Entrepreneurs and workers

ABHIJIT BANERJEE AND ESTHER DUFLO

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?

![Bar chart showing the number of paid employees in various countries. The chart compares rural and urban areas for each country.]

- **Bangladesh**: 0.00 for both rural and urban.
- **Brazil**: 0.60 for urban, 0.00 for rural.
- **Ecuador**: 0.60 for both rural and urban.
- **Ghana**: 0.30 for rural, 0.00 for urban.
- **Guatemala**: 0.15 for both rural and urban.
- **India Hyderabad**: 0.45 for rural, 0.00 for urban.
- **India Udaipur**: 0.00 for both rural and urban.
- **Indonesia**: 0.30 for rural, 0.00 for urban.
- **Ivory Coast**: 0.00 for both rural and urban.
- **Mexico**: 0.45 for rural, 0.00 for urban.
- **Morocco**: 0.30 for rural, 0.00 for urban.
- **Nicaragua**: 0.15 for rural, 0.00 for urban.
- **Pakistan**: 0.00 for both rural and urban.

Legend:
- Orange: Rural: $1
- Green: Urban: $1
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?
Survived businesses in 2005 - 6%
Poor with businesses in 2002 - 15%
Poor without businesses in 2002 - 85%
Retained original workforce through 2005 - 1.8%
Parents' Employment Hopes for Sons

- 18% - Private firm employee
- 34% - Government teacher
- 41% - Non-teaching government job

Image by MIT OpenCourseWare.
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
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