Main message:

Necessity entrepreneurship economically more relevant than expected (and than in previous times)!
Evidence based upon the GEM

- Global Entrepreneurship Monitor
- Biggest international research consortium dealing with new business creation/entrepreneurship
- Goal: understanding relationship between entrepreneurship and national economic development
- More than 50 countries involved each year since 1999
- Strong and unique data base for each country:
  - annual adult population surveys: more than 180,000 in 2009
  - Annual expert interviews in each country
- Longitudinal as well as cross-sectional data analysis
- www.gemconsortium.org

What is necessity entrepreneurship?

GEM distinguishes between 2 motivations for starting a business:

- **TEA nec** = Total Entrepreneurial Activity [TEA] reporting necessity as major motive. "I am involved in this firm because I have no better choices for work". Number of Adults [18-64 years old] per 100 involved in a nascent firm or young firm or both

- **TEA opp** = Total Entrepreneurial Activity reporting opportunity as major motive. "I am involved in this firm to take advantage of a business opportunity".
TEA Necessity Rate for 20 Innovation-driven Economies in 2009

Source: own computations, GEM Adult Population Survey 2009

Necessity entrepreneurs: how many people?

In 2009 about 2 Mio. people in the EU27 were necessity entrepreneurs according to the TEA definition of GEM (18-64 years only), for example:

- **UK**: 378,000 people (TEA nec = 0.98%)
- **Italy**: 199,000 people (TEA nec = 0.54%)
- **Belgium**: 13,000 people (TEA nec = 0.32%)
- **Spain**: 209,000 people (TEA nec = 0.80%)
- **Germany**: 675,000 people (TEA nec = 1.29%)
- **Slovenia**: 7,000 people (TEA nec = 0.51%)

Source: own computations, GEM Adult Population Survey 2009
GEM Germany: Necessity entrepreneurs and job expectations (% of all NEs, averages 2008-2010)

- > 19 jobs in 5 years: 9.0%
- any jobs now or in 5 years: 65.1%
- exp. job growth ≥ 10 persons and ≥ 50%: 10.4%
- current number of jobs 1-5: 37.3%

Source: own computations, GEM Germany, Adult Population Surveys 2008-2010

GEM Germany: Necessity entrepreneurs and their products (% of all NEs, averages 2008-2010)

- new product and new market: 13.1%
- medium or high tech sector: 4.2%
- using new technology: 4.8%
- ≥ 25% customers from outside country: 15.2%

Source: own computations, GEM Germany, Adult Population Surveys 2008-2010
Necessity- and improvement-driven opportunity motivations as a percentage of TEA and p.c. GDP

Quotient TEA Opportunity/TEA Necessity and GDP/capita 2009

Source: Bosma et al. 2009, 22, modified

Source: own computations, GEM APS Data 2009, IMF 2009
Necessity entrepreneurship and economic impact

- Unemployment/no better employment choices is NOT the motivation of the majority of the entrepreneurs
- Economic & innovative impact of necessity entrepreneurship is smaller than for opportunity entrepreneurship
  
  **but:**
  - Economic impact of necessity entrepreneurship is not negligible (as is the social one!)
  - Necessity entrepreneurship has increased in many countries (in absolute and in relative terms)
  - This potential is underexploited (policy might help to exploit it)
References


