



Never the same after the first time: the satisfaction of the second-generation self-employed

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Abstract

Purpose – It is known that the self-employed are generally more satisfied than salaried workers. The aim of this paper is to test whether this phenomenon is particularly found for the first-generation self-employed.

Design/methodology/approach – French and British panel data are analysed, which include information on various measures of job satisfaction, and the respondent's parents' occupation. Job satisfaction regressions were run in which the first- and second-generation self-employed were distinguished between.

Findings – The study finds that first-generation self-employed (those whose parents were not self-employed) are more satisfied overall than are the second-generation self-employed. The findings are consistent between the British and French data.

Research limitations/implications – While the results are the same in the two countries considered, further validation work should extend the analysis across countries. While the authors are fairly sure that the second-generation self-employed do worse, they cannot precisely distinguish between comparison to one's parents, constrained occupational choice, and selection effects due to lower barriers to self-employment entry.

Originality/value – The authors believe that this is one of the first papers to distinguish between types of self-employed in terms of their higher satisfaction. The finding that parents' labour force status continues to have a significant impact on their children's job satisfaction argues for a more systematic consideration of intergenerational factors in the analysis of labour markets.

Keywords Job satisfaction, Self-employed workers, Parents, Age groups, United Kingdom, France

Paper type Research paper

1. Introduction

One of the most consistent findings in the literature on self-employment is that the self-employed earn less than comparable salaried workers (Lazear and Moore, 1984; Carrington *et al.*, 1996; Hamilton, 2000). For example, using 1984 data from the Survey of Income and Program Participation (SIPP) panel, Hamilton (2000) estimates that, at a given level of work experience, the self-employed earn 19 per cent less than employees.

The BHPS data were made available through the ESRC Data Archive. The data were originally collected by the ESRC Research Centre on Micro-social Change at the University of Essex. Neither the original collectors of the data nor the Archive bear any responsibility for the analyses or interpretations presented here. They also thank authors are grateful to Andrew Oswald for suggestions. They also thank Billy Bragg for part of the title (*Lovers Town Revisited*: "And though it's never the same after the first time, that doesn't stop them coming back for more").



Carrington *et al.* (1996) report similar results. However, while the financial aspects of work likely constitute an important part of the decision to become self-employed, non-pecuniary aspects of the job, such as being one's own boss and the degree of autonomy, may well make up for lower earnings (Hamilton, 2000).

To bring the varied aspects of the job together, some authors have proposed the use of self-reported job satisfaction as a subjective summary measure of the utility from labour-market choices[1]. Perhaps the second most consistent finding in the literature is that, despite any income differences, the self-employed are more satisfied with their jobs than are employees (Clark and Senik, 2006; Bradley and Roberts, 2004; Blanchflower *et al.*, 2001; Blanchflower and Oswald, 1998; Thompson *et al.*, 1992; Naughton, 1987)[2].

The aim of this paper is two-fold. We first contribute to the debate on the quality of employment and self-employment by considering not only overall job satisfaction, but also a number of domain satisfaction measures. While self-employment may be overall more satisfactory, some aspects such as job security may be perceived as less attractive (Lewin-Epstein and Yuchtman-Yaar, 1991; Buttner, 1992; Kaufmann, 1999). By way of contrast, the greater autonomy associated with self-employment will probably translate into greater satisfaction with working conditions.

Our second, and perhaps more substantive, contribution is to consider that the self-employed are not all necessarily the same. Specifically, we ask whether the second-generation self-employed (i.e. those whose parents were also self-employed) are more or less satisfied at work than the first-generation self-employed. There are some contrasting reasons why such differences may occur. First, it is likely that the second-generation self-employed will often have received intergenerational transfers (of financial capital, or career-specific and general managerial skills) and thus may be more successful than first-generation self-employed workers who did not receive such transfers. However, it could be argued that some of those who follow their parents in their occupation may have felt constrained to do so, so that their self-employment does not necessarily reflect their ideal career choice. In addition, following Blanchflower and Oswald (1998), transfers from parents, whether of capital or know-how, might be thought to slacken the participation constraint. Loosely speaking, such transfers allow some individuals who are not particularly cut-out for self-employment to become self-employed. This mixture of increased resources, potential constraint, and participation produces an overall effect of indeterminate sign.

A separate argument revolves around the idea that individuals do not only consider their own situation in an absolute sense, but also compare their situation with that of their reference group, where this latter may include their relatives, and in particular their parents. If this is so, and under the typical finding that the self-employed are more satisfied than are employees, the first-generation self-employed may be more satisfied than the second-generation self-employed, since the former compare their situation to their salaried (or at least non self-employed) parents while the latter compare themselves to self-employed parents.

Only relatively little work in the nascent wellbeing literature in economics has considered how individual well-being relates to the income of other family members, and in particular whether there is any role for household comparisons. Clark (1996) uses BHPS data to relate individual job satisfaction, conditional on own wage, to the wages of their partners and the average wage of other household members. The results

show that individuals do indeed report lower job satisfaction scores the higher are the wages of other workers in the household.

McBride (2001) also introduces a family benchmark, appealing to the following question in the 1994 GSS: "Compared to your parents when they were the age you are now, do you think your own standard of living now is: much better, somewhat better, about the same, somewhat worse, or much worse?". Regression analysis showed that the respondent's happiness was significantly positively correlated with doing better than one's parents, conditional on the level of the respondent's actual income.

Boes *et al.* (2007) are able to directly measure parents' income in recent waves of the German Socio-Economic Panel, by matching younger respondents who have moved away from home (and thus constitute new panel households) to their parents (who continue as panel members). They show that respondents' financial satisfaction increases with own income, as expected, but is negatively correlated with parents' income, consistent with the existence of an intergenerational externality.

We do not expressly consider these kinds of income comparisons, but rather the broad effects of parents' labour force status in the context of self-employment. Our results on British and French panel data show first that the self-employed are indeed more satisfied than salaried workers. A more detailed analysis of the different job satisfaction domains shows that the self-employed report greater satisfaction with pay and working conditions, but are less satisfied with job security.

However, the self-employed are not all the same: the second-generation self-employed are less satisfied with their jobs overall than are the first-generation self-employed. This applies also to satisfaction with pay and satisfaction with the work itself. This is consistent with transfers from parents allowing less apt children to become self-employed, and with constrained choice by the children. It is also consistent with children comparing themselves to their parents, so that job satisfaction is partly relative.

The remainder of the paper is organised as follows. Section 2 presents the data and establishes that the self-employed are more satisfied with their jobs than are the employed. Section 3 then splits up the self-employed according to their parents' labour-force status, showing that the least satisfied are those with at least one parent who was also self-employed. Section 4 concludes.

2. Self-employment and job satisfaction

2.1 Descriptive analysis

The analysis of job satisfaction is based on panel data from the British Household Panel Survey (BHPS) and the French component of the European Community Household Panel (ECHP). In both surveys, all adults in the household are interviewed separately with respect to their socio-demographic characteristics, income, employment, and health. The BHPS is an annual panel that initially consisted of around 10,000 individuals in around 5,000 different households in Great Britain; increased geographical coverage has pushed these figures to around 16,000 and 9,000 in more recent waves. We here make use of data from the first 15 waves (1991-2005). Further details of this survey are available at the following address: www.iser.essex.ac.uk/ulsc/bhps The French data come from the eight waves of the French component of the ECHP, which was run annually from 1994 to 2001. This has broadly similar numbers of individuals and households per year as the latter waves of the BHPS.

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Details of the ECHP are available at <http://forum.europa.eu.int/irc/dsis/echpanel/info/data/information.html>

Our key variable is job satisfaction, which we take here to be a proxy measure of the utility from work. In the BHPS, all employees are asked about their satisfaction with seven aspects of the job (promotion prospects, total pay, relations with boss, security, use of initiative, work itself, and hours worked). All of these are measured on a scale of one to seven, where 1 means completely dissatisfied and 7 means completely satisfied. These are followed by the question "All things considered, how satisfied or dissatisfied are you with your present job overall using the same 1-7 scale?" The self-employed are asked about five aspects of the job (the same list as above, less promotion prospects and relations with boss, which are largely inapplicable here), followed by the same summary question.

In the ECHP, job satisfaction is measured on a six-step ladder, going from not satisfied at all to very satisfied. Job satisfaction is part of a general series of satisfaction questions formulated as follows: "Could you indicate, on a scale going from 1 – 'not satisfied at all' – to 6 – 'very satisfied' – your degree of satisfaction concerning each of the following items: your job or main occupation; your financial situation; your housing; your health; your time available for leisure; your social contacts; and your past education?" In the job part of the questionnaire, another set of questions related to satisfaction with various aspects of the job are asked in a similar way: "Could you indicate, on a scale going from 1 – 'not satisfied at all' – to 6 – 'very satisfied' – your degree of satisfaction concerning each of the following items: labour income; job security; number of working hours; work schedule; type of activity; working conditions; and commuting distance?" These labour-related questions are asked of all those active in the labour market, independent of their status.

We restrict our sample in both datasets to those who are self-employed or employees, and only consider those who are aged between 16 and 65. In both datasets, workers are counted as self-employed if they answered "Yes" to a direct question on self-employment. These restrictions reduce the ECHP sample over eight waves to 50,579 observations, with 5,871 observations (11.6 per cent of the sample) on the self-employed. In the 15 waves of the BHPS, we retain 103,504 observations, with 11,996 on the self-employed, again representing 11.6 per cent of those who are in employment.

Table I presents summary statistics for our key variables in both datasets. The first three columns show figures for respectively all of those who work, employees, and then the self-employed in the eight waves of the ECHP data; columns 4-6 repeat the procedure for the 15 waves of the BHPS. Table I reveals that the self-employed are older, and more likely to be men. They are also generally less educated than employees: in the ECHP, 72 per cent of the self-employed have less than a high-school degree, against 58 per cent of employees. However, the self-employed are a little more likely to have a Masters degree. The same broad pattern is found in the BHPS. Table I also shows that the self-employed are more likely to be property owners, especially in France. The self-employed have higher incomes than employees in France, but not in Great Britain. This is due to the presence of what are known as the "*professions libérales*" amongst the French self-employed (for example, Doctors and Lawyers). In fact, ten per cent of the self-employed *professions libérales* in the French data reported earnings of over 6,800 Euros per month[3].

Variable	Whole sample		France (ECHIP)		Self-employed (SE)		Whole sample		Great Britain (BHPS)		Self-employed (SE)	
	<i>n</i>	SD	Employees (<i>n</i>)	SD	<i>n</i>	SD	<i>n</i>	SD	Employees (<i>n</i>)	SD	<i>n</i>	SD
<i>Individual characteristics</i>												
Gender (male)	0.552	0.497	0.536	0.499	0.676	0.468	0.514	0.499	0.486	0.499	0.727	0.455
Age	39.4	1.75	38.5	1.44	46.3	1.58	38.6	11.74	38.0	11.72	43.2	10.88
<i>Marital status</i>												
Married	0.755	0.430	0.755	0.430	0.761	0.426	0.589	0.492	0.576	0.494	0.686	0.464
Have children	0.598	0.490	0.608	0.488	0.525	0.499	0.373	0.483	0.369	0.482	0.405	0.491
<i>Human capital</i> ^{a,b}												
Less than high school	0.597	0.490	0.581	0.493	0.720	0.450						
Associate's degree	0.113	0.317	0.117	0.321	0.084	0.277						
Bachelor's degree	0.036	0.186	0.037	0.189	0.026	0.159						
Master's degree or more	0.065	0.247	0.063	0.244	0.078	0.268						
Other	0.189	0.385	0.202	0.396	0.092	0.273						
Technical qualification	0.350	0.477	0.348	0.476	0.368	0.482						
Education: other							0.218	0.413	0.214	0.410	0.249	0.432
Education: A/O/nursing							0.351	0.477	0.354	0.478	0.326	0.468
Education: high							0.431	0.495	0.431	0.495	0.425	0.494
<i>Financial capital</i>												
Monthly labour income (euros)	1,653	1,064	1,603	1,096	2,230	5,550						

(continued)

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Table I.
Summary statistics of
individual characteristics

Variable	Whole sample		France (ECHP)		Self-employed (SE)		Whole sample		Great Britain (BHPS)		Self-employed (SE)	
	<i>n</i>	SD	<i>n</i>	SD	<i>n</i>	SD	<i>n</i>	SD	<i>n</i>	SD	<i>n</i>	SD
Monthly labour income (£)							1,113	994	1,120	878	1,065	1,624
Home owner	0.537	0.499	0.512	0.499	0.723	0.447	0.695	0.460	0.692	0.461	0.725	0.446
<i>Social environment</i>												
At least one parent SE	0.284	0.450	0.256	0.436	0.601	0.489	0.164	0.370	0.149	0.356	0.279	0.449
<i>Satisfaction</i>												
Overall	4.317	1.255	4.422	1.044	4.496	1.154	5.405	1.309	5.383	1.315	5.573	1.248
Total pay	3.560	1.265	3.587	1.248	3.319	1.394	4.845	1.596	4.830	1.590	4.971	1.630
Work itself	4.265	1.138	4.249	1.144	4.406	1.074	5.519	1.329	5.477	1.343	5.842	1.161
Security	4.202	1.379	4.239	1.367	3.887	1.435	5.359	1.561	5.380	1.546	5.188	1.673
Number of observations	50,579		44,708		5,871		103,504		91,508		11,996	

Notes: ^a In France, the category "less than high school" refers to individuals with the baccalaureat; "Associate degree" to those with two years of education post-baccalaureat; "Bachelor's degree" to three years of education post-baccalaureat; and "Masters degree or more" to four or more years of education post-baccalaureat. The first five education categories add up to 100 per cent. In addition, we know whether individuals hold a technical qualification or not; ^b In Great Britain, the category "A/O/Nursing" refers to individuals with GCE A or O-levels or their equivalent, or a Nursing qualification; "High" to those with a First or higher degree, or a teaching or other higher qualification; and "Other" to those with other (lower) qualifications

Our key right-hand side variable here is the labour force status of the individual's parents. In the BHPS, this is measured by a series of two questions. All individuals are asked "Thinking back to when you were 14, what job was your father doing at that time?" Those who reported that their father was working are then asked "Was he (your father) an employee or self employed?" An analogous question is asked with respect to the respondent's mother. We create a dummy variable for the individual having at least one parent self-employed. The situation in the ECHP is a little different. Here, individuals are asked to report the most recent occupation of their father and mother. This can potentially change from wave to wave for younger respondents whose parents are still active in the labour market.

The figures towards the bottom of Table I show that, perhaps unsurprisingly, the self-employed are more likely than employees to have a self-employed parent: in France, 60 per cent of the self-employed have at least one self-employed parent, as opposed to only 26 per cent of employees. In Great Britain, the analogous figures are 28 per cent and 15 per cent[4].

Finally, the bottom panel of Table I presents the mean scores of the four different satisfaction measures that we consider. In the raw data, the self-employed report higher satisfaction scores with respect to the work itself, but lower satisfaction regarding security. The situation with respect to pay satisfaction is mixed. In France, the self-employed are less satisfied with their pay, whereas the reverse holds in Great Britain. However, in both countries the self-employed report higher overall job satisfaction on average than do employees.

2.2. Estimates of job satisfaction

The first stage of our investigation relates the various job satisfaction measures in Table I to a standard set of demographic characteristics (including education, gender, age and marital status). We also control for the individual's occupation. The variable we are most interested in is a dummy variable indicating whether the individual is self-employed. The equations are estimated by ordered probit techniques, with standard errors that are clustered at the individual level.

Columns 1 and 5 in Table II show the estimates for overall satisfaction in France and Britain, respectively. In both countries the self-employed are more satisfied with their jobs overall, conditional on the other control variables. As noted in Section 1, this is consistent with the results in a number of existing pieces of work. The remaining columns of Table II add detail by showing the correlation between self-employment and various types of domain satisfaction. In both countries the self-employed are more satisfied with the work itself, but less satisfied with job security. In Great Britain, the self-employed are more satisfied with their pay, but no significant effect is found for this domain in France.

The estimated coefficients on the other control variables are fairly standard. Men mostly report lower levels of job satisfaction than do women in both countries (Clark, 1997; Sousa-Poza and Sousa-Poza, 2000), and there is a U-shaped relationship between age and all measures of job satisfaction (Clark *et al.*, 1996). While the marriage and children satisfaction "premia" are seemingly well-defined in Great Britain, there are no robust effects in France. The estimated coefficient on log income is mostly positive and significant in France, but less so in Great Britain. In neither country is higher income associated with greater satisfaction with the work itself, perhaps suggesting some kind

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of compensating differential. In both countries, homeowners are more satisfied with their total pay, but less satisfied with their job security.

Overall, the regression results in Table II mostly confirm a number of existing results in the satisfaction literature, although the estimates on domain satisfaction are more novel. Our main interest in this paper is to underline that the broad results that appear in this table might actually obscure sharp differences between different groups of the self-employed. We concentrate in particular on the first- and second-generation self-employed. As discussed above, the net effect of the transfers received by the second-generation self-employed and the potential constraint of following their parents is ambiguous. The next section brings regression analysis to bear on the question, and shows that the second-generation self-employed are in fact systematically less satisfied at work than are their first-generation counterparts.

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3. The first- and second-generation self-employed

This section investigates whether, *ceteris paribus*, second-generation entrepreneurs are happier than those of the first generation. There are a number of potential differences between the two groups of self-employed. A by now fairly substantial body of previous work has emphasised that the observed intergenerational correlation in type of work may reflect transfers from parents (Colombier and Masclet, 2008; Hundley, 2006; Parker, 2004; Dunn and Holtz-Eakin, 2000; Blanchflower and Oswald, 1998; Laferrère and McEntee, 1995; Taylor, 1996; Lentz and Laband, 1990; de Wit and van Winden, 1989; Carrol and Mosakowski, 1987; Cooper and Dunkelberg, 1986; Lindh and Ohlsson, 1986)[5]. These parental transfers may be financial or of informal human capital reflecting some kind of know-how. The broad consequence of these transfers will likely be to relax capital-market constraints and increase the probability of children's success in self-employment. We may therefore expect the second generation, who are perhaps then more successful, to be more satisfied than the first generation self-employed. However, it can also be argued that parents' transfers will reduce self-employment rents analogously to the role played by inheritances in the National Child Development Survey data analysed by Blanchflower and Oswald (1998).

On a somewhat different note, it can be argued that the second generation may be less satisfied than the first generation self-employed if the former are to an extent obliged to follow in the footsteps of the latter[6]. Finally, we can appeal to the broad idea of comparisons, and consider that individuals compare their labour market situation (not only in terms of income, but also status and job) to the types of jobs occupied by others in the family, and in particular to their parents. Climbing up the social ladder (from the rung that the parents occupied) can therefore lead to higher job satisfaction, while in contrast a fall in social status relative to one's parents may reduce job satisfaction. For all of these reasons we expect the first- and second-generation self-employed to report different satisfaction levels.

3.1 Differences between the first- and second-generation self-employed

Table III provides some preliminary information about the distribution of satisfaction between the employed and the first- and second-generation self-employed. Because of the relatively few individuals who report very low satisfaction levels, we have grouped the first three cells together in both datasets, producing satisfaction scales that run from 3-6 for the ECHP, and 3-7 for the BHPS.

Table III.
Job satisfaction by labour
force status

	France (ECHIP)		Great Britain (BHPS)	
	First generation Salaried	Second generation SE	First generation Salaried	Second generation SE
<i>Overall job satisfaction</i>				
Dissatisfied	14.8	14.6	11.0	7.8
Rather satisfied	29.4	26.9	7.7	6.8
Satisfied	46.2	45.8	21.7	19.1
Very satisfied	9.2	12.7	45.2	47.0
Completely satisfied			14.4	19.3
<i>Pay</i>				
Dissatisfied	42.4	57.2	23.8	19.4
Rather satisfied	31.3	22.2	8.7	9.9
Satisfied	23.6	17.9	24.0	20.5
Very satisfied	2.3	2.8	33.7	36.2
Completely satisfied			9.8	14.1
<i>Working conditions</i>				
Dissatisfied	21.8	19.3	10.3	5.4
Rather satisfied	27.1	28.9	7.7	5.4
Satisfied	43.1	43.9	20.0	15.6
Very satisfied	7.5	7.9	42.1	44.7
Completely satisfied			19.9	28.9
<i>Job security</i>				
Dissatisfied	24.3	29.5	13.7	17.2
Rather satisfied	22.8	24.1	8.7	12.1
Satisfied	37.6	36.0	17.4	17.4
Very satisfied	14.8	10.4	36.0	30.9
Completely satisfied			24.2	26.2

Note: Job satisfaction in the BHPS is measured on a one to seven scale, where one means "Not satisfied at all", four means "Not satisfied or dissatisfied" and seven means "Completely satisfied". None of the other values are labelled

The distribution of satisfaction in Table III first broadly confirms that employees are less satisfied than are the self-employed. In addition, it highlights that, for most of the satisfaction measures, the second-generation self-employed seem to do less well than the first-generation self-employed. For example, while only 9 per cent of French employees are very satisfied (the highest category), the corresponding figures are 18 per cent for the first-generation and 13 per cent for the second-generation self-employed. The same broad data shape also applies to overall job satisfaction in Great Britain.

With respect to domain satisfaction, the self-employed are more satisfied than employees with both, pay and working conditions, but again with the first-generation self-employed reporting the highest numbers. In contrast, the self-employed are less satisfied than employees with respect to job security, and here the first-generation self-employed report the lowest satisfaction scores.

Table III thus suggests higher job satisfaction for the newly self-employed, with respect to both, overall job satisfaction and to pay and working conditions, and lower satisfaction with job security for the newly self-employed. These preliminary results are consistent with the idea that individuals compare their current situation with that of their parents. Since the self-employed are overall more satisfied than employees, it makes sense that those whose parents are employees report greater satisfaction compared to second generation self-employed workers: the former are doing better relative to their parents. In contrast, second generation workers report higher relative satisfaction with respect to job security since they are less likely to compare their situation with that of employees and are used to lower levels of job security.

It is of course possible that some of the observed differences between the first- and second-generation self-employed reflect different income, hours, occupations, and so on. Table IV shows the results of regression estimation of the various satisfaction measures, distinguishing between the first- and second-generation self-employed. The explanatory variables include all of the variables from Table III, as well as a dummy variable for having at least one self-employed parent ("Mother or father self-employed"), and the interaction between own and parents' self-employment status ("Self-employed and mother or father self-employed"). The estimated coefficient on this latter shows how the first- and second-generation self-employed differ.

The results are quite remarkably similar across the two datasets. In both, France and Great Britain, the first-generation self-employed are significantly more satisfied than are employees (as shown by the estimates on the "Self-employed" variable) both, overall and with respect to the work itself; they are less satisfied with respect to job security. In the BHPS data, the first-generation self-employed are more satisfied with their pay than are employees; in the French ECHP data, the relevant estimated coefficient is also positive, but is not significant.

The difference between the first and second-generation self-employed is revealed by the coefficient on the interaction variable, the third in Table IV. This is significant in six out of the eight regressions. Perhaps more importantly, it is systematically of the opposite sign to the main self-employed effect. Whatever the first-generation self-employed like about their job, the second generation likes less; whatever the first-generation self-employed dislike about their job, the second generation dislikes less. Greater success, or looser participation constraints, would imply coefficients on

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Table IV.
Overall and domain job
satisfaction of the first-
and second-generation
self-employed: pooled

	France (ECHP)			Great Britain (BHPS)				
	Overall	Total pay	Work itself	Security	Overall	Total pay	Work itself	Security
<i>Self-employed</i>								
<i>n</i>	0.0205***	0.069	0.314***	-0.596***	0.233***	0.274***	0.331***	-0.057***
Standard error	0.061	0.064	0.056	0.062	0.026	0.026	0.026	0.027
<i>Mother or father self-employed</i>								
<i>n</i>	0.013	0.075***	0.030	-0.026	0.018	0.013	0.000	-0.002
Standard error	0.021	0.023	0.022	0.024	0.019	0.019	0.019	0.019
<i>Self-employed and mother or father self-employed</i>								
<i>n</i>	-0.125*	-0.264***	-0.183**	0.131*	-0.097**	-0.122**	-0.018	0.032
Standard error	0.082	0.084	0.073	0.082	0.047	0.048	0.046	0.050
Male								
<i>n</i>	0.005	-0.160***	-0.036*	-0.106***	-0.251***	-0.224***	-0.141***	-0.214***
Standard error	0.021	0.023	0.021	0.024	0.013	0.014	0.013	0.014
Age								
<i>n</i>	-0.044***	-0.068***	-0.029***	-0.028***	-0.045***	-0.026***	-0.024***	-0.058***
Standard error	0.007	0.008	0.007	0.007	0.004	0.004	0.004	0.004
<i>Age-squared/1,000</i>								
<i>n</i>	0.479***	0.737***	0.316***	0.409***	0.606***	0.367***	0.391***	0.699***
Standard error	0.085	0.094	0.083	0.090	0.046	0.047	0.046	0.047
Married								
<i>n</i>	0.017	0.086***	-0.018	0.036	0.074***	0.104***	0.047***	0.070***
Standard error	0.023	0.024	0.023	0.024	0.015	0.015	0.014	0.015
<i>Has children</i>								
<i>n</i>	0.008	-0.069***	0.026	-0.062***	0.104***	0.071***	0.091***	0.050***
Standard error	0.020	0.021	0.020	0.021	0.013	0.014	0.013	0.014

(continued)

	France (ECHIP)		Great Britain (BHPS)	
	Overall	Work itself	Overall	Work itself
<i>Log monthly labour income</i>				
<i>n</i>	0.174 ***	0.003	0.357 ***	0.100 ***
Standard error	0.015	0.014	0.021	0.006
House owner				
<i>n</i>	0.011	0.008	-0.040 *	0.030 **
Standard error	0.020	0.020	0.021	0.015
<i>Occupation dummies</i>	✓	✓	✓	✓
<i>Wave dummies</i>	✓	✓	✓	✓
<i>Region dummies</i>	✓	✓	✓	✓
<i>Education dummies</i>	✓	✓	✓	✓
<i>Observations</i>	40,421	40,245	97,982	97,936
<i>Log likelihood</i>	-48,730.668	-44,871.311	-51,745.071	-138,017.35
		-49,747.822	-135,861.29	-144,172.82
				96,982
				-144,641.39
				0.002
				0.005
				-0.031 **
				0.014

Notes: * Significant at 10 per cent; ** significant at 5 per cent; *** significant at 1 per cent

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Table IV.

the interaction variable of one sign only. The symmetric mean reversion in Table IV is consistent with parents acting as a reference group.

3.2 Panel results

Both of our datasets are panel. As such, they allow us to control for individual fixed effects. Heuristically, we consider the change in job satisfaction when the individual moves from employment to self-employment, or vice versa.

While this is a useful exercise, it does have some limitations. The ordered probit estimates in Table IV described the distribution of wellbeing for all those who we observed to be self-employed. Panel analysis will drop those who do not change labour force status. The coefficient on self-employment is identified by “movers”, so in some sense we are considering only the more ephemeral self-employed here. In particular, those who have always worked in their parents’ business will not appear in panel estimation. This restriction probably applies particularly to the ECHP data, which only cover eight years.

Table V presents the panel results, from conditional fixed effect logit estimation. The dependent binary variable equals 1 if satisfaction is over 4 in the ECHP, and over 5 in the BHPS. The results with respect to the first-generation self-employed (the estimates on the first variable, “Self-employed”) are very similar to those in the pooled cross-section analysis of Table IV. The variable showing whether at least one parent was self-employed attracts a coefficient in the French data, as it varies over time (although none of the estimates are significant). As in Table IV, the variable that interests us the most is the third, which shows any differences between the first- and the second-generation self-employed. This is negative for three out of the four satisfaction measures in the French ECHP data, showing the second-generation self-employed to be less satisfied than the first-generation self-employed, but is only significant for satisfaction with pay. It is possible that these weaker panel results in France result from the relatively short time span of the ECHP data, with the associated reduction in the number of individuals who transit between employment and self-employment.

The situation in the BHPS is different. Here three out of the four estimates on the interaction variable are negative and significant. This shows that those who move from employment to self-employment with a self-employed parent will experience less of a satisfaction boost than will those with non self-employed parents[7]. These results are consistent with comparison to parents, and with a loosening of participation constraints for the children of the self-employed, with an associated reduction in rents.

4. Conclusion

This paper has used British and French panel data to bring together two separate topics in the growing literature in the economics of happiness. The first concerns relative utility and comparisons to others, and the second the ubiquitous finding that the self-employed report higher levels of job satisfaction than do employees.

We introduce relative utility into self-employment by suggesting that individuals might compare their own labour market experience with that of their parents. Both, the British BHPS and the French part of the ECHP contain information on parents’ labour force status (measured when the respondent was aged 14 for the former, and the most

	France (ECHIP)		Great Britain (BHPS)		
	Overall	Total pay	Work itself	Security	
				Overall	
				Total pay	
				Work itself	
				Security	
<i>Self-employed</i>					
<i>n</i>	0.880***	0.944***	0.384*	0.543***	0.719***
Standard error	0.245	0.264	0.242	0.065	0.069
<i>Mother or father self-employed</i>					
<i>n</i>	0.327	0.216	-0.227	-0.353	-0.380***
Standard error	0.430	0.496	0.381	0.417	0.065
<i>Self-employed and mother or father self-employed</i>					
<i>n</i>	0.095	-1.135***	-0.430	-0.305	-0.284**
Standard error	0.392	0.404	0.347	0.377	0.127
Married					
<i>n</i>	-0.035	-0.082	0.066	0.022	-0.038
Standard error	0.070	0.082	0.070	0.038	0.039
Has children					
<i>n</i>	-0.058	-0.037	0.055	0.074**	0.059*
Standard error	0.058	0.066	0.057	0.033	0.034
<i>Log monthly income</i>					
<i>n</i>	0.113***	0.271***	-0.050	0.028**	-0.004
Standard error	0.042	0.048	0.040	0.012	0.013
House owner					
<i>n</i>	0.090	0.025	0.010	-0.077**	-0.033
Standard error	0.066	0.076	0.065	0.036	0.037
<i>Occupation dummies</i>	✓	✓	✓	✓	✓
<i>Wave dummies</i>	✓	✓	✓	✓	✓
<i>Region dummies</i>	✓	✓	✓	✓	✓
<i>Education dummies</i>	✓	✓	✓	✓	✓
Observations	27,555	21,529	28,069	71,029	69,692
			24,335	70,757	70,197

Notes: * Significant at 10 per cent; ** significant at 5 per cent; *** significant at 1 per cent

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Table V.
Overall and domain job
satisfaction of the first-
and second-generation
self-employed: panel

recent for the latter). If utility is relative, then self-employment should seem better if my parents were not self-employed themselves.

Both the British and the French data suggest that this is indeed the case: the first-generation self-employed are significantly more satisfied than are the second-generation self-employed. This is consistent with comparisons to parents, but also with transfers from parents relaxing the self-employment participation constraint, so that some of the associated rent dissipates, reminiscent of Blanchflower and Oswald's finding that the self-employed who had received inheritances were no more satisfied than were employees.

Considering some of the separate domain satisfactions provides one small piece of evidence in favour of the comparisons, rather than rent dissipation interpretation. With respect to both, pay and the work itself, the same pattern is found as for overall job satisfaction: the first-generation self-employed are more satisfied, but the second-generation less so. The difference occurs with respect to job security, where the second-generation self-employed are actually more satisfied than the first-generation (although only significantly so in the French data). While a number of different explanations are possible, this is at least consistent with individuals evaluating their own labour force status relative to that of their parents.

Whichever of the interpretations turns out to be the best, it seems undeniable that the self-employed are not a homogeneous group. In particular, the second-generation self-employed are not the same as the first-generation self-employed. Specifically, even with the same income, hours and occupation, they are less satisfied with their jobs. One implication is that having successful parents may be something of a poisoned chalice, either because they allow children to enter occupations in which their relative advantage is less evident, or due to an intra-generational externality where the parents' success serves to up their offspring's satisfaction benchmark.

Notes

1. The analysis of subjective measures such as life or job satisfaction has recently become a part of mainstream micro-economic analysis. Economists sometimes hesitate to use subjective job satisfaction measures, due to doubts about their relationship to underlying utility. However, labour economists have made significant efforts to incorporate such satisfaction measures into economic analyses of labour market outcomes (see the surveys in Frey and Stutzer, 2002, and Clark *et al.*, 2008).
2. Self-employment is, however, associated with lower satisfaction in Latin American countries (Graham and Pettinato, 2002). Other measures of subjective well-being also produce different correlations. In Clark and Oswald (1994), the self-employed generally report higher stress scores, using a medical measure of psychiatric health (the GHQ-12), than do employees. The same inversion between satisfaction and stress scores can be noted for women (Nolen-Hoeksema and Rusting, 1999).
3. This is an average figure for nominal income over the eight waves of the ECHP.
4. The fact that 28 per cent of respondents have at least one self-employed parent, whereas the current self-employment rate is under 12 per cent, reveals that the rate of self-employment must have fallen in France. Marchand (1998) describes the post-War growth in French salaried employment, due to the shift away from Agriculture and increased female labour-force participation.
5. A number of these papers have focused on the influence of the parents' activity, showing that individuals whose parents are self-employed were more likely to become themselves

self-employed. Dunn and Holtz-Eakin (2000) note that parents' financial capital has a positive effect on children's transition into self-employment; Hundley (2006) explores how family background influences the type of employment, revealing effects of both, entrepreneurial and economic inheritance.

6. For example, farmers may well transfer the farm to their children.
7. There is no estimate on the variable "Mother or father self-employed" in the BHPS panel regressions, as this does not vary over time, being measured only at the point when the respondent was 14 years old.

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Further reading

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