

Comment on Matthias Benz and Bruno S. Frey: Being independent raises happiness at work

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The authors' conclusion that procedural utility is important for the decision to become self-employed, more precisely in the form of job satisfaction stemming from a high degree of autonomy in self-employment, is very much in line with my own views and prejudices about what is important in life. As a researcher, I find that my own job satisfaction has more to do with the freedom to choose my own research questions and the self-determination in how to deal with them. The income this generates is not really important and could be more easily obtained in other lines of work.

Thus, I had to struggle a bit in order to find anything to question in the paper. Finally, I came up with three questions that I think are worth discussing in more detail. One concerns the interpretation of the results, the second concerns the homogeneity of self-employment and the third is an extension of the policy conclusions.

The self-employed are in general more satisfied with their work than employed people. I find the documentation of this stylized fact quite convincing. The regressions on the German, British and Swiss Panel Surveys show in a robust way that this holds also after controlling for net income, working time and other reasonable controls. The evidence in Table 2 clearly indicates that this cannot be attributed to the self-employed in general being more optimistic and positive people, since moving into self-employment has significantly different effects than moving out of it. Nor can it be attributed to a career effect where your satisfaction increases as you move to a new and better job.

The "natural experiment" in East Germany showing an increase in job satisfaction as the ratio of self-employed increased after the unification also provides evidence of this. The evidence from the International Social Survey Program 1997 finally seems to clinch the issue by indicating that the higher job satisfaction of the self-employed is ac-

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counted for by their own stated preferences regarding autonomy and self-determination.

The authors draw the conclusion (in the abstract) that "...potential differences in personality cannot account for the observed job satisfaction differences." As a general statement, this could be interpreted to mean that any person picked at random in the population regardless of the personality traits would also enjoy a higher job satisfaction as self-employed. In the text (Section 2.2), they discuss this further by pointing to evidence that employees also value autonomy, although possibly to a lesser extent.

There is, however, a rather large literature on psychological factors behind self-employment (also cited by the authors). This literature tends to emphasise the need for self-determination, belief in one's ability to control life, and relatively less risk-aversion as important personality traits that increase the probability of self-employment. While this in no way contradicts the fact that the self-employed find job satisfaction in autonomy, it is important for the policy conclusions that not everyone would value this as highly as would those actively seeking self-employment.

The empirical evidence in the paper cannot be interpreted to imply that everyone (conditional on income etc.) would be happier as self-employed, independent of personality type. This may seem an abstruse point to make, but I think it may be important to recognise that the choice of self-employment is not always voluntary. There are circumstances where self-employment becomes forced upon individuals belonging to groups with high unemployment that may be due to discrimination or less developed or inefficient labour markets. If autonomy and self-determination are important for both the self-employed and employees, while different personality traits make it easier to become and stay self-employed, the policy implications go well beyond the regulation and conditions of the self-employed. It would be very interesting to see future research evaluating how limitations on the employers' hierarchical power over employees could contribute to the increase of welfare in even larger sections of society. From a purely theoretical stand-point, that might well lead to less self-employment if there are large shares of self-employed that have chosen this particular form only because of the greater autonomy and not because their personality and profession make it an efficient form of employment.

This leads me to the very interesting Table 4 and the question of homogeneity of self-employment. Looking at the countries where

there is no statistically significant evidence of higher job satisfaction in self-employment, I would like to see whether these countries might have higher shares of agricultural self-employment. Agricultural self-employment often differs quite substantially from other kinds of self-employment, and I would especially point out that the statistical self-employment in agriculture often consists of quite large numbers of so-called unpaid family helpers, i.e. farmers' wives and adult children living at home. Not only can the free choice of these family helpers be questioned, their autonomy at work may also be severely limited. The authors note that they achieve qualitatively similar results with a dummy for individuals in farming. Thus, even if, for some reason, farmers are on average less or more satisfied with their job compared to other groups, countries with large agricultural shares seem to have a generally weaker relation between job satisfaction and self-employment. More generally but outside the scope of this paper, it would be quite interesting to see more research on the differences between different types of self-employment, e.g. those with employees and those without employees and in different industries.

This leads me to a minor but still important point. The authors' use of entrepreneurs and self-employed as synonymous concepts is, I believe, a bad habit. Although extremely common, this usage strongly contributes to the sometimes very confusing and emotional attitudes that we see in the debate on self-employment. The statistical concept of self-employed is quite different from the concept of entrepreneurs. Far from every self-employed individual is an entrepreneur in any reasonable sense of the word, nor is every entrepreneur self-employed in the statistical sense. Making a clear distinction between these different concepts at least in the scientific debate is a necessity to arrive at any meaningful scientific conclusions.

I share the authors' conclusion that in economics, more emphasis should be placed on procedural utility rather than outcomes only. This and the barriers to entry into self-employment that undoubtedly exist make the policy advice not to put unnecessary barriers in the way of self-employment quite relevant as well as making a strong case for putting strong limits on the employer's control of employees. I cannot help but emphasise that these conclusions carry quite different implications than the arguments for subsidising self-employment due to its entrepreneurial and positive effects on growth (which are scientifically dubious to say the least). The procedural utility that is increased by making self-employment more of a free choice is obtained

at the cost of less, not more, income and thus implies that we should sacrifice some GDP growth in order to obtain greater well-being. By making the degree of autonomy more equal between self-employment and hired employment it is, however, conceivable to make the economy more efficient through better matching of labour to employment forms, while at the same time increasing welfare.

