

Chapter 68

Institutions, Gender, and Entrepreneurship in Latin America

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ABSTRACT

This chapter seeks to explore the institutional effects on the probability of becoming an entrepreneur, for both women and men, among a low-income level population, in the context of Latin American countries. By using institutional economics, it is hypothesized that personal autonomy, membership of an art or music organization, membership of a religious organization, and secondary educational environment have a positive effect on the probability of becoming self-employed, for both female and male. The World Values Survey (at individual level) and the World Development Indicators (at country level) provide the main information to empirically assess the influence of institutions on low-income self-employment. The findings from probit models suggest that personal autonomy, membership of an art or music organization, and secondary educational environment are factors defining the context in which women and men become entrepreneurs. Public strategies regarding gender equality are discussed.

INTRODUCTION

Latin American countries have been overcoming income inequality problems since the early 2000s, although some issues persist mainly because of the short-term capacity of public policies (Amarante, 2016; Székely & Mendoza, in press). Cord et al. (2017) argued that inequality reduction stagnated after the economic crisis. According to these authors, people in lower income deciles tend to be more affected

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by the stagnation. Among other problems, the persistence of inequality increases informality among firms and workers (La Porta & Shleifer, 2008, 2014), as well as gender disparities (Deere et al., 2012; Larraz, 2015). To solve these problems, many strategies have been discussed (e.g., education, access to labor market, business regulation, etc.); particularly, there has been an increasing interest in understanding how entrepreneurship policies may help to reduce existing inequalities within society and generate long-term economic development (Aparicio et al., 2016b). Although there are studies that have suggested that policies associated with entrepreneurial activity should focus only on high added value businesses (Arshed et al., 2014; Shane, 2009), other scholars have argued that the type of entrepreneurship does not matter; public policies should encourage a variety of entrepreneurs since they all contribute to social and economic outcomes (Acs et al., 2016; Welter et al., 2017).

It has been argued that entrepreneurship is especially useful for competitiveness and for the alleviation of poverty in emerging economies, since entrepreneurial activity has become an alternative to participation in the labor market in these countries (Bruton et al., 2009, 2013). In this sense, the solution to some of the main social problems in developing countries (i.e., inequality and low income levels) requires a strategy that considers all people, from the bottom to top of the pyramid, as well as gender equality associated with entrepreneurship (Hughes et al., 2012; Klyver et al., 2013; McMullen, 2011). Here, the role of not only male but also female entrepreneurs could generate a social transition to improve standards of living (Bruton et al., 2013; Gatewood et al., 2009).

As Bruton et al. (2010) suggested, the way entrepreneurship may affect social and economic outcomes depends on the institutional context that the entrepreneurs are embedded. Particularly, some scholars have analyzed how institutions may affect entrepreneurial activity in general (Aidis et al., 2008; Aparicio et al., 2016a), and among women and men (Hughes et al., 2012; Noguera et al., 2013, 2015; Welter & Smallbone, 2008). Along with other scholars, these ones have suggested that there is a scarcity of evidence in developing countries; this evidence is needed to discuss the contributions of effective public policies. Thus, this chapter seeks to explore the institutional effects on the probability of becoming an entrepreneur for both women and men from low-income populations in Latin America. By using institutional economics (North, 1990, 2005), it is hypothesized that institutions such as personal autonomy, membership in an art or music organization, membership in a religious organization, and secondary education environments have a positive effect on the probability of becoming self-employed for both females and males. Based on information from the World Values Survey (WVS) during the period of 2011–2014, this chapter applies different probit models to understand those factors affecting such probabilities for both female and male entrepreneurs. The results support the idea that even though there are gender differences, policies related to some institutions (e.g., personal autonomy, membership in an art or music organization, and secondary education environments) may reduce the gap between women and men in low-income deciles in Latin America and improve their standards of living.

The rest of the chapter is structured as follows. Section 2 presents the theory of institutional economics and posits the main hypotheses. Section 3 explains the methodology employed to assess the theoretical hypotheses through probit models. Section 4 presents and describes the results, and Section 5 provides a discussion in terms of public policies. Finally, Section 6 concludes and comments on some future research lines.

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