

Baccalaureate Education and the Employment Decision: Self-Employment and the Class of 1993

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Chad Moutray. 2008. 34 pages.

In the small business research community, we often ask about the decision to become an entrepreneur. Why do certain people become self-employed and others choose to work for someone else?

This paper delves into the relation of collegiate education to the employment decision. We are able to identify specific characteristics of the individuals who are self-employed versus those who opt to work for a for-profit business, a not-for-profit entity, or the government (including the military). Specifically, this research utilizes the U.S. Department of Education's Baccalaureate & Beyond (B&B) data series, which tracks college and university graduates in the class of 1993. This longitudinal survey asks a number of questions to a nationally representative sample of college and university students who were seniors during the 1992-1993 academic year. The same students answer follow-up questions periodically. In the case of the B&B data, there is information from subsequent questionnaires in 1994, 1997, and 2003. Much of the analysis in this paper focuses on employment in 2003, i.e., ten years after graduation.

Overall Findings

This study shows that the self-employed closely resemble the larger population in many ways. Unlike others who pursue wage-and-salary occupations in the not-for-profit or government sectors, students in the class of 1993 who were self-employed in 2003 were less likely to have earned or be currently enrolled in graduate education. Graduates with social science and "other" majors were more likely to be self-employed. In addition, those individuals who

chose self-employment had shorter job tenures than others, such as those who now work for government or the military.

Highlights

- One's choice of baccalaureate major is a major determinant of eventual mode of employment. The self-employed, for instance, are less likely to have high concentrations of education, engineering, math, or science majors. Business and management majors are more likely to work for a for-profit business, with social science and "other" majors gravitating toward self-employment.

- The self-employed tend to have slightly lower grade point averages (GPAs) than their wage-and-salary peers. Those with higher GPAs are more likely to pursue an occupation in the not-for-profit or government sectors. These sectors have high concentrations of graduates who now work in the health care and education sectors, both of which require advanced or professional degrees.

- While those with greater household income are more likely to become self-employed, the impact is slight. Every \$10,000 in additional income raises the probability of being self-employed by 0.09 percent. In comparison, a \$10,000 increase in salary results in a 2.64 percent higher probability of working for a for-profit firm. Workers in the non-profit and government sectors were associated with lower salaries.

- The self-employed, in greater proportions than the population as a whole, either earn less than \$20,000 or \$100,000 or more. Such a U-shaped distribution suggests the wide variation of career options and financial pay-outs among the self-em-

ployed; some entrepreneurial occupations pay very little while others pay above average.

- Like their for-profit peers, the self-employed in this sample have not been engaged in their current job for long. They are newly entrepreneurial, at least with their current business.

- Prior self-employment in 1997 did not affect whether a student was self-employed in 2003.

- Traditional measures of academic involvement (such as internships, jobs within one's major, merit scholarships, or academic scholarships) or quality (such as tuition or the Carnegie classification of the college or university) did not affect the decision to become self-employed.

- Race, ethnicity, and gender did not play a significant role in determining who would eventually become self-employed. With that said, men were more likely to work for a for-profit entity, whereas women worked in greater numbers in the non-profit sector.

- Students' motivations as a college student closely resembled their eventual employment outcome. For example, those individuals who became self-employed were more likely to state that owning their own business was important to them, and government workers valued job security.

- While these models have some definite conclusions regarding the impact of academic, demographic, and financial indicators, much of the likelihood of a particular employment decision remains unexplained. There are many other motivations for pursuing self-employment (or other options), which are not accounted for here, and future research in this area should explore this issue in more depth.

- The finding that business and management majors were either less likely or not significantly different than others to pursue self-employment should serve as a greater impetus for academic institutions to recognize that the self-employed stem from a wider variety of majors than is perceived by conventional wisdom. It reinforces the relevance of the current drive toward entrepreneurship-across-the-curriculum initiatives, which are becoming more commonplace.

Note

The author obtained access to this data set, which is restricted in its usage because of privacy concerns, after a memorandum of understanding (MOU) was signed between the U.S. Small Business Administration and the U.S. Department of

Education's National Center for Education Statistics. Interested parties can reference MOU control number 0701163, which was signed on January 17, 2007.

Scope and Methodology

The Baccalaureate & Beyond data series is utilized in this analysis. Graduates of the class of 1993 were asked a series of questions during the 1992-1993 academic year and in three subsequent follow-ups. For purposes of this analysis, respondents answered a question in 2003 regarding their current employer. This study observes various differences between four different employment choices—self-employment or working as a wage-and-salary worker in the for-profit, not-for-profit, or the government/military sector. It is a nationally representative sample, and many distinguishing characteristics can be observed by contrasting the four groups. Tables 1 through 7 discuss such differences.

To assist with the analysis, multivariate logit regressions are performed. In each model, the employment outcome (e.g., self-employment, working for a for-profit, etc.) is the independent variable and various dependent variables help to predict whether or not a graduate of the class of 1993 would choose such an outcome. The results of these logit equations appear in Tables 8 to 10.

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