

WOMEN IN BUSINESS: CAN TECH HELP BRIDGE THE GAP?



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Summary

Despite the progress made in many sectors towards true gender equality, women remain largely excluded by the business world. This calls for urgent action based on the female contribution to the labour force not only benefiting women themselves – but also having a huge impact on the economy as a whole. Women led businesses and female-founded SMEs were hardest hit by Covid-19 due to their specific characteristics, vulnerability factors, and lower resilience levels. Digital tool uptake has proven to be a key lifeline for women-led SMEs. Based on this, policymakers at the global, European, and national level must take note, and ensure the right regulatory frameworks are put in place to support women-led SMEs, foster a gendered response to the pandemic, and fast-track a sustainable digital transition to ‘build back better’.

With this in mind, the following paper digs deeper into the impact of Covid-19 on women in business. It begins by detailing the contemporary situation of female entrepreneurship in Europe. What emerges is that a clear gender gap still exists and needs to be addressed. Following this, the disproportionate impact of the pandemic on female-led companies is presented, together with one fundamental avenue of relief: the adoption of digital tools. Lastly, the current state of play from a European policy perspective on female entrepreneurs is presented. This showcases that while the EU is engaged in supporting

female-led businesses with new initiatives being pushed forward to respond to the challenges of Covid-19, much remains to be done in order to foster a healthy digital transition for European SMEs alongside a true inclusion of women in the business world.

Female Entrepreneurship

While over the years the fight for gender equality around the world has brought considerable improvements in many domains, ranging from educational attainment and access to health, to civil and political rights – much still needs to be done to ensure gender equity in both economic independence, and access to opportunities.¹ From a contemporary perspective, women represent roughly half of the total population in Europe; yet only constitute 34.4% of the self-employed in the EU, and just 30% of its start-ups entrepreneurs.² The picture is even more drastic when it comes to women working in the high-tech sector, with just 18% of ICT specialists in the EU being women.³

While starting a business poses many challenges for entrepreneurs across the board, the barriers women have to face are in many cases more significant and pronounced. These include discouraging social and cultural attitudes, greater difficulties in accessing start-up financing, digital illiteracy, smaller and less effective entrepreneurial networks and insufficient policy frameworks.⁴

¹ World Economic Forum. (2021). Global Gender Gap Report.

² European Investment Bank. (2020). Funding women entrepreneurs: How to empower growth. 29 June 2020.

³ European Commission. (2020c). Women in Digital Scoreboard.

⁴ OECD. (2017). Policy Brief on Women Entrepreneurship. OECD SME and Entrepreneurship Papers.

Why Bridge the Gap?

Addressing the gender gap in female labour market participation and especially in self-employment is crucial not only for women in their own right, but for the growth of the economy as a whole. As the European Commission notes, the gap in employment between men and women is estimated to cost the EU economy around €370 billion per year while the annual productivity loss of women leaving their ICT and digital related jobs to become inactive is around €16.2 billion. Moreover, it has been predicted that an improvement in gender equality could significantly boost the European labour market, creating 10.5 million jobs by 2050 and ensuring a growth for the EU economy of between €1.95 and €3.15 trillion.⁵

Resultantly, boosting gender equity in the labour market not only makes sense from a social and ethical standpoint; it also has extremely significant economic implications. Ensuring greater gender diversity leads to higher productivity and profitability. This is based on the fact it has been noted enterprises with at least one woman in leadership positions have higher sales growth and see a better return on their asset.⁶ Moreover, greater gender diversity contributes positively to research and innovation, alongside bringing different points of views and ideas to the workplace. Lastly, research from around the world reiterates the fact that women led businesses promote equitable growth and the reduction of poverty. This is found across the board including in high-income countries.⁷

Covid-19 Hitting the Female Labour Force Most

The outbreak of Covid-19 represented a severe threat to the progress made in closing the gender gap in entrepreneurship. Figures highlight that the female labour force was hit disproportionately hard in many European countries. In Germany for example, female entrepreneurs were 35% more likely to experience an income loss than their male counterparts between April and July 2020.⁸ Along similar lines, women-led SMEs in a number of regions across the globe were on average seven per cent more likely to shut down during the pandemic when compared to male-led ones, with a peak in North America (14%) and in Latin America (11%). Despite recording lower figures in Europe, the gap still remained at 6% - reiterating the greater vulnerability of women-led SMEs and the urgent need for targeted action to prevent its wider implications.⁹

The factors contributing to this greater vulnerability emphasise the specific features that still underpin women in the workforce. Female entrepreneurs are more likely than their male counterparts to work in hard-hit sectors. Including personal services and tourism, these sectors are less financially resilient and as a result less equipped to respond to severe shocks and crises like the current one. Lastly, a key factor hindering women in particular is the disproportionate share of unpaid care work, the care economy, and the largely unequal share of household work negatively impacting the time that can be dedicated to their businesses.¹⁰

⁵ European Investment Bank. (2020).

⁶ European Investment Bank. (2021). Women mean business.

⁷ European Investment Bank. (2019). Access to Finance for Female Entrepreneurs: creating opportunity.

⁸ Graeber, D., A. Kritikos and J. Seebauer. (2020). COVID-19: A crisis of the female self-employed. SOEP papers on Multidisciplinary Panel Data Research

⁹ OECD. (2021). One year of SME and entrepreneurship policy responses to COVID-19: Lessons learned to "build back better". Tackling Coronavirus (COVID-19): Contributing to a Global Effort.

¹⁰ OECD. (2021). One year of SME and entrepreneurship policy responses to COVID-19 Lessons learned to "build back better".



The Digital Gender Divide

Technology and digitalisation is increasingly becoming an indispensable tool for entrepreneurs, SMEs and businesses, and provides a wealth of untapped opportunity and potential. Even before the onset of the pandemic, digital tool uptake and disruptive technologies were flagged as a key priority for the advancement of SMEs by the EU and in particular through the European SME Strategy. Despite this, however - the rates of adoption of these technologies remains significantly lower for small and medium-sized enterprises with respect to larger firms, and the gap is even more pronounced when it comes to women-led businesses.¹¹ Women are traditionally less likely to navigate and take advantage of the benefits of technology in running their firms. As a result the digital gender divide needs to be addressed as a top priority, particularly as the 'digital safety net' has become a lifeline for so many SMEs, and will be integral to not only their survival but continued growth looking to the future.¹² This becomes even more of an urgency when the benefits of digitalisation for women-led businesses is taken into account. SMEs run by women saw outsized benefits from the digital safety net, whereby digitally advanced women-led SMEs reported revenues of nearly double.¹³

Tech & Women in Business: Leveraging the Digital Safety Net

The pandemic shook the entrepreneurial world, and meant that SMEs and businesses had to rally

to fight the unexpected and complex challenges faced. In order to survive the shock, firms had to adapt to new customer needs, supply chain trends, and buying habits to name a few, and as a result had to transform their products, services and business models. In particular, the use of digital tools (platforms, services, marketplaces, and other software) proved to be among the best practices for small and medium-sized enterprises in Europe to avoid succumbing to the crisis.¹⁴ SMEs across Europe that were either more digitally advanced or more eager and able to adopt new technologies when the pandemic first hit reported higher sales and revenues when compared to more 'digitally uncertain' firms. Moreover, these companies were also more likely to hire new employees, demonstrating the wider economic and social benefits of digital tool uptake to the labour market.¹⁵

The benefits of this digital transformation are even more significant for women-led businesses. According to a recent study, male and female-led SMEs in Europe were comparable in both their perception of digital tools during the pandemic, and in their outlook for digitalisation in the future. On average 80% increased their use of technology during the pandemic, while half planned to increase even further down the line. As a result the gender gap in relation to businesses being 'advanced', 'evolving' or 'uncertain' was not so pronounced. What was pronounced and significant was the fact that while less digitally advanced women-led SMEs suffered greater losses as a result of the pandemic when compared to male led ones, those more willing to adopt digital technol-

¹¹ European Commission. (2020). An SME Strategy for a sustainable and digital Europe. Brussels, 10.3.2020 COM(2020) 103 final.

¹² Forbes. (2021). How Companies Can Help Close the Gender Gap in The Tech Sector.

¹³ Connected Commerce Council. (2021). European Small and Medium-Sized Enterprises (SMEs). Transformation, Innovation, and Resilience During the COVID-19 Pandemic. Digitally Driven Europe

¹⁴ Connected Commerce Council. (2021).

¹⁵ Connected Commerce Council. (2021).



ogies saw more drastic benefits. More specifically, technologically advanced women-led SMEs and female entrepreneurs saw 1.8 times higher revenues when compared to 'uncertain' SMEs, compared to an average of 1.6 across the board.

Moreover the age and development stage of SMEs plays an important role. Younger SMEs are more likely to be digitally advanced and prone to digital tool adoption, while at the same time to have a higher concentration of women in leadership roles. As a result there exists a significant variation in the age distribution of SME leaders, with younger women leading SMEs being linked with higher levels of digitalisation and resultantly better performance.¹⁶ The breakdown of age variation is a further key factor when the number of young women in leadership roles is taken into account. Compared to just over half (52%) of male-led SMEs being ran by the under 45 age group, the figure is 74% for women – reiterating the much higher number of younger women who are entrepreneurs when compared to the overall population.¹⁷

The Unique Role of Tech Companies

Tech players are well positioned to positively contribute to the resilience efforts of both SMEs and start-ups in general, alongside women and minority led SMEs and enterprises in particular. This is because as the main drivers of digitalisation, they can provide expert help and advice on access to finance, adapting to new working models, and safety measures to name a few. They also have the financial flexibility to aid SMEs in their digital transition. Examples range from online advertising

credits granted by companies including Google to help small businesses offset payments, to business centric return to work solutions including those provided by Microsoft.¹⁸

Moreover, Vodafone through its V-Hub knowledge centre recognised the challenging environment SMEs found themselves in when considering the different categories of digital technology, and the varying tools and digitalisation transitions available. In an effort to simplify the process, they placed significant emphasis on working with SMEs to ensure they have fit-for-purpose digital tools. This includes expert support to SME customers on topics including website construction and security, to remote working and digital marketing.¹⁹

The Tech industry can play a significant role in supporting SMEs, with connectivity and digital inclusion the obvious starting point. However, interventions must ensure they reach those most in need, with women and minority owned businesses of particular importance. To address the issue of less than 0.5% of venture capital funding going to black-led start-ups, and black people making up less than 3% of the venture capital community - Google through its Black Founders Fund is targeting the disproportionate lack of access to networks and capital black founders face. The \$2 million Google for Start-ups Black Founders Fund will provide up to \$100,000 in non-dilutive cash awards to selected European start-ups alongside up to \$220,000 per start-up in Google Ads and Cloud credits. Along similar lines, Google is supporting women founders in the start-up ecosystem through the Immersion: Women Founders

¹⁶ Connected Commerce Council. (2021).

¹⁷ Ibid. (2021).

¹⁸ Magsamen, B & Shutko, G. (2020). For a true economic recovery, small businesses will need more support. World Economic Forum.

¹⁹ Vodafone. (2020). SME Digitalisation – charting a course towards resilience and recovery. Vodafone Public Policy Paper, September 2020.



programme – providing training and coaching to address the growth challenges female entrepreneurs face.²⁰ Initiatives like these demonstrate the key role the tech industry can play in protecting and supporting SMEs, while reinforcing the fact that building back better will require significant cross-sector input, and public and private collaboration.

Gender-Sensitive EU Policy to Unlock Female Entrepreneurship

Levelling the playing field and enabling and empowering women to reach their full potential is considered a top priority. Moreover it is a key pillar of the Sustainable Development Goals (SDGs).²¹ Based on the clear and obvious differential impact of the pandemic on female-led businesses when compared to their male counterparts, policy-makers must fully engage in supporting woman and vulnerable groups. A specific focus needs to be placed on women-led and minority-owned businesses, as they stand in particularly precarious positions, and often run the risk of being left behind by more general interventions. Diversity is therefore key when designing policy and regulatory frameworks.²²

Women & The European SME Strategy

The European Commission recognised the fundamental need to encourage entrepreneurial ecosystems across the EU, and through its SME Strategy laid the groundwork to support SMEs of all sizes

and across all sectors, from innovative tech start-ups to traditional crafts.²³ Digitalisation, together with sustainability were at the heart of the strategy – with the EU reiterating the need for networking and mentorship as key pillars in allowing SMEs to take full advantage of the wealth of benefits and opportunities digital tools provide.

The Commission also highlighted in particular the specific gender based issues present, and as a result the need for targeted interventions in favour of women entrepreneurs. In order to foster the required ecosystem for women in business, the EU set up networks like WEGate and the Women Entrepreneurship Sector Group (WEG) within the Enterprise Europe Network (EEN) to enable and support women-led sharing of best practices, information gathering, and avenues to access services and mentorship. Alongside this, the EU recognised the structural problems and difficulties female-led businesses face when trying to access financial resources. To tackle this the launch of a gender-smart finance initiative was announced as a part of the SME strategy with the objective to increase the number of women business angels and encourage the use of alternative sources of financing.²⁴ This is a welcome step, as the lack of diversity among SMEs receiving investment has a hugely detrimental impact on both talent pools and innovation. This is particularly pronounced for women, whereby despite the fact that one third of companies in Europe are launched by women, over 90% of venture capital raised by European tech companies goes to all-male founding teams.²⁵

²⁰ More information on the Google for Startups [Black Founders Fund](#) and the [Immersion: Women Founders](#).

²¹ United Nations. (2015). Transforming our world: the 2030 Agenda for Sustainable Development.

²² OECD. (2021).

²³ European Commission. (2020).

²⁴ European Commission. (2021). Women Entrepreneurs.

²⁵ European Commission. (2020a). An SME Strategy for a sustainable and digital Europe.



Given the disproportionate impact of Covid-19 on women-led SMEs and female entrepreneurs, the call for action is even more urgent than before.

The need to support the digital transition of women-led and female-ran businesses to ensure they are not left behind post pandemic is critical to ‘build back better’, with targeted and relevant regulatory frameworks a key part of this. Modern and disruptive technologies must be leveraged to their full potential, and gender-smart financing to take full advantage of the unique potential of digitally advanced female businesses if ensured will play a huge role in innovation, prosperity, and job creation looking to the future.

Gender equality is a core principle of the EU, but much more needs to be done. In order for Europe to reach its full potential, the full potential of all the talent and diversity present needs to be realised. Utilising just half of the ideas or energy is not enough, and now is the time to ensure this does not continue.²⁶

With the above in mind, the below questions could be taken into consideration:

1. What are the specific ways in which technology can support gender equality in business?
2. How exactly can the European Commission’s SME Strategy ensure women are not left behind? And what link will this have with wider policy discussions including the European Green New Deal, and Next Generation EU?
3. How can institutions and networks favour the digital transition of female-led enterprises?
4. What best practices can be leveraged for gender and diversity mainstreaming, and what role will gender-sensitive and gender-smart initiatives play in post-pandemic recovery?

²⁶ European Commission. (2020b). Striving for a Union of Equality. The Gender Equality Strategy 2020-2025.



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