Legal Discrimination and Well-being of Female Entrepreneurs.

Inessa Love*

Despite lower income, self-employed consistently report higher well-being than those employed in organizations.[1] This somewhat puzzling phenomenon is a result of non-pecuniary benefits of entrepreneurship, such as greater autonomy and independence, schedule flexibility, and interesting work (i.e. 'doing what you like to do'). However, women entrepreneurs and their businesses are different from men in many important ways. Ample evidence shows that women entrepreneurs experience more obstacles and constraints, such as restrictive social norms, unequal legal treatment, unfair family responsibilities, and financial discrimination. These constraints negatively affect the size, growth and performance of women-run businesses.[2]

Thus, the relationship between self-employment and well-being is likely to be different for women than it is for men. On the one side, women value schedule flexibility and work-life balance more than men.[3] There is also evidence that women entrepreneurs tend to focus more on non-economic factors, such as personal fulfillment and meaningful work.[4] Therefore, they stand to gain more well-being from non-pecuniary benefits of being an entrepreneur. On the other side, if women are more constrained in starting and running their businesses, their well-being will suffer. In addition, evidence suggests that entrepreneurs who are "pulled" into starting a business by an opportunity (i.e. a creative idea) experience higher overall life satisfaction than those who are "pushed" by necessity (i.e. lack of job prospects).[5] Evidence shows that women are more likely to be "pushed" into entrepreneurship than men (Buttner and Moore, 1999). This suggests that they will have lower well-being from being an entrepreneur than men. Thus, in theory, the relationship between self-employment choice and well-being is ambiguous for women. However, the empirical evidence on the well-being of *women entrepreneurs* is extremely limited.[6] This paper seeks to fill this gap. Our first goal is to investigate how self-employment status affects women entrepreneur's well-being in a wide cross-section of countries.

Legal constraints are among the most binding constraints faced by women entrepreneurs (Carranza et al., 2018). Legal discrimination of women – i.e. the extent to which laws, regulations and norms treat women differently than men - is prevalent around the world (World Bank, 2018). In many countries women have different property rights, inheritance rights, labor market opportunities, legal capacity or tax treatment. The unequal legal treatment is likely to

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* Inessa Love is a Professor at the University of Hawaii at Manoa.

[1] Parasuraman and Claire (2001), Benz and Frey (2008), Andersson (2008), Binder and Coad (2012), Álvarez and Sinde-Cantorna (2014).

[2] Brush et al. (2009), Klapper and Parker (2011), Pogessi, Mari and De Vita (2016), and Campos and Gassier (2017)

[3] Arai (2000), Demartino and Barbato (2003)

[4] Anna et al. (1999), Buttner and Moore (1999).

[5] Binder and Coad (2012), Aguilara et al. (2013), Annink et al (2016), Seva et al. (2016a).

[6] There are only a few papers that differentiate well-being of men and women entrepreneurs. Nordenmark et al. (2012) investigate the impact of job control, demands and work-life-balance on well-being of men and women entrepreneurs. Seva et al. (2016b) investigate the macroeconomic impact on well-being of self-employed among different categories of self-employed, including women and immigrants. However, to the best of our knowledge, no study up to date focused on well-being of women entrepreneurs as its the main focus.

affect the well-being of all women, and especially the entrepreneurs. However, to the best of our knowledge, there no evidence on how differential legal treatment of women impacts the well-being of women entrepreneurs. Our second goal is to investigate how legal gender discrimination affects women in general and women entrepreneurs in particular.

To accomplish our goals, we will combine two main datasets: 1) World Values Surveys, which contains individual level data on well-being (WB), gender, and self-employed status (SE), along with other personal characteristics and 2) Women, Business and the Law (WBL)[7], which contains data on legal discrimination of women. The WBL data is available for a large set of countries starting in 2010, collected every two years. We will use the wave 6 of WVS survey (collected over years 2010 - 2014) and merge it with annual WBL data.[8]

Our first goal is to explore relative happiness of women entrepreneurs across countries. To do that we will use the following model:[9]

$$WB_{ict} = \beta_1 F_{ict} + \beta_2 SE_{ict} + \beta_3 F_{ict} * SE_{ict} + \beta X_{ict} + \alpha_c + d_t + e_{ict}$$

In this model, three hypotheses are of special interest. H1: the well-being of self-employed women is different from self-employed men (Test: $\beta_1 + \beta_3 = 0$); H2: the well-being of self-employed women is different from wage-working women (Test: $\beta_2 + \beta_3 = 0$), and H3: the "self-employment premium" – i.e. the difference between well-being of self-employed and wage workers - is different for women vs. men (Test: $\beta_3 = 0$). To the best of our knowledge, no prior literature has tested these three important hypotheses.

Our second goal is to investigate how legal discrimination of women affects the well-being of all women and in particular of women entrepreneurs. To do this, we will interact Legal Discrimination (LD) with other variables in the model:

$$WB_{ict} = \beta_1 F_{ict} + \beta_2 SE_{ict} + \beta_3 F_{ict} * SE_{ict} + \beta_4 LD_c * F_{ict} + \beta_5 LD_c * SE_{ict} + \beta_6 LD_c * \beta_3 F_{ict} * SE_{ict} + \alpha_c + d_t + e_{ict}$$

In this model, two hypotheses are of special interest: H4: legal discrimination (LD) affects women wage-workers differently than men wage-workers (Test $\beta_4 = 0$) and H5: legal discrimination affects self-employed women differently than self-employed men (Test $\beta_6 = 0$).

We expect that the paper will make an important contribution to three related streams of literature: 1) literature on well-being in general, and entrepreneurial well-being in particular; 2) literature on female entrepreneurship and 3) literature on the impact of legal institutions. To the best of our knowledge, this paper will be among the very few that studied the well-being of women entrepreneurs. In addition, it will be the first paper that investigates the impact of legal discrimination of well-being of women entrepreneurs.

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[7] Women, Business and the Law 2010 dataset quantifies differences in legal treatment of women for 128 countries along 6 various indicators: accessing institutions, using property, getting a job, dealing with taxes, building credit and going to court. We will use an aggregate index of legal differences, and also each sub-index individually.

[8] There are nearly 60 countries that appear in both datasets – WVS wave 6 and WBL.

[9] Here i denotes individuals, c denotes countries, t denotes time, α_c are country fixed effects, d_t are year fixed effects, WB is well-being, F is a dummy variable for female, SE is a dummy for self-employed, X is a vector of controls commonly include in well-being regressions, such as education, age, marital status, income decile, etc.

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NBER Proposal small grant on Entrepreneurship

Inessa Love, Budget Estimate

1. Research Assistant: $18,930.00 (this amount uses UH Hawaii scale for graduate research assistants, 9 month salary).
    a. Research assistant will be responsible for getting the data, cleaning the data, merging datasets, performing graphical and statistical analysis.
2. Miscellaneous expenses:
    a. software upgrade for RA (STATA 14 to 15, $420),
    b. editing services ($400),
    c. journal submission fees ($250)
3. TOTAL: $20,000.