

Risk, Gender Differences and Self-Employment

Eva Sierminska
CEPS/INSTEAD and DIW Berlin

Dominik Buttler
Poznan University of Economics

In this paper, we examine the role of risk preferences and wealth on the decision of becoming an entrepreneur among women and men. We focus our analysis on Poland - a country which has undergone very large societal changes. The transition environment in this country provides an interesting setting for examining the changing level of self-employment (Masters and Meier, 1988). We compare differences among female and male entrepreneurs to identify the reasons for becoming self-employed. Past studies suggest that whilst for men the decision to enter self-employed is mostly income-driven (improvement of economic situation), a significant fraction of women decide to become self-employed trading off income for a more flexible work arrangement and other non-pecuniary benefits associated with self-employment. We, first compare our measures of risk by gender and then model the decision to become an entrepreneur for women and men separately. To our knowledge this is the first paper to attempt this type of analysis on the propensity of becoming self-employed using data from a new EU member state. The preliminary results suggest a nonlinear relationship between household wealth (proxied by savings) and the propensity to self-employment. For men individual risk preferences play an important role where risk takers are more likely to work as self-employed. For women, family composition seems to have a greater effect. In addition, we find that highly educated women with young children are more likely to pursue the entrepreneurial career path. Possibly because it provides them with the opportunity to have flexible work arrangements and allows them to develop their entrepreneurial skills.