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# The stature of the self-employed and its relation with earnings and satisfaction

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## ABSTRACT

Taller individuals have on average a higher socio-economic status than shorter individuals. In countries where entrepreneurs have high social status, we may therefore expect that entrepreneurs are taller than wage workers. Using data from the German Socio-Economic Panel (2002–2012), we find that a 1 cm increase in an individual's height raises the probability of being self-employed (the most common proxy for entrepreneurship) versus paid employed by 0.15 percentage points. Within the self-employed, the probability of being an employer is increased by 0.10 percentage points as a result of a 1 cm increase in height, whereas this increase is 0.05 percentage points for an own-account worker. This result corroborates the higher social status of employers compared to own-account workers. We find a height premium in earnings for self-employed and paid-employed individuals: an additional 1 cm in height is associated with a 0.39% increase in hourly earnings for paid employees and a 0.52% increase for self-employed individuals. Our analysis reveals that approximately one third of the height premium in earnings is explained by differences in educational attainment. We also establish the existence of a height premium in terms of work and life satisfaction, which is more pronounced for paid employees than for self-employed individuals.

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## 1. Introduction

The positive association between height and socio-economic status is well documented in the literature (Komlos, 1990; Case and Paxson, 2008; Lindqvist, 2012). Height is a biological marker for good endowments at birth (Marioni et al., 2014a,b) and for a supportive environment before and after birth (Komlos, 2003). Therefore, the positive correlation between height and socio-economic

status is thought to be largely driven by (non-)cognitive skills and physical abilities that are biologically intertwined and developed with height (Case and Paxson, 2008; Schick and Steckel, 2010), although discrimination against short people may also play a role (Böckerman and Vainiomäki, 2013; Cinnirella and Winter, 2009).

Entrepreneurship is associated with a high social status in many countries. This association is driven at least to some extent by well-known examples of highly successful entrepreneurs such as Steve Jobs and Mark Zuckerberg. The Global Entrepreneurship Monitor, an annual international assessment of entrepreneurship, reveals that in many countries, most of the adult population (approximately 70 percent in developed countries in 2012) believes that individuals who are successful at starting a new

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business receive a high level of status and respect in their country (Xavier et al., 2013). Another international study on entrepreneurial activity – the most recent Flash Eurobarometer surveys conducted in 2009 and 2012 – indicates that the working age population has much more favorable opinions about entrepreneurs or self-employed individuals than about corporate managers, civil servants, or politicians (European Commission, 2009, 2012).

The present paper is the first attempt to empirically investigate the relationship between height and occupational choice – self-employment versus paid employment – in a high-income country (Germany). Self-employment is the most often-used proxy for entrepreneurship in empirical work (Parker, 2009) and is considered to be an important labor market status, composing approximately 10% of the labor force in Western countries (Van Stel, 2005). Because height has not been included in prior studies on occupational choice in a high-income country where entrepreneurs receive high social status, the first aim of this paper is to analyze whether taller persons are more likely to be self-employed than to be paid employees. Occupational choice theory states that someone becomes an entrepreneur if the utility (s)he expects to derive from entrepreneurship (e.g., through earnings, social status, or work satisfaction) is higher than that expected from wage employment (Parker, 2009). One of the aspects determining such expected utility is an individual's ability. Because returns to ability are generally rewarded more in entrepreneurship than in wage work (Parker and Van Praag, 2010), abler individuals have a greater chance of achieving high socio-economic status through entrepreneurship than through wage work. Thus, in a country where entrepreneurship has a high status, we may therefore expect that more able – i.e., taller – people are more likely to become entrepreneurs. The group of self-employed individuals is composed of employers and own-account workers. Because of the presumed higher status attached to employers relative to own-account workers, we expect height to better differentiate employers from wage workers than own-account workers from wage workers.

The second aim of this paper is to compare the height premium in terms of earnings between the two occupational groups. The height premium in earnings is well documented for wage workers (Case and Paxson, 2008; Persico et al., 2004; Schick and Steckel, 2010), but for the self-employed, it is analyzed in only one article using an Indonesian sample (Sohn, 2014a). We extend the study of Sohn (2014a) by analyzing a much larger dataset from a high-income country, Germany, and by testing a possible height premium difference between self-employed individuals and paid employees. Cinnirella and Winter (2009) argue that the height premium could be lower in self-employment than in wage work because employer discrimination favoring taller over shorter people conditional on their ability plays no role in self-employment. However, customers may also have a preference for tall entrepreneurs (Sohn, 2014a). Moreover, the earnings of the self-employed are more directly linked to their own ability than the earnings of wage workers (Parker and Van Praag, 2010). The height premium in terms of earnings for the

self-employed may therefore be equal to or higher than the height premium for wage workers.

The third contribution of our study is that we analyze the height premium in terms of work and life satisfaction. Satisfaction is considered to be a more comprehensive measure of utility than earnings because individuals derive utility in life from aspects other than earnings (Van Praag and Ferrer-i-Carbonell, 2010). Thus, work and life satisfaction are more encompassing proxies than financial returns for utility from work (Clark and Oswald, 1996; Frey and Stutzer, 2002; Benz and Frey, 2008). However, to date, there have been few studies on the height premium in terms of satisfaction (Deaton and Arora, 2009; Carrieri and De Paola, 2011; Sohn, 2014b). We analyze the height premium in terms of satisfaction both within self-employment and within wage work.

In this paper, we use data from the German Socio-Economic Panel (SOEP) for the period 2002–2012 because of the relatively high level of status associated with entrepreneurship in Germany. The empirical analysis shows that an individual's height increases the likelihood that the individual is self-employed and, in particular, an employer rather than an own-account worker. Furthermore, we find that the height premium in terms of earnings exists for both the self-employed and paid employees in our sample and is not significantly different between the two occupational groups. Finally, our study infers that a height premium in terms of work and life satisfaction exists only for wage workers.

In our analyses, we pay particular attention to the role of educational attainment in explaining the height premium. Educational attainment is likely to play a mediating role because previous research has shown that height is associated with higher educational attainment (Magnusson et al., 2006; Cinnirella et al., 2011) and that educational attainment is a predictor of occupational choice (Bergmann and Sternberg, 2007; Block et al., 2011), earnings (Bowles et al., 2001) and satisfaction (Sohn, 2014b).

The present paper is organized as follows. Section 2 discusses the related literature, after which Section 3 describes the data and empirical methods. In Section 4, the results are presented. The results of several robustness checks are described in Section 5. Section 6 discusses the empirical findings and concludes the paper.

## 2. Literature background

### 2.1. Height and occupational choice

Several prior studies have focused on the link between height and occupation. Gowin (1915), for example, shows that there is considerable variation in height within occupations (in his case, executives) that appears to be positively associated with job level. Lindqvist (2012) finds that tall men are more likely to have a managerial position than short men. Here, we focus on the link between height and self-employment.

A large number of studies have analyzed why individuals choose to become entrepreneurs instead of employees (Parker, 2009). Height has, however, seldom been included

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