while not itself an instance of a post-industrial service (since it does not involve high levels of codified knowledge), is nevertheless closely linked to the expansion of the post-industrial sectors of the economy since those sectors have contributed heavily to the expansion of female labor-force participation. All of these, except for professional services, contributed positively both to the sectoral shift in self-employment and the class shift. At the other end of the spectrum, 11 of the 12 sectors whose total contribution to self-employment was negative are sectors within which post-industrial activities are generally marginal. This includes traditional services like lodging or retail, core sectors in the industrial economy like metalworking and food processing, and agriculture. These results thus seem to confirm the centrality of post-industrial tendencies in the expansion of self-employment.

However, if we look a little closer at the decomposition of these effects on self-employment, the picture becomes somewhat more complex. In both the 1970s and the 1980s, the detailed sectors of the economy within which there was the largest, positive *class shift* in self-employment were traditional transformative sectors (manufacturing, machine tools, mining, utilities, food, textiles, chemical and transportation). Indeed, in the 1970s, the rate of self-employment *within* post-industrial services actually declined, thus contributing a negative class shift to the overall self-employment rate, and, while the class shift was positive within post-industrial services in the 1980s, it was still smaller than in the transfor-

native sector. What is more, this positive class-shift component within the traditional transformative sectors in the 1980s is generated by some of the core subsectors of the traditional industrial economy: miscellaneous manufacturing, machine tools and metal working. The reason why the overall contribution of the transformative sector to the expansion of self-employment is smaller than the contribution of post-industrial services is thus entirely due to the negative *sector* effects of the transformative sector (i.e. due to the shift of employment out of these activities).

Taking these results together, it appears that, while the sectoral shift towards post-industrial services contributed substantially to the expansion of self-employment in the 1980s, increasing self-employment within specific lines of economic activity was more concentrated within manufacturing and other traditional transformative sectors. If this class-shift within the transformative sector had not occurred (and everything else remained the same), the expansion of self-employment would have been roughly 40% less.

It thus appears that while more than half of the expansion of self-employment in the 1980s can be attributed to sectoral change in the economy towards post-industrial services, the expansion of self-employment within manufacturing and other transformative sectors is also a significant factor. Expanding self-employment is thus not simply a post-industrial phenomenon; it also reflects changes in class distributions within the traditional industrial economy.

### 4.3 Conclusions and unresolved issues

Four general conclusions stand out among the results of the various data analyses presented here:

First, there is strong evidence that the numerical decline of the petty bourgeoisie which has marked the long-term history of American capitalism has at least temporarily stopped and perhaps been modestly reversed.

Second, this reversal of the historical decline of the petty bourgeoisie is not a direct consequence of countercyclical movements of people from unemployment to self-employment. While there is an effect of the rate of unemployment on self-employment, this effect has been declining in the post-war period, and in any case does not account for the increase in self-employment since the mid-1970s.

Third, the growth of post-industrial services does appear to have

significantly contributed to the expansion of self-employment, but this is largely through a direct sectoral change effect, not because self-employment is generally increasing rapidly within post-industrial sectors.

Fourth, within many of the older, more traditional industrial sectors of the economy, there appears to be a growth in self-employment in recent years. This is especially noticeable in construction and miscellaneous manufacturing, but is also true in machinery, transportation and even metal working. The expansion of self-employment within particular branches of economic activity, therefore, is not exclusively a post-industrial process but a structural feature of more traditional segments of the economy as well.

The data in this chapter do not provide a basis for exploring alternative possible explanations for this expansion of self-employment within these traditional sectors of the industrial economy. Five possibilities seem particularly important. First, it could turn out that the apparent expansion of self-employment is an illusion, that it represents changes in the systems of classification of particular jobs but not a genuine expansion of self-employment properly understood. Dale (1986) has argued, for example, that much apparent "self-employment" is really simply a new way for employers to hire workers under schemes of homework, freelancing, subcontracting, out-working and the like. Marsh, Heady and Matheson (1981) found that a third of the formally self-employed workers in the construction industry worked exclusively for contractors and provided only their own labor. In such cases, there is really very little to distinguish them from wage-workers. While for tax purposes and purposes of labor relations it may be advantageous for employers to reclassify part of their labor force as "self-employed," this does not reflect a sociologically meaningful expansion of the "petty bourgeoisie." The fact that in the 1980s, as we saw in the previous chapter, the class-shift component of the changing class distributions for small employers was negative in the 1970s and 1980s, whereas it was positive for the petty bourgeoisie, is consistent with the view that a significant part of the overall expansion of self-employment could be linked to such contract devices within labor markets.

Second, the increase in self-employment within certain traditional sectors of the industrial economy could be at least partially a demographic phenomenon, reflecting the entry of the baby-boom generation into the age range of maximum likelihood of self-employment. Self-employment is generally highest in mid- to late-career stages, after a certain amount of savings have been accumulated. As the baby-boom

generation enters mid-career, therefore, one might expect a temporary increase in self-employment. If this demographic explanation is correct, then the rate of self-employment should decline again as this generation ages further.

Third, it might be argued that increasing self-employment could be partially an effect of the increasing participation of married women in the labor force. Self-employment generally brings with it more risks than wage labor employment. If those risks were to decline, one might expect more people to start their own businesses. One mechanism that could reduce risks to a family would be for one member to hold a stable wage-earner job while another attempts self-employment. The increasing prevalence of two-earner households, therefore, could be partially underwriting the expansion of self-employment.

Fourth, the increase of self-employment within traditional sectors of the industrial economy could reflect the long-term stagnation of the economy. While we have shown that the increase in self-employment in the 1970s and 1980s cannot be attributed to a direct countercyclical response to unemployment rates, it could nevertheless be a structural response to declining opportunities for good jobs in the industrial economy. As many commentators have noted, much of the job expansion in the wage labor force in the 1980s has centered on low-paying service sector jobs, while much of the decline has been in well-paying core industrial jobs. Many people may therefore enter self-employment because of the absence of good job alternatives, not simply because of the absence of jobs as such. If this explanation is correct, then it would be expected that very little of the expansion of self-employment would be among small employers, but rather would be concentrated in the individual self-employed petty bourgeoisie. The patterns of class shifts in the previous chapter lend some support to this interpretation.

Finally, the introduction of information technologies and improvements in transportation and communication may have lowered the barriers to entry in many areas of light manufacturing, thus facilitating the growth in the numbers of smaller businesses. In recent years there has been much talk about the virtues of decentralization, and many larger corporations have both downsized and increased their reliance on a variety of forms of subcontracting to small employers. The expansion of self-employment in the more traditional manufacturing sectors of the economy may partially reflect these technological and organizational developments.

The American class structure appears to be in a period of significant

structural reorganization. As we noted in the previous chapter, the rate of decline of the working class appears to have accelerated in recent decades, and, in the 1980s, the proportion of the labor force that is supervisors also appears to be declining. We also now see that the decline of the petty bourgeoisie that persisted since the nineteenth century has been halted, at least temporarily. Explaining the mechanisms which are generating these changes is essential if we are to understand the trajectory of the American class structure into the next century.

## 5. The permeability of class boundaries

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Class structures differ not only in the distribution of people across the various locations in that structure, but also in the extent to which people's lives are bounded by specific class locations. At the micro-level, class is explanatory because it shapes the interests, strategic capacities and experiences of people, and each of these effects depends not simply on the static location of individuals in a job-class structure, but also on the complex ways in which their lives are linked to various classes through careers, mobility, voluntary associations and social ties. In some class structures, friendships, marriages, churches and sports clubs are largely homogeneous with respect to class. In such cases, class boundaries can be thought of as highly impermeable. In other class structures, these social processes frequently bring together people from different class locations. When this happens, class boundaries become relatively permeable.

In this chapter, I will begin by giving some precision to the concept of the permeability of class boundaries and then propose a general empirical strategy for analyzing permeability. This will be followed by an empirical examination of three kinds of permeability: the formation of friendship ties across class locations, the class composition of families, and intergenerational class mobility.

### 5.1 Theoretical issues

#### *Permeability in the Marxist and Weberian traditions*

The two primary sociological traditions of class analysis – Marxist and Weberian – have given different priorities to class structure and boundary permeability as objects of analysis. In a variety of ways,