

# Entrepreneurship in Focus

FGF-Forschungsnetzwerk Entrepreneurship, Innovation und Mittelstand e.V. und Ifm Bonn Issue 02/2026

## Economic uncertainty affects parenting goals

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### Summary

Children of self-employed parents are more likely to become self-employed later in life. However, current research indicates that a risk-averse socialization can counteract the positive effects of a self-employed parental role model. Given the current economic challenges and uncertainties, this research explores whether parents are increasingly encouraging their children to avoid risk during childhood. We subsequently consider the possible future implications for business succession and self-employment in Germany.

In Germany, thousands of business owners are looking for successors, often favoring family members to take over (Parker, 2016). However, interest in business succession within the family is steadily declining (Schwartz 2024). Meanwhile, an increasing number of individuals see their professional future in the public service because it offers job security. This paper focuses on the aspect that nurture, economic uncertainties, and uncertain future prospects can influence (intra-family) business succession and the desire to become self-employed later in life.

Children of self-employed parents are more likely to become self-employed themselves later in life. One possible explanation is that parents serve as role models for their children. In this way, children learn important competencies by observing their parents. However, additional channels influence the transmission of self-employment within families: For example, parents influence their children's career intentions and competencies through socialization intensity, parenting styles, and parenting goals (Schmitt-Rodermund 2004; Hopp et al. 2019; Schneck 2025a,b). Schneck (2025b) found that risk-averse socialization accounts for why the role model effect of self-employed parents may not be effective: At age 17, adolescents show no greater inclination to become self-employed than children without self-employed parents, despite having self-employed role models.

### Data description

In light of the economic stagnation and economic uncertainties, this study examines whether parents are taking steps to raise their children to avoid risks. Consequently, the recent crises and ongoing economic instability may not only intensify the younger generation's pursuit of job security but also encourage parents to nurture their children to avoid risks. Given that self-employed individuals are generally less risk-averse than salaried employees, such parental socialization practices may impact the potentially desired succession within the family and the inclination towards self-employment, even though this generation will not enter the labor market for at least another 10 years.

We use the SOEP data set (Version 38). Parental educational goals have been surveyed since 2010. Due to the limited data on self-employed parents in 2021, this year is omitted from our study. Only parents with children aged 7 to 10 are considered. Children are not surveyed. The original question is: *Below are some of the qualities and abilities that can be fostered in children through parenting and child-rearing. How important are the following parenting goals to you? That the child learns to avoid risks in life.* The question is answered on a scale ranging from 1 (not at all important) to 5 (very important). We divide responses into 3 groups, combining values 1 and 2, as well as 4 and 5.

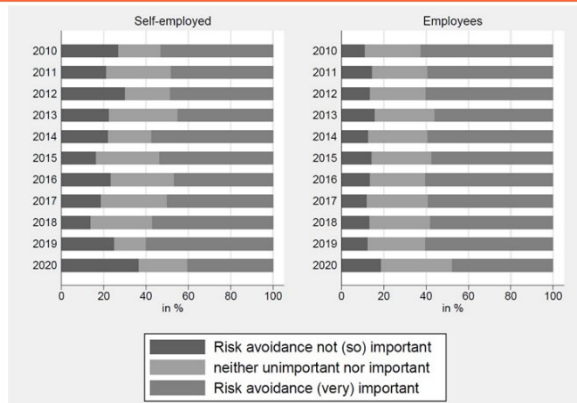
The measurement of uncertainty is based on text-mining techniques, counting the term "uncertain" (and its variants) in country reports produced by the Economist Intelligence Unit. Higher values indicate greater uncertainty. The World Uncertainty Index is published quarterly for Germany. We calculate annual averages for the index and then analyze changes—that is, the difference in uncertainty between the current year and the previous year.

### Self-employed parents socialize their children less frequently to avoid risks

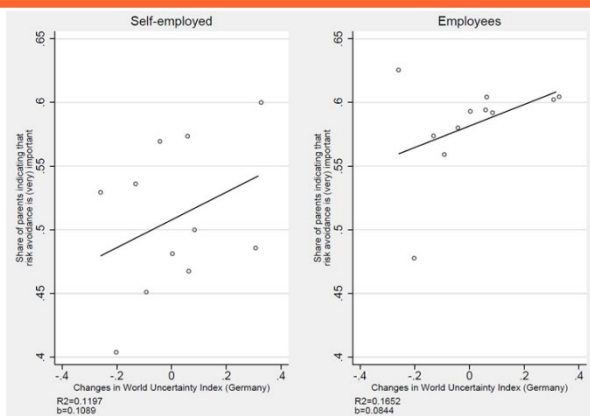
Self-employed parents are less likely to raise their children with a focus on risk avoidance than employed parents (see Figure 1). While more than half of employed parents cite risk avoidance as an important parenting goal (58.7%), half of self-employed parents share this view (50.2%). The share of parents considering risk avoidance important fluctuates annually for both groups, but the variation in the importance of risk avoidance is more noticeable among self-employed parents than among employed ones.

There is a positive correlation between changes in uncertainty and parenting practices (see Figure 2). As uncertainty rises, a greater number of parents prioritize risk avoidance as a parenting goal. The correlation analysis thus shows that, in times of increasing uncertainty, more children are raised to avoid risks in life. The slightly steeper slope for self-employed parents suggests that, on average, they react more strongly to changes in uncertainty than employees.

**Figure 1: Importance of parental education towards risk avoidance and occupational status**



**Figure 2: Correlation between changes in uncertainty and the share of parents who state that risk avoidance is an important educational goal**



Our study indicates a connection between crises, growing uncertainty, and parents' educational goals. In times of increasing uncertainty, parents take measures aimed at avoiding risks in life. Such parenting practices influence children's future career decisions: If parents prioritize risk avoidance during childhood (between the ages of 7 and 10), then virtually all positive effects of the parental entrepreneurial role model are eliminated (Schneck, 2025b): A decade later, at age 17, these children show a markedly reduced interest in pursuing self-employment, even if their parents were self-employed. In fact, their inclination to become self-employed mirrors that of others without self-employed parents. Conversely, if risk avoidance was not emphasized during childhood, the parental role model effect is amplified. Adolescents with self-employed parents and a low emphasis on risk-averse parenting are most likely to envision becoming self-employed later in life.

## Conclusion

In times of growing uncertainty and crises, parents increasingly tend to raise their children to avoid risks. Since parents shape their children's occupational interests, career aspirations, and preferences from an early age, such socialization can have lasting effects. Even when parents are self-employed themselves, 17-

year-old adolescents raised to avoid risk during childhood show less interest in becoming self-employed compared to those whose socialization was less focused on risk avoidance (Schneck, 2025b). Parenting focused on risk avoidance, thus, can lead to a decreasing likelihood of pursuing self-employment later in life and a reduced desire to succeed in the family business. Consequently, there may be a long-term increase in the shortage of family successors, and the entrepreneurial initiative of cohorts entering the labor market could decline.

This article aims to stimulate a discussion about the long-term effects of crises. Crises are likely not only associated with short-term, measurable effects such as rising unemployment, but also entail longer-term consequences that only become apparent later. For example, parents might focus on certain educational goals during crises. In this regard, risk avoidance as a parenting goal during childhood could be such a parental measure during times of uncertainty. However, such forms of parental socialization might hinder family business succession. Also, the entrepreneurial spirit in general could decline, affecting Germany's growth potential. Examining such long-term effects would be an important step toward shaping sustainable and future-oriented policies.

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