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THE IMPACT OF FIRM ENTRY DEREGULATION ON HYBRID ENTREPRENEURSHIP (SUMMARY)

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≈ SUMMARY ≈

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ON HYBRID ENTREPRENEURSHIP**

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Principal Topics

Hybrid entrepreneurship, which describes people who retain their wage employment while starting a business (Folta, Delmar, Wennberg, 2010), gives the possibility of testing a business idea without facing the whole income risk of full-time self-employment. Hybrid entrepreneurs play an important role in economic growth, because they represent a significant share of total firm entry across countries (Minniti, 2010). However, their responsiveness to reforms and their role in public policy has not yet been addressed. We evaluate the entry deregulation policy “System for Rapid Opening of Enterprises” (SARE) in Mexico, focusing on the responsiveness of both hybrid and full-time entrepreneurs.

Method

We use data from the Mexican National Survey for Occupation and Employment (ENOE). Taking advantage of the staggered implementation of SARE throughout Mexico, we analyze its impact between 2009 and 2013 with a sample of 231,000 individuals from the labor force aged 20 to 65.

Results and Implications

We find that after SARE, the increase in the odds of being an entrepreneur compared to not being an entrepreneur is three times higher for hybrid than for full-time entrepreneurs. Hybrid entrepreneurs are therefore more sensitive to entry regulation.

Splitting the effect up on educational attainment, we find positive effects of SARE for the most and least educated people for hybrid and full-time entrepreneurship. However, the strongest effect of the deregulation is found for highly educated hybrid entrepreneurs. Thus, the reduction of red tape possibly enhances lower-quality entrepreneurship by less educated people as found by Branstetter, Lima, Taylor and Venâncio (2014), but also and to a larger extent high-quality entrepreneurship by highly educated individuals pursuing hybrid entrepreneurship. Discouraging their entry by extensive entry regulation might therefore impede innovation and the creation of an entrepreneurial culture in a society, which is in turn a basis for economic growth. Our findings, therefore, suggest that researchers as well as policy makers need to account for the distinctiveness of hybrid entrepreneurs when evaluating and designing entrepreneurship policies.

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