



Do different factors explain male and female self-employment rates?



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ABSTRACT

This article challenges the assumption that the factors associated with the self-employment choices of women differ from those of men; specifically, we test the extent to which women are influenced by standard economic factors compared with family and social issues. We find that economic factors influence the self-employment choices made by men and by women in the long and short-run. Although some findings were sensitive to the chosen self-employment measure our short-run findings, in particular, are at variance with the interpretation that self-employed women are less likely to be influenced by economic factors than their male counterparts. Consequently, we argue that gender-based explanations have exaggerated the importance of social factors in the self-employment choices made by women.

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1. Executive summary

Self-report data suggests that the factors influencing the self-employment choices exercised by men and women differ substantially. It indicates that men are more likely to emphasise the role of standard economic factors such as the state of the economy, access to credit and economic opportunity when considering self-employment. In contrast, social factors such as work–life balance/flexible working, parenthood, childcare concerns and esteem issues are more likely to be emphasised by women. The evidence presented in this article, however, does not support this clear differentiation. Using official, rather than self-report data, it demonstrates that macro-economic factors provide a powerful explanation for participation in self-employment for both men and women in the long and short-run.

The context for the study is a detailed analysis of contemporary socio-economic influences upon male and female self-employment choices. The findings are drawn from advanced statistical analyses of official time-series data from the United Kingdom over a 30 year period and focus on statistical concepts of co-integration. We examine the factors influencing self-employment rates amongst men and women over both the short and the long-run using two self-employment measures. These

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are then linked not only to economic factors such as, GDP, interest rates, unemployment, and access to finance and incomes in waged and self-employment, but also to social factors such as, marriage, divorce and fertility rates. Finally, a political party variable is included, together with a number of government policies expected to influence self-employment.

We find strong statistical associations between macro-economic indicators and female self-employment rates in the short and long-run; this suggests that women, similar to men, are strongly influenced by economic considerations such as the state of the economy, when considering self-employment. In fact, GDP and house prices appear to have a more powerful impact upon women. We also find that social factors usually influence men and women in a broadly similar manner. The key exceptions are that unemployment and fertility raise self-employment rates but only for men and that, in the long run, divorce lowered self-employment but only for women. Thus, we suggest it is inappropriate to align social factors with women and economic factors with men as an explanation for gender differences in self-employment choices; rather, both factors are influential upon men and women – if in differing ways.

Finally, we find that employee remuneration levels influence self-employment, with increasing income levels – for men and women – reducing self-employment rates in the short-run. We suspect the efforts of the UK Labour government (1997–2010) to improve incomes for low paid employees, combined with an expansion in the labour market, partly explains the fall in self-employment rates during this period.

The evidence within this article challenges dominant stereotypical assumptions which underpin the prevailing literature that women are more likely to prioritise social factors in their self-employment decisions. Such assumptions arise from superficial descriptive analyses, often founded upon small samples of self-report data which fail to capture the complexity of socio-economic influences within the household and male and female life-course decisions over time. Accordingly we argue that time-series data are most appropriate to study the long-run patterns and dynamics associated with self-employment decisions in relation to macroeconomic variables; moreover, panel data studies and recent advances in statistical literature should be used to uncover such underlying relationships.

Linking long and short-run social and economic changes with self-employment rates leads us to dispute the presence of clear gendered differences; it cannot be assumed that there is an inherent association between women, self-employment and social factors reflecting a feminised propensity towards the social sphere. This assumption is prejudicial and inaccurate, it risks perpetuating gender-biased analyses within contemporary and future theorising; this must be addressed if the research agenda regarding the influence of gender upon men and women's self-employment choices is to move forward.

2. Introduction

During the last four decades women's formal labour force participation has grown substantially (Cloid et al., 2011; DiCecio et al., 2008; Gutierrez-Domenech and Bell, 2004). Reflecting this trend, more women are also pursuing careers in self-employment, but men continue to be more than twice as likely to be self-employed (Díaz García and Welter, 2011; OECD, 2009). In addition, prevailing evidence suggests men and women prioritise differing factors within self-employment; so, for the former, self-report data suggests economic factors such as the state of the economy and access to credit are more influential (DeMartino and Barbato, 2003; Kepler and Shane, 2007). In contrast, for women it is assumed that social factors such as work–life balance (Shelton, 2006), parenthood (Georgellis and Wall, 2005), childcare concerns (Kirkwood and Tootell, 2008) and esteem issues (Taylor and Newcomer, 2005) have a greater impact. Thus, reflecting gender stereotypical assumptions, women are considered to prioritise socially-related issues when considering self-employment and, are less concerned with economic factors than their male counterparts.

The arguments and evidence we present in this article do not support this characterisation; rather, they suggest the gendered differences between reported attitudes to, and actual participation in, self-employment is not that simplistic or clear-cut. Specifically, we challenge the presumption that when entering self-employment, women are more likely to value and prioritise social rather than economic factors. We acknowledge that our findings are limited to one country, the United Kingdom (UK) and to one measure of enterprise – self-employment. Nevertheless, this study differs from the extant research as it does not rely upon self-report data, the key limitations of which are the difficulty of verifying the answers given and of generalising from the small, and often unrepresentative, samples from which they are derived. We also avoid the use of cross-sectional frameworks (Georgellis et al., 2005) and instead undertake time-series modelling over a time span of more than 30 years using official data. Unlike cross sectional studies, this approach allows us to analyse long-run patterns and dynamics associated with self-employment decisions by gender in relation to economic variables whilst at the same time, it mitigates statistical issues related to non-stationarity and endogeneity (see the discussion by Parker, 2004, pp. 29–30).

Our novel contribution lies within an examination of factors influencing self-employment rates amongst men and women over both the short and the long-run. Linking long and short-run social and economic changes with self-employment rates leads us to dispute the presence of clear gendered differences. Consequently, we challenge assumptions that women's self-employment choices reflect a gendered bias towards social factors.

To support these arguments, we examine the role of alternative employment options, personal circumstances, macro-economic conditions and government policies on self-employment. We develop the earlier work of Parker (1996) and Cowling and Mitchell (1997) in five ways. First, we extend the time period by more than a decade; second, we include new variables to capture social, as well as economic influences; third, we estimate separate models for men and women to allow for gender differences in the determinants of self-employment; fourth, we use the vector autoregressive (VAR) methodology to capture immediate (short-run) and permanent (long-run) changes and deal with statistical issues related to non-stationarity and co-integration. Finally, we provide a robustness check to examine the sensitivity of the results to different definitions of the

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