

## Entrepreneurship in the third age: data from Russia

### Предпринимательство в третьем возрасте: данные из России

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#### Abstract

The purpose of the study was to analyze the features of early entrepreneurial activity in the third age, to assess the dynamics of its change in recent years in Russia and the projected values for the future. The study examined the advantages and disadvantages of early entrepreneurship in the age group, estimated its levels for the period from 2013 to 2018, compared business activity in Russia and a number of large economically developed countries, and proposed a forecast of the potential number of start-up entrepreneurs, taking into account current trends. The results of surveys conducted during the Global monitoring of entrepreneurship and the corresponding national report on Russia, as well as official information from the Federal state statistics service, reflecting the population size by age groups and demographic forecast, were used as initial data for the study.

**Keywords:** early entrepreneurship, third age, Russia, pre-retirement and retirement age, population aging, forecast

#### Аннотация

Целью исследования являлся анализ особенностей ранней предпринимательской активности в третьем возрасте, оценка динамики ее изменения за последние годы в России и прогнозируемых значений на перспективу. В процессе исследования были рассмотрены преимущества и недостатки раннего предпринимательства в возрасте, оценены его уровни за период с 2013 до 2018 года, проведено сравнение предпринимательской активности в России и ряде крупных экономически развитых стран, а также предложен прогноз потенциального количества начинающих предпринимателей с учетом имеющихся тенденций. В качестве исходных данных при проведении исследования использовались итоги опросов, проводившихся в процессе Глобального мониторинга предпринимательства и соответствующего национального отчета по России, а также официальной информации Федеральной службы государственной статистики, отражающей численность населения по возрастным группам и демографический прогноз.

**Ключевые слова:** раннее предпринимательство, третий возраст, Россия, предпенсионный и пенсионный возраст, старение населения, прогноз

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## Introduction

The entrepreneurship sector in Russia has also developed significantly in recent years. This is evident from many scientific papers, including next articles (Kiseleva et al., 2019; Pinkovetskaia et al., 2019a; Pinkovetskaia et al., 2019b; Pinkovetskaia et al., 2020).

Demographic trends in the aging of the Russian population determine the need for a new state policy in the field of employment of the population of pre-retirement and retirement age. It is necessary to understand that every year the need for the national economy to use the labor of such people, their competencies, knowledge and experience will increase. Stimulating their employment is one of the goals of «Strategy for actions in the interests of older citizens in the Russian Federation until 2025» (2016). At the same time, three main tasks should be solved: ensuring the income of people of the third age, using their labor potential in the interests of the country's economy, as well as socialization of these people.

The third age occurs when the first age (childhood, youth, study) and the second age (active work, child rearing) end. The beginning of the third age in most studies varies between 50 and 60 years (Gimmon et al., 2018). The third age in economically developed countries can last from 10 to 30 years. The peculiarity of this age, as part of the life path of people, is their ability to independently meet their various social, psychological, personal and economic needs. The aging population and the increasing share of people of pre-retirement and retirement age, which is typical for Russia, cause significant interest in the problems of people of the third age. The situation is complicated by the socio-economic consequences of changes in the pension legislation, and in particular by the expected increase in unemployment, as indicated in article (Kashepov, 2019). The experience of foreign countries shows that there are wide opportunities to continue working careers of people belonging to the third age, on the basis of encouraging them to create their own businesses, that is, to become entrepreneurs (Kautonen, 2008).

Third-age entrepreneurs have specific characteristics, face other obstacles, and require different support than younger entrepreneurs (Gelnik et al., 2018). That is why the development of measures to support such entrepreneurs and assist them requires an understanding of the phenomenon of third-age

entrepreneurship. This determines the relevance of the analysis of patterns inherent in early third-age entrepreneurship in Russia, which this article is devoted to. The main attention is paid to the advantages and disadvantages of early entrepreneurship of the third age and assessment of the current level of this business in our country. The term early entrepreneurship refers to the activities of people who are actively involved in creating their own business or have already created it and have been working for less than 3.5 years. At the same time, we are talking about both business owners and individual entrepreneurs.

## Literature review

The literature notes a number of potential social and economic benefits from encouraging self-employment in the third age, ranging from extending the working life of older people by providing them with a flexible alternative to organizational employment and reducing unemployment in the third age and promoting social integration of older people (Kautonen et al., 2013). In addition, in (Abrosimova, 2011; Botham & Graves, 2009), it is argued that third-age entrepreneurship can increase the innovative potential of the economy by implementing the human and social capital of old people. The increase in the number of people in older age groups indicates that in the future more of these people will be able to participate in business activities and use an alternative (compared to wage labor) opportunity to earn money (Kibler et al., 2012). In addition, it was suggested that due to the increase in life expectancy, a significant number of new businesses will be created by third-age entrepreneurs. In (Zhang, 2014), attention is drawn to the fact that entrepreneurship in comparison with employment can provide greater flexibility of production schedules, lack of constant control and freedom of planning their activities. Flexibility is particularly important for some people who have to take care of elderly, sick relatives and provide care for grandchildren. People on the verge of retirement may view small-scale business activities as a positive way to maintain their activity, thereby increasing their social integration.

Some issues of third-age entrepreneurship in Russia were considered by researchers on the example of certain regions of country. Thus, the article (Potekhina & Chizhov, 2016) based on research in the regions of the Central Federal

district of Russia shows that due to the lack of the necessary number of vacancies in the labor market for older people, the most active part of these people become early entrepreneurs. In (Smirnova, 2019), attention is drawn to the expected significant increase in the influx of early entrepreneurs of older age groups due to the increase in the retirement age in Russia after 2019. The article (Popova & Zorina 2016) presents the results of a sociological survey on the problems of the third age in the municipalities of the Komi Republic, which showed that only 1% of the population has its own business. A questionnaire survey of the population of the Republic of Karelia showed a significantly higher level of entrepreneurship in the third age - 2.8% (Karginov-Gubanova et al., 2018).

The analysis of the published works allowed us to draw a conclusion and showed that the conducted research did not pay enough attention to the regularities typical for early entrepreneurial activity of people of the third age in Russia.

### **Theoretical foundations and methodology**

The purpose of our study was to analyze the characteristics of early entrepreneurial activity in the third age, to assess the dynamics of its change in recent years in Russia and the projected values for the future. The study included four stages. At the first stage, the advantages and disadvantages of early entrepreneurship of the third age were considered. At the second stage, we assessed the levels of early entrepreneurial activity for the period from 2013 to 2018 in Russia. At the third stage, a comparative analysis of business activity in Russia and a number of large economically developed countries was carried out according to data for 2018. At the fourth stage, the potential number of start-up entrepreneurs in Russia for the future up to 2035 was assessed. Early entrepreneurial activity at the age of 65 and older, as shown by the study (Bates, 1995) is very small. The conclusion that citizens under 64 years of age are quite active in economic and social terms and continue to work is also made in the Strategy of actions in the interests of older citizens. Therefore, in our study we evaluated the early indicators of entrepreneurship in this age group. As indicators, we considered the proportion of start-up entrepreneurs aged 55 to 64 years in the total adult population of this age. The results of surveys conducted in the process of Global monitoring of entrepreneurship (2019), the National report on Russia (2017), as well as official information of the Federal state statistics service (2020) of Russia on population size by

age groups and demographic forecast were used as initial data for the study.

There are three aspects that determine the relevance of the problem of third-age entrepreneurship in Russia. The first aspect follows from the General trend of population aging and reduction of labor resources, so every year the need for the country's economy to use the production activities of older people will increase. Official statistics confirm the trend of population ageing and show that it has been going on for many years. In comparison with 1979, the number of people aged 55 to 69 years in 2018 increased by 78%, while the total population in Russia increased by only 7%. The second aspect is related to the existing difficulties in employment of the population of pre-retirement and retirement age. Results of random opinion polls of citizens approaching retirement age job seekers as a major obstacle to employment in the third age, was identified as the lack of vacancies in enterprises and organizations (45.2%), insufficient level of wages (23.0%), inappropriate working conditions (13.7%). The situation has worsened at the moment, due to the increase in the legally established retirement age in accordance with the reform, as well as the presence of negative stereotypes regarding the employment of older citizens among employers. The third aspect is determined by the desire of pensioners to extend their working life. The reasons for this may be both the need to increase disposable income, and to maintain social activity as long as health allows. This is described in detail in the article (Kolesnikova, 2019), which indicates that in Russia, working in the third age not only has a positive impact on a person's well-being, but also contributes to the preservation of their social status and prestige in the family. This article also concludes that the composition of the socio-demographic group of the third age does not remain constant. Every year, the share of people with higher education is steadily increasing, which is important, since these people predominate in the number of potential entrepreneurs.

There are several obvious advantages of early entrepreneurship in the third age. These include:

- using the experience gained by these entrepreneurs over a long working life, which would have been lost if it had not been reinvested in the economy;
- providing additional income to those people who could not create a pension that meets their needs;

- flexible alternative to employment to ensure an attractive work-life balance;
- a positive way to maintain your activity and increase your integration into society.

Let's take a closer look at the potential benefits of entrepreneurship for third-age people. Modern knowledge of such entrepreneurship suggests that age is in many cases a stimulating factor in creating and maintaining successful businesses. In contrast to young entrepreneurs, these people tend to have more work experience, thanks to which they can develop more complex technological and technical projects that require deep knowledge. The large professional capital accumulated during their working career can be used in their own business. In addition, connections acquired from previous jobs can help you mobilize resources, gain support, and establish viable business relationships while you are setting up your own business. Technical and managerial skills, as well as industry knowledge gained during career growth, can help entrepreneurs work successfully. For example, managerial experience can help avoid the pitfalls that those with less business experience can fall into. Many people need more flexibility in their work schedules and freedom than wage labor can offer. Flexibility is particularly important for some people who have to take care of elderly, sick relatives and provide care for grandchildren. Entrepreneurship provides flexibility in their work and allows them to perform such duties. The ability to find a balance between work and other responsibilities can be an important factor for third-age entrepreneurs.

As barriers that stand in the way of third-age entrepreneurs in research, we can note:

- reduced learning abilities;
- low adaptation to frequent changes in the environment;
- deterioration of state of health;
- difficulties in getting start-up grants;
- lack of education that meets modern requirements.

Successful early entrepreneurship is also limited by age-related prejudices and negative stereotypes. They can undermine the positive attitude of third-age people to starting a business. To overcome negative stereotypes, you need approval from the family and friends of the beginning entrepreneur. They are the closest to a person and are most able to influence their attitude to entrepreneurship. In addition, it is important that a person believes in their abilities and capabilities as an entrepreneur.

Independent entrepreneurial activity allows, in our opinion, to realize significant potential opportunities for people of the third age and to overcome the above barriers.

### Results and discussion

At the first stage, the analysis of the dynamics of early entrepreneurs aged 55 to 64 years in recent years was carried out. Table 1 shows data on the population between the ages of 55 and 64 in Russia, the proportion of early entrepreneurs of this age, and the number of such entrepreneurs. The corresponding calculations were made based on the information provided in the report on the Global entrepreneurship monitoring project, the National report (2017), and official statistics in Russia.

**Table 1.** Characteristics of the population and early entrepreneurs aged 55 to 64

Years	Population, thousand people	The proportion of early-stage entrepreneurs, %	Potential number early-stage entrepreneurs, thousand people
1	2	3	4
2013	19072	9.9	1888
2014	19583	7.6	1488
2016	20538	4.3	883
2018	20832	2.0	437

Note: Developed by the authors on the basis of official statistics

The data shown in column 2 of table 1 present that the population aged 55 to 64 years increased significantly (by 1.7 million people) between

2013 and 2018. Analysis of the information provided in the third column indicates a steady decline in the share of early entrepreneurs in the

total population of Russia. Despite the growth of the population, the total number of start-up entrepreneurs has decreased significantly over the past years (4.3), as can be seen from the data provided in the fourth column of the table. Let's consider the main reasons for this phenomenon. The main reason for the sharp decline in early entrepreneurial activity in the third age is, in our opinion, the crisis in the Russian economy, which manifested itself in 2015. The crisis was associated with a decline in economic activity, a reduction in production and consumption, and inflation. It led to a decrease in real incomes, a drop in demand, and restrictions on financing and investment (Bulletin, 2015). Accordingly, the needs of the population for goods and services of the business sector have decreased, and the work performed by entrepreneurs for large corporations and enterprises, as well as for state and municipal organizations, has decreased. All this has had the greatest impact on third-age startups due to their limited competitiveness. In addition, it should be noted that financial-credit, leasing and other structures are wary of beginning entrepreneurs of this age. Along with the crisis, the decrease in the number of third-age entrepreneurs is due to the increasing requirements to business from state bodies (tax, Supervisory, administrative). The need to issue a large number of documents that are not directly related to the professional competencies of entrepreneurs, many of which are quite difficult

to issue, significantly complicate the activity. Using third-party specialists is quite expensive. Mastering all the necessary knowledge, given the short duration of the proposed activity (planning horizon), many of the potential entrepreneurs seem irrational. Taking this into account, one part of potential start-up entrepreneurs stops their attempts to create their own business, and the other part prefers to conduct their activities without official registration. As indicated in the study (Burov, 2019), the analysis of the business sector in Russia has shown that in the current economic, legal and institutional conditions, the activities of entrepreneurs in recent years have become ineffective. Therefore, many entrepreneurs transfer their activities to the shadow sector of the economy to reduce this negative impact. At the same time, in certain types of activities, such as repair and construction work, transport, personal and social services, and rent, the shadow economy in Russia reaches up to 50% of production.

At the second stage of the work, we compared the levels of early entrepreneurial activity between the ages of 55 and 64 in Russia and foreign countries. Table 2 shows the corresponding values for a number of foreign countries. It presents data on the 11 largest national economies included in the report on the Global entrepreneurship monitoring project for 2018.

**Table 2.** Early entrepreneurial activity between the ages of 55 and 64 in foreign countries, %

Country	Early-stage entrepreneurial activity, %	Country	Early-stage entrepreneurial activity, %
Italy	2.1	Great Britain	6.2
Germany	2.4	India	6.9
Japan	2.6	Canada	9.3
France	4.0	Brazil	9.7
Spain	4.7	USA	10.4
China	5.1	Average	5.8

Note: Developed by the authors

The information shown in the table presents that the values of early entrepreneurial activity in the age category from 55 to 64 years for the countries under review are in the range from 2.1% to 10.4%. That is, there is a significant differentiation of these values. In developing countries (China, India, and Brazil), the share of start-up entrepreneurs in the total population is higher than in most economically developed countries. The high level of early third-age

entrepreneurs in the United States and Canada is due to the recent trend in these countries to develop self-employment, including for additional income in the pre-retirement and retirement age.

Comparison of the data in table 2 with the values of early business activity in Russia shows that in 2013 and 2014, Russian indicators exceeded the average value for the countries under

consideration. In 2018, the level of entrepreneurial activity in Russia was lower than in all the foreign countries considered, which indicates that there are significant problems in the development of third-age entrepreneurship in Russia.

Based on the demographic forecast developed by the Federal state statistics service, we evaluated the potential number of start-up entrepreneurs for the future up to 2035. The results of this assessment are shown in table 3. Three variants

of the forecast (low, medium and high) are presented in accordance with the three variants of the demographic forecast. The proportion of early stage entrepreneurs in total population age group 55 to 64 years low variant is set at 2018 in Russia. This indicator for the average version of the forecast is adopted at the level of the average value for foreign countries (table. 2). The share of early entrepreneurs in the high version of the forecast was adopted at the level of 2013 in Russia.

**Table 3.** Characteristics of the population and potential entrepreneurs

Years	Population, thousand people	The proportion of early-stage entrepreneurs, %	Potential number early-stage entrepreneurs, thousand people
1	2	3	4
The low variant of the forecast			
2025	22436	2.0	449
2030	22936	2.0	459
2035	23540	2.0	471
Average forecast option			
2025	22561	5.8	1309
2030	23249	5.8	1348
2035	23978	5.8	1391
High variant of the forecast			
2025	23019	9.9	2279
2030	24394	9.9	2415
2035	26168	9.9	2591

Note: Developed by the authors

The data shown in table 3 suggest a significant number of prospective early entrepreneurs in the future. Given the trend of ageing of our population and reducing its workforce, without these entrepreneurs will fail in the future to ensure employment in pre-retirement and retirement age, the replenishment of the national budget and increasing real incomes. Therefore, in our opinion, it is necessary to create prerequisites and implement measures aimed at developing entrepreneurship in the third age not lower than the average version of the forecast given in table 3 when developing programs for the development of the Russian economy in the medium and long term.

### Conclusion

In order to overcome the problems in early third-age entrepreneurship in Russia and solve the problems identified In the Strategy for the

development of small and medium-sized businesses (2016) and the Strategy for actions in the interests of older citizens, it seems appropriate to develop and implement a set of measures to provide state assistance and support to beginning third-age entrepreneurs, taking into account the characteristics of such entrepreneurs. The specified complex should include the following activities. Financial support for entrepreneurs, including the allocation of grants and subsidies, exemption from income tax after retirement age and reduction of the level of social payments, providing guarantees for loans. Property support, i.e. gratuitous rent of premises and land plots that are in state or municipal ownership. Information and consulting support based on the development of appropriate systems that operate both online and in government departments that specialize in helping entrepreneurs and providing them with up-to-date information, as well as providing assistance

in the form of professional advice. Educational support, which includes the development of special programs and free training of third-age entrepreneurs, taking into account their characteristics. Encouraging entrepreneurs of pre-retirement and retirement age to leave the shadow economy, especially the self-employed, by providing them with various tax benefits based on the specifics of the type of activity in which they specialize. The development of corporate entrepreneurship, i.e. the transfer within the company or organization for outsourcing certain works and services executed by our professionals of the third age. However, such activities can be carried out as needed on a flexible schedule.

The practical significance of the study is related to the use of the information obtained in the activities of government authorities and the business sector of the national economy. The results obtained can be used by public authorities to develop a policy for the development of third-age entrepreneurship based on the age structure of the population in Russia and its individual regions. For beginning entrepreneurs of the third age, information about the factors that influence the ability to create a business is of interest.

The new knowledge obtained can be used in higher and secondary educational institutions, as well as in improving the skills of employees of government departments that are related to the regulation of entrepreneurship in our country.

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