

## The Women's Business Council: Women and Enterprise: Evidence Paper

### Summary

Despite progress in recent years, women remain less likely than men to start a business, and the vast majority of small and medium-sized enterprises (SMEs) in the UK are run by men.

There are some significant differences between women-led and male-led SMEs. As with employees, women are more likely to run businesses in specific sectors. Women-led enterprises are, on average, smaller than SME's in general.

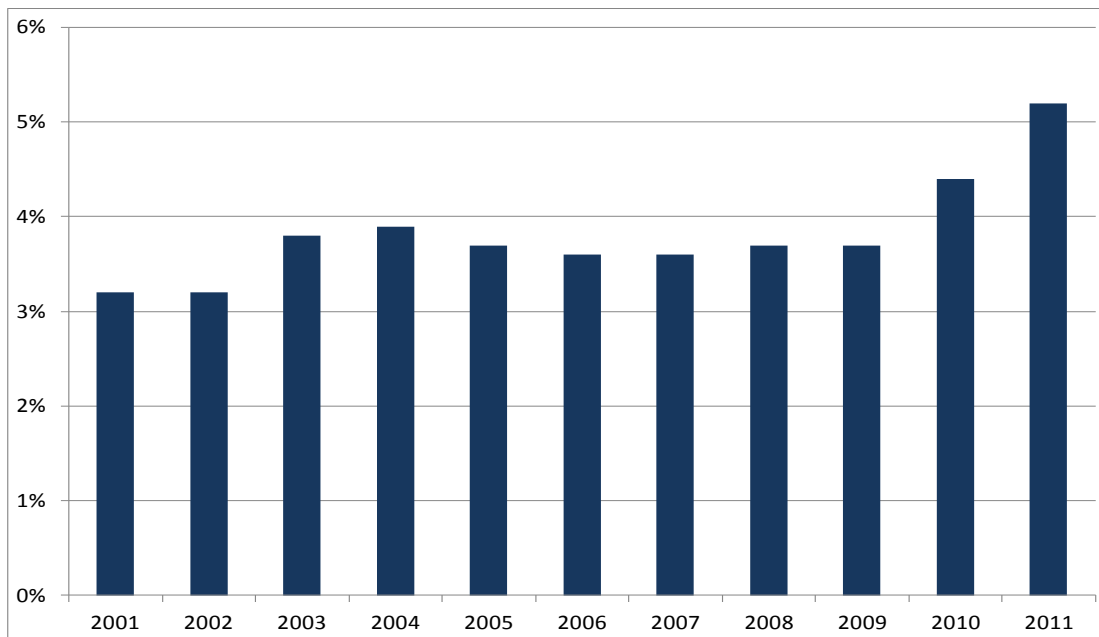
Women are less likely than men to believe they have the skills to start a business and are more likely to cite a fear of failure as a barrier. However, women-led SMEs are more successful in applications for loans than male-led SMEs.

### How many women start businesses?

Women are about **half as likely as men to be entrepreneurs**: the proportion of working-age women who are engaged in entrepreneurial activity<sup>1</sup> was 5.0% in 2011, but is still far behind the rate for men, at 10.2%. Women's entrepreneurship rates in the UK are higher than Germany (4.5%) and France (3.0%), but fall behind the US (10.4%)<sup>2</sup>. This rate has increased substantially in recent years and is up from 3.2% in 2001<sup>3</sup>.

Just **14% of small and medium-sized enterprises (SMEs) are majority-led by women** (either run by a woman or have a management team that is over 50% women<sup>4</sup>), whilst 52% of SMEs are entirely led by men<sup>5</sup>.

### Percentage of women engaged in entrepreneurial activity 2001-2011



Source: Global Entrepreneurship Monitor

## What types of businesses do women run?

In 2010, women-led SMEs were more likely than male-led SMEs to be working in **community, social and personal activities, health and social work and in hotels and restaurants**. They were less likely to be working in production and construction<sup>6</sup>.

86% of women-led SME's were micro-businesses (1 to 9 employees), and women-led SMEs have a **lower average turnover than SME's as a whole**. The median average turnover was £158,000 for women-led SMEs and £345,000 for all SMEs<sup>7</sup>. 44% of women-led SMEs considered themselves to be a **social enterprise**, compared to 26% of all SMEs. However, only 9% of women-led SMEs (and 7% of all SMEs) conform to the BIS definition of a social enterprise<sup>8</sup>.

According to a report from Delta Economics, women's businesses are more likely to have stayed in business during the recession than their male counterparts even if their turnovers have shrunk<sup>9</sup>.

## Motivations for starting a business

Women are much more likely to go into self-employment **because of family commitments**; 16% of self-employed women did so. Women and men are just as likely as men to go self-employed because they **saw a market or because an opportunity arose**. Men are more likely to be motivated by wanting more money and are more likely to go into self-employment as a response to being made redundant (this data is from 2001, more recent statistics are not available)<sup>10</sup>.

A survey in 2012 found that women often **stick with what they know**: 59% of self-employed women have started a business in an area in which they have previously studied or had previously worked. 31% moved into an area which was previously a hobby. Only 17% started a business in an area they had no experience in. **Younger self-employed women are more likely to have access to role models**, are more likely to go into self-employment to make money, are more likely to start a social enterprise and more likely to see self-employment as a career option from the beginning of their careers<sup>11</sup>.

## Barriers to starting a business

Women are less likely than men to think they have the skills needed to start a business and are more likely to be prevented by a fear of failure – see table below<sup>12</sup>.

A recent survey of self-employed women asked how other women might be encouraged into self-employment and entrepreneurship. The top four suggestions were: the need for **more role models in the media**, more mentors, more business start-up courses and better access to finance<sup>13</sup>.

Whilst many SMEs see access to finance as a barrier, a survey by the British Banking Association found that, while women-led SMEs are less likely to use external finance, those who did apply for finance were more successful than male-led SMEs (70% of women-led

SMEs were successful in loan applications compared to 56% of male-led SMEs). Women-led SMEs were less likely than male-led SMEs to mention “discouragement” as a barrier to loan and overdraft applications, but were more likely to cite “process” as a barrier<sup>14</sup>.

Entrepreneurial attitudes amongst households who are not currently engaged in entrepreneurial activity (2011)<sup>15</sup>

	Men (%)	Women (%)
There will be good start-up opportunities where I live in the next six months	29.7	26.4
I have the skills, knowledge and experience to start a business	45.0	29.3
Fear of failure would prevent me from starting a business (for those who agree there are good start-up opportunities)	38.7	44.0

**Policies to encourage self-employment**

38% of women in the UK compared to 3% in Europe take **advice from government business support**. Women are more likely to use all forms of business support, whether public or private sector or informal in origin than men. They are more likely to access support from professional services, banks and governments than their European counterparts<sup>16</sup>.

There is generally little empirical evidence of the relative benefits of schemes which are ‘**open access**’ (open to participants of all types) or ‘**sifted**’ (aimed at particular groups (e.g. women, long-term unemployed, ethnic minorities)). This is because open access schemes tend to have higher ‘deadweight’ (money that is spent encouraging things that would have happened without support) as it involves spending money on those who would have started a successful business anyway. Sifted schemes can reduce this deadweight cost but tend to have a lower take-up rate and a lower success rate. This makes it very difficult to measure the relative impact of these schemes.

There is some evidence that **financial support**, on its own or combined with business support/advice, is more effective than guidance and advice in isolation. There is also some evidence that lump-sum grants are more effective than regular allowances<sup>17</sup>.

Previous research has show that men are more likely to take up self-employment support and show higher rates of employment (either employment or self-employment) once support has finished<sup>18</sup>.

The Government currently offers support for those on welfare to go into self-employment through the New Enterprise Allowance. Recent research by BIS looked at previous schemes to support the move from welfare into self employment (the Six Month Offer and New Deal for Self-Employment) and found that **one-to-one support with a consistent advisor** was key to success. Advice through group sessions was also useful<sup>19</sup>.

Maternity can be a particular challenge for women entrepreneurs and small business owners, as the legal framework and protections available for employees do not apply (although the self-employed may be able to claim Maternity Allowance). One small qualitative survey found that many pregnant female entrepreneurs did not plan to take any time off as formal maternity leave<sup>20</sup>. Some research also found that enterprise programmes often ignore childcare issues and that **childcare can act as cause of business failure**<sup>21</sup>.

## **Conclusions**

Whilst there have been significant increases in women's entrepreneurship, women are still half as likely as men to be engaged in entrepreneurial activity.

Whilst each business is different and different individuals will have different motivations and barriers, we see some patterns in the data. Women-led enterprises are smaller on average and more prevalent in the service sectors.

One key barrier to getting more women to start business is that much fewer women than men believe that they have the skills to start a business. Whilst addressing skills shortages is one factor, as the lower levels of skills is self-reported and fear of failure is higher amongst women, this may be linked to wider issues of having the self-confidence to start a business.

## Annex 1: Self-employment statistics

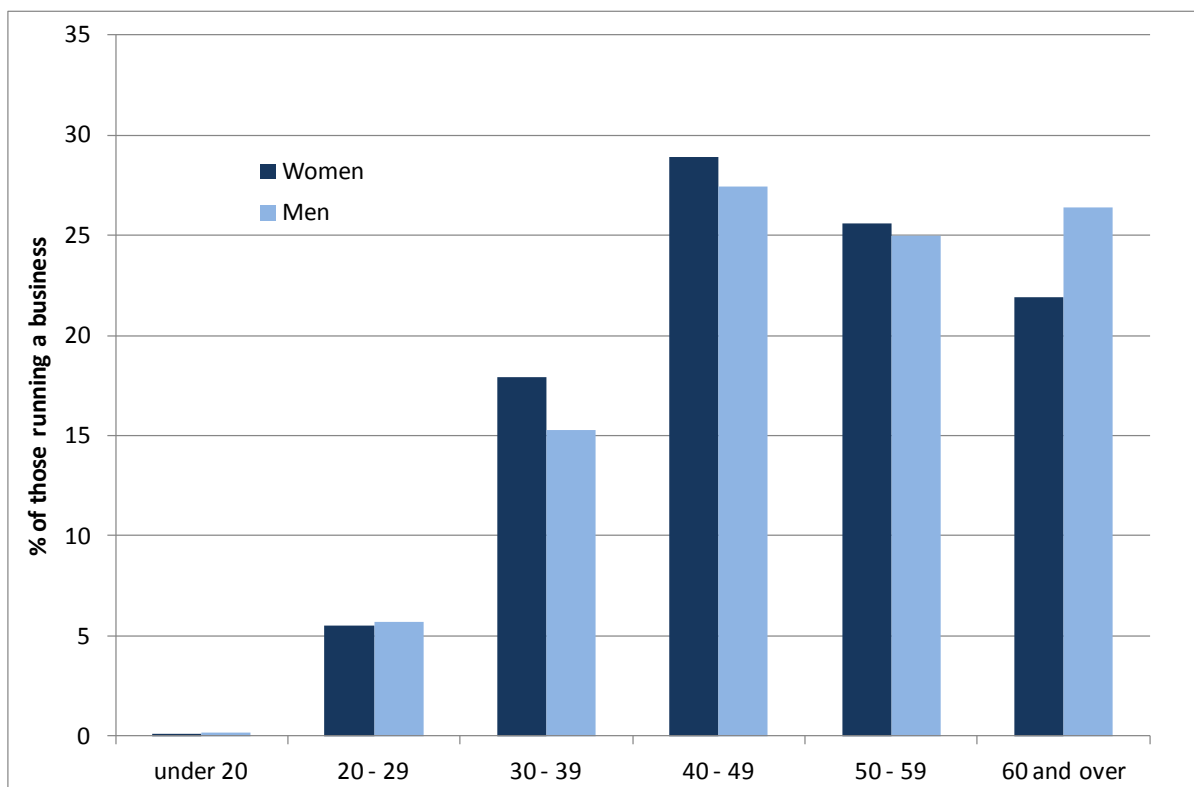
There has been an increase in **self-employment** since the 2008 recession; there are now just over 1.2 million women self-employed. More than half of self-employed women work part-time<sup>22</sup>.

It is important to note that **self-employment is not synonymous with running a business** and that the self-employed are a very diverse group. Some employers use self-employed workers for greater flexibility (or to avoid employment rights) – this may include low-skilled and insecure jobs such as some construction jobs, home workers or cleaners. However, other high-skilled and more secure occupations also use self-employment, such as GPs, dentists, consultants and barristers. Those running, or a partner in, a business are a sub-group amongst the self-employed.

Since the recession started in 2008, there are 60,000 more women either running, or a partner in, a business or professional practice or sole director of a limited company<sup>23</sup>.

**Less than 6% of those running a business are aged under 30.** The age profile of women and men running a business are similar; although men are more likely to be running a business in their 60's<sup>24</sup>.

### Age of women running a business<sup>25</sup>



## References

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- <sup>1</sup> Total Entrepreneurial Activity (TEA) is defined as the proportion of working age adults who are either actively involved in setting up a business or are the owner-manager of a business that has been active for less than 42 months.
- <sup>2</sup> Levie & Hart (2012) 'Global Entrepreneurship Monitor: United Kingdom 2011 Monitoring Report'
- <sup>3</sup> Global Entrepreneurship Monitor
- <sup>4</sup> This differs from entrepreneurial activity because it includes those who have been running a business for a long time.
- <sup>5</sup> BIS (2011) 'BIS Small Business Survey 2010: Women-led business boost' Department for Business Innovation and Skills
- <sup>6</sup> BIS (2011) 'BIS Small Business Survey 2010: Women-led business boost' Department for Business Innovation and Skills
- <sup>7</sup> BIS (2011) 'BIS Small Business Survey 2010: Women-led business boost' Department for Business Innovation and Skills
- <sup>8</sup> BIS (2011) 'BIS Small Business Survey 2010: Women-led business boost' Department for Business Innovation and Skills
- <sup>9</sup> Delta economics (2011) 'Challenges and Opportunities for Growth and Sustainability (COGS): A focus on women in the UK and Europe'
- <sup>10</sup> Dawson, Henley & Latreille (2009) 'Why Do Individuals Choose Self-Employment?' IZA DP No. 3974
- <sup>11</sup> Logan J (2012), 'The Everyday Entrepreneur', *Avon Entrepreneurship Series*, London: Rain Communications
- <sup>12</sup> Global Entrepreneurship Monitor
- <sup>13</sup> Logan J (2012), 'The Everyday Entrepreneur', *Avon Entrepreneurship Series*, London: Rain Communications
- <sup>14</sup> BDRC Continental (2012) 'Women-led Businesses: Analysis from the SME Finance Monitor YEQ1 2012'
- <sup>15</sup> Global Entrepreneurship Monitor
- <sup>16</sup> Delta Economics (2011) 'Challenges and Opportunities for Growth and Sustainability (COGS): A focus on women in the UK and Europe'.
- <sup>17</sup> Adams & Oldfield (2012) 'Welfare to Self-Employment' Department for Business, Innovation and Skills
- <sup>18</sup> Adams & Oldfield (2012) 'Welfare to Self-Employment' Department for Business, Innovation and Skills
- <sup>19</sup> Adams & Oldfield (2012) 'Welfare to Self-Employment' Department for Business, Innovation and Skills
- <sup>20</sup> Rouse, J. (2009) 'Can You Hang On While I Give Birth and Breastfeed? Individualisation, Agency and Oppression in Entrepreneurs' Maternity Plans', paper accepted for presentation at the Institute of Small Business and Entrepreneurship Conference, November 2009.
- <sup>21</sup> Rouse & Kitching (2006) 'Do Enterprise Programmes Leave Women Holding the Baby' Environment and Planning C: Government and Policy Vol.24
- <sup>22</sup> Labour Market Statistics November 2012, Office for National Statistics
- <sup>23</sup> Labour Force Survey Q2 2008 – Q1 2012. This figure is for women who are self-employed and are either running a business or professional practice, partner in a business or professional practice or sole director of a private company. It should be noted that this is not a perfect measure for those running a business, as "professional practice" may include those in the public sector (e.g. GP surgeries) and some employers use limited companies in their employment structure.
- <sup>24</sup> Annual Population Survey June 2010 – July 2011
- <sup>25</sup> Source: Annual Population Survey June 2010 – July 2011. Those running a business are defined as those who are self-employed and report receiving payment through either running a business or

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professional practice, being a partner in a business or professional practice or being the sole director of a limited company.