

# Entrepreneurship thrives when local wages are high, study shows

May 15 2015, by Jacqui Bealing

---



High wages leads to high levels of entrepreneurship in London and its boroughs

Attempts by successive governments to boost entrepreneurship in areas with low rates of self-employment have largely failed, according to a new study by economists at the universities of Sussex and Sheffield.

In a review of Census data in England and Wales over the past 90 years, the researchers found that low [enterprise](#) areas such as County Durham had the lowest [rates](#) of [self-employment](#) in every decade between 1921 and 2011.

For the more recent years from 1971 to 2011, when governments have

actively promoted [entrepreneurship](#), the researchers have produced an Enterprise League Table. This is based upon rates of self-employment among 18-65 year olds across all 384 local authorities in England and Wales.

It shows that although almost all low enterprise areas in 1971 continued to have low rates forty years later, there were also some important changes.

Every London borough rises up the [league table](#) over 40 years, with Ealing rising 206 places and Newham 149 places.

The big fallers are the coastal towns. Blackpool falls 141 places and Bournemouth by 139 places, although other coastal towns such as Brighton declined by a mere three places, from 40 to 43.

David Storey, Professor of Enterprise at the University of Sussex and co-author of the research, said: "Between 1971 and 2011 the increase in self-employment rates in England and Wales overall was very rapid, doubling from six per cent to around 13 per cent, but there were considerable regional variations.

"Governments have used public money to raise rates in low-enterprise areas in the belief that this would lead to wealth and job creation, but it hasn't happened. Instead, entrepreneurial activity has changed in line with the economic prosperity of the area. This seems to suggest that entrepreneurship is a response to, rather than a cause of, wealth creation."

The researchers also examined the factors influencing changes in self-employment rates and point to effects of immigration between 1971 and 2011. In both 1971 and 1981 areas with more immigrants had lower rates of self-employment, whereas in 1991, 2001 and 2011 immigrants

were more likely to be in areas with higher self-employment.

Professor Storey, who carried out the analysis for the study with Dr Georgios Fotopoulos at the University of Sheffield, said this could be a reflection of the origins of the new immigrants. "We suspect that those coming to the UK from India and the new EU countries strongly favour enterprise as a source of employment."

In addition to these major influences, the researchers also found that areas experiencing a rise in the proportion of the population who are in the 55-64 age range are more likely to have a rise in entrepreneurship.

Provided by University of Sussex

Citation: Entrepreneurship thrives when local wages are high, study shows (2015, May 15)  
retrieved 5 May 2024 from

<https://phys.org/news/2015-05-entrepreneurship-local-wages-high.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.