

Three Essays on Female Self-Employment

Chapter 1: “Self-Employment, Workplace Flexibility, and Maternal Labor Supply: A Life-Cycle Model”

In this paper, I estimate the value of self-employment as a flexible work alternative for mothers with young children. Previous evidence has shown that on average, self-employed women have more control over their work schedule, hours and location than wage and salary employed women. I incorporate self-employment into a life-cycle model of fertility and labor supply to assess both the short-term value of self-employment flexibility for mothers who have young children at home and the longer-term impacts of the flexibility on their future earnings. I interpret the differential estimated costs between working in self-employment and wage and salary employment when a woman has young children at home as the benefit of self-employment flexibility.

I find that mothers with preschool aged children place a high value on self-employment flexibility. A partial equilibrium counterfactual exercise suggests that self-employment flexibility encourages married women to continue working when they have young children, which raises the median lifetime earnings of women. Women have higher earnings primarily due to working a greater fraction of their lives, but also see higher earnings as a result of greater levels of work experience. Additionally, I find that workplace flexibility encourages fertility. Overall, my findings offer evidence that inflexible work environments contributes to the gender earnings gap by causing mothers to leave the labor force in response to the high costs of managing work and family.

Chapter 2: “New Evidence on Self-Employment and Workplace Flexibility for US Mothers”

Although labor force participation rates of American mothers have risen in previous decades, women with young children are still more likely than men to reduce their labor supply to manage household responsibilities. The availability of flexible work is an important determinant of these labor supply decisions, which have lasting implications for future labor force participation and earnings. This paper provides new evidence that mothers use self-employment to gain flexibility along multiple dimensions. Using panel data from the Survey of Income and Program Participation, I demonstrate that young children have a positive effect on self-employment propensity that is both statistically and economically significant. The results imply that women are most likely to be self-employed when they have a youngest child between the ages of two and three years of age. I show that the relationship between self-employment and motherhood has not changed appreciably from the 1980s through the 2010s.

In order to provide evidence for one potential mechanism driving the relationship between children and self-employment, I use data from the American Time Use Survey to show that self-employed women appear to have more workplace flexibility along multiple dimensions. I find that the self-employed are more likely to work from home and have much higher variance in their work hours. Women's time diaries suggest that self-employment allows women to spend more time with their children even while working the same number of hours. This increase comes primarily through time spent supervising children, and not through time spent in direct childcare tasks. These results contribute to a deeper understanding of the varied work decisions women with young children make, which will inform policies related to child care, workplace flexibility, and programs to promote self-employment.

Chapter 3: "The EITC and Self-Employment Among Married Mothers"

In my third chapter, Micheltore and I use variation in state level EITC generosity to estimate the impact of the credit on married women's decisions to be self-employed. While the EITC provides a disincentive to work for most married women, previous research suggests that it offers an overall incentive to report self-employment earnings to the IRS when filing taxes (LaLumia (2009)). Using the Survey of Income and Program Participation, we estimate the impact of policy variation in state level EITCs on married mothers' self-employment behavior. We find that increases in the average predicted EITC benefit raise the proportion of married mothers who report positive self-employment hours in the SIPP and decrease the proportion of married mothers reporting positive wage and salary hours.

Our results are consistent with previous evidence suggesting that increases in the EITC lead to lower employment among married mothers, but we provide new evidence that the EITC induces married mothers to change their employment type. Previous work using tax return data has been unable to distinguish between real increases in self-employment activity and increases in reporting of self-employment income. Our estimated positive response in monthly self-employment hours suggests that the EITC induces a real increase in self-employment behavior rather than only a reporting response. This observed shift towards self-employment could arise from an alleviation of credit constraints, a desire for flexible work, or an attempt to maximize the size of the credit through targeted changes in reporting and labor supply.