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# **Entrepreneurship and Gender: Expanding Opportunities for All**

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## Current work focuses on three issues

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- *What are the challenges to expanding women's entrepreneurship?*
  - ◆ By gender
  - ◆ By types of activities where women's participation is highest
- *What do women need to succeed?*
- *How can we best expand opportunities?*

# Motivation

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- *Women's economic empowerment and gender equality*
  - ◆ Equality as smart economics
    - Rights
    - Resources
    - Voice
  - ◆ Empowerment
    - Options
    - Control
    - Power

# Societies that discriminate on the basis of gender pay a significant price:

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- *Higher poverty, lower quality of life*
  - ◆ In Sub-Saharan Africa, if men and women had equal schooling, child mortality would have been 25% lower
  - ◆ HIV/AIDS infection rates are higher where female illiteracy rates are higher
- *Slower economic growth*
  - ◆ In Sub-Saharan Africa greater gender equality in farm inputs could increase output by up to 20 percent
  - ◆ Micro-credit to women has a larger impact on household income than the same micro-credit to men
- *Weaker governance*
  - ◆ Where men and women have equal political rights, corruption measures are lower

# Three practical questions

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- *How do we find out about challenges to expanding women's entrepreneurship opportunities?*
- *What have we learned so far?*
- *What do we need to learn?*
  - ◆ How can this workshop's discussions facilitate these processes

# How do we find out about women's opportunities?

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- *We ask individuals*
  - ◆ Household surveys
    - Nationally representative
    - Ask about participation – including sector, some cases size of firm – and earnings
  - ◆ Enterprise Surveys
    - Link investment climate to firm performance
  - ◆ Workshops and focus group discussions
    - Case studies
    - Work of NGOs etc.
- *We look at formal regulations, legal requirements*
  - ◆ Doing Business
- *Evaluations of programs and policy interventions*
  - ◆ Learn from what has worked – or not – on the ground

# Enterprise Surveys: new data on BE and performance

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- *Enterprise Surveys collected by World Bank with local partners since 2001*
  - ◆ Covers 70,000 firms with common questionnaire
  - ◆ 34 SSA countries and 65 countries in other regions
  - ◆ Objective measures of BE conditions:
    - *Finance*: share of external financing, trade credit
    - *Infrastructure*: frequency and costs of outages
    - *Public services*: delays, consistency of enforcement, time spent with officials
    - *Governance*: frequency and size of bribes
  - ◆ Measures of firm performance include employment growth
  - ◆ Approach exploits significant variation across – and within– countries

# Limitations to surveys

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- *Not capture those that are discouraged and never enter*
- *Not capture those that have exited, and why*
- *So only views of incumbents*
  - ◆ Their views not equivalent to social interests
  - ◆ Not take into account cost of addressing constraints
- *Need greater clarity on relationship of owner and manager, and their gender(s) to more tightly define female run enterprises.*

# Where do women work?



**Share of women in non-agricultural employment is growing, but only slowly**



Source: Global Monitoring Report 2007, p. 128

# Women are less likely to be employers



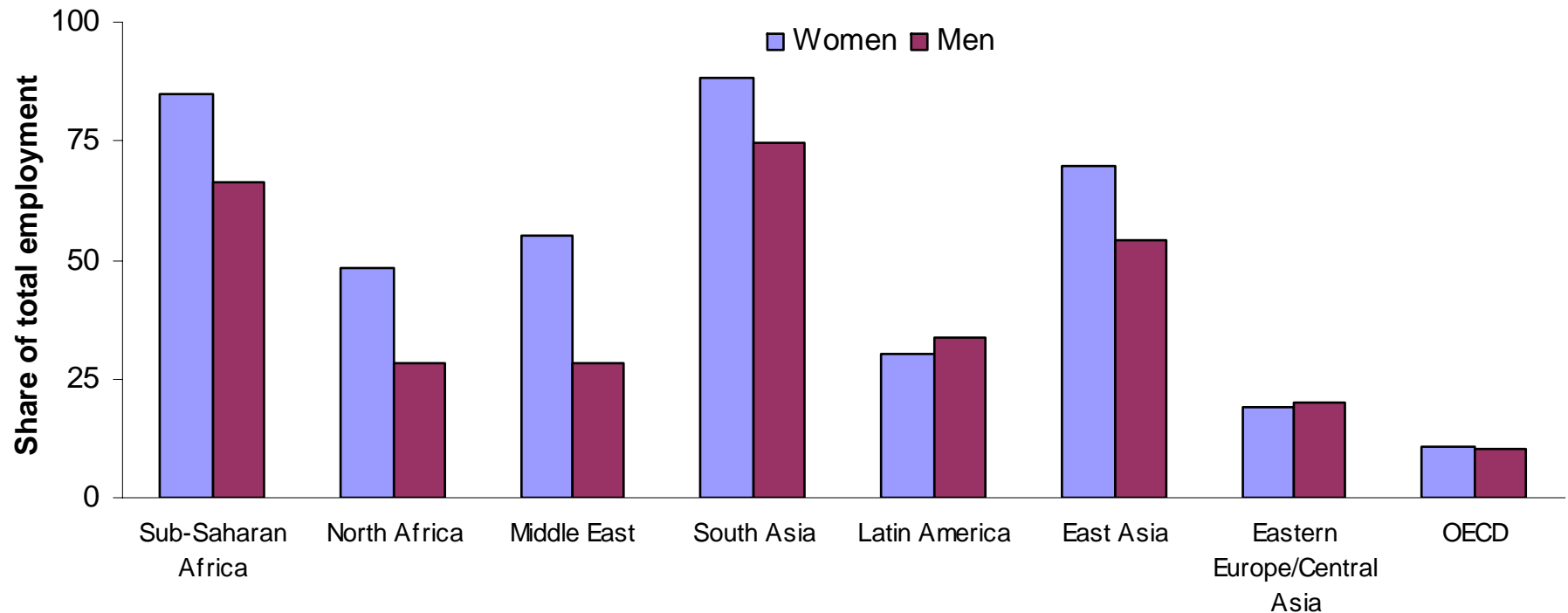
The gender gap is smallest in Sub-Saharan Africa – because the share of male employers is low



# Women are more likely to be in vulnerable jobs



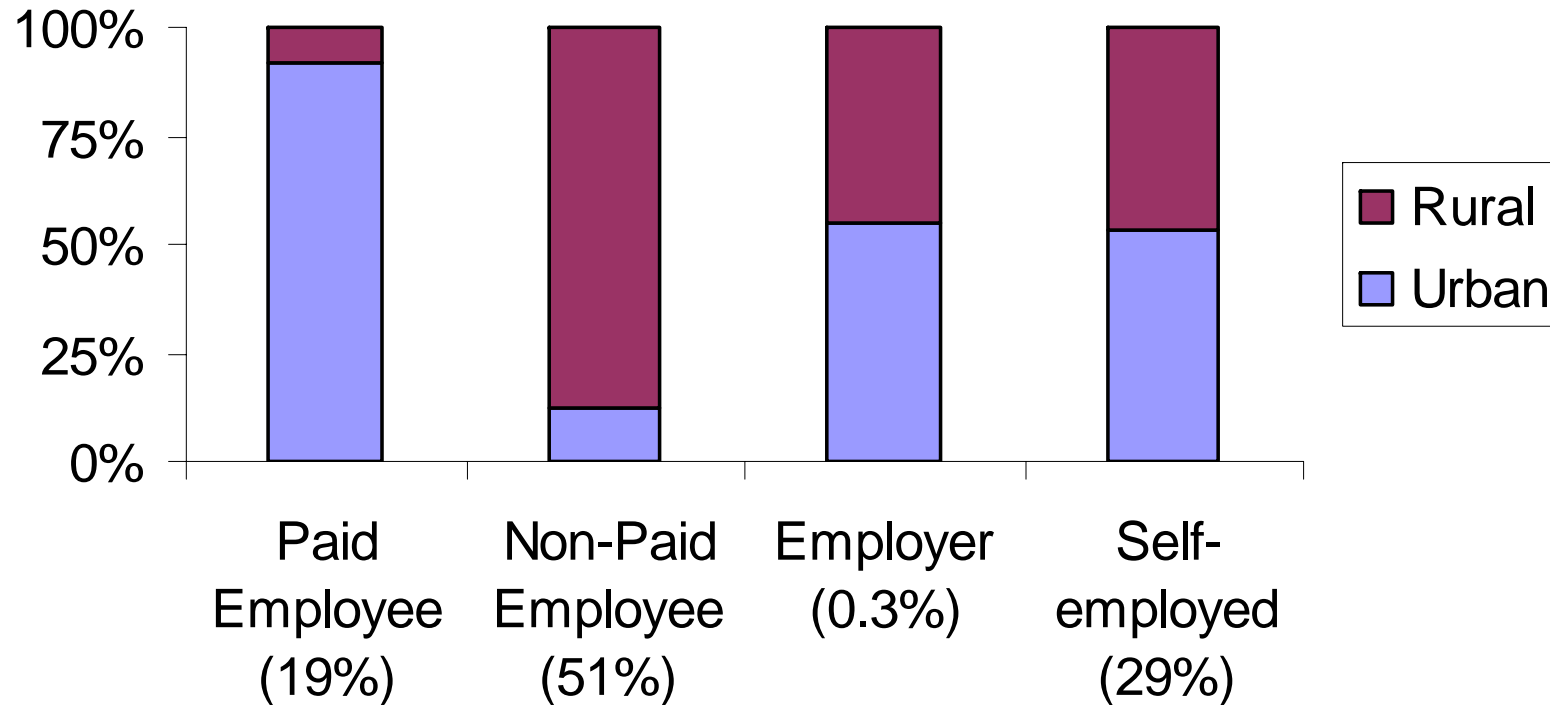
Women are more likely to be own-account workers (47%) and contributing family workers (35%) in Sub-Saharan Africa



# Women's occupations can vary by region



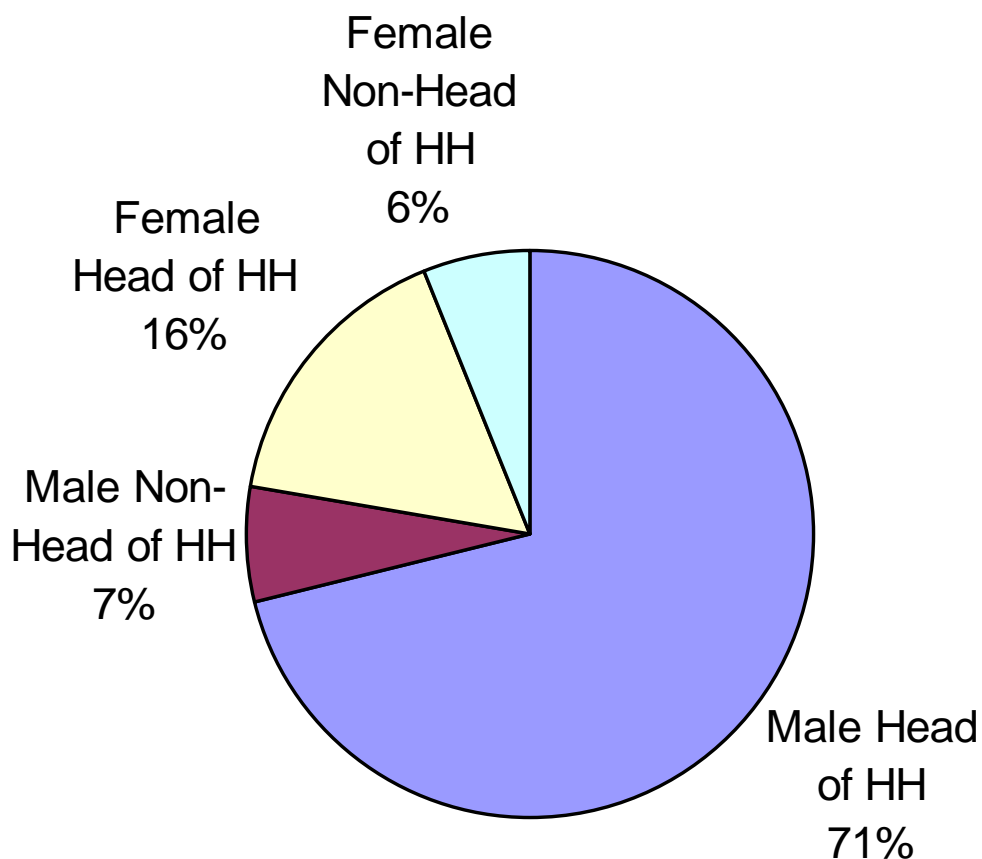
## Urban-rural patterns in women's employment in Ethiopia



# Women's employment can vary by household status



## Who are the employers in Ethiopia?



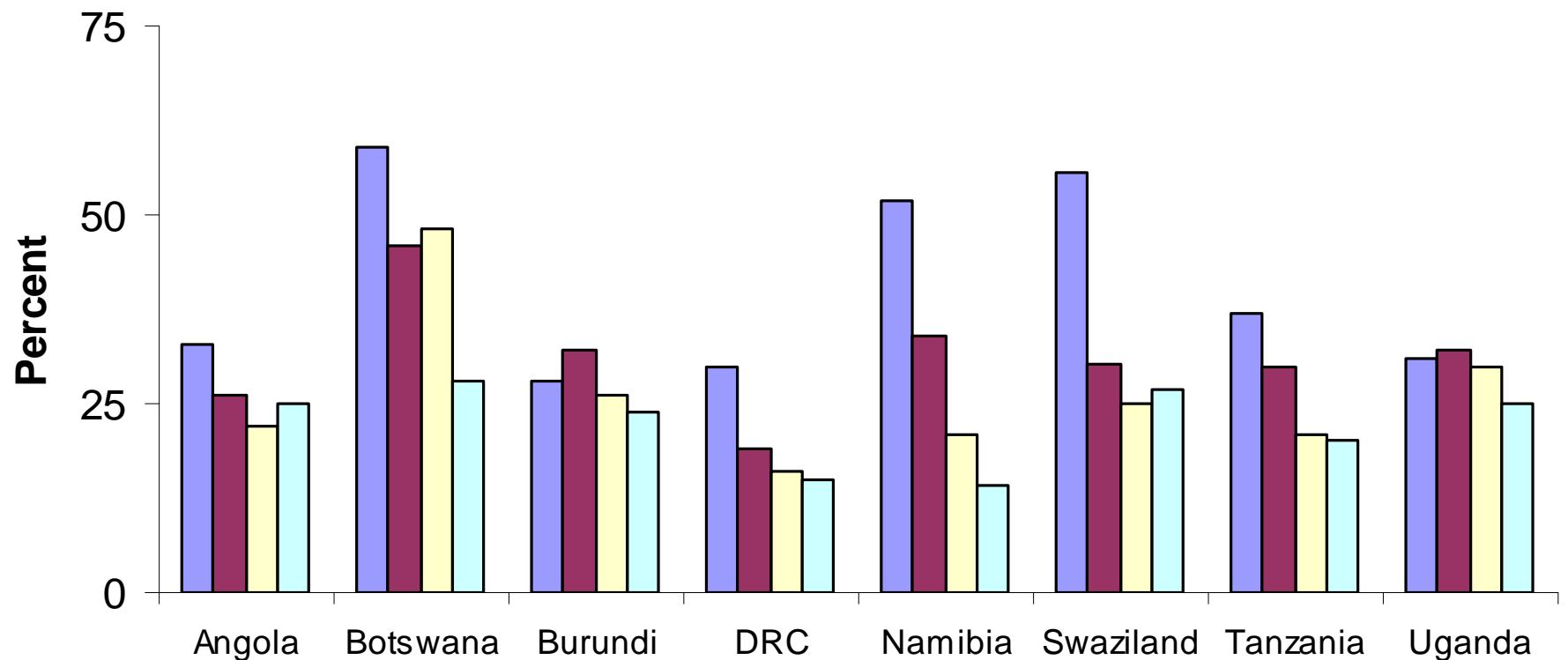
**Women head 13% of households in Ethiopia, but female-heads of household represent 72% of women employers**

# Women's participation is higher among smaller firms



## Share of owners that are women

■ Unregistered, <10 ■ Registered, <10 ■ Registered 10-50 ■ Registered, 50+

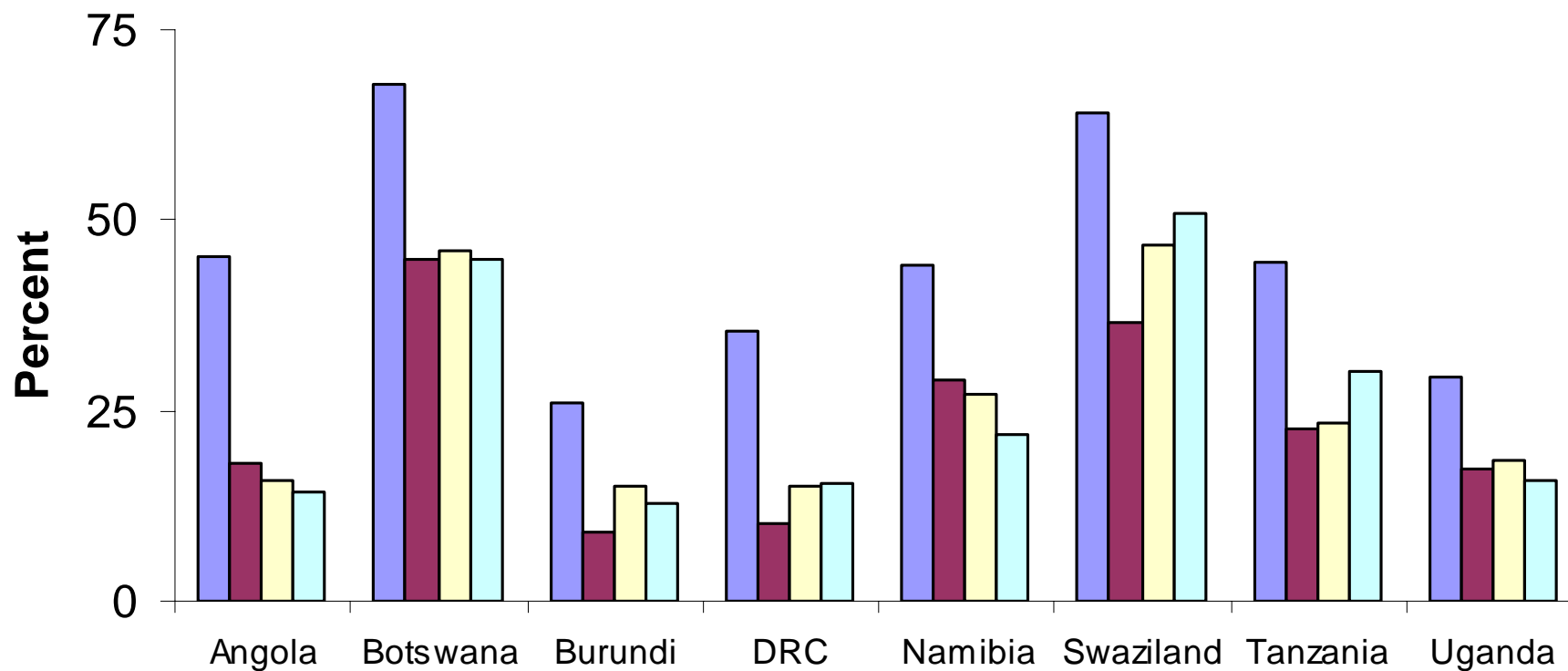


## Women's participation as workers is also higher among smaller firms



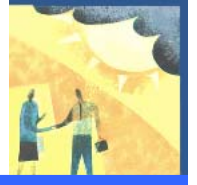
### Share of workers that are women

■ Unregistered, <10 ■ Registered, <10 ■ Registered 10-50 ■ Registered, 50+



# Constraints to entrepreneurship

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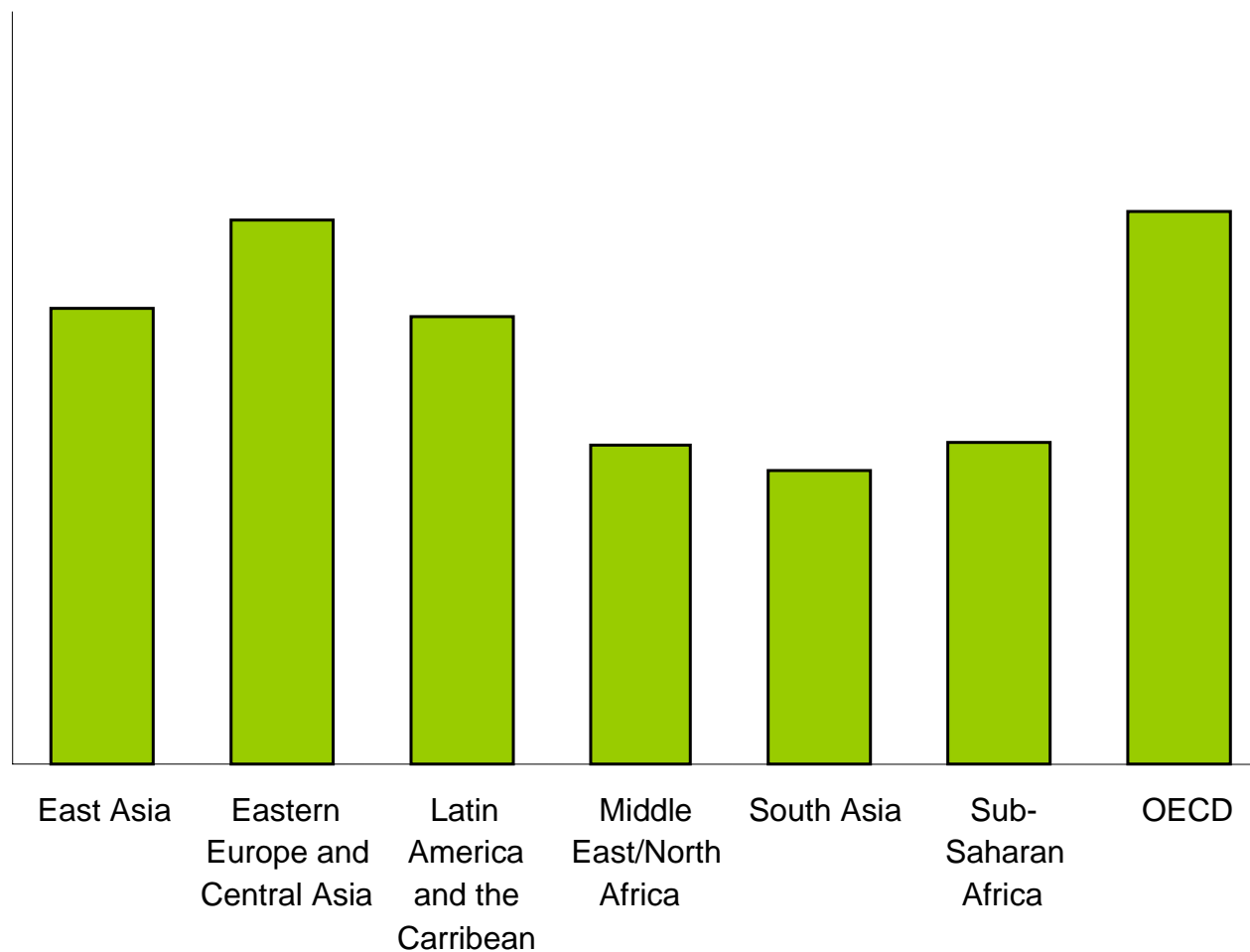
- *Legal, regulatory*
  - ◆ Statutory and customary laws
  - ◆ Quality of enforcement institutions
- *Access to resources*
  - ◆ Education, training
  - ◆ Finance
  - ◆ Land
  - ◆ Technology
  - ◆ Markets
- *Voice in setting the policy agenda addressing the private sector*

# In no region are women and men equal in legal, social and economic rights



High Equality

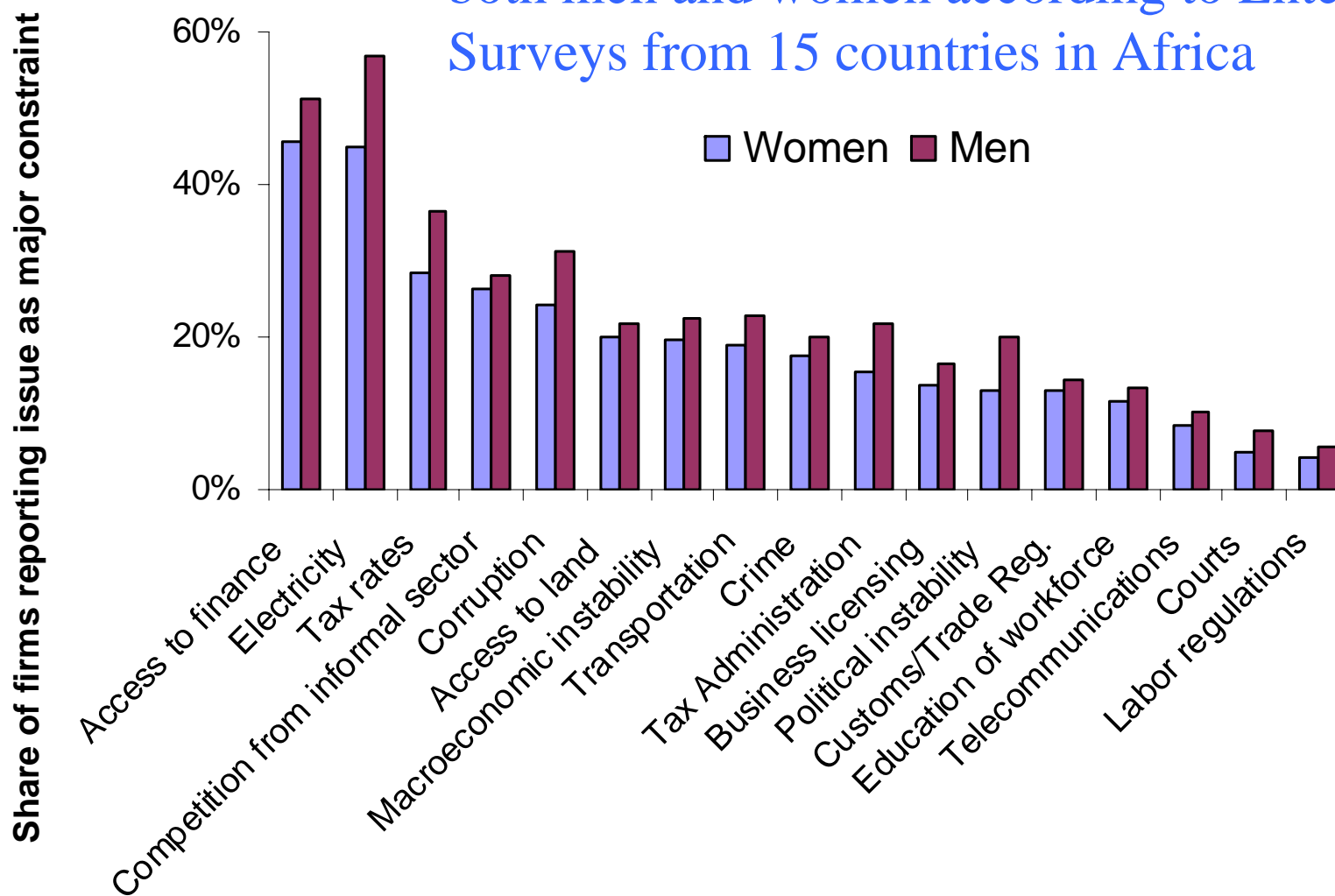
Low Equality



# Constraints to operating and growing a business



Access to finance and electricity top the list for both men and women according to Enterprise Surveys from 15 countries in Africa



# Impact on firm performance

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- *Little direct difference by gender*
  - ◆ Once control for size, sector and legal status
  - ◆ If women face greater barriers to entry, studies of existing firms underestimate impact
- *Size matters a lot – and if women are more likely to be involved in small enterprises, addressing their constraints will disproportionately benefit women.*
  - As other presentations will focus directly on gender differences, here the example focuses on constraints to employment growth in activities where women are most active.

# Patterns of Employment Growth

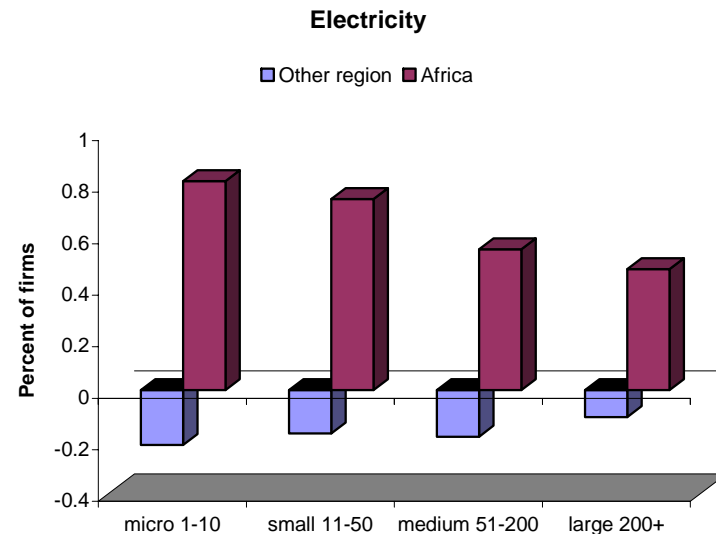
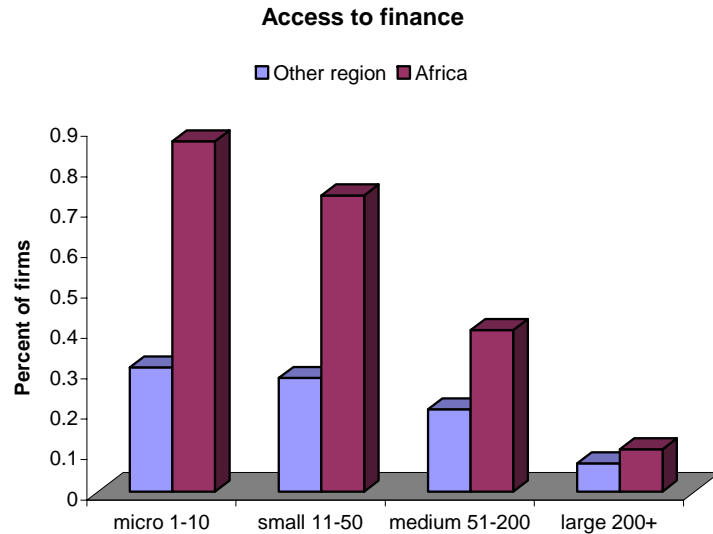
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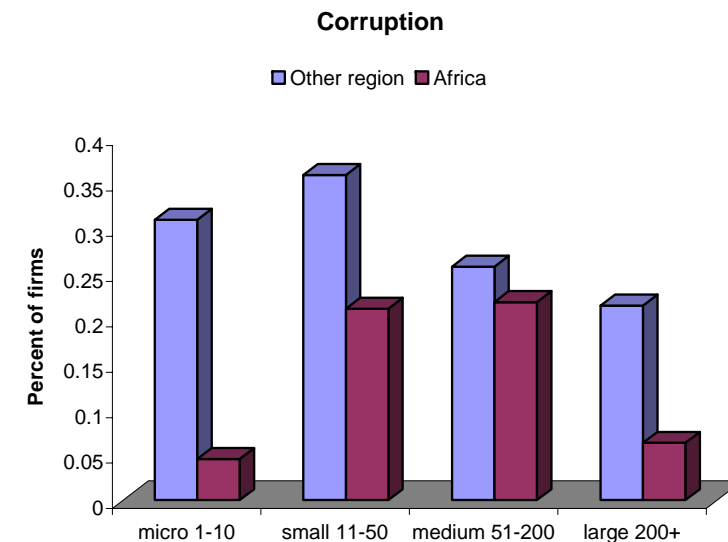
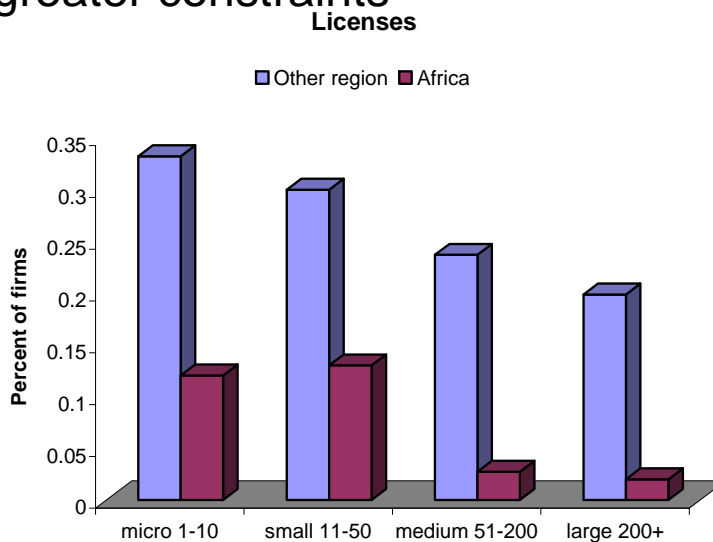
- *Averages rates of employment growth at the firm level are the same in Sub-Saharan Africa (SSA) as in other regions*
- *But the composition is different:*
  - ◆ Growth in SSA is concentrated in micro firms
  - ◆ SMEs and large firms are growing less rapidly in SSA
  - ◆ Controlling for size and sector, the gender of the entrepreneur is no longer significant
- *Look at role of business environment in explaining these patterns*
  - ◆ Objective conditions more difficult in SSA
  - ◆ But response to challenging conditions is not necessarily to reduce employment growth
  - ◆ Rather, weak business environment shifts down size distribution of firm—particularly in SSA



# Firms in SSA see access to finance and electricity as relatively more constraining...



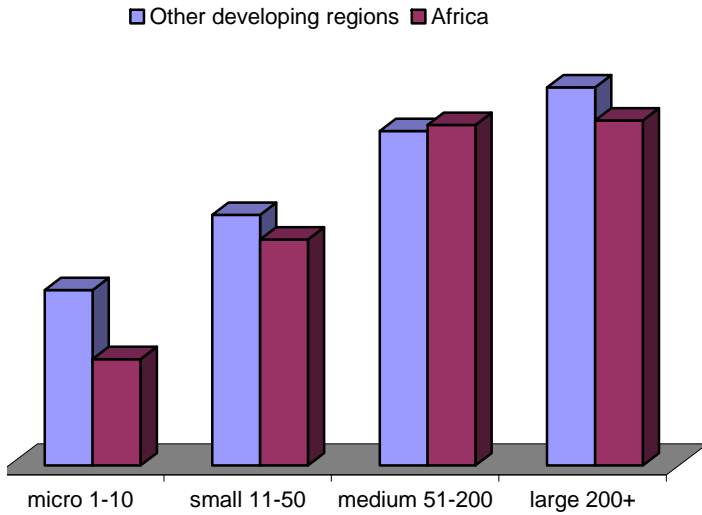
...while firms in other regions see interactions with the government and corruption as greater constraints



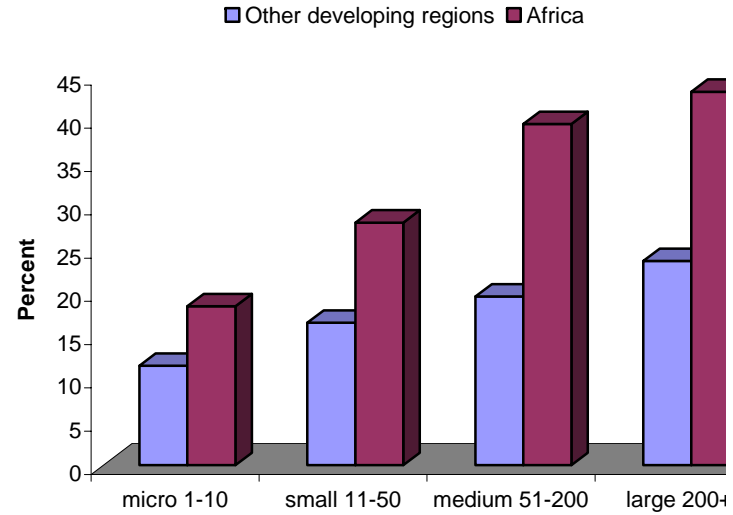
# How things actually differ:



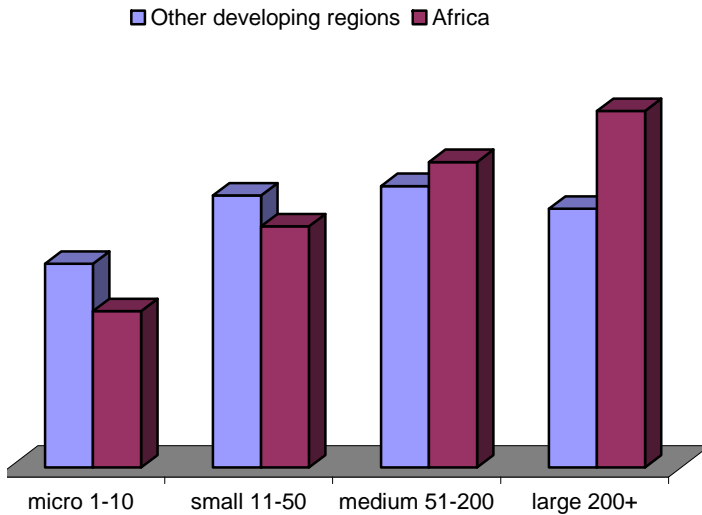
**Share of investments financed with bank loans**



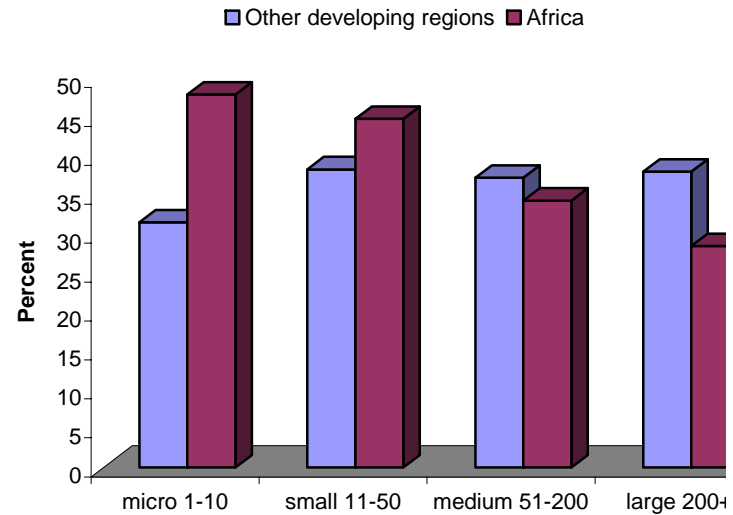
**Days without power**



**Management time with officials**



**Frequency of bribes to 'get things done'**



## Access to finance: potential benefits are more muted in SSA

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- *Greater access to finance is associated with higher growth*
  - ◆ However, firms in SSA have less access to formal credit, especially micro-enterprises
  - ◆ And, the same level of finance translates into smaller increases in employment growth in SSA compared to other developing regions.
  - ◆ The effect of finance on growth is significant for micro firms, but not for larger firms in SSA.
- *Unless other constraints are addressed too, additional finance is unlikely to be sufficient to raise growth.*

## Infrastructure – a key factor shifting down size distribution of firms

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- *Outages are more common in SSA, particularly for small and micro firms.*
  - ◆ Firms in SSA are 20 percent more likely to have generators
  - ◆ Frequent outages are associated with lower growth of large firms, while serving to encourage the growth of micro-firms in SSA.
    - Frequency of outages affects the choice of technology, encouraging greater substitution of capital for labor.

## Government services and corruption – generate incentives to remain small in SSA



- *Delays and inefficient services dampen growth*
- *More consistent enforcement is associated with higher growth outside of SSA. Within SSA, the evidence shows only large firms share in this benefit.*
- *Access to public services is generally associated with higher employment – but little evidence of such a benefit in SSA.*
  - ◆ In SSA, more interactions with officials has little impact or lowers the growth of larger firms, and is associated with growth of micro firms.
  - ◆ There is a limit to the benefits of greater interactions with officials. Beyond 15 percent of management time, the marginal impact is negative – a situation faced by a fifth of firms in the sample.
- *Combined with higher rates of bribes among small firms, the incentives are to stay below the radar screen of officials.*

# Lessons

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- *That firms in SSA respond to challenges in the business environment by reducing employment by less helps to keep employment growth relatively high in the region.*
- *However, the substitution away from capital and the growth of micro firms over larger firms results in lower productivity.*
- *Improving the business environment would strengthen the incentives of firms not merely to expand in the informal sector but to join the formal sector proper and to increase the productive use of their resources.*
- *Improving access to reliable infrastructure and strengthening public services are particular priorities in SSA – and would reinforce the benefits of expanding access to finance.*
- *As women’s participation is highest in micro firms, they would benefit disproportionately from an improved investment climate*

# Lessons

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- *Look at issues of gender directly and indirectly, i.e. in areas where women's participation is highest*
- *Use disaggregated data*
  - ◆ Across countries
  - ◆ Regions within countries (rural, urban)
  - ◆ Importance of other household characteristics
- *Constraints to women entrepreneurs*
  - ◆ Where are gender differences most apparent
  - ◆ Both formal constraints and informal
  - ◆ At entry and in the operation/growth of firm

# What do we need to learn

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- *Are we capturing the right dimensions in understanding factors affecting women's entrepreneurship?*
- *If there are gender differences in the constraints facing entrepreneurs, how can one best address them?*
- *How can we strengthen women's voices in a public-private sector dialogue?*
  
- *And there is an opportunity for us to hear your voice – please complete the short questionnaire.*
  - ◆ Results will be available tomorrow

Thank you