

# Entrepreneurs and workers



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14.73

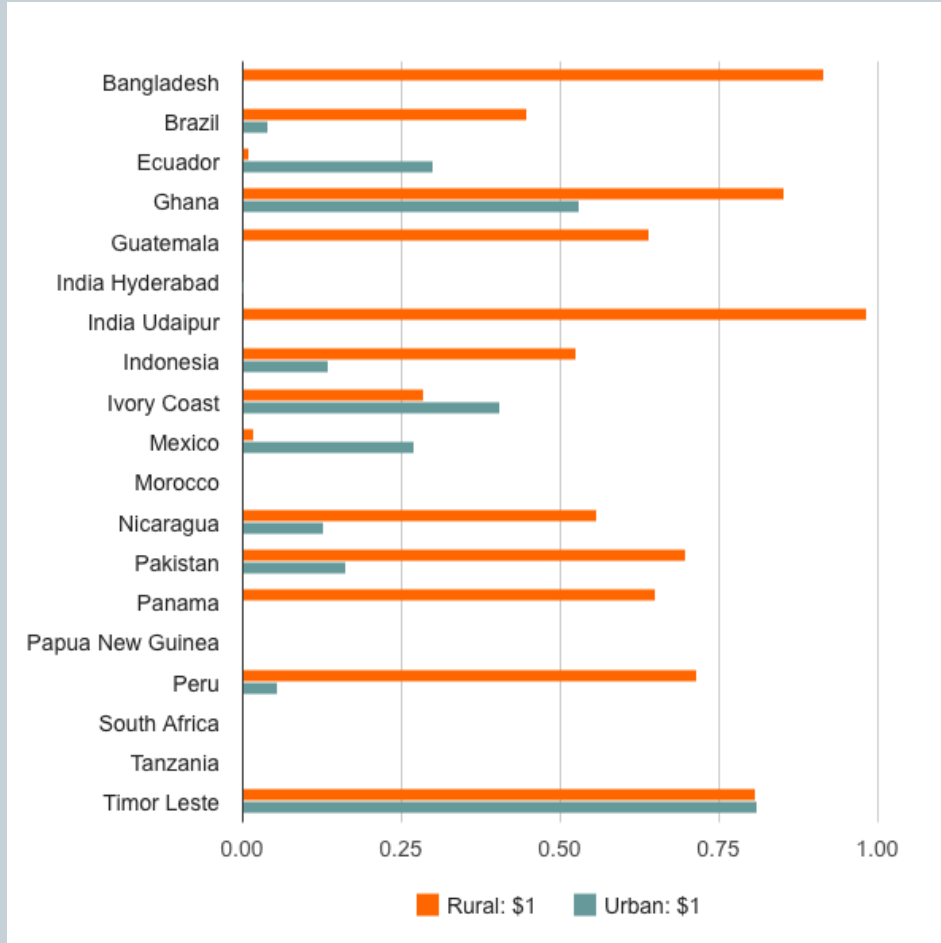


# Lots of entrepreneurship among the poor

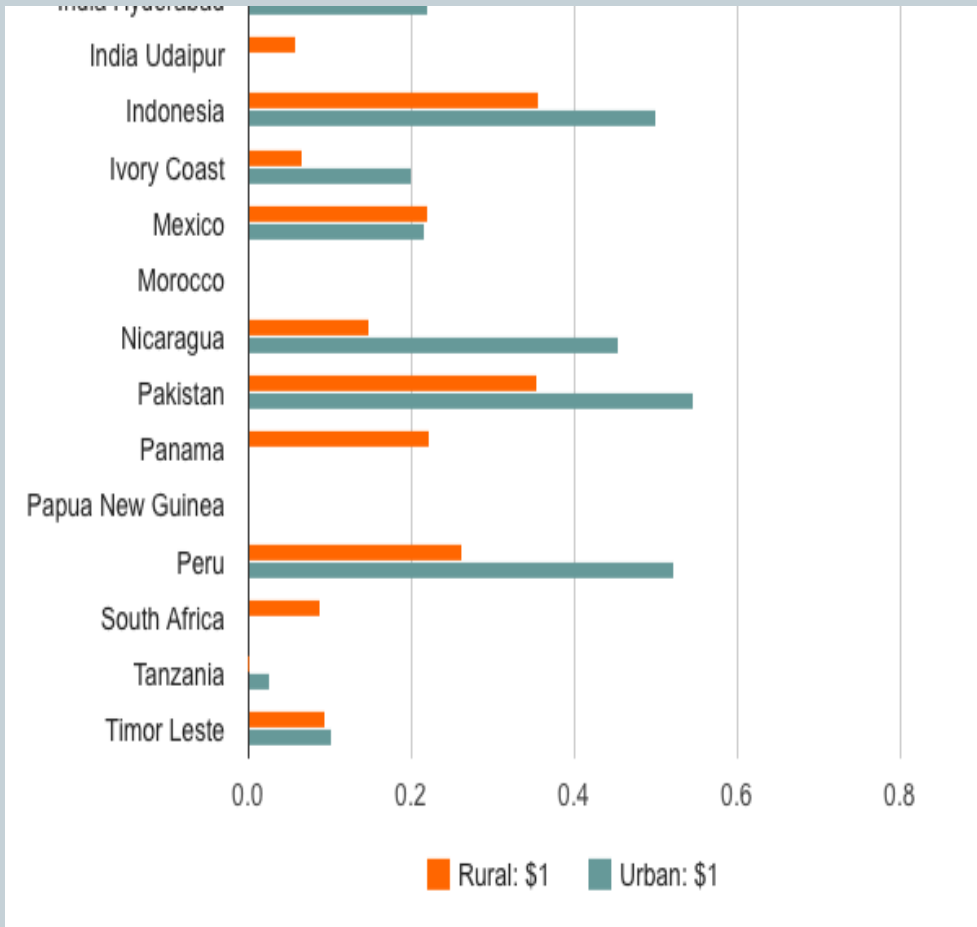


- Who is an entrepreneur?
  - ?
  - ?
- Examples
  - ?
- 12% of people in the OECD describe themselves as self-employed
- The corresponding fraction among the poor is much higher.

# How many households had at least one person self employed in agriculture?



# How many households have at least one person self-employed in non-agricultural work?



# Why is this surprising?



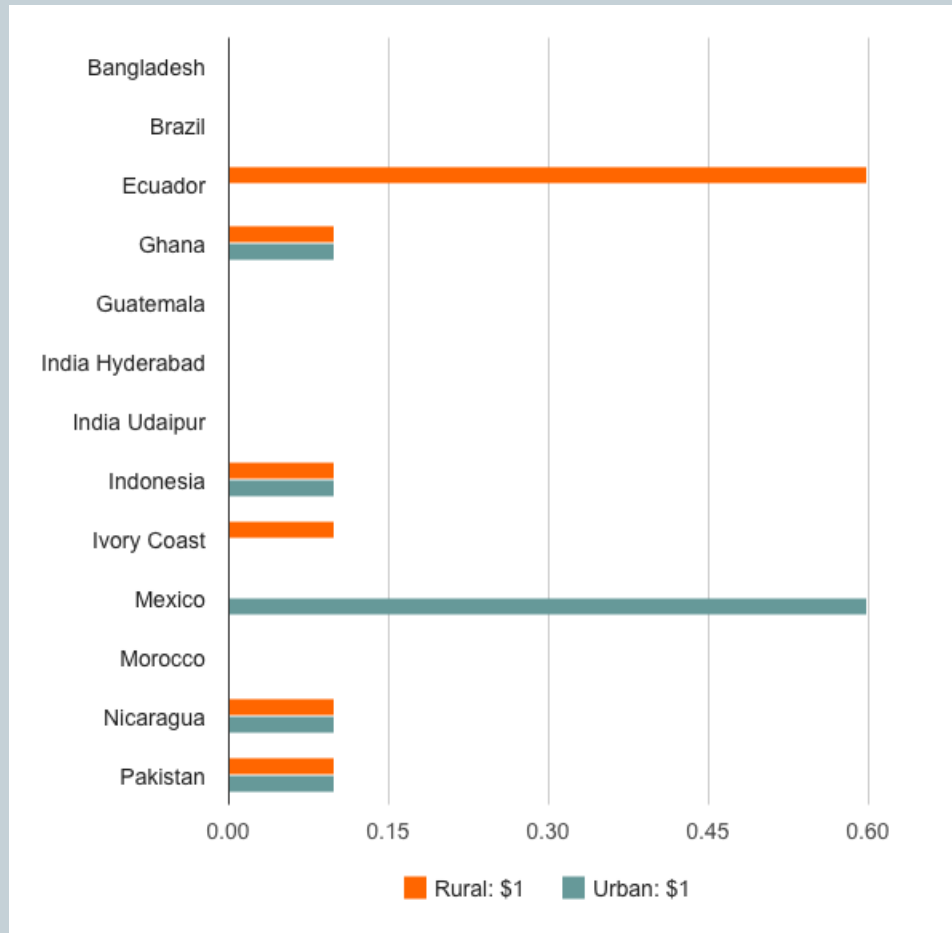
- What are disadvantages of the poor with the respect to entrepreneurship
  - ?
  - ?
  - ?
- What are advantages of the poor with respect to entrepreneurship?
  - ?

# “Natural Entrepreneurs”

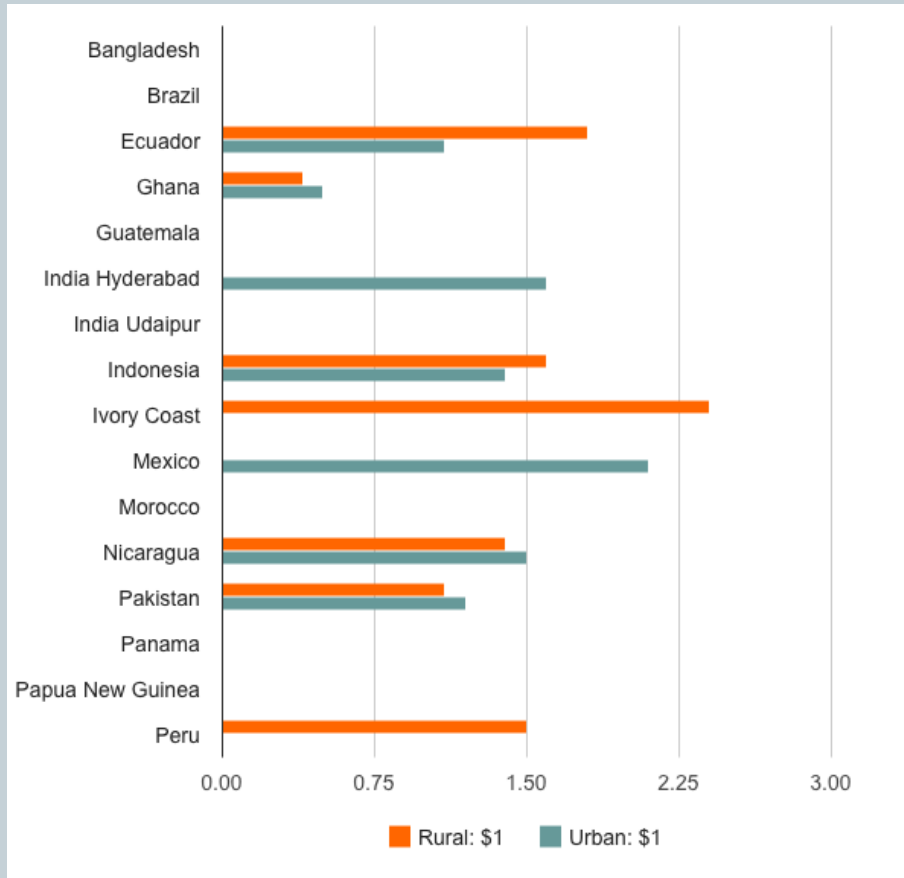


- Does this mean that the poor are natural entrepreneurs?
- What do we know about the businesses of the poor?
  - Size
  - Type
  - Multiplicity
  - Durability
  - Aspirations

# How many paid employees do these businesses have?

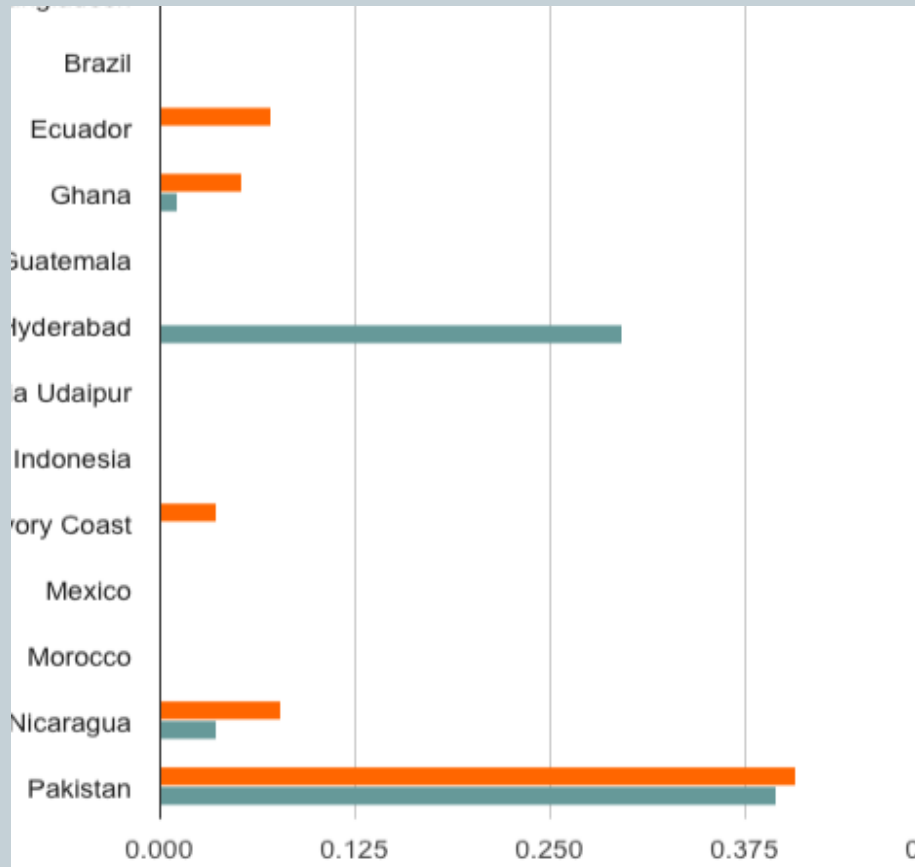


# How many total employees do these businesses have?

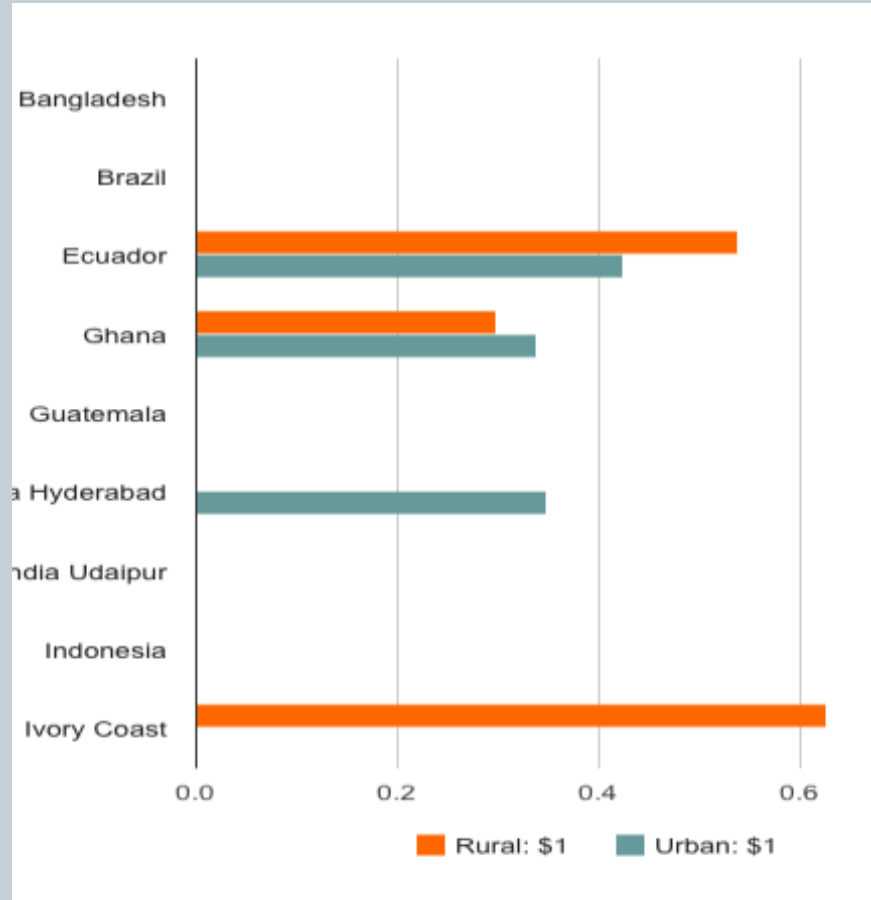




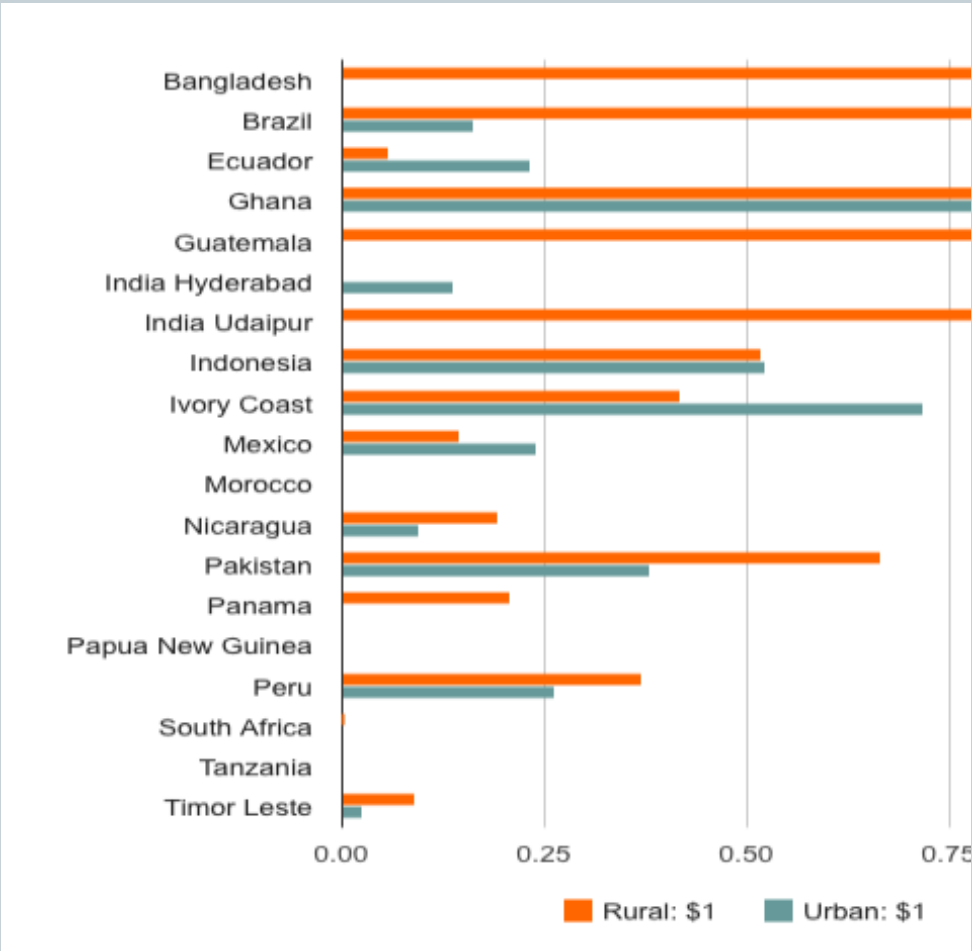
# What percent of businesses own a vehicle?



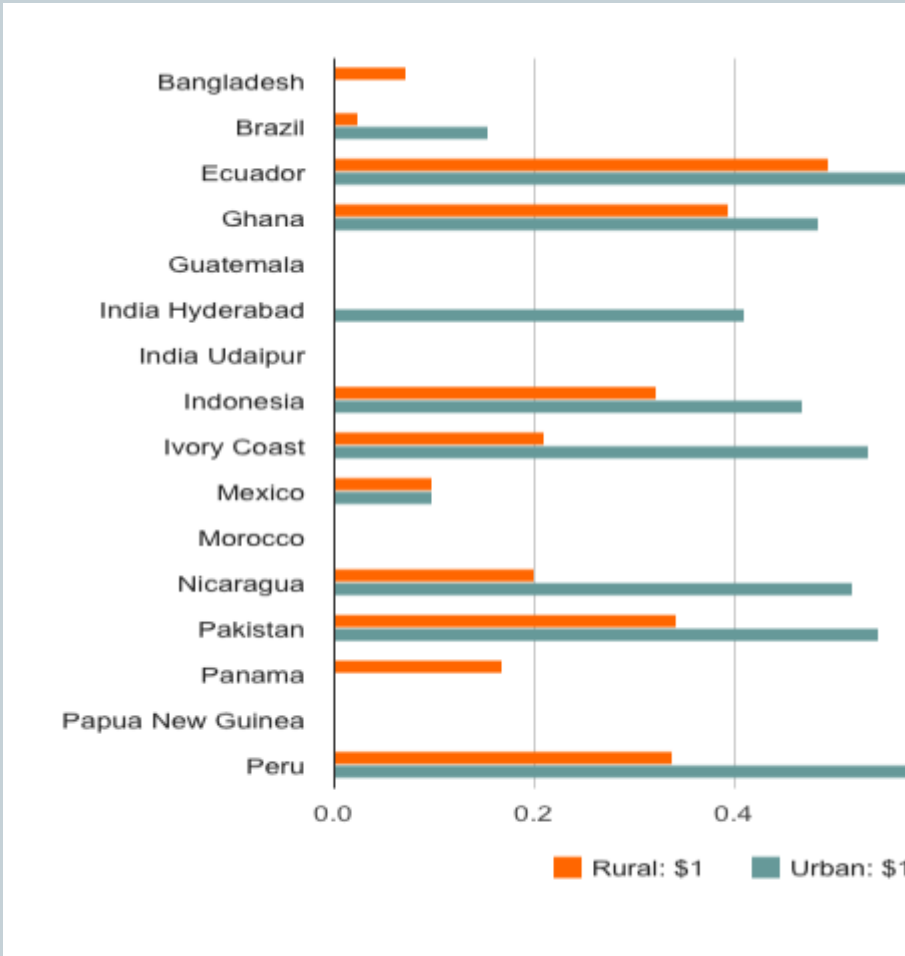
# What percent of businesses own some machines?



# How many households receive income from multiple sectors?



# How many poor households have at least one non-agricultural business?



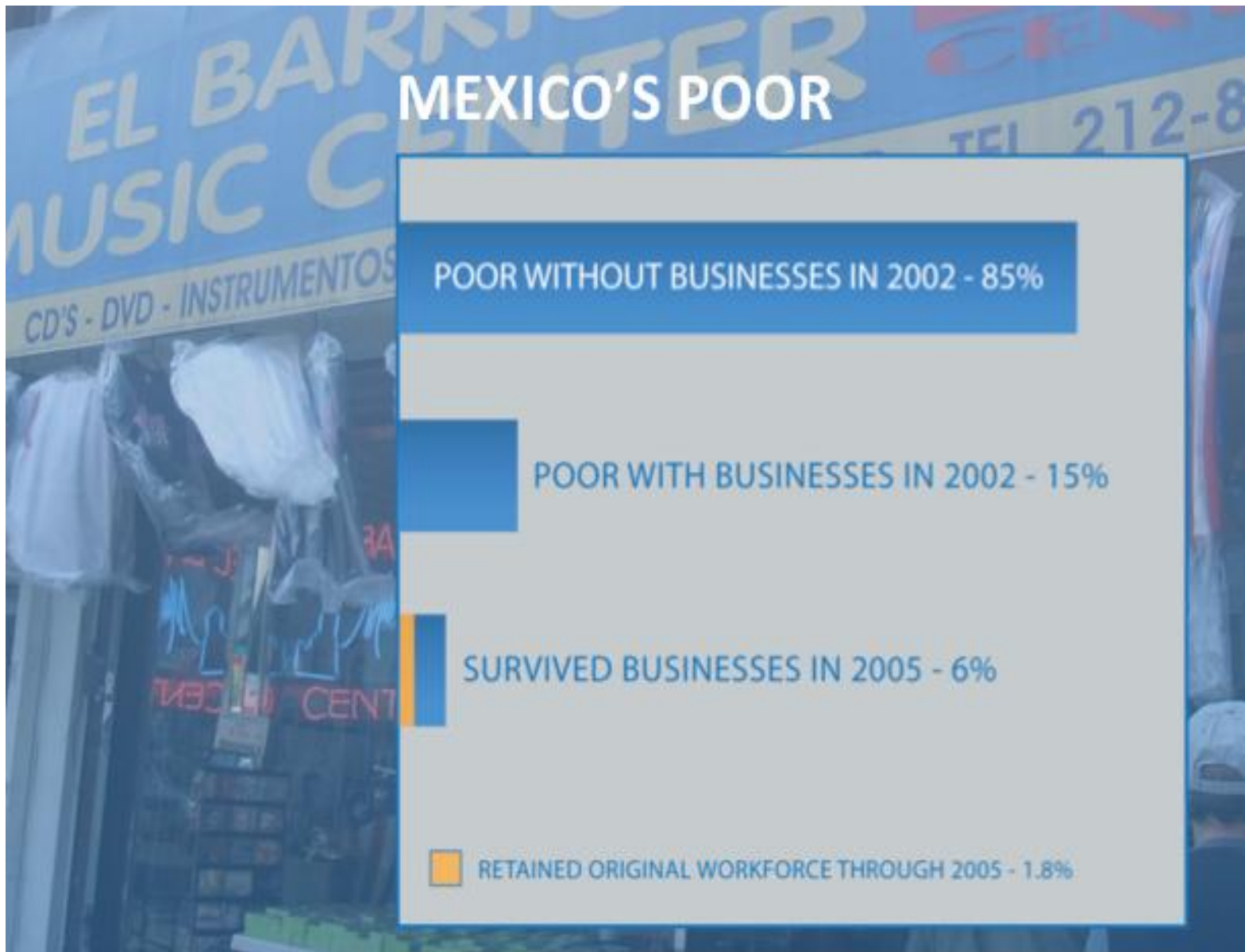
# MEXICO'S POOR


POOR WITHOUT BUSINESSES IN 2002 - 85%

POOR WITH BUSINESSES IN 2002 - 15%

SURVIVED BUSINESSES IN 2005 - 6%

RETAINED ORIGINAL WORKFORCE THROUGH 2005 - 1.8%





## PARENTS' EMPLOYMENT HOPES FOR SONS

18% • PRIVATE  
FIRM EMPLOYEE

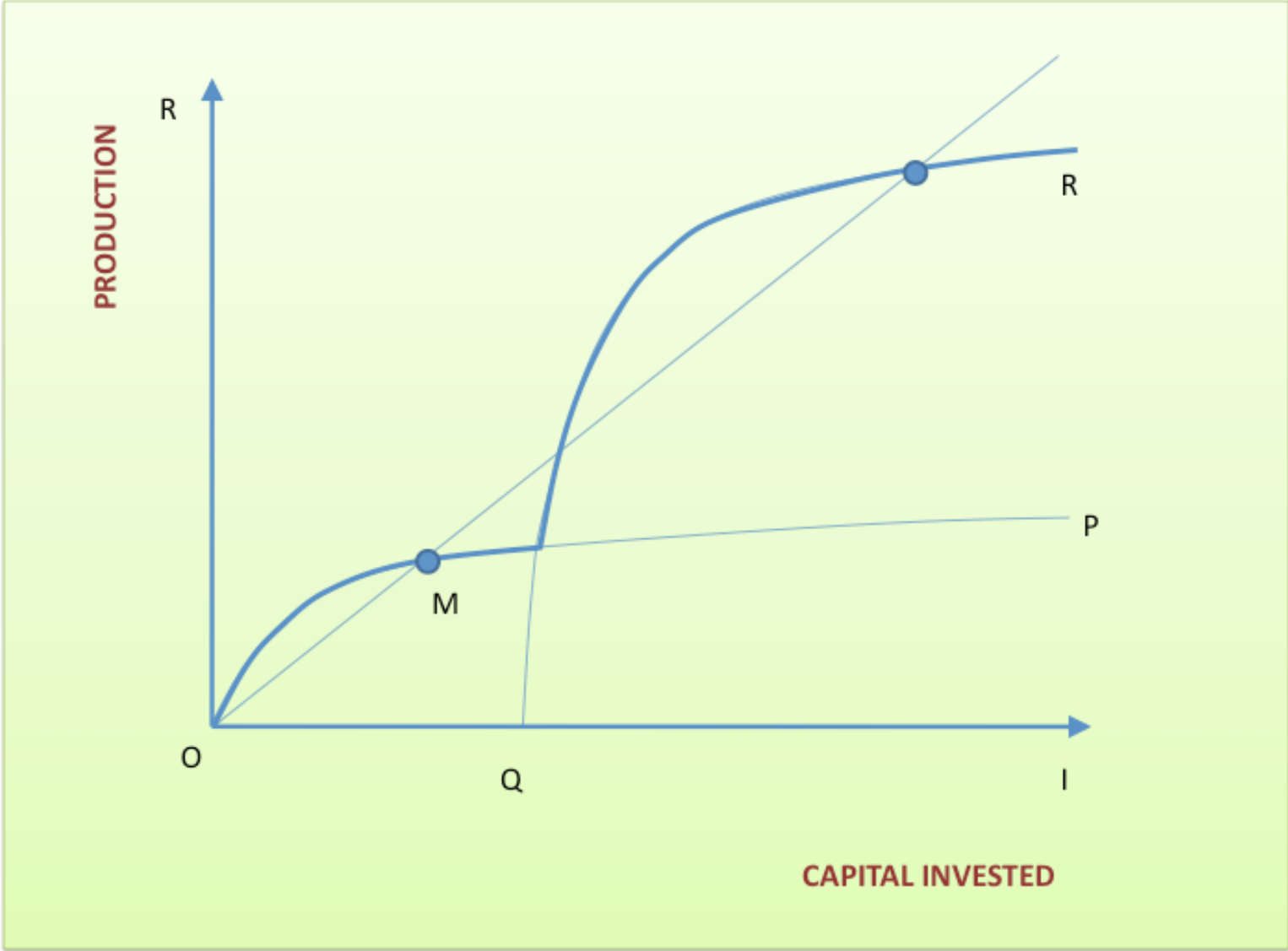
41% • NON-TEACHING  
GOVERNMENT JOB

34% • GOVERNMENT TEACHER

# Are these profitable businesses?



- In Hyderabad, when household labor was priced at minimum wages most businesses lost money
- On the other hand they pay high interest rates—so marginal returns must be high.
- How do we square these facts?





# Implications of this shape



- There is limited scope for growth.
- In Sri Lanka those who got \$250 in lottery got 60% or more return on their capital
- However many of those who got \$500 did not invest the second \$250.

# Why are they in business



- Lack of good jobs:  
Almost nobody grows  
therefore no one creates  
good jobs
- Flexibility
- “Idle” women

