WOMEN AND ENTREPRENEURSHIP ARE KEYS TO GROWTH

John Kraft, University of Florida
Arthur Kraft, Chapman University

ABSTRACT

Women were the world's most underutilized resource; getting more of them into the workplace was part of the solution to many economic woes, including shrinking populations, declining productivity and poverty. The increase in female employment in the rich world was the main driving force of growth in the past couple of decades. Those women contributed more to global GDP growth than either new technology or the country giants, China, and India. To continue to grow countries needed to focus on the best resource available: women. To do so required removing cultural, social, regulatory, and economic barriers that prevented women from reaching their full potential. The continued globalization of production and markets depended on these remedies. Removing barriers to entrepreneurship and the participation of women were the key to growth or a missed opportunity.

Keywords: Decision making, Gender roles, Rural farmers, Intra-Household, Inheritance, Oil palm production

INTRODUCTION

Women Make a Difference:

The increase in female employment in the rich world was the main driving force of growth in the past couple of decades. Those women contributed more to global GDP growth than either new technology or the country giants, China, and India. Add the value of housework and child-rearing, and women probably accounted for just over half of world output. It was true that women still received less compensation, and few made it to the top of companies. However, with fading prejudice over the coming years, women have an opportunity to boost productivity, entrepreneurship, and incomes.

Women were the world's most underutilized resource; getting more of them into the workplace was part of the solution to many economic woes, including shrinking populations and poverty.

It was clear that in countries, such as China, Japan, Korea, Spain, Germany, and Italy, which were all troubled by the demographics of shrinking populations, far fewer women worked than in the United States, let alone Sweden. Germany was one of the first in Europe to experience a sharp drop in birthrates after World War II, as early as the 1970s. This meant its fate indicated the shape of things to come for other mature economies that are still behind the demographic curve. The participation rate of women in the labor force, meanwhile, at 57% in 2019 compared with 67% for men, was lower than in the U.S. and some other European countries, according to the Organization for Economic Co-operation and Development (OECD) data. (Georgi Kantchev, December 22, 2021, Wall Street Journal). China’s working age population, defined as people between 15 and 59, declined to 894 million last year, or 63% of the total population. That was down from 939 million in 2010, or 70% of total population at the time, according to the country’s once-in-a-decade census data. China’s workforce was expected to drop by about 35 million over the next five years, according to official estimates. (Stella Yifan Xie and Liyan Qi, August 25, 2021, Wall Street Journal). China’s fertility rate is approaching one birth for every woman, less than half the 2.1 replacement rate that keeps a population rate stable. In the late 70’s, the fertility rate hovered around 3. The current population (2024) of China is less than in 1950. (Liyan Qi, February 13, 2024, Wall Street Journal).

If female labor-force participation in these countries rose to U.S. levels, it would have provided a helpful

Citation Information: Kraft, J., Kraft, A. (2024). Women and Entrepreneurship are Keys to Growth. *Academy of Entrepreneurship Journal, 30*(S5), 1-8.

boost to these countries' growth rates. Likewise, in developing countries where girls were less likely to go to school than boys, investing in education delivered huge economic and social returns. Not only were educated women more productive, but they also raised better educated and healthier children. (The Importance of Sex, April 12, 2006, Economist). Men and women were not represented equally in the global labor force. Despite representing just over half of the adult population worldwide, women were underrepresented in the workforce, women worked at a lower wage rate than men in nearly every country, and women were underrepresented among entrepreneurs.

Labor Force Participation Rates

With increasing female labor force participation rates, countries increased the size of their workforce and achieved additional economic growth Figure 1.

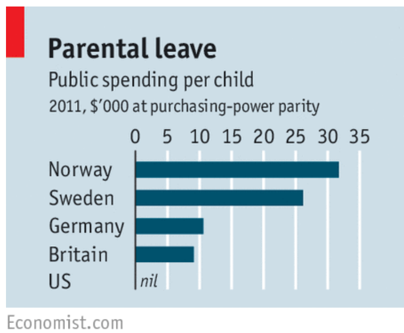

Figure 1
LABOR FORCE PARTICIPATION RATES

In the United States there was nothing we did not do for moms, apart from one major thing. The "major thing" was paid maternity leave. By contrast, in Britain new mothers took a year off, and part of their salary was replaced by the government. Sweden granted more than a year's paid maternity leave even to women not previously employed.

Many countries were proud of their maternity leave: the social and economic benefits made it possible for working mothers to spend time with their newborn children. But many of those countries failed to follow the argument through to its conclusion. The gains from maternity leave were multiplied if countries extended it to fathers.

Mothers who struggled to combine work with childcare often sacrificed work. That lowered their lifetime earnings and left them and their children more likely to end up poor. Much of Europe introduced paid maternity leave in the 1970s. Since then, dozens of other countries found that giving new mothers a reasonable amount of time off work increased women's participation in the labor force and raised overall productivity. (More Hands to Rock the Cradle, May 16, 2015, Economist)

Across the globe, women faced inferior income opportunities compared with men. Women were less likely to work for income or actively seek work. The global labor force participation rate for women was just over 50% compared to 80% for men. Women were less likely to work in formal employment and faced fewer opportunities for business expansion, starting businesses, or career progression. When women did work, they earned less.

Egypt had the lowest rates of female employment in the world. For every woman who works, four others stayed at home. This rate has remained flat for the last quarter century and for college graduates it has even fallen. Egypt's resistance to women entering the workforce had kept it from reaping the economic benefits of globalization. (Leslie T Chang, March 9-10, 2024, Wall Street Journal).

Generally, the levels of female labor force participation were high for the poorest countries, where

Citation Information: Kraft, J., Kraft, A. (2024). Women and Entrepreneurship are Keys to Growth. *Academy of Entrepreneurship Journal, 30*(S5), 1-8.

agriculture was the dominant sector and women often participated in small-holder agricultural work. Women's participation in the workforce was lower in middle-income countries with much smaller shares of agricultural activities. Finally, among high-income countries, female labor force participation was again higher, accompanied by a shift towards a service sector-based economy and higher education levels among women.

This described the U-shaped relationship between development (proxied by GDP per capita) and female labor force participation where women's work participation was high for the poorest countries, lower for middle income countries, and then rose again among high income countries.

Structural transformation, declining fertility, and increasing female education in many parts of the world did not result in significant increases in women's participation as was theorized. Rather, rigid historic, economic, and social structures and norms factored into stagnant female labor force participation (thus creating barriers to entry). The relationship of female labor force participation to GDP for lower-income countries today was different than in past decades. This was driven by numerous factors: changing social norms, demographics, technology, and urbanization, to name a few possible drivers.

Gender equality was not just about equal access to jobs but also about equal access for men and women to good jobs. The type of work that women performed was very different from the type of work done by men. (Labor Force Participation, January 9, 2022, World Bank).

Literacy rates

The literacy rate of the world's population from secondary school age onward was only 12 percent in 1820. In 1900, it still barely exceeded 20 percent. From the 1950s on, world literacy began to take off, hitting 42 percent in 1960, and 70 percent in 1983. Today, the global literacy rate stood at 87 percent, or almost nine out of ten people worldwide.

A 99 percent literacy rate was reached in most developed countries, across Europe and the former Commonwealth of Independent States (CIS) nations as well as in Argentina and Uruguay. Developing countries, especially emerging markets, have been catching up. In 2018, Brazilian literacy stood at 93 percent, compared with 97 percent in China and 74 percent in India.

Overall, South Asia lagged somewhat, at an overall literacy rate of 74 percent, and comparable to that of the Arab World at 73 percent or the Middle East and North Africa at 80 percent. East Asia and the Pacific as well as Latin America and the Caribbean fared much better with literacy rates of 96 percent and 94 percent, respectively.

Countries in Sub-Saharan Africa still had the worst literacy rates in the world. In some places, literacy has even declined recently due to conflicts disrupting school education. In Mali, an already low literacy rate of 35 percent in 2018, dropped to 31 percent in 2020. South Sudan (35 percent) and Afghanistan (37 percent) were similar. The overall literacy rate of Sub-Saharan Africa stood at 66 percent in 2020.

Especially in regions with low literacy, it was women who are left out of this elementary part of education first. While in 2020, 90 percent of the world's men over the age of 15 were able to read, this was only the case for 87 percent of women. In Sub-Saharan Africa, the gap was even larger at 72 percent for males and only 59 percent for females. (The Progress of Global Literacy, Katherine Buchholtz, September 7, 2022, Economist).

Equal Access For Women

Demographic and health surveys conducted in more than 80 poor countries over a span of 40 years showed that access to education increased dramatically. In South Asia only 29% of women born in 1960, completed at least five years of schooling. But among women born in 2000, the figure was 84%. Similarly, in sub-Saharan Africa, 35% of women born in 1960, completed at least five years of education. Among those born in 2000, the rate increased to 70%.

Greater access to schools, especially for women, was a remarkable achievement. The problem was that

Citation Information: Kraft, J., Kraft, A. (2024). Women and Entrepreneurship are Keys to Growth. *Academy of Entrepreneurship Journal, 30*(S5), 1-8.

the quality was not keeping up.

In South-East Asia and Latin America, education quality remained stable over time, despite higher school attendance. Only 14 countries, including Peru and Vietnam, improved significantly the quality of their education, with women born in later cohorts more likely to be literate than those in earlier cohorts.

One explanation for this decline in education quality was that as more students entered classrooms, the quality of teaching suffered. There was an influx of students from low-income households in schools globally, especially after several countries made primary education free. These students were less prepared for classroom instruction and found learning to read more difficult. These factors explained some of the decline in education quality, but not all of it.

Instead, the results suggested systemic problems with the way countries delivered education. A report by the World Bank in 2017, blamed poor teaching, ineffective education policies, and inadequate management of schools for a global learning crisis. Covid-19 did not help. The pandemic forced poor countries to grapple with delivering education remotely. Now, they needed to focus on a more fundamental issue: improving quality. (Schools in Poor Countries are Failing, July 25, 2022, Economist).

Fertility Rates

Fertility rates declined as women's labor-force participation increased. Handling a career as well as juggling childcare appeared to leave little room for big families. But new research helped to explain a striking reversal of that trend in rich countries: higher female participation rates were associated with more babies.

In 1980, rich countries with high numbers of female workers showed lower fertility rates than poorer ones with more jobless women. Traditional economic models explained this. Wealthy parents spent more money on their children and therefore wanted fewer, and working mothers faced higher opportunity costs from child-rearing. By this reasoning, as more women joined the labor force, birth rates were expected to fall. But by 2000, after the share of working women increased by 17% in places such as the United States and Britain, that trend reversed. Among rich countries fertility rates were highest in those countries where the most women worked.

Research argued that the reversal was driven by both cultural and policy changes. In countries such as the United States and Norway it became economically and socially easier to hold down a job and be a mother. As a result, the birth rate increased. But in places where the two remained in conflict, for example in Italy and Spain, women still worked less and had fewer babies.

Four main factors lead to higher fertility rates: flexible labor markets, co-operative fathers, favorable social norms, and good family policies. In Norway in 2021, where childcare was highly subsidized, the government spent $29,726 per toddler and both the female employment rate and the fertility rate were among the highest in the Organization for Economic Co-operation and Development (OECD) countries, a club of mostly rich countries. No doubt 49 weeks of parental leave helped.

Public spending was not the sole answer, social factors also played a role. The United States ranked near the bottom of the OECD countries on childcare support, spending just $500 per child each year. It was also the only country without national paid maternity leave. But men in the U.S. did more housework and took on more childcare than in most OECD countries.

Getting men to perform their share of the household work might not be simple for governments or women. Shifting social norms took time and increased spending on childcare or improving parental-leave policies proved slow to change. But the trend was clear: making it easier for mothers in rich countries to work led to increased fertility rates and per capita income. (In Rich Countries Working Women and Babies Go Hand in Hand, April 23, 2022, Economist).

In every European country the total fertility rate, the expected number of children a woman gave birth to in her lifetime, declined below 2.1, which was the level needed to maintain a stable population without immigration. The same was true in many developing countries, including China and India.

Economists long considered such a slowdown was inevitable. In the best-known model of fertility, there

Citation Information: Kraft, J., Kraft, A. (2024). Women and Entrepreneurship are Keys to Growth. *Academy of Entrepreneurship Journal, 30*(S5), 1-8.

was a central role for the trade-off between the “quantity and quality” of children. As countries grew richer and the returns to education rose, it was expected that families invested more in a smaller number of children. And as women’s working options expanded, the opportunity cost of their time grew, making the trade-off between family and career more difficult.

Many places have already gone through a “demographic transition”, in which poor, high-fertility countries became rich, and low-fertility ones became poorer. In some, the transition was so dramatic their populations started to decline. The population of Japan declined by about 3 million people peaking at 128 million in 2008. China’s population dropped by 850,000 to 1.412 billion. The shift toward a shrinking population, which came faster than Beijing projected, marked a watershed moment in China’s history with profound implications for its economy and its status as the world’s factory floor. A smaller workforce restrained economic growth. China’s working-age population, which peaked around 2014, was expected to fall by 0.2% a year until 2030, according to S&P Global Ratings. (Stella Yifan Xie, Jason Douglas and Lingling Wei, January 17, 2023, Wall Street Journal).

Recent research suggested that fertility was expected to go through another shift at a later stage of development. These studies made the case that in rich countries, fertility mighty rise, or at least fall at a slower rate, if norms, policies and the market for childcare made it easier for a woman to have children and a career. In countries with a supportive family policy or fathers who took on a greater share of child-care duties, it was expected that working women gave birth to more children than in the past.

But when looked at within countries, the new pattern of fertility became clearer. Studies showed that in the United States the relationship between education and fertility, which used to be a downward-sloping trend, turned into something of a reversed-tick mark. Women with advanced degrees gave birth to slightly more children than college graduates. A similar pattern occurred when looking at income, the growing availability of childcare reduced the difficulty of the trade-off between family and work. U.S. women are giving birth at record low rates. The total fertility rate fell to 1.62 births per women in 2023, a 2% decline from 2022. The U.S. birthrate by age group 15 to 34 had steadily fallen but for 35 to 44 it had risen. (Jennifer Calfas and Anthony DeBarron, April 25, 2024, Wall Street Journal).

Governments were also trying to change the picture. Last year South Korea’s fertility rate dropped to 0.81, a record low. In 2019, the family-leave policy changed to allow parents with young children to take an additional year of reduced hours on top of an already generous year off work. The share of South Korean parents who took leave doubled in the past decade, from 12% to 24%. Meanwhile, Hungary exempted mothers of four or more children from income taxes to boost the population without allowing immigration to rise.

Not all interventions were equally effective, although some measures (including subsidized childcare) made a difference, others (including parental leave) accomplished far less. The biggest boost to fertility occurred when interventions matched the way that societies operated. The provision of childcare made little difference if social norms pushed women to stay at home to look after children. (Richer Societies Mean Fewer Babies Right? September 16, 2022, Economist).

Citation Information: Kraft, J., Kraft, A. (2024). Women and Entrepreneurship are Keys to Growth. *Academy of Entrepreneurship Journal, 30*(S5), 1-8.

Equal Employment Opportunity for Women

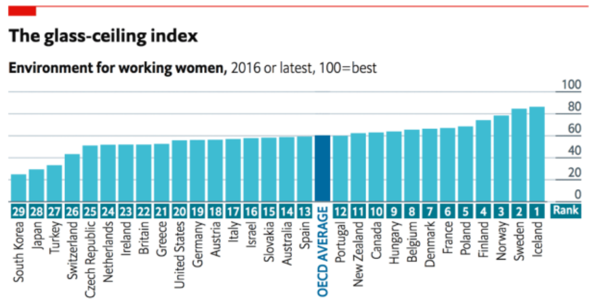

Figure 2
EQUAL EMPLOYMENT OPPORTUNITY FOR WOMEN

The Economist published its fifth annual "glass-ceiling index" that provided a benchmark for progress on gender equality in the labor market, It combined data on higher education, workforce participation, pay, child-care costs, maternity and paternity rights, business-school applications, and representation in senior jobs into a single measure of where women have the best, and worst, chances of equal treatment in the workplace. Each country's score was a weighted average of its performance on ten indicators above Figure 2.

The gap between female and male employment was smallest in Finland and largest in Turkey, according to the 2008 Employment Outlook from the OECD. Finland's "gender employment gap", defined as the difference between male and female employment rates as a share of the male rate, was just 6.4%. Across the mostly rich OECD membership, the gap was much larger. Moreover, women were paid 17% less than men on average. Anti-discrimination laws and greater access to higher education for women helped narrow the employment and wage gaps in recent decades. (The Best and Worst Places to be a Working Woman, March 8, 2017, Economist).

Another alternative was that women started their own businesses when there were barriers to entering the labor force. According to a study carried out in 43 countries and territories by the Global Entrepreneurship Research Association, female entrepreneurs were especially common in developing nations like Angola as well as in developed countries on the Arabian Peninsula, like Saudi Arabia, Oman, or Kuwait, and in the Americas, for example in Panama, Chile and the United States. Many developed nations in Europe have very low rates of female entrepreneurs, according to the study.

The researchers distinguished between necessity-driven entrepreneurship, which was caused by a lack of formal employment opportunities in a country, and innovation-driven entrepreneurialism, which existed in countries with well-developed formal job markets.

Yet, within both types of economies, big differences existed between the rates of female entrepreneurs. While more than 50 percent of adult women engaged in entrepreneurial activity (slightly above the rate for men) in Angola, fewer women were entrepreneurs in low-income countries like Egypt (5.4 percent) or Morocco (4.5 percent). Here, it was more common for men to be entrepreneurs (around 10-17 percent each).

European countries fared extraordinarily badly, with Italy (0.9 percent) having the second-lowest rate of female entrepreneurship in the ranking ahead of Poland (2.4 percent). Panama was the developed country with most female entrepreneurs (29.1 percent).

In most developed countries, the rate of male entrepreneurs was 50 to 100 percent higher than that of female entrepreneurs. Among high-income countries, Germany and Spain progressed furthest in closing that gap, with less than 1 percentage point separating male and female entrepreneurship rates. A closer gap in male and female entrepreneurs pointed to less equality in the job market. In South Korea, a country with a very traditional corporate structure, female entrepreneurship rates soared in response to unequal career opportunities

Citation Information: Kraft, J., Kraft, A. (2024). Women and Entrepreneurship are Keys to Growth. *Academy of Entrepreneurship Journal, 30*(S5), 1-8.

for women.

Decades of research have shown that when women can fully participate in economies, it increased financial stability, raised incomes and improved productivity. One way to improve this power is increased access to affordable capital for women. (Melinda Gates, October 4, 2023, Economist) Figure 3.

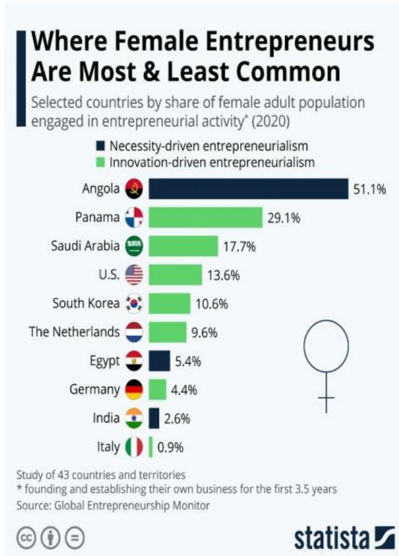

Figure 3
WHERE FEMALE ENTREPRENEURS ARE MOST & LEAST COMMON

Women entrepreneurs represented about one in three growth-oriented entrepreneurs active in the world today.

The established business ownership rate defined by Global Entrepreneurship Monitor (GEM) as owning and managing running business that has paid salaries, wages, or any other payments to the owners for more than 42 months) for women was 5.6% yet this represented about one third of all entrepreneurs. (The GEM 2020/2021). In low- and middle-income countries, 17 percent of women were entrepreneurs and 35 percent aspired to become entrepreneurs. Taken together, this implied that over half of women in developing countries saw entrepreneurship as a path to a better future, compared to only 25 percent in high-income countries.

Women entrepreneurs showed remarkable resilience and ingenuity as they adapted to the resulting business disruptions and new market realities. However, public policies in many countries provided insufficient support for family care, schooling, and small business impacts.

Rates of solo entrepreneurship were quite low for women in Central and East Asia with many women entrepreneurs reporting 1-5 employees in each country. Women entrepreneurs in India felt the strongest pandemic impacts of the countries in this region, with two thirds of women attributing recent business closures to the pandemic.

Notably, the rate of entrepreneurial activity among European women stood at only 5.7%, compared with a worldwide average of 11%. Women entrepreneurs in Europe were distributed more evenly across industry sectors.

The Middle East and Africa region showed some of the highest rates of entrepreneurial intentions for women in the world. Paradoxically, this region also included one of the highest ratios in the world of female-to-male established business ownership (Angola) and countries with some of the lowest rates (Morocco, Saudi Arabia, Oman and UAE).

Countries in Latin America and the Caribbean (LAC) region included some of the most vibrant,

Citation Information: Kraft, J., Kraft, A. (2024). Women and Entrepreneurship are Keys to Growth. *Academy of Entrepreneurship Journal, 30*(S5), 1-8.

entrepreneurial economies in the world. For example, women in Colombia were twice as likely as men to report selling an innovative offering (45.5% vs 24.1%). Women entrepreneurs in LAC achieved the highest business closure rates in the world: 20% higher than male entrepreneurs, suggesting a high level of volatility and uncertainty in their markets.

Rates of women's entrepreneurship activity in North America have historically been strong. Total early-stage Entrepreneurial Activity (TEA) rates for women in 2020 remained strong at 13.6% in the U.S. and 13.9% in Canada - well above the women's average globally (11.0%). Yet, a gender gap persisted, with women's TEA activity at 80% of men's and lower representation in high-growth sectors like information and communications technology (ICT) where female entrepreneurs were most and least common, (Katherine Buchholtz, November 19, 2021, Economist).

SUMMARY

Facing declining populations and decreased working age population, many industrial countries have turned to migrant labor. Europe and the Americas have relied on migrant labor to maintain production. However, ever growing opposition to immigration policies and the uneven skill sets of migrants has resulted in sluggish productivity growth. (Tom Fairless, March 4,2024, Wall Street Journal).

To continue to grow countries needed to focus on the best resource available: women. To do so required removing cultural, social, regulatory, and economic barriers that prevented women from reaching their full potential. The continued globalization of production and markets depended on these remedies. Removing barriers to entrepreneurship and the participation of women were the key to growth or a missed opportunity.

REFERENCES

The importance of sex, Economist, April 12, 2006
More hands to rock the cradle, Economist, May 16, 2015
The best and worst places to be a working woman, Economist, March 8, 2017.
Chinese factories are having labor pains— 'we can hardly find any workers', Stella Yifan Xie and Liyan Qi, Wall Street Journal, August 25, 2021
China's baby bust is hard to reverse, Liyan Qi, Wall Street Journal, February 13, 2024
Where female entrepreneurs are most and least common, Katherine Buchholtz, Economist, November 19, 2021
Aging Germany Is running out of workers, putting Europe's largest economy at risk, Georgi Kantchev, Wall Street Journal, December 22, 2021
In rich countries working women and babies go hand in hand, Economist, April 23, 2022
Schools in poor countries are failing, Economist, July 25, 2022
The progress of global literacy, Katherine Buchholtz, Economist, September 7, 2022
Richer societies mean fewer babies, right?, Economist, September 16, 2022
Labor force participation, World Bank, January 9, 2022
China's shrinking population is deeper problem than slow growth for its economy, Stella Yifan Xie, Jason Douglas and Lingling Wei, Wall Street Journal, January 17, 2023
How leaders can boost women's economic power, Melinda Gates, Economist, October 4, 2023
China's baby bust is hard to reverse, Liyan Qi, , Wall Street Journal, February 13, 2024
Rich countries depend more on migrant labor, Tom Fairless, Wall Street Journal, March 4, 2024
The wasted potential of Egypt's women, Wall Street Journal, March 9-10, 2024
Fertility rate falls to a record low amid social shifts, Jennifer Calfas and Anthony DeBarron, Wall Street Journal, April 25, 2024

Received: 22-May-2024, Manuscript No. AEJ-24-14940; **Editor assigned:** 25-May-2024, PreQC No. AEJ-24-14940 (PQ); **Reviewed:** 09-Jun-2024, QC No. AEJ-24-14940; **Revised:** 15-Jun-2024, Manuscript No. AEJ-24-14940 (R); **Published:** 22-Jun-2024

Citation Information: Kraft, J., Kraft, A. (2024). Women and Entrepreneurship are Keys to Growth. *Academy of Entrepreneurship Journal, 30*(S5), 1-8.