SELF-EMPLOYMENT AND JOB SATISFACTION: THE ROLE OF HIGHER EDUCATION (INTERACTIVE PAPER)

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INTERACTIVE PAPER

SELF-EMPLOYMENT AND JOB SATISFACTION:
THE ROLE OF HIGHER EDUCATION

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Principle Topic

It is by now well-established in the entrepreneurship literature that self-employed people report
higher levels of job satisfaction compared to their employed counterparts (Blanchflower, 2004) even
though they work longer hours (Ajayi-obe abd Parker, 2005; Hyttinen and Ruuskanen, 2007),
bring home less money (Hamilton, 2000), face more uncertainly and lower job security (Praag
and Versloot, 2007), and receive less fringe benefits (Storey, 1994, ch.6). In this paper, we build
on previous studies by exploring the heterogeneity of this relationship with respect to higher
education. We expect that the combination between higher education and self-employment will
have a synergistic effect that is larger than the sum total of these two separate effects. Self-employed
people enjoy higher levels of autonomy which allows them to more freely and creatively utilize
and further develop their skills learned in school and to channel their productive energy more
efficiently. Higher education also establishes credibility and allows people to obtain even higher
levels of certification and credibility.

To investigate this question, we use longitudinal data from the Household, Income, and Labor
Dynamics in Australia (HILDA) survey from 2001-2014. We start our analysis by estimating a
number of random effects models to examine the interactive effect of self-employment and
education on job satisfaction. As a robustness test, we use a Nearest Neighbor Matching estimator
that allows us to mitigate concerns associated with sample selection by choosing an appropriate
control and treatment groups. We then decompose this relationship by different sub-domains of
job satisfaction including satisfaction with work-life balance, pay, job security, hours worked, and
work itself.

Our empirical findings suggest that differences in job satisfaction between self-employed and
employed people are dependent on one’s level of education. Our model, for instance, predicts
that there is no job satisfaction premium for self-employed people with less than a high school
education. On the other hand, the difference in job satisfaction between self-employed and wage-
employed people is large and substantial at college or higher levels of education. These results are
consistent even when we control for material outcomes, hours worked, major life events such as
recent improvement of finances or loss of a job that could potentially “push” or “pull” individuals
into self-employment, as well as personality traits. To estimate a causal effect, we furthermore use a
nearest neighbor matching estimator that allows us to pick an appropriate control group and relax
assumptions about the functional form of this relationship.

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