

Entrepreneurship and Economic Mobility: A Case Study of Bolivia

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Abstract

This paper studies the relationship between entrepreneurship, economic mobility and income class in one of the most informal countries in the world: Bolivia. We argue that entrepreneurs should be defined not only by the act of undertaking a business venture but also by the motivation to pursue a profit opportunity and show that both, tenure profiles and mobility premiums in hourly and monthly labor earnings, reveal that not all people who provide employment for themselves are pursuing a profit opportunity. On the contrary, most self-employed workers (own account and cooperative) began a business venture only to have a job and earn a living, and only for a handful self-employed workers who create at least one source of employment (employers), a salaried job in the formal sector is not unambiguously a superior alternative. Once we identify a set of “true” entrepreneurs, we use panel and pseudo panel data to analyze their economic mobility relative to other types of self-employed workers and to paid-employed workers. Our estimates of time (in)dependence parameters show that employers are much more mobile relative to other occupations in the labor income distribution but as mobile as salaried workers in the overall per-capita household income distribution. In other words, employers have, on average greater unpredictability of labor income but a more stable aggregate household income. Using this estimates to analyze their upward/downward positional mobility and their long run income-class we find that employers are much more likely to move upward and end-up in the upper class in both, labor and overall income distributions. Finally, we show that, despite their significantly different mobility patters, employers do not display striking differences in their socioeconomic profile relative to their counterparts in other types of self-employment except in two particular covariates: school attainment and wealth.

Keywords: self-employment, entrepreneurship, economic mobility, time dependence, positional mobility, income class, Bolivia.

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