

NUS study warns of entrepreneurship-social equity inverse link

By Kelly Tay

kellytay@sph.com.sg
@KellyTayBT

Singapore

WHEN a government decides to promote entrepreneurship, it should also incorporate policies to mitigate the possibility of increasing income inequality, said a National University of Singapore (NUS) research paper released on Tuesday.

This is especially since the sole pursuit of entrepreneurship could have a negative and untoward effect on social equity.

Said the report: "Contrary to the unbridled optimism about the role of entrepreneurship in economic develop-

ment among many government officials, a major implication from this study is that public policymakers need to recognise that the pure pursuit of entrepreneurship may not be optimal, as it may lead to potential adverse effects on social equity.

"A related policy implication is that, if and when a government does decide to embark on a public policy push to promote entrepreneurship, it should also incorporate policies to mitigate the potential adverse consequences of increasing income inequality arising from that promotion policy."

Published as a special feature in the Monetary Authority of Singa-

pore's (MAS) half-yearly Macroeconomic Review, the NUS study was authored by Wong Poh Kam, Professor, NUS Business School and director, NUS Entrepreneurship Centre; as well as Ho Yuen Ping, research manager, NUS Entrepreneurship Centre.

Prof Wong and Ms Ho's findings support the hypothesis that technological innovation is positively associated with economic growth – affirming the government's policy shift in the 1990s, to transform Singapore from an investment-driven economy into a knowledge-based one.

However, the researchers noted that it is not enough to merely reduce the domestic cost of doing business,

when promoting high-growth potential entrepreneurial activity. Other policy interventions – such as the development of the venture capital industry, and international market access assistance – may be needed as well.

Studying the trends and impact of entrepreneurial start-ups in Singapore, Prof Wong and Ms Ho found that new firm formation has increased rapidly, especially in the last five years. The firm birth rate in high-tech sectors has also surged strongly.

They said: "As at end-2014, almost half the active firms in high-tech sectors were young firms registered

within that calendar year.

"This is significant, as firm birth rate is one indicator of business dynamism. Research using US data showed that high dynamism contributes to productivity growth and job creation by reallocating resources to more productive activities."

The researchers added that they are in the midst of developing www.TechSG.io – a comprehensive information portal on Singapore's tech start-up ecosystem.

It will study the "dynamic links" between tech start-ups and other key actors such as investors, incubators, industry associations, and supporting government agencies.