



Does self-employment contribute to national happiness?

Sana El Harbi^{a,*}, Gilles Grolleau^{b,1}

^a Laboratory of Economics Management and Quantitative Finance, University of Sousse, Sousse 4071, Tunisia

^b Montpellier Supagro, UMR 1135 LAMETA, 2, place Pierre Viala, 34060 Montpellier Cedex 1, France

ARTICLE INFO

Article history:

Received 20 November 2011

Received in revised form 7 June 2012

Accepted 8 June 2012

JEL classification:

J62

I31

C23

Keywords:

Self-employment

Life satisfaction

Panel data

ABSTRACT

Recent studies showed that self-employment impacts individual happiness either positively or negatively. Rather than considering the happiness effects at the individual level, we assess whether self-employment effects spread and impact the domestic happiness beyond the involved individuals. We distinguish a direct effect of self-employment on life satisfaction and an indirect effect through the impact of self-employment on per capita income and the subsequent impact of income on life satisfaction. Using panel data analysis for 15 OECD countries over a period of 18 years, we investigate empirically whether countries with higher levels of self-employment are happier, by disentangling the two previously mentioned effects. We remedy the potential endogeneity problem when estimating the indirect effect by instrumenting the self-employment rate. The main finding is a significant and negative direct effect which is larger in magnitude than the indirect effect, resulting in an overall negative effect of self-employment on the domestic happiness.

© 2012 Elsevier Inc. All rights reserved.

1. Introduction

Does self-employment make people happier? Recently, a burgeoning body of literature using the concept of ‘procedural utility’ showed that self-employed individuals generally display higher level of job satisfaction and in certain cases higher level of life satisfaction (Benz and Frey, 2004; Blanchflower and Oswald, 2004). Without negating the value of these analyses, most contributions studied the effect of self-employment on the involved individuals but without considering the possibility of effects affecting people beyond the self employed individuals. Moreover, most studies used data relative to a particular economy rather data related to several countries overtime. We aim at filling these gaps by (i) assessing whether self-employment generate happiness effects beyond the self employed individuals (ii) using panel data of 15 OECD countries covering the period 1990–2007 to investigate more rigorously the relationship between self-employment and subjective well-being in nations.

We provide a rigorous examination of the relationship between self-employment and happiness at the country level. We consider two distinct mechanisms by which self-employment may influence happiness. The first or ‘direct’ mechanism refers to the direct impact

of self-employment on happiness. The ‘indirect’ mechanism refers to the impact of self-employment on per capita income which in turn influences happiness in nations (Clark and Oswald, 1996; Frey and Stutzer, 2002; Blanchflower and Oswald, 2004). As far as we know, previous studies have ignored this second effect, which is more likely to play a significant role in low-income countries. We argue that the total effect of self-employment on happiness results from these two effects. The main contribution of this paper is to quantify the direct and indirect effects of self-employment on happiness in nations, by using a database of 15 OECD countries over a period of 17 years.

Beyond the quantified effects described above, we contend that self-employment is likely to influence average happiness in countries in several ways. Self-employment is frequently described as a mean *per se*, which allows individual to achieve his/her own dreams instead of working to accomplish his/her employer’s dreams. Self-employment can confer to individuals a sense of pride and feelings of accomplishment (Di Tella et al., 2001). As such, self-employed individuals are supposed to be happier. It seems logical to hypothesize that the more numerous they are in a whole country population, the higher the average happiness in a country will be.² Moreover, Fowler and Christakis (2008)

* Corresponding author. Tel.: +216 23 22 12 70; fax: +216 73 23 44 77.

E-mail addresses: sana.harbi@fdseps.rnu.tn (S.E. Harbi), grolleau@supagro.inra.fr (G. Grolleau).

¹ Tel.: +33 4 99 61 28 81; fax: +33 4 67 63 54 09.

² As mentioned in the introductory text of the world database of happiness, the term “happiness” is relative to individuals and not to nations. They indicate that the provided data are not about the happiness of nations but about the happiness in nations. So, what the average happiness in a nation does mean? The level of happiness in a Nation is characterized by the distribution of the happiness level

found that the effect of one's happiness on other people's happiness is positive. More precisely, people who are surrounded by happy people are more likely to become happy in the future. These authors conclude that happiness is, like health, a collective phenomenon rather than an individual one. This consolidates our view that the effects of self-employment on happiness go beyond the self-employed themselves and can spill-over to the rest of the population. Besides, we argue that happiness effects of self-employment could go beyond the implied individuals and spread across the population in that it would generate a general climate of trust, suggesting that the society offers to its citizens true opportunities of self-accomplishment. Even if people do not take steps to become self-employed, having the choice is usually considered as a way to increase individual subjective well-being (Sen, 1988).

Even if benefits of self-employment are popular, several scholars stressed some drawbacks of self-employment. Indeed, entrepreneurs are generally categorized either as 'push' or 'pull'. The push category is related to individuals who are basically dissatisfied with their current situation for reasons unrelated with their entrepreneurial characteristics. They generally lack the abilities and skills to turn a venture idea into a viable business. Brockhaus (1982) emphasizes that a large number of them wish to start a business even without having a concrete product or service idea. If they are numerous, these push and 'necessity entrepreneurs' will directly increase the proportion of unhappy individuals in a nation and can reflect a general dissatisfaction. Moreover, there are other rationales that support a negative effect of self-employment on life satisfaction. Indeed, good family relationships, a major source of life satisfaction, may be negatively influenced by entrepreneurial activities, especially at the starting of a new business. Indeed, these activities can be very time consuming and occur generally at the expense of valuable family time.

By analysing the overall effect of self-employment on domestic happiness, our contribution is three-fold. First, given that self-employment and entrepreneurship are frequently considered as a panacea for economic growth and politically encouraged,³ it seems legitimate to question the effect of entrepreneurship on the overall happiness in countries. Does the presumed goodness of self-employment for domestic growth and individuals' happiness spread and contribute to increase the average happiness in the considered countries? Indeed, we consider happiness not at the (self-employed) individual level but at the aggregate level, i.e., the averaged national level of happiness. The findings should interest policymakers by questioning popular self-employment encouragement policies. Second, the use of a panel data analysis allows us to question robustness of previous studies at a cross-national level and overtime. Third, our analysis adds empirical evidence regarding the mixed results found in the literature regarding the effects of self-employment on happiness.

The remainder of the paper is organized as follows. Section 2 examines the previous literature on the relationship between self-employment and happiness, while Section 3 describes the methodology used within this paper. Section 4 is devoted to the results and their discussion. Section 5 concludes.

of a representative sample of citizens. From this distribution, different parameters (central tendency, dispersion, average happiness) are computed. The more individuals report that they are happy the more there is happiness in the considered nation.

³ The authors are aware about the ambiguous assessment of the effect of entrepreneurship on economic growth (see for example Blanchflower (2000), Thurik and Grilo (2005) and Acs (2006)).

2. Influences on happiness: brief overview

2.1. National level

Empirical investigations have been first devoted attention to the impact of income on the reported happiness. Then, different other aspects deemed to influence happiness has been considered. Unequivocally, there is a close relationship between income and life satisfaction yet this relationship is not simple. It has been shown that countries that experienced a rapid economic growth also get an equivalent increase in life satisfaction levels. The situation of East Germany and Russia during the 1990s illustrates well this statement. However, for the most part, steady economic growth appears not to have raised so much the happiness levels in rich countries. Indeed, although on average richer countries tend to be happier than poorer ones, beyond a certain threshold the average income in a nation makes little difference to the average self-reported happiness (Clark and Oswald, 1996; Frey and Stutzer, 2002; Blanchflower and Oswald, 2004). A part income, researchers have analyzed different influences on happiness. In this vein, several studies have explored the impact on happiness of demographic factors (sex, age, marital status, etc.), economic variables (such as unemployment status, inflation rates, efficiency of government services, civil liberties), and even political and institutional influences (Helliwell and John, 2003).

2.2. Individual level

At the individual level, women, married and educated people are found to display higher levels of happiness even after controlling for income (Alesina et al., 2004; Blanchflower and Oswald, 2004). Recently, the relationship between life satisfaction and self-employment has been empirically explored too. Evidence suggests that self-employed people are happier than employed people. Being one's own boss, having more time flexibility, controlling one's own destiny, and feeling free without being subject to the hierarchy, are the conventional arguments in favor of happiest self-employed. However, self-employed people face also higher failure risks, more stress (Van der Hulst, 2003) and most importantly they may be forced to opt for self-employment rather than remaining unemployed. Recently, Lange (2009) tried to disentangle the determinants of the observed higher level of job satisfaction among self-employed individuals. He showed that apart values and personnel traits, autonomy and independence are the mechanisms by which self-employment leads to higher levels of job satisfaction. Despite these a priori antagonist effects, there is an empirical consensus that self-employed display a greater job satisfaction than wage-earners individuals (Blanchflower and Oswald, 1998; Benz and Frey, 2004; Blanchflower and Oswald, 2004; Taylor, 2004).

Nevertheless, this consensus is mixed when it comes to life satisfaction (see Table 1). For instance, Blanchflower and Oswald (1998) used survey data performed in 1989 in the U.S., U.K., and Germany and found that self-employment has a positive and significant effect on both life and job satisfactions. Benz and Frey (2008) argued that self-employment is an important source of procedural utility, in that self-employed individuals value not only the monetary outcome but also the entire process that leads to this outcome. These authors explain that autonomy, flexibility and the current work per se are the factors explaining this procedural utility. Andersson (2008) found that self-employment induces a significant increase in job satisfaction, but the effect on life satisfaction depends on the model specification. Unlike previous authors who focused exclusively on the opposition self-employed versus employed individuals, Block and Koellinger (2009) analysed the satisfaction of nascent entrepreneurs. They found that individuals who were forced to start a business (Storey, 1994) because

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات