



University of Sussex

Business & Management

# Seminar series

**Date:** Wednesday 6 February

**Speaker:** Alex Coad (Sussex), Julian Frankish (Barclays), Richard Roberts (Barclays) and David Storey (Sussex)

**Title:** Is enterprise a route out of Deprivation?

**Abstract:** This paper poses the beguilingly simple question of whether entrepreneurship constitutes a valid economic opportunity for those living in deprived areas. Is it a route out of deprivation? This is an important question since, if this link can be demonstrated then, if individuals living in those areas are made aware of the opportunities provided by entrepreneurship, they may be more willing to choose this option

Our starting point for answering this question is to draw upon the simple economic model of entrepreneurship [Blanchflower and Oswald, 1998]. This assumes individuals switch into entrepreneurship from another form of economic activity or inactivity when the returns to entrepreneurship exceed those from any other “state”.

The key contribution of this paper is to provide both novel and clear definitions of “entrepreneurship” and of “returns”, and then to use these definitions to address the central question of whether entrepreneurship is a “route out of disadvantage”. Its definition of “entrepreneurship” is that of being a business owner. Its definition of “returns” is whether the business owner is more likely than an otherwise similar non-owner to move location, over a five year period, to a geographical area in which house prices are higher. It infers that, for reasons we explained in the paper, moving house from a neighbourhood classed as deprived, to one classed as less deprived, reflects an improvement in their economic circumstances.

The evidence presented is based on two Barclays Bank datasets from England for the years 2006 and 2011. The first comprises 473,094

individuals who were aged 18-64 and owners of active, non-agricultural, businesses in May 2006. The second are 386,174 individuals within the same age range who were employees in either 2006 or 2011. For all individuals we know their gender, age, region and the deprivation rank of the area in which they live. These variables are used as controls when both groups of individuals are compared in 2006 and in 2011.

We show business owners in the most deprived areas of England are both more likely to move and, if they do move, significantly more likely to see an improvement in their residential address than otherwise similar non-owners in those areas. This suggests there may be merit in the government providing modest encouragement for its policies to promote enterprise amongst those living in areas of disadvantage.

However we also find that business owners in the most prosperous areas of England were also significantly more likely to have made an improvement in the location of their housing by 2011 than otherwise similar non-owners. Indeed, after controlling for a range of factors, we find that it is those already living in the most wealthy decile in 2006, that are the disproportionate beneficiaries of business ownership.