

**The dynamics of solo self-employment:
Persistence and transition to employership**

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Abstract

This study examines dynamics of solo self-employment. In particular, we investigate the extent of true state dependence and cross state dependence, i.e., whether experiencing solo self-employment causally affects the probability of becoming an employer in the future. Using data from the German Socio-Economic Panel, we apply dynamic multinomial logit models and find that the extent of true state dependence is rather small. The observed persistence in solo self-employment as well as transitions from solo self-employment to employership can largely be explained by observed and unobserved characteristics.

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