

Gender Gaps in Self-Employment and Business Financing  
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## Descriptives of the Gender Gaps in Self-Employment & Financing

- \* Despite large gains in 80s-90s, female/male self-employment earnings ratio only 60% in 1999 & was still under 63% in 2010.
- \* Differences in liquidity can account for large share of gender gap.
- \* In 1990s, during the peak in small business financing, women's self-employment rates grew faster than that of men.
- \* 1990s → high growth of women's share of self-employment (substantially more so than the 1980s, the 2000s, & the last 5 years)

- \* 1990s rise in female self-employment rates driven by fewer exits.
  
- \* Estimating proportional hazards models I find that:
  - women with personal funds are less likely to exit self-employment ...for any reason: business failure, personal/family, another job
  - men with personal funds are less likely to exit for business failure, but more likely to exit for another job.
  
- \* If women have money, they tend to stay in business.

\*Women are disadvantaged in the credit market

\*Women more likely to have loan application rejected, face higher interest rates and greater collateral requirements.

\*Poor access to debt financing because:

→ less equity

→ lower income

→ less experience

→ tend to start smaller scale businesses

→ concentrate in retail

\*Poor access to Venture Capital and Angel Investment because:  
→ men tend to finance men & there are few female VC & AI.  
→ women disadvantaged in the way they pitch their business plan

So existing gender inequities result in poorer access to credit for female entrepreneurs.

\*Some literature suggests that women may prefer to self-fund.

\*Increasing focus on importance of women's entrepreneurship  
because of expected contribution to the economy

→ job growth

→ double dividend

→ focus welfare enhancement

## **Policy Recommendations**

- \*Investigate systemic bias in financing
- \*Addressing issue of gender inequality: pay gap, wealth gaps, and gaps in experience (particularly due to absences from labor market).
- \*More outreach & designated funds for female business owners
- \*Mentoring programs
- \*Expansion of crowd sourced funding?