

Demographics and Entrepreneurship: Mitigating the Effects of an Aging Population

edited by Steven Globerman and Jason Clemens

Entrepreneurship is widely acknowledged as the basis for innovation, technological advancement and economic progress—and subsequently, a driving force for improved living standards. Yet there's little discussion, let alone action, among governments in Canada to stem the adverse effects on entrepreneurship of demographic change, specifically, the aging of our population.

Most of us are generally unaware that as our population ages, the share of the population best positioned to be successful entrepreneurs—individuals in their late-20s through to their early-40s—will shrink. People in this age group drive entrepreneurship because they are both willing to take risks to start their own business while also possessing real-world business experience, which increases the likelihood of success.

The share of Canadians between the ages of 30 and 39 has already declined 16.6 percent since the 1980s, and is expected to decline by another 11.4 percent by the 2040s. In that time, there has also been a corresponding decline in the rate of small business start-ups, a key measure of entrepreneurship. This is not a uniquely Canadian experience. Almost all industrialized countries have seen declines in small business start-ups.

While there's little that governments can do to halt the aging of their populations, a number of policy initiatives could strengthen the incentives for entrepreneurship and improve the likelihood of successful new business start-ups. This book, which contains essays by leading scholars in Canada,

the US and Europe, explores some of the possible policy reforms that will promote and improve entrepreneurship.

Key among potential policy reforms is tax relief, both in the form of reductions in marginal tax rates for individuals and



Demographics and Entrepreneurship: Mitigating the Effects of an Aging Population

*edited by
Steven Globerman and
Jason Clemens*

[Click here to read the full report](#)



businesses and reductions (or even the elimination) of capital gains taxes. These reforms were broadly determined to strengthen the incentives for people to start and grow businesses (i.e. take risks) and expand the pool of entrepreneurial capital.

Other key potential reforms include reducing red tape to make it easier to start new businesses and grow existing ones, changes to banking and financial regulations that would make it easier for entrepreneurs to access the financial capital needed to start and grow their businesses, and policies encouraging increased immigration of individuals

with skills and other attributes that make them potential entrepreneurs.

The various policy initiatives to encourage entrepreneurship put forth by scholars in the essay series will apply to different countries in varying degrees. It's clear, however, that developed countries, including Canada, face a long-term decline in entrepreneurship that is at least partially driven by demographics. Since demographic trends cannot be easily reversed, countries will have to improve the environment in which entrepreneurs and businesses operate, to encourage more and better entrepreneurs.

Governments can't do much about demographics, but they can improve the incentives for entrepreneurs.

