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Self-employment and work-related stress: The mediating role of job control and job demand

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ABSTRACT

Drawing upon the Job Demand-Control (JDC) model, this study investigates differences in work-related stress between the self-employed and wage workers. The JDC model postulates that job demand increases work-related stress, whereas job control reduces it (also by weakening the effect of job demand on work-related stress). Based on this model, we predict that the self-employed experience less work-related stress than wage workers. Empirical analysis of a longitudinal sample from Australia (2005–2013) confirms our expectations and demonstrates that job control fully mediates the negative relationship between self-employment and work-related stress. Further analyses show that self-employed individuals with employees experience more work-related stress than those without employees because of higher job demand.

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1. Executive summary

People experience stress from work when the requirements of their jobs exceed their mental and physical resources and are perceived as threatening or even harmful. Stress from work could not only deteriorate performance at work but may also adversely affect health status and well-being in general. Moreover, the societal costs (e.g., health-care costs and loss of productivity) of work-related stress are substantial. To reduce these personal and societal costs, it is important to gain insight into the causes and correlates of work-related stress.

Based on the Job Demand-Control (JDC) model (Karasek, 1979), we focus in this study on two occupational characteristics, *job demand* and *job control*, to explain differences in work-related stress between the self-employed and wage workers. Job demand represents stress sources in the work environment such as large amounts of work or little time available to do the work. Job control refers to the freedom to make decisions about what work to do and when. Job demand increases work-related stress, whereas job control reduces work-related stress, also by weakening the effect of job demand on work stress. Thus, whereas job demand is a possible source of work-related stress, job control could help to relieve it.

The self-employed are likely to experience less work-related stress than wage workers because they have a greater amount of job control than wage workers. The self-employed are their own boss and have higher job control since in the absence of supervision they, on average, have more freedom than wage workers to organize and direct their work. In fact, based on the JDC model, self-employment can be considered an “active job” in which high job demand is compensated by high job control. High job

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control helps the self-employed to cope adequately with high job demand. When, for example, one has a considerable amount of work to do but at the same time is free to choose when to do this work and what task to do first, one feels better able to handle the amount of work satisfactorily. When job control is more limited, as is the case for wage workers, there are fewer means available for coping effectively with high job demand, which is likely to result in higher levels of stress.

We also use the JDC model to argue for the existence of stress differences between two types of self-employment, i.e., self-employment with employees and self-employment without employees. The amount and complexity of tasks required to run a business with employees is usually higher than that required to run a business without employees. Hence, based on the JDC model and because of higher job demand, we expect self-employed individuals with employees to experience more work-related stress than those without employees.

We use longitudinal data from Australia (2005–2013) to test our hypotheses. The analyses confirm our expectation that the self-employed experience on average significantly less work-related stress than wage workers and demonstrate that job control fully explains this negative relationship between self-employment and work-related stress. The results also reveal that the self-employed with employees experience significantly more work-related stress than the self-employed without employees and that job demand partially explains this positive relationship between self-employment with employees and work-related stress.

On a general level, our study contributes to the growing stream of research on the relation between self-employment and health. The specific contribution of our study is threefold. First, based on the JDC model, we analyze how two occupational characteristics, job demand and job control, explain differences in work-related stress between the self-employed and wage workers and between the self-employed with and without employees. Insight into such factors is useful to identify means for reducing work-related stress levels. This model also has potential relevance for understanding the causal factors underlying other types of (mental) health differences between the self-employed and wage workers and between different types of self-employment. Second, we extend the entrepreneurship literature that distinguishes between self-employed individuals with and without employees. Our results show that these two groups differ in terms of the level of work-related stress they experience. This provides a possible explanation for the mixed findings from earlier studies of the relation between self-employment and work-related stress in which this distinction was generally not made. Third, we analyze work-related stress over time using a longitudinal dataset. This time aspect is important because an individual's level of work-related stress may fluctuate over time and because individuals can switch between wage work, self-employment without employees, and self-employment with employees. Hence, our empirical analyses are more comprehensive than analyses in earlier studies of this topic, which mainly use data from one specific point in time.

2. Introduction

Work-related stress refers to a relationship between a person and his or her occupational environment in which the requirements of the occupation exceed the person's mental and physical resources and are perceived as threatening or even harmful (Lazarus and Folkman, 1984; Lazarus, 1990; World Health Organization, 2014; APA, 2016a). Stress at work could increase one's feeling of loss of control; it also represents a psychosocial risk factor in the workplace that could decrease work performance and increase absences from work and the use of health-care services (Beehr et al., 1995; Johansson and Palme, 1996; Kalia, 2002; Ose, 2005; Gilboa et al., 2008). Work-related stress can also affect one's stress experience in daily-life activities beyond work and one's subjective well-being and health status (Baron et al., 2016). Furthermore, stress at work is positively associated with disease incidence and negatively associated with life expectancy (Cooper and Marshall, 1976; Karasek, 1979; Cooper and Smith, 1985; Gardner and Oswald, 2004). Beyond the individual consequences, there are significant societal costs involved in stress experiences at work. In 2013, the costs to Europe of work-related depression (including stress) were estimated to be €617 billion annually (EASHW, 2014). This figure comprises costs to employers, loss of productivity, health-care costs, and social welfare costs in the form of disability benefit payments. Therefore, understanding the causes and correlates of stress at work is crucial for the development of policies aimed at reducing these societal costs.

In this study, we investigate how one's occupational status in terms of being self-employed versus being a wage worker is related to work-related stress. Many governments actively target self-employment (Gilbert et al., 2004; European Commission, 2013) because of its positive link with economic growth (Audretsch and Keilbach, 2004; Carree and Thurik, 2010; Koellinger and Thurik, 2012). The self-employed represent a growing, non-negligible share of the total labour force of approximately 16% in European countries (Eurostat, 2015) and are responsible for a substantial portion of job creation and employment (De Wit and De Kok, 2014). Despite the serious consequences of work-related stress for individuals and societies, the existing literature and empirical evidence on the relationship between self-employment and stress is scarce, and scholars have recently called for further research on this topic (Shepherd and Patzelt, 2015; Baron et al., 2016).

To formulate our expectations about the relationship between self-employment and work-related stress, we use the Job Demand-Control (JDC) model (Karasek, 1979; Karasek and Theorell, 1990; Theorell and Karasek, 1996). This model is rooted in sociology and epidemiology and describes how two occupational characteristics, job demand and job control, influence work-related stress. Job demand represents stress sources present in the work environment (e.g., large amounts of work, little time available to do the work). Job control indicates decision authority (e.g., possibilities to make decisions about what work to do and when) and reduces work-related stress, also by attenuating the effect of job demand on work stress (Karasek, 1979). Previous research has indicated that self-employed individuals have higher levels of job control than individuals engaged in wage work (Hébert and Link, 1989; Hundley, 2001; Stephan and Roesler, 2010). In the absence of direct supervision, the self-employed have on average more freedom to determine what to do at work and how and when to do their work than wage workers, who typically must

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