



Related Links

[Department of Economics](#)[Contact Details](#)

For further information:

[Dr Horst Feldmann](#)

Department of Economics

For media enquiries:

[Alison Jones](#)

University Press Office

44 (0) 1225 386986

44 (0) 7966 341322

» [submit an item](#) · [an event](#)

Venture capital lowers unemployment, study shows

28 January 2010

Readily available venture capital for start-ups lowers both the unemployment rate and the share of long-term unemployed among the total number of unemployed, suggests a study of 20 industrial countries.

The research, from the University of Bath, also finds that more readily available venture capital is likely to increase the employment rate.

The results indicate that the magnitude of the effects is probably substantial.

The study estimates that if venture capital availability in Italy, where it was most difficult to obtain during the sample period, had matched the United States, where it was in best supply, Italy's unemployment rate might have been 1.8 percentage points lower; its long-term unemployment share 9.0 percentage points lower; and its employment rate 2.7 percentage points higher.

On average over the sample period, venture capital availability was rated 3.1 in Italy and 5.8 in the United States on a scale of 1 to 7. The United Kingdom was rated at 5.3.

The study, by Dr Horst Feldmann from the University's Department of Economics, uses data collected through the World Economic Forum's annual Executive Opinion Survey.

As part of the surveys, senior business executives were asked to rate the availability of venture capital for entrepreneurs with innovative but risky projects.

The study, published in the journal *Kyklos*, is the first to use survey data to measure the availability of venture capital.

The survey data are likely to correctly capture the availability of venture capital in the economy, helping to shed useful new light on the effects of venture capital.



The study is also the first to estimate the effects on long-term unemployment.

It uses data from the period 1982 to 2003 and is the first to fully cover the most recent venture capital boom.

"The period since the early 1980s was characterized by rapid technological and structural change," said Dr Feldmann .

"Venture capital enabled start-ups to take advantage of these changes, creating new jobs.

"By stimulating innovation, venture capital is likely to improve the international competitiveness of the economy and raise the rate of long-term economic growth.

"It is also likely to induce higher foreign direct investment inflows.


"Other firms are likely to benefit as well, for example as suppliers to thriving venture-backed companies or through upgrading their products or production processes by using goods and services invented by venture-backed firms.


"All of this is likely to increase employment and to reduce both the unemployment rate and the share of long-term unemployed."

Bookmark with:

What is this?

 favourites
Facebook

 Delicious

 StumbleUpon

 Digg

The University of Bath is one of the UK's leading universities, with an international reputation for quality research and teaching. Bath is ranked in the UK top ten of universities in both *The Guardian University Guide* and the *Complete University Guide* published by *The Independent*. The University values working collaboratively with others and has a global network of contacts in business, the professions, the public sector, and the voluntary sector. It also benefits from strong links with the local community.