

## **Measuring Latent Entrepreneurship Across Nations**

David Blanchflower  
Department of Economics  
Dartmouth College and NBER  
USA  
blanchflower@dartmouth.edu

Andrew Oswald  
Department of Economics  
Warwick University  
UK  
andrew.oswald@warwick.ac.uk

*January 2000*

## Abstract

This paper is an international study of latent entrepreneurship. It uses new data on 25,000 randomly sampled people in 23 nations. These individuals are interviewed and asked, among other things, whether they would prefer to be self-employed or an employee. Huge numbers of people say they wish to be self-employed. Strong differences are found across countries. The paper constructs an international league table of entrepreneurial spirit. Poland, Portugal and the US are at the top. Russia, Denmark and Norway are at the bottom.

## Measuring Latent Entrepreneurship Across Nations

David Blanchflower and Andrew Oswald

It is sometimes argued that nations differ in their underlying entrepreneurial spirit. The USA, in particular, is often singled out as a country with an inherently large number of people who are keen to start firms. Europe, it is sometimes asserted, lacks entrepreneurial individuals. While politicians argue that Eastern Europe is in particular need of people who wish to run their own businesses, there is little information about the potential supply of entrepreneurs in that region.

If there is anything to these ideas, which are the intrinsically entrepreneurial nations? Are there, in the modern world, large numbers of frustrated small-business owners?

Few economists have attempted to measure entrepreneurial spirit across countries. It seems a daunting task. We use new data to create an international league table of what might be thought of as the simplest measure of entrepreneurial drive. There are obvious difficulties in attempting to measure something so subtle, but the topic is important.

Our focus is on self-employment. This is the simplest form of entrepreneurial activity. Such people have made a job for themselves, and often for others. Medium-size companies tend to have grown from a small business organized by a self-employed man or woman. Self-employment also has the advantage that it can be defined consistently across countries. Although there are people inside giant corporations who may, on certain definitions, be viewed as entrepreneurial, it is not straightforward to know how to identify them. Plus our concern here is in those who run their own operations.

The paper measures entrepreneurial spirit by using the question

“Suppose you were working and could choose between different kinds of jobs. Which would you prefer:  
being an employee  
being self-employed?”

This question is asked in a newly released International Social Survey Program data set. Information on more than 20 countries is available. Individuals in ISSP are chosen randomly. They are interviewed face-to-face in a period spanning 1997 and 1998. The sample size is approximately 25,000 individuals across 23 nations. Blanchflower and Oswald (1998) looked at related international self-employment statistics for the late 1980s.

Table 1 contains the average responses by country. The patterns in these answers are not what would have been predicted.

First, there is a strikingly large latent desire to be in charge of one’s own business. There exists frustrated entrepreneurship on a huge scale. Even in countries at the bottom of the table, a quarter of the population say they would prefer to be self-employed. This compares to an actual proportion of self-employed people in most countries of around 10-15% of the labour force. A plot of actual self-employed proportions -- drawing upon data from Blanchflower (1999) -- against these expressed desires for self-employment produces a loosely positive, though highly dispersed, correlation.

This raises an important puzzle. It is interesting to wonder why so few individuals, in the advanced nations, manage to translate their preferences into action. Lack of start-up capital is one likely explanation. This factor is commonly cited by small-business managers themselves (Blanchflower and Oswald, 1998). There is also econometric evidence in its favor. Holding other influences constant, people who inherit cash, who win the lottery, or who have large family assets, are all more likely both to set up and

sustain a lasting small business. By contrast, childhood personality test-scores turn out to have almost no predictive power, years later, in telling us who will be running their own businesses.

Objections to our survey approach are possible. These subjects are asked a hypothetical question, in a special setting, and their answers may be unrepresentative of the truth in a practical or implemental sense. There is probably something to this criticism. However, our aim is to capture the inherent level of entrepreneurial interest, not merely the level that is currently converted into activity. Moreover, the same question is asked everywhere, so relative responses – comparing the data nation by nation -- should be meaningful. Finally, the numbers in Table 1 are so large, and information in the area sufficiently sparse, that we think it unwise to disregard answers of this type. In the late 1990s, in these countries, our evidence suggests that there is considerable interest in the idea of being self-employed.

Second, there is marked variation by nation. The proportions of people who favor self-employment vary from 80% to less than 30%. Poland, Portugal and the USA top the league table. It appears that approximately three-quarters of these nations' citizens would like to manage their own business rather than work for a company as a regular employee. Bottom of the league table of latent entrepreneurship come Russia, Denmark and Norway. In these nations, roughly 30% of citizens are interested in being self-employed.

The idea that Eastern Europe lacks potential entrepreneurs -- when compared to the advanced nations -- appears to be wrong. Not only is Poland the country with the single highest expressed level of interest in self-employment, but Eastern Europe is represented evenly throughout the ranking.

It is interesting that Portugal, the US and Switzerland are so high in the table. They are famously among the low-unemployment countries of the world. Disentangling

cause and effect, however, is not possible in a simple analysis. Moreover, Netherlands, for example, is near the bottom of Table 1 and yet has fairly small levels of joblessness. Japan is unexpectedly low, in the international ranking of desire for self-employment, at number 16. Britain ranks 14 out of the 23 nations.

For those who believe that the industrialized nations need more entrepreneurs, the message of our work may be viewed as encouraging. People have strong underlying interest in self-employment.

To conclude, we measure entrepreneurial spirit across nations. We use the answers to a question asked of randomly sampled people -- in twenty three countries -- about their desire to be self-employed. Large differences are found across countries. Poland tops the international ranking of latent entrepreneurial spirit. The United States is high up the rankings. Norway is at the bottom. Many other parts of Europe come low down.

In the advanced nations, strikingly, there is enormous interest in entrepreneurial activity. Currently it lies hidden.

**Table 1**

**Latent Entrepreneurship: An International League Table**

*Suppose you were working and could choose between different kinds of jobs. Which would you prefer:  
being an employee  
being self-employed?*

	<b>% who would prefer to be self-employed</b>	<b>N</b>
Poland	79.9	922
Portugal	73.3	1616
USA	70.8	1071
Switzerland	64.5	2216
New Zealand	64.2	1046
W Germany	64.0	957
Italy	63.3	973
Slovenia	57.8	820
Canada	57.5	857
East Germany	56.6	389
Bulgaria	55.4	900
Hungary	49.8	1419
Israel	49.7	972
Great Britain	45.1	953
France	41.8	918
Japan	40.9	1065
Spain	38.9	1138
Sweden	38.8	1129
Czech Rep	36.8	961
Netherlands	36.0	2013
Russia	33.2	1409
Denmark	29.7	992
Norway	26.9	2021

N is the number of people interviewed in each nation. A sample of the whole adult population is interviewed.

The Israel sample is for Israeli Jews only. Data for Cyprus, Bangladesh and Philippines are omitted.

Source: 1997/8 ISSP Module on Work Orientations/ US General Social Survey

## References

Blanchflower, D.G. (1999). "Self-Employment in OECD Countries", Labor Economics, North Holland Publishing, forthcoming.

Blanchflower, D.G. and Oswald, A.J. (1998). "What Makes an Entrepreneur?", Journal of Labor Economics, University of Chicago Press, 16, 26-60.