

INDIVIDUAL AND CONTEXTUAL DETERMINANTS OF ENTREPRENEURSHIP: AN INTERNATIONAL COMPARATIVE ANALYSIS

Hatos Roxana
University of Oradea

Hatos Adrian
University of Oradea

Abstract

Models of entrepreneurial behavior focus usually on individual level factors yet a great deal of beginning and running a business depends on the economic, social and institutional environment. Our analysis uses data from the 2008 European Social Survey to assess the weight of country-level characteristics in explaining individual entrepreneurship measured as self-employment of business ownership. The article starts with a literature review which puts the bases of our hypotheses. The results describe cross country comparisons of entrepreneurship rates, individual and country-level regressions of entrepreneurship. As expected, there are large differences between countries with respect to rates of entrepreneurship. A great part of this variance can be accounted for by the division between the former socialist countries and the rest and by levels of urbanization.

Keywords entrepreneurial behavior, contextual factors, comparative analysis

JEL: A14

Introduction

Models of entrepreneurial behavior focus usually on individual level factors yet a great deal of beginning and running a business depends on the economic, social and institutional environment. Unemployment basically acts as a push factor for self-employment (Audretsch & Thurik, 2006). Based on literature review we expect a positive influence of income differentials on the number of self-employed (Evans & Leighton, 1990). Most studies investigating the role of motivational determinants of the choice for self employment pertain to the *individual level*. Urban areas will give rise to economies of scale through which small-sized entrepreneurship in retailing comes under pressure (Noorderhaven, Thurik, Wennekers, & Van Stel, 2004; Wildeman et al., 1999). We expect life-dissatisfaction to be positively related with job-dissatisfaction and thus with self-employment. The role of post-materialism in explaining differences in self-employment between countries is dealt with in Uhlaner *et al.* (2002).

Data

We have used the data base of the 2008 European Social Survey which includes answers from 54988 subjects selected using a stratified probabilistic procedures from the adult populations of 28 countries. The data were weighted in order to adjust the data base to the size of each country's population. The weighted data base contains 58456 cases.

Variables

The dependent concept in the study is entrepreneurship. Entrepreneurship was defined as business ownership or self-employment. As such, we have defined as entrepreneurs those individuals who, in the European Social Survey indicated their occupational status as being self-employed or working in family business. According to this definition, 9,9% of the sample qualify as entrepreneurs.

Individual-level variables

Variable name	Description	Measurement	Univariate statistics
age	Age of respondent	Numeric	Avg=47,1 Stdev=18,6
edu_square	Squared of Years of full-time education completed	Numeric	Avg=158,3 Stdev=101,7
male	Gender	Dichotomy (1=male)	44,5%
rural	Residence	Dichotomy (1=rural)	31,6%
father_empl	Father self-employed at 14	Dichotomy (1=self employed when the subject was 14)	16,3%
mother_self	Mother self-employed at 14	Dichotomy (1=self employed when the subject was 14)	6,0%
father_sec_ed	1=father with secondary education	Dichotomy (1=father with secondary education)	41,9%
mother_sec_ed	1=mother with secondary education	Dichotomy (1=mother with secondary education)	43,4%

Contextual variables

Inspired by the literature we have modeled individual entrepreneurship using several features of the countries in the data base:

Variable name	Description and source	Measurement	Univariate statistics
Frmcommunist	Country former communist or not	Dichotomy (1=former communist)	12 (42%)
Unempl2006	Percent unemployed in 2006 according to labor force surveys ILO	Numeric	Range: 3,4-13,5
Unempl2007	Percent unemployed in 2007 according to labor force surveys ILO	Numeric	Range: 2,5-11
GDPcapita	Gross Domestic Product per capita in 2008, from the CIA Factbook (for Cyprus we have used 2009 estimates)	Numeric	Range: 7271-58141
Urban	Percent of population living in cities, data from the CIA Factbook	Numeric	Range: 48-97
SWL2006	Satisfaction with life index, data from http://en.wikipedia.org/wiki/Satisfaction_with_Life_Index#International_Rankings_2006	Numeric	Range: 120-273

Materialist	Percent materialist in the population, according to WVS of 1998-1999, except for Cyprus where estimates from 2006 were used.	Numeric	Range: 6,3-52,1
Post_materialist	Percent materialist in the population, according to WVS of 1998-1999, except for Cyprus where estimates from 2006 were used.	Numeric	Range: 1,7-22,7

	selfemployed	Frmcommunist	ampunempl2006	unempl2007	GDPcapita	urban	SWL2006	Materialist	Post_materialist
Belgium	11.36	0	8.3	7.5	34.493	97	243.33	22.2	20.3
Bulgaria	7.53	1	9	6.9	12.394	71	143.33	48.7	3.2
Coatia	7.48	1	11.1	9.6	19.085	57	196.67	15.4	19.2
Cyprus	17.61	0	4.5	3.9	21.2	70	230	37.5	10.5
Czech Republic	9.61	1	7.1	5.3	24.712	73	213.33	25.3	9.8
Denmark	9.94	0	4.1	4	36.604	87	273.4	8.5	16.1
Estonia	7.41	1	5.9	4.7	20.657	69	170	41.2	2.6
Finland	14.53	0	7.7	6.8	35.426	63	256.67	26	10.7
France	9.17	0	8.8	8	34.045	77	220	27.9	17.9
Germany	12.1	0	10.3	8.6	35.613	74	240	30.1	15.1
Greece	28.04	0	8.8	8.1	29.361	61	210	18.9	16.7
Hungary	6.22	1	7.5	7.4	19.329	68	190	50.5	2.4
Israel	12.17	0	8.4	7.3	27.548	92	223.33	13.8	12.6
Latvia	5.56	1	6.8	6	17.101	68	156.67	34.9	4.8
Netherlands	12.37	0	4.2	3.5	40.85	82	250	11.8	22
Norway	10.07	0	3.4	2.5	58.141	77	246.67	13.6	11.2
Poland	16.06	1	13.8	9.6	17.625	61	196.67	36.9	7.6
Portugal	12.63	0	7.7	8	22.081	59	203.33	35.6	10
Romania	4.33	1	7.3	6.4	14.064	54	173.33	45.2	7.1
Russian Federation	4.74	1	7.2	6.1	16.139	73	143.33	52.1	1.7

Slovakia	7.46	1	13.3	11	22.08 1	56	180	45.9	4
Slovenia	9.56	1	5.9	4.6	27.61	48	220	16.8	16
Spain	15.88	0	8.5	8.3	31.95 5	77	233.3 3	27.1	15
Sweden	10.6	0	5.4	6.1	37.38 3	85	256.6 7	6.3	22.4
Switzerland	12.92	0	4	3.6	42.53 4	73	273.3 3	14.4	18.3
Turkey	8.9	0	9.9	10.3	13.92	69	176.6 7	19.3	20.9
Ukraine	6.5	1	6.8	6.4	7.271	68	120	45.6	3.5
United Kingdom	12.46	0	5.4	5.3	35.44 5	90	236.6 7	15.3	22

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