FIRM ENTRY AND PERFORMANCE AMONG OLDER ENTREPRENEURS (SUMMARY)

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Principal Topic

What are the main determinants of entrepreneurship among older individuals? Are older entrepreneurs (usually endowed with more tangible and intangible resources) capable of generating higher firm size and growth than younger entrepreneurs? Continuous improvement in public health and social well-being has been extending workers’ life expectancy and triggering important demographic and socioeconomic trends. Consequently, labor market participation and entrepreneurship among the ageing population becomes a challenge for policy makers and a major research topic for scholars. A number of theoretical and empirical studies have focused on entrepreneurship at older ages; however, different concepts and disconnected theories on the topic still persist. Furthermore, the majority of empirical studies are cross-sectional and few papers focus on transitions into entrepreneurship and entrepreneurial performance among older workers.

This research aims at investigating the entrepreneurial life cycle of older individuals (+50 years), by assessing their likelihood of becoming entrepreneurs and the subsequent performance of their firms in the market, measured through firm size and growth.

Method

Data originates from a matched employer-employee micro data set for Portugal accounting for over 1.5 million individuals and spanning up to 20 years. The analysis draws on occupational choice and human capital theories in order to explain differences between the groups of younger and older individuals.

We track firms and older individuals over time (1986-2009). Yearly data include: gender; age; hierarchy; tenure; education; skills. Firm data is available on size, age, industry. A hazard model of transitions is estimated, with a log-log discrete specification. A Multinomial logit specification is used to analyze the likelihood of being an employer versus a non-employer. Fixed effects and differences-in-differences models are applied to investigate variations in performance (firm size and growth) among different age groups.

Results and Implications

Results show that the probability of switching from paid employment to entrepreneurship is very significant and positively correlated with age. The relationship is ultimately curvilinear, since there is a significant negative effect for the squared value of age. Taking as a reference the absolute sizes of coefficients, our preliminary results show that the effect of age on the probability of switching from paid employment to business ownership becomes negative for individuals who are around 50 years old. Very few studies have developed a systematic approach to senior entrepreneurs. Rigorous research addressing this particular setback is critical for socioeconomic development and the potential for academic and public policy contributions is considerable.

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