

# **Who is Happier: The Self-Employed or The Organizationally-Employed?**

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## **Who is Happier: The Self-Employed or The Organizationally-Employed?**

Most people spend their entire working life searching for their "dream job;" the job that will make them rich not only monetarily but emotionally. This perfect profession can come in many different forms. Some people may choose to conquer the corporate ladder, others to run a local mom-and-pop shop, and still more may flip through jobs like the pages of a book. In favorable conditions, people are able to choose the vocation they determine to be the best opportunity to fulfill their dreams, whether it comes in self-employment or otherwise. But, with almost everyone striving to find his or her exemplary occupation, how many are actually content with their current employment status and which style of work provides the most satisfaction? This article will explore this topic by analyzing risk, fellowship, autonomy, and utility of work to answer this question: are the self-employed or the organizationally employed happier?

A large number of people have chosen self-employment as the best opportunity to fulfill their goals because of certain inherent qualities it possesses. "Those who prefer to operate their own business believe such a career provides greater development of knowledge and skills, higher income, more leisure time, greater variety, more comfortable working conditions, and the opportunity to do work with people they admire and respect" (Kolvereid 1996:25). The first step in starting a business is choosing a location. Founders are able to choose a location that best suits not only the company's needs but their personal desires as well. Another obvious benefit of being self-employed

is the ability to be autonomous, i.e. to be able to act independently. As the head of a company, the entrepreneur is able to set their work hours based on their personal schedule and they are able to choose which projects and contracts to pursue in accordance to their own convenience. These attributes promote a continued interest in working on and finishing tasks. If the company should prove successful, the founder has the opportunity to hire employees, delegate work and take a less-hands-on, more managerial-type position. By relieving the stresses of day-to-day work, the self-employed are able to relax and enjoy the fruits of his or her labors. Although the "be your own boss" lifestyle may appear to be extremely desirable, self-employed people are burdened with heavy drawbacks.

Founding a company is a very high-risk investment as it involves an incredible amount of funds to be paid upfront. Only "50 percent [of companies] will survive about 5 years" (Hietalahti 2007) and, although this is similar to a simple coin flip, the failure of private business is very drastic as it means almost certain financial ruin for the investors. In a successful business however, the self-employed must worry about a host of other issues. The most important thing they need to keep their business growing is a consistent consumer base. In addition, they need to be concerned with the various costs of running their business including maintenance bills, insurance, etc. The cost and commitment required of a self-employed person, although coupled with large autonomy, may seem daunting to some. This is why many people turn toward the path of the organizationally employed worker.

Because "self-employment typically represents a riskier endeavor", the lifestyle of the wageworker, with "employment options [that] vary in level of risk (an employee typically receives a salary or a wage that may or may not be supplemented by commissions and bonuses), may be just as appealing to some" (Shepherd/Douglas 2002:83). At the outset, the organizationally employed are not concerned with the large out-of-pocket expenses that strain the self-employed. Once involved with the company, they also enjoy a regularly scheduled workday, a steady paycheck and insurance coverage. Another benefit of working for a company is the intangible feeling of camaraderie. Working with others makes work less difficult as tasks are distributed and every member takes a share of the load. Organizational workers take pleasure in a relatively low-risk, consistent environment but they are also forced to consider some harrowing disadvantages as well.

Working for a company is a double-edged sword when it comes job security. While certain positions are free from worry, others may be highly vulnerable. One of the main culprits leading to job loss for Americans is outsourcing to foreign nations. In recent months, major companies have also issued large cutbacks and hiring freezes that have led to higher unemployment rates. If lucky enough to remain employed, workers need to be concerned with maintaining a positive relationship with their bosses in order to keep the work environment pleasant. Lastly, if a large company wants an employee to move locations, he or she has very little say in the matter. This lack of control in life decisions forces a lot of stress onto the organizationally employed.

Table 1 summarizes the points outlined above. There are several attributes of the working world that an employee needs to be concerned with. This table characterizes the amount of control that workers have concerning those attributes.

<b>Table 1. [Factors of Employment]</b>		
	Self-Employed	Organizationally-Employed
Risk	High	Low
Project Type/Specialization	High	Medium
Choice of Location	High	Medium
Scheduling	High	Low
Employees/Co-Workers	High	Low
Sense of Camaraderie	Low	High
Salary/Benefits	High	Low
Insurance/Other Costs	High	Low
Job Security	Medium	Medium

As Table 1 illustrates, the self-employed have much more control over their working environment than the organizationally employed. The effects of this control on a worker's happiness will be further explained later in this article.

In order to accurately determine different levels of happiness, a clear definition of happiness is required. Table 2 summarizes the four aspects of life that influence happiness: surroundings, inner fortitude, meaning and significance, and perceptions about life as a whole. When we generally experience favorable emotions and are content with our social, economic and moral standings (quadrants 1-3), we experience happiness (quadrant 4) (Veenhoven 2000). In contrast, unhappiness is the result of the deterioration of the first three quadrants, i.e. changing living arrangements, a decline in health, or

succumbing to moral vices. Therefore, dissatisfaction at work (normally a source of stability and strength) can be a major detriment to a person's happiness.

<b>Table 2. [Aspects of Happiness]</b>		
	<i>Outer Qualities</i>	<i>Inner Qualities</i>
<i>Life Chances</i>	<b>1. Livability of Environment</b> - Ecological - Social - Economical - Cultural	<b>3. Life-Ability of the Person</b> - Physical Health - Mental Health - Knowledge - Skills
<i>Life Results</i>	<b>2. Objective Utility of Life</b> - Usefulness to Society - Morals & Virtues	<b>4. Appreciation of Life</b> - Job Satisfaction - Positive Moods/Emotions - Contentment, etc.

*Source: Veenhoven 2000.*

### Fellowship

Relationships with co-workers at the workplace play a powerful role in affecting the individual's happiness at work. A strong "sense of camaraderie," as noted in Table 1, can lead to increased happiness (Diener 1999:276). Thus, examining fellowship in the workplace is essential to determining an employee's happiness level.

Robert Rice conducted a recent study regarding organizational work and how it relates to a person's happiness. Rice defines organizational work (OW) as "human activities, in context of formal organizations, performed with the intention of producing something of acknowledged social value" (1985:296). Rice, like Veenhoven, understood that a person's happiness or appreciation comes from what one believes about all the different aspects of their life or the *Perceived Quality of Life* (pQL). Rice believes that in organizational work "the overall perceived quality of life may be mediated by changes in the perceived quality of work life" as well as non-work life (1985:305). In addition, work-environment and relationships greatly affects a person's pQL. The setting, location and general atmosphere of the work place has an impact on a worker's emotions as a whole, not just happiness. Organizational workers are strongly affected by their relationships with others, including bosses, co-workers, clients and even family members. They are both positively and negatively influenced by interactions with others. This fluctuation, a sign of lack of control as seen in Table 1, leads organizational workers to be unhappier.

Similar to Rice, Jonathan Turner and Jan Stets believe that each member of a group is heavily influenced by one another. Their theory, *Interaction Ritual Theory*, states that working with others toward a common goal helps unite and promote shared experiences of positive emotions. Therefore, the positive feelings of one organizational employee will be contagious, causing happiness levels in the group to rise (2006:33). This promotes the social component "livability of environment" and increases positive

mental health, an aspect of “life-ability of the person.” A camaraderie experience that engages in *Interaction Ritual Theory* leads organizational workers toward happiness.

Another theory by Turner and Stets, the *Power and Status Theory* (2006:35-40), analyzes the effects of prestige on happiness. The theory suggests that those who have power experience increased feelings of satisfaction and confidence. Therefore, organizational workers in managerial roles may experience happiness because of contentment, usefulness to society, the ability to delegate work, and having high social regard; all aspects of happiness (Table 2). Regardless of this, a power/status type of relationship is more influential when examining the self-employed worker. He/she is more likely to have a power discrepancy in the workplace environment and is more likely to be on the power side of the dichotomy. Thus, the self-employed worker would attain more positive feelings from such a relationship, promoting his overall happiness.

### Stress

Regardless of occupation, stress at the work place can have profound effects on a person's overall satisfaction level and health. Stress is greatly related to risk in the workplace (Table 1). Self-employed people are deeply invested in a high-risk project, which affects their livelihood while organizationally-employed people must be concerned with hitting deadlines and retaining their job. Both forms of employment involve large amounts of stress, which can hinder overall happiness. Researchers, Oi-Ling Siu and Cary Cooper conducted stress/happiness research in Hong Kong (1998:57). The theoretical framework of the study involves the Occupational Stress Indicator Structure

(OSI), which looks at the correlation between stress and psychological distress, job satisfaction, quitting intention of workers, and locus of control (1998:61). The study considers such independent factors: factors intrinsic to job, managerial role, relationship with others, career and development, organizational structure and climate and home/work interface. The scale from which the data can be interpreted and validated is, if one is satisfied with their job then job satisfaction and intention to quit will negatively correlate.

Table 3 illustrates the correlation between the sources of stress and the dependent factors.

<b>Table 3. [Sources of Stress]</b>						
[++] - Significantly correlates [+/-] - Correlate [0]- no significant correlation	Factor Intrinsic to Job	Managerial Role	Relationship w/Others	Career & Development	Organizational Structure & climate	Home/Work Interface
Psychological Distress	++	++	+	+	++	+
Job Satisfaction	0	0	+	+	-	0
Quitting Intention	+	0	+	+	0	0
Locus of Control	+	+	++	+	-	+

*Source: Siu 1998*

According to Table 3, psychological distress is significantly correlated with stress. This comes from many factors including problems with the job itself, the roles of managers, and the climate and structure of the larger organization of the job. Stress and its factors, surprisingly enough, do not significantly affect job satisfaction. Instead, it is affected by relationships with others and career and development. This is true because some people measure their success by comparing themselves to others, incorporating the stress correlation between relationship with others and career & development together (Table 3). For the most part, those organizational workers who had positive relationships and were content with their level in the company were satisfied with their respective job. Job satisfaction is important to note because it is part of the inner qualities of life results from which evaluations of happiness occur (Table 2). Since job satisfaction relies heavily on relationships and organizational workers have greater control (Table 1), can be made as an aspect that makes organizational workers more prone to happiness.

### Consistency and Health

One aspect of organizational work that lends itself toward a greater tendency of happiness is the ability to hold constant expectancies that are easily controlled (1998:56). In other words, organizational workers have an understanding that their jobs will be consistent day in and day out. In contrast, the self-employed rely on outside forces or luck and understand that they are at the mercy of their consumers who determine how successful their business may become (1998:56). According to Table 3, the locus of control is significantly correlated to relationship with others, such as consumers, etc. If

these relationships struggle or dwindle, stress can build and cause a stress-strain relationship between consumer and the self-employed, which negatively affects mental and physical health (1998:56). The organizationally employed do not have worry about a stress-strain relationship because organizational workers are part of a larger company that has an established consumer base. Organizational employees are therefore more prone to being healthier, which is a part of the inner qualities in life chances that contribute to overall happiness (Table 2).

Workers experience significantly lower levels of stress when there is increased organization and stability in the working atmosphere. A stable work environment promotes positive interactions between workers and thus fostering camaraderie. The research of Turner, Stets, and Siu suggests that organizational workers' increased stability and organization in the workplace leaves them less stressed and able to interact with one another more positively, leading to greater levels of happiness.

Conversely, it is possible that the greater amount of stress dealt to self-employed workers is met with a greater ability to handle said stress. One study looks at the issue in these terms and agrees that while "researchers...have found a high correlation between happiness and mental health" there is inherent dilemma in discussing this without the proper data, as such strains play out differently depending on the individual's personality and outlook on life (Andersson 2005:2). Andersson's studied Swedish self and organizationally employed workers and their happiness level change from 1991 and 2000. She noticed that in 1991 there is no statistically significant difference between the happiness levels of the two workers, but that by 2000 the organizational worker faced a

significant drop in happiness. While Andersson attributes this to changes in the labor market, she notes that the self-employed worker's status may not have changed due to a predisposition to handling such stress. In other words, there significant responsibility and stress that comes from being self-employed and some individuals can adapt or are inherently able to handle stress better and is therefore at an advantage in maintaining happiness than the organizational individual.

### Utility of Work

Project type and specialization are factors in Table 1 that relate to utility of work. This reflects the individual workers' feelings of usefulness and contribution towards his/her field of work. In work, particularly business, this can be looked at in terms of "returns" for the labor that one puts forth. Sociologically, one's sense of utility is ultimately tied to one's sense of contribution to society. Because work is a subset of the public sector of one's life, it has a major impact on how one believes they contribute to the world. However, individually, utility of work also affects one's sense of job satisfaction. The effort that one puts into work is made in the hopes of attaining a corresponding reward. This reward is significant if it is not only monetary, but also emotionally satisfying. Subsequently, according to Table 2, utility of work would fall under both the "Outer" and "Inner" qualities of "Life Results," reflecting the deep significance it has on happiness.

In discussing the "returns" that one gets from the investment of labor, studies show that the self-employed individual has an advantage in this category. This is tied into

the fact that the fundamental basis for self-employment requires a greater investment with a higher chance of return. David G. Blanchflower and Andrew J. Oswald (1992) discuss and analyze the "returns" that self-employed individuals receive in their study. They determine that, in a world where startup capital is not necessary, there would be no significant difference in utility of work between self-employed and organizationally employed individuals. However, because this is not the case, the self-employed workers' investment reflects an "entrepreneurial vision" which makes them more privy to gaining a greater utility of work and, in turn, "significantly higher levels of well being than employees" (Oswald/Blanchflower 1992:16).

To understand utility of work as it relates to our emotional response, we can turn to Turner and Stets' "Exchange Theory" which highlights the power of investment and return. This theory describes how "individuals experience positive emotions when payoffs exceed costs and investments" (2006: 41). As noted by Blanchflower and Oswald, the self-employed worker tends to gain "supernormal returns" (1992) from their labor and investment. As such, the self-employed worker is more privy to these positive emotions, which in turn positively affects levels of happiness.

### Autonomy

Custom scheduling and choice of location are factors listed in Table 1 that correspond to a sense of control or autonomy. This phenomenon is powerful in affecting levels of happiness, notably in the workplace. The groups of laborers that these factors are most consistently associated with are the self-employed, who have a fundamentally

higher level of choice as compared to their organizational counterparts. Unlike the organizationally employed, their work environment is far more under their control. They can choose where to work as well as how long and at what level of intensity. While the self-employed workers' success is ultimately at the whim of the corresponding consumer, this "choice" is significant according to sociological studies in promoting a work environment that perpetuates happiness. One study, seeking to analyze retirement among workers, corroborates the powerful effect of choice. The article's original intent was to analyze the level of happiness between workers that retire gradually vs. abruptly. The factors proved to be indistinguishable in their effect on happiness, however the study found that retiree's given more choice in their retirement decisions were happier than those who didn't (Calvo/Haverstick/Sass 2009). Thus, in the workplace sense of control is significant to one's happiness.

"Autonomy" is appreciated because it is associated with the possibility of working independently, but the self-employed also seem to enjoy considerable utility from their work because they "perceive their jobs as more interesting" (2004:122) meaning they can choose captivating jobs and are able to "determine the variety of their tasks" (Benz/Frey 2004:122). According to Table 1, this is the biggest aspect of the self-employed life. "Self-employed people are more satisfied with their jobs in essentially all countries considered, also in Asian countries like Japan, and in former communist countries of Eastern Europe" (Benz/Frey 2004:122). Their higher job satisfaction is not a result of the material benefits of their work but is rather from their ability to self-govern..

The table below compares job satisfaction of self-employed workers versus organizationally employed workers. Andersson, Oswald, Blanchflower, Benz and Frey all agree with these findings, concluding that the self-employed worker is far more likely to a higher sense of life satisfaction and well-being.

<b>Table 4. [Job Satisfaction]</b>					
	Very Dissatisfied	A Little Dissatisfied	Moderately Satisfied	Very Satisfied	Unweighted
Employees	4	10	40	46	19903
Self-Employed	2	6	29	63	3044
Unweighted	827	2256	8705	11079	

*Source: Blanchflower 2000*

## **CONCLUSION**

The question of our article revolved around who was happier: the self-employed or organizationally employed worker. Our analysis on happiness for the two types of workers was studied in terms of how they fit into Veenhoven's "Four Qualities of Life", denoted in Table 2. We examined several factors that affect the happiness level of the two types of workers: risk, fellowship, stress, autonomy, and control. However our research was limited by the fact that we could not properly consolidate the cultural differences that are inherent in the studies we researched. As we researched articles ranging from Hong Kong to the United States, it was difficult to account for the fact that work has different significances and meanings in various cultures.

That withstanding, in analyzing the four factors discussed, it became clear that a self-employed individual is generally happier or more likely to be happy in the long run

than an organizationally-employed worker. We came to this conclusion by realizing that the strength of autonomy, utility of work, and mental strength creates a larger presence in Veenhoven's "Four Qualities of Life." Self-employed individuals tend to have a greater predisposition to feeling useful to society, having a sense of control, and a greater satisfaction in their work than organizational workers. Table 4 clearly displays that in terms of work, the self-employed individual is more satisfied than an employed worker. Consequently, both inner and outer qualities are present in the self-employed worker's situation, leading him/her to being happier.

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