Working while studying and labor market success: Relatedness of education field and in-school job industry.

Raquel Justo Gonzalez
University of Huelva
Department of Economics
raquel.justo@alu.uhu.es

Adrián L. Mérida Gutiérrez
Copenhagen Business School
Innovation and Organization
almg.ino@cbs.dk

Abstract

1 State of the art
Ever since the work by Lazear (2004, 2005), several authors devoted to the field of economics of entrepreneurship have attempted to test whether entrepreneurs are individuals with a taste for variety and with a general set of skills, i.e. whether they really are jacks of all trades (e.g. ?stebro and Thompson, 2011; Lechmann and Schnabel, 2014). We approach this topic by offering a novel setup in this line of research. In particular, we test to what extent the choice of working while studying can influence both the propensity to become an entrepreneur and the level of entrepreneurial performance. More precisely, we consider the degree of relatedness between the field of studies and the industry of student employment as a measure of taste for variety and general human capital acquisition. To the extent that early experiences have a stronger and more durable impact on individual’s attitudes and behavior (Cunha and Heckman, 2007) studying the level of labor market engagement of young individuals is relevant to understand their future entrepreneurial intentions.

2 Research gap
Several studies have reported that working while studying can decrease academic outcomes and delay graduation, but it may also increase future labor force participation and earnings, especially if the position is connected to the studies (Carr et al., 1996; Geel and Backes-Gellner, 2012; H?kkinen, 2006; Hotz et al., 2002; Ruhm, 1997; Weiss et al., 2014). However, little is known with respect to whether it may also affect the probability of engaging in entrepreneurship. This paper intends to fill that gap by examining the post-graduation entrepreneurial propensity and performance of university graduates who worked while they were studying. In addition, we will further consider the level of relatedness between the education field and the industry of the in-school employment.

3 Theoretical arguments
In our project, we combine insights from the literature on student employment together with the entrepreneurship literature in order to develop our theoretical background. Our main arguments derive from the Jack-of-all-trades theory proposed by Lazear (2004, 2005), which
suggested that individuals with a more varied background acquire a more general set of skills, thus becoming more likely to engage in entrepreneurship. We argue that the decision to work while studying is not simply due to financial constraints to continue studying, but it is plausible that students choose strategically. Thus, not only they choose whether to work while completing their studies, but they also choose whether to work in a job that is related or unrelated to their field of studies. Those who decide to work in related jobs may be looking to specialize in specific tasks, thereby signaling a deeper knowledge than other graduates of the field. In contrast, those who decide to work in unrelated firms may be looking to gather knowledge on a diverse set of tasks, thus enhancing their general skills. If Lazear’s proposition holds, these students should be more likely to be attracted by the idea of establishing their own firms compared to those who worked in related jobs and to those who did not work at all before graduating.

4 Data and methodology
We intend to use the rich dataset from the register of Denmark (the so-called IDA database) to carry out our analysis. With this dataset, we will be able to track university students and to identify those who work before graduation and those who do not. We will also have information on the field of education, as well as the industries of the pre- and post-graduation jobs. However, a number of methodological issues may arise due to, at least, two sources of endogeneity. First, the decision to work while studying is not random, just like the decision to work in a related or an unrelated job. Second, the decision to become an entrepreneur is also not random, and in fact some of the factors that make some individuals more likely to become entrepreneurs may also explain why they decided work or not while studying. Thus, in order to reduce the problem of self-selection we will obtain matched samples of individuals who worked and did not work, as well as matched samples of those who worked in related and in unrelated firms. We intend to obtain these matched groups through Entropy Balancing, which is a novel technique that offers a more satisfying level of balance covariate than traditional matching techniques.

5 Results
Results from this paper would have interesting implications both for the literature and for policy makers. This is an early-stage project, so we unfortunately do not have results yet. We will be working on the empirical analysis for the next month in order to get a first set of results by the time we send the paper to the discussants.
Working while studying: effects on entrepreneurial propensity and performance.

Raquel Justo
University of Huelva – Department of Economics
Enrolment: September 2017   Expected: September 2021
raquel.justo@dege.uhu.es

Note: This is only an extended abstract. The working paper is being produced and will be sent to the discussants as soon as possible.
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References

Åstebro, T., & Thompson, P. (2011). Entrepreneurs, Jacks of all trades or Hobos?. Research policy, 40(5), 637-649.


