

Senior entrepreneurship in Latin America

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Abstract

This research analyzes some factors that influence the decision of the senior population (+50 years) to engage in entrepreneurship activities in a group of Latin American countries. We used data from the Global Entrepreneurship Monitor (GEM) with a sample of 22,139 individual observations. We also used the Human Development Index to seize the level of development. This research finds that some individual factors such as personal income, education, and occupation have a significant influence on the probability of entrepreneurship of senior individuals. The level of human development of a country has a negative influence mainly on opportunity-based entrepreneurs. Our research has policy and practical implications, primarily those related to labor markets and social protection.

Keywords: Senior entrepreneurship, human development index, global entrepreneurship monitor, Latin America.

JEL classification: I38, J14, L26, M13

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1 Introduction

The global population is getting older, with the number of people aged 65 and over surpassing the number of children under five for the first time in 2018. By 2050, the older population is projected to exceed the number of adolescents and young adults. The proportion of older people in the world is estimated to reach nearly 12% by 2030, 16% by 2050, and almost 23% by 2100 (UN, 2019). This aging trend is primarily due to increasing life expectancy and decreasing fertility rates. This is a challenge for welfare systems, such as healthcare and pensions, and the resulting fiscal impact. However, demographic dynamics also present opportunities. A larger working-age population can expand labor markets, and the older population can continue to contribute to productivity and growth. Longer life expectancy increases the need for asset accumulation and savings, which can lead to increased capital and productivity. Additionally, the accumulation of

human capital among older adults can be beneficial to different economic and social areas. The economic contributions of the 50+ age group are significant and can have positive effects on society. The aging population and the challenges faced by the social security system have led to an increase in entrepreneurial activity among older individuals. This group of "senior entrepreneurs" is very attractive not only in academic environments but also to policymakers who need to deal with sociodemographic changes (Palma-Ruiz et al., 2020). However, there is a lack of research on the contextual factors that influence senior entrepreneurship in Latin America, such as the level of development of the countries. This study aims to explore the motivations and sociodemographic variables that determine the propensity of seniors to engage in entrepreneurship, as well as the impact of the Human Development Index on new venture creation. Our research draws on previous studies on senior entrepreneurship in the region and

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introduces an institutional country-level approach.

2 Contexts and conceptualization

Latin America is witnessing a rapid increase in its aging population, with those aged 65 and older expected to more than double by 2050. According to ECLAC (2020), between 2020 and 2025, the dependent population (under 15 years and 65 years and over) will grow more than the population of working age (from 15 to 64 years). The region faces demographic challenges, including an increase in the dependent population and a growing dependency ratio. The question arises whether entrepreneurship can be a viable option for older citizens in Latin America that helps to mitigate part of the demographic challenges.

The study focuses on senior entrepreneurship, defined as entrepreneurial activity among individuals aged 50 and older. This group has the potential to reduce social security payments and contribute to the economic and social development of a country (Kautonen, 2008). Older entrepreneurs have advantages such as greater professional experience, a larger network of contacts, and more developed skills, leading to a higher survival rate for their businesses. They can also create business models focused on social value creation. However, senior entrepreneurs face barriers such as age discrimination, lack of capital and training, and health difficulties. To promote senior entrepreneurship, governments need to implement measures specifically targeted at this group. The motivations for starting a new business can be categorized as opportunity-driven or necessity-driven, but individuals may have multiple motivations or reasons outside of these categories. Opportunity-driven entrepreneurship is more common in high-income countries with better institutions, while necessity-driven entrepreneurship is more common in low-income countries (Amorós et al., 2019). The motivation to start a new business is

important for economic development, with some studies suggesting that opportunity entrepreneurship is more beneficial for innovation and economic growth, while others argue that necessity entrepreneurs can contribute to poverty reduction and social mobility. Senior entrepreneurs are found to be more motivated by opportunity than necessity.

The literature indicates that sociodemographic factors such as household income, occupational status, and education influence senior entrepreneurial intention and action. Higher-income levels contribute to economic motivation, enabling seniors to take more risks and reducing the necessity for entrepreneurship. Senior entrepreneurs often rely on previous professional experience rather than formal education. Occupation, despite potential hindrances, can drive entrepreneurial activity, particularly in the context of limited job opportunities and access to pensions in Latin America.

Finally, some contextual factors, such as a country's level of development, play a significant role in determining entrepreneurial activity. These factors are often seen as moderating forces rather than the main cause, which is attributed to the skills, capabilities, resources, and characteristics of entrepreneurs. Institutional theory examines how the environment and institutions impact individuals' decisions to start a new business. The presence of institutions that encourage entrepreneurship, the economic cycle, the social environment, and the entrepreneurial culture all influence entrepreneurial activity. Research suggests that countries with well-defined formal institutions have higher levels of entrepreneurship (Audretsch et al., 2022). The existence of certain institutional variables, such as accountability, government effectiveness, and rule of law, also directly impacts entrepreneurial activity. Different types of entrepreneurship activities, such as need-based or opportunity-based, require

different types of policies. Additionally, regulations related to property registration and taxation have a larger impact on entrepreneurship compared to other types of regulations. The spatial context, including macroeconomic conditions like economic growth, aggregate demand, and unemployment levels, also affects firm creation. The combination of policies and institutional climate creates pull and push factors that contribute to different types of entrepreneurship. The Human Development Index (HDI) is used to analyze how social and economic variables influence entrepreneurial activity, with higher HDI scores being associated with lower rates of senior entrepreneurial activity (Saiz-Álvarez & Coduras, 2020). However, the relationship between a country's level of development and the rate of senior entrepreneurship is still not fully understood and requires further research.

3 Methodology

The study utilizes data from the Global Entrepreneurship Monitor (GEM), an international project that conducts surveys on various aspects of entrepreneurship. Specifically, the study focuses on the Adult Population Survey (APS) from GEM, which collects information on the characteristics and attitudes of individuals involved in entrepreneurship. The dataset includes a total of 22,140 observations from the seven largest countries in Latin America: Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, and Peru, covering the period from 2013 to 2017. These countries were chosen based on their high GDPs and consistent data availability. Additionally, the study incorporates the Human Development Index (HDI) from the United Nations Development Programme as a measure of the institutional factors impacting senior entrepreneurship. The HDI considers factors such as life expectancy, education level, and per capita income.

Our dependent variables are a subset of the total early-stage entrepreneurial activity indicators, specifically focusing on senior individuals (aged 50-65) who are actively involved in starting or managing a new venture for up to 42 months, in particular: (1) total early-stage entrepreneurial activity by necessity reasons (2) total early-stage entrepreneurial activity by opportunity reasons. The independent variables are individual-level variables obtained from the GEM's APS, including economic income, education, and labor situation. We also utilize the UN's HDI at the national level. We control for various individual variables such as gender, age, perceived entrepreneurial skills, and risk aversion. We also consider the national supportive culture for entrepreneurship. We use multilevel logistic regression to account for the nested structure of the data. We use one model for necessity and one for opportunity-based entrepreneurs. The model examines how different factors influence the probability of entrepreneurial activities.

4 Results

Our results show that higher income levels increase the likelihood of becoming an opportunity entrepreneur and decrease the likelihood of becoming a necessity entrepreneur. Formal education also plays a role in opportunity entrepreneurship, although its relevance varies across different Latin American countries. Having an occupation, whether full-time or part-time, increases the probability of becoming an opportunity or necessity entrepreneur. This may be due to the challenges and limitations of the job market in Latin America, including a lack of good-quality job opportunities and limited access to pensions. The study also finds that the HDI has a negative relationship with entrepreneurial activity, suggesting that as countries develop and improve their HDI, there may be less senior entrepreneurial activity. However, it is important to consider that countries with high levels of institutional development may have higher-

quality senior entrepreneurs who create more social value. To avoid the "HDI trap" and promote opportunity-based entrepreneurial activity among seniors, the study suggests implementing incentives in formal and informal institutions, such as training programs, access to microcredit, tax incentives, and supportive networks. The study concludes by highlighting the non-pecuniary gains of senior entrepreneurship, including validation, mental health and well-being, recognition, and the ability to overcome age discrimination.

5 Conclusions

The historically regulated and informal labor markets in Latin America (Perenyi et al., 2018), coupled with an aging population (United Nations, 2019), underscore the importance of promoting senior entrepreneurship. Governments need to comprehend the nature of senior entrepreneurial activity and establish supportive legal frameworks and policies. Education emerges as a crucial factor, and governments should encourage lifelong education programs related to innovation, entrepreneurship, and financing. Policies should be tailored to each country's specific situation, considering the negative influence of a country's level of development on senior entrepreneurship. Seniors' contributions to household income through entrepreneurship can support younger and older generations, filling gaps in pension systems. The study concludes by emphasizing the non-pecuniary gains of senior entrepreneurship, including validation, mental health and well-being, recognition, and the ability to overcome age discrimination. While the study sheds light on factors influencing senior entrepreneurship in Latin America, it recognizes the need for further research to expand the evidence base beyond the limited set of countries and years analyzed. Understanding the complex interplay of factors and their implications for different cultural contexts and

economies is crucial for informed policymaking and societal well-being.

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