

How are Women Faring in the Entrepreneurial Economy?
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I am pleased to be here today. I want to thank the Canadian Federation of Humanities and Social Sciences for extending the invitation to speak to you. I look forward to some interesting discussion following my presentation.

The question raised in the title of this talk -- "How are Women Faring in the 'Entrepreneurial Economy'—is one that has received a great deal of attention in recent years. As most of you know, the past decade has seen very dramatic growth of small business and self-employment in Canada. Women have been at the forefront of this change, starting small and micro businesses in record numbers

With this change has come much debate. Questions have been raised about why self-employment and small business ownership has grown so dramatically, and what types of economic and policy conditions are needed to help it flourish. In terms of women's entrepreneurship, a number of specific issues have emerged, but one of the key areas of debate concerns the quality of work that is being created as more and more women are working for themselves. While some analysts believe that a more entrepreneurial economy offers women greater opportunities for challenge and economic success, others believe women face increased risks of low income and economic insecurity – both now and in the future.

These different views of self-employment and small business ownership reflect a broader debate in Canadian society over the consequences of economic restructuring and the emergence of the 'new economy'. At the center of this debate are questions about the extent to which we are seeing growing economic polarization in the workforce -- what the former Economic Council of Canada termed the division between 'good jobs' and 'bad jobs'.

Perhaps one of the best illustrations I have seen of this debate occurred when I participated in the CBC radio program *Ontario Today* a couple of years ago. The topic was self-employment and entrepreneurship, and people were calling in to talk about their experiences. One of the first calls came from someone in rural Ontario who said (to paraphrase): "I used to have an office job that I hated, so I quit and literally bought the farm. I bought a fruit orchard. Today I couldn't be happier. It's a beautiful spring day, I'm outside sitting on my tractor, working, listening to the radio, and calling you on my cell phone. I love what I'm doing, I love the freedom and independence. This is as good as it gets." The next caller, also calling on a cell phone from their car in a parking lot said: "I used to work for an employer but I was laid off, and now I'm self-employed. I can't stand it. I hate the insecurity, I hate the risk, and I hate the poor income. I'd like to tell you more but I'm just getting ready to go to a job interview. Wish me luck!"

To a large extent, these two stories capture a great deal of what is going on in the entrepreneurial economy. In my presentation today, I want to explore in more detail how women are faring in this context, focusing on several key questions:

1. How have women contributed to the growth of an entrepreneurial economy?
2. Why are women starting their own businesses in such numbers?
3. What sectors are they entering?
4. How satisfied are they with their work?
5. What are their prospects for economic security?
6. What policy issues emerge with a growing population of self-employed workers?

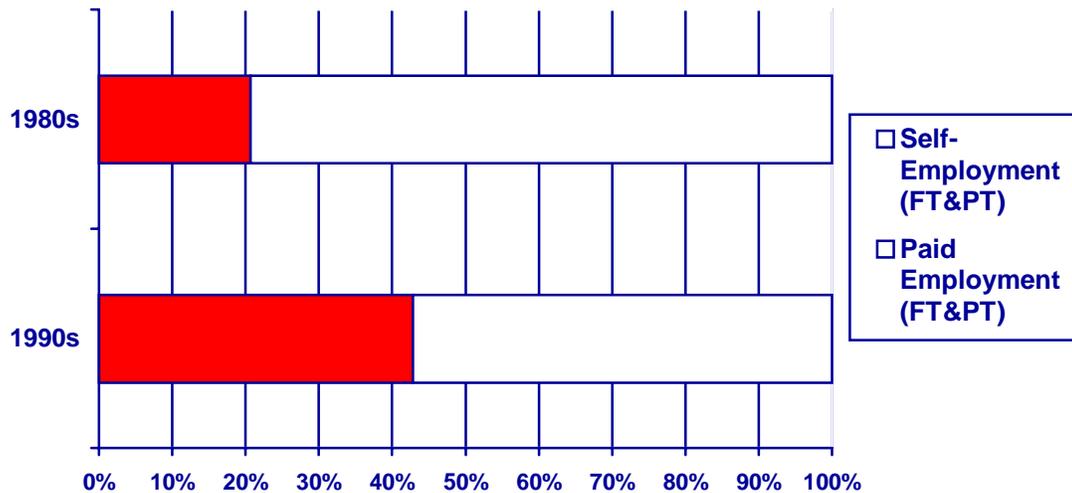
In discussing these issues, I will be drawing on available survey data – such as Statistics Canada’s *Labor Force Survey* and the recent *Survey of Self-Employment in Canada* by Human Resources Development Canada and Statistics Canada -- in order to illustrate key trends and patterns. I will also draw on quotes from in-depth interviews I’ve done with women entrepreneurs in Alberta. These interviews provide the stories behind the numbers, telling us how women experience business ownership and what they find the rewards and risks to be.

1. How have women contributed to the growth of an entrepreneurial economy?

Before looking at women’s contribution to the entrepreneurial economy, I want to first highlight the growing importance of self-employment and small business in Canada. If we compare employment growth in the 1980s and 1990s there has been striking change. In the 1980s, just over 20% of job growth came from self-employment and small business owners. In the 1990s, it accounted for nearly 45% of job growth. In fact, self-employment and small business ownership was so important in the early to mid-1990s, when there was extensive public and private sector restructuring, that from 1990-97, it accounted for nearly 60% of all employment growth.

In the last few years we have seen a leveling off of growth in this sector, but most analysts believe this is cyclical, rather than structural, and that self-employment will remain important over the long term. Currently, we have a very sizeable part of the working population engaged in self-employment and small business ownership -- about 15% or 2.3 million Canadians (just over 1 in 6).

Chart 1: Contribution of Self-Employment to Employment Growth, Canada



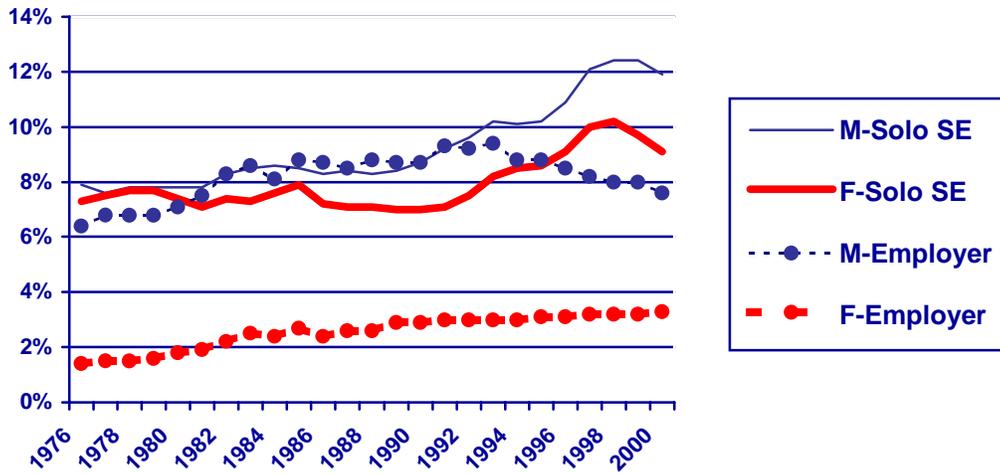
Source: Statistics Canada *Labour Force Survey (CANSIM II)*

Women have made a very important contribution to this growth, but it has differed from the contribution of men in some ways. In fact, within the overall growth of self-employment, we see several different trends, that tell us more about the kind of entrepreneurship that is emerging. The real rise in self-employment in the 1990s has been amongst what I call the ‘solo self-employed’, or what are technically called ‘own account self-employed’. These are individuals who work alone, on their ‘own account’, without employees, in either incorporated or unincorporated businesses. Many are in home-based businesses – about 40% according to the *Survey of Self-Employment in Canada*. Solo self-employment grew very strongly in the 1990s, peaking at the end of the decade. Today roughly 11% of men and 8% of women in the labour force are solo self-employed.

In contrast, growth amongst employers has largely come from women – and this is a very interesting part of the story. These are individuals who employ others in a small or micro business. These businesses may be incorporated or unincorporated, and they are far less likely to be home-based. Women’s presence as employers has risen steadily since the mid-1970s. Today nearly 4% of working women are employers. Interestingly, men’s presence as employers has actually declined, moving back to levels more typical of the early to mid-1980s.

As a result, we now have a quite different gender profile amongst the self-employed than we did 25 years ago. Overall, women comprise over one-third of the self-employed, compared to just one-quarter in the mid-1970s. They make up nearly 40% of all solo self-employed, and just over one-quarter of employers, compared to 11% of employers in the mid-1970s.

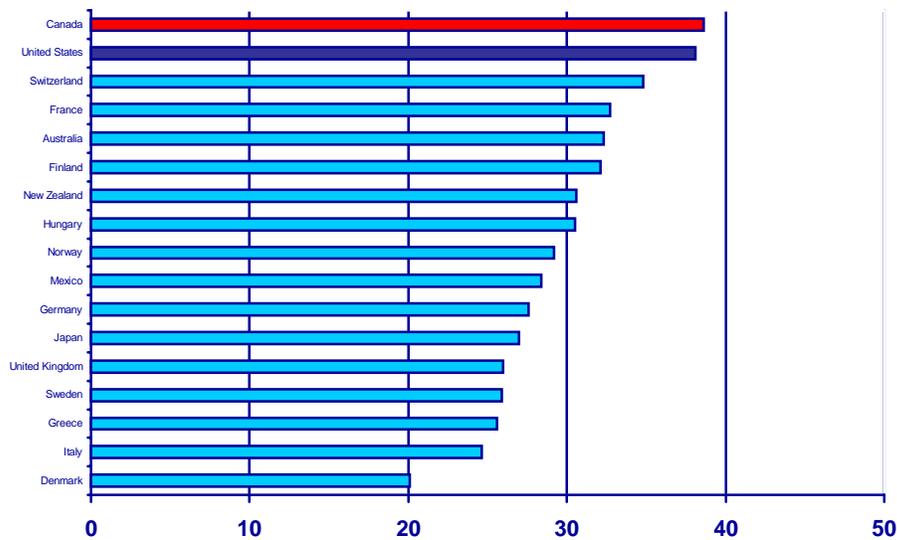
Chart 2: % of Self-Employed Women and Men, Canada



Source: Statistics Canada *Labour Force Survey (CANSIM II)*

By international standards, women’s presence in self-employment in Canada is impressive. Data from the OECD shows that Canadian women make up the largest share of the self-employed of any other country – even the United States, which is often assumed to be a leader in this regard. So Canadian women have done very well in terms of establishing a presence.

Chart 3: International Trends: Women’s Share of Self-Employment (%)



Source: OECD Annual Labour Force Statistics

Despite this growth, some commentators have questioned whether we are truly seeing the emergence of an entrepreneurial economy – given that so much growth has occurred amongst the solo self-employed. For them, self-employment does not equal entrepreneurship. Yes, self-employment involves being one's own boss and pursuing some type of business activity. But it is not marked by the innovation and risk taking traditionally associated with entrepreneurship, where individuals take a new product or service and build a large and successful company around that.

Other commentators have questioned whether, in some cases, the self-employed are in fact 'disguised employees' – individuals who have been placed on contract with their old employers rather than in a direct employment relationship.

On the other side of this debate, are those who argue that we are seeing evidence of new types of entrepreneurship suited to the new economy – of small one-person enterprises that go on to significant success. They point out that entrepreneurship may look quite different in a knowledge-based, service oriented economy than it has looked in the past.

From a gender perspective, those focusing on women's self-employment and business ownership also note that existing definitions of entrepreneurship tend to use the business activity of men as the norm. They suggest that women may have a different style of entrepreneurship, which tends towards smaller enterprises that begin as home-based operation, and may not always fit a high growth model.

Whatever the definition one adopts, it is clear that Canadian women are creating a range of business activities that fall outside the traditional model of paid employment. In my view, any definition of an 'entrepreneurial economy' needs to recognize this diverse range of activity – from small one person practices, to small business owners with a few employees, to entrepreneurs overseeing much larger enterprises. Recognizing this diversity is especially important for understanding issues of job quality and addressing policy concerns -- as I hope the rest of my presentation will make clear.

2. Why are women starting their own businesses in such numbers?

Why are women entering self-employment and small businesses at such a rate? What has made it so attractive as an employment opportunity? There has been a great deal of research and debate over this question, not just in Canada but in other countries as well. Much discussion has centered on whether growing numbers of people are becoming self-employed due to rising entrepreneurial drive and opportunities, or because of declining opportunities for paid work in the labour market due to restructuring and downsizing.

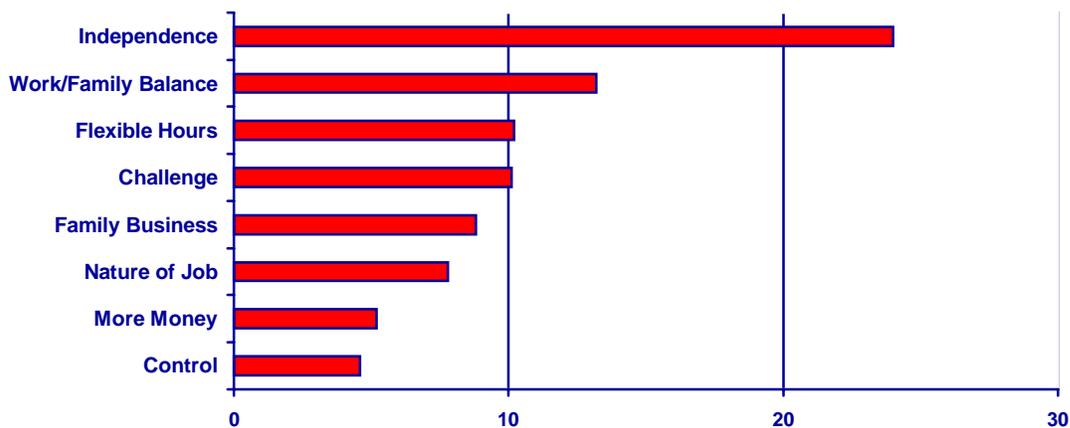
Analysts refer to this debate as one between 'push' and 'pull'. Are individuals 'pulled' into self-employment and small business ownership by the desire to be their own boss, to have greater challenge and independence? Or have they been 'pushed' into self-employment and small business because of downsizing or contracting out of employment to independent contractors?

There is also a gendered layer to this debate in relation to issues such as discrimination and the glass ceiling. Some analysts suggest that women are more likely to enter self-employment because of blocked opportunities, and subtle or more direct forms of discrimination – essentially exiting larger organizations in order to create opportunities for themselves.

According to *Survey of Self-Employment in Canada*, conducted in 2000 by HRDC and Statistics Canada, about 22% of Canadians were pushed into self-employment– so just slightly over 1 in 5. This is an important group to keep in mind because it means that they are ‘involuntarily’ self-employed, and typically it is this group that struggles. But women were no more likely than men to report being ‘pushed’ into self-employment. Women who are solo self-employed were slightly more likely than women who are employers to have been pushed, but the difference is very small.

The remaining 78% of Canadians were ‘pulled’ into self-employment for a variety of reasons. For women, some reasons were clearly more important than others. At the top of the list was independence – about one-quarter of women said they became self-employed because they wanted independence, freedom, and the chance to be their own boss. Work-family considerations also featured prominently, with 13.2% pursuing self-employment to better balance their work and family life. Flexible hours were the third most important reason, cited by 10.2% of women. Another 10.1% were motivated by the desire for greater challenge, creativity, success and satisfaction in their working lives. Over 8% of women were either joining or taking over a family business, or became self-employed because of the nature of the job (7.8%). For example, some professions such as medicine or law are often pursued through independent practice. Finally, the desire to earn more income, and to have more control and responsibility in the workplace, motivated some women – though numbers are much smaller here and we need to be cautious about their statistical reliability.

Chart 4: % of Women indicating this was their Main Reason for Self-Employment, 2000



Source: HRDC and Statistics Canada (2000) *Survey of Self-Employment in Canada*

Some commentators suggest there are large differences in the motivations of men and women, and while there are some differences, there are important similarities too. For example, a desire for independence is the most common motivator for both women and men – but this is the case for 42.1% of men compared to just 24.1% of women. Women are far more likely to cite work-family balance issues, whereas just a handful of men do (1.7%). Flexible hours are also not a strong motivator for men (5.2%) in comparison to women. Overall, women may more likely to enter self-employment to improve flexibility and work-family balance. But it's important to emphasize that this is not the case for all women, and that for both women and men independence remains a primary motivator.

3. What sectors are they entering?

A key concern in past research on women's entrepreneurship in Canada, and other countries, has concerned the industries that women tend to enter. Historically women have entered sectors that are heavily female dominated, labour intensive, with low profit margins -- for example, personal services such as childcare, cleaning, food services, and so on. In this respect, there are strong links between what women do as employees and what they do as self-employed individuals, raising concerns about their ability to generate sufficient incomes and economic security.

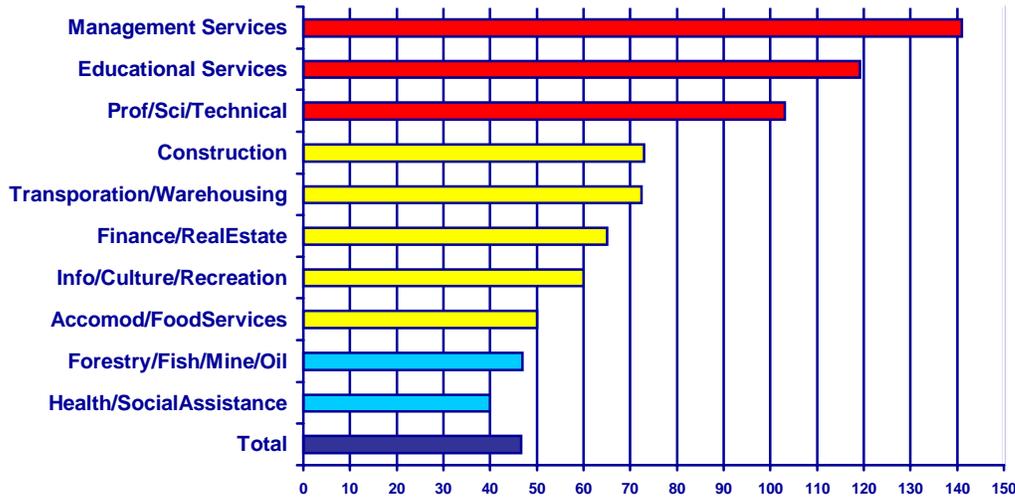
An important question is whether this has changed as women's entrance into small business ownership has grown, and new knowledge-based sectors of the economy have emerged. In the early 1990s, Industry Canada provided evidence in their report *Shattering the Glass Box* that women were starting to enter key sectors of the knowledge-based economy. This is a trend we would like to see continue because of the greater opportunities for income, growth, and innovation.

Looking at trends over the past decade – from 1991-2001 -- we see that women have, in fact, continued to make important inroads into new areas. Three sectors saw very high levels of growth of between 100-140%. These included management services, educational services, and professional, sciences, and technical services. This is an encouraging sign because these are what we call 'upper tier services' and in some cases, less traditional for women. As such, they provide better opportunities for higher income and profit, and hopefully greater job and long-term economic security. We also saw above average growth -- from 60-70% -- in areas such as construction, transportation and warehousing, finance/real estate/leasing, information, culture, recreation, and accommodation, food services.

Some of these areas are what we call 'non-traditional' for women – for example, construction is still a very highly male dominated area. But it can provide good opportunities for women and hopefully their influx into such sectors will continue. To give you some examples from my study of Alberta women, one woman operates a thriving business as a housing inspector for both residential and commercial properties. She is one of only a handful of women inspectors in Canada. Another woman is trained as a Registered Nurse but has moved into the development sector, setting up a consulting business which advises developers of seniors complexes on medical, building, and staffing needs. She also has a very successful business, with good

potential for growth, and provides a great example of someone who has transferred their skill set from a very traditional sector to one that is less traditional for women.

Chart 5: Fastest Growing Sectors for Women Business Owners, 1991-2001, Canada



Source: Statistics Canada, CANSIM II (Table 282-0012)

4. How satisfied are they with their work?

If we judge simply by their growing presence and entrance into more dynamic sectors of the economy, it would seem that women are faring well in the entrepreneurial economy. But we also need more comprehensive measures that will let us assess job quality and satisfaction.

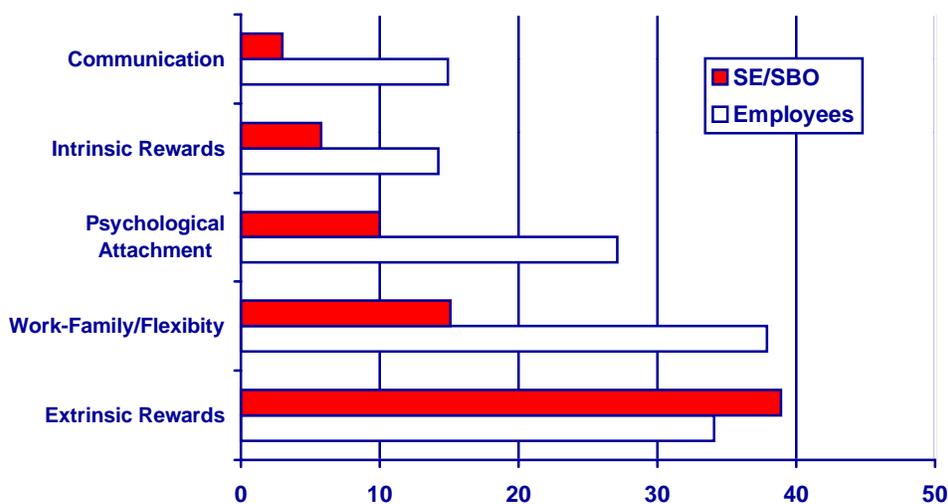
On this issue, we do not have as extensive information as we could use, but we are beginning to piece together a picture. According to research by the Canadian Federation of Independent Business (CFIB), the self-employed and small business owners are highly satisfied with their work, much more so than are employees. In a survey the CFIB conducted in the late 1990s, they found that roughly 90% of small business owners and self-employed workers were fairly or very satisfied with their work. Satisfaction for employees ranged from 70% for public sector employees to 85% for employees in small firms.

These kinds of global measures have their place but they don't provide the kind of detail that we really need to assess job quality. Another, more useful, way of gauging job quality and satisfaction is to look at what can be called a 'job quality deficit'. This measure was developed in recent research I have carried out with colleagues Grant Schellenberg and Graham Lowe for Canadian Policy Research Networks, and I want to acknowledge their contribution. The research is published in a recent report *Men and Women's Quality of Work in the New Economy* – available through CPRN's website at www.cprn.org.

A 'job quality' deficit measures the difference between what people want in a job, and what they have in a job -- essentially it is the gap between the ideal and the reality. The larger the deficit, the more the job falls short of expectations. The smaller the deficit, the closer the job is to one's ideal work situation, or to one's 'dream job'.

In our research, which is based on a representative survey conducted in 2000, we have found that women who are self-employed or own a small business have much smaller 'job quality' deficits on several dimensions of work. These include communication, intrinsic rewards, psychological attachment and work-family balance. Communication involves working with friendly and helpful people, and having good communication with colleagues or clients. Just 3% of self-employed and small business owners report a large job quality deficit on this item compared to 15% of employees. Intrinsic rewards include the opportunity for interesting work, training, skill development, and accomplishment. Less than 6% of self-employed workers report a large job quality deficit, compared to 14% of employees. Psychological commitment involves one's work commitment and involvement, a sense of shared values and respect. Here just 10% of the self-employed report a large gap, compared to nearly 30% of employees. Finally, work-family balance refers to the ability to choose one's schedule, balance work and family, and have some influence on one's working life. Here 15% of self-employed workers report a large job quality deficit, compared to nearly 40% of employees.

Chart 6: Job Quality Deficits for Employees and Self-Employed and Small Business Owners (SE/SBO)



Source: Hughes, Lowe, and Schellenberg (2003) *Women's and Men's Quality of Work in the New Economy*. Ottawa: Canadian Policy Research Networks.

There is just one area where self-employed workers and small business owners are more likely to report large job quality deficits than employees – extrinsic rewards. This refers to good pay and job security. Here almost 40% of the self-employed and small business owners report large job quality deficits compared to 34.1% of employees.

These findings mirror those from my research with women entrepreneurs in Alberta, and I want to share some of these with you. These women work in a range of small and micro businesses – from knowledge based business in high tech and consulting, to more traditional businesses in personal and food services. Their experiences also confirm that working for one's self offers many positive dimensions in terms of job quality. Overall, their job satisfaction is exceptionally high with respect to the nature of the work they do, their independence, their authority to make decisions, and the personal fulfillment from their work – as is clear from some of their comments:

“I absolutely passionately love what I do everyday. It is just great fun!” (Solo self-employed women in human resource and training business)

“I think you do a lot of growing when you are self-employed ... You get pushed and stretched in many ways that you wouldn't be otherwise ... And you do things than you never thought you'd be doing and you do ... That's satisfying, thinking you just never, never could do this. And there you are doing it” (Employer of a specialty bakery)

“I love what I do and, yes, I would like to make more, but how many people can say when they get up in the morning ... “Yeah, I want to go to work today, I love what I do?” (Owner of a home-based communications business)

These comments are fairly typical and suggest that self-employment and small business ownership offer great opportunities for job satisfaction. But despite these positive aspects, there is also a downside. As with the job quality deficits I noted earlier, the women I have interviewed are far less satisfied with income and economic security. In particular, just half are satisfied with their job security, just over one in three are satisfied with their personal income, and one-quarter are satisfied with their ability to save for retirement. Important differences exist between the solo self-employed and employers, with solo workers having much lower levels of satisfaction.

Again, just to give you some examples of what women say about these issues:

“Telling the trust from month to month, I don't know whether I will have the business” (Solo self-employed working in educational services)

“Ability to save for retirement? I don't think I will. I'm just dreading it. I spent my RRSP money to open the business because I could not get loans from the bank” (Solo self-employed working in educational services)

“Level of personal income. I am very dissatisfied. For my education and so many years and money I spent on education and the time I spent here, the amount I invested, I am very dissatisfied” (Solo self-employed women in health services)

“It’s not as great as a lot of people perceive it to be ... I didn’t come into this business saying ‘Well, I’m going to make a million bucks for myself’. That wasn’t the idea. It was that I just wanted to use my energies, do something ... It’s just that it hasn’t moved forward as much as I anticipated that it would have been by this time ... it just doesn’t get any easier” (Employer and owner of a travel business)

It must be emphasized that not all women are doing poorly in financial terms. This is where we see the diversity amongst women entrepreneurs. For some women, self-employment and small business ownership offers much better income opportunities than they have had in the past. Again just to share some comments with you from the women who are faring well:

“I never realized how well off you can be if you can run a business properly, you know? It’s given me a lot of satisfaction” (Employer and owner of two retail stores)

“I had no idea I could make that kind of money and I had no idea that it would come that easily. I found it a little shocking when I saw my six month halfway statement because I had already made \$45,000” (Solo self-employed in design business)

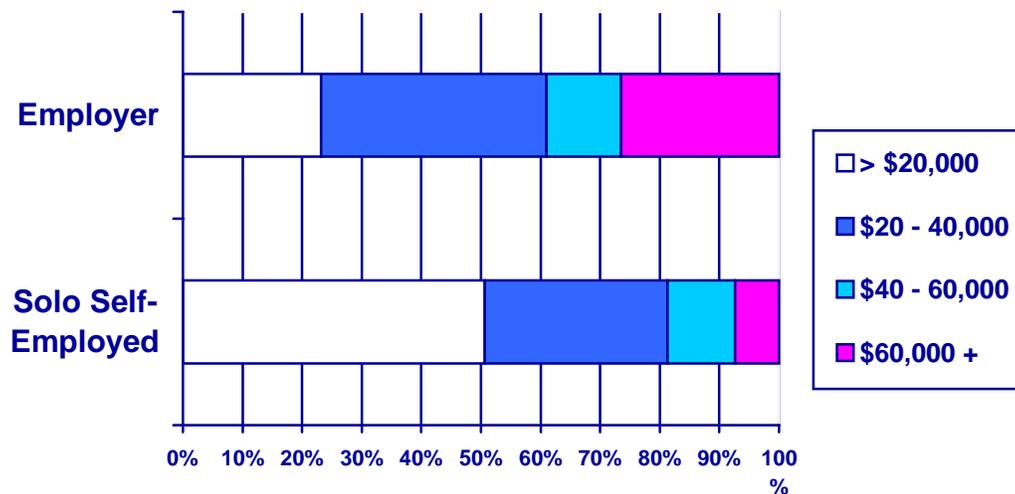
“I’m certainly not rolling in it by any stretch of the imagination and I’m still struggling to pay back ... loans, but I can see a lot of potential and doors opening for me in ways that they’ve never opened in my life” (Employer in health services)

5. What are their prospects for economic security?

Notwithstanding these positive experiences, most evidence suggests there is reason to be concerned about the economic security of some women. Again I want to emphasize this is not the case for all – but some women are clearly struggling, with low and unstable income, and little capacity to save for retirement, or emergencies brought on by illness or downturns. In fact, what we see amongst women entrepreneurs is a greater polarization in earnings between high and low than amongst paid employees. Past analysis I have done on this issue suggests there are roughly two times as many women in low income work in self-employment than in paid employment. The gender gap between women and men is also more pronounced in self-employment than amongst paid employees.

We can get a quick sense of earnings patterns from the *Survey of Self-Employment in Canada*. This is for women who work full-time only, so we are excluding those who work part-time hours. As we can see, solo practitioners are heavily concentrated at the lower ends of the income distribution. Roughly half of the women who are solo self-employed make under \$20,000, and another 30% make between \$20,000-40,000. Just under 20% earn incomes higher than \$40,000. In contrast, employers do much better. Just one-quarter fall in the lowest income bracket and another quarter earn \$60,000+.

Chart 7: Income for Self-Employed Women, Canada, 2000



Source: HRDC and Statistics Canada (2000) *Survey of Self-Employment in Canada*

In addition to income, another concern is that many self-employed women have reduced access to standard economic benefits associated with paid employment. According to analysis done by Graham Lowe and Grant Schellenberg for Canadian Policy Research Networks, just 45% of the self-employed have medical/dental coverage (20% through own, 25% through spouse) compared to 90% of those in paid employment (72% through own, 18% through spouse). Again, solo practitioners are far less likely to have their own coverage. The self-employed are also far less likely to have access to paid maternity benefits and paid sick leave.

Again, these problems were highlighted by some of the Alberta women I spoke with.

“There’s no unemployment, there’s no health care, there’s no anything else. There’s no sick pay, there’s no anything else to fall back on if things aren’t going well” (Solo self-employed working in the real estate sector)

“It’s difficult to make a living when you work independently. You don’t have benefits. I think that’s probably the biggest problem is that I have no benefits whatsoever ... I pay for my own health care ... I don’t have sick leave ... it’s very tough that way ... You have to make enough to cover while you’re on holidays, to cover all of your expenses, this sort of thing. So I could probably do better if I would work full-time for somebody else” (Solo self-employed)

6. What policy issues emerge with a growing population of self-employed workers?

Many policy issues emerge from women's entrepreneurship. In concluding I want to highlight briefly several that seem particularly important.

Recognize diversity in SE/SBO

The first involves the need to recognize the great diversity within women's self-employment and small business ownership, and the need for distinct policies for different groups. At one end are what have been called the 'gazelles' -- women entrepreneurs establishing highly successful businesses, who are interested in expanding their businesses by exporting to new markets, investing in new technologies, and securing new sources of capital. The types of programs and assistance they require are quite different from those who may be called 'lifestyle entrepreneurs' -- for example, those working in a home-based business in an effort to gain better balance between work and family -- or 'necessity entrepreneurs' who have been forced into self-employment by downsizing and job loss, and face significant risks in terms of their short and long term economic security.

Training and Innovation

Training can play a key role in enhancing innovation, productivity and growth of women's businesses. In particular, there is a need for training that encourages skill transfer, as a way to encourage women into less traditional, more profitable areas, and around business development, to develop skills that can help women grow and expand their businesses.

In a paper I wrote for HRDC in 2001 on training and self-employment, drawing on data from the *Survey of Self-Employment in Canada*, I found that there is strong interest in training amongst the self-employed, but very unequal access. Those with lower education and incomes typically engage in less training, though they would benefit most from it. For women, cost and time constraints are significant barriers that need to be overcome. We need to learn more about the types of training that self-employed women can use and how to make it more accessible to them. Informal training is particularly attractive to entrepreneurs facing time constraints, and approaches such as self-directed learning through modules or the Internet may be particularly successful. In other countries, such as China where I have lectured on entrepreneurship and met with women business owners, there has been success in offering management training in business parks and incubators where it can be quickly and easily accessed.

Economic Insecurity

As we have seen, economic insecurity is a significant issue for a number of women who are self-employed. While some women are doing very well, others are earning very low incomes and have little capacity to save for retirement. By entering self-employment, women also lose access to benefits provided by employers, such as supplemental medical and dental coverage, and to those provided through statutory regulations such as maternity and parental leave.

These costs will lead to many exiting self-employment -- which may be as it should. In fact, existing research suggests there are significant flows in and out of self-employment each year. But there may be advantages to policies that assist individuals in dealing with low income and lack of benefits in the early stages of business start up, or during low points in the business cycle.

Some of this would be done through training and skill development, which I have already talked about. But there may be a role for other initiatives, such as income insurance programs. According to the *Survey of Self-Employment*, about 40% of self-employed would be interested in a program of income insurance – into which they would pay premiums and receive benefits if poor business conditions caused personal financial problems.

Work-Family Issues

Finally, while some women enter self-employment to better balance work and family, they also face challenges in raising their families, given that they are currently excluded from benefits such as maternity and parental leave. Given the flows between paid employment and self-employment many women have paid into Employment Insurance at some point in their lives, and may be quite willing to do so while they are self-employed. Certainly this should be an option for them.

These are just a few of the policy issues that emerge with women's growing participation in the entrepreneurial economy. I look forward to discussing these, and other issues, with you.

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