



Satisfaction guaranteed? Life satisfaction, institutional factors, and self-employment



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ABSTRACT

There has been a recent growing interest in the relationship between self-employment and life satisfaction. Using an institutional theory lens, in a multilevel model we test the association between shared prosperity and business freedom on life satisfaction reported by self-employed. Specifically, with increasing shared prosperity, self-employed individuals report higher life satisfaction. Furthermore, in countries with higher shared prosperity and greater business freedom, self-employed report a higher life satisfaction. We discuss the implications of our findings and provide future research directions into the link between life satisfaction, institutional factors, and self-employment.

1. Introduction

The relationship between entrepreneurship and life satisfaction, which is a key component to individual well-being (Pavot et al., 1991), has become a topic of increasing scholarly interest (Coad and Binder, 2014). Based on the hedonic perspective of well-being (Ryan and Deci, 2001), well-being consists primarily of subjective happiness, and individual perceptions of subjective well-being are comprised of the presence of positive affect, the absence of negative affect, and overall life satisfaction (Diener et al., 1999). To that end, a substantial amount of literature has been devoted to the relationship between life satisfaction, as a component of subjective well-being, and self-employment. While there has been some evidence suggesting that self-employment can have detrimental effects on life satisfaction, primarily as a result of the increased level of work-family conflict that individuals who are self-employed experience (Ford et al., 2007; Parasuraman and Simmers, 2001), evidence generally supports the notion that individuals who engage in self-employment realize benefits with regards to their life satisfaction (Kolvereid, 1996). Evidence suggests that individuals who are self-employed experience higher levels of job satisfaction and that self-employment is positively correlated with life satisfaction as well (Andersson, 2008). Furthermore, recent research has shown that individuals who move from occupational employment to self-employment experience an increase in life satisfaction as a result of the transition (Binder and Coad, 2013, 2016), and that entrepreneurial success can also result in an increase in life satisfaction (Przepiorka, 2017). Finally, individuals who decide to pursue self-employment and entrepreneurial endeavors later in life have been shown to have substantially higher life satisfaction than those who are occupationally employed (Kautonen et al., 2017).

However, although an impressive body of research has examined the relationship between self-employment and life satisfaction from the perspective of the individual, there remains a relative paucity of research regarding how broader, institutional factors (e.g. political and legal structures) might influence this relationship. Although a variety of institutional factors could influence life

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satisfaction we focus on the two—a proxy for improvement in income inequality [shared prosperity] and challenges to business activities [business freedom]. The choice of these two moderators is based on extant literature on income inequality, economic freedom, and life satisfaction, which suggests that self-employed individuals in contexts where shared prosperity is increasing and business freedom is greater may report a higher life satisfaction (Graafland and Lous, 2017; Hall and Lawson, 2014; Kešeljević, 2016).

To test our theoretical questions, we examine a multi-country sample from the European Social Survey Round 7 (2014), merged with World Bank Indicators 2014 data (for the measure of shared prosperity) and Heritage Foundation 2014 data (for the measure of business freedom). Based upon our analysis we find that self-employed individuals report higher life satisfaction. Moreover, the relationship between self-employment and life satisfaction is stronger for individuals in countries with higher shared prosperity. Additionally, we find evidence to support a three-way interaction wherein greater business freedom enhances the moderating influence of shared prosperity on the relationship between self-employment and life satisfaction.

In completing this study, we make two contributions. First, we extend the growing stream of research regarding the relationship between self-employment and life satisfaction. By incorporating an institutional theory perspective, we attempt to examine how country-level factors can play a role in the level of life satisfaction that individuals who are self-employed experience. Second, we build on previous research regarding the relationship between individuals' occupations and well-being (Cuyper et al., 2008; Wright and Bonett, 2007) and research on self-employed individuals experiencing higher levels of work and job satisfaction (Bradley and Roberts, 2004). Our results support recent findings suggesting that self-employment has a positive association with overall life satisfaction in a large, multi-country sample (Binder and Coad, 2013; Coad and Binder, 2014). In the pages that follow, we first describe the theoretical foundation of our model and present our hypotheses. We then follow up with a description of our research method, the results, and a discussion of our findings.

2. Self-employment and life satisfaction

Organizational research has long been interested in the interplay between work and life satisfaction. Characterized as an individual's assessment of their overall quality and satisfaction with life according to their chosen criteria (Diener et al., 1985), life satisfaction has long been considered a hallmark component of subjective well-being and individual happiness (Pavot and Diener, 1993; Pavot et al., 1991). The relationship between work and life satisfaction has also been an area of interest to management scholars (Adams et al., 1996). Research in organizational contexts has indicated that job satisfaction is associated with life satisfaction (Lindfors et al., 2007), and that work-life balance can produce substantial increases in individual life satisfaction (Bonebright et al., 2000). Furthermore, evidence suggests that individuals who are dissatisfied with their work or who suffer from work-related burnout are more likely to have lower life satisfaction and be more susceptible to depression (Hakanen and Schaufeli, 2012).

Within the context of self-employment, research into the occupation-life satisfaction relationship has uncovered interesting results. It is important to note that although recent evidence largely supports the positive association between self-employment and life satisfaction (Kolvereid, 1996), some prior studies suggest that there could be some negative relationships between self-employment and life satisfaction, most notably as a result of increased work-family conflict (Ford et al., 2007). Despite routinely reporting lower levels of income, individuals who engage in self-employment consistently report higher levels of satisfaction (Carter, 2011). Moreover, recent evidence suggests that individuals who move from occupational employment to self-employment can experience substantial increases in life satisfaction for an extended period of time (up to two years) after the transition (Binder and Coad, 2013). Based upon the hedonic perspective of well-being, life satisfaction refers to an individual's perceived quality of life according to their own determined criteria (Shin and Johnson, 1978). It is important to note that individuals determine life satisfaction by comparing their circumstances with what they believe to be an appropriate standard, and as such life satisfaction is subjective in nature and not decided by external factors (Diener et al., 1985). From this perspective, self-employment could afford individuals the opportunity to experience higher levels of life satisfaction through a number of channels. Self-employment affords individuals a greater level of autonomy in determining what exactly their job entails, as well as greater independence to act upon their decisions, which can have positive effects on satisfaction (Coad and Binder, 2014). Additionally, self-employed individuals often have higher levels of perceived self-efficacy which can also result in increased levels of satisfaction and reduced risks of depression (Bradley and Roberts, 2004). Moreover, work engagement is often higher for those who are self-employed (Gorgievski et al., 2010), and this increase in work engagement can result in higher levels individual satisfaction (Schaufeli et al., 2008).

While self-employed individuals might experience higher levels of life satisfaction in general, it is likely that this relationship might not be homogeneous across all contexts. From an institutional theory perspective (Zucker, 1987), it is possible that country-level political and legal systems and regulations could influence the relationship between self-employment and life satisfaction. Indeed prior evidence has shown that political and legal institutions can influence individual level perceptions and traits such as trust and social capital (Rothstein and Stolle, 2003, 2008). Although there are numerous country-level factors that could potentially influence the relationship between, for the purposes of this study we focus on two factors that can directly contribute to economic freedom, a factor that has been shown to greatly influence subjective well-being (Gehring, 2013), namely shared prosperity and business freedom. The moderators are rooted in recent studies on income inequality, economic freedom and life satisfaction (Graafland and Lous, 2017; Hall and Lawson, 2014; Kešeljević, 2016). We discuss these moderators below.

Related to economic freedom, it has been suggested freedom is perhaps one of the most influential determinants of subjective well-being (Inglehart et al., 2008). Based upon this perspective, recent evidence has validated the link between economic freedom at the national level and individual perceptions of subjective well-being (Gehring, 2013). Economic freedom relates to the relative ability of individuals to acquire and control their own personal wealth and property, free from the influence of other individuals or institutions (Gwartney et al., 1996). The link between economic freedom and subjective well-being can be justified in terms of both a

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