



# The struggle is real: self-employment and short-term psychological distress



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## ABSTRACT

We test whether self-employed individuals report more short-term psychological distress compared to paid employees. The ability to pursue their entrepreneurial dreams could lead self-employed individuals to experience feelings of positive emotion, autonomy, and confidence that can lower short-term psychological distress. Yet, the significant demands of self-employment undertakings might also induce feelings of negative emotions, helplessness, and lack of control typically associated with increased short-term psychological distress. We investigate the relationship between self-employment and self-reported, short-term psychological distress using a sample of 171,883 respondents from the 1997–2015 cross-sectional surveys of the National Health Interview Survey (NHIS). Results indicate that self-employment has a positive association with psychological distress. Findings are robust to matched-pair sampling and alternate measures of levels of psychological distress.

## 1. Introduction

Research regarding the relationship between work and individual well-being has a long tradition in the management literature (Brandstätter et al., 2016; Deci et al., 2001; Edwards and Rothbard, 1999) and represents a growing stream of interest for entrepreneurship scholars (Andersson, 2008; Hmieleski and Carr, 2007). That the demands and pressures associated with work can result in short- and long-term mental health issues is well documented (Belkic et al., 2004; Ganster and Rosen, 2013). However, although self-employment and entrepreneurial occupations have been associated with higher levels of stress (Jamal, 1997), evidence also suggests that individuals who are self-employed or entrepreneurs report greater autonomy and job control that can prove beneficial in lowering the stress they experience (Parker, 2014). Furthermore, heterogeneity within the population of individuals who pursue self-employment might also influence whether they experience higher or lower levels of stress from work. Specifically, evidence suggests that individuals who engage in self-employment as a result of *opportunity* experience lower levels of stress and improved mental well-being compared to those driven into self-employment out of *necessity* (Stephan, 2018). Given that aspects of self-employment and entrepreneurial careers may adversely affect an individual's mental well-being due to higher rates of failure (Patzelt and Shepherd, 2011; Ucbasaran et al., 2013), lower levels of income (Hamilton, 2000), increased financial pressures (Gorgievski et al., 2010), and elevated levels of work-family conflict (Parasuraman and Simmers, 2001), it is possible that self-employment may be associated with psychological distress.

Complementing the growing interest in the relationship between stress, depression, well-being, and mental health outcomes in entrepreneurial settings (Verheul et al., 2015; Wiklund et al., 2016), we focus on how being self-employed might affect short-term

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psychological distress - “emotional suffering characterized by symptoms of depression (e.g. lost interest, sadness, and hopelessness) and anxiety (e.g. restlessness, tension, and nervousness)” (Drapeau et al., 2012: 105). Psychological distress is a well-established outcome in epidemiological studies (Cocker et al., 2013; Kessler et al., 2002) and our focus on short-term experiences (self-reported based on the past 30 days) of psychological distress helps to examine the potentially shifting and episodic nature of stress and mental well-being as it relates to self-employment. While much of the research regarding the association between self-employment and mental well-being has focused on more long-term conceptualizations of stress and mental well-being (e.g. distress, burnout, mental disorders, among others; for an excellent review refer to Stephan, 2018), evidence suggests that variations in work conditions (i.e. autonomy and demand) can also result in changes in perceptions of stress and overall mental well-being (Totterdell et al., 2006). On one hand, entrepreneurs might experience days or weeks when they have a relatively high level of autonomy and control over their work environments that may result in a reduction of short-term psychological distress and improved mental well-being. Conversely, it is also possible that there could be episodes where individuals might also experience higher levels of physical, emotional, and psychological stressors as a result of increased role stress or long work hours that could increase short-term psychological distress and lead to a deterioration of mental well-being. As such, we seek to examine the relationship between self-employment and short-term psychological distress to help uncover and further develop our understanding of these underlying relationships.

Our work aims make the following contributions to the literature. First, we add nuance and clarity to current research examining the relationship between self-employment and mental well-being (Stephan and Roesler, 2010). Specifically, we leverage prior work on psychological distress in the epidemiological studies (Kessler et al., 2002) and apply it to the self-employment context. The results of our study suggest self-employment is positively associated with short-term psychological distress. In presenting these results, we answer previous calls for further exploration into the health effects of being self-employed (Patzelt and Shepherd, 2011).

Second, psychological distress, as measured in the current data on a 30-day reporting timeframe, provides an important potential complement to the nomological net incorporating self-employment and stress related studies. By focusing on short-term psychological distress, we highlight the potentially shifting, episodic nature of stress and well-being that could occur for individuals who engage in self-employment and entrepreneurial endeavors. Our findings also contribute to the broader literature on epidemiology, where the self-employed, representing about ten percent of the United States population, adds a distinctive occupational group for future epidemiological studies (Verheul et al., 2016). In the pages that follow, we first describe the theoretical foundation of our model. We then follow up with a description of our research method, the results, and a discussion of our findings.

## 2. Self-employment and psychological distress

Work is a necessary component of the human experience, and as a result, can strongly influence an individual's happiness, mental well-being, and overall satisfaction with life (Diener, 2000; Warr, 2011). Jobs can often be highly demanding, requiring individuals to exert high levels of effort to meet work-related challenges (Bakker and Demerouti, 2016; Hu et al., 2011). In such instances, individuals will often experience increasing levels of stress and psychological strain that negatively impacts their affective state and emotional health and well-being (e.g., Crawford et al., 2010; Schaufeli and Taris, 2014).

While all occupations involve varying levels of stress, self-employment presents unique obstacles and challenges that may lead to higher levels of psychological distress. Self-employment has been associated with increased social risks (Hardy and Maguire, 2016), decreased work-life balance (Nordenmark et al., 2012), and elevated burden as a result of managing multiple job roles (Chrisman et al., 2005) which can all result in a decline in psychological health and well-being (Bakker and Demerouti, 2007). Psychological distress is characterized as a “unique discomforting, emotional state experienced by an individual in response to a specific stressor or demand that results in harm, either temporary or permanent, to the person” (Ridner, 2004), and has been strongly linked with a number of potential psychological disorders (Andrews and Slade, 2001). Whereas previous research has emphasized elevated levels of grief, a form of distress, individuals can experience as a result of the failure of self-employment and entrepreneurial endeavors (Shepherd, 2003, 2009), it is possible that individuals might similarly experience elevated levels of psychological distress, especially in the short-term due to the lack of consistency of work conditions associated with self-employment.

Though it is possible that the demands of self-employment could result in heightened psychological distress, there is also evidence suggesting that self-employment could lower levels of stress and improve mental well-being (Baron et al., 2016). The primary reasons for this are usually linked to the increased level of autonomy and job control self-employed individuals have over their work environment (Lange, 2012) and the greater levels of certain types of human capital, such as education, that allow individuals to better able to cope with the demands of self-employment, making them more likely to select into, and remain engaged in, self-employment over time (Baron et al., 2016). Furthermore, variations with regards to the motivations that lead individuals into self-employment can also play a role in the overall levels of stress and mental well-being that they experience. For instance, substantial evidence indicates that individuals who engage in self-employment as a result of pursuing opportunities are happier and experience less stress than those forced into self-employment out of necessity (Stephan, 2018).

Regarding additional considerations that could influence these relationships, self-employed individuals are also more predisposed to experience a depletion of personal resources, such as decreased job security and financial rewards, that can lead to increased psychological distress (Demerouti et al., 2001). For example, evidence suggests that the financial strain self-employed individuals may experience is positively associated with psychological distress (Gorgievski et al., 2010). Furthermore, self-employment can lead to increased levels of work-family conflict (Parasuraman and Simmers, 2001) that may also result in elevated levels of psychological distress (cf. Rantanen et al., 2005). Indeed, recent evidence in a sample of 217 owner/managers of small-to-medium enterprises (SME) indicates that individuals who own or manage SMEs experience higher levels of psychological distress and absenteeism along with lower levels of overall productivity (Cocker et al., 2013).<sup>2</sup> Taken together, we examine the following research question:

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