Entrepreneurs and workers
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 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