

How does bankruptcy affect the health of entrepreneurs during the economic crisis, and has it increased health inequalities?

FACTSHEET

Based on a literature review produced by Roberto Di Monaco and Silvia Pilutti, for the Equity Action project [complete pdf](#)

This factsheet summarises the main findings of a literature review – *The effects of bankruptcy on the health of entrepreneurs in Europe during the economic crisis* – which looked at whether the impact of bankruptcies has worsened entrepreneurs' health and increased health inequalities.

The literature review covered three areas:

- the impact of the economic crisis on health, in both the short and long term
- the impact on health of events connected to bankruptcy – such job loss and increasing debts, and
- the specific impact of bankruptcy on the health of entrepreneurs.

It also looked at whether bankruptcy increases social inequalities, which may in turn have an impact on health inequalities.

The impact of bankruptcy on entrepreneurs' health and on health inequalities

There is persuasive evidence regarding the following points.

- The negative impact of the crisis, which caused an increase in bankruptcies.
- The probable negative impact of bankruptcy on entrepreneurs' health, given the consequent job loss, the high and unmanageable debts, and the stressful work, all of which are features of bankruptcy, and which are known to be health determinants. The review identified this impact based both on general research that included entrepreneurs, and in a very small number of cases, research related specifically to entrepreneurs.
- The asymmetric impact of unemployment and debt on health, depending on social inequalities. Bankruptcy is therefore likely to have a greater effect on the health of socially weaker entrepreneurs, while social position can offer a protective role.
- Social inequalities may therefore play a significant role in determining the health effects of bankruptcy, and may impact on health inequalities.

Public policies and services

The protection offered by public policies and services in the event of bankruptcy – such as welfare and social services – seems to be important, but very poor, for entrepreneurs. Furthermore, there seems to be a lack of coordination between the services. Health and social policies and services could mitigate the impact of the crisis and of economic policies on health inequalities. Currently such policies and services vary greatly among individual European countries.





Employees who lose their jobs are generally supported by social protection (income, training, re-employment, support services, etc.) However, entrepreneurs who face or experience bankruptcy probably do not have sufficient social protection to promote their security.

Recommendations for reducing health inequalities among small entrepreneurs

Possible policies that could be tested to reduce inequalities in health among small entrepreneurs include the following.

1) Before bankruptcy

- Supporting the socially weakest entrepreneurs – to avoid the asymmetric impact of the crisis.
- Increasing cooperation and networking among small businesses – to avoid social isolation of entrepreneurs.
- Promoting cooperation and understanding between banks and small enterprises, and enforcing collective control between small business organisations and banks – to avoid bankruptcy and its asymmetric impact from a social point of view.
- Promoting alternative financing channels (that is, channels other than banks).

2) In cases of bankruptcy

The following would help to reduce the impact of bankruptcy on health and health inequalities.

- Implementing integrated policies that provide financial and organisational resources, as well as providing services such as psychological and health support.
- Offering entrepreneurs opportunities for partnerships, inclusion in associations and networking opportunities, and opportunities for training and counselling.
- Mitigating the loss of assets and favouring the second chance.

Recommendations for future research

The review also underlines knowledge gaps in the following areas:

The impact of bankruptcies on the health of small entrepreneurs

Quantitative systematic studies should be conducted on small entrepreneurs in European countries, to analyse the health consequences of financial stress and bankruptcy. Most of the empirical evidence reported in the review is based on determinants which are known to be related to bankruptcy. However, many of the studies were not conducted specifically on entrepreneurs nor on the specific circumstances of bankruptcy.

The credit crunch and bankruptcies of small entrepreneurs, and their effects on health inequalities

Future research should include:

- in-depth analysis of the impact of the credit crunch and a study of how to reduce or avoid the inefficiencies of economic regulation, in order to prevent unjustified bankruptcies, excessive losses of economic assets, and avoidable damage to health.





- to incorporate the calculation of health costs in the evaluation of the alternatives in economic regulation.
- An analysis of the possible effects of the credit crunch on other phenomena, such as usury, gambling and the illegal economy. Weak entrepreneurs could be the victims of a wide range of risks.

Policies and services to support entrepreneurs' activity

We know that entrepreneurs simultaneously experience economic, social and psychological problems. Future research should investigate how to prevent irreparable damage to health among entrepreneurs through the activation of co-ordinated interventions in three areas – psychological, social and economic – by improving knowledge and implementing co-ordination.

The economic crisis and social inequalities in the different national and local contexts

Future research should investigate:

- The ways in which entrepreneurs access additional resources in different contexts, to prevent adverse effects on health.
- The effects of social and gender inequalities among entrepreneurs: differences in economic assets, and imbalances in the networks of institutional and personal relationships.

For more information

The effects of bankruptcy on the health of entrepreneurs in Europe during the economic crisis

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Available from: www.equityaction-project.eu