

# A Missed Opportunity: Mapping the Potential of Working Class Founders

Part of Our Funding the Underfunded Campaign

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The bottom right corner of the page features several abstract, light green geometric shapes. These include a large, irregular polygon, a smaller diamond shape, and several triangles of various sizes and orientations, all scattered across the lower right quadrant.

## Authors

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## About Startup Coalition

Startup Coalition, formerly Coadec, is the policy voice of UK tech startups and scaleups. Since 2010, we have worked to engage on behalf of tech startups in public policy debates in the UK across a range of critical priority issues including access to finance, immigration and skills, and technology regulation.

We fight for a policy environment that enables early-stage British tech companies to grow, scale and compete globally. We have over 4,000 startups and investors in our network and have been instrumental in building proactive coalitions of businesses and investors on issues integral to the health of the UK's startup ecosystem. We represent the startup community on the Government's Digital Economy Council, and the UK on the board of the international organisation Allied for Startups.

## Acknowledgements

Our work on the Funding the Underfunded campaign has been built on the extensive efforts, insights and lived experiences of individuals and organisations from across the ecosystem. In this report, we are particularly thankful to Social Mobility Ventures for their work to gather data on class in the venture-backed ecosystem.

## Reflections on the Campaign

Last year, Startup Coalition launched *Funding the Underfunded* with a straightforward premise: the UK's growth prospects are directly tied to the success of its venture-backed technology companies, and yet we are systematically failing to draw on the full depth of talent available to build those firms.

We identified four vectors where the data showed the ecosystem was losing founders - geography, gender, ethnicity and socioeconomic background - and committed to producing evidence, hearing directly from founders and investors, and most importantly designing policy recommendations to make positive progress on improving a set of pretty dire metrics. This report is the fourth and final instalment of that series, but the beginning of the next chapter in our campaign to see our recommendations actioned and progress made on this agenda.

Our first [report](#), *Unleashing Regional Investment*, identified a funding gap between London and the rest of the UK that was real but more complex than a simple capital deficit. Speaking to founders and investors outside London, we found what the data confirmed: an important part of the lagging investment story was a weak startup pipeline in the sectors that matter most to the venture-backed ecosystem. This is not, as [Tom Forth's](#) recent analysis using data from The Data City makes clear, a statement about the entrepreneurialism of those places. There is startup activity outside London. There is just far less of it in the high-growth, high-value sectors where venture capital follows. This was also backed up by subsequent analysis by the [Centre for Cities](#). To address this our headline recommendation called for the British Business Bank to seed-fund talent investing programmes in cities outside London, as well as the creation of a more dynamic spinout culture, giving more people in more cities a line of sight into the venture-backed world and the jobs within it.

Our second [report](#), *Girls Just Wanna Have Funding*, was described by one VC as the best titled report they'd heard. We'll take that as a win, but we have also won on substance. The BBB has been making genuine progress on many of the areas we identified, including improving data gathering on these metrics. There is still more to do and Startup Coalition is now deeply involved with the Tech Secretary's Women in Tech Taskforce having been asked to lead the work of the sub-group focused on increasing the number of female founders. During the course of our research, we heard consistently from female founders that they do not want another training programme or leadership coaching offer. They want financial power deployed against the barriers they face. That is why our headline fiscal recommendation centred on expanding the SEIS threshold to widen access to the angel investor ecosystem by reducing the financial barriers to becoming an investor, and bringing more people into early-stage capital allocation. The evidence is clear that people are more likely to invest in people who look like them. This recommendation translates to class too, as well as the other vectors. The UK has a genuine opportunity here to become the best major tech hub in the world to be a female founder. We should be building towards that explicitly.

Our third [report](#) examined ethnically diverse founders. From our many conversations with this community the challenges of privilege came through strongly and the ability. The data showed that there is a striking disconnect between entrepreneurial ambition and financial backing in the UK: although ethnically diverse individuals are 1.6 to 1.8 times more likely to engage in early-stage entrepreneurship than their white counterparts, they are backed in just 11% of venture capital rounds. This data proves the deficit is not driven by a lack of ambition or capability, but by structural barriers in capital allocation. We therefore called on the government to back trusted delivery partners to deploy targeted, non-dilutive micro-grants

of £2,000 to £10,000 for early-stage, underrepresented founders. That connects directly to what we have heard about class with the same importance of risk reducing capital needed.

Looking back across the series, it became clear that these four vectors are not separate problems. They share common causes, compound each other's effects, and will not be overcome by solutions that treat them in complete isolation.

Across the reports a framework has emerged for how we unlock the startup ecosystem for a broader set of individuals, this includes:

- Some founders face a **risk capacity gap** - they have the talent and the idea but not the financial buffer to take the leap, whether because their savings are insufficient, their network can't invest, or the personal runway simply isn't there.
- Exclusion from spaces by **discriminatory practices** is also present. This includes filtering mechanisms built into how investors assess credibility and fit, which systematically disadvantage founders who don't match the prevailing template.
- For others the challenge is one of **widening access** - to networks, to warm introductions, to the informal knowledge of how the system works that circulates freely in some communities and barely at all in others.
- And finally, **leaning into strengths** - the UK's position as a potential world-leader for female founders, or the diaspora connections and emerging market insight that ethnically diverse founders bring and that the ecosystem chronically undervalues.

We have developed this framework as a way to better connect and design policy recommendations that do not just address one vector in isolation, but build the architecture of a more open ecosystem. It is also why we left class for the final report, because the challenges so clearly run beneath all the others.

## The Data

Throughout our Funding the Underfunded campaign we have been immensely grateful to the work of others, who have pulled together the data needed to tackle these issues. In each report we have spotlighted this data and built upon it with our own qualitative research and the sharing of our discussions with founders and investors.

This section spotlights the work of [Social Mobility Ventures](#) (SMV), who for the first time conducted a research project on the socio-economic background of founders.

Their analysis covered more than 4,000 UK founders from stealth to Series C and beyond. It finds that the ecosystem is systematically losing talented people at the earliest stages - not because they can't build exceptional companies, but because they can't access the capital, networks and runway needed to get started.

Many of the data points directly reflect our quotes from founders. You can read their full analysis [here](#).

### Defining Class

Class is one of those words that everyone understands and nobody can quite agree on. It is simultaneously a matter of economics, culture, identity and geography - and the way people experience it rarely maps neatly onto any single official definition. Someone can grow up in a working-class household, attend a state school, go to a Russell Group university, and end up in a professional job - and feel, at various points in their life, that they belong to all of those categories and none of them.

That complexity matters for this report because it shapes what the data can and cannot tell us. The UK has no single official measure of class. The government, academia and industry use different frameworks - income, occupation, education, housing tenure, self-identification - and they do not always agree. The Social Mobility Commission uses parental occupation, the Higher Education Statistics Agency uses deprivation indices and the media tends to reach for school type.

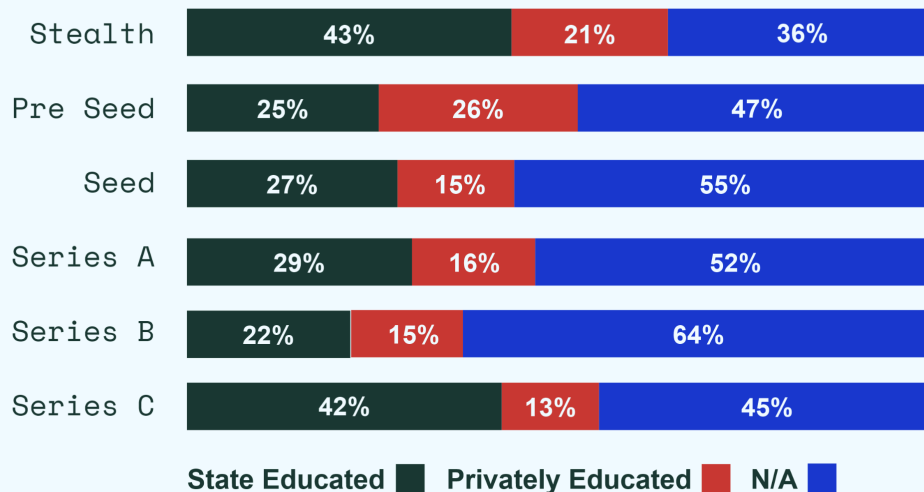
This report draws on two proxies for class, given the available data. The first is secondary school type - state, grammar or private. The second is parental occupational background - whether a founder grew up in a professional or managerial household, an intermediate one, or a working-class or lower socioeconomic one.

School type is a useful and widely understood signal, and the most directly comparable to population-level data - 93% of people in the UK attended state school, which makes the over-representation of private school founders immediately legible. But school type and class are not synonymous as most professionals attended state schools and a small number of privately educated founders were there on bursaries. But school type captures something real about networks, cultural capital and the informal infrastructure of elite education. It does not capture household income, parental wealth or the financial safety net available at the point of founding.

Parental occupational background gets closer to that economic dimension. The SMV data shows only 18% of founders come from working-class or low-income households, against 45% of the UK population. These are fundamentally about household wealth. School type correlates with that, but it is not the same thing.

Overall though the headline findings hold on both: founders from less privileged backgrounds are significantly under-represented in the UK venture capital and startups ecosystem.

### Headline Figures



In the UK, 93% of the population attended state school. Seven per cent attended private school. If the startup ecosystem reflected that split even roughly, the picture would look familiar: state-educated founders everywhere, private-school founders a visible but modest minority.

It does not look like that. Among UK-born founders in the SMV dataset, 59% attended state school and 36% attended private school. Private school founders are roughly 500% over-represented relative to their share of the population. The inversion is stark.

Education	UK Population	Founders	Disparity
Attended State School	93%	59%	0.63x relative to proportion
Attended Private School	7%	36%	5x relative to proportion

If you not only use state vs private school as the indicator of class, and look at parental occupation, the class picture looks worse. Only 18% of founders come from working-class or low-income households - compared to 45% of the UK population. The majority of founders come from professional or managerial families; 26% have parents who were senior managers, and a further 19.5% from traditional professional

backgrounds. The ecosystem is not drawing from the full depth of British talent. It is drawn from a narrow socioeconomic band.

And the VC world that funds these founders is even more concentrated. Just 20% of VCs attended non-selective state schools.

## Early drop-off: where state-school founders disappear

The most revealing data in the SMV analysis is not about who makes it - it's about where the loss happens. And it happens early. Very early.

The drop happens in the gap between an idea and a first cheque. At the stealth stage - before any external capital has been raised - 40% of founders are state-school educated. By the time founders reach pre-seed, that figure has fallen to 25%. Half of state-school founders in stealth drop out of the pipeline before a single investment round is raised. This means state-school founders are even hitting barriers before any investor decision takes place.

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"Starting a business from a disadvantaged background can be extremely uncomfortable due to the lack of safety net in parental wealth, and more emphasis needs to be put in making it more comfortable for these people to start businesses."  
- experienced VC from a working class background
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## Capital gap: friends, family and the luck of your postcode

Ask a working-class founder how they funded the early days and the answer is almost always the same: personal savings, a second job, or nothing. Ask a private-school founder the same question and a different picture emerges - one that includes a friends and family round, an angel who went to the same

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"For many working-class founders like me it is simply not an option to do a friends-and-family round"  
- a Fintech founder
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school, or simply the financial cushion of a wealthier upbringing that made the risk of founding manageable. The SMV data quantifies this gap. State-school founders are three times less likely to access friends-and-family capital than their private-school peers. Among state-school founders who did

not go straight to VC, 46% reported that friends and family simply couldn't afford to invest, compared to just 5% of private-school founders. For working-class founders, the friends-and-family round - one of the most structurally important but rarely discussed stages of early company building - barely exists. And that invisibility has a cost beyond the capital itself. When you're new to this world and you watch peers seemingly glide from idea to first cheque, it's easy to draw the wrong conclusion - that the difference is the quality of your idea, or your own capability, rather than the network quietly working behind the scenes. Founders who don't know what they don't have access to don't just miss the money. They talk themselves out of the room before anyone else has the chance to.

"The safety net isn't there. The risk of starting a company isn't the same risk for everyone."  
- a London-based working class founder

The data also showed the difference in scope for founders to go all in, with 43% of state-school founders delaying going full-time by 6+ months, whilst 60% of private-school founders went full-time immediately. This is important as every month a founder can't go full-time is a month their company falls further behind.

Its 3 times less likely for working-class founders to access friends-and-family capital

43% of state-school founders delayed going full-time by 6+ months

60% of private-school founders went full-time immediately

State-school founders also make significantly more use of government grants - 18% versus just 2% for private-school founders. This is not a sign of dependency; it is evidence that when institutional routes to capital exist, working-class founders use them.

"The friends-and-family round isn't just about money. It buys time. It buys the ability to go full-time. For founders whose network can't afford to invest, the entire structure of early-stage company building works against them."  
- a seasoned investor

## The breakout paradox: once in, they outperform

Once state-school founders enter the venture pipeline, they are 30% more likely to reach Series A and beyond than private-school founders. State-school founders represent 25% of the pre-seed cohort and 42% of the Series C cohort.

One could speculate that these state-school founders currently in the pipeline outperform because they are the ones who made it through a filter that, as this report documents, is significantly more demanding than the one their private-school peers face. They raised money without a friends-and-family network. They went full-time later, on thinner savings, after longer fundraising processes. The founders who cleared all of that are, almost by definition, an exceptional subset - and their outperformance at later stages likely reflects that selection.

## Future issues: the deeptech founder pipeline

"These founders have equal levels of talent but not the same level of professional networks, not the same polish on a deck. The pipeline isn't thin because the talent isn't there. It's thin because the signalling mechanisms the ecosystem relies on systematically disadvantage people who didn't go to the right schools."  
- a healthtech founder

The last era of technology and startups was dominated by the internet and SaaS. Now AI and deep tech is becoming the defining arena of UK innovation, with the largest rounds going to highly technical or experienced founders. This is great news for the UK given our strengths in academia with 4 of the 10 top universities in the world. But it poses a potential additional challenge when it comes to widening access to founders. Deep tech companies are typically built on doctoral-level research and academic spinouts, which account for 34% of UK deep tech companies and are concentrated in a small number of elite research universities. This means the route into founding runs directly through postgraduate education.

The pipeline that produces technical founders is itself stratified by class long before a company is incorporated. [Institute of Fiscal Studies](#) research finds that students from the highest socioeconomic groups are four times more likely to progress to postgraduate study than those from the lowest. Working-class students are not accessing the phd pipeline - and therefore out of the deep tech founder pipeline.

Additionally, as discussed on the intersectionality of challenges, founding teams that include Black and ethnically diverse members and successfully secure VC funding are significantly more likely - 82% of the time - to include members with elite university backgrounds, ten percentage points higher than the equivalent rate for all-white founding teams. Elite educational credentials, for these founders, function not as an advantage but as a prerequisite - a signal of belonging that investors appear to require before extending trust.

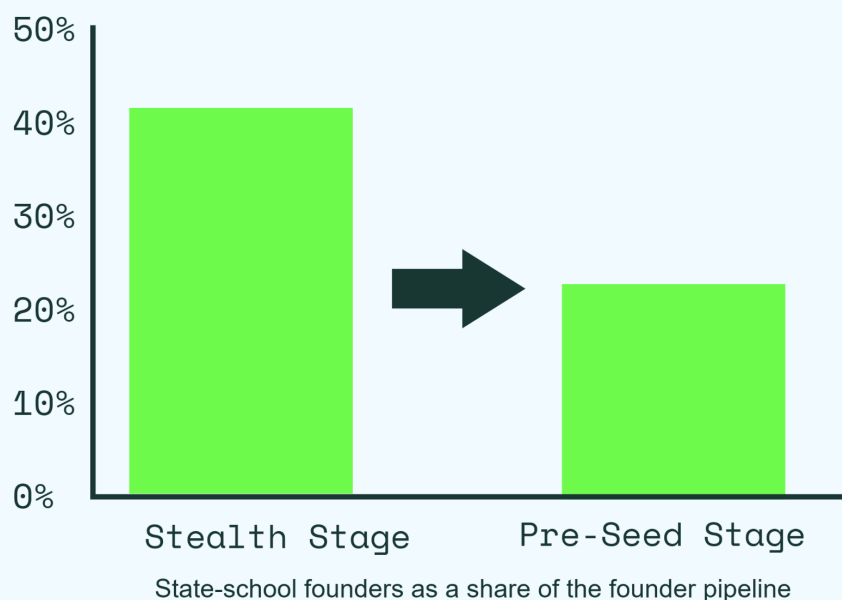
We do not yet have the data to fully evidence what this means for deep tech founding specifically. No published dataset crossreferences deep tech founder socioeconomic background with funding outcomes, and the PhD-to-founder conversion rate by class background is entirely unmeasured. What we can say is that as deep tech grows as a share of UK VC activity, the access gap - both socio-economic, but also in other areas documented in our reports - risks becoming structurally harder to close.

Startup Coalition will look to return to this question in the next phases of our Funding the Underfunded work. If you are working in this space and want to shape that research, we want to hear from you.

## A Missed Opportunity

One of the things we wanted to understand in producing this report was what the absence of working-class and state-school founders actually costs the UK economy. To do that, we built on the SMV data by cross-referencing its findings with UK Private Capital and Beauhurst investment data. From this we have been able to make some reasonable judgements on the scale of missed startup activity. The numbers are striking.

### Missed Opportunity 1 - Over 1,000 startups with state-school founders that don't exist



The SMV data shows that state-school founders make up 40% of founders at stealth stage but only 25% at pre-seed. That 15 percentage point drop happens before investors are even in the room - driven by access to personal savings, the presence or absence of a friends-and-family network with investable capital, and the ability to go full-time without a financial cushion. Applied to UK Private Capital's figure of 9,000 venture-backed businesses currently active in the UK, that gap implies approximately **1,350 companies** in today's ecosystem that are missing a state-school founder. It's worth noting this figure may vary given companies with multiple co-founders, but it illustrates how far the ecosystem still has to travel.

### Missed Opportunity 2 - Almost £50 million in direct pre-seed capital not deployed every year

Beauhurst data shows approximately 600 new companies receive equity funding each year in the UK. Closing the pre-seed composition gap would mean roughly 90 additional state-school-founded

companies entering the funded pipeline annually. At the SMV-observed median pre-seed raise for state-school founders of approximately £530,000, that represents around £48 million in direct annual pre-seed capital not being deployed into this group of founders. That is the floor - the immediate, first-order cost at point of entry alone. State-school founders generate 3.3 times more capital per founder than private-school equivalents across the full investment lifecycle. The £48 million is not a ceiling. It is a seed that, for the companies that never get planted, never compounds.

### Missed Opportunity 3 - The regeneration dividend we're not capturing

The economic case for widening the founder pipeline doesn't stop at who gets funded. It extends to where startup activity happens and what it does to the places it lands in.

The areas that became the UK's defining technology clusters - Shoreditch, Hackney, King's Cross - were not chosen at random. They were affordable, diverse, and had a cultural energy that drew people in. As those clusters grew and succeeded, the relationship between the ecosystem and the surrounding community became more complicated. [The Trampery](#) has done genuine work to maintain a community anchor in east London, but the broader question of how startup activity relates to the places it occupies remains an open one.

There is an opportunity to take a different approach as new clusters emerge across the UK - encouraging founders and investors to be genuine stakeholders in the communities they occupy rather than temporary tenants of desirable postcodes. That means intentional investment in local talent pipelines, meaningful partnerships with community organisations, and hiring practices that treat proximity to the ecosystem as an asset rather than an afterthought. Some in the venture community are already showing what that looks like in practice. Phoenix Court is one of them – see the case study below.

#### Case Study: Phoenix Court Works and Somers Town

Phoenix Court, a leading UK venture capital firm, is based in Somers Town, Camden, on the doorstep of tech and science hubs in Kings Cross and Euston. They established their office here with the aim of channelling the firm's success back into the local community ensuring underserved communities are able to benefit from the spillover gains.

The firm was deliberate in its approach from the outset by structuring the org as a limited company rather than an LLP, a distinction that matters because it makes it easier to retain profits on a balance sheet and sustain a linked foundation model, rather than having profits flow directly to partners – making it easier to sustain social impact activity.

The firm's foundation receives 10% of management company profits and 2% of carried interest from its funds. This creates a long-term, reliable funding stream for community activity rather than one dependent on one-off charitable decisions.

That structure supports Phoenix Court Works' community hub and initiatives, such as:

- **The Law Corner** - legal advice organisation that provides free legal support to residents of Somers Town and St Pancras, while also offering legal work experience and training opportunities for students and volunteers.
- **Local Schools** - Supporting programmes that bridge the digital divide, fund Universal Free School Meals in primary schools, and provide work experience and internships for Year 12 students.
- **Global Generation** - a hyperlocal educational charity that helps to connect residents with nature by transforming urban spaces into community gardens while empowering young people through social action, skills building and employment opportunities.

Read more about [Phoenix Court Works](#) here and their partners [here](#).

## Policy Recommendations

"Planting saplings when we need shade right now."  
- an investor from a working class background

The evidence in this report points to a set of specific, practical failures - in access to early capital, in network infrastructure, and in the pipeline of investors who might back working-class founders. The recommendations that follow are designed to address those failures directly, guided by the framework that we have developed throughout the Funding the Underfunded campaign. It's worth acknowledging though there are other areas of macro policy, especially in the education attainment space, that are equally important in addressing challenges on the opportunities available to different communities.

### **Recommendation 1: Back established delivery partners to deliver micro-grant and pre-seed funding support to working-class founders**

One of the most significant barriers facing working-class founders is the leap from idea to actual startup. The SMV data makes this concrete: 50% of state-school founders at stealth stage do not make it to pre-seed, and the primary drivers are personal runway, the absence of friends-and-family capital, and the inability to go full-time. A recurring theme in our evidence across this series is the absence of small amounts of micro-capital - typically £1,000-£10,000 - needed for early validation, prototype development, and basic technical support.

To close this gap, the government should introduce a micro-grant and pre-seed support fund, delivered exclusively through trusted ecosystem organisations with a proven ability to reach founders from working-class and lower socioeconomic backgrounds. Rather than creating new, administratively heavy schemes, the government should channel flexible, non-dilutive micro-grants through existing partners who already have reach, trust, and distribution capacity. This would accelerate proof-of-concept development, support early market discovery, and strengthen pipelines into Innovate UK, British Business Bank programmes, angel networks, and early-stage VC. The model is proven - a similar partner-led approach was successfully used via the UK Tech Cluster Group's Regional Tech Booster programmes. This micro-capital gap is too small for private investors, yet too early and too operationally intensive for Innovate UK's current processes. Delivery partners already operating in these communities could deploy micro-grants far more efficiently than the central government.

A more ambitious approach would be to model the infamous Thiel Fellowship, which gives talented founders a significant stipend to build for a period of time, reducing the allure of graduate schemes or the desire to undertake a university degree by default. The government could explore co-funding a scheme like this, alongside philanthropic capital, to overcome the challenges of building whilst sustaining rent and other life expenses.

## Recommendation 2: Support high-quality accelerators in working-class and regionally-disadvantaged communities

The access barriers documented in this report are not evenly distributed across the country. Class and place compound each other. The towns and cities outside London with the highest concentrations of working-class residents are also the places with the weakest startup infrastructure - fewer accelerators, fewer co-working spaces, fewer investors making early-stage bets. As our first report, *Unleashing Regional Investment*, showed, the issue is not a lack of entrepreneurial energy outside London. It is a lack of high-growth sector activity and the ecosystem infrastructure needed to support it.

### Accelerators de-risk founding

The government or British Business Bank should seed-fund high-quality accelerator programmes in areas of concentrated socioeconomic disadvantage, with explicit criteria requiring participating organisations to demonstrate reach into working-class founder communities. This builds directly on the model proposed in *Unleashing Regional Investment* and applies it to the class dimension this report documents. Place-based accelerators - particularly those embedded in communities rather than simply located near them - are among the most effective mechanisms for widening founder pipelines, because they reduce the geographic and cultural distance between potential founders and the ecosystem that might back them.

### Startup infrastructure

Similarly, the cost and availability of physical workspace is a genuine barrier at this stage - not the most important one, but a real and tractable one. Local authorities, many of which are already engaged in economic development and place-based growth agendas, are well positioned to help.

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"Back the programmes already doing this work.  
Make life easier for them. They can't be  
profit-based - the economics don't work that way.  
But they're doing essential infrastructure work  
that the market won't fund itself."  
- an accelerator founder
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We are not calling for a national programme or significant new spending. We are calling for local authorities to recognise startup infrastructure as part of their economic development toolkit and to think creatively about how underutilised assets - council-owned buildings, vacant high street units, investment zones - might be made available to early-stage founders at subsidised rates. The model exists. Plexal in east London has demonstrated how innovation infrastructure can be embedded in a community and made accessible to founders who wouldn't otherwise reach it. The ask to local authorities is not to replicate these at scale but to treat them as inspiration for what place-based startup support can look like when it is designed for access rather than prestige.

"Many investors come from relatively privileged backgrounds. That's not a moral failing - but it does mean they lack proximity to certain problems. And if you don't understand the problem, you're less likely to back the founder trying to solve it."  
- an ethnically diverse founder from a working-class background

### **Recommendation 3: Reform the definition of qualifying work experience to become a sophisticated investor**

Early-stage funding is a crucial piece of the puzzle for working-class founders. Angel investors back startups at their most vulnerable stage - when there is little revenue, no proven market fit, and limited access to traditional financing. But the pool of angel investors is itself socioeconomically narrow, and the rules governing who can qualify as one compound the problem.

To qualify as a sophisticated investor, an individual must currently meet criteria including being a director of a company with an annual turnover of at least £1 million, a repeat unlisted investor, or an experienced finance professional. As we set out in *Girls Just Wanna Have Funding*, these requirements can be expanded to be more inclusive without lowering standards - and critically, they should be made more flexible to accommodate non-traditional career paths.

**The government should review the definition of qualifying work experience to become an angel investor and expand the ability to qualify as a sophisticated investor to include, for example:**

- Having worked for at least five years at a SEIS/EIS eligible company
- Having gone through an angel educational programme
- Having been part of an angel group over the last two years
- Having relevant financial qualifications

Widening the angel investor pool in this way would bring more people from working-class and less privileged backgrounds into early-stage capital allocation. This would create a new generation of investors with both the lived experience and the incentive to back founders who look like them.

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