

THE LABOR AND SOCIAL SECURITY IMPACTS OF ELDERLY ENTREPRENEURSHIP

WRSA

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Aging: SS fund exhaustion

- longer retirement life, more demand, workforce shortage

- Social Security Fund exhaustion

SS/fed bdt: 1970--15.5%, 2001--23%

62 + double in 30 yr, nearly all eligible for SS old-age benefits

Forecasts (current policies, the SS Trustees' intermediate assumptions):

- By 2016, OASDI expdtr > OASDI tax inc.
- By 2025, OASDI expdtr > all sources of inc. (taxes +interest)
- 2037, accumulated OASDI trust funds--exhausted; anticipated receipts would cover only about 70% of anticipated expenditures

- Develop seniors' labor force as a policy option

Benefit of Senior Labor

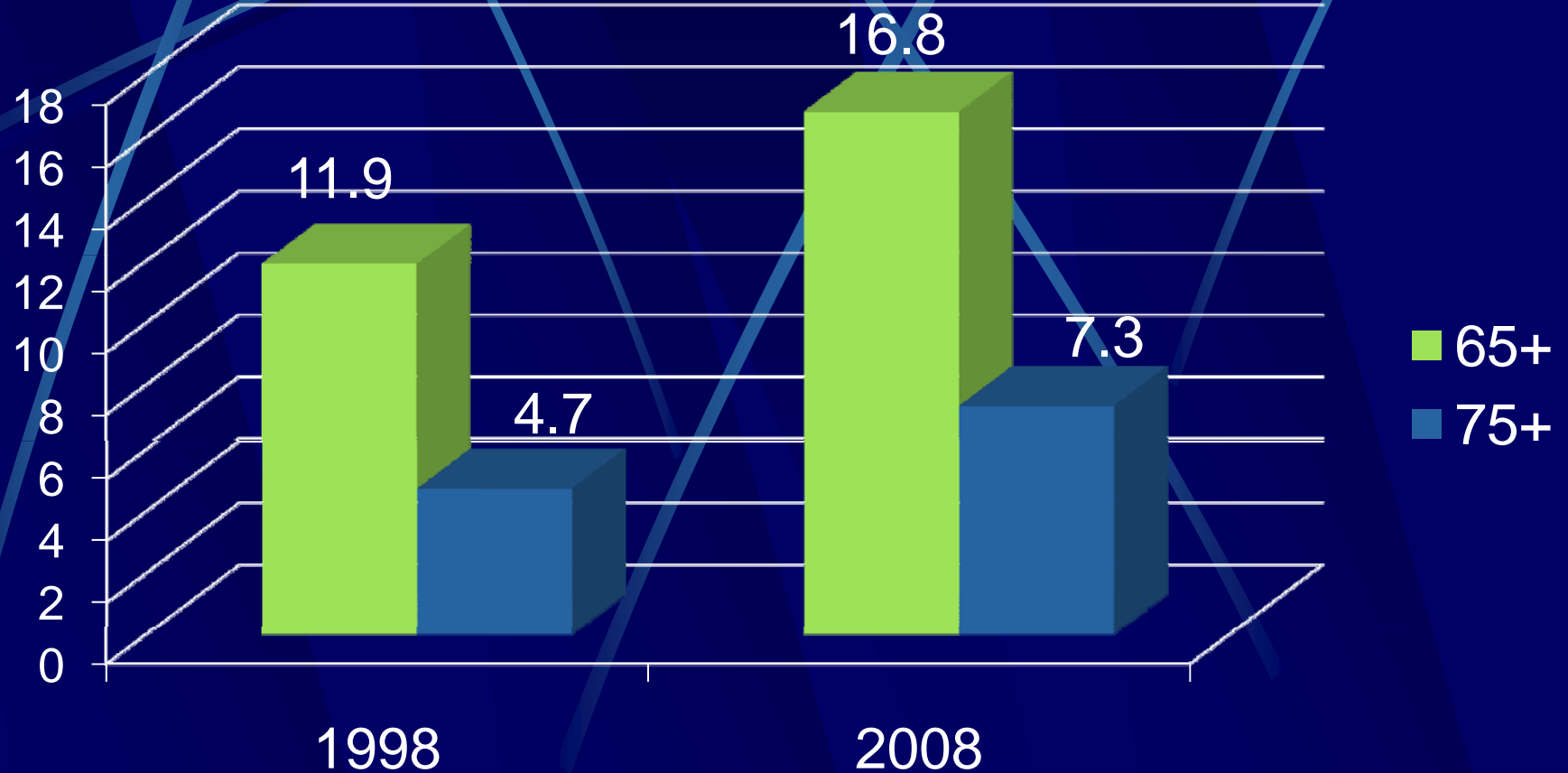
- Short run—

- Help post-retirement life in recession
- Reconnect unemployed seniors (with few gov programs for unemployed seniors)

- Long run—

- Labor force effect
- Social Security effect

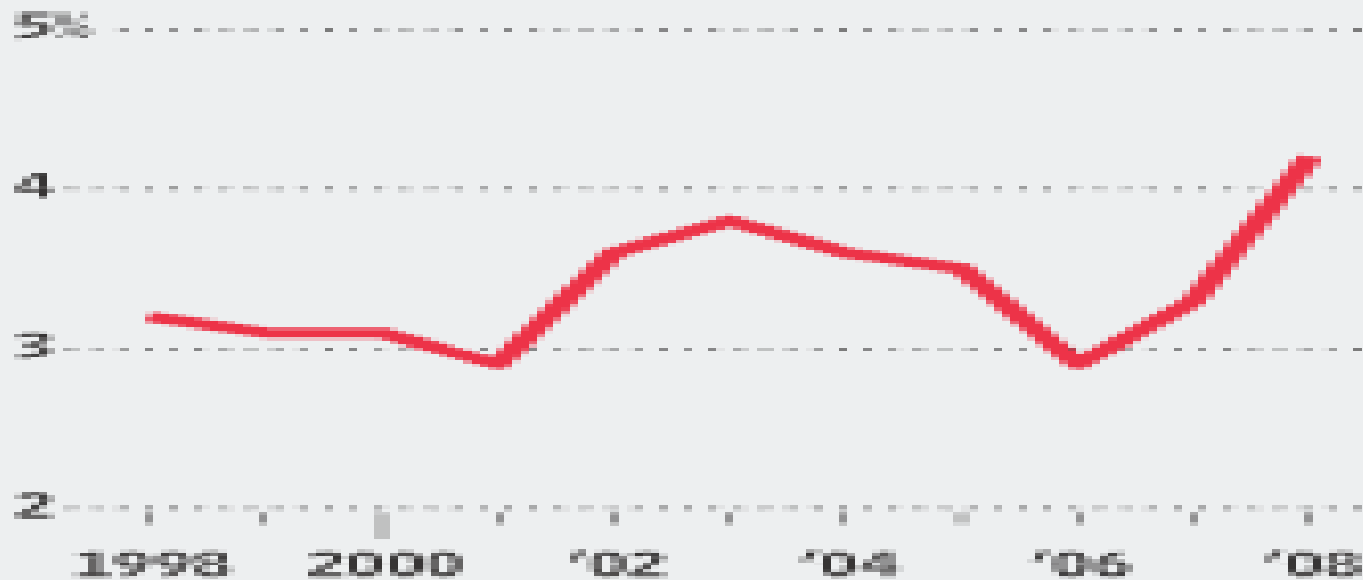
- retirement affordability issue
- % of seniors in the work force



WSJ, Feb 23: Elderly Emerge as a New Class of Workers -- and the Jobless, by ANSBERRY, C.. <http://online.wsj.com/article/SB123535088586444925.html>.

Out of Work

Unemployment rate among workers age 65 and older



Source: Labor Department

Unemployed 75+ increased to 73,000+ in Jan 09, up 46% from Jan 08. 65+ workers, the jobless rate is 5.7% < national average, but well above what it was in previous recessions, including the recession of 1981, when it reached at 4.3%.

Many disincentives to hire seniors, particularly in recession.

Seniors' Occupational Choice

In recession, competition b/w seniors and the young for job opportunities

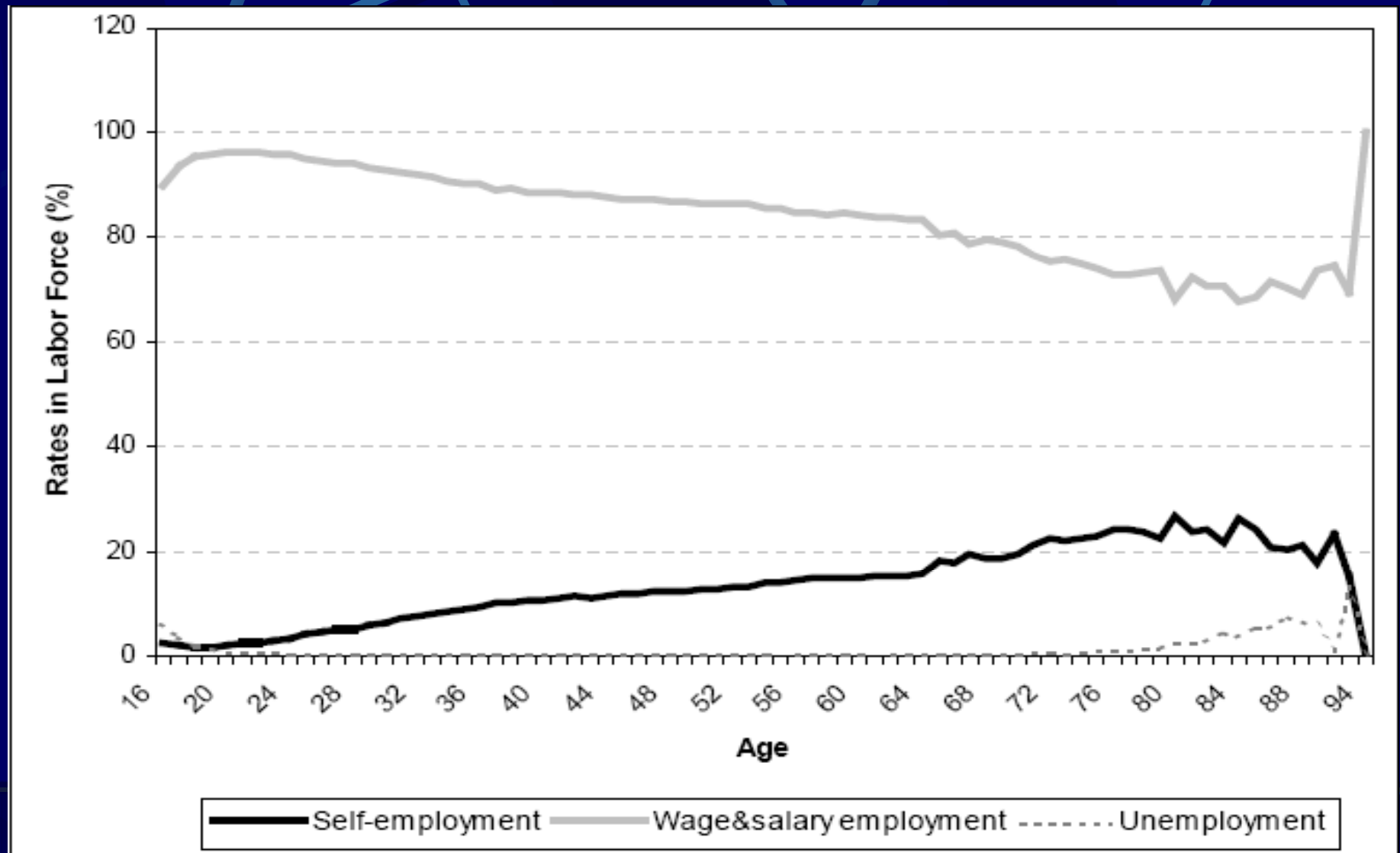
Wage-and-salary job

Vs.

Being entrepreneurs

- Attraction of being entrepreneurs:
 - Time arrangement, flexibility, “phased retirement”, feeling of control,
- Seniors' special HK:
 - cumulated skills, business ties, management skills

Self-employment Rates vs. Wage-&-salary Employment Rates in the Labor Force by Age



Gaps in Current Literature

Fiscal and economic impact of elderly entrepreneurship in an aging economy not addressed

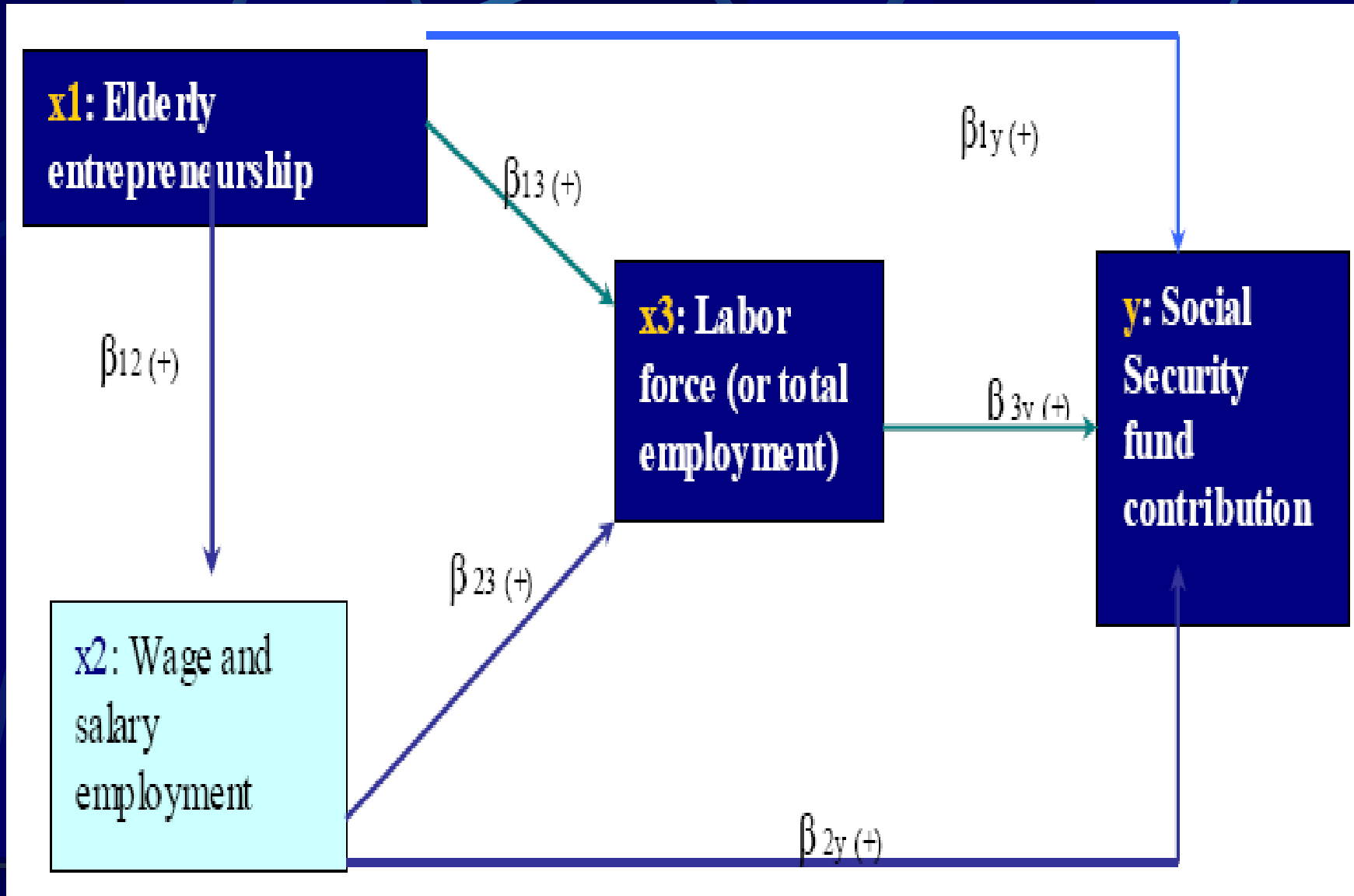
Hypotheses

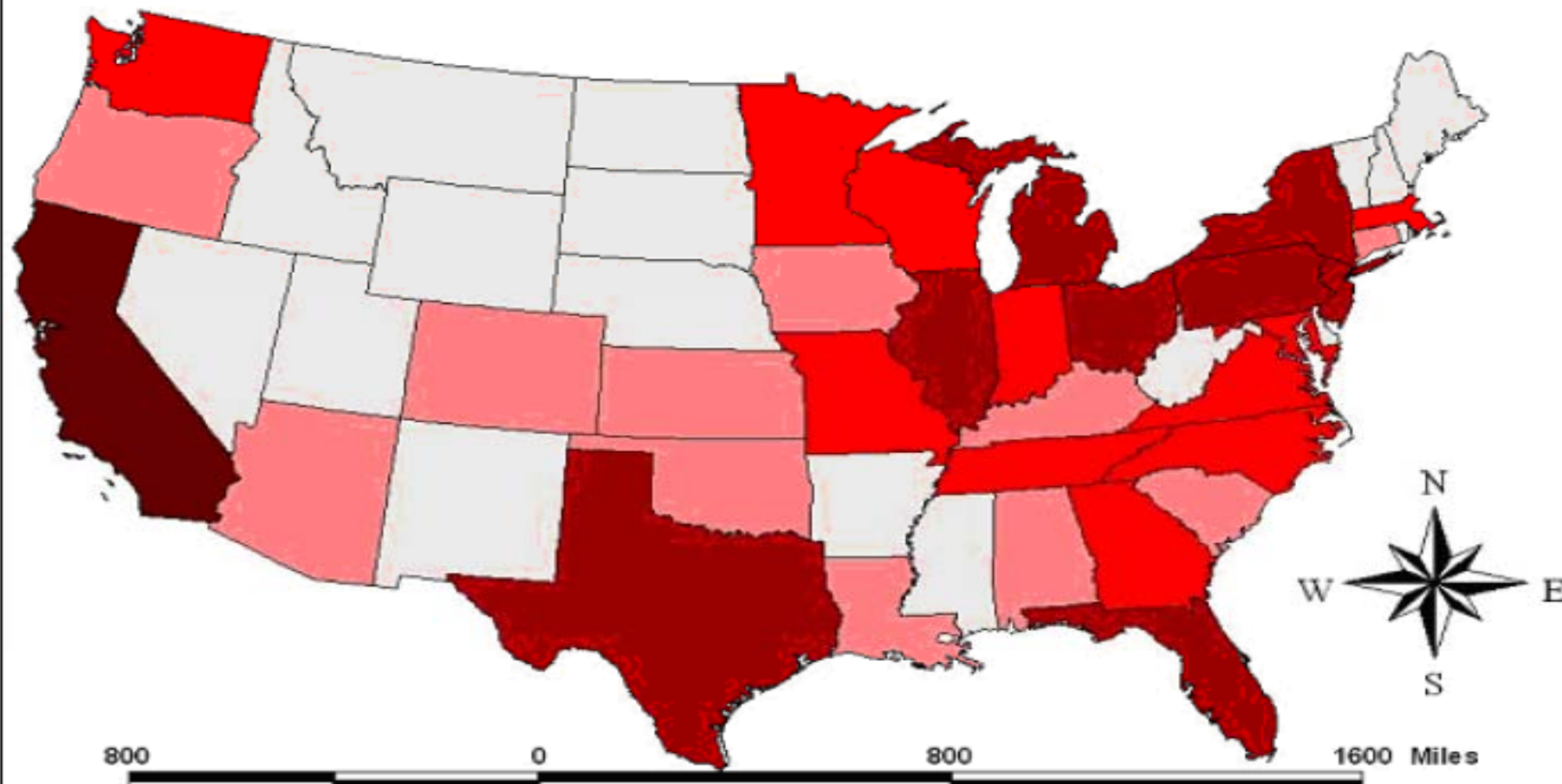
Elderly entrepreneurship has a statistically significant and positive impact on increasing labor force size and Social Security Fund contribution and hence helps alleviate prognostic aging-related labor shortage and Social Security Fund exhaustion

Definitions

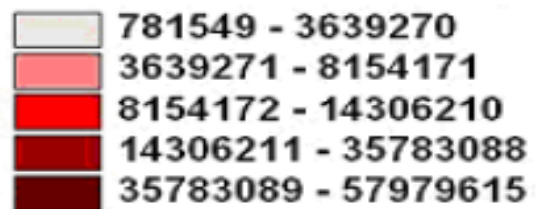
- **Elderly:** 62+ (in this study)
- Previous **Entrepreneurship** measurements:
 - Problem of SE: (1) innovation? (2) incorporated? (3) new startup?—data?
 - R&D underestimate SME—data?
 - Startup: innovation, sustainability, characteristics of business owner?—data?
- **Elderly Entrepreneurship:** knowledge-based unincorporated & incorporated self-employment rate in the labor force --best-available measure an acceptable approximation of entrepreneurship (Evans and Leighton 1989, Blanchflower et al. 2001)

The Path Analysis model

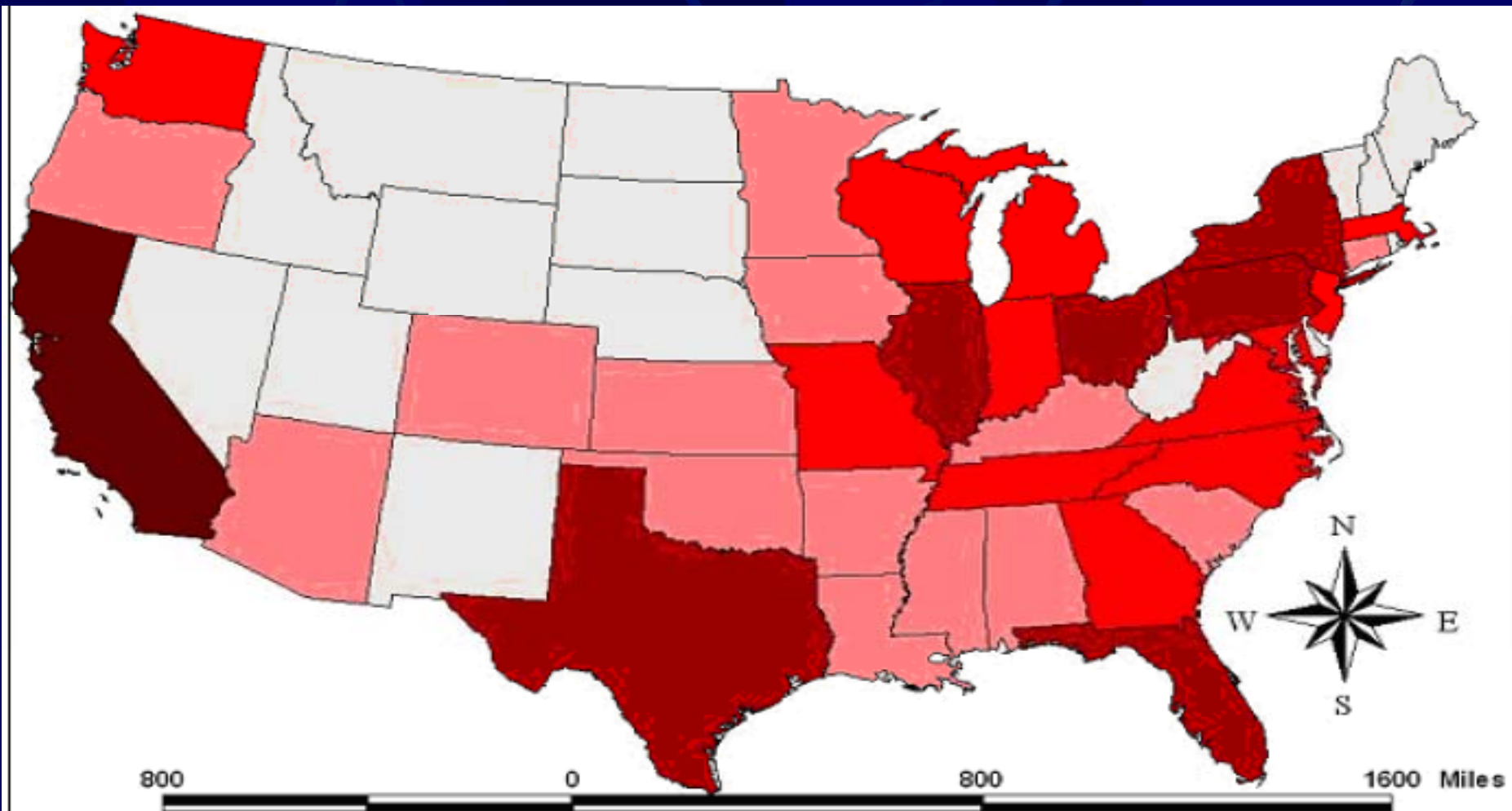




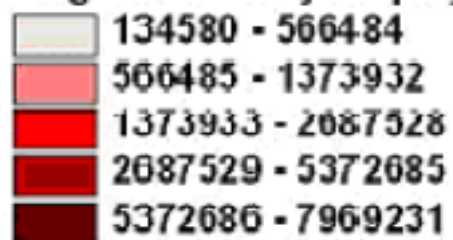
**Social Security Fund Contribution
by State**

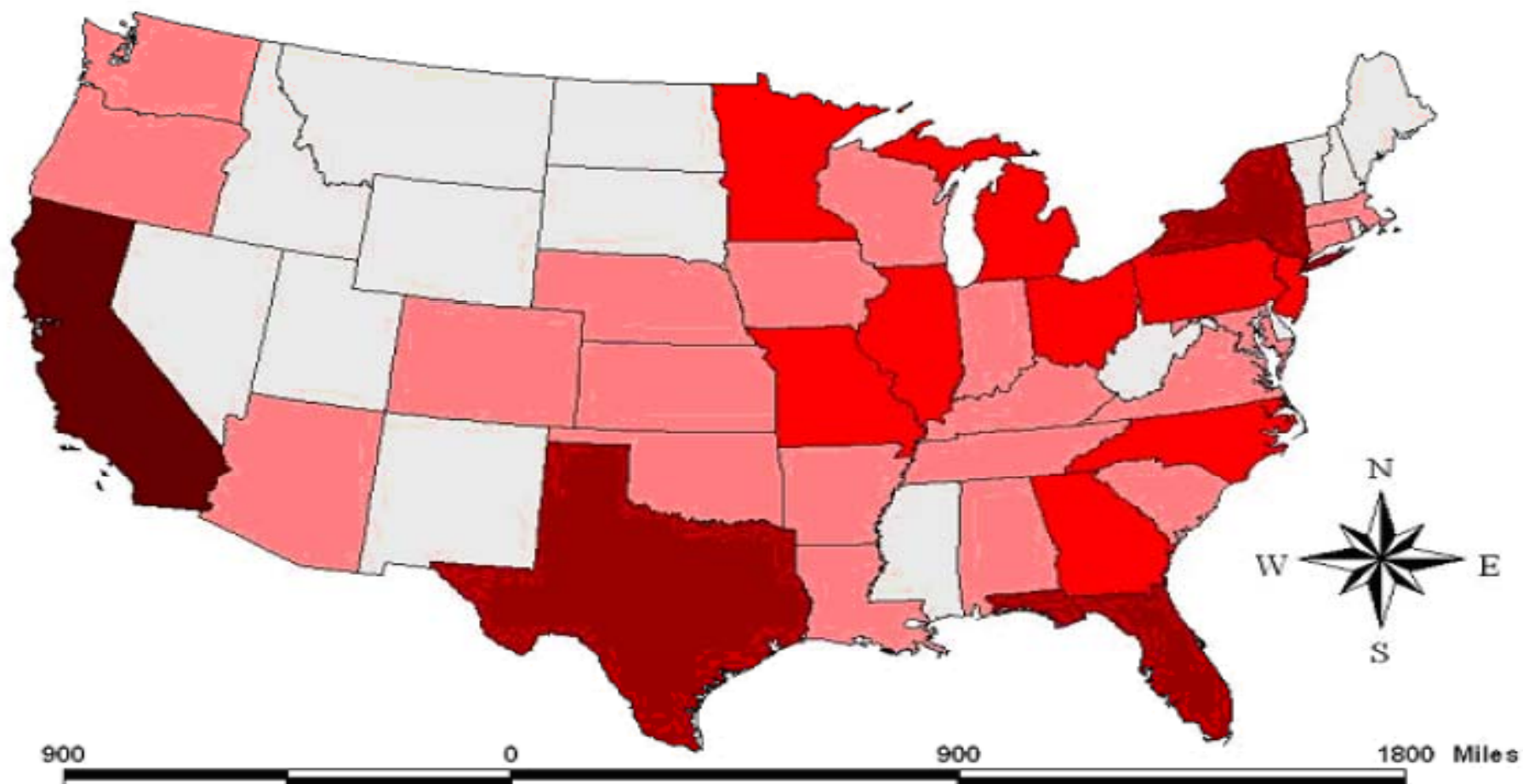




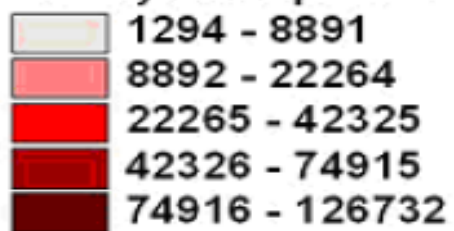


Wage-and-salary Employment by State





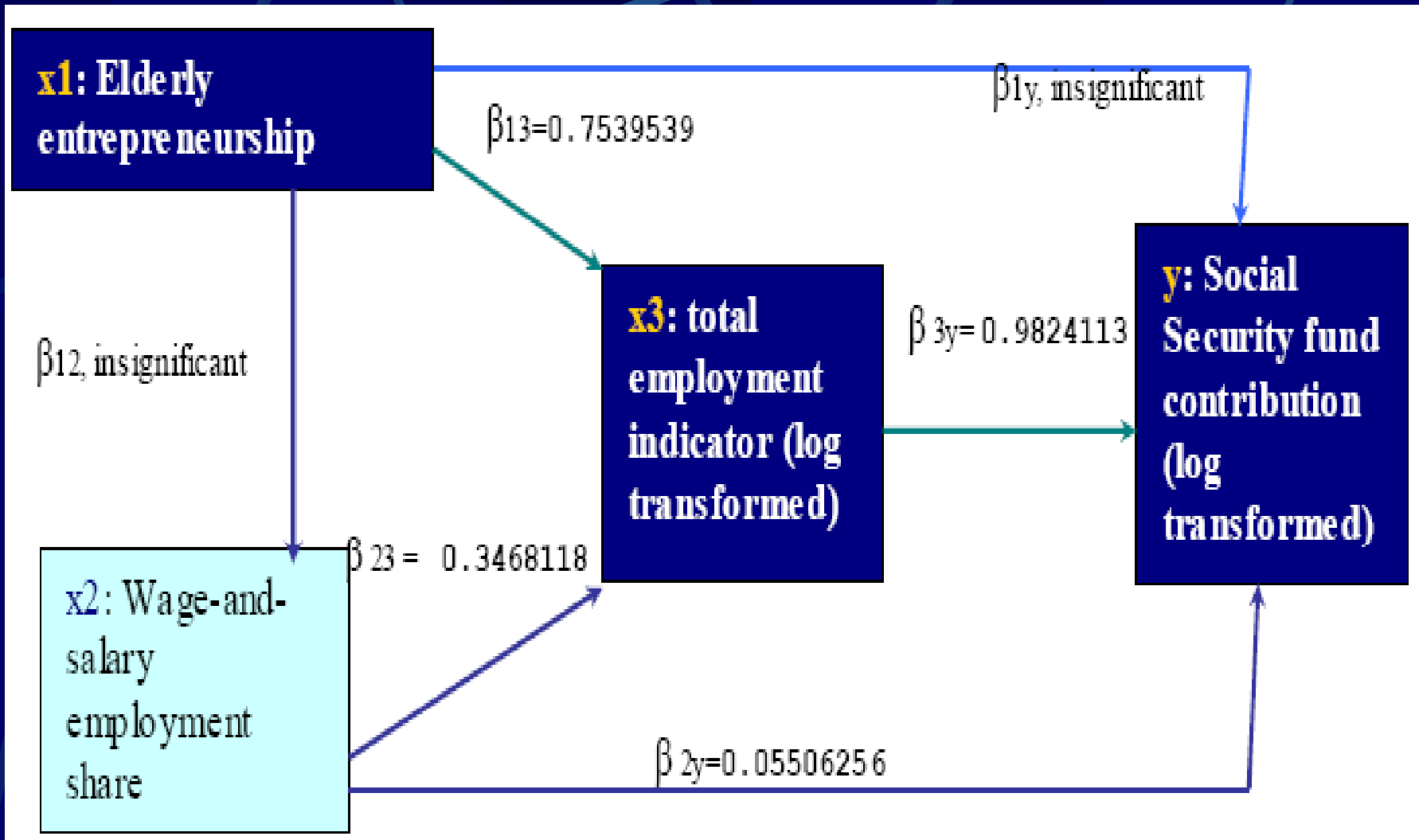
Elderly Entrepreneurs by State



Pearson Correlation Matrix

		Log (Social Security Contribution)	Log (Employment)	% Wage-and-salary employment among Total Employment	# of Elderly entrepreneurs
Log (Social Security Contribution)	Corr.	1	-	-	-
	Sig. (p)	-	-	-	-
	Obs.	51	-	-	-
Log (Employment)	Corr.	0.9913	1	-	-
	Sig. (p)	0.0000	-	-	-
	Obs.	51	51	-	-
% Wage-and-salary employment among Total Employment	Corr.	0.4605	0.4151	1	-
	Sig. (p)	0.0007	0.0025	-	-
	Obs.	51	51	51	-
# of Elderly entrepreneurs	Corr.	0.7768	0.7854	0.0906	1
	Sig. (p)	0.0000	0.0000	0.5273	-
	Obs.	51	51	51	51

Path Analysis Model



Total Labor Effect: 0.7540; ($r = 0.7854$)

Total Social Security Effect: 0.7407; ($r = 0.7768$)

Conclusion

- Elderly entrepreneurship seems to have a strong association with employment participation rate and Social Security fund surplus, based on the empirical tests conducted in previous sections. This situation indicates that enhancing elderly entrepreneurial milieu, provoking more elderly entrepreneurship, and develop a bigger quantity of elderly knowledge-based self-employment (or business owners) would largely generate a higher employment participation rate and a higher Social Security fund surplus.
- Elderly entrepreneurship was found to affect labor force and the size of the Social Security fund. To mitigate the labor force and Social Security crises, implementing policies to encourage elderly entrepreneurship could be an effective strategy.

Policy implications

- Developing elderly entrepreneurship should be treated as a national strategy to effectively mitigate the labor and fiscal crises resulted from an aging population. It is time to seriously consider elderly entrepreneurship as a national strategy for our long-run economy. Efforts could start with treating elderly entrepreneurship as a variable in data collection and forecast projection for Bureau of Labor Statistics, Bureau of Economic Analysis, and Social Security Administration.
- More public attention should be drawn to elderly entrepreneurship and it should be elevated as an important research topic for further studies and practice. Essentially, more research on the topic of elderly entrepreneurship would be the immediate academic efforts to promote elderly entrepreneurship. Research grants, fellowship, conferences, and journal focuses should be directed to this direction to foster more interest and studies. This will fundamentally help to build the elderly entrepreneurial milieu and result in various public attention and policy initiatives.

Areas of future research

- The path analysis presented in this dissertation was intended to be exploratory. Further research could focus on building this model out and adding more complexity to the formulation. To test how senior entrepreneurship could affect the future labor force and fiscal situation, simulation models might be useful.
- It is also important to focus on collecting better, more comprehensive and timely data.. A dataset that has senior business owners' demographic and socioeconomic status and even the basic characteristics of the businesses they own would be the ideal dataset for further exploration of elderly entrepreneurship.

Concluding Remarks

- Seniors' participation in the labor force as entrepreneurs not only has the fiscal contribution to the Social Security Fund or the economic contribution to enlarge the labor pool, but also have a benefit to themselves. Being an entrepreneur not only helps them to achieve those goals, but also gives them more mental fulfillment and financial freedom and flexibility for their own needs and therefore enhances their life satisfaction.
- More public attention and public efforts, including research and practice on enhancing elderly entrepreneurship is necessary and important to address right now. Seniors, after many years' cumulated working experience and skills, often like to share their experience, skills, and insights, which would be mutually beneficial to seniors and the young, eventually beneficial to the whole society.

Concluding remarks (cont.)

- The sooner that the notion of elderly entrepreneurship can be recognized by the general public, the earlier the positive impacts of developing elderly entrepreneurship would show up and the more positive externalities would be generated to our society.