



POLICY BRIEFING

Building the FEMpire: Supporting Women's Enterprise in Wales

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This paper examines the potential for women's enterprise in Wales.

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Welsh Government**

RECOMMENDATIONS for policy makers in Wales to increase the number of women-owned and women-led businesses:

1) Carry out an Equality Impact Assessment of business support policy to ensure issues affecting women and other minority entrepreneurs are being fully considered.

2) Ensure the collection of gender specific data to allow in-depth analysis of women's enterprise. This information is essential to identify gender difference and inequality and to monitor the impact of current policy and budget commitments on women and men.

3) Stimulate entrepreneurial behaviour within local communities, particularly promoting the flexible working and work-life balance benefits that self-employment can offer.

4) Provide tailored support for women's enterprise through the establishment of a Women's Enterprise Task Force for Wales and peer mentoring programmes.

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1. Introduction

Women account for 51% of the Welsh population and almost half of the workforce. They are far from a minority group and yet women remain under-represented in the business world. Whilst we know that women are very resourceful and enterprising, they still set up businesses at approximately half the rate of men. Enterprise presents many opportunities for women, particularly those with caring responsibilities. Self-employment allows women to work flexibly and many appreciate having the ability to structure their work to accommodate their other varied responsibilities. The economic benefits of women's enterprise are clear, as figures show more women enter self-employment from a position of economic inactivity whilst men often leave an employed position to start a business. The promotion of women's enterprise is particularly important at the moment as the public sector spending cuts take effect. Women have been disproportionately affected by the cuts as this group makes up the majority within sectors most likely to feel the impact. Enterprise offers a real solution for women who have been made redundant and so it is now more important than ever that business support meets the needs of women wanting to start a business.

“Economic recovery requires action to build a fairer sustainable future, and jobs and the economy must be the over-riding priority in the next assembly term”

Source: 2011 Welsh Labour Manifesto: *Standing up for Wales*

We know that there is an opportunity to increase the level of participation of women in business. Research from *Prowess* shows that there are 20% more businesses per head in the United States than in the UK. It is believed that much of this difference can be attributed to the rate of female participation in the US.¹ At 8.8%, the rate of Total Entrepreneurship Activity for women in the US is more than double that of the UK (3.6%).² There is also evidence to support the proposition that targeted business support for women led businesses leads to job creation. Women-owned businesses in the states employ an estimated 19 million people. This is one seventh of all those employed in the US in total. The One Wales agreement set a target of 80% employment. This was an increase of just over 10% from a rate of 69.7%. As a result of the recession in 2009, along with a difficult recovery and public sector spending cuts, employment in Wales has fallen to 66.8% and may continue to fall. Encouraging business start-up and

¹ Prowess (2008) *Women's Enterprise Monitoring 2008*, Prowess National Policy Centre, London

² BIS (2009) *Female Entrepreneurship Evidence Base*, BIS, London

growth in Wales is one of the best ways to create sustainable jobs and begin the move towards employment for all those who are willing and able to work. We can see from the figures above that there is the potential to substantially increase the number of female entrepreneurs in Wales. This will further help to reduce the number of people in Wales who are living in poverty.

“Despite women’s businesses making up just 15% of UK business stock, women’s enterprise already contributes c. £130billion turnover and c £70bn gross value added (GVA) pa to the UK economy. Imagine what women entrepreneurs could do if they were enabled to participate in enterprise at the same rate as their male counterparts”

Source: Women’s Enterprise Task Force

2. Why is women’s enterprise important?

- **710,000** SMEs in the UK are led by women
- Women-led SMEs contribute **£50 billion** to the UK economy each year
- These businesses accounted for **12% of total SME GVA** (£430bn) in 2007³
- There are approximately **1,114,000 self-employed women** in the UK, representing **29% of the self-employed population**⁴

The above statistics show that women-led businesses and women’s self-employment are a significant contributor to the UK economy. Policy conclusions outlined in the 2007 GEM report on women’s entrepreneurship highlight the importance of women’s enterprise. The report advises that women’s enterprise is important to economies across the globe. ‘Female entrepreneurship is an increasingly salient part of the economic make-up of many countries and is a key contributor to economic growth in low/middle income countries’.⁵ There are other factors which make women’s entrepreneurship desirable. It is noteworthy that in high-income countries, there is no gender difference in the survival rate of women’s business versus those of men.⁶ Research also shows that there is a positive correlation between female leadership and profitability. Companies led by a female CEO are likely to be more profitable than those led by a male CEO.⁷

In addition, we know that a high proportion of women move into enterprise from a state of economic inactivity. Figure 1 (below) shows that more than twice as

³ BIS Enterprise Directorate Analytical Unit estimates using ONS Annual Business Inquiry data

⁴ BIS Analysis of ONS Labour Force Survey data Q3 2009

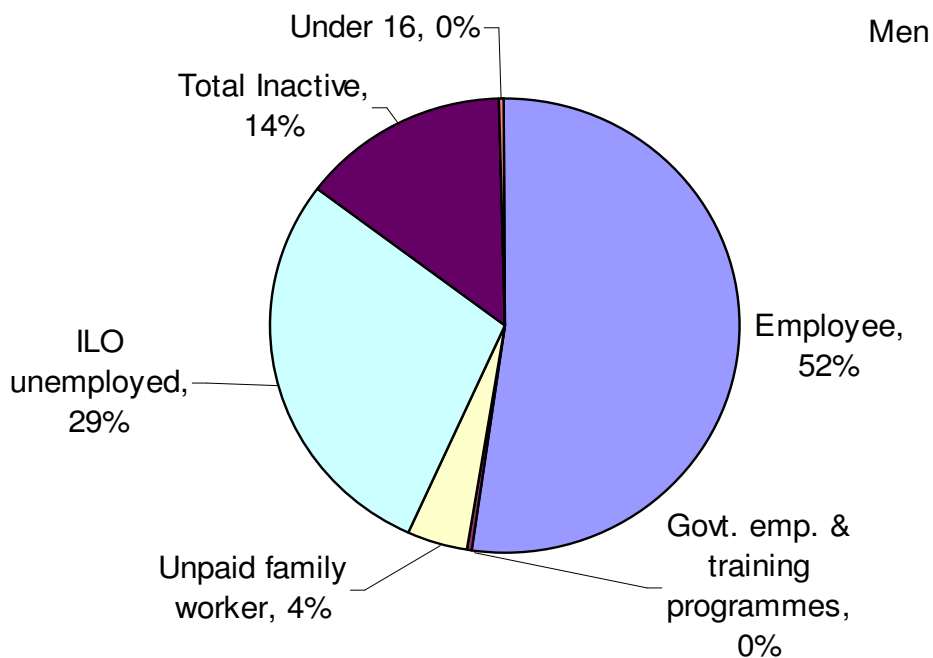
⁵ GEM (2008) *Global Entrepreneurship Monitor: 2008 Executive Report*, GEM Consortium, London

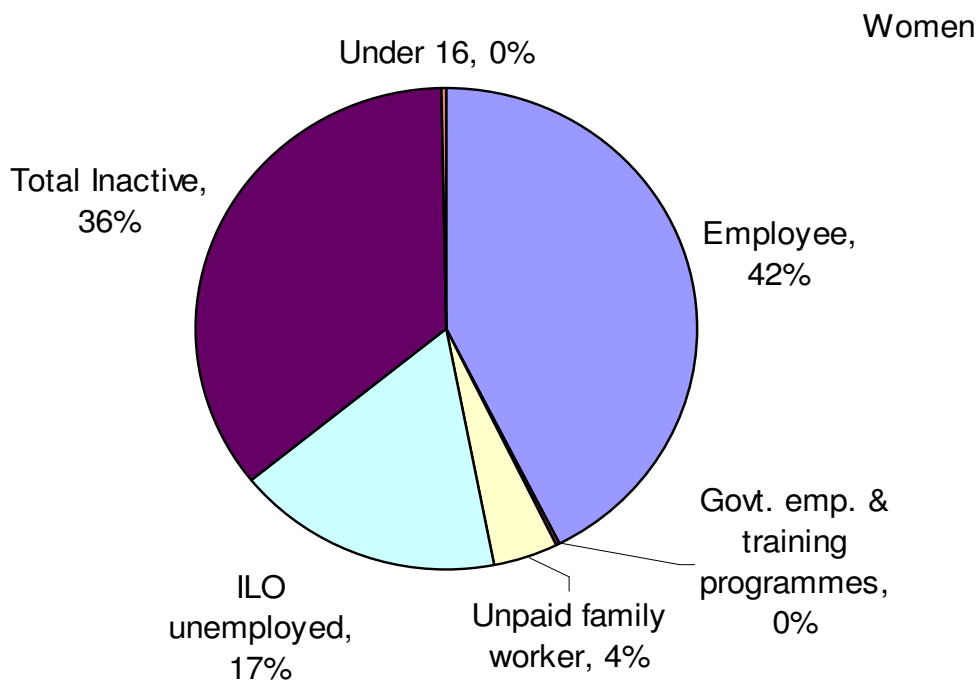
⁶ Ibid.

⁷ GEM (2008) *Global Entrepreneurship Monitor: 2008 Executive Report*, GEM Consortium, London

many women as men enter self-employment from this position (36% compared with 14%). For women, this is almost the same proportion as those moving from employment into self-employment. There is a much greater difference in these patterns for men. Far more men enter self-employment from employment than from economic inactivity (52% compared with 14%). This means that encouraging women to start businesses has a direct positive impact on the economy. Women's participation in enterprise can also have a positive impact on child and family poverty as, in many cases, it is the woman's income that decides whether a family lives in poverty or not.

Fig. 1 – routes into self-employment by gender





(Source: Q408-Q309 Labour Force Survey longitudinal data)

Finally, women's businesses are also more likely to benefit the community; they are often more innovative than male-led businesses; and are more likely to take in to account long-term social, ethical and environmental factors.⁸ This added value should be taken into account by policy-makers when considering what steps they can take to support and encourage women's enterprise.

3. What motivates women to start up in business?

The primary motivating factors for women starting in business are well documented. For many women, running their own business offers:

- **Flexibility and independence:** evidence shows that women continue to bear the majority of childcare and other caring responsibilities.⁹ Starting a small business allows many women to fit a job around their family/domestic/caring commitments. The flexibility of working the hours they choose, often from home, can prove very valuable to some women.

⁸ Prowess (2008) *Women's Enterprise Monitoring 2008*, Prowess National Policy Centre, London

⁹ Fawcett Society (2009) *Are Women Bearing the Burden of Recession?* Fawcett Society, London

- **First step back into work:** Women are far more likely than men to take time off from their career to look after children.¹⁰ Re-entering the labour market after a career break can be daunting. Self-employment can be a positive move and an attractive alternative to unemployment.
- **Alternative to the glass ceiling** – Far fewer women than men in employment reach positions of seniority in their careers. Business ownership can provide job satisfaction and freedom to fulfill their potential.

GEM (2008) also shows that, as a result of gender roles in society, women and men have different views of the world which they develop through their experiences. This diversity of circumstance and perspectives points to the need for customised or targeted policies.

4. What are the barriers for women?

There are many barriers for women in starting a business which are not as commonly faced by men. GEM research tells us that 'in all countries, women's level of optimism and self-confidence with respect to starting a business is lower than men'.¹¹ There is evidence to suggest that women start businesses with less money. Figures show that on average, the amount of start-up capital invested by women is only one third of that used by men.¹² This leads us to wonder whether access to larger amounts of capital for women would mean a greater contribution of women-led businesses to the economy.

Chwarae Teg's own Women's Enterprise Wales project (2000-2006) found that women face a range of real and perceived barriers when thinking of starting a business. These include a lack of confidence in themselves or their idea; a fear of the unknown; and practical concerns around tax or finance. This continues to be the case, as shown by further research from the Department of Business, Innovation and Skills (BIS) in 2009. This paper agrees that women are more likely to have low self-confidence and also that they lack optimism, despite possessing more of the necessary 'soft skills' required to make a business a success.¹³ Women are more likely to fear failure; they are more risk averse and they prefer not to be in debt.¹⁴

¹⁰ Family and Parenting Institute (2007) *Work-life Balance*. Available at:

<http://www.familyandparenting.org/Filestore/Documents/factsheets/WorkLifeBalance.pdf>

¹¹ GEM (2008) *Global Entrepreneurship Monitor: 2008 Executive Report*, GEM Consortium, London

¹² Carter, S. (2006) *Women's Business Ownership*, accessed 08/08/11 at:

<http://www.prowess.org.uk/facts.htm>

¹³ BIS (2009) *Female Entrepreneurship: The Evidence Base*, BIS, London

¹⁴ Ibid.

The Women's Enterprise Wales evaluation reports that the largest barriers to enterprise for women are lack of information and finance. This is a matter which is contested in other reports on women's enterprise. For example, recent BIS research around women and entrepreneurship indicates that access to finance is a perceived barrier and, in actual fact, women do not have any more difficulty than men in finding capital. The research claims that gender does not play any part in determining whether a business seeks external finance although women do seem to be more cautious with their borrowing. On average, women borrow less than men and are more likely to use credit cards or overdrafts to raise finance. The BIS report shows that there is no evidence of banks deliberately discriminating against women although women often report dissatisfaction with the service they receive from banks due to their gender. GEM research supports the claim that the lack of access to finance is a perceived barrier. For example, GEM data demonstrates that women are around 7.5% more likely to perceive financial barriers to business start-up than males. This reduces start-up rates by 1.7 - 3.8%.¹⁵ Our own work with women in Wales tells us that many do have difficulty in accessing finance for business purposes. Women who are economically inactive, living in poverty or who are financially excluded, face particular problems in gaining business finance. Supporting these groups to access finance can make a particular difference to rates of economic inactivity.

Overall, women are much less likely than men to translate their interest in starting up a business into action so much of the potential is lost.¹⁶

6. Why have targeted support?

It could be argued that the rate of women's enterprise in the US is significantly higher than in the UK due to the government's recognition of its importance

“The enterprise gap between Britain and the United States could be largely closed if women were involved in enterprise to their full potential”

Source: Women's Enterprise Task Force

to the economy. The federal government has remained committed to supporting female entrepreneurship over a 30 year period.¹⁷

Research shows that many women want to have access to specific business support, targeted to meet their needs. Evidence from the *National Council of Graduate Enterprise* (NCGE) shows that, of those women participating in their *Women's Flying Start* Programme, 98% did so because it was only for women. The same proportion of women taking part in the *Enterprising Women* initiative in

¹⁵ Roper, S and Scott, J (2009) *Gender Differentials in Access to Finance for Business Start-up in the UK—An Econometric Analysis of GEM Data*, Aston University, Birmingham

¹⁶ IFF Research Ltd. (2002) *BIS Household Survey of Entrepreneurship Follow-up*, IFF, London

¹⁷ Carter, S. (2006) *Women's Business Ownership*. Accessed via prowest:

<http://www.prowest.org.uk/facts.htm>

North East England said that targeted support was either “important” or “very important” to them.¹⁸ The *Enterprising Women* evaluation report shows that businesses taking part in the initiative employ nearly 3,000 people in total and turn over £53 million per year. In one year, the project created 116 jobs and 114 new businesses and the evaluation reported that it-offered ‘exceptional value for money’.¹⁹

Further research from North East England Regional Development Agency, *One NorthEast*, argued that to increase women’s participation, staff must be aware of the barriers facing women in starting a business and management information systems must collect gender specific data.²⁰

The final report from the Women’s Enterprise Task Force in the UK also makes the case for women’s business support. The report shows that a lack of appropriate business support was identified in the *2003 Strategic Framework for Women’s Enterprise* as one of the main barriers to women starting a business. Quantitative evidence from the *Invest Northern Ireland Enterprise Development Programme* shows that as a result of targeted support for women, female participation increased from 34% in 2004 to 48% in 2009.²¹

The former UK Government believed that focused provision for women could bring benefits. In their 2008 strategy, *Unlocking the UK’s Talent*²², there was a proposal for a national women’s business mentoring network, women’s business centres and focused enterprise support within a range of measures aimed at increasing business activity amongst women.

"Access to quality mentoring is particularly valued by women starting and growing an enterprise. Mentoring helps them to build belief in a positive vision for the development and growth of their business and provides a conduit to business support and information. A national mentoring network for women in business will be coordinated to recognise and support the distinctive nature of women's business start-up and growth"

**Source: Dept. for Business, Enterprise and Regulatory Reform (2008)
*Enterprise: Unlocking the UK's talent***

In our response to the Welsh Government’s consultation on economic renewal in Wales, we identified the potential for an increase in women-led businesses. In 2008, there were around 201,355 businesses of which 31,900 were women-led

¹⁸ Enterprising Women (2007) *Enterprising Women Evaluation and Research Report 2007*, Enterprising Women, Norwich

¹⁹ Ibid.

²⁰ One NorthEast (2008) *A Smart Approach to Market Segmentation*, One NorthEast, Newcastle-upon-Tyne

²¹ Women’s Enterprise Task Force (2009) *Greater Return on Women’s Enterprise*, WETF, London

²² BERR (2008) *Unlocking the UK’s Talent*, BERR, London

(15.8%).²³ Our contribution recommended that the Welsh Government creates 'a Women's Enterprise Task Force for Wales to establish mechanisms to increase the number and support the growth of women-owned businesses'.²⁴ This paper makes the same recommendation. We believe that women's participation in the economy could be increased if the right support was provided to help them start enterprises. Existing programmes are not designed to provide tailored support for women. Our aim would be to see the Women's Enterprise Task Force identify best practice in enabling women to start and grow businesses and for this to be included in the design of mainstream business support from the start of any programme.

7. Women's enterprise around the world

The gender gap in entrepreneurship exists in most countries throughout the world. Despite this, female entrepreneurs make an important contribution to the world economy.²⁵ The GEM (2007) report on female entrepreneurship advises that countries put themselves at a disadvantage and 'thwart economic growth' when they 'ignor[e] the proven potential of women's entrepreneurial activity'.²⁶ For this reason, the report advises that Governments find ways to 'empower women's participation and success in entrepreneurship' in order to ensure 'sustainable and successful economic development in all countries'.²⁷

There are, however, several countries where women begin businesses at an equal or even higher rate to men. These are Japan, Peru, Thailand and Brazil (GEM, 2008). Countries with the highest rates of entrepreneurship are low/middle income countries. This is often due to a high number of "necessity" entrepreneurs who start businesses due to the lack of other opportunities. An example of this phenomenon in Wales can be seen in some of the more deprived areas such as Merthyr Tydfil. This local authority has the highest claimant rate in Wales at 25.8%.²⁸ However, Merthyr also has the highest business start-up rate in Wales.²⁹

In Europe, women make up only 30% of all entrepreneurs. This is despite the benefits running a business can bring for women in helping them to reconcile work and family life. Principle One of the European Commission's Small Business Act looks to 'create an environment in which entrepreneurs and family

²³ Chwarae Teg (2010) (Response to) *Economic Renewal Programme – Tell Us More (WAG)*, Chwarae Teg, Cardiff

²⁴ Ibid.

²⁵ GEM (2007) *2007 Report on Women and Entrepreneurship*, GEM Consortium, London

²⁶ Ibid.

²⁷ Ibid.

²⁸ Beatty, C. and Fothergill, S (2011) *Tackling Worklessness in Wales* (Sheffield: Sheffield Hallam University)

²⁹ Chris Ashman (Regeneration Programme Director, Welsh Government) Speaking about the Heads of the Valleys Regeneration Programme at Bevan Foundation Conference, Merthyr College, 5th July 2011

businesses can thrive and entrepreneurship is rewarded'.³⁰ The act advises that member states need to 'care for future entrepreneurs better, in particular by fostering entrepreneurial interest and talent, particularly among young people and *women*'.³¹ Within the Act, the commission commits to establishing a network of ambassadors that will 'inspire women to set up their own businesses and promote entrepreneurship among women graduates' (ibid.). In addition, member states are invited to 'provide mentoring and support for female entrepreneurs' (ibid.).

8. How does Wales compare to the rest of the UK?

At 14.4%, the proportion of majority women-led businesses in Wales sits just below the UK average of 14.8%. However, when we look at other regions, we can see that there is much room for improvement. The proportion of women-led businesses in Scotland is 20.5% and in Northern Ireland and North East England it stands at around 19%.

Scotland has the highest proportion of women-led businesses in the UK. This is partly due to a lower rate of male business starts. However, there have also been positive initiatives in Scotland to encourage female entrepreneurs. For example, in the past, Scotland's *Business Gateway* offered women-only courses. At its peak, these programmes resulted in a start-up figure of around 38%. This figure has gradually declined and currently stands around 31%. A review of women's enterprise in Scotland argues that:

*"Although the potential for economic growth through women-owned businesses in Scotland is significant, the lack of consistent data, statistics and knowledge is a barrier to developing a consistent strategic approach to promoting and developing the women's enterprise agenda. This may be particularly true of existing female-led businesses, where targeted support may provide growth and sustainability. But with no means of identifying these businesses, much of this potential may be lost."*³²

An analysis of figures in the review suggests that women are accessing public sector support at a lower rate than men. The number of self-employed women recorded by the *Labour Force Survey* did not match the number of women accessing *Business Gateway* services. Research by the *European Microfinance Network* (2008) further indicates that, while the UK is good at promotional activities to attract women, the support provision locally does not match up.³³

³⁰ European Commission (2008) *Small Business Act for Europe*, EC, Brussels

³¹ Ibid. (Emphasis mine)

³² Brierton, J. and Waring, J. (2011) *Women's Enterprise in Scotland*, unpublished.

³³ Lämmermann, S. (2008) *Fostering Gender Equality – Meeting the Entrepreneurship and Microfinance Challenge*, European Microfinance Network, Paris

One North East, published a Women's Enterprise Strategy in 2006. This document recognises that 'women-led businesses grow in a different way from those run by men' and also that women face different issues to men during the start-up phase. In 2006, the Government gave a sum of money to a selection of Regional Development Agencies in England to pilot women's enterprise units. Outreach workers in South East England found that 'a major factor in successfully engaging women is to establish a proactive outreach network in local communities'.³⁴ They also found that peer to peer support groups were useful for women, as was the offer of assistance with childcare. Hart & Levie (2009) in their summary of entrepreneurship in Wales produced for the Global Entrepreneurship Monitor show that, in 2009, female entrepreneurial activity accounted for 4.4% compared with 7.6% for males. This means that they are just over half as likely to start a business in Wales as men. The report also shows that Wales ranks 3rd out of the 13 regions in the UK for female early stage entrepreneurial activity.³⁵ In Wales today, 45.2% of non-entrepreneurs believe they have the skills to set up in business. However, 37% say that fear of failure would prevent them from actually attempting to start a business. The *Women's Enterprise Wales* project provided evidence that targeted support for women in Wales can translate to an increased number of women-led businesses. One quarter of women assisted by the project went on to start a business between 2000 and 2006. In total, during the period, 617 new businesses were started, creating 912 new jobs. On average, 1.5 new jobs were created for each venture. In total, 25% of businesses supported employed additional staff. Analysis of start-ups from phase one of the project showed that 10% reported an annual turnover in excess of £100,000 and 1/3 reported an annual turnover of more than £20,000. This evaluation provides further evidence that targeted business support can provide results and support job creation. The project evaluation shows that the cost of support amounted to £1,796 per woman supported or £2,573 for each job created. Other benefits include confidence building and reduced dependence on benefits.

Wales' economic renewal strategy, *Economic Renewal: A New Direction*, commits to placing 'a priority on self-employment to address problems of participation in the economy'.³⁶ The strategy acknowledges that 'self-employment is an important route out of economic inactivity'.³⁷ This is particularly the case for women as illustrated in part 2. The strategy further recognises that the Government has a role to play in promoting the benefits of self-employment and encouraging new businesses. The Welsh Government clearly understands the importance of women's enterprise as it has

³⁴ GHK Consulting (2008) *Assessing the Effectiveness of Different Forms of Support for Women's Enterprise: The Regional Women's Enterprise Unit Pilots*, GHK, London

³⁵ Hart, M. and J. Levie (2009) *GEM UK: Wales Summary 2009*, GEM UK, London

³⁶ WAG (2010) *Economic Renewal: A New Direction*, WAG, Cardiff

³⁷ Ibid.

commissioned business workshops for women and training for support providers around women's enterprise. These steps are positive but do not go far enough to encourage and support female entrepreneurship. What is needed is a strategy for entrepreneurship which is designed from the outset to deliver tailored support to women.

9. Conclusion

In this paper, we have demonstrated the value of women's entrepreneurship and illustrated the importance of targeted support. Enterprise can provide solutions to many of the problems we face in the economy as a result of the recent downturn. In particular, women's enterprise can provide a real alternative to traditional employment and this has a direct impact on child and family poverty which is becoming increasingly problematic in Wales as more women are made redundant through public sector cuts. Business support for women must be targeted and tailored to meet the very different needs of this group. If this is achieved, it will reduce the rate of economic inactivity amongst women, increase jobs and reduce poverty.

10. Recommendations: How can policy-makers in Wales support and promote women's enterprise?

We hope that, in this paper, we have shown that there is the potential to grow the number of women-led businesses in Wales and create sustainable jobs. Women's enterprise is vital for the Welsh economy and there is the potential to significantly increase the level of female entrepreneurial activity in Wales. In order to achieve this, we recommend that steps are taken in the following areas:

1. Equality Impact Assessment

The Welsh Government has developed Inclusive Policy-making procedures which assess the impact of public policy on under-represented groups. We recommend that the Department of Business, Enterprise and Technology and Science makes full use of these procedures to ensure business support services are designed to meet the different needs of women. Not only is this essential to ensure that such services do not disproportionately impact or disadvantage women starting or growing a business, they are a fundamental requirement if the support programme is to be economically as successful as it has the potential to be. The Welsh Government should carry out an Equality Impact Assessment of business support policy to ensure issues affecting women and other minority entrepreneurs are being fully considered.

2. Gender disaggregated data

There is very little gender specific data available around business enterprise. The information available, points to clear differences in requirements of women compared to men, but is not sufficient to enable a full understanding of the effectiveness of policy for women. Disaggregated data would enable support organisations to assess the impact of gender mainstreaming and quantify the take up of business support by women, lone-parents and under-represented groups. Furthermore, this information is essential to identify gender difference and inequality and to monitor the impact of current policy and budget commitments on women and men. The Welsh Government should ensure that there are systems in place to capture disaggregated data to allow gender analysis.

3. Stimulate entrepreneurial behaviour

Demand for business support must be stimulated within local communities. This kind of outreach activity will encourage participation from all parts of society, especially women who are very often economically inactive. It will also build skills and social capital through community and social enterprises. We also recommend that the flexible working and work-life balance benefits that can be achieved through self-employment be promoted in targeted marketing. Many women struggle to reconcile work and family life and self-employment can provide an ideal opportunity to managing caring responsibilities whilst still generating an income.

4. Provide tailored support for women's enterprise

We recommend that the Welsh Government develops business support programmes that meet the specific needs of women. As a minimum, this would include:

- The establishment of a ***Women's Enterprise Task Force for Wales*** as recommended in our response to the Welsh Government's consultation on economic renewal. In this briefing, we re-affirm our belief that such a group has the potential to identify ways to promote and support women-led businesses in Wales.
- **Peer mentoring and support.** As we have discussed in this paper, there is evidence to suggest that mentoring and support provides particular benefits for women. We are aware that such networks operate with great success in areas such as South East Wales. However, there are some areas of Wales where such networks do not exist. As a result, we recommend that the Welsh Government explores the need for women's business networks in Wales, identifying any geographical areas where women are currently not being supported. This might be particularly useful in areas where the rate of women's enterprise is low. We also

welcome the Welsh Government's plans to build a mentoring network in Wales for small businesses and urge them to ensure women's needs are not forgotten in this development.

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