

**Passing On Privilege: resources provided by self-employed parents to
their self-employed children**

by

Howard E. Aldrich and Linda A. Renzulli
CB#3210, Department of Sociology, University of North Carolina
Chapel Hill, NC 27599-3210
phone: 919-962-5044 fax: 919-962-7568
email: Howard_Aldrich@unc.edu

and Nancy Langton
Faculty of Commerce and Business Administration
University of British Columbia
Vancouver BC V6T 1Z2, Canada
phone: 604-822-8393 fax: 604-822-8517
email: nancy.langton@commerce.ubc.ca

Published in Kevin Leicht, editor, Research in Social Stratification and Mobility,
Greenwich, CT: JAI, 1998.

Abstract

We examined the argument that a “property barrier” explains the high degree of self-employed inheritance between propertied families and their children. Our study used data on 229 self-employed business owners in the Greater Vancouver area of British Columbia, Canada, obtained in 1995 via face-to-face interviews. We found little evidence for the property barrier hypothesis, as physical and financial capital had very little impact on business start-ups, through either inheritance of the business or transfer of wealth. We then tested the hypothesis that entrepreneurial capital -- including childhood exposure, work in a family business, and jobs with managerial responsibility -- is a resource differentiating children of self-employed parents from others. Our results were again negative, because we found no direct evidence that business owners with self-employed parents gained any more entrepreneurial capital than other owners. Notwithstanding our negative findings, we speculated that entrepreneurial capital is a resource needed for starting a business, and proposed further research to examine how entrepreneurial capital is obtained.

Theories about social classes, whether from a Marxist or Weberian perspective, treat the reproduction of social class advantage over generations as a central issue. Relative persistence in positions, from parents to children, has been taken as a sign of the success of privileged groups in closing off access to better locations, as well as the failure of disadvantaged groups to mount effective challenges to dominant groups. Persistence has also been attributed to a lack of permeability produced by the success of relatively privileged parents in passing on resources that are highly valuable to their children in various markets, such as managerial expertise. Analysts who view social classes from a Marxist perspective are more likely to see a unity of interests among the privileged and thus treat class relations in political terms, with classes standing in antagonistic relation to one another (Western and Wright, 1994: 610). By contrast, Weberian analysts tend to see individuals' life chances as influenced by their own unique constellation of resources – financial, social, cultural – and thus the concept of class relations itself is relegated to secondary importance.¹

Regardless of theoretical orientation, analysts agree that the extent to which class positions are inherited should be a central concern of social mobility research, and thus researchers have focused on the association between social origins and destinations. In more open and permeable social structures, intergenerational transmission of inequality is low and children's positions may diverge widely from those of their parents. In more closed and impermeable social structures, barriers to mobility keep children from drifting very far from their social origins.

Origins and destinations are quite narrowly defined in many Weberian-inspired schemes, and the locations examined are typically occupations or socioeconomic status.

In more Marxist-oriented schemes, ownership and control of property and labor are added to the occupational classification system favored by Weberians and neo-Weberians (Wong, 1992). The two traditions converge, however, in the special attention they pay to self-employed persons. The category of “self-employed people” is rather heterogeneous, as it includes mostly people who work on their own account and do not have employees, but it also includes a sizable number of people who have employees and work out of fixed premises – people who are traditionally thought of as owners of small and medium sized businesses. Because many of the self-employed possess capital and have control over others in an employment relation, Marxist and Weberian theorists have seen them as well-positioned to pass on their privileged positions to their children.

Although Lipset and Bendix (1959) argued that the process of modernization in industrial societies had led to a relative decline in inheritable positions, occupational inheritance persists at a high level among the self-employed. Beginning with Blau and Duncan’s (1967: 41-43) historic study, social scientists have noted an extremely high degree of occupational inheritance and self-recruitment among the self-employed. More recent studies have confirmed their finding and generalized it across other industrialized nations. Wong (1992: 407) found that occupational inheritance among the self-employed varied significantly across the six nations he studied, with inheritance strongest in two socialist nations and weaker in the United States than in either England or Japan. Western and Wright (1994) found that the “property boundary” to intergenerational mobility was significantly less permeable in the United States than the other class boundaries they identified. Dunn and Holtz-Eakin’s (1996: 15) event history analysis of the National Longitudinal Survey of Labor Market Experience found that parents’ self-employment

experience had “very large and significant effects, just about doubling the probability of the son’s entering self-employment.” Similar effects have been found in other well-designed studies (Fairlie, 1994; Lentz and Laband, 1990, 1993)

What accounts for the relatively high degree of occupational inheritance between propertied families and their children? Curiously enough, despite the existence of a strong empirical generalization that has been replicated over time, across different sampling frames, and in many different nations, we know very little more now than we did three decades ago. For example, here is what Western and Wright (1994: 611) had to say, just a few years ago: “Mobility across the property boundary is *likely* [emphasis added] to be limited because (1) financial and physical capital is transferable to the offspring of property owners..., and (2) capitalist parents can finance their children’s businesses out of profits or borrowings...The rigidity of the property boundary may be compounded by the preferences of children of property owners for self-employment rather than wage labor.” Wong (1992: 400) speculated that “self-employment often reflects *strong* and *positive* influences from parents who are also self-employed and prior experiences of working for the family business... The socialization and internalization of the self-employed generate inheritance and perpetuate inequality, a basic condition for class formation...” Similar speculation marks another discussion concerning occupational inheritance among the self-employed, suggesting that the time has come for a closer look at the processes underlying the well-accepted empirical generalization.

In this paper, we use data on self-employed business owners, in the Greater Vancouver area, in Canada, to describe in rich detail the process of intergenerational transmission of this class location. Within the limits of our sample – selected because they

were already in business – we test hypotheses about the various modes by which self-employed parents could have affected their children’s life chances.

The Continuing Importance of the Small Business Sector

Small businesses play important economic, social, and political roles in modern industrial societies. Despite repeated claims that it is disappearing or irrelevant, the small and medium sized business sector of most industrialized societies is alive and well (SBA, 1996; Wong, 1992: 399-400). The proportion of the workforce that is self-employed has actually risen in the United States in recent years, and small businesses employ a sizable minority of the labor force. In 1990, about 40 percent of the labor force worked in firms with less than 100 employees (SBA, 1994), and in European Union nations in 1988, about 55 percent of workers were employed in firms with under 100 employees (ENSR, 1994). The contentious debate over how much of a contribution small firms make to job generation has obscured the fact that they represent a significant sector of our economy that is growing in absolute and relative terms, e.g. in 1994, about 807,000 new firms were created. Preliminary results from the Entrepreneurship Research Consortium’s study conducted in 1996 show that about 37 percent of US households include someone who, over their life course, has had a primary role in a new or a small business (Selz, 1996).

Small businesses and self-employment hold out the dream of social promotion and thus play a major role in the social and political ideology of industrial nations (Lipset and Bendix, 1959). The dream of social promotion involves a belief in one’s prospects for upward mobility and an opportunity to rise above the class position of one’s parents. Culturally, small businesses are a visible symbol of a perceived path for mobility and a sign of the system’s openness. Wong (1992: 400) noted that “Self-employment is important in

social mobility – not only does it provide an alternative to paid employment, but it also offers an avenue of upward mobility to those who lack the educational or technical qualifications to move up in large organizations.” People can use the prevalence and visibility of those who move in and out of this stratum as evidence of fluidity.

The dream – Nicos Poulantzas called it the “myth” of social promotion – is not unique to the United States. Becker and Elliot (1985) examined the symbolic significance of the petite bourgeoisie in Scotland, and Carroll and Mosakowski (1987) pointed out that Germany -- unlike the United States -- has an official categorization scheme for types of self-employment. Wong (1992: 400) argued that “because the historical context of the self-employed class varies across countries, the degree of mobility among the self-employed may be an important source of cross-national variation in overall social mobility.”

Small business owners tend to position themselves politically with large business and property owners who are conservative in their political ideology and in their voting behavior. Small business owners are usually not activists and typically shun organized political activity, and their conservative beliefs place them squarely within the values of the middle class (Aldrich, Zimmer, and Jones, 1986).

Politically, socially, and economically, then, owners of small and medium sized businesses continue to play an important role in industrial societies. They are a conservative voice on the political scene, a symbol of the dream of social promotion, and a significant source of employment opportunities, especially for younger and less educated workers.

Modes by Which Self-employed Parents Can Influence Their Children's Life

Chances

A life-course framework is useful for examining the ways in which self-employed parents' resources and actions may affect the life chances of their children (Elder and O'Rand, 1995). Among others, Goldthorpe (1980: 258) has noted that the high degree of occupational inheritance within what he called the "petty bourgeoisie" suggests long-term continuity in family dynamics:

"some collection of individuals and families does exist in modern British society which is identifiable over time not so much by the continuity with which its members occupy the self-employed positions of [the petty bourgeoisie] but rather by what could be regarded as their 'tradition' of self-employment: ...by the propensity of its members to move into self-employment when opportunity arises and to do so, perhaps, in spite of previous disappointments or failures in self-employed ventures. It is in this sense...that the petty bourgeoisie may best be thought of as presently existing as a social formation within the British class structure."

Bechhofer and Elliott (1985, p. 200) echoed a similar theme, as they argued that many small businesses "are not simply run by families, they are run for families." Such arguments imply that growing up in a family in which parents are self-employed shapes the life course of children in ways that increase the likelihood that they will also become self-employed. What is it about self-employed families that sustains this tradition over generations?

Following Stier and Grusky (1990: 740), we have identified two kinds of resources that self-employed parents may provide to their children: (1) physical and financial capital, either via passing on an operating business or making loans and gifts that make possible a business startup, and (2) entrepreneurial capital, encompassing the traditional notion of “human capital” but focusing specifically on attitudes, values, skills, and emotions that are relevant to business ownership. After reviewing the various types of resources potentially available to the children of self-employed parents, we describe our study design and present evidence from our own study.

Physical and financial capital

First, there are two ways that parents’ accumulation of capital and property can affect their children’s life chances: through a succession process, whereby a child takes over the parents’ business, or through a transfer of other wealth that enables a child to purchase some or all of a business. Passing on an actual operating business entity to a child, either through a gift or a sale, is actually a fairly rare event among business owners. Dunn and Holtz-Eakin (1996) estimated that, at most, about 10 percent of the sons they studied could have entered the same business as their parents. Lentz and Laband (1990), using a sample of NFIB members in the United States collected in 1980, found that 14.2 percent of proprietors had inherited their business. Other research in the United States and England has produced estimates of slightly less than one in ten businesses being acquired via inheritance (Aldrich, Cater, Jones, and McEvoy, 1983; Aldrich, Kalleberg, Marsden, and Cassell, 1989; Zimmer and Aldrich, 1987).

Transfer of wealth, in the form of gifts or loans, is a more indirect route through which self-employed parents may influence their children’s chances of entering self-

employment. Western and Wright (1994: 611) argued that “parental ownership of property is ... ‘insurance’ against downward mobility into wage labor for the offspring of capitalists, and the requirement of capital ownership is a barrier to entry for the children of most employees.” Actually, most business owners begin at a very small scale and with very little capital. In 1987, almost one-quarter of all non-minority male business owners in the United States reported they began with no initial capital, and another 42 percent began with less than \$10,000 (US Department of Commerce, 1987). About two-thirds reported they did not borrow any capital, either because they did not need it or were able to rely on their own funds. Only 7 percent raised capital from family members.

Relative to the wealth that the children themselves have accumulated, parental wealth is not very consequential. Dunn and Holtz-Eakin (1996: 14) found that parental assets exerted a positive but quantitatively small influence on sons’ odds of becoming self-employed, finding that a “\$10,000 increase in parents’ total assets raises the probability of a son’s transition into self-employment by 0.0009, which is small relative to both the sample transition probability of 0.031 and the son’s own-asset impact.” They did not examine, however, whether parents became co-owners in the sons’ businesses.

Contrary to what many sociologists apparently believe, personal wealth is not a major determinant of becoming self-employed or founding a business. Even if parents help children accumulate their own capital, the capital thus amassed would make a relatively small contribution to occupational inheritance via wealth transmission. (Dunn and Holtz-Eakin, 1996 make this same point.) We have noted that most owners in the United States begin with very small amounts of capital, raised from their own resources.

Our first hypothesis, then, with regard to occupational inheritance among business owners, is:

H1: Financial and physical capital will play a minor role in business ownership among children of self-employed parents.

We will examine four indicators of a privileged position: inheriting a business, buying a business from one's parents, obtaining capital from parents, and having parents as business co-founders.

Entrepreneurial capital

The second major kind of resource that self-employed parents may provide their offspring is entrepreneurial capital. In coining this new term – entrepreneurial capital -- we have expanded the traditional notion of “human capital” so as to include the experiences and skills that are relevant to business ownership. Experiences and skills, in turn, promote attitudes and values that facilitate business ownership. Relevant attitudes created by experience include a willingness to work long hours, foregoing leisure activities and holidays, and perhaps sacrificing family life to the needs of the business. Relevant skills include managing a workforce and keeping track of a firm's cash flow. Self-employed parents may foster the development of entrepreneurial capital in their children through socialization, work experience, and the development of social capital. They may also replenish and reinforce the results of earlier experiences by contributing emotional and other non-financial forms of support to their adult children.

Socialization during adolescence may lead to children taking on the attitudes and values necessary for entering self employment. By serving as role models, self-employed parents may give children an understanding of self employment as a career and help them

to see self employment as “a realistic alternative to conventional employment” (Carroll and Mosakowski, 1987: 576). Referring to Hout’s (1989) study of social mobility in Ireland, Western and Wright (1994: 611) observed that “In small businesses, the experience of unpaid family labor may lead the offspring of the self-employed to place a high value on self-employment.” Valuing self-employment more highly than other forms of employment may lead children to pursue work experiences that eventually culminate in business ownership, even without direct financial support from their parents. For example, we might expect them to seek jobs with managerial responsibility, rather than jobs in which they are supervised.

Children of parents in jobs permitting a high degree of self-direction are disciplined in ways encouraging self-control. The children take on the values of their parents, favoring autonomy and control in their own lives (Kohn, 1981; Kohn and Schooler, 1978). As Goldthorpe (1980: 41) noted, the high degree of economic insecurity and severe market constraints faced by the “petty bourgeoisie” are partly offset because “they have the advantage ... of a high degree of autonomy, in the sense of freedom from direct supervision, in the performance of their work tasks.” We would expect the children of self-employed parents to value hard work and self-sacrifice and to be willing to put in long hours to achieve their goals. However, the incessant demands of managing a small business may well require all owners to labor long hours, regardless of their social origins.

A second way self-employed parents may influence their children’s life chances is through on-the-job experiences (Becker and Tomes, 1986). Children may gain valuable skills and competencies via working for their parents (Carroll and Mosakowski, 1987), such as time- and financial-management skills. However, such skills can also be learned

elsewhere, so this process is probably not as critical as the acquisition of attitudes and values. As Stier and Grusky (1990: 737) argued, “the reproduction of classes is now mediated by a socioeconomic metric, with most parents passing on generalized resources to their children (e.g. financial support) rather than job-specific ones (e.g. on-the-job training).”

Testing for the influence of parental socialization practices on children’s acquisition of skills is difficult because children might find the opportunity to acquire the same skills in a variety of ways, including formal education and in jobs as young adults. Following Kohn and others, we would expect the children of self-employed parents to seek out jobs that allow for occupational self-direction and control. Thus, they would have many opportunities to acquire the skills needed for managing a business, although not necessarily the skills needed to start one.

A third way in which self-employed parents may influence their children’s life chances in non-financial ways is via social capital and personal networks. Parents may act as brokers and put their children in touch with people able to provide valuable resources for running a business (Granovetter, 1993). Studies of personal networking by small and medium-sized business owners, however, show that friendship and work-related connections are much more numerous and significant than family ties in mobilizing business resources (Aldrich, Elam, and Reese, 1996). We will not examine social capital in our study.

More problematic is the argument that self-employed parents provide their offspring with social and cultural capital that affects their self-employment prospects (Joppke, 1986; Bourdieu, 1987). Theorists holding to a “cultural capital” view have

treated educational attainment not only as a symbol of generalized cultural competence but also as a relatively impermeable boundary to intergenerational mobility. Apart from businesses requiring a high degree of technical competence, such as in the high-technology sector, there is no *a priori* logic to justify a prediction that level of educational attainment affects entry into self-employment. Well-designed dynamic analyses of work careers, such as Carroll and Mosakowski (1987) and Dunn and Holtz-Eakin (1996), have failed to find any evidence that advanced educational credentials have a significant net effect on entering self-employment. We cannot examine this issue, given our study design.

Finally, a fourth way that self-employed parents may influence their self-employed offspring's life chances, after they have entered business, is by providing non-financial as well as financial support. Parents may provide funds to help self-employed children over a temporary cash crisis, and they may also provide household help for time-strapped children. Emotional support for self-employed children may also boost their spirits when their businesses are generating personal stress. We will examine this issue in subsequent papers.

Our second hypothesis, then, with regard to occupational inheritance among business owners, is:

H2: Entrepreneurial capital will play a more significant role than financial capital in business ownership among children of self-employed parents, giving them an advantage over owners whose parents were not self-employed.

We will examine four indicators of exposure to an entrepreneurial life-style: duration of exposure to a self-employed life-style, work experience in parents' businesses,

holding jobs with managerial responsibility, and the development of an entrepreneurial work ethic, as reflected in a willingness to work long hours in one's current business.

Study Design

A full test of propositions about the influence of self-employed parents on their children would require a research design that is difficult and costly to implement. First, an investigator would need to follow cohorts of parents and then their children over those portions of their life course when the parents are likely to be self-employed – typically in their 30s and 40s. Second, the investigator would have to follow those children who had been exposed to an entrepreneurial life-style until they had also reached the when they had acquired enough experience and capital to become self-employed – again, typically in their 30s and 40s. Information would be collected on parents' relations with their children during adolescence – child rearing and discipline practices, education and training in business matters – as well as during the transition to self-employment, during adulthood. Unable to meet the daunting demands of such a design, researchers have had to make compromises.

Cross-sectional studies, such as those used by Wong, and Western and Wright, provide detailed information about occupations and some accumulated experiences, but do not provide the rich details needed either on what happened during adolescence or on the transition into self-employment. Dynamic studies, such as the NLS used by Dunn and Holtz-Eakin or the West German Life History Study used by Carroll and Mosakowski, provide more details on the circumstances surrounding the transition to self-employment and parents' possible contributions to the transition. However, the NLS and the West German studies give only limited information about financial and social-psychological

background factors. For an informative discussion of inflow or recruitment data versus outflow or inheritance data, see Myles and Sorensen (1975).

In designing our own study of business owners, we were highly cognizant of the compromises necessary to field an affordable study of a special group that constitutes a small proportion of the population, and thus we made two decisions. First, we created a comprehensive survey for an initial cross-sectional data collection effort, but built in a panel component so that we could follow the owners over the next several years, with repeated interviews. In this paper, we only report data on the first wave. Second, in our initial interviews, we asked retrospective questions designed to tap the respondents' experiences over their life course, guided by an extensive pilot-testing project during which we evaluated respondents' abilities to recall the information we sought.

Our study was conducted in the Greater Vancouver area of British Columbia, Canada, in the summer and fall of 1995. We sampled firms from records obtained from the Greater Vancouver Contacts Target Marketing database for 1994 and 1995. Because we were interested in gender differences in business practices for some aspects of our overall research plan, we sampled industries from three categories: male-dominated, female-dominated, and mixed. Because we were interested in human resource issues, we chose firms that had 6 employees or more, to ensure that our questions about hiring, promotion, and other human resource practices would be relevant to the firms. Choosing firms with more than 5 employees also had two advantages for our study of occupational inheritance. First, it decreased the likelihood of including transitory or "life-style" businesses in the sample. Second, it increased the likelihood of including firms that have a significant "property" barrier to entry, a key concern of previous research. Firms were

excluded from our sampling frame if they were franchises, branches or subsidiaries.²

To obtain enough women owners, we included all female-owned firms and a random sample of male-owned firms as targets for possible interview. In our initial contacts with firms, they were excluded if: 1) we discovered that a franchise, branch or subsidiary had been included by mistake; 2) they were no longer in business; 3) the owner was untraceable or not involved in the management of the company; or 4) the owner had participated in our pilot study. This resulted in a total of 594 eligible firms. Of these, 229 owners agreed to participate, resulting in a response rate of 39 percent³. Of the 229, 141 were men and 88 were women; 204 were Caucasian, 15 were Chinese, and the rest were of other ethnicities. We were able to compare those who agreed to participate in our study with those who did not agree (for any reason) on gender of owner, age of firm, industry, and size of firm. Only size of firm showed a significant difference, with larger firms less likely to participate in our study. In some cases this reflected the owner's report that he or she was not responsible for employee issues and a suggestion that we interview the person in charge of human resources (a non-owner) instead. We did not pursue these businesses. Our sample is representative of the population of firms available for study, particularly those firms for which the owner is still acting in a "hands on" capacity.

Information was obtained in personal interviews and typically took between 50 and 80 minutes to complete. The main part of the survey instrument included questions on: the nature, structure, size, and profitability of the company; human resource practises, policies, and hiring intentions; the background of the owner; and the interplay between work and personal domains. In the final interviewed sample, the industry distribution was as follows: manufacturing firms, 10.9 percent; transportation services, 4.8 percent;

wholesale trade, 18.3 percent; retail trade, 13.5 percent; printing, 8 percent; personal services, 7.9 percent; and business services, 35.8 percent.

Full descriptions of our variables and their operational definitions are given in Table 1.

TABLE 1 ABOUT HERE

Results

One goal of our paper is to correct some misconceptions concerning what resources self-employed parents provide for their children, and thus part of our analysis is descriptive. Thus, we will present some rich empirical details not available in other reports on this sector. Another of our goals, however, is to test whether the self-employed children of self-employed parents differ in predictable ways from other business owners.

As we expected, a majority of all respondents (55 percent) reported that one or both of their parents were self-employed at some point in their lives, as shown in the first row of Table 2. Our estimate is almost the same as that of Lentz and Laband (1990), who found that 53 percent of all the owners in their United States' sample had a self-employed parent. Of the 127 people in our sample whose parents were ever self-employed, 82 reported it was their father, 38 said it was their father and mother, and 7 said it was only their mother. Similar findings have been reported in other studies of small business owners, in the United States and internationally (Aldrich, Cater, Jones, and McEvoy, 1983; Aldrich and Sakano, 1995).

Physical and financial capital

We examined two ways in which parents' accumulation of capital and property could have affected their children's life chances: a child inheriting a business, or a child receiving a loan or gift of capital. Direct inheritance of a business was highly unlikely in our sample, accounting for only 5.2 percent of all business ownership, as shown in row 2 of Table 2. By definition, business inheritance could only occur among the children of the self-employed, and when we restrict our analysis to that group, we still find only 7.9 percent inherited their business. Inheritance of the business tended to occur fairly late in the work careers of the 10 inheritors in our sample, as the median age of inheritance was 41 and only 2 were younger than 35. This is consistent with Hout's (1989) finding that in the agricultural sector, direct inheritance led to comparatively late entry to farm ownership.

Some parents sold their businesses to their children, rather than making a gift of the firm, and such sales accounted for 3.1 percent of all ownership. Again, restricting ourselves to only that subset of respondents whose parents could have made such a sale, we found that 5.5 percent of the children of self-employed parents bought their firm from the parents. Just as most respondents who inherited firms were well into their careers, so too are the respondents who bought their parents' businesses – 3 of the 5 were over 50 and only 1 was under 35. Thus, for the small fraction of children inheriting or buying a parent's business, the event occurred well after the sons and daughters had launched their own work careers and had accumulated substantial resources on their own.

TABLE 2 ABOUT HERE

Turning from ownership succession to more indirect avenues through which propertied parents could confer advantages to their children, we asked owners how they

had raised the capital to buy their businesses. None of them mentioned using capital from an inheritance, such as from the estate of a deceased parent. About 8 percent, however, received capital from their parents, with 8.7 percent of the children of self-employed parents raising funds this way, compared to 7.8 percent of the other respondents (the difference is not statistically significant). In general, the amount of outside capital raised by our respondents was low, amounting to approximately five percent of the total start-up capital used. However, for the eight percent of our sample who received funds from family, these funds were a much larger portion of the start-up capital. The average percent of total capital required that was raised from parents was larger for respondents of self-employed parents than others, and although there was a significant difference between the two groups, the numbers of respondents to whom this situation applies are quite small. It is perhaps not surprising that the offspring of self-employed do not receive substantial capital from their parents. Though both Marxist and Weberian theorists see the self-employed as well positioned to pass on help and resources to their children, the average small business owner is not financially better off than the average wage earner, as Kalleberg and Leicht (1991) note.

One final route to business ownership in which parents could participate is via becoming a co-owner with their children. As shown in row 7 of Table 2, 7.9 percent of the children of self-employed parents brought their parents in as co-owners, whereas none of the other owners were able to do so. Three of the 10 owners who said they inherited their business also had their parents as co-owners, and 4 of the 12 whose parents were initially co-owners also borrowed capital from them (these 4 said they did not inherit their

businesses). Thus, for these two small subsets of the children of self-employed parents, the advantages of parental property were cumulative.

Summary of financial/physical capital. We examined the total cumulative advantages for children of self-employed parents by aggregating the four types of resources parents could supply to children, as we have described above, and the results are shown in line 8 of Table 2. Most of the business owners we studied had very little financial help from their parents, self-employed or otherwise. For those owners whose parents were self-employed, 24 percent obtained one or more of the resources with which to acquire a business, compared to 8.0 percent of the children of other parents (the difference is statistically significant). The approximately 16 percent gap between these two groups thus represents a fairly slight initial advantage for the children of the self-employed. The great majority of business owners mobilized the resources they needed from non-family sources, and thus not having been born to self-employed parents did not constitute a property barrier for them.

Our sample of firms includes mostly larger than average firms that have been in operation for many years. If there truly is a property barrier to becoming a small business owner, then our sample composition should heighten the likelihood that we will find such a barrier, as these are individuals who have managed to survive the initial incidence of failure common to small business owners. Nonetheless, our hypotheses should be tested on other samples of firms, including smaller and younger ones.

Because our sample consists of relatively successful businesses (i.e., the majority had been alive for at least one year) we are not able to say anything about businesses that fail early on in their life cycle. It is possible that those failed businesses were more heavily

funded by parents, but if this is the case it would be hard to argue that wealth transfer results in successful business operations. In general, then, we would conclude that businesses that survive beyond the first critical year do not appear to receive substantial capital from parents.

Entrepreneurial capital

We hypothesized that a more important resource than financial capital is the entrepreneurial capital that self-employed parents may provide their offspring. We use the term entrepreneurial capital to include the attitudes, values, and skills that are relevant to business ownership. Our study provides information on the development of several types of entrepreneurial capital: childhood exposure to a self-employed life style, work experience alongside one's parents, taking jobs with managerial responsibility, and the development of an entrepreneurial work ethic.

On average, the self-employed parents of our respondents owned their businesses for almost 28 years (standard deviation of 16 years), with only 16.5 percent in business less than 10 years, as shown in Table 3. Such stability is rather unusual, given high failure rates among new and small businesses, and the long periods of ownership give us an opportunity to assess whether exposure to self-employment affects children's behavior.⁴ Business ownership of long duration seems to fit well with Goldthorpe's (1980) speculations about families that are well-placed to sustain a tradition of self-employment. About 84 percent of our respondents were 21 or under for at least some of the years during which their parents owned a business, as shown in Table 3. Almost 63 percent lived for 10 years or more with parents who were running a business. Thus, a high proportion of the children of business owners lived under conditions where it would have

been possible for them to see first-hand the rewards, and the demands, of an entrepreneurial life style.

TABLE 3 ABOUT HERE

Exposure to an entrepreneurial life style while children are living at home, however, may not teach them the attitudes and values necessary to carry on the entrepreneurial tradition within a family. Accordingly, we examined whether our respondents had worked in their parents' businesses, when they had started, and how long they had worked. As shown in Table 3, 61 percent of the respondents whose parents owned businesses had worked in the business. Moreover, most began working at a very young age: almost a quarter started before they were 10, and over half had started working for their parents by the time they were 15. Only 15.4 percent began working for their parents after they turned 20.

Even though most of the employed children started at a young age, very few stayed in the business as either a career or, eventually, as the owner. About 29.5 percent stayed less than 5 years, and 51.3 percent left after their ninth year. Only 11.5 percent reported they worked 20 years or more for their parents, even though many more had the opportunity to do so. Of the 62 respondents whose parents owned a business for 20 years or more, only 9 worked in the business for 20 years or more. Thus, although a majority of the children whose parents owned a business began working in it at a fairly young age, the work was short-term and most left for other jobs before they turned 21.

Living with parents who own a business, or working for them, is significant for an analysis of social mobility only insofar as children in such circumstances are socialized differently. We did not interview the parents of our respondents, and we did not ask our

respondents to describe their childhood for us. Thus, our evidence of the consequences of a presumably privileged childhood is necessarily indirect. We examined two sets of indicators of parental influence on entrepreneurial capital: the route our respondents had followed into business ownership, and their current work habits.

Was the route to business ownership different for those children whose parents owned businesses, compared to those whose parents did not? We asked respondents about the last two jobs they held, before assuming ownership of their current business. For the two jobs, we asked whether they had managerial or ownership responsibility.

TABLE 4 ABOUT HERE

In their most recent jobs, prior to becoming an owner, the children of self-employed parents were absolutely indistinguishable from wage- and salary-earning parents, as shown in Table 4. For both sets of respondents, slightly more than one-fourth had held non-managerial jobs, about one-fifth had been business owners (of a business they had subsequently left), and the rest had held jobs with managerial responsibility. The average number of people supervised on their last managerial job was also almost the same for the two groups – 13 for the children of self-employed parents and 15 for others. For their next-to-last job, respondents whose parents were self-employed were only slightly more likely to have held jobs with managerial responsibility (which includes ownership -- we did not distinguish between managerial and owner responsibility for that job), and the difference is not statistically significant.

In future papers, we will conduct a multivariate analysis of career paths, but introducing controls could not materially change the results in Table 4. Within our sample of small- and medium-sized enterprises, the recent employment history of business owners

reveals that children of self-employed parents followed fundamentally similar paths to other future owners. Some owned a previous business, some held non-managerial jobs, and most were gaining managerial experience in a business owned by someone other than their parents. Based on the numbers of people they were supervising, the level of responsibility delegated to the future owners did not differ by their parents' status.

Our final analysis of the potential entrepreneurial capital gained by the children of self-employed parents involves examining the work habits of our respondents. Following Kohn (1981; Kohn and Schooler, 1978), we hypothesized that children of parents in jobs permitting a high degree of self-direction might be disciplined in ways encouraging self-control, self-sacrifice, and valuing hard work for long-term goals. We therefore looked to see if, in fact, the children of self-employed parents were putting in longer hours than other owners.

We asked our respondents how many hours, on average, they worked per week; whether they worked evenings; and, whether they worked on weekends. Building explanatory models for variations in working style poses a substantial difficulty for a sample of business owners, as this group is already putting in more hours than other workers: on average they were working almost 53 hours per week; 79 percent reported they sometimes worked in the evening; and 80 percent reported they occasionally worked on weekends. In a random sample of workers, business owners would stand out because their self-employed status would be a major predictor of time spent at work. Within our more homogeneous sample, we cannot expect to explain as much of the variation in their working style as we could in a more heterogeneous sample.

TABLE 5 ABOUT HERE

Using ordinary least squares regression, we examined whether parents' self-employment and working in a parent's business made a significant contribution to weekly hours worked, net of some factors that might also affect working hours: sex, education, age, marital status, owning another business, and hours spent per week on housework and childcare. As shown in the first column of Table 5, which reports unstandardized regression coefficients for equation 1, neither having self-employed parents nor having worked in a parent's business has a significant impact on hours worked. Age has a substantial negative affect, while hours spent on housework and childcare clearly were subtracted from hours spent on the business.

In equation 2, we added two indicators of the intensity of possible parental socialization and training of children: the number of years parents had owned businesses, and the number of years the respondent had worked in the businesses. Neither of these variables significantly affected the number of hours worked. Parental self-employment itself is still not significant, nor is working in the parents' business.

Equations 3 and 4 give the results of a logistic regression in which a dummy variable for evening work -- coded 0 for not working evenings and 1 for working evenings -- is regressed on the same predictors as in equations 1 and 2. Parental self-employment and work experience in parents' businesses are not significant in either the baseline equation or the expanded equation, with the duration of possible socialization experiences taken into account. Owning another business roughly doubles the odds of working evenings. By contrast, aging lowers the odds of working evenings.

Equations 5 and 6 present results of a logistic regression for weekend work, coded as a dummy variable, using the same variables as in equations 3 and 4. Again, having self-

employed parents has no impact on whether owners worked weekends. However, having worked in a parent's business roughly triples the odds of working weekends, suggesting a possible long-term effect from such experience. Adding the two indicators for the duration of each potential socialization experience only has the effect of reducing the zero-order effect of working in a parent's business to statistical insignificance. The only significant control variable in equations 5 and 6 is hours spent on housework and childcare, which reduces the odds of working on weekends.

Our analysis of the possible influence of self-employed parents on their children's work habits fails to confirm our hypothesis. Out of six possible coefficients for the effects of either having self-employed parents or working in their firm, none is statistically significant. Of the six possible coefficients for the effects of the duration of socialization experiences, again only one is statistically significant. Within our sample of small- and medium-sized firms, conditions associated with owners' life-course circumstances are more consequential than their social origins: age and having household and childcare responsibilities are critically important.

Summary of entrepreneurial capital. We have found only weak and inconclusive support for our hypothesis that entrepreneurial capital is more important for the children of self-employed parents than financial or physical capital. Without question, given the length of time their parents were business owners, the respondents in our study had ample opportunity to observe the role requirements of an entrepreneurial life, as well as to sample its advantages and disadvantages. The great majority experienced an entrepreneurial life style during their childhood and adolescence, and more than half worked for at least a few years in their parents' business.

Nonetheless, very few worked in their parents' firms when they reached adulthood, and by their mid-twenties, most had struck out on their own. Most of the owners not only finished high school but attended college (under the Canadian system), and the majority have at least some university education. Formal education and work experience in businesses other than their parents' added to these future owners' entrepreneurial capital, and with our research design, we face great difficulties in attributing current capital specifically to self-employed parents. Tracing back through the past two jobs held by our respondents, we found that the offspring of self-employed parents were evidently on the same track as others. Our indicator of a strong entrepreneurial work ethic -- putting in long hours, during the week and on evenings and weekends -- failed to separate the children of self-employed parents from others. Instead, our results imply what previous studies have also argued -- the constraints of the small- and medium-sized business niche within capitalist economies keep all business owners on their toes, cutting into family time and gradually wearing down those owners who continue to manage their firms as they near retirement age.

Conclusions

We have taken up the challenge posed by Wong (1990: 571), in his analysis of cross-national variation in occupational mobility, who noted that "The family plays a dynamic role in the intergenerational transmission of status, possibly via other institutions such as the educational system...Of course, families are not always successful in transferring status either directly or indirectly. Future research should investigate how and why certain societies are more successful in one form of transmission than another." Within the limits of our sample -- selected because they were already in business -- we

tested hypotheses about the various modes by which self-employed parents could have affected their children's life chances.

Summary

Many studies have found a high degree of occupational inheritance between propertied families and their children, posing a puzzle for theories of modernization that predict a decline in inheritable positions in industrial societies. Most investigators have been content to merely speculate about causes of the high rate of persistence of self-employment and business ownership across generations. We chose instead to probe more deeply into the possible resources that self-employed parents may provide to their children.

We identified two kinds of resources: (1) physical and financial capital, either via passing on an operating business or making loans and gifts that make possible a business startup, and (2) entrepreneurial capital, encompassing the traditional notion of "human capital" but focusing specifically on attitudes, values, skills, and emotions that are relevant to business ownership. Our analysis of these two kinds of resources was guided by two hypotheses, based on our literature review: (H1) that financial and physical capital will play a minor role in business ownership among children of self-employed parents, and (H2) that entrepreneurial capital will play a more significant role than financial capital in business ownership among children of self-employed parents. We found substantial support for the first hypothesis, but little support for the second hypothesis.

With respect to hypothesis 1, few owners acquired their businesses via inheritance or purchase from their parents, with more owners bringing in parents as co-owners than borrowing capital from them. Most raised the capital they needed from other sources,

rather than drawing upon family resources. We found only a 16 percent gap between the children of self-employed parents and other owners in the total array of resources derived from parents. Moreover, very few owners had any financial help from their parents, self-employed or otherwise.

For hypothesis 2, we found that the great majority of owners of self-employed parents had first-hand experience with an entrepreneurial life style during their childhood and adolescence. Not only did they live in a business-owner's family, but they also worked alongside their parents, at least for a few years. Thus, the conditions were suitable for the acquisition of entrepreneurial capital from their parents. However, the children of self-employed parents were no more likely to have held immediately prior managerial jobs than other owners in the sample. Children of self-employed parents also were indistinguishable from others in their willingness to work long hours, nights and weekends, in the service of their firm. Gaining managerial experience and being willing to work long hours are clearly ways of accumulating entrepreneurial capital, but these avenues are not the exclusive province of children whose parents were business owners.

Because our data are inflow, or recruitment, rather than outflow, or inheritance data, we cannot examine the effects on parental characteristics on the propensity of their children to enter self-employment. Obviously, outflow data would allow us to address whether self-employed parents pass on the desire to be self-employed, whether or not they help their children achieve these goals. We can however, speculate on this with the data we have. Specifically, we asked our respondents whether they had siblings, and over 90 percent reported that they did, with no significant difference between those with self-employed parents and the others. For those who had siblings, 50 percent reported that

they had siblings who currently owned a business. There was a slight difference ($p=.10$) between those with self-employed parents (55 percent) and those without (42 percent). This result mostly supports the idea that preference for self-employment is learned from one's parents. However it also suggests that there is considerable permeability in the entrepreneurial ranks.

Implications

Our findings have several implications for future research on the extent to which one relatively privileged class position in industrial societies – owners of small- and medium-sized businesses – is successful in passing on resources that enable their children to maintain their privileged position. We believe that property barriers are not an explanation for the high rate of occupational inheritance among the self-employed. First, we argued that life course constraints make inheritance of parents' businesses quite difficult, and our results confirm that few children take over their parents' firms. The low rate of direct inheritance of a family business is understandable from a life course perspective, given the low probability of several necessary events occurring within a fairly narrow window of opportunity. Neither owning a business nor having children is sufficient to ensure intergenerational transmission of ownership. Parents must not only found or purchase a business, but also maintain it as a viable entity until their children are of an age when they can manage the business. Moreover, if income from the business is not sufficient to support both the parents and the children, then the children must either wait until the parents retire or take over the business prior to their parents' retirement and try to increase its profits so that multiple generations can be supported. Even if income from the business is sufficient to support parents and children, many studies of family firms

have shown that parents are often extremely reluctant to give up ownership until they are of retirement age. By that point, their children have, in all likelihood, made substantial investments in other careers and are therefore hesitant to take over their parents' business. Accordingly, we would be very surprised if direct inheritance of business ownership figured very heavily in the reproduction of the propertied classes. While class analysts imply that direct status inheritance must go on among the self-employed, our results suggest that one must look elsewhere for an explanation of occupational inheritance among the self-employed.

Second, given the low capital requirements for the great majority of business startups, transfer of wealth from parents to children is unnecessary to ensure ownership among the children. Our findings show that self-employed parents were no more likely to loan money to the businesses of their children in our sample than were other parents. With the widespread availability of alternative forms of credit in advanced capitalist economies, parental wealth is relatively insignificant except, perhaps, for the truly elite group at the very top of the financial pyramid (Aldrich, forthcoming). But sociological analyses of mobility are not really about such people. For the ordinary propertied classes, the capital required to own a business is obtained from jobs and other personal resources.

Third, entrepreneurial capital – which is non-financial – can be obtained through many sources, only one of which is self-employed parents. Our results show that self-employed parents had ample opportunity to socialize their children into an entrepreneurial way of life, but few were able to keep the adult children in the family business. Most children went on to colleges and universities, and then to jobs with managerial responsibility, acquiring along the way many of the skills, and probably the attitudes,

needed to create and manage (if not to succeed in) businesses. Entrepreneurial capital, as we have defined it, cannot be easily monopolized, and we found that owners whose parents were not self-employed also have acquired it.

Fourth, we are left with a daunting challenge. If inherited financial and physical capital do not account for business ownership among the children of self-employed parents, and entrepreneurial capital is widely available from other sources, why should parental self-employment raise at all the likelihood of their children's entering self-employment? Robinson (1984; Robinson and Garnier, 1985) suggested that fathers hand over the businesses and/or provide capital to their sons. We find little evidence of this. Instead, we suspect that the answer to increased likelihood of becoming self-employed lies in a more subtle and sophisticated conception of entrepreneurial capital, and a better understanding of the life course of people who become business owners. Most children of self-employed parents are exposed to an entrepreneurial life during their childhood and adolescence. During those impressionable years, exposure to a self-employed life style and working alongside their parents could have had a fundamental influence on their personalities. Over the course of their adult lifetime, they will be repeatedly exposed to entrepreneurial opportunities, as is the rest of the population. If their propensity to respond is only slightly but significantly higher than other adults, we predict that by the end of their working careers, it is likely that they will have had more spells of self-employment than other adults. Testing this proposition would require information not only on the work histories of adults, but also on events during their formative years.

Acknowledgments

An earlier version of this paper was presented at the 1997 American Sociological Association meetings. The research reported in this paper was funded by the Social Sciences and Humanities Research Council of Canada (SSHRC Grant No. 412-93-0005). We would like to acknowledge Jennifer Cliff and Jane Olsen for their numerous contributions to the project, Allen Lehman, Jodi McFarlane, John Oesch, and Indira Prahst for their assistance in data collection, and Amy Ewert for her help with data entry. We would also like to thank Ted Baker, Amanda Brickman Elam, Lisa Keister, Kevin Leicht, Jeremy Reynolds, Rachel Rosenfeld, Mark Western, and Raymond Wong for helpful comments on an earlier draft of this paper.

References

- Aldrich, Howard E. forthcoming. Organizations Evolving. London: Sage.
- Howard E. Aldrich, Amanda Brickman Elam, and Pat Ray Reese. 1996. "Strong Ties, Weak Ties, and Strangers: Do Women Business Owners Differ from Men in Their Use of Networking to Obtain Assistance?" Pp. 1-25 in Sue Birley and Ian MacMillan, editors, Entrepreneurship in a Global Context. London: Routledge Ltd.
- Aldrich, Howard E. and Tomoaki Sakano. 1995. "Unbroken Ties: How the Personal Networks of Japanese Business Owners Compare to Those in Other Nations." Forthcoming in Mark Fruin (ed.), Networks and Markets: Pacific Rim Investigations. New York: Oxford Press.
- Aldrich, Howard E., John Cater, Trevor Jones, and Dave McEvoy. 1983. "From Periphery to Peripheral: The South Asian Petite Bourgeoisie in England." Pp. 1-32 in Ida Harper Simpson and Richard Simpson (eds.), Research in the Sociology of Work, Vol. 2. JAI Press.
- Aldrich, Howard E., Arne L. Kalleberg, Peter V. Marsden, and James Cassell. 1989. "In Pursuit of Evidence: Strategies for Locating New Businesses." Journal of Business Venturing, 4 (November): 367-386.
- Bechhofer, F. and Elliott, B. 1985. "The Petite Bourgeoisie in Late Capitalism." Annual Review of Sociology 11:181-207.
- Becker, Gary S. And Nigel Tomes. 1986. "Human Capital and the Rise and Fall of Families." Journal of Labor Economics, 4, 3 (Part 2, July): S1-S39.

- Bills, David B.. 1997. "A Community of Interests: Evolving Relationships Between Franchisors and Franchisees." Paper presented at the 1997 Midwest Sociological Society Meetings, Des Moines Iowa.
- Blau, Peter M and Duncan, Otis Dudley. 1967. *The American Occupational Structure*. New York: The Free Press.
- Bourdieu, Pierre. 1987. "What Makes a Social Class? On the Theoretical and Practical Existence of Groups." Berkeley Journal of Sociology, 32: 1-17.
- Elder, Glen H. and Angela M. O'Rand. 1995. "Adult Lives in a Changing Society." Pp. 452-475 in Karen S. Cook, Gary Alan Fine, and James S. House (eds.), Sociological Perspectives on Social Psychology. Boston: Allyn and Bacon.
- ENSR. 1993. "The European Observatory for SMEs: First Annual Report." Zoetermeer, The Netherlands: European Observatory for SME Research and EIM Small Business Research and Consultancy.
- Fairlie, Robert W. 1994. "The Absence of the African-American Owned Business: An Analysis of the Dynamics of Self-Employment." Center for Urban Affairs and Policy Research Working Paper No. 94-9, Northwestern University.
- Goldthorpe, John H., David Lockwood, Frank Bechhofer, and Jennifer Platt. 1969. The Affluent Worker in the Class Structure. London: Cambridge University Press.
- Granovetter, Mark. 1993. "The Nature of Economic Relationships." Pp. 3-41 in Richard Swedberg (ed.), Explorations in Economic Sociology. New York: Russell Sage Foundation.

- Hout, Michael. 1989. Following in Father's Footsteps: Social Mobility in Ireland.
Cambridge, MA: Harvard University Press.
- Joppke, Christian. 1986. "The Cultural Dimensions of Class Formation and Class Struggle: On the Social Theory of Pierre Bourdieu." Berkeley Journal of Sociology, 31: 53-78.
- Kalleberg, Arne and Kevin Leicht. 1991. "Gender and Organizational Performance: Determinants of Small Business Survival and Success." Academy of Management Journal, 34, 1 (March): 136-161.
- Kohn, Melvin L. 1981. "Personality, Occupation, and Social Stratification: A Frame of Reference." Research in Social Stratification and Mobility, 1: 267-297.
- Kohn, Melvin L. And Carmi Schooler. 1978. "The Reciprocal Effects of the Substantive Complexity of Work and Intellectual Flexibility: A Longitudinal Assessment." American Sociological Review, 38: 97-118.
- Lentz, Bernard S. And David N. Laband. 1990. "Entrepreneurial Success and Occupational Inheritance among Proprietors." Canadian Journal of Economics, 23 (August): 563-579.
- Lentz, Bernard S. And David N. Laband. 1993. "Like Father, Like Son: Toward an Economic Theory of Occupational Following." Southern Economic Journal, 50, 2: 474-493.
- Lipset, Seymour Martin and Reinhard Bendix. 1959. Social Mobility in Industrial Society. Berkeley: University of California Press.
- Myles, John F. and Aage B. Sorensen. 1975. "Elite and Status Attainment Models of Inequality of Opportunity." The Canadian Journal of Sociology, 1, 1: 75-88.

- Robinson, Robert V. 1984. "Reproducing Class Relations in Industrial Capitalism." American Sociological Review, 49, 2 (April):182-196.
- Robinson, Robert V. and Maurice A. Garnier. 1985. "Class Reproduction among Men and Women in France: Reproduction Theory on Its Home Ground." American Journal of Sociology, 91, 2 (September): 250-280.
- Selz, Michael. 1996. "Entrepreneurship in U.S. is Taking Off." Wall Street Journal, December 13, p. B15A.
- Small Business Administration. 1994. Handbook of Small Business Data. Office of Advocacy, Small Business Administration, Washington, DC: U.S. Government Printing Office.
- Small Business Administration. 1983. The State of Small Business: A Report of the President. Washington, DC: U.S. Government Printing Office.
- Stier, Haya and David B. Grusky. 1990. "An Overlapping Persistence Model of Career Mobility." American Sociological Review, 55, 5 (October): 736-756.
- U.S. Department of Commerce. 1987. Bureau of the Census. Characteristics of Business Owners. Washington, D.C.: U.S. Government Printing Office.
- Western, Mark and Wright, Erik Olin. 1994. "The Permeability of Class Boundaries to Intergenerational Mobility Among Men in the United States, Canada, Norway and Sweden." American Sociological Review 59:606-629.
- Wong, Raymond Sin-Kwok. 1990. "Understanding Cross-National Variation in Occupational Mobility." American Sociological Review, 55, 4 (August): 560-573.

Wong, Raymond Sin-Kwok. 1992. "Vertical and Nonvertical Effects in Class Mobility: Cross-National Variations." American Sociological Review, 57, 3 (June): 396-410).

Zimmer, Catherine and Howard E. Aldrich. 1987. "Resource Mobilization Through Ethnic Networks: Kinship and Friendship Ties of Shopkeepers in England." Sociological Perspectives, 30: 422-455.

Table 1. Variable Description, Means, and Standard Deviations

| Variable Name | Description | Mean | Standard Deviation |
|---|-----------------------------------|-------------|---------------------------|
| Hours worked per week | Number of hours per week (10-100) | 52.74 | 14.47 |
| Evening work | Coded 0 if no, 1 if yes | .79 | .41 |
| Weekend work | Coded 0 if no, 1 if yes | .80 | .40 |
| Parents own Business | Coded 0 if no, 1 if yes | .55 | .5 |
| If parents owned a business: | | | |
| a) Number of years parents owned business | Continuous variable (1-71) | 27.58 | 16.27 |
| b) Worked in parents' business | Coded 0 if no, 1 if yes | .71 | .49 |
| c) Number of years worked for parents | Continuous variable (.20-37) | 9.86 | 7.56 |
| Education | Continuous variable (7-20) | 14.36 | 2.74 |
| Sex | Coded 0 if female, 1 if male | .62 | .49 |
| Age | Continuous variable (26-73) | 47.2 | 9.47 |
| Hours spent on housework and child-care | Continuous variable (0-131) | 12.47 | 15.66 |
| Married | Coded 0 if no, 1 if yes | .85 | .36 |
| Own other business | Coded 0 if no, 1 if yes | .36 | .48 |

Table 2. Financial and Physical Capital

| | <u>Percent</u> | <u>Number</u> |
|--|----------------|-------------------|
| 1. Percent whose parents were self-employed: | 55.5 | (229) |
| Father: | 35.8 | |
| Mother: | 3.1 | |
| Both: | 16.6 | |
| 2. Percent who inherited their business: | | |
| a) as percent of all owners | 5.2 | (229) |
| b) owners whose parents were self-employed | 7.9 | (127) |
| 3. Percent who bought their business from their parents: | | |
| a) as percent of all owners | 3.1 | (229) |
| b) owners whose parents were self-employed | 5.5 | (127) |
| 4. Percent who used capital from an inheritance to fund their business: | 0.0 | (229) |
| 5. Percent who obtained capital from: | | |
| a) self-employed parents | 8.7 | (127) |
| b) non-self-employed parents | 7.8 | (102) |
| | | N.S. ^a |
| 6. If parents contributed funds, average percent of capital obtained from: | | |
| a) self-employed parents | 77.3 | (11) |
| b) non-self-employed parents | 32.0 | (8) |
| | | p=.01 |
| 7. Percent whose original co-owners included a parent: | | |
| a) self-employed parents | 7.9 | (127) |
| b) non-self-employed parents | 0.0 | (102) |
| | | p=.01 |
| 8. Accumulative percent who inherited and/or bought from parents and/or obtained capital from parents and/or had parents as co-owners: | | |
| a) self-employed parents | 24.0 | (127) |
| b) non-self-employed parents | 8.0 | (102) |
| | | p=.01 |

^aNote: N.S. = difference between self-employed and non self-employed parents not significant

Table 3. Entrepreneurial Capital

1. Duration of parents' business ownership:

| <u>Years</u> | <u>Percent</u> |
|--------------|----------------|
| 1-9 | 16.5 |
| 10-19 | 14.1 |
| 20-29 | 27.3 |
| 30-39 | 18.1 |
| 40-49 | 12.4 |
| <u>50+</u> | <u>11.6</u> |
| | 100.0 (121) |

2. Duration of respondent's exposure to parents' business ownership, prior to age 22:

| <u>Years</u> | <u>Percent</u> |
|--------------|----------------|
| 0 | 16.5 (20) |
| 1-9 | 20.7 |
| 10-19 | 32.2 |
| <u>20-21</u> | <u>30.6</u> |
| | 100.0 (121) |

3. Children of business owners only: percent worked in parents' business: 61

4. Age at which respondent began working in parents' business:

| <u>Years</u> | <u>Percent</u> |
|--------------|----------------|
| 1-9 | 24.4 |
| 10-14 | 26.9 |
| 15-19 | 33.3 |
| <u>20+</u> | <u>15.4</u> |
| All | 100.0 (78) |

5. Total years worked in parents' business:

| <u>Years</u> | <u>Percent</u> |
|--------------|----------------|
| 1-4 | 29.5 |
| 5-9 | 21.8 |
| 10-14 | 23.1 |
| 15-19 | 14.1 |
| <u>20+</u> | <u>11.5</u> |
| | 100.0 (78) |

Table 4. Previous Jobs: Ownership and Responsibility

A. Most recent job, before current ownership, if employed before owning this business

| | Not a manager | Manager | Business Owner | All jobs |
|---------------------------|------------------|---------|-------------------|-------------|
| Parents self-employed | 26.2 | 53.3 | 20.5 | 100.0 (122) |
| Parents not self-employed | 26.7 | 52.0 | 20.8 | 100.0 (101) |
| All | 26.5 | 52.9 | 20.6 | 100.0 (223) |
| | | | | N.S. |

B. Next-to-last job (if employed)

| | Not a manager | Managed/ Owned | All jobs |
|---------------------------|------------------|-------------------|-------------|
| Parents self-employed | 43.3 | 56.7 | 100.0 (97) |
| Parents not self-employed | 49.4 | 50.6 | 100.0 (87) |
| All | 46.2 | 53.8 | 100.0 (184) |
| | | | N.S. |

**Table 5a. Influence of Self-Employed Parents on Respondent's Work Ethic:
Unstandardized Regression Coefficients**

| Independent variable | Hours worked per week | |
|---------------------------------------|-----------------------|-------------------|
| | Equation 1 | Equation 2 |
| Parents self-employed | 1.17 (2.45) | -1.41 (3.00) |
| Years parents s-e | ----- | 0.11 (.08) |
| Worked in parents' business | 1.932 (2.56) | 0.83 (3.26) |
| Years worked in parents' business | ----- | 0.00 (.21) |
| Sex | 1.04 (2.08) | .71 (2.11) |
| Education | .49 (.34) | .51 (.34) |
| Age | -0.29** (.10) | -0.31** (.11) |
| Married | -0.76 (2.79) | -0.83 (2.78) |
| Own other business | 1.37 (1.99) | 1.36 (2.00) |
| Hours spent on housework/childcare | -0.24*** (.06) | -0.24*** (.06) |
| Intercept | 60.85 | 61.62 |
| Adjusted R ² | 0.09*** | 0.09*** |
| N | 229 | 229 |

*** p = .001, ** p = .01, * p = .05, # p = .10

Table 5b. Influence of Self-Employed Parents on Respondent's Work Ethic: Logistic Regression Coefficient.

| Independent variable | Work evenings? | | | | Work weekends? | | | |
|------------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|
| | Equation 3 coef. | Equation 3 effect on odds | Equation 4 coef. | Equation 4 effect on odds | Equation 5 coef. | Equation 5 effect on odds | Equation 6 coef. | Equation 6 effect on odds |
| Parents self-employed | 0.29 | 1.34 | 0.60 | 1.82 | -0.11 | 0.90 | -0.30 | 0.74 |
| Yrs. parents self-employed | ---- | ---- | -0.01 | 0.99 | ---- | ---- | 0.01 | 1.01 |
| Worked in parents' business | -0.57 | 0.56 | -0.89 | 0.41 | 1.08* | 2.94 | 0.61 | 1.83 |
| Yrs. worked in parents' business | ---- | ---- | 0.04 | 1.04 | ---- | ---- | 0.05 | 1.05 |
| Sex | 0.60 | 1.82 | 0.68 [#] | 1.98 | 0.28 | 1.33 | 0.27 | 1.31 |
| Education | 0.07 | 1.07 | 0.07 | 1.08 | 0.00 | 1.00 | 0.00 | 1.00 |
| Age | -0.05** | 0.95 | -0.05* | 0.95 | -0.02 | 0.97 | -0.03 | 0.97 |
| Married | -0.99 | 0.37 | -0.95 | 0.39 | -0.82 | 0.44 | -0.81 | 0.44 |
| Own other business | 0.70* | 2.01 | 0.72 [#] | 2.05 | -0.49 | 0.61 | -0.49 | 0.61 |
| Hours spent on housework/childcare | -0.02 | 0.98 | -0.02 | 0.98 | -0.02* | 0.97 | -0.02* | 0.98 |
| Intercept | 3.46 | ---- | 3.26 | ---- | 3.44 | ---- | 3.46 | ---- |
| R ² | 0.10** | ---- | 0.11** | ---- | 0.08** | ---- | 0.08* | ---- |
| N | 229 | ---- | 229 | ---- | 229 | ---- | 228 | ---- |

**p = .01
*p = .05
#p = .10

¹ Goldthorpe, Lockwood, Bechhofer, and Platt (1969), for example, in their widely-cited study of workers in Luton, focused on issues of *embourgeoisement* and alienation, rather than the availability of workers for collective class-based action.

² While Bills (1998) shows that franchises are an intermediate step between salaried employment and self employment, our data do not indicate this. When respondents were asked whether they owned previous businesses, very few mentioned franchises.

³ This response rate was calculated by dividing the number of completed interviews by the number of people who were interviewed, who refused to participate, and who did not respond to our faxes after repeated attempts.

⁴ We did not collect data on number of businesses owned by parents, or whether there were cycles of start-up and failure. Obviously this information could provide further insight into the lessons these entrepreneurs learned from their parents.