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SMEs in Public markets: intentions, structures and outcomes

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Abstract

During the 1990s New Public Management ideas were implemented in the Public Sectors in the Western world. In Sweden one of the stipulated goals was to stimulate SME development. The aim of this paper is to describe and analyse how Public markets in different industries have enabled small-business ownership over time. This longitudinal, quantitative study confirms previous studies that claim that structural prerequisites create barriers for small-business owners in terms of economic and relational dimensions. The findings would not have been revealed without an analysis of the data at the most detailed industry level. Data was available from Statistics Sweden. The main conclusion is that the relative position of small-business owners is produced and reproduced by the structural prerequisites that prevail in industries. The relative position of small-business owners has increased the most in industries where there was already a private market and a significant proportion of small-business owners. In the other industries which lacked these structural conditions in 1993, there was little or no change of the relative position over time, despite the fact that the private share of the market expanded.

Keywords:
Public sector
NPM
Small business
Public market
Private market
Female-dominated industries

Introduction

This study takes its backdrop in the transformation of the Public Sector. In the 1980s New Public Management ideas were being implemented in a number of OECD countries, albeit to various extents and in different modes (Hood, 1995; Pollitt & Bouckeart, 2004; Lindberg, Czarniawska and Solli, 2015). The ideas of New Public Management are based on different generic doctrines that aim for: 1) disaggregation into single units, 2) internal and external marketization, 3) implementation of private modes of management, 4) tightening up resource use, 5) more visible management, 6) standardization of measurements for control, and 7) an increased use of output measures instead of process measures (Hood, 1995). One of the elements of NPM is to govern the Public Sector with the help of market forces, supported by arguments of cutting costs, ensuring efficiency and increasing customer choice (Boston, 2011). Contracting out the public services to profit and non-profit organisations is one form of this marketization (Pallesen, 2011), and the aim is to construct markets with a multitude of suppliers (Boston, 2011).

During the last 20 years there has been an increased political and research interest in small-business ownership and entrepreneurship. Small-business ownership is seen as a reliable way to increase growth in society (GEM, 2007), but also as a way to secure jobs when organisations downsize (Bögenhold, 2000). The competition processes on the Public markets, or 'quasi-markets', are, however, complex (cf. Le Grand and Bartlett, 1993; Käkhönen, 2004; Yttermyr, 2013), since the markets are governed by laws and other formal regulations as well as by ideological values, in addition to the market forces values (Ferlie, 1992; Chang, 1997). Small businesses can have economic or relational short-

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comings when competing with large companies in the public procurement processes, which can lead to the unintended consequence of highly concentrated markets with few competitors (Propper, 1993). Consequently, the reform of the Public Sectors has implications for small-business ownership. A competitive market consists of a significant number of businesses which can challenge and complement each other. Structural barriers within industries, such as high capital investment, scales of production and product differentiation, have an impact on the entrance and survival of new businesses (Porter, 1980; Robinson & Phillips McDougall, 2001), and of small businesses (Karakaya & Stahl, 1989; Audretsch, et al. 2004). Few organisations on a market may lead to oligopolies, which further constrains the entrance of small businesses (Bolton, 1971; Acs & Audretsch, 1989; Dean & Meyer, 1996).

Sweden is one of several Western countries that have shown great interest in New Public Management ideas (Hood, 1995; Forssell & Jansson, 2000). The Swedish case is of particular interest since Sweden is internationally renowned for its universal and egalitarian welfare state (Esping-Andersen, 1996; Stephens, 1996). Among the Nordic countries, Sweden has taken competition and privatisation of the Public Sector the furthest (Foss Hansen, 2011). From the early 1990s, when Sweden, like other Western countries, experienced a serious economic crisis (Schön, 2014), the intentions of the politicians were to create public markets where perfect competition among multitudes of providers would be found (cf. Regeringen, 1992/93; Forssell & Jansson, 2000). Politicians on both national and local levels assumed and hoped that employees would start businesses in the Public markets (Sundin & Törnquist, 2006; Sundin & Tillmar, 2010a). Consequently, implementing rationality-orientated management systems and private market structures in the Public Sector alters the conditions of employees and the autonomy of professionals (Hasselbladh et al., 2008). Competition, and increased competition, on the Public markets is currently ongoing, and there are still great expectations and a sense of optimism that this change in policy will provide opportunities for small-business owners. Various models for market construction are being tested and the issue has become highly politicised, which makes Sweden an interesting case of the politicised nature of private businesses on Public markets.

The service sectors affected by the reforms were seen as potential markets for small businesses, as the Public Sector monopoly was regarded as a barrier, not least among entrepreneurship researchers (Davidsson & Henrekson, 2002; Henrekson & Johansson, 1999). However, qualitative studies have pointed to the existence of various structural barriers on the Public markets in Sweden which affect small-business owners, such as high transaction costs, complicated procurement processes and very detailed quality rules (Norén, 2003), and the short duration of contracts and changed procurement processes (Tillmar, 2009). Scholars have also revealed some of the unintended consequences of the presence of a scale economy and the market concentration of a small number of large companies, or oligopolies (Blomqvist & Rothstein, 2000; Pettersson, 2008; Sundin & Rapp, 2006; Sundin, 2011; Tillmar, 2009). Recently, the media has

highlighted instances of both bankruptcy and high profits among venture capitalists in the Public markets (SvD, 2014; Sydsvenskan, 2014). The politicised nature of private businesses and the previous findings of structural barriers for small-business owners on Public markets call for more research-based knowledge, built on solid data.

The aim of this paper is to describe and analyse how Public markets in different industries have enabled small-business ownership over time. This purpose is achieved by conducting a longitudinal quantitative study of the Swedish welfare industries between 1993 and 2008. Data has been available from Statistics Sweden. The extent of small-business ownership is compared among a large number of different industries at a detailed industry level. The research question is how structural prerequisites affect the relative position of SME owners among the private organisations operating in Public markets in Sweden between 1993 and 2008. The structural prerequisites that are considered in this study are the existence of a previous private market activity and the presence of a previous significant number of small-business owners in a particular industry. The study contributes to our understanding of this area by revealing distinctive patterns in the structural conditions that either favour or disadvantage SME ownership. The effect of the competition varies with regard to the structures that pre-exist in a particular industry. The reforms have not entirely fulfilled their intentions.

Definitions of key terms

In this study, it is important to define the difference between the Public Sector and the Private Sector. Various combinations of private and public organisations can occur, leading to mixed forms or hybrid organisations. Privately-owned companies can be producers of public services, which are both financed and regulated by the Public Sector. Publicly-owned organisations can provide services that are partially or completely privately financed (Christensen et al., 2005). Following the classification proposed by Christensen et al. (2005), I will distinguish between the Private Sector and the Public Sector solely in terms of the type of ownership of the providers of the services in the industries. The Public markets of this study are defined as the markets of the industries that have been affected by the competition (see further the Methodological section) and the private share of the market is based on the percentages of private employees in relation to the total number of employees.

In the present paper, the business ownership of SMEs (micro, small and medium-sized enterprises) is closely examined. SMEs are defined by ‘counting heads’, which is one of the determination factors used by the European Union; SMEs may have up to 250 employees (European Commission, 2005). The theoretical field of small businesses referred to in this study is based on studies at business and/or industry level and relates to structures that enable or hinder small business on private markets. The normal terminology in this theoretical field is to speak about small businesses, but in this study the focus is on the

owners of the SME businesses. However, the level of analysis of the study is at the industry level.

Central to this study are the structural prerequisites that are present within the markets of the industries affected by the competition of the Public Sector. The term *structure* has been defined by Giddens (1979), who conceptualises *structures* as implicit and explicit rules and resources, which are constructed and reconstructed between actors in social practices and systems, in time and space. Structures are produced and reproduced reciprocally in an ongoing process by actors. The structures act as barriers to and opportunities for, the actions of actors in social practices, such as business ownership. The structures organise the social practices and classify the actors within vertical and horizontal systems that construct asymmetries of power (Giddens, 1976, 1979). Granovetter (1985) argues that social practices are embedded in social, political, and economic structures, and that changes within these social practices can alter the structures, and vice versa. Social practices such as businesses and industries should be studied over time in understanding the dynamics or stability with which these structures operate. The structural transformation of the Public Sector in Sweden means that new ideas of management have been embedded in practices and systems, which affect the operating conditions of actors in organisations and in businesses (Sundin, 2006; Hasselbladh et al., 2008; Tillmar, 2009). The competitive tendering within the Public Sector may pose a challenge to the existent tangible and intangible structures of the industries' markets. New actors, ideas, rules and resources are involved in the structural transformation of the Public Sector. In this study, tangible structures are in focus.

In this section, I have presented the background as well as the purpose of the study and defined some key terms that are relevant to the study. In the next section, I present the Swedish case. In addition to this, I will present a theoretical discussion, which is concluded by the proposal of two hypotheses. After the theoretical discussion, I report on my methodological approach. The results of the study are presented first at an aggregated level and then at the detailed industry classification level. In the last section of the paper, the results are discussed against the backdrop of the two hypotheses that are proposed in the theoretical discussion. The paper ends with a number of conclusions, and proposals for further studies.

Structural Prerequisites in market

The following theoretical discussion is based on theoretical findings that are related to private and public markets. In this section, I will highlight the structural prerequisites which have been discussed in the literature as being important for enhancing or constraining the relative position of small-business owners in an industry. Each subsection concludes with a hypothesis.

Barriers and advantages for small business

Schumpeter (1934/1994) claims that a market-based economy entails 'creative destruction'. New small firms challenge existing firms with new products, services and new ways of working. In both a market and an industry, firms of different sizes may complement each other. The advantages of small firms are their ability to create specific, local and flexible solutions for customers (Bolton, 1971). Small firms can play the role of subcontractor to large companies, by providing them with specialists (cf. Brewster et. al., 1997; Sundin, 2003). Researchers have also discussed small-business ownership as a reaction to economic crisis, unemployment, or unsatisfactory work situations (Bögenhold, 2000; Sundin, 2003; Sundin & Törnquist, 2006; GEM, 2012).

In order to ensure a competitive market, it is essential that there are a sufficient number of firms. Structural prerequisites have consequences for the number of firms in an industry (Bolton, 1971; Porter, 1980). When a market consists of only a few organisations which are strong actors we find an oligopoly, and small businesses have difficulty in operating under such conditions (Bolton, 1971). Highly concentrated markets constrain the entry of small businesses and new ventures (Acs & Audretsch, 1989; Dean & Meyer, 1996). High capital investment, scales of production and product differentiation function as barriers to new businesses (Porter, 1980; Karakaya & Stahl, 1989; Robinson & Phillips McDougall, 2001). Substantial economic resources are needed if a business is to act in such a market. Small firms experience difficulties in surviving in markets that are characterised by scale production and cost advantages (Karakaya & Stahl, 1989; Audretsch, et al. 2004).

Barriers and advantages for small businesses may also be based on relational and social legitimacy. New entrants in industries within which there are already activities which are taken for granted do not have to build up legitimacy, since they are '[…] simply reproducing old activities' (Aldrich & Fiol, 1994, p. 650). This might mean that there is an advantage for small businesses if the industry already consists of a high share of small-business ownership. In addition, established firms in existing markets have advantages over new firms, which makes them better at surviving competition. These advantages can consist of partnerships or supplier contracts (Porter, 1980), but also of customer loyalty (Karakaya & Stahl, 1989; Pehrsson, 2009), which might be an advantage for small businesses when it comes to surviving in an industry.

The theoretical discussion above suggests that certain structural conditions act as barriers or advantages for small-business owners. Barriers include things such as high transaction costs, capital investments, scaled production and product differentiation. These issues complicate the entry and survival of small-business owners in a market (Porter, 1980; Karakaya & Stahl, 1989; Robinson & Phillips McDougall, 2001; Audretsch et al., 2004). These conditions have been identified as existing in public or quasi-markets (Propper, 1993; Norén, 2003). Several studies have also related these conditions to increasing market concentrations and the emergence of oligopolies in the long run (Käkhönen, 2004; Tillmar, 2009; Sundin & Tillmar, 2010b; Schmid & Ulrich, 2013). We can thus

draw the conclusion that small businesses possess disadvantages in industries with a high concentration and that, consequently, in industries which already have a significant proportion of small-business owners, the intentions to increase SME owners in the Public markets will be fulfilled.

The first hypothesis of this study is: *SME owners will increase their relative position in industries that are characterised by having a significant proportion of small-business owners more than in industries without this prerequisite*.

Barriers and advantages in Public markets

The public/political organisation is governed by rules and regulations which enable them to take care of the citizen's needs and give them legitimacy (cf. Brunsson, 2009). Public markets and quasi-markets consist of institutionalised roles and regulations that stand in stark contrast to what we find in the private market (Ferlie et al., 1996). These regulations are not only based on economic values, but also on values such as fairness, morality, legitimacy and merit (Chang, 1997). Thus, the design and construction of the Public market must be seen as relational, and as socially/institutionally embedded (Ferlie et al., 1996). Relations built on trust and reputation between powerful purchasers and providers are crucial when contracts are negotiated. The relationships and institutions in the quasi-market have a historical complexity to which organisations must adapt (Ferlie et al., 1996; Tillmar, 2009). There exists a triad of trust relations that negotiates legitimacy in Public Markets: the citizens, the politicians/employees and the private providers' interdependence on trust (Tillmar, 2009). Opening up the Public Sector for private providers can be seen as allowing a new industry/market to emerge. The private provider has to build up trust and legitimacy to overcome scepticism from politicians, employees and citizens (cf. Aldrich & Fiol, 1994; Tillmar, 2009). In the long run, competitive tendering in the social sector becomes characterised by co-operation and long-term contracts, which leads to few providers and imperfect competition (Käkhönen, 2004). In successfully contracting for Public services, large companies enjoy economic and political power. High transaction costs and the incumbent provider's relationship with the purchaser decrease the number of bidders in the contracting process. Small businesses do not have the economic or relational capital that is needed to enter into the bidding process, which allows oligopolies and monopolies to emerge (Propper, 1993). This can result in the political intentions of a mix of organisations not being met (Taylor and Hogget, 1994).

In a quantitative study, Schmid and Ulrich (2013) show an increasing market concentration of hospital systems (corporate groups) in the healthcare sector in Germany as a long-term effect of contracting. Structures in competitive tendering models and regulations can reflect the outcome of entrepreneurs in different industries. Norén (2003) points to high transaction costs, complicated procurement processes and very detailed quality rules as barriers to entry into Public markets. Tillmar (2009) shows that short contracts and different procurement processes hinder small-business owners in the elderly care sector in winning contracts. Sundin and Tillmar (2010b) make reference to the power that large

incumbent companies hold in the elderly care industry. They observed that the local government decided to divide previously contracted elderly care into (i) a customer-choice solution for home care, and (ii) a contracting solution for the provision of basic services care homes. The local government argued that the introduction of customer choice would benefit a plurality of providers. However, incumbent service providers were found to possess a competitive advantage over newly certified small-business owners. Qualitative studies have also highlighted the constraints for small-business owners with respect to legitimacy within their relations with municipal commissioners, other professionals and citizens (Tillmar, 2009; Sundin, 2011; Sundin & Tillmar, 2010a, b).

This might mean that there is an advantage for private providers (small-business owners) if there is already a significant private market in the industry when the private provider enters the competition in the Public market. In other words, another market exists, which is independent of public competitive tendering.

Public markets are different from private markets since they are constructed not only by economic values but also by ideological values. Strong, established provider relations with a purchaser and customers constitute economic and political advantages, when these established providers are compared to new entrants (Propper, 1993). We also note from the discussion above that trust and legitimacy are important conditions for Public Sector activities, for example, when the needs of citizens are to be taken care of (Ferlie et al., 1996; Chang, 1997; cf. Brunsson, 2009; Tillmar, 2009). With regard to these relational and legitimacy dimensions, I argue that the intentions for an increase in SME owners in Public markets will be fulfilled if the structural prerequisite of a previous private market in an industry exists.

The second hypothesis can thus be formulated: *SME owners will increase their relative position in industries that are characterised by having a private market more than in industries without this prerequisite.*

Four possible outsets with respect to the hypotheses

Based on the two hypotheses outlined above, we can assume that the result of the study will show differences and similarities in the absolute number and the percentage of small businesses between the industries being studied. These differences and similarities will be explained in terms of a combination of the industries' historical structural prerequisites. The prerequisites include the historical presence or absence of a private market and small businesses in the industry. Four possible outsets can be found (Table 1). Data will be categorised into these four possible outsets and the results will be discussed in the light of the two hypotheses.

Table 1 Four possible outsets with respect to the hypotheses – how small-business owners benefit (+) or do not benefit (-) from the structural prerequisites present in the industries.

	Significant proportion of small-businesses in the industry at the outset	Insignificant proportion of small-businesses in the industry at the outset
Significant private market at the outset	+/+	+/-
Insignificant private Market at the outset	-/+	-/-

Methodology

This paper reports on a research project that focused on small-business ownership in the wake of the transformation of the Public Sector in Sweden (Sköld, 2013). A longitudinal study was carried out in order to study the patterns of change in the Public Sector. This has been called for within the small business and entrepreneurship research field (Blackburn and Kovalainen, 2009). The object of study was the total population of small-business owners, while the level of analysis was at the industry level. Data was first processed on an aggregated level, and then further processed to the most detailed level of official industry classification, which was most important for analysing the structural prerequisites. Quantitative reports on small-business ownership in the wake of the Public Sector's competitive tendering in Sweden have generally been presented on an aggregated level or an industry group level, where structural prerequisites have not been taken into account (Nutek, 2003, 2005; The Swedish Agency for Economic and Regional Growth, 2009). Reports on the most detailed industry classification level have been narrower in scope than this study, for example since they include fewer industries, over a shorter time frame (SCB, 2006; Nutek, 2007, 2008).

Data sources

The empirical-based research question of the present paper is to study how the relative position of SME owners among private organisations operating in Public markets changed in quantitative terms between 1993 and 2008. This is done by studying how the absolute number of SME owners changed over time, and how the percentage of the SME owners in relation to the privately employed individuals changed over time. This relational measure is defined as the relative position of SME owners among the private actors on the Public markets, which is the main focus of the study. Further, the mean value of the size of the SME organisations is studied by measuring the number of employees per SME organisation. This indicates whether the structures of the industries are changing over time. The final aspect is to investigate if it has been possible for the SME ownership to expand over the time studied; that is, if the private share of the market increased.

This share is measured as the number of private employees in relation to the total number of employees. The private share of the employees includes individuals employed in for-profit and non-profit organisations.

The year 1993 was considered to be a good starting point, because the reconstruction of the Public market was implemented in Sweden at the beginning of the 1990s (Norén, 2006) and because (for a more technical reason) the industry classification system underwent a major revision in 1992. Data was available from Statistics Sweden and the LISA[1] database up until 2008. The data that was analysed in this study is based on integrated registers from civil registrations and labour market registers, and includes all the people who were registered in Sweden aged 16 and older (SCB, 2008).

The standard classification system of industries

The Swedish standard industry classification system is based on NACE[2] and is compatible with the United Nations ISIC[3] system. The Swedish classification system is organised into a hierarchal code system with five levels of industrial groups. The lowest industry level includes detailed activities such as *Primary education* or *Hospital activities*, and has a five digit code. The highest classification level refers to an aggregated level, for example *Education* or *Healthcare*. This level is encoded by a one or two digit level code. Businesses are classified by their main activity into a code on the five-digit level, although they may carry out additional activities (SCB, 2003).

The Swedish standard classification system was revised in 1992, 2002 and 2007. The revisions have had an impact on several of the industries that were studied for this paper. The industries affected by these revisions include the healthcare, social care, and education sectors. Certain subgroups on the five-digit level were further divided or bundled together into new classification codes (SCB, 2003). It was important for the present study that these instances of reclassification were dealt with correctly, so as to ensure that the original industry classifications, on the detailed level, were maintained. The categorisation process that was carried out due to the reclassification that took place in 2002 is presented in Appendix 1. Statistics Sweden supplied a variable to control the reclassification that took place in 2007.

Industries from the healthcare, social care and education sectors

The study includes an analysis of the activities within the healthcare, social care and education sectors that are provided by a municipality or county council. State-provided activities were excluded from the study. All the industries that were included in the study were affected by privatisation and competitive tendering during the time frame considered.

Table 2 The categorisation of the industries based on the structural prerequisites in 1993

	At least 5 per cent small-business owners in the industry in 1993 (small-business owners/total privately employed individuals)	**Less than 5 per cent small-business owners in the industry in 1993**
At least 10 per cent private market in 1993 (privately employed individuals/ employed in the industry)	+ / +	+ / -
	Other human health activities *Private 53.8 % / Smb 28.8 %*	Social work activities for individuals and families *Private 22.1 % / Smb 2.9 %*
	Dental practice activities *Private 34.7 % / Smb 15 %*	
	Medical practice activities *Private 13.7 % / Sbm 7.5 %*	Vocational secondary education *Private 16.7 % / Smb 0.3 %*
Less than 10 per cent private market in 1993	- /+	- / -
		Social work activities with accommodation, not elderly people *Private 8.2 % / Smb 4.6 %* Hospital activities *Private 1.9 % / Smb 2.5 %* Other childcare *Private 2.1 % / Smb 1.8 %* Social work activities with accommodation, elderly people *Private 2 % / Smb 0.5 %* Pre-school *Private 4.4 % / Smb 0.3 %* Social activities for elderly and disabled people *Private 1.9 % / Smb 0.3 %* General secondary education *Private 1 % / Smb 0.3 %* Primary education *Private 0.9 % / Smb 0.2 %*

A systematic delimitation was made when the relevant industries were selected in respect of the purpose of the study. The following criteria were used:

1. Taking into account that the inclusion of very small industries might introduce a statistical bias when business owners on a regional level are studied[4], industries with fewer than 500 employees in 1993 were excluded, as were industries with fewer than 10 business owners per year during the entire studied period.

2. Since the industries should be related to the Public Sector's privatisation and competitive tendering, industries in which fewer than 30 per cent of the total employees were employed in the Public Sector in 1993 were excluded. Furthermore, industries were excluded if no privately employed individuals were found in the industries during the entire time of study.

The above criteria leave us with 13 different industries (Appendix 2, Table 2) on the lowest five-digit level of the official classification system. In Table 2, the industries are categorised in terms of the four possible combinations illustrated in Table 1, which are based on the hypotheses outlined above. The industries should have at least 10 per cent privately employed individuals of the total employed in the particular industry in 1993 in order to be defined as having a prior significant private market. To be defined as having a significant proportion of small-business owners, the industry in question should have at least 5 per cent of SME owners for the total number of privately employed individuals. These two benchmarks were empirically based, since there were clear dividing lines in the data. I presented the data on the industries' opening values in 1993 in the methodology section, since this data is the starting point of the study, and not the result. Table 2 presents the categorisation of the 13 industries based on their structural prerequisites in 1993.

The population of SME owners

Although this study is not a survey of all the industries that were affected by the Public Sector competitive tendering process, it is a study of the total population of the SME owners and individuals employed in the industries studied. Thus, a measure of reliability is ensured in the study. The individuals included in the data declared that their main source of income in the month of November[5] came from their position as an employee or as a business owner.[6] Individuals who were part-time business owners were excluded from the study. This was done to ensure a measure of reliability, since inclusion in the industry classification system is based on the individual's main employment status in November of each year (SCB, 2008) and the aim of the study is to analyse SME ownership on that industry level. However, since data is reported only in November, this can cause a possible statistical bias. If part-time business owners derive the main part of their income from businesses that operate exclusively in November, they are defined as full-time business owners. This kind of systematic error could result in bias, but there is no reason to assume that this issue would cause a problem. November is chosen by Statistics Sweden as a reliable, representative month.

Business owners are defined by two different categories in the database: self-employment and partnership companies, and business owners employed in their own limited company (SCB, 2008), in this study called SME owner-managers or SME owners. SMEs are in this study defined (see also the section

Description of key terms) by one of the determination factors used by the European Union; SMEs may have up to 250 employees (European Commission, 2005). However, two industries are exceptions to this definition: in the *Social work activities for elderly and disabled people* industry there were eight organisations in 2008 with more than 250 employees but not more than 380 while *Other human health activities* includes one organisation with 350 employees.

Business owners in Public companies or economic associations are not registered in the database and are therefore not included in this study (The Swedish Agency for Economic and Regional Growth, 2010). The fact that economic associations are not included in the database may lead to an underestimation of the number of small-scale providers in the Pre-school industry, since about 45 per cent of the organisations in the Pre-school industry were registered as economic associations in 2006 (LISA). .

The Swedish Case

During the 1960s and 1970s the welfare state in Sweden was developed in a rationality of caring based on a public responsibility. However, certain welfare sector activities, such as the delivery of healthcare, social care and education, have also been supplemented to a varying extent by private and non-profit organisations (cf. Esping-Andersen, 1990). In the 1990s, the market-based NPM ideas began to gain ground in the Public Sector in Sweden. One of these ideas was *competitive tendering*. The municipalities in Sweden have been autonomous since 1974 (Ref 1, Ch. 1), and are responsible for the delivery of the main welfare activities (Forssell & Jansson, 2000). This has led to the exposure of the Public Sector activities to competition in different ways, and to varying extents, among the municipalities of Sweden, because of a diversity of the political positions and decisions that are made in the different municipalities (SOU 2001:52). Furthermore, the welfare services are often financed by public means, irrespective of whether they are supplied by a private or a public organisation (Christensen et al, 2005). There are, thus, various solutions to the challenge that competitive tendering gives rise to, depending on the existing conditions and regulations regarding activities, industries and municipalities (Norén, 2006).

In Sweden, two models of competitive tendering have been used: procurement and customer choice (Norén, 2003; the Swedish Competition Authority, 2007). The Act that regulates public procurement in Sweden (LOU 1992:1525) is based on EU regulations. Forssell and Norén (2004) describe how public officers use the LOU (1992:1525) regulations to ensure the lowest price. Public officers also invoke government regulations with respect to healthcare in order to ensure quality when designing procurement criteria. In the customer choice model, the individual may choose among certified and licensed producers.[7] Arrangements to certify providers and to license and control markets are regulated by the Act and government regulations. Regulations may vary between industries and regions and may also change over time (Norén, 2003; the Swedish Competition Authority, 2007). This can alter the competitiveness of companies,

and may cause ambiguity in the market (Norén, 2003; the Swedish Competition Authority, 2007; Sundin and Tillmar, 2010a).

Results

The presentation of the results begins on the aggregated level, followed by the results on the detailed industry level. The comparison between the industries on a detailed level makes it possible to reveal a pattern showing how different structural prerequisites affect the absolute numbers and percentages of SME owner-managers within the industries that were examined in this study.

Aggregated level

Table 3 shows the absolute number of SME owner-managers, privately employed individuals, and the total number of employed individuals on the aggregated level for the industries included in this study for 1993 and 2008. On this aggregated level the absolute number of SME owner-managers increased from 4,473 individuals to 15,916. This is in line with the claim that small-business ownership would increase when Public Sector activities were opened to private business tenders.

Table 3 The results on an aggregated level

The industries on an aggregated level	1993	2008
SME owner-managers	4,473	15,916
Privately employed	51,405	170,317
Employed in total	1,003,995	1,058,597
Employed/SME organisation	2.7	4.2
Relative position of SME owner-managers*	8.7%	9.3%
The private share of the market**	5.1%	16.1%

*SME owners /privately employed
**Privately employed/employed in total

The table also shows that, on the aggregated level, the number of private employees increased from 51,405 to 170,317. This represents a change from 5 per cent to 16 per cent with regard to the private share of the market in these industries that are financed by the public funds. Thus, the private sector has increased its position in Public markets relative to the Public Sector, but when comparing the percentages of SME owner-managers in relation to the numbers of privately employed individuals, there was but a very moderate increase of the relative

position of SME owner-managers of 0.6 percentage points between 1993 and 2008. The relative position of the owner-managers in the private market did not change significantly at the aggregated level. Regarding the size of the SME organisations, the results indicate that although the organisations have become larger, they remain small; the number of employees per organisation has increased by 1.5, from 2.7 to 4.2.

Detailed industry level

In 1993 (see Appendix 2), the majority of SME owner-managers operated in the healthcare sector. The smallest numbers of SME owner-managers are found in the industries associated with education, elderly care and childcare, which all included fewer than 20 owner-managers in 1993. In 2008, the same three healthcare industries included the largest number of owner-managers, and a variation of between 49 and 726 SME owner-managers are found among the rest of the industries. The relative position of the SME owner-managers in 1993 was below 5 per cent in 10 out of 13 industries, and does not entirely correlate with the private share of the market in 1993. In 2008, there were two more industries with a relative position of owner-mangers that was more than 5 per cent, while the remaining industries still have very low percentages of SME owner-managers. Furthermore, it is still the case that a high private share of the market in an industry does not always correlate with a high relative position of the SME owner-managers in that industry.

Table 4 and Table 5 refer to the hypotheses derived from the theoretical discussion about structural prerequisites in private and public markets. The two hypotheses give four possible outcomes, within which the largest increase in SME owner-managers is proposed by the hypotheses to be found in industries with both a private market and a significant proportion of small-business owners in the industry in 1993. This is indicated in the area of the tables marked with '+ / +'.

In Table 4, the changes over time of the absolute numbers of the SME owner-managers in the industries listed are shown. The number of small-business owners increased in 12 out of 13 industries, albeit by varying degrees. The largest increase in the absolute numbers between 1993 and 2008 was among the industries within which (i) a private market and (ii) a significant percentage of SME owner-managers existed in 1993. (See *Other human health activities* (5,281)*, Medical practice activities* (2,124) and *Dental practice activities* (1,318). This observation thus supports both the hypotheses outlined. All three industries belong to the healthcare sector, within which a strong professional hierarchy also exists. At the bottom of Table 4, we find industries which lacked existing private markets and small-business activity in 1993 (-/-). The *Hospital activities* industry*,* which is also associated with the healthcare sector and professional hierarchy, showed a decrease in the absolute number of owner-managers. The industries *General secondary education* and S*ocial work activities with accommodation for elderly people*, showed a remarkably modest increase in the numbers of owner-managers in relation to the other industries. The

results therefore show that in industries without the combination of a pre-existing private market and a pre-existing significant proportion of small-business owners in 1993, the intentions of strengthening the relative position of small-business owners have not been fulfilled.

Table 4 Changes in the absolute numbers of SME owner-managers and privately employed individuals between 1993 and 2008

Private market at the outset of the study	Small-business-es in the industry at the outset of the study		Changes in the absolute numbers of SME owner-managers between 1993 and 2008		Changes in the absolute numbers of privately employed individuals between 1993 and 2008	
				(2008)		(2008)
+	+	Other human health activities	5,281	(7,173)	7,860	(14,433)
+	+	Medical practice activities	2,124	(2,845)	8,231	(17,835)
+	+	Dental practice activities	1,318	(2,779)	443	(10,152)
-	-	Other childcare	712	(726)	1,704	(2,493)
-	-	Social work activi-ties for elderly and disa-bled people	578	(583)	33,701	(35,279)
-	-	Social work activi-ties with accomodation, not elderly people	470	(628)	12,646	(16,078)
-	-	Pre-school	392	(412)	12,485	(18,859)
-	-	Primary education	245	(248)	14,018	(15,564)
+	-	Social work activi-ties for individuals and families	177	(229)	443	(2,237)
+	-	Vocational se-condary education	68	(77)	1,055	(3,828)
-	-	General secondary education	66	(67)	4,080	(4,420)
-	-	Social work activi-ties with accomodation, elderly people	39	(49)	18,811	(20,694)
-	-	Hospital activities	-27	(100)	3,435	(8,445)

The exceptions to the pattern observed above are Social work activities for individuals and families and Vocational secondary education. These industries showed a modest increase in numbers of owner-managers, 177 and 68 respectively, when compared to the other industries. These two industries had a private market at the outset (i.e. in 1993), yet lacked a significant proportion of small-business owners (+/-). This result does not support the second hypothesis: that having a private market is a structural prerequisite which will benefit small-business ownership. The overall pattern in the absolute numbers of SME owner-managers shows that a prior significant proportion of small-business owners is the most critical structural prerequisite in enabling the expansion of SME owner-managers, thus supporting hypothesis 1.

Table 4 also displays the changes in the absolute numbers of private employees in the different industries. The number of private employees increased in all the industries, which indicates that, over time, there may have been room for an increase in the absolute number of SME owner-managers. However, the results show that we do not find the largest increase of owner-managers among the industries with the largest increase in the absolute numbers of private employees. This finding indicates that, despite the fact that the private market expanded in S*ocial work activities with accommodation, elderly people* and *not elderly people; Social work activities for elderly and disabled people; General secondary school; Pre-school* and *Primary education,* the position of SME owner-managers was not enhanced. These results, which were revealed on the detailed industry level, indicate a dominant position of larger companies in these industries, all of which belong to the group of industries that previously lacked a significant number of small-business owners and a private market at the outset, indicated by '-/-' in the table.

Table 5 Changes of the relative position of SME owner-managers and the private share of the market between 1993 and 2008

Private market at the outset of the study	Small-businesses in the industry at the outset of the study		The change of the relative position of SME owner-managers* between 1993 and 2008 in percentage points		The change of the numbers of employed/SME organisation between 1993 and 2008		The change of the private share of the market** between 1993 and 2008 in percentage points	
				(2008)		(2008)		(2008)
-	-	Other childcare	27.3	(29.1 %)	-0.1	(1.9)	14.8	(16.9 %)
+	+	Other human health activities	20.9	(49.7 %)	-0.1	(1.4)	5.6	(59.4 %)
+	+	Dental practice activities	12.4	(27.4 %)	3.1	(5.8)	14.1	(48.8 %)
+	+	Medical practice activities	8.5	(16.0 %)	1.1	(3.8)	18.1	(31.8 %)
+	-	Social work activities for individuals and families	7.3	(10.2 %)	-3	(2.6)	-10.3	(11.8 %)
-	-	Pre-school	1.9	(2.2 %)	9.6	(17.7)	12.4	(16.8 %)
+	-	Vocational secondary education	1.7	(2.0 %)	9.3	(14.8)	10.2	(26.9 %)
-	-	Primary education	1.4	(1.6 %)	18	(24.5)	7.3	(8.2 %)
-	-	Social work activities for elderly and disabled people	1.4	(1.7 %)	-23.7	(23.6)	22	(23.9 %)
-		General secondary education	1.2	(1.5 %)	24.1	(25.1)	9.9	(10.9 %)
-	-	Social work activities with accomodation, elderly people	-0.3	(0.2 %)	1.7	(27.7)	12.5	(14.5 %)
-	-	Social work activities with accomodation, not elderly people	-0.7	(3.9 %)	3.7	(10.6)	15.1	(23.3 %)
-	-	Hospital activities	-1.3	(1.2 %)	-12.6	(6.6)	2.2	(4.1 %)

The focus of Table 5 is a representation of the changes over time of the relative position of SME owner-managers. This increased in 10 out of the 13 industries, although the changes in percentage points vary considerably between the industries. The largest changes between 1993 and 2008 were in the industries within which we can find both a private market and small businesses in the industry at the outset in 1993(+/+). This finding is the same as for the absolute numbers of owner-managers, and thus supports the proposed hypotheses. However, there is one exception that was found in this group of industries. *Other childcare* had neither a significant proportion of small-business owners in the industry nor a private market at the outset in 1993 (-/-). In this industry the increase in the percentage of owner-managers relative to the other industries was the greatest, namely 27.3 percentage points.

At the end of Table 5, we find the industries which had neither a significant proportion of small-business owners nor a private market at the outset (-/-). The industries *Social work activities with accommodation*, *elderly people* and *not elderly people*, and *Hospital activities* show a decline in the percentages of owner-managers, of 0.3, 0.7 and 1.3 percentage points respectively. The changes over time were modest in 8 out of the 13 industries. There was one exception, *General secondary education*. This industry was characterised by the lack of a private market and a previous significant number of small businesses in the industry (-/-), and displayed a change of less than 2 percentage points with respect to the relative position of SME owner-managers.

When comparing the changes in the percentage of privately employed individuals in the 13 industries, there is no clear connection between the changes in the relative position of SME owner-managers and the changes in the private share of the market. However, the private share of the market increased in several of the industries. This increase took place without any significant changes in the relative position of SME owner-managers. This is especially salient in the group of industries characterised by the combination of not previously having small businesses in the industry and a lack of a private market ('-/-'). These results indicate that there were large companies which enjoyed advantages in these industries and enjoyed a dominant position in the Public market.

Table 5 demonstrates that in the industries within which the relative position of the SME owner-managers has increased the most, the size of the SME organisations is still small in 2008. On the other hand, where there have been small increases in the relative position of SME owner-managers, the size of the SME organisations has grown. The exception is *Social work activities for elderly and disabled people*, within which the size of the organisations has declined. This is despite the fact that the private share of the market has expanded, which indicates that larger companies have increased their position in the Public markets. In the industries within which the relative position of the SME owner-managers has decreased, the size of the organisations change little over time, apart from in the case of *Hospital activities.* The size of the SME organisations does not expand or diminish in correlation with the changes of the private share of the market or in correlation with the size of the private share of the market in 2008. The

relative position of the SME owner-managers increases most in the industries within which the size of the organisation on average is micro or small and has also stayed small over time.

Discussion: Pre-existing structural prerequisites in the industries reproduce the SME owner-manager's position in the Public market

Swedish politicians expected the opening up of the Public Sector to private enterprise to create opportunities for small-business owners (cf. Forssell & Jansson, 2000). On an aggregated level, the results of the study (Table 3) show that the absolute number of SME owner-managers increased from 4,473 in 1993, to 15,916 in 2008. Looking at these figures in isolation, these increases might suggest that the expectations of the politicians were fulfilled. However, if we look at the increase in the percentages of SME owners on the aggregated level over time (Table 3), we note that, although the scope of the private market increased by 11 percentage points, there was but a modest change with respect to the increase in the percentage of SME owner-managers, namely 0.6 percentage points. This indicates that there could be prerequisites which hindered the increase of small-business ownership in the Public market. Structural prerequisites can be embedded within SME ownership (Granovetter, 1985), such as high transaction costs, scale production, and the existence of a few large providers (Propper 1993), or relational or institutional processes (Ferlie et al., 1996).

The results of the detailed industry-level analysis are linked to the model presented in Table 1, which included four possible combinations of outsets which were based on the differences across the industries. In the next section, I will discuss the results of this study on the detailed industry level in the light of the two hypotheses which were outlined by the theoretical discussion.

Table 6 The four possible outsets with respect to the two hypotheses.

	Significant proportion of small-businesses in the industry at the outset	Insignificant proportion of small-businesses in the industry at the outset
Significant private market at the outset	+/+	+/-
Insignificant private Market at the outset	-/+	-/-

The first hypothesis: *SME owners will increase their relative position in industries that are characterised by having a significant proportion of small-business owners more than in industries without this prerequisite.*

The second hypothesis: *SME owners will increase their relative position in industries that are characterised by having a private market more than in industries without this prerequisite.*

Structural prerequisites that enhance the relative position of small-business owners on Public markets

The results of this study show that the largest increases in the number of small-business owners are found in the industries which have both (i) a private market and (ii) a significant proportion of small-business owners, at the outset ('+/+'). This pattern can be seen in *Other human health activities*, *Dental practice activities* and *Medical practice activities* in Table 4 and Table 5. This finding supports both the first and the second hypothesis presented in this paper, and indicates that the prerequisites for SME owners are more favourable in (or more necessary to) these industries than in the other industries included in this study. The second hypothesis was based on theories which claim that Public markets are constructed differently from private markets (Propper, 1993; Ferlie et al., 1996; Norén, 2003). Public markets are embedded in complex relationships and institutions (Ferlie et al., 1996; Tillmar, 2009), within which large companies have strong economic and political power (Propper, 1993; Käkhönen, 2004; Tillmar, 2009; Sundin & Tillmar, 2010a, b; Schmid & Ulrich, 2013). This study shows that the existence of a previous private market is a critical structural factor for the increase in SME owner-managers in a particular industry. The relative position of small-business owners increased the most in healthcare industries where this structural prerequisite was found.

In light of the first hypothesis, I claim that a previous significant proportion of SMEs within an industry is a critical factor. This can be understood in terms of an already established demand for local, flexible and specialised services (Bolton, 1971; Brewster et al., 1997; Sundin, 2003) among customers and purchasers, thereby enabling the entrances of new small businesses. However, these industries may also be subject to structural prerequisites such as low transaction costs, or where scale production is not as profitable. These structural prerequisites promote a variety of businesses (cf. Bolton, 1971; Porter, 1980; Karakaya Stahl, 1989; Robinson & Phillips McDougall, 2001; Audretsch et al., 2004). The structural prerequisites that existed in these industries in 1993 seem to be reproduced in the Public market, since it is in this market that we find the largest increase in small-business owners. It is also here we find that the size of the organisations stays small over time; that is, the structure of the industry does not change, regardless of whether or not the share of the private market increases.

The combination of (i) an existing private market and (ii) a significant proportion of small-business owners in an industry afford legitimacy to small-business owners who provide these healthcare services. Legitimacy is important in emerging industries (Aldrich & Fiol, 1994), but also for acceptance in providing Public services (Chang, 1997; Brunsson, 2009). The legitimacy of actors is produced and reproduced over time (cf. Giddens, 1976, 1979). The present study reinforces previous findings, and by contrasting the various industries based on

the pre-existing structural prerequisites, the results indicate that the markets of specific industries have not been regulated in order to increase small-business ownership as was the intention.

Structural prerequisites that hinder the relative position of SME owners on Public markets

The industries that fit into the criteria of having *neither* a private market *nor* a significant proportion of small-business owners ('-/-'), show a result that is opposite to the one discussed above. These industries show the *lowest* changes over time regarding the percentage of SME owner-managers (Table 4 and Table 5). Although the private market increased in these industries after 1993, the number of SME owner-managers did not increase to the same extent. These industries show a tendency to include market concentrations of large enterprises, underlining what previous research has indicated as a barrier for small businesses (Bolton, 1971; Propper, 1993; Ferlie et al., 1996; Käkhönen, 2004; Tillmar, 2009; Sundin & Tillmar, 2010; Schmid & Ulrich, 2013). The results of this study indicate that the combination of these structural prerequisites, namely, '-/-', produces barriers for SME owners and thus supports the first and second hypotheses that were presented earlier in this paper. This indicates that SME owner-managers experience difficulties in entering and surviving in industries which are dominated by a concentration of a few large providers (Propper, 1993; Audretch et al., 2004: Taylor and Hogget, 1994). The SME organisations have also become larger over time in these industries, which can present an obstacle for new small-business owners who try to enter the market. The lack of a historical private market allows the Public market's constructed roles, regulations and relationships (Propper, 1993; Ferlie et al., 1996; Norén, 2006) to predominantly affect small-business ownership. This study notes the negative influence that such conditions can impose on a market, which has also been noted by previous studies, including high market concentrations and the emergence of oligopolies (Käkhönen, 2004; Tillmar, 2009; Sundin & Tillmar, 2010; Schmid & Ulrich, 2013), high transaction costs and the cost of scale production (Norén, 2003), and also social and institutional relationships between purchasers, providers, and professionals (Ferlie et al., 1996; Tillmar, 2009; Sundin & Tillmar, 2010a, b). The results of this study show that these structural prerequisites are critical factors to be taken into account when constructing regulations on markets and designing appropriate competition instruments. The relative position of SME owner-managers started at a low level in these industries and there was little or no change over time, despite the fact that the private market increased during the same time period.

Exceptions to the overall pattern

The two industries, *Social work activities for individuals and families* and *Vocational secondary education,* that fit the criteria of (i) having a private market but (ii) an insignificant proportion of small-business owners at the outset ('+/-') differ from each other regarding the overall results of this study (See Table 4 and

Table 5). These industries show neither the smallest nor the largest increases over time in terms of the percentage or absolute number of small-business owners within these industries. However, both these industries had relatively large private markets in 1993, but a low percentage of small-business owners. This indicates that these industries had historical private markets with dominating large companies.

There is also one exception to the overall pattern that was observed in the category ('-/-'). *Other childcare* showed the largest changes over time with respect to the relative increase of small-business owners. It should, however, be noted that the increase of small-business owners in this industry can be interpreted in the light of other structural prerequisites. The increase in small-business owners might be the outcome of necessity-driven self-employment (Bögenhold, 2000), since the number of employees providing daycare to children in family homes decreased from the mid-1990s (cf. Karlsson, 2004), and becoming self-employed was the only way to continue working in home-based childcare. As will be discussed below, this exception merits further studies.

Conclusions

The main conclusion to be drawn when studying the changes in the absolute number of small-business owners on an aggregated level is that small-business ownership has increased over the time period. This observation seemingly supports the argument that was put forth with respect to opening up the Public sector to private production (Davidsson & Henrekson, 2002; Henrekson & Johanson, 1999), and the expectations of small business expansion that the Swedish politicians had with regard to this change in policy (cf. Forssell & Jansson, 2000).

The aim of the study was to describe and analyse how structural prerequisites affect the relative position of small-business owners in the Public market between 1993 and 2008. This was done by comparing the differences and the similarities between the industries, based on whether they had a previous private market position within an industry, and whether or not the industry included a significant percentage of small-business owners in 1993. A total of four possible combinations of these prerequisites exist, but only three of these combinations were relevant to the 13 industries that were studied.

When studying the changes in small-business ownership on the detailed industry level, the significance of the pre-existing structural prerequisites of the industries is revealed. This methodological choice reveals the difficulties facing, and opportunities for, SME owners on the Public markets. The relative position of SME owner-managers increases in certain industries. The industries with the combination of a pre-existing private market and a significant proportion of small-business owners at the outset had the largest increases in the numbers and percentages of small-business owners over time. The industries with the opposite criteria had the lowest increases. The conclusion that can be drawn is that the relative position of small-business owners is produced and reproduced by struc-

tural prerequisites historically embedded in the industries' respective markets. The intentions and the optimism regarding having a multitude of organisations in the different Public markets have not been fulfilled. Opening up the Public Sector for private organisations does not *per se* enhance small-business ownership; this study reveals that the structural prerequisites of the particular industry and market are critical. The results indicate that small business ownership lacks legitimacy (Aldrich & Fiol, 1994; Chang, 1997; Brunson, 2009) or other structural barriers in industries where there is no pre-existing small-business or private market. This also reinforces arguments stating that structural prerequisites embedded in institutional and relational processes in Public markets (Ferlie et al., 1996) favour large companies (Brunsson & Hägg, 2010) and the logic of "think-big" (Sundin & Tillmar, 2010b).

The findings presented in this study would not have been revealed without a contrasting analysis of the pattern of numbers and the percentages of small-business owners at the detailed industry level. Although the private market increased, albeit to a limited extent, the number of small-business owners did not increase by the same extent. The absolute numbers of small-businesses are remarkably low in certain industries. The results point towards what previous qualitative studies have claimed: that the large companies in several dimensions have an advantage in the wake of the competition in the Public markets.

Policy implications

The politicians' intentions of constructing Public markets with a multitude of providers have enhanced the relative position of small-business owners in industries where a private market and a significant small-business proportion already existed. This implies that while politicians may have high ambitions, it is difficult to regulate competition on markets through policy. This study shows that the effects of the competition vary with respect to the structures and actors that dominate and are taken for granted in a particular industry. As actors, politicians and their representatives in the municipalities may affect the markets by constructing appropriately designed instruments for each industry, if their intentions are to have a multitude of providers among all the Public markets. Further, the representatives must also give legitimacy to small businesses in industries within which there exist historical structures and relationships that support scale economy and large organisations.

Reflections and further studies

There are other structural prerequisites which lie outside of the scope of this study. These prerequisites include institutional and relational structures that are found in the practices of the actors. Further investigation into how the different industries' prerequisites differ with respect to regulations, rules, contracting, customer choice and financing is also warranted. This should be discussed in further studies (cf. Sköld, 2013).

The medical profession is represented in the industries *Dental practice activities* and *Medical practice activities*. The medical professional's strong legitimacy, specific knowledge base, and social network give such professionals a high vertical position in the medical practice and in society (Porter, 1991; Ferlie et al., 1996; Allen, 1998; Brante, 2010; Sundin & Tillmar, 2010a). This position may facilitate their becoming business owners in the Public Sector (Aldrich & Fiol, 1994). Legitimacy is an important aspect in Public Sector activities, when citizens' needs are to be taken care of (Chang, 1997; cf. Brunsson, 2009). It is relevant for further studies to explore the representation of the medical profession among small-business owners in these industries. However, we do not currently know whether their relative position has increased with respect to legitimacy or power, and neither do we know whether the increased number of small-business owners is the outcome of a desire to start a business (Bolton, 1971; Schumpeter, 1934), or is necessity-driven due to becoming independent of New Public Management systems (Sundin, 2003; cf. Hasselbladh, 2008).

The exception to the overall pattern that was identified in this study is of particular interest in terms of gender. Childcare is embedded in strong female social structures, yet the two industries that are related to childcare show different outcomes. In *Other childcare*, the relative position of small-business owners increased more than in any of the industries that were studied. In the *Pre-school* industry, there was but a modest change over time. Since the results of this study show that both of these industries had a similar increase on the private market, the conclusion that must be drawn is that these industries are structured differently. One might ask whether profitability is also a factor. These industries are female dominated with respect to the gender of their employees, and with respect to the gender of the small-business owners (90 per cent female) that operate in these industries. (Sköld, 2013). These industries might be seen as 'own rooms' for women (cf. Hirdman, 2001). Previous research has shown that more men than women are owners of large companies. It would be relevant to further studies to explore whether there exists a correlation between (i) the representation of men in firms and (ii) a high degree of profitability.

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Notes

[1]. LISA, Integrated database for labour market research (SCB, 2008)

[2]. Classification of Economic Activities in the European Community

[3]. Standard Industry Classification of All Economic Activities

[4]. A study on the regional level is planned

[5]. In 2004, the source for defining business owners changed, so that business owners who made a loss were also registered. This implies a break in time and that some more business owners are registered.

[6]. Minimum income based on one hour per week for employees, and a minimum of a third of a full-time job for business owners (SCB, 2008)

[7]. LOV (2008:962) 'The Act on System of Choice in the Public Sector' implemented in the year 2009 and this law is out of the scope of this study

Appendix 1. The industry classification system on the five-digit level; re-coded for this study

SNI code 1992	SNI code 2002	Classification used in the study
	M 80 Education	*Education*
80100 Primary education	80102 Primary education and preschool education (from 85322) 80103 Primary school, special schools	80100 Primary education
80220 Vocational secondary education	80221 Vocational secondary education	80220 Vocational secondary education
	N 85 Healtcare and social work	*Healthcare and social work*
85110 Hospital activities	85111 Hospital activities for primary healthcare 85112 Hospital activities for somatic specialist healthcare 85113 Hospital activities for psychiatric specialist healthcare	85110 Hospital activities
85120 Medical practice activities	85121 Medical specialist practices, at hospitals 85122 Medical specialist practices, not at hospitals	85120 Medical practice activities
85140 Other human health activities	85141 Medical laboratories etc. 84142 Ambulance transportation 85143 Health activities at nursing homes, not doctors 85144 Other medical and health activities, not doctors	85140 Other human health activities
85130 Dental practice activities	85130 Dental practice activities	85130 Dental practice activities
85312 Social work activities for developmentally disabled 85313 Social work activities with accomodation 85315 Operation of boarders	85312 Social work activities with accomodation, for disabled persons 85313 Social work activities with accomodation, for children and young people 85315 Social work activities with accomodation, for adults with abuse problems 85316 Social work activities with	85310 Social work activities with accomodation, not elder people
85311 Social work activities with accomodation, elder people	85311 Social work activities with accomodation, elder people	85311 Social work activities with accomodation, elder people
85321 Childcare in pre-school	80101 Pre-school	85321 Pre-school
85322 Other childcare	85322 Other child day-care 85323 Social work activities for children and young people	85322 Other childcare
85323 Social work activities for elder and disabled people	85327 Social work activities for elder 85328 Social work activities for disabled people	85323 Social work activities for elder and disabled people
85324 Social work activities for individuals and families	85324 Social work activities for adults 85329 Social work activities for adults with abuse problems	85324 Social work activities for individuals and families

Appendix 2. The number of SME owner-managers and employees in the industries, in 1993

	SME owner-managers	Privately employed SME included	Employed in total	Employed/SME organisation	Relative position of SME owner-managers*	The private share of the market**
Other human health activities	1,892	6,573	12,220	1.5	28.8 %	53.8 %
Dental practice activities	1,461	9,709	28,007	2.7	15.0 %	34.7 %
Medical practice activities	721	9,604	70,358	2.7	7.5 %	13.7 %
Social work activities with accomodation, not elderly people	158	3,432	41,967	6.9	4.6 %	8.2 %
Hospital activities	127	5,010	268,212	19.2	2.5 %	1.9 %
Social work activities for individuals and families	52	1,794	8,126	5.6	2.9 %	22.1 %
Pre-school	20	6,374	146,277	8.1	0.3 %	4.4 %
Other child-care	14	789	37,178	2	1.8%	2.1 %
Social work activities with accomodation, elderly people	10	1,883	94,424	26	0.5 %	2.0 %
Vocational secondary education	9	2,773	16,603	5.5	0.3 %	16.7 %
Social work activities for elderly and disabled people	5	1,578	81,985	47.3	0.3 %	1.9 %
Primary education	3	1,546	165,192	6.5	0.2 %	0.9 %
General secondary education	1	340	33,446	1	0.3 %	1.0 %
In total	4,473	51,405	1,003,995	2.7	8.7 %	5.1 %

*SME owners/privately employed
**Privately employed/employed in total

Appendix 3. The number of SME owner-managers and employees in the industries, in 2008

	SME owner-managers	Privately employed SME included	Employed in total	Employed/SME organisation	Relative position of SME owner-managers*	The private share of the market**
Other human health activities	7,173	14,433	24,303	1.4	49.7 %	59.4 %
Dental practice activities	2,779	10,152	20,797	5.8	27.4 %	48.8 %
Medical practice activities	2,845	17,835	56,138	3.8	16.0 %	31.8 %
Social work activities with accomodation, not elderly people	628	16,078	68,950	10.6	3.9 %	23.3 %
Hospital activities	100	8,445	207,020	6.6	1.2 %	4.1 %
Social work activities for individuals and families	229	2,237	18,961	2.6	10.2 %	11.8 %
Pre-school	412	18,859	112,561	17.7	2.2 %	16.8 %
Other child-care	726	2,493	14,718	1.9	29.1 %	16.9 %
Social work activities with accomodation, elderly people	49	20,694	143,171	27.7	0.2 %	14.5 %
Vocational secondary education	77	3,828	14,221	14.8	2.0 %	26.9 %
Social work activities for elderly and disabled people	583	35,279	147,427	23.6	1.7 %	23.9 %
Primary education	248	15,564	189,629	24.5	1.6 %	8.2 %
General secondary education	67	4,420	40,701	25.1	1.5 %	10.9 %
In total	15,916	170,317	1,058,597	4.2	9.3 %	16.1 %