



Life satisfaction

"There is probably no other goal in life that commands such a high degree of consensus" (Frey & Stutzer, 2010)

- Overall appreciation of one's life as a whole
- Observable proxy for utility (Frijters et al., 2004)
- Higher productivity levels (Oswald et al., 2015)
- Other outcomes such as enjoying satisfying relationships and enjoying mental and physical health (Lyubomirsky et al., 2005)

Self-employment and life satisfaction

- Many determinants of life satisfaction (Dolan et al., 2008)
 - Income, personal characteristics, socially developed characteristics, time spending, attitudes and beliefs towards self/others/life, relationships, economic environment
 - Role of occupational choice underrepresented
- *Mixed evidence about relation between self-employment and life satisfaction*
 - Andersson, 2008; Binder and Coad, 2013; Salinas-Jiménez et al., 2013



Andersson (2008)

- Data from British Household Panel Survey (BHPS)

Table 5b
Life satisfaction

	Logit (i)	Logit (ii)	FE (i)	FE (ii)
Self-employed	0.341 (0.119)***	0.384 (0.122)***	0.343 (0.279)	0.346 (0.282)
Year 2000	-0.066 (0.065)	-0.169 (0.074)**	—	—
Other controls	No	Yes	No	Yes
Observations (individuals)	3 996 (1998)	3 996 (1998)	1 450 (725)	1 450 (725)
Number of parameters	2	15	1	11
LR Chi ²	9.26	115.97	1.54	7.50

Notes: Coefficients, standard errors given in parentheses. Model (ii) also includes controls for age, gender, place of birth (not FE), education, marital status, place of residence, and having children at home.

** Significant at 5%.

*** Significant at 1%.



Binder and Coad (2013)

- Also BHPS data

Table 4 Ordered probit and fixed effects regressions for life satisfaction and job satisfaction; standard errors clustered at the individual level

Main variable	(1) Life satisfaction	(2) Job satisfaction	(3) Life satisfaction (FE)	(4) Job satisfaction (FE)	(5) Mental well-being (FE)	(6) Δ Life satisfaction
d_unemployed	-0.2546*** (-8.11)	-0.6679*** (-7.94)	-0.3122*** (-9.72)	-1.0119*** (-7.49)	-1.9344*** (-12.71)	
d_selfemployed	0.0561* (2.44)	0.3268*** (13.64)	-0.0049 (-0.20)	0.2913*** (7.19)	-0.0479 (-0.42)	
d_retired	0.2437*** (8.70)		0.0386 (1.45)		0.1299 (1.19)	
d_student	0.0855**		0.0386		-0.0710	

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Salinas-Jiménez et al. (2013)

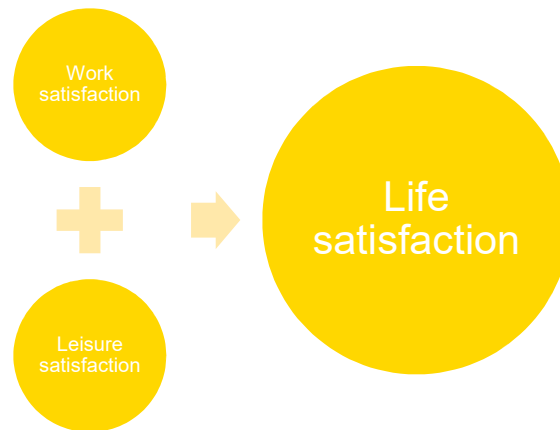
- Data from World Values Survey

Table 4 Main wage earner role and life satisfaction (estimated coefficients from OLS regressions)

	All		Women		Men	
	Main wage earner	No main wage earner	Main wage earner	No main wage earner	Main wage earner	No main wage earner
Occupational var.						
Part-time	-0.1428*** [0.0491]	-0.0787 [0.0521]	-0.0217 [0.0855]	-0.0532 [0.0633]	-0.2057*** [0.0605]	-0.149 [0.0935]
Self-employed	-0.1180*** [0.0370]	-0.0943* [0.0499]	-0.0542 [0.0791]	0.0132 [0.0649]	-0.1459*** [0.0421]	-0.2433*** [0.0799]

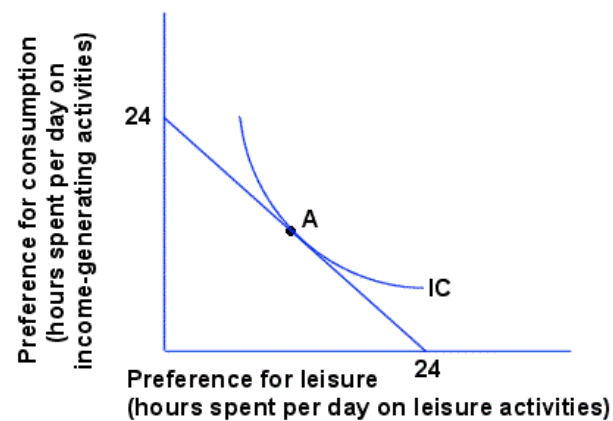
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LS function of other domains in life: Bottom-up approach



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Labor market model



- In the standard labor market model, utility function expresses trade-offs in preference between leisure time and income from time used for labor. People are constrained by the hours available to them.

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Contribution of this study

- Three main contributions
 - Consequences of *switching* from paid employment to self-employment in terms of life satisfaction
 - Investigation of *mechanism* behind the relationship(s)
 - Role of work and non-work (=leisure) satisfaction
 - Compare the impacts of the two components on life satisfaction
 - Investigation of *persistence* of effects
 - Adaptation theory



Self-employment and work satisfaction

- Self-employed enjoy more “procedural utility” / non-monetary benefits
 - Job autonomy (Benz & Frey, 2008)
 - Flexibility (Parasuraman & Simmers, 2001)
 - Rewarding work content (Millán et al., 2013)
- Much empirical evidence showing positive association (e.g. Blanchflower & Oswald, 1998; Blanchflower, 2000; Hundley, 2001; Benz and Frey, 2004; 2008; Bianchi, 2012; Millán et al., 2013)
- Positive relationship expected
 - *But:* do individuals adapt?



Self-employment and leisure satisfaction

- Leisure overarching non-work component
 - Must be balanced against work
- Easiness of meeting family demands: positive relation?
 - Autonomy and flexibility
 - Strengthen work-life balance
- Boundaries may be less clear: negative relation?
 - Difficulties to detach from work
 - Difficulties to balance working and non-working life
 - Long working hours
- Negative relationship expected



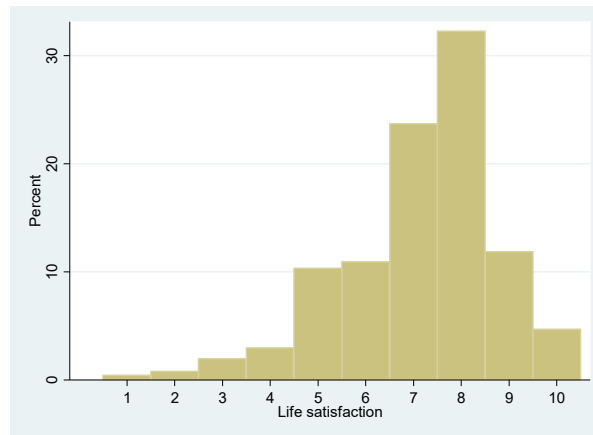
Data and methods

- German Socio-Economic Panel (SOEP)
- 29 years (1984-2012)
- Individuals 18-65 years old
- ~34,000 individuals and ~220,000 observations
- S_t : Switch to self-employment
 - Paid employed at $t-1$ and self-employed at t
- Also P_t : Switch to paid employment
 - To distinguish a pure switching effect from switching to self-employment effect
- Control for: Education, Marital status, Children, Earnings, Working hours, Leisure hours



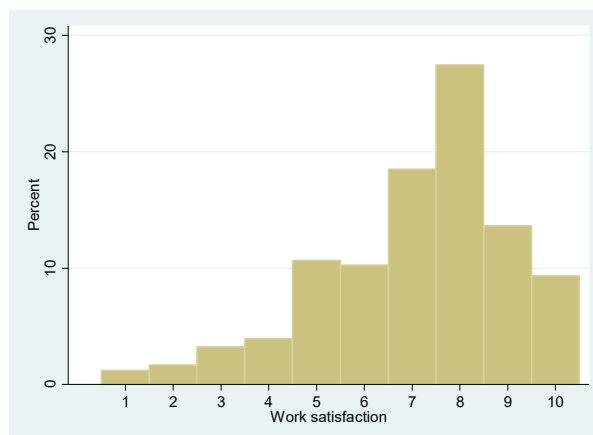
Satisfaction measures

- Life satisfaction (average 7.15)
 - “All things considered, how satisfied are you with your life?”

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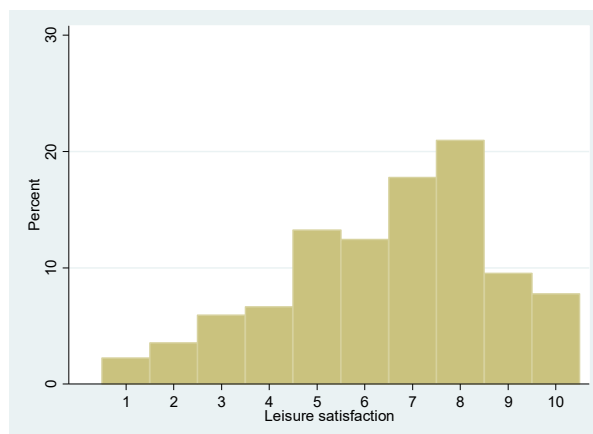
Satisfaction measures

- Work satisfaction (average 7.11)
 - “All things considered, how satisfied are you with your work?”

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Satisfaction measures

- Leisure satisfaction (average 6.50)
 - "All things considered, how satisfied are you with your leisure?"



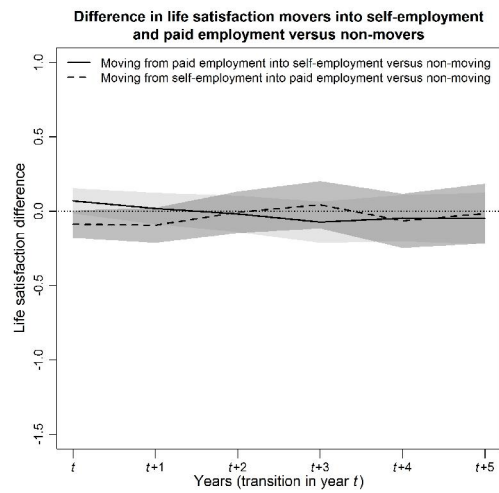
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Descriptive statistics

	No switch		0 to 1 year after switch		1 to 2 years after switch		...
	Mean	SD	Mean	SD	Mean	SD	...
Life satisfaction	7.15	1.63	7.22	1.67	7.17	1.62	...
Work satisfaction	7.10	1.98	7.51	1.98	7.56	1.80	...
Leisure satisfaction	6.52	2.21	5.74	2.53	5.50	2.52	...
Education	12.22	2.73	13.13	2.98	13.15	2.96	...
Married	0.67	0.47	0.65	0.47	0.68	0.47	...
Single	0.22	0.42	0.25	0.43	0.22	0.41	...
Widowed/divorced	0.11	0.31	0.10	0.30	0.10	0.30	...
Children	0.69	0.95	0.80	0.99	0.81	0.98	...
Ln(hourly earnings)	2.47	0.59	2.39	0.77	2.37	0.79	...
Ln(work hours)	3.53	0.56	3.57	0.68	3.76	0.54	...
Ln(leisure hours)	1.83	0.98	1.64	1.08	1.57	1.07	...
Observations	216,641		1,455		909		...

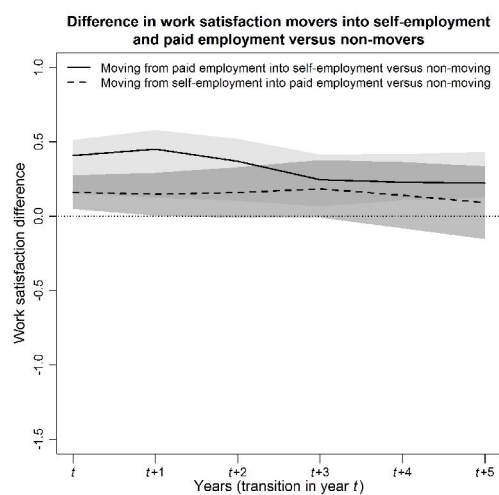
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Descriptives: Life satisfaction



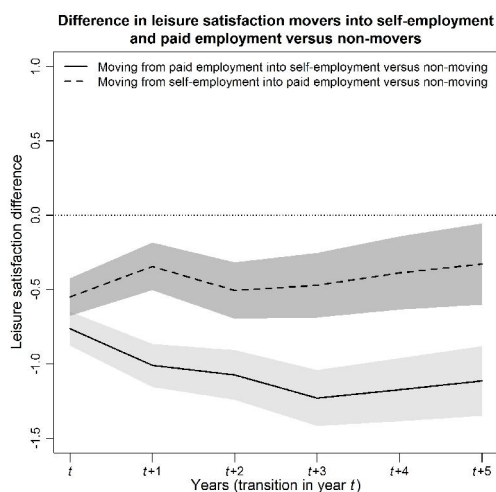
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Descriptives: Work satisfaction



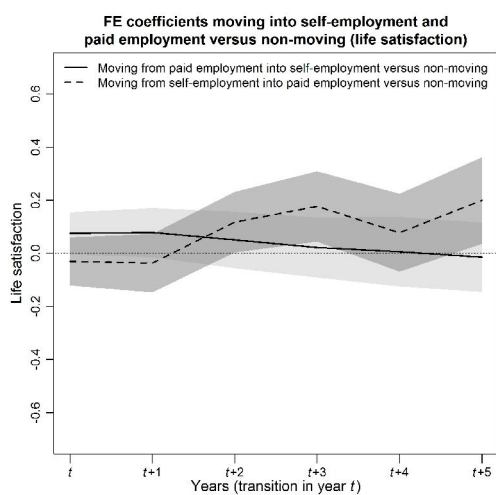
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Descriptives: Leisure satisfaction



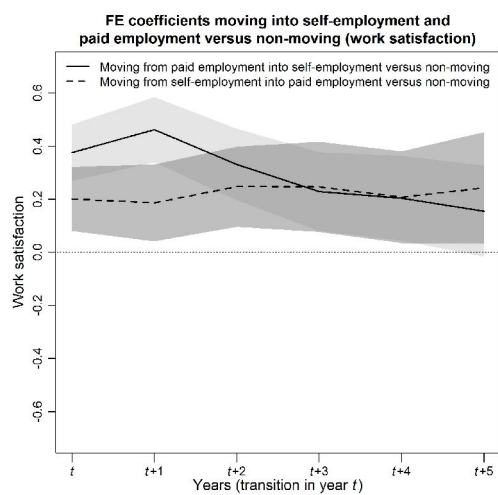
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FE coefficients: Satisfaction with life



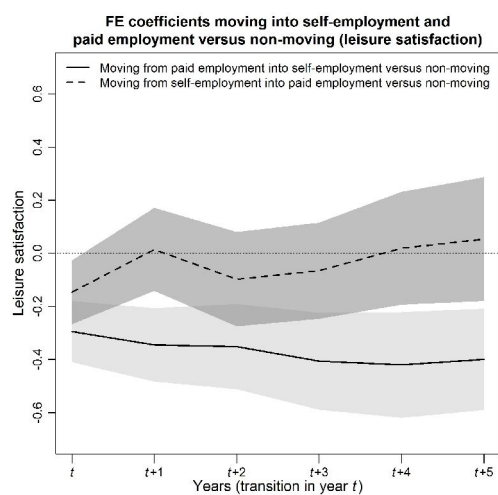
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FE coefficients: Satisfaction with work



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FE coefficients: Satisfaction with leisure



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	Men			Women		
	(1)	(2)	(3)	(4)	(5)	(6)
	Life	Work	Leisure	Life	Work	Leisure
S_t	0.029 (0.049)	0.288*** (0.066)	-0.406*** (0.072)	0.148* (0.065)	0.424*** (0.089)	-0.048 (0.092)
S_{t+1}	0.040 (0.056)	0.367*** (0.073)	-0.470*** (0.089)	0.143 (0.080)	0.550*** (0.113)	-0.028 (0.110)
S_{t+2}	0.026 (0.062)	0.214** (0.081)	-0.374*** (0.098)	0.098 (0.106)	0.501*** (0.121)	-0.266 (0.142)
S_{t+3}	-0.035 (0.069)	0.148 (0.090)	-0.516*** (0.108)	0.162 (0.102)	0.337* (0.134)	-0.077 (0.182)
S_{t+4}	0.029 (0.078)	0.124 (0.094)	-0.516*** (0.126)	-0.077 (0.128)	0.296 (0.159)	-0.143 (0.164)
S_{t+5}	-0.036 (0.076)	0.062 (0.098)	-0.444*** (0.111)	0.018 (0.137)	0.301 (0.179)	-0.248 (0.201)
...						
Observations	122,771	121,164	122,710	98,209	95,896	98,129
R ² (within)	0.026	0.021	0.031	0.021	0.016	0.034
Number of individuals	18,418	18,228	18,411	16,211	15,929	16,211
*** p-value ≤ 0.001, ** p-value ≤ 0.01, * p-value ≤ 0.05.						

Bottom-up

	Life satisfaction	Life satisfaction
Work satisfaction	0.201*** (0.002)	0.200*** (0.002)
Leisure satisfaction	0.116*** (0.002)	0.116*** (0.002)
S_t	0.031 (0.036)	0.031 (0.038)
S_{t+1}	0.033 (0.043)	0.032 (0.044)
S_{t+2}	0.030 (0.049)	0.030 (0.050)
S_{t+3}	0.024 (0.054)	0.024 (0.054)
S_{t+4}	0.011 (0.061)	0.011 (0.062)
S_{t+5}	-0.003 (0.061)	-0.003 (0.061)
P_t		-0.053 (0.042)
P_{t+1}		-0.045 (0.051)
P_{t+2}		0.087 (0.054)
P_{t+3}		0.139* (0.061)
P_{t+4}		0.031 (0.073)
P_{t+5}		0.154* (0.076)
Observations	216,409	216,409
R ² (within)	0.128	0.128
Number of individuals	34,135	34,135
*** p-value ≤ 0.001, ** p-value ≤ 0.01, * p-value ≤ 0.05.		

Discussion

- Composition of group of switchers changes over time
 - FE regression with subgroup of switchers that stay in self-employment at least five years gives qualitatively same results
- Satisfaction measures are not really continuous
 - Fixed-effects *ordered logit* regressions give similar results



Conclusion

- Switching to self-employment comes with:
 - Pronounced and persistent increase in work satisfaction
 - Persistent decline in leisure satisfaction
 - No differences in life satisfaction
 - Struggle to find a balance between work and leisure
 - SE seems to put more weight on work than on leisure
- New perspective earlier SE & satisfaction results
 - Life: Explains inconsistent findings
 - Work: Effect valid in particular in short term
 - Leisure: Important role, works against work satisfaction



Erasmus
School of
Economics

Self-employment and satisfaction with life, work, and leisure

Peter van der Zwan, Jolanda Hessels, Niels Rietveld

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