



## REFERENCE NOTE

# WOMEN IN BUSINESS

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*“I have seen myself what women, often in the toughest circumstances, can achieve for their families and societies if they are given the opportunity. The strength, industry and wisdom of women remain humanity’s greatest untapped resource ... We simply cannot afford to wait another 100 years to unlock women’s potential”.*

*Michelle Bachelet, executive director of U.N. Women, 2011*



## **THE GENDER DIVIDE**

### **Introduction**

According to Vital Voices, women account for 66% of the global workforce and earn 10% of the income. They produce 50% of the food globally and own 1% of the property. Besides, women represent the majority of the global poor, 70%, and it has been proven that ownership is one of the most effective means of improving their economic well-being<sup>1</sup>. Therefore, promoting women economic opportunities and equal participation in the labor market is the right thing to do. But it is also good business. According to the NFWBO, the percentage of women entrepreneurs<sup>2</sup> in a country can account for up to 19% of change in that country's GDP<sup>3</sup>. Also, Goldman Sachs has established that a reduction in the difference in employment between men and women will promote economic growth to 13% of the European zone GDP, 16% in Japan y 9% in the USA. Some studies and research, some of them conducted by Ernst and Young, have proven and highlighted a significant statistical correlation between gender equality and the level of development of countries, as well as the link between diversity and performance and diversity as a source for competitive advantage. Furthermore, according with The Economist "the increase in female employment in the rich world has been the main driving force of growth in the past couple of decades".<sup>4</sup>

Moreover, women's enterprise development and, in general, increasing women's economic opportunities<sup>5</sup> are key for social development given women resource allocation into their families and communities. Therefore, women's economic participation will affect human development and impact the intergenerational transmission of poverty.

The LAC region has made significant regional improvements to achieve gender equity but those have not paralleled with progress in economic opportunities for women. Latin America still is one of the regions with the lowest women's economic participation and women are underrepresented as enterprise owners, even though some significant progress has been made on both areas. In 1970 only 22% of women were economically active in the region while in 2008 this percentage grew between 48 and 56%.

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<sup>1</sup> Land ownership, for example, is less than 2% for women in the development world.

<sup>2</sup> Harvard Business School professor Howard Stevenson defines entrepreneurship as the "relentless pursuit of opportunity beyond resources currently controlled".

<sup>3</sup> Jennifer Powers and Barbara Magnoni, *Duena de tu propia empresa: Identificación, análisis y superación de las limitaciones a las pequeñas empresas de las mujeres en América Latina y el Caribe* (Washington, D.C.: IDB, 2010), 5.

<sup>4</sup> "The Importance of Sex. Forget China, India and the Internet: economic growth is driven by women", *The Economist*, April 12, 2006, 1.

<sup>5</sup> For an assessment of the economic opportunities of women per country use the indicators of the Economist in the Women's Economic Opportunity Index<sup>5</sup> (it measures five categories –general business environment, labor policy and practice, access to finance, education and training, and women legal and social status) to determine if the economic environment of a country is favorable both for employees and entrepreneur) women. The Economist did not analyze even one Caribbean Country.

The difference among countries in the region is very high and, for example, in Colombia the difference between male and female participation is of 14% while in Nicaragua it reaches 49%<sup>6</sup>. Furthermore, a World Bank study shows that only 35% of the region enterprises are female owned even though a very large number of women start enterprises.

Besides, progress in labor force participation and the reduction in the employment gender gap have not avoided segregation by sector and occupation and lack of mobility, the wage gap and limited opportunities in the private sector. Moreover, women still are primary caretakers and hold most when not all household responsibilities. Therefore, they need flexibility to be able to become economically active but given the lack of flexibility in the labor market they end up working in the informal sector or becoming entrepreneurs<sup>7</sup>. LAC women become entrepreneurs mostly<sup>8</sup> because of lack of opportunities and flexibility in the labor market, and the need to supplement income, which make them enter the marked more vulnerable and in need which in turn determines some of the characteristics their businesses have.

Women make up only 18 to 31% of firms owners<sup>9</sup> and their enterprises are: (1) smaller (in terms of both, sales and number of employees, which often exhibit lower levels of human capital<sup>10</sup>. Also, they are overrepresented at the micro and small level and underrepresented in medium to large firms); (2) younger; (3) less stable and fail more<sup>11</sup>; (4) grow less; (5) less profitable<sup>12</sup> (generate less utilities unless at the micro and small enterprise levels); (6) less productive (a the micro and small levels but as productive at the medium and large size levels<sup>13</sup>); (7) save less<sup>14</sup> and use less the traditional bank system<sup>15</sup> and less capital in general (including physical capital); (8) concentrate in the less lucrative sectors, mostly in commerce and personal consumption services; (9) more risk averse<sup>16</sup>; (10) invest less in technology; and (11) may be less technically prepared and trained; (12) female entrepreneurs have lower levels of human capital<sup>17</sup>, in some countries; and (12) their role as primary caretaker, and household managers may influence some of their business decisions like hiring family member, use products for family use, or use business money to attend family needs.

<sup>6</sup> Powers and Magnoni, *Duena de tu propia empresa*, 20

<sup>7</sup> IDB/World Bank, *Women's Economic Opportunities in the Formal Private Sector in Latin America* (Washington, D.C.: IDB/The World Bank, 2010), 10.

<sup>8</sup> Of course, women also become entrepreneurs because they identify economic opportunities.

<sup>9</sup> IDB/World Bank, *Women's Economic Opportunities* 21.

<sup>10</sup> IDB/World Bank, *Women's Economic Opportunities* 10

<sup>11</sup> Powers and Magnoni, *Duena de tu propia empresa*, 1, 5.

<sup>12</sup> Other costs, such as hiring family members or consuming firm products for them or the members of the household can also affect profitability.

<sup>13</sup> IDB/World Bank, *Women's Economic Opportunities* 10

<sup>14</sup> Powers and Magnoni, *Duena de tu propia empresa*, 1.

<sup>15</sup> Powers and Magnoni, *Duena de tu propia empresa*, 1.

<sup>16</sup> Powers and Magnoni, *Duena de tu propia empresa*, 1.

<sup>17</sup> IDB/World Bank, *Women's Economic Opportunities*, 25.

Different reasons may explain some of these characteristics. The smaller size can be explained by ability, obstacles for women to grow their firms, traditional roles, or preference<sup>18</sup>. Concentration in small, start-up operations can also be explained by vulnerability to corruption or access to business training, impact of childcare and other household chores, concentration in a few, less profitable sectors, and some operating costs. Also, the concentration in some few, low productivity sectors, can explain the size and lack of profitability of female owned business.

Men and women also have common challenges. Businesses environment difficulties, as for example regulatory and market based obstacles, such as limited access to capital, affect both women and men but can affect women more or differently. With respect to these barriers: discrimination and corruption from government officials, lack of time or ability to travel, and feeling or being less equipped to deal with authorities or complex procedures and regulations.

Governments can play an important role in creating the right environment for improving women's economic participation<sup>19</sup>, first by addressing issues like modernizing the business environment, facilitating global competition and promoting transparency for business, conditions under which women create and stabilize more business (Bullough, 2008). Governments can also put in place policies that reduce barriers to women's participation in the labor market, particularly maternity leave policies and childcare provisions, though only companies can create the environment in which all talent can flourish.

In order to increase female labor participation and effective business creation, the following challenges need to be confronted: lack of legislation and adequate enforcement of labor laws on maternity and equal pay for equal work<sup>20</sup>; lack of education and training on business, finance and management; the improvement of access to finance and creation of adequate financial products for women business owner's needs; and lack of policies to enforce gender equality in place. Also, the following themes need to be addressed: flexibility at work, lack of quality daycare centers, sexual harassment at work, safety, and equality of opportunities.

### **Labor Market Participation**

"Many of the challenges that employed women in developing countries face are little different from those experienced by many of the women in developed countries: earning enough to support their families's needs, maintaining a balance between work and domestic responsibilities, successfully navigating the workplace and advancing in their jobs and carrers to the extend of their potential. ... discrimination, sexual harassment and violence hold women back ... pay disparities persist and so

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<sup>18</sup> IDB/World Bank, *Women's Economic Opportunities*, 25.

<sup>19</sup> Powers and Magnoni, *Duena de tu propia empresa*, 5.

<sup>20</sup> Globally women make 75% or what men make.

limitations and opportunities for growth and promotion (as do) Lack of childcare and other programs that help women met their commitments to family”<sup>21</sup>

Women face two main challenges for in the labor market in LAC: gender wage gaps, occupational segregation<sup>22</sup> and high participation in the informal sector. Even though the female wage penalty has been declining over the last decade, when it was roughly at 25%, it is still at 17%<sup>23</sup>. The male-female wage differential is due to gender-related differences in occupational choice, educational attainment, and prior work experience, some of it may also be explained by discrimination. On the other hand, occupational segregation by gender is a pervasive constraint on labor market equality in LAC, where it is one of the largest in the world and it affects more the less educated. It makes the market inefficient and the investments in female education less than optimal. Furthermore, women are overrepresented in the informal sector<sup>24</sup>.

On the positive side, women’s labor market participation in the LAC region is approaching 50%<sup>25</sup>, and the gap between male and female wages narrowed. Still, labor participation is not homogenous among countries and goes from (2007) 38.2% for Honduras and up to 74.2% for Paraguay. Argentina’s rate is 57.1%, Bolivia el 67.8% and El Salvador 49.7% (GenderStats).

Both, market participation and the wage gap, are significant factors for women economic empowerment. In the context of economic development those are good news because of their impact on: labor quality, productivity and growth, taxes, spending power, financial security, and poverty reduction, among others. In fact, during the 90’s, the main difference between the average Latin American family living below the poverty line and those living above it was women’s labor force participation. Without the income contribution of female spouses, the percentage of two-parent households below the poverty line would have increased between 5 and 19%<sup>26</sup>. By the end of the 90’s women contributed on average 35% of household labor income in LAC. Also, It is good news for development in general given its potential impact on breaking the intergenerational cycle of poverty by increased expenditure allocation on human capital<sup>27</sup>.

Several factors explain this rapid increase in female labor participation rates during the 90’s: increase in female schooling (that account for 30% of the rise), decline in fertility rates, increase in the productivity of the house work (household productivity has increased by having access to basic infrastructure like

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<sup>21</sup> Mackinsey Empowering women, 24

<sup>22</sup> Claudia Piras, “An Overview of the Challenges and Policy Issues Facing Women in the Labor,” in *Woman at Work: Challenges for Latin America*, ed. Claudia Piras (Washington, D.C.: IDB, 2004), 4.

<sup>23</sup> Claudia Piras, “An Overview of the Challenges and Policy Issues”, 12.

<sup>24</sup> Claudia Piras, “An Overview of the Challenges and Policy Issues”, 17.

<sup>25</sup> In the Caribbean women’s labor force participation increased in the last two decades by 20%.

<sup>26</sup> Claudia Piras, “An Overview of the Challenges and Policy Issues”, 7.

<sup>27</sup> Claudia Piras, “An Overview of the Challenges and Policy Issues”, 6.



electricity and water supply), changes in the age structure of the population, and better opportunities for women in the labor market<sup>28</sup>. Others factors include: an increase in the female headed and one parent households (by, for example, 26.2% in Chile in 2003, and 29% in Costa Rica in 2007) and women's motivation to enter the labor market.

However, these factors are not equally available to women of different income groups or ethnic origin. Poor and socially excluded women face more constrains. Gains have been significantly superior for richer, more educated women who are not members of groups facing racial or ethnic discrimination<sup>29</sup>.

Still, women in general earn on average less than men, have fewer opportunities for promotion and are mostly confined to a few, less productive sectors in the economy. Government through policies and changes in the law can affect this situation but the private sector could have a very strong role in changing it.

## Women in Corporations

### SCR and Gender<sup>30</sup>

The private sector has a significant potential in responding to these wage disparities as well as inequities in terms of promotion, access and opportunities through Corporate Social Responsibility initiatives (CSR). These have and still can contribute to: (1) improve women's participation in the labor market by programs that help women to still fulfill some traditional roles; (2) reduce wage disparities, improve opportunities and affect negatively labor segregation, not only vertically, but also horizontally.

Viewed as a source of opportunity, innovation and competitive advantage and with a wide idea of sustainability, corporations align themselves with values of diversity linked to competitiveness. The improvements in gender equity can improve the productivity/competitiveness of firms by: (1) increasing the diversity/representation of the labor force and creating a labor force that is dynamic, creative and innovative; (2) reducing rotation and the costs of recruit and hiring personnel; (3) increasing the interest on being part of the firm by qualified women; and (4) improving firm image to consumers and investors, among others.

"McKinsey has shown that the presence of gender diverse leadership teams correlates with stronger financial and organizational performance. It has found that companies with higher degrees of gender diversity tend to enjoy operating margins twice as high as those of the least diverse organizations.

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<sup>28</sup> Claudia Piras, "An Overview of the Challenges and Policy Issues", 9.

<sup>29</sup> Claudia Piras, "An Overview of the Challenges and Policy Issues", 21.

<sup>30</sup> A considered amount of this work proceeds from a draft paper on a course on CSR and gender elaborated by Paz Castillo-Ruiz and not yet published. It was prepared for the GDI Unit at the IDB.

Research has also shown a strong positive correlation between the share of top female managers and return on assets and equity<sup>31</sup>.

The IDB publication *Genero y Negocios* establishes that efforts to improve gender equality and CSR initiatives are similar and their procedures compatible given that they: (1) rely on similar and compatible technical components, such as reporting and auditoria; (2) rely on political leadership and public support; (3) share the objective of reducing inequity and correct injustice; and (4) contribute to improve competitiveness and business reputation, among other benefits.

In LAC the majority of the CSR programs are about work and family conciliation, non-discrimination, wellbeing and health, and workers participation. Even though CSR initiatives are not common in the regions, and firms have introduced them for different reasons, among them: the initiative of some governments, like Chile or Mexico, to implement national excellence criteria; some firms attempt to stimulate employee motivation and productivity and to reduce rotation rates as well as to improve public image; access to markets and capital; pressure from stakeholders and society as a whole; and the pressure from the international community and some multinational corporations.

### **The Glass Ceiling (for Management and Board Positions)**

To actively promote women to management positions it is important not only because women are dramatically underrepresented in formal leadership position but also as a way to increase profitability by taking advantage of market discrimination and biases.

Labor market discrimination suggests that exploiting the bigotry of others can be a source of competitive advantage. Multinationals wield a particularly significant competitive weapon: as outsiders they can identify social schisms in host labor markets and exploit them for their own competitive advantage that can yield a significant profit benefit. Though usually host markets are moving toward new equilibrium freer of discrimination, that movement is relatively slow, presenting a multiyear competitive opportunity for multinationals.

Edman (2009) has proposed that foreign companies are essentially outsiders without status and without expectations, and therefore they can afford to go against host-country business models. The backlash that it may imply can be end up outweighed by the net benefit of employing female managers. In some cases that has proven to be the case. Basically, the talent used outweighed the outsider's liability of going against dominant local cultural norms. Siegel, Pyun and Cheon (2010) found that firms were able to enjoy a performance benefit through increased hiring of women, especially at the senior management level ... which can be associated with an increase in profitability.

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<sup>31</sup> Empowering women p. 15-16

## WOMEN OWNED FIRMS

### MSM's Enterprises and Gender

In 1972 women owned 4% of all American Businesses, by 1991, that figure had climbed to 38% and was responsible for \$4 trillion dollars in sales and employment of 27 million workers. Growth of the number of women's contribution to the economy tend to happen in periods of change during which women take advantage of the opportunities that such periods open for them.

For the case of the Latin American region, **female labor participation**<sup>32</sup> is currently around 57%, and has increased significantly in LAC over the last 20 years. Also, a large proportion of women tend to work in the informal sector and thereby remain uncouncted. Men employment is about 85% in all countries and the participation rates of single women, with no children, are similar to those of men.

In the labor market, lack of equal opportunities and **barriers** to entry push women towards becoming entrepreneurs. Among them, gender wage differentials<sup>33</sup> remain an important barrier for female economic advancement. In LAC men earn on average 10% more than women, though there are significant differences among countries and sectors. Women also exhibit higher unemployment rates and longer periods of unemployment, as well as lower returns to education. Women participation in the labor force tends to be concentrated in a few, less profitable sectors (commerce, education and health)<sup>34</sup>. Moreover, traditional household roles and cultural beliefs in LAC help explain some of the difficulties that women experience to enter and remain in the formal labor market.

Decisions to become entrepreneurs are different for men and women, and most of the push-out factors are specific for women. Barriers explain partially why women decide to start businesses: (1) necessity based reasons, push out factors, include barriers in the labor market or need for supplemental income; (2) pull-in factors are opportunity-based and related to earnings expectations or the desire for more flexibility<sup>35</sup>.

Therefore, an important percentage of women enter the MSME world push out from the labor market and forced by the need to supplement or generate income for their families. After the decision is made, women are faced with other barriers which are specific related to the enterprise environment. Among them, lack of access to proper financial products and lack of experience and knowledge of the formal bank system. As well as lack of savings and traditional collateral; lack of proper training and education in addition to lack of technical and professional experience; and family and household responsibilities. Social convention and discrimination also become barriers to entry and establishment. Other specific

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<sup>32</sup> According to the 2009 global gender gap index, the global gender gap for economic participation is 41%

<sup>33</sup> In Jamaica, for example, almost half of employed women are in low-paying, minimum wage jobs

<sup>34</sup> IDB/World Bank, *Women's Economic Opportunities*, 16.

<sup>35</sup> IDB/World Bank, *Women's Economic Opportunities*, 15.

female ways to deal with business also end up becoming barriers for women to grow and make their businesses more profitable and competitive<sup>36</sup>.

## The Law

Legal differentiation sometimes helps and sometimes harms women's ability to start and run their own businesses though according with LAW there is a broadly positive association between equality in the law and more equal outcomes for women<sup>37</sup>. Equality by law is associated with a higher percentage of female participation in ownership and management<sup>38</sup>. When analyzing the law it is important to take into account both laws that directly differentiate between men and women, as well as laws that indirectly have more impact on women given their likelihood of being secondary income earners, microfinance clients and small business owners<sup>39</sup>.

"Women, Business and the Law" analyzes the impact of legal and regulatory environments on shaping opportunities for women in six areas of the law that affect women's incentives or capacity to work or to set up and run a business:

- accessing institutions, that is, women's legal ability to interact with public authorities and the private sector in the same ways as men. Direct impediments to access institutions (areas of concern) include: gender differentiations in contractual abilities, property rights, evidentiary weights, business registrations procedures, and employment consent requirements. Indirect impediments include: gender differentiations in the ability to travel, head of household designations, tax policies, citizenship rights and obedience requirements
- using property or women's ability to access and use property based on their capacity to own, manage, control and inherit it. Research has found strong links between property rights, access to finance and business productivity. There are few legal restrictions in this area but a number of constraints on women's ability to acquire, control and effectively use property. Women's property rights are affected by a multiplicity of overlapping laws. Marital status and marital property regimes can also determine a woman's property rights both during her marriage and at its dissolution. Laws can affect the ability to purchase, inherit, policies on land reform and joint titling as well as marriage.
- getting a job or restrictions on women's work, as for example placing prohibitions on working at night or in certain industries, as well as laws on work-related maternity and paternity benefits

<sup>36</sup> Powers and Magnoni, *Duena de tu propia empresa*, 1.

<sup>37</sup> IDB/World Bank, *Women Business and the Law: Measuring Legal Gender Parity for Entrepreneurs and Workers in 128 Economies* (Washington, D.C.: IDB/The World Bank, 2010), 6.

<sup>38</sup> IDB/World Bank, *Women Business and the Law*, 7.

<sup>39</sup> IDB/World Bank, *Women Business and the Law*, 40.

and on retirement ages. Working hour restrictions, parental leave benefits (particularly paternity leave), and different retirement ages can affect (1 and 3 negatively) women’s equality to work.

- dealing with taxes or personal income tax liabilities, taking into account tax credits and deductions available to women relative to men (gender differences in treatment may affect women’s decision to work). Personal income tax liability affect women’s decision about whether and how much to work. In addition, women are more responsive to changes in tax rules than men. Women may have stronger incentives to participate in the labor market if tax rules favor an equal distribution of income and in some economies women receive additional tax credits that reduce their taxable income. Tax regimes are complex because it is impossible to implement the optimal personal income tax system –one that follows both the principle of progressivity and the principle of equal taxation for equal income.
- building credit. Low minimum loan thresholds affect women’s businesses positively because women tend to take out small loans. Such loans can help these businesses build credit histories if credit bureaus and registries set low thresholds for inclusion in their data. Having these records can allow women to graduate to larger loans. Two practices that can benefit women’s access to credit are: the minimum loan threshold required by private credit bureaus and public credit registries that will help women’s smaller businesses, and the credit bureaus and registries that collect information from microfinance institutions and will allow women to graduate to larger loans. Factors important to help women to get loans from commercial banks are: the ability to provide collateral, access a personal identification number for use in credit bureaus, and the ability to claim full possession over assets and profits.
- going to court<sup>40</sup>: small claims courts can make it easier, faster and affordable to access justice. The existence of small claims courts, with jurisdiction over simple commercial and civil disputes, –with lower cost, speedier services, and simpler processes- may disproportionately benefit businesses owned by women.

## Access to Finance

Micro credit financial institutions have proven that women have better credit return rates (*tasas de cancelacion de crédito*) than men, and that women can be trusted with debt<sup>41</sup>. Still, access to finance is a key issue for women entrepreneurs all over the globe beyond micro credit. Even when women have equal access they turn to banks for credit less than men. Also, the products offered by banks aren’t adequate for women’s needs and type of assets. With respect to access to finance, there are problems

<sup>40</sup> IDB/World Bank, *Women Business and the Law*, v.

<sup>41</sup> Powers and Magnoni, *Duena de tu propia empresa*, 1.

on both the supply and demand sides. With respect to the supply side, there can be discriminatory attitudes from the bank personnel and inadequacy of financial products to meet women's entrepreneur needs and constraints (informality, less collateral, etc). On the demand side, there may be lack of information and risk aversion<sup>42</sup>.

The need to increase/expand access to finance for women entrepreneurs is a recognized barrier to entry and growth. Stereotypes about women, money and financial management capabilities tend to preclude women to have an equal access to financing. These assumptions create significant barriers and prevent the success of women entrepreneurs who want to build enterprises.

Women have less capital to start up their businesses, which affects choices about the kind of business and limits them to certain sectors that are less productive. They also have less access to external capital which in turn limits growth and their capacity to pursue new opportunities<sup>43</sup>. However, according to recent studies about LAC, in the region there are no significant differences in access to credit between male and female entrepreneurs and financial resources are becoming more available to women thanks to government programs. Also, Micro Finance Institutions (MFI) have made available to women short term credit work capital but they have not developed successful investment capital products to help women expand and grow their firms<sup>44</sup>. Therefore, what is needed is not more credit but financial products tailored to women's needs and their different use of credit.

Men and women use credit very differently: (1) women tend to use credit less often. Research indicates differences in the rate at which women and men invest in their enterprises. This is probably explained by the fact that they simply do not have the same level of financial resources available. The wage gap probably plays an important role on this. They have fewer savings because of their lower earnings and ability to save, the patterns of discontinuity in the labor force, and because of social traditions to register property in the names of males<sup>45</sup>. Other reasons include: they are promoted at a lower rate and therefore made less money; they often choose "female" industries; very few women are serial entrepreneurs; many get out of the paid work force to attend the needs of children. They also tend to have less credit history; (2) women have smaller loans (male businesses are on average between 2.2 and 2.5 times larger); (3) women rely more frequently on informal sources of credit, like family and friends<sup>46</sup>; (4) women seem to exhibit higher risk aversion or fear to apply for credit<sup>47</sup>, as well as less familiarity

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<sup>42</sup> Powers and Magnoni, *Duena de tu propia empresa*, 12-13.

<sup>43</sup> Powers and Magnoni, *Duena de tu propia empresa*, 12.

<sup>44</sup> Powers and Magnoni, *Duena de tu propia empresa*, 1.

<sup>45</sup> IDB/World Bank, *Women's Economic Opportunities*, 49.

<sup>46</sup> IDB/World Bank, *Women's Economic Opportunities*, 11.

<sup>47</sup> Los seguros pueden ser mecanismos importantes para proteger las empresas y los activos del riesgo. Duenas 13

with larger-size credit instruments. Moreover, given that their enterprises are less productive, transaction costs tend to be too high<sup>48</sup>.

Besides differences in the way women use of credit, there are important differences in the availability and value of savings which are key not only to start a business but also to manage future risk. Personal savings and family assistance are present in the launch of nearly all start-ups. Personal savings are the main source of financing for more than 72% of business owners, regardless of the size of the business and the gender of the owner. The founders current income, cash reserves, credit card capacity and mortgageable assets account for most of the early stage capital, at least in the USA, but women generally have less cash to seed fund their own ventures, which is critical not only initially, but also overtime, and are more likely to finance their business at the beginning with their own sources which limits their star-up capital.

Also, women and men have very different assets and women have fewer assets than men, which in turn affects their ability to get credit. They also tend to be of lower value. Asset ownership is also a limiting factor in accessing credit, as women's assets are consistently of lower value and smaller in size. Also, they invest in different assets and accumulate assets in ways that are affected by their gender roles within the household and the socially determined gender roles in commerce and service provision<sup>49</sup>.

Also, asset ownership affects access to credit and firm level of earnings and permanence in the market, and women access to assets is generally lower than men. Also, the value of women's assets is lower than men's. Male business owners on average invest more in business assets than female business owners. These differences may explain differences in the ability to borrow money.

#### Policies:

- Provide Credit lines attached to training
- Develop new financial products

### **Training and Education**

Access to training and business development are important enabling factors for women entrepreneurs. Women's lower levels of business education and training can limit their firm's productivity and growth. Moreover, they have less labor experience to develop this type of knowledge and capabilities<sup>50</sup>. Therefore, women need to improve their: (1) Business management, and financial and accounting

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<sup>48</sup> Powers and Magnoni, *Duena de tu propia empresa*, 1.

<sup>49</sup> IDB/World Bank, *Women's Economic Opportunities*, 45.

<sup>50</sup> Powers and Magnoni, *Duena de tu propia empresa*, 15-16.

skills<sup>51</sup> (including knowledge of business practices and mentorship opportunities); (2) Access to information and technology; (3) Banking and financial training.

### **Social Conventions and the Family**

Social conventions affect and reinforce traditional gender roles in the family and in society, and both in turn affect the ability of women to be effective entrepreneurs, as well as the kind of firms and sectors they work in and the opportunities that are open for them<sup>52</sup>.

Changes in the domestic sphere have not kept pace with the increased participation of women in the labor market<sup>53</sup>. Therefore, what happens in the home conditions is what women do in the workplace.

Gender norms place constraints on women's participation in labor market or decision-making positions, restricting their mobility, independence, autonomy and productivity<sup>54</sup>.

Women traditional roles in the family and the household can affect business performance negatively by: reducing their mobility, their time availability, or the available capital. Women face constant "difficult choices" that affect also their choices of business, their location and the allocation of resources. As a result, many women locate the business in the house, invest in their families disproportionately to men, and hire less people, some of them family members. Also, women income tends to be view as complementary unless women are heads of households. Also, some studies have shown that having children<sup>55</sup> affect the amount or employees and earnings women owned firms have.

Gender norms affect human capital acquisition, opportunities and decisions to participate in the labor market, negotiations about the domestic division of labor, and control over resources<sup>56</sup>.

Policy interventions are extremely difficult in these area but communication programs and working with men on masculinity may help and be very effective to change the traditional believes and the division of labor among the sexes.

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<sup>51</sup> Powers and Magnoni, *Duena de tu propia empresa*, 2.

<sup>52</sup> Powers and Magnoni, *Duena de tu propia empresa*, 14.

<sup>53</sup> Claudia Piras, "An Overview of the Challenges and Policy Issues", 19.

<sup>54</sup> Claudia Piras, "An Overview of the Challenges and Policy Issues", 20.

<sup>55</sup> IDB/World Bank, *Women's Economic Opportunities*, 39.

<sup>56</sup> Claudia Piras, "An Overview of the Challenges and Policy Issues", 20.



## Other Barriers to Women

### 1. Access to Networks and markets

Women have more difficulties accessing both<sup>57</sup> while networks are key to obtain financing, find logistical support, market products and services, etc.

### 2. Technology

Women use less technology than men in order to run their business which probably is explained by the cost and lack of information and training. Lack of technology may account for some return differentials (*diferenciales en rendimiento*)

### 3. Risk Aversion

Women show more risk aversion than men, which can be an obstacle for business growth<sup>58</sup>. This behavior can affect decisions like personnel recruitment and control over necessary commercial costs. It can also explain why women businesses grow slower than men even though their benefits can be more stable between other things because women tend to diversify their income sources<sup>59</sup>. One possible explanation for this kind more conservative business behavior is that women tend to start their business in situations of vulnerability.

## **POLICIES AND PROMISING PRACTICES**

### Practices:

Several circumstances affect women negatively to become successful entrepreneurs, among them: being a household head, having children of less than five years of age, having the business located in the home, having assets of lower value or that are less likely to be accepted as collateral, and having lower returns on time invested in the business. They are very much related to a women's need to combine household responsibilities with business activities. Therefore, in order to increase women's productivity it is necessary to invest in childcare and to promote more equitable forms of attend other household's responsibilities. It is also critical to reduce some critical push-out factors which prevent women from seeking or finding employment in the formal labor market.

The following interventions can be of help in order to promote better women's business and more real economic opportunities for women:

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<sup>57</sup> IDB/World Bank, *Women's Economic Opportunities*, 11.

<sup>58</sup> Powers and Magnoni, *Duena de tu propia empresa*, 1.

<sup>59</sup> Powers and Magnoni, *Duena de tu propia empresa*.

- Promoting gender equality (International conventions, women’s machineries, national plans, changes in legislation, etc)
- Improving access and performance in formal sector employment to reduce distorted incentives to become entrepreneurs by reducing employment and wage discrimination, providing childcare services, and promoting schedule flexibility
- Improving the business climate for men and women
- Promoting high quality business and professional training,
- Taking into account women’s needs in SME business development services,
- Expanding access to markets for women (from networks, governments, international organizations and donors, etc)
- Promoting access to networks and new markets for female entrepreneurs can open new paths for firm’s productivity growth and scaling-up<sup>60</sup>.
- Firm Certification on Good Gender Practices
- Promote women’s business associations (also incubators, and one to one mentoring opportunities)
- Financial services and business development for SME’s that integrate a gender perspective
- Innovations in financial products and services that work with women specific asset accumulation patterns (like movable assets)
- Childcare services<sup>61</sup>
- Policies should not focus on business creation but on improving operation and promoting growth of female owned business
- In short: alleviate barriers (wage gap, flexibility, SCR programs, etc); provide services (training, credit, networks and so on); promote good gender practices and use social marketing to promote gender equality.

#### Policies:

1. To promote gender equality in general in order to reduce discrimination in the labor market and at home.
2. To alleviate barriers to women formal labor market participation: reducing wage gap, flexible schedules (part-time, flex-time) and targeting women in decision-making positions.
3. Provide services to help women make their business more productive and to grow them (access to financial service and new products, access to high quality training, access to business development training, promoting access to networks and new markets, and provide childcare services ...)

<sup>60</sup> IDB/World Bank, *Women’s Economic Opportunities*, 55.

<sup>61</sup> IDB/World Bank, *Women’s Economic Opportunities*, 55-61.

4. Promote good gender practices in the public and private sectors
5. Use social marketing to promote gender equality in government programs for SME development, land titling, financial services and other.
6. To incorporate a gender dimension in the formation of all SME-related policies<sup>62</sup>
7. Promote women entrepreneur networks<sup>63</sup>

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<sup>62</sup> Frederic Delmar and Carin Holmquist, “Women’s Entrepreneurship: Issues and Policies” (paper presented at the 2<sup>nd</sup> OECD Conference of Ministers Responsible for Small and Medium-Sized Enterprises, Istanbul, Turkey, June 3-5, 2004), 6.

<sup>63</sup> Delmar and Holmquist, “Women’s Entrepreneurship”, 6.

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- a. The *Global Gender Gap Index* (World Economic Forum) is based on economics, politics, education and health
- b. The *Social Institutions and Gender Index* (OECD) is based on family code, physical integrity, son preference, civil liberties, and ownership rights.
- c. As part of the human Development Index, and based on the UN Gender info 2007 (a database focus on population, families, health, education, employment and political participation) UNDP produces the *Gender Development Index* and the *Gender Empowerment Measure*.
- d. *World Development Indicators 2009* for female labor force participation and income percapita
- e. REVIEW M&E

### 2. SME INDICATORS/DATASETS

- a. Enterprise Surveys
- b. Doing Business