Targeting the ‘Invisible’:  
Improving Entrepreneurship Opportunities for Informal Sector Women

By Tonia Warnecke
Author Biography

Tonia Warnecke is the 2013 Fulbright Visiting Research Chair in International Development Studies at McGill University. She is Associate Professor of Business & Social Entrepreneurship and Co-Director of the Center for India & South Asia at Rollins College, USA. Dr. Warnecke earned her B.A. in Political Science from Rollins College, USA; a Master’s of Public and International Affairs from the University of Pittsburgh, USA; and a M.A. and Ph.D. in Economics from the University of Notre Dame, USA. She specializes in gender and development issues, including labor, finance, and social policy, and has published widely in international journals. Dr. Warnecke was awarded the Young Scholars Award by the European Society for the History of Economic Thought in 2009, and in 2012 received a best paper award at the International Symposium for Entrepreneurship and Innovation for her research on female entrepreneurship. Several of Dr. Warnecke’s scholarly papers have been presented at the International Labour Organization, and in 2013 she collaborated with the United Nations Research Institute on Social Development for a project on social and solidarity economy. Her Handbook of Research on Gender and Economic Life, coedited with Deborah Figart, includes 33 chapters of original research on a myriad of topics related to gender and economic life in developed and developing countries (2013, Edward Elgar).
Executive Summary

In the wake of global economic downturn, policymakers in many developing countries are turning their gaze upon two things: private sector-led strategies for economic growth and women’s potential to contribute to this growth. As a consequence, female entrepreneurship has been an area of particular interest to policymakers, businesses, and non-governmental organizations, and many female-targeted policies and programs have been implemented, ranging from microfinance and subsidized loans to training and incubator programs.

However, the focus on entrepreneurship as a development strategy conceptualizes entrepreneurship in a particular way—as opportunity entrepreneurship. Opportunity entrepreneurs can identify available opportunities and exploit them; they are often highly educated, have prior managerial experience, and have solid job alternatives with good salaries. They also have access to external capital and formal business networks, and operate in the formal sector of the economy. Opportunity entrepreneurs are more likely to have high-growth and high-tech businesses, but a large portion of entrepreneurship in the developing world—street vending, for example—does not fit into this category. Necessity entrepreneurs are driven to entrepreneurship for lack of other job options; they generally operate in the informal sector and lack legal protection, and their businesses do not facilitate upward mobility.

The proliferation of necessity entrepreneurship in the developing world is associated with global trends of increasing informal and flexible employment over the last few decades, and it exacerbates gender inequality. Women are more likely than men to be engaged in vulnerable, informal employment across the globe, and even within the informal sector, the highest-paid jobs are primarily held by men, while the lowest-paid jobs are primarily held by women. In nearly all countries, women are more likely to be necessity entrepreneurs than men.

However, most existing entrepreneurial programs target the formal sector and neglect the informal sector, disproportionately harming women. Many government-sponsored or private sector-led programs supporting female entrepreneurship focus on highly educated, middle- or upper-income women with prior entrepreneurial experience—a small minority of women. It can be challenging to design programs that effectively meet the needs of informal workers; although international organizations and non-governmental organizations are more likely to reach out to informal sector and rural women, these programs often focus on sustenance rather than business growth. There is no one-size-fits-all approach to designing female entrepreneurship programs for the informal sector. However, improving and tailoring such programs can establish a ladder between necessity and opportunity entrepreneurship, reduce gender inequalities, improve informal sector living conditions, and increase economic dynamism and informal-formal sector linkages in developing countries around the world.
Recommendations

Recommendation 1
Entrepreneurship programs must specifically target women in order for them to benefit as much as men.

Recommendation 2
Pair access to microfinance loans with training in literacy, financial literacy, and basic accounting.

Recommendation 3
Entrepreneurship training should include leadership, administrative capacity, management, and negotiation skills, and provide hands-on workshop opportunities for applying learned skills.

Recommendation 4
Establish guidance kiosks (help desks) for informal female entrepreneurs.

Recommendation 5
Establish formal business networking groups for informal female entrepreneurs.

Recommendation 6
Establish mentoring programs for informal female entrepreneurs.

Recommendation 7
Provide guidance and training for start-ups that would have positive externalities on other informal female entrepreneurs, such as small-scale childcare.

Recommendation 8
Improve women’s access to mobile phones, computers, and the internet in rural areas; pair ICT provision with workshops on using technology effectively for business development and management.

Recommendation 9
Improve transportation options for women, particularly pedestrian paths and public transportation.

Recommendation 10
Create structured programs to better connect informal female entrepreneurs with global value chains.

Recommendation 11
Work with governments and local officials to improve land and property rights for women.

Recommendation 12
Work with Ministries of Labour and Social Policy to support social protection (e.g. health care, social insurance, social security) for informal sector workers.
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I. Introduction

In the wake of global economic downturn, policymakers in many developing countries are turning their gaze upon private sector-led strategies for economic growth and development. In many cases, entrepreneurship has taken center stage given its reputation as a catalyst for innovation (Petrin 1994; Boettke and Coyne 2004; Naudé 2010a). Entrepreneurship can be described in terms of an outcome (such as the incidence of start-ups or the self-employment rate), a way of thinking or acting (being creative, resilient, risk-taking), or a process (shattering the status quo of existing products and services) (Cunningham and Lischeron 1991; Foss and Klein 2012, 7; Warnecke 2013a). While there is no singular working definition of entrepreneurship, policy debates about entrepreneurship have largely explored the linkages between new business creation, economic activity and employment.¹

Entrepreneurship programs have witnessed wide-ranging support from both the political left and right, albeit for different reasons. For the right, supporting entrepreneurship enables individuals to cultivate their own upward mobility, so short-term investments in entrepreneurship can reduce long-term individual dependence on the government. For the left, supporting entrepreneurship can help the poorest of the poor escape poverty, so these investments can target demographic groups often untouched by traditional active labor market policy efforts.

Renewed interest in entrepreneurship has been matched at the policy level by another area of focus: the desire to increase women’s economic activity rates in many countries. Notwithstanding women’s crucial contributions to social reproduction, policymakers recognize the vast potential for economic growth if roughly half their population is more engaged in direct, monetized economic activity. As a consequence, female entrepreneurship has been an area of particular interest to policymakers, private firms, and non-governmental organizations (NGOs), and many female-targeted policies and programs have been implemented, ranging from microfinance and subsidized loans to training and incubator programs.

¹ The ambiguity of the word ‘entrepreneurship’ makes it difficult for policymakers to appropriately conceptualize entrepreneurial support. At the same time, scholarly definitions focused on classifying certain groups of people as entrepreneurs tend to exclude large portions of the self-employed (Ahmad and Seymour 2008), with consequences for small business productivity.
The problem, however, is that the current scope of female entrepreneurship programs faces many gaps: gaps between rural and urban areas, between formal sector and informal sector workers, and between highly educated and uneducated workers, among others. In fact, most entrepreneurs in the developing world are informal sector female entrepreneurs, a group which has long been under-researched. How can entrepreneurship policy and programs better address the needs of this group of people? What supplementary policies are needed to support entrepreneurial strategies for development?

II. The informalization of employment

To improve female entrepreneurship opportunities, we must first contextualize female entrepreneurship in the landscape of female labor force participation. One key economic trend in the late 20th century was the significant rise of female labor force participation around the world (Lim 2009). This can be traced to different factors in different countries, including increased female educational attainment, the rise of the service economy, stagnating male wages, falling male labor force participation, changing sociocultural norms, and availability of family planning technology (Aziz 2009). Increased female labor force participation is often associated with female empowerment, as female-earned income can improve female bargaining power within the household and also contribute to several positive feedback effects including improvement of child health (Kabeer 2012). However, increased female economic activity can also lead to worsened time poverty, as women take on more tasks while still being responsible for unpaid household labor; this intensified labor can contribute to lower labor productivity as well as physical and mental health problems (Padgett and Warnecke 2011).

Another issue is that increased female labor force participation does not tell us about the quality of this employment. What are the work conditions and earnings potential associated with the jobs? Do they represent ‘decent work’ as conceptualized by the International Labour Organization, promoting “inclusivity and productivity in the workplace” by requiring decent wages, safe working conditions, and regulated working hours (ILO 2010)? Are the jobs “a source of personal dignity, family stability, peace in the community, democracies that deliver for people, and economic growth that expands opportunities for productive jobs and enterprise development” (ILO 2010)? Do they foster human capabilities to better participate in market economies (Warnecke and De Ruyter 2010; Folkerth and Warnecke 2012)?

The issue of job quality became a key critique of the Washington Consensus approach to development, popular in the 1980s and 1990s, which supported a policy emphasis on

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2 The informal sector “refers to the production and employment that takes place in unincorporated small or unregistered enterprises” (Chen 2012, 8); informal employment can be self-employment or wage employment.
deregulation, privatization and fiscal consolidation (Williamson 2004; Warnecke and De Ruyter 2010). The Washington Consensus contributed to another major trend in the late 20th century—the informalization and flexibilization of labor around the globe.

The informalization and flexibilization of labor has impacted workers’ lives in many ways. With flexibilization, many countries have weakened collective bargaining, employment protection, and minimum wage regulation, while also cutting public sector jobs (Capaldo and Izurieta 2013, 3); this has reduced formal work opportunities and made existing formal work less secure for millions of individuals. So-called ‘good jobs’ (‘decent work’) have become harder to find while ‘inferior jobs’ (informal, low wage, part time, and temporary jobs) have proliferated. Unionization rates have plummeted in many countries, and the balance of power has increasingly shifted to multinational corporations, which often extract many concessions from countries/states/provinces desperate for foreign investment.

The rise of the informal economy also hampers our knowledge of what is going on in labor markets around the world. We know the most about formal work, because it is taxed, measured, and regulated; most labor market statistics reflect standard, typical, and permanent formal sector employment (Folkerth and Warnecke 2012, 131). It is much more difficult to track, measure, and protect informal workers, but a variety of studies show that informal work comprises the majority of employment in the developing world. In many countries in Asia, Africa, and Latin America, more than 2/3 of all non-agricultural employment occurs in the informal sector; the figure is even higher in countries such as India, Mali, and Honduras, where more than 3/4 of all non-agricultural employment is informal work (ILO 2012a; Herrera et al. 2012).

There is substantial diversity within informal employment; informal workers “can be employed by unregistered informal enterprises, or can be owner operators, self-employed, or unpaid family workers. They can be temporary or part-time workers, casual day workers, contract workers, industrial outworkers, or unregistered workers” (Folkerth and Warnecke 2012, 133; ILO 2002a). However, most of the time, informal employment is vulnerable employment, characterized by low pay, no benefits, no labor law coverage, and little potential for advancement.

Particularly problematic is the fact that women are more likely than men to be engaged in vulnerable employment across the globe (see Table 1), with only the developed economies and Central/SE Europe and CIS countries witnessing a higher share of male vulnerable employment (ILO 2012b).3 The regions experiencing the widest gaps between male and female vulnerable

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3 Vulnerable employment as defined by the ILO includes contributing family workers and own-account workers, so this includes many but not all types of informal employment.
employment rates are Sub-Saharan Africa, the Middle East, and North Africa, but even regions with smaller differences exacerbate existing gender inequalities in a variety of socioeconomic spheres.

**Table 1. Vulnerable Employment Shares by sex and region, 2012**

<table>
<thead>
<tr>
<th>Region</th>
<th>Females</th>
<th>Males</th>
<th>Difference (F – M)</th>
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<tbody>
<tr>
<td>World</td>
<td>50.4</td>
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<td>8.3</td>
<td>11.0</td>
<td>-2.7</td>
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<tr>
<td>Central &amp; South-Eastern Europe (non-EU) &amp; CIS</td>
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<td>20.7</td>
<td>-0.7</td>
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<td>65.6</td>
<td>58.2</td>
<td>+7.4</td>
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<tr>
<td>South Asia</td>
<td>83.3</td>
<td>75.0</td>
<td>+8.3</td>
</tr>
<tr>
<td>Latin America &amp; the Caribbean</td>
<td>32.3</td>
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<td>55.7</td>
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<tr>
<td>Sub-Saharan Africa</td>
<td>84.4</td>
<td>69.5</td>
<td>+14.9</td>
</tr>
</tbody>
</table>

Source: ILO 2012b, 58, adapted by author.

Figure 1 reveals another issue: even within the informal sector, the highest-paid jobs are primarily held by men, while the lowest-paid jobs are primarily held by women (Chen 2003). How does this relate to female entrepreneurship?

**Figure 1. Informal Sector Employment by Average Earnings and Gender Segmentation**

Source: Chen 2003.

**III. Informality, gender, and entrepreneurship**

The widespread informalization of women’s work suggests that we need to carefully examine female entrepreneurship rates. For example, knowing the proportion of women engaged in entrepreneurial activity helps us to see whether women are pursuing entrepreneurship in lieu
of other forms of employment (or economic inactivity), but does not address issues of gender gaps in entrepreneurship or quality of entrepreneurial opportunities.

Table 2 reveals that female entrepreneurial activity rates in many (not all) countries have increased over the past decade. However, entrepreneurship remains heavily male-dominated. Of 64 developing and developed countries assessed by the Global Entrepreneurship Monitor in 2012, only Ecuador, Ghana, Nigeria, Panama, and Thailand witnessed higher female entrepreneurial activity rates (Global Entrepreneurship Monitor 2013).

**Table 2. Female Entrepreneurial Activity Rate (%), 2002 and 2012**

<table>
<thead>
<tr>
<th></th>
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<td>14.2</td>
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<td>Finland</td>
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<td>4.1</td>
<td>+0.6</td>
<td>South Korea</td>
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<td>10.5</td>
<td>+2.2</td>
</tr>
</tbody>
</table>

Source: Global Entrepreneurship Monitor 2013.

Table 3 reveals the gender gap in entrepreneurial activity rates around the world, measured as the male total entrepreneurial activity (TEA) rate minus the female TEA rate. Though the gender gap reaches a high of 20.1 percent in Pakistan, the average gender gap is nearly 5 percent. For some newly industrialized countries such as China, the gender gap in entrepreneurial activity has continued to increase even though women’s entrepreneurial activity is increasing; this shows the difficulty of reducing entrenched inequalities even in a high-growth environment.
Table 3. Total Entrepreneurial Activity (TEA) Rate by Sex, 2012

<table>
<thead>
<tr>
<th>Country</th>
<th>Male TEA (%)</th>
<th>Female TEA (%)</th>
<th>Gender Gap, M-F (%)</th>
<th>Country</th>
<th>Male TEA (%)</th>
<th>Female TEA (%)</th>
<th>Gender Gap, M-F (%)</th>
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<td>4.0</td>
<td>4.3</td>
<td>Tunisia</td>
<td>6.8</td>
<td>2.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Israel</td>
<td>7.6</td>
<td>5.5</td>
<td>2.1</td>
<td>Turkey</td>
<td>17.5</td>
<td>6.9</td>
<td>10.6</td>
</tr>
<tr>
<td>Italy</td>
<td>5.7</td>
<td>2.9</td>
<td>2.8</td>
<td>Uganda</td>
<td>36.0</td>
<td>35.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Japan</td>
<td>5.9</td>
<td>2.1</td>
<td>3.8</td>
<td>United Kingdom</td>
<td>11.6</td>
<td>6.3</td>
<td>5.3</td>
</tr>
<tr>
<td>Korea (South)</td>
<td>10.8</td>
<td>2.3</td>
<td>8.5</td>
<td>USA</td>
<td>15.2</td>
<td>10.5</td>
<td>4.7</td>
</tr>
<tr>
<td>Latvia</td>
<td>18.9</td>
<td>8.2</td>
<td>10.7</td>
<td>Uruguay</td>
<td>19.9</td>
<td>10.0</td>
<td>9.9</td>
</tr>
<tr>
<td>Lithuania</td>
<td>9.4</td>
<td>4.2</td>
<td>5.2</td>
<td>Zambia</td>
<td>42.9</td>
<td>40.0</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Source: Global Entrepreneurship Monitor 2013.
Given that the average gender gap in entrepreneurial activity is very small compared to other gender gaps, such as wages\(^4\), we must consider the diversity and quality of entrepreneurial experiences. If more women engage in entrepreneurial activity, this does not necessarily imply that their standard of living will increase, that they will become more empowered, or that they will boost overall economic growth; it depends on the type of entrepreneurship they are engaged in.

For quite some time, the dominant Western conception of entrepreneurship has been opportunity entrepreneurship. Opportunity entrepreneurs

are able to identify available opportunities and exploit them...are often highly educated, they have prior managerial experience, and they usually have solid job alternatives with good salaries. They also choose to leave those jobs to seize an opportunity. Opportunity entrepreneurs usually have access to external capital and they benefit from membership in a business association as well as related networking. Usually, their businesses are in the formal sector of the economy (Warnecke 2013a, 459).

Opportunity entrepreneurs are more likely to have high-growth and high-tech businesses, and this is what attracts policymakers to the idea of entrepreneurship as a development strategy. However, a large portion of entrepreneurship in the developing world—street vending, for example—does not fit into this category.

Necessity entrepreneurs are driven to entrepreneurship for lack of other job options; they are often discouraged workers lacking high levels of education, managerial experience, and access to capital or formal business networks (Hernandez, Nunn and Warnecke 2012). Necessity entrepreneurship “does not facilitate upward mobility, nor does it provide decent work standards or allow individuals to fulfill their capabilities” (Warnecke 2013a, 459). Often struggling to physically sustain their household, necessity entrepreneurs generally operate in the informal sector, so they lack legal protection. Table 4 highlights key distinctions between opportunity and necessity entrepreneurship, including a particularly salient point for policymaking: the barriers faced by necessity entrepreneurs prevent them from growing their businesses or contributing to wider economic growth (Acs 2006).

\(^4\) Tijdens and Van Klaveren (2012) calculate gender wage gaps for 43 developed and developing countries; the gaps range from 4% to 46%, and in the latter 2000s the average gender pay gap (weighted by the size of the labor force of each country) was 18.4%.
Table 4: Characteristics of Necessity and Opportunity Entrepreneurship

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Necessity</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low or no formal educational attainment</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Higher educational attainment</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Little/no prior managerial experience</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Prior (often significant) managerial experience</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>No access to formal bank loans</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Access to formal external capital</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Network is social (family/close friends), not business-oriented</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Access to beneficial business networking</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Discouraged workers</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Access to alternative formal sector employment</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Often oriented toward household sustenance</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Latent Gazelle(^5) potential</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Informal sector operation</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Formal sector operation</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Many barriers prevent business growth, so not correlated with economic growth</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Correlated with economic growth</td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: Hernandez, Nunn, and Warnecke 2012, 420, adapted by author.

The gender dimension is important to consider here. For 29 countries and territories in 4 developing world regions, Table 5 shows the proportion of male and female entrepreneurial activity that was necessity entrepreneurship in 2012. Female entrepreneurs in almost all locales are more likely than men to be necessity entrepreneurs, with gender gaps particularly high in Argentina (19%), Palestine (21%), Malawi (17%), and Pakistan (21%).\(^6\)

There are many reasons to explain why women are more likely than men to be necessity entrepreneurs. In developing countries, women often have lower educational attainment than men and face significant sociocultural barriers to formal sector employment; they are often the last hired and first fired, are overtly or covertly excluded from most formal business networks, are less likely to obtain formal bank loans, and are charged higher interest rates than men for similar loans that are offered (van Staveren 2002; Warnecke 2006; Hernandez, Nunn and Warnecke 2012). The ‘double burden’ of domestic work and market work also limits women’s

---

5 ‘Latent Gazelles’ have “the potential to experience gazelle-like (fast) growth but have yet to do so. Having such potential is associated with being a formal sector enterprise, having high levels of human capital, and being in a high-value supply chain” (Hernandez, Nunn, and Warnecke 2012, 420; Nichter and Goldmark 2009).

6 The few countries experiencing a higher proportion of male necessity entrepreneurs (in the Middle East and North Africa) are also countries with very low levels of female entrepreneurship in general.
options for outside employment in many countries, leaving informal work the most likely option (Padgett and Warnecke 2011).

**Table 5. Necessity Entrepreneurship as % of Entrepreneurial Activity, by sex and country, 2012**

<table>
<thead>
<tr>
<th>Region</th>
<th>Country</th>
<th>Necessity TEA (% female TEA)</th>
<th>Necessity TEA (% male TEA)</th>
<th>Gender Gap (F – M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America &amp; the Caribbean</td>
<td>Argentina</td>
<td>46</td>
<td>27</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>Brazil</td>
<td>36</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Colombia</td>
<td>15</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Costa Rica</td>
<td>23</td>
<td>18</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Ecuador</td>
<td>41</td>
<td>29</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>El Salvador</td>
<td>42</td>
<td>28</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Mexico</td>
<td>14</td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Panama</td>
<td>20</td>
<td>19</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Peru</td>
<td>26</td>
<td>21</td>
<td>5</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>Algeria</td>
<td>28</td>
<td>31</td>
<td>-3</td>
</tr>
<tr>
<td></td>
<td>Egypt</td>
<td>31</td>
<td>34</td>
<td>-3</td>
</tr>
<tr>
<td></td>
<td>Iran</td>
<td>38</td>
<td>43</td>
<td>-5</td>
</tr>
<tr>
<td></td>
<td>Israel</td>
<td>22</td>
<td>17</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Palestine</td>
<td>59</td>
<td>38</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>Tunisia</td>
<td>28</td>
<td>39</td>
<td>-11</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>Angola</td>
<td>27</td>
<td>20</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Botswana</td>
<td>38</td>
<td>29</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Ethiopia</td>
<td>23</td>
<td>18</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Ghana</td>
<td>31</td>
<td>23</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Malawi</td>
<td>51</td>
<td>34</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Namibia</td>
<td>43</td>
<td>32</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Nigeria</td>
<td>37</td>
<td>32</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>South Africa</td>
<td>39</td>
<td>27</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Uganda</td>
<td>47</td>
<td>45</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Zambia</td>
<td>36</td>
<td>29</td>
<td>7</td>
</tr>
<tr>
<td>Asia</td>
<td>China</td>
<td>40</td>
<td>35</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Malaysia</td>
<td>14</td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Pakistan</td>
<td>73</td>
<td>52</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>Thailand</td>
<td>21</td>
<td>11</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Xavier et al. 2013, 60, adapted by author.

This ‘double burden’ has also been linked to lower performance of female-owned informal businesses as compared to male-owned informal businesses, even after controlling for inputs and human capital levels of the entrepreneur (Nordman and Vaillant 2012). Basing the
enterprise at home (more likely for women, given childcare responsibilities) may exacerbate these performance gaps (Nordman and Vaillant 2012). It is also worth considering what products or services are being produced and sold. In many locales, female informal entrepreneurs’ “entry into the market is confined typically to niches (e.g., clothing and handicrafts) left over after more powerful males have entrenched their market positions” (Grant 2013, 89). This shows that there are multiple layers of disadvantage faced by women operating businesses in the informal sector. How do recent efforts to support female entrepreneurship relate to these women?

IV. The current portfolio of support for female entrepreneurs

It is important to understand that entrepreneurial support in any country exists within a complex institutional environment. Many factors impact the extent of entrepreneurial activity, including overall macroeconomic stability, the level of employment protection in the formal sector, business regulations influencing start-up costs (both in money and time), sociocultural perceptions of entrepreneurship, good governance, and secure rule of law (Warnecke 2013b; Román, Congregado, and Millán 2013). Therefore, the scope of entrepreneurial activity will differ quite a bit depending on the stage of a country’s development, ranging from low-productivity traditional activities and imitation of foreign technology to highly innovative activities (Naudé 2010b).

Both formal institutions (laws and formal rules, such as property rights) and informal institutions (social norms and attitudes) influence entrepreneurial activity (Drabu 2011). However, women are particularly impacted by informal institutions; gender-biased norms often create implicit barriers to engaging in certain forms of economic activity, leading to gaps between de jure and de facto rights for women (Warnecke 2013a).

To bolster women’s economic activity, governments, private firms, and non-governmental organizations in many countries have increasingly designed and implemented specific programs to aid female-led start-ups. Examples include incubator projects as well as training, education, credit, and other financial programs, though entrepreneurial support for women varies widely throughout the developing world.

Warnecke (2013b) notes that in countries such as China and India, much government-provided entrepreneurial support for women targets formal sector operations in urban areas. Government programs often revolve around funding (subsidized formal bank loans; tax credits), and the government often partners with service providers to implement the programs. More recently, the Chinese government has attempted to reach poorer individuals through a small microfinance program (People’s Daily Online 2011), though this is not necessarily linked to the promotion of entrepreneurship; the Chinese government’s stance on microfinance has been
unclear and at times contradictory (KPMG 2010). The Indian government has implemented a plan for Common Service Centers to deliver information and communications technology (ICT) in villages, though these have not been profitable due to insufficient training and support services (Malhotra, Kanesathasan, and Patel 2012, p. 19).

Women’s professional entrepreneurship associations (which offer networking, mentoring and other services) often levy membership fees tailored to middle- and upper- income individuals, are located in urban areas, and require prior formal entrepreneurial experience. Likewise, programs supported in whole or in part by private sector firms tend to be focused on formal sector entrepreneurs with experience and solid business revenues.

As one example, 10,000 Women (a Goldman Sachs program operating in Africa, Asia and the Americas) requires annual business revenues of nearly $10,000 USD—well beyond the reach of most informal sector entrepreneurs (International Center for Research on Women [ICRW] 2012). Other private sector programs (e.g. MasterCard’s training lectures to Chinese women about internet stores and online secondhand stores) are offered in urban areas (People’s Daily Online 2012), catering to a highly educated, wealthier niche of the population. A new female business incubator in Qingdao, China will give business training to about 10,000 female undergraduate students, though only 10% of these will receive financial support (Xinhua Net 2012)—again suggesting a bias towards middle- to upper-income individuals. In most countries, the private sector has been the least involved in providing entrepreneurial support to women, so there is significant room for development of private and public-private initiatives.

By sharing risks and resources, public-private partnerships can create new models for providing female entrepreneurs with training and mentoring, market access, and access to financial services (U.S. Department of State 2012). Many current public-private initiatives focus on a highly selective group of professional women; for example, the Thunderbird School of Global Management operates a public-private partnership between Goldman Sachs and the U.S. State Department to bring female entrepreneurs from various countries to Arizona, USA for two weeks of intensive training (Chiu 2013). However, the Coca-Cola Company—partnering with governments and organizations such as the Bill and Melinda Gates Foundation, the International Finance Corporation, TechnoServe, and UN Women—has reached out to female entrepreneurs at several stages of its value chain, from fruit farmers to artisans; through this program, thousands of women in twelve developing countries have received business skills training, financial services access, and connections with peers or mentors (The Coca-Cola Company 2013).

There are also some corporate/nonprofit partnerships targeting poorer, less educated women. For example, MEADOW (Management of Enterprise and Development of Women) emerged from a partnership between TITAN (a TATA group company interested in social enterprise) and
Myrada, a NGO. MEADOW, an Indian bracelet-making company established in 1996, is “completely owned and mostly managed by the women who are also employees of the organization” (Murthy 2006, p. 5). Myrada showed Titan how local women could produce a product desired by TITAN; TITAN supplied training and equipment. The partnership was crucial to MEADOW’s success, since TITAN did not know how to operationalize its idea for social enterprise, and Myrada did not have sufficient resources to form a company (Warnecke 2013b).

Many international organizations including the World Bank, ILO, OECD, USAID, and DFID (among others) have initiated programs in the developing world to support female entrepreneurship; international NGOs such as OXFAM and the Cherie Blair Foundation are also active in this arena (Vossenber 2013). These types of organizations are the most likely to reach out to informal sector women in rural areas. The most common support mechanisms are microfinance programs; other examples include mobile phone provision, development of cooperatives, and, to a lesser extent, skill training or ICT kiosk franchising (Warnecke 2013b).

Notwithstanding the notable examples above, most entrepreneurship policy and programming today does not target the informal sector. There is a tendency to “write off necessity-driven informal entrepreneurs as unworthy of support” (Williams and Nadin 2012, 115). Furthermore, the programs offered to informal sector entrepreneurs often have very different characteristics than those offered to the formal sector. A study of female entrepreneurship programs in China and India showed that programs offered in rural areas were less likely to provide training alongside the provision of loans, goods, or services (Warnecke 2013b). This not only particularly disadvantages women, but it also dampens possibilities for entrepreneurial activity to support economic growth and human development. These individuals cannot access health and safety standards or pension and other contributory benefits, their lives are filled with fear of detection and prosecution, and they are subject to exploitative relationships7 with formal workers (Williams and Nadin 2012, 115; see also Grabiner 2000; Gallin 2001; ILO 2002a; Evans et al. 2006).

Neglecting informal entrepreneurs also makes an implicit assumption that individual motivations and capabilities cannot change; in other words, necessity entrepreneurs cannot ever transition to opportunity entrepreneurship, so investing in them is wasted money. This perspective neither benefits the informal entrepreneur nor the country at large. Given the lack of available formal sector jobs in many developing countries (another important policy

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7 Since informal entrepreneurs often purchase inputs from and (particularly in subcontracting relationships) sell their products to formal sector firms, the lack of labor law protection means that informal entrepreneurs have very little bargaining power with regard to prices, quantities, or timelines for delivery. Additionally, informal entrepreneurs are often subject to exploitative tied labor agreements (Jennings 1993/4; Meagher 2013), in which access to credit or inputs from a vendor is tied to selling the final product to the same vendor at a greatly reduced price.
problem), the informal sector will not disappear, so development policies and programs need to better target this ‘invisible’ group. In so doing, living standards, economic dynamism, and informal-formal sector linkages can be enhanced. How can we improve entrepreneurship programs for informal sector women? Can we more effectively support opportunity entrepreneurship, or at least a path of transition from necessity to opportunity entrepreneurship?

V. Recommendations

Recommendation 1

Entrepreneurship programs must specifically target women in order for them to benefit as much as men.

Many development programs offer services to both men and women, assuming that gender does not or should not matter (Food and Agricultural Organization [FAO] 1995; Ely, Ibarra, and Kolb 2011). However, we should not assume that “any given programme and project is addressed to and concerns women as much as men just because it claims to be aimed at the population as a whole” (FAO 1995). Creating gender-sensitive programs requires much more than an ‘add women and stir’ approach; because of gendered social norms, general policies supporting entrepreneurship will not close the entrepreneurship gender gap (Baltic Development Forum 2011; Hernandez, Nunn and Warnecke 2012). A variety of historical examples show that women are often excluded from economic planning, both as participants in program development and as program beneficiaries; theoretical program availability does not necessarily mean effective access for women (Warnecke 2013b; Boserup 2007; FAO 1995; Figart and Warnecke 2013). Women-only programs can assist improvements in gender equality, but should not be isolated and completely distinct from larger national or regional endeavors; gender should be integrated into all entrepreneurship policy.

Recommendation 2

Pair access to microfinance loans with training in literacy, financial literacy, and basic accounting.

Informal female entrepreneurs are not likely to have the needed collateral to obtain financing through the formal banking sector, a major factor hindering business development (van

8 It can be challenging to define and select the target group for informal sector programs. Strengthening and expanding associations of informal sector micro-entrepreneurs can provide more data to assist governments, corporations, NGOs, and social enterprises with the identification process (ILO 1999). For geographically dispersed informal workers, innovative program delivery methods are needed. One example can be found in the ‘Info Ladies’ of Bangladesh, who bicycle across the countryside to bring the internet to remote villages; this program was launched by the non-profit organization D.net in 2008 (Bouissou 2013). There is no one-size-fits-all approach.
Staveren 2002). Microfinance loans have emerged as the most popular method of addressing this financing gap in countries around the world. However, funding unaccompanied by training opportunities is more likely to facilitate necessity (not opportunity) entrepreneurship. While microfinance certainly has benefited many women, there is no robust quantitative evidence demonstrating a positive impact of microfinance on the poor (Armendáriz de Aghion and Morduch 2005, 2010; Duvendack et al. 2011). Microfinance is better for women than securing money through loan sharks (Strong 2008), but this is not the same thing as providing a path for upward mobility.

If training in basic literacy, financial literacy, or accounting is not provided, this does not prepare recipients to use loans to their maximum potential. A Northern Bangladesh case study conducted by the Goldin Institute in Chicago discovered that only one loan provider paired credit with any other services (Cons and Paprocki 2008). Sometimes loans are used to finance consumption rather than enterprise activities, which leads to a microfinance dependency cycle: clients acquire future loans to pay back current loans (Warnecke 2013c). The most successful microfinance programs (in terms of opening up more economic opportunities, increasing repayment rates, and increasing revenues) have paired access to funding with skill-building training and business development services (Karlan and Valdivia 2006; Bali Swain and Varghese 2013).

Recommendation 3

Entrepreneurship training should include leadership, administrative capacity, management, and negotiation skills, and provide hands-on workshop opportunities for applying learned skills.

Basic education, while critical, is insufficient for preparing informal entrepreneurs to recognize opportunities and capitalize on them. Masculine conceptualizations of leadership in most cultures throughout the world make it difficult for women to self-identify as leaders and improve their leadership abilities (Ely, Ibarra, and Kolb 2011). Studies show that even highly educated women in the formal sector often negotiate less frequently than men, with adverse implications for future salary and promotion (see Reeves 2010, 86-7). In many developing country environments, women are even less likely to be exposed to the idea of negotiation. Particularly in the informal sector, where many entrepreneurial outcomes are the result of a series of (often under-the-table) discussions with buyers, sellers, public authorities, non-governmental groups, community members, and other entrepreneurs, negotiation skills would be very useful for women (Braig 1997). Experiential workshops, role-playing exercises, and apprentice programs can improve self-confidence, abilities, and opportunity recognition more than a classroom setting alone, especially given limited literacy levels (Walther 2007; Levie, Hart, and Anyadike-Danes 2009; Urban, Venter, and Shaw 2011).
Recommendation 4

Establish guidance kiosks (help desks) for informal female entrepreneurs.

Notwithstanding the importance of education and business skills training, there are many complexities involved with running a successful business for which additional day-to-day guidance is needed. Additional business development support services could include one or more guidance kiosks or help desks in each district to address various problems of women entrepreneurs and to provide trade and business guidance (United Nations Industrial Development Organization [UNIDO] 2003; Kesh 2011). Expert personalized assistance is valuable in facilitating business growth and development, particularly with regard to opportunity recognition and scaling of financing, marketing, and sales. Therefore, the help desk could offer assistance to businesses at different stages of development. The help desk should be flexible as to the timing and location of service delivery, to meet women’s needs. Experienced female entrepreneurs could staff the help desk as part of a ‘give back’ program.

Recommendation 5

Establish formal business networking groups for informal female entrepreneurs.

We know that existing female business ownership enables future female entry, and knowing an entrepreneur increases a woman’s likelihood of becoming an opportunity entrepreneur (Ghani, Kerr and O’Connell 2011; de Vette 2011). However, in many developing countries “spaces for conversation among women are absent” (Raman et al. 2013). In the informal sector, women’s main source of information tends to be their immediate social network of family and friends, and these individuals may or may not have entrepreneurial experience (Spring 2009). Professional business networking opportunities for informal female entrepreneurs are relatively uncommon. However, organizing simple opportunities does not need to be expensive or overly involved. A series of formally planned events is not required; indeed this may not be the type of interaction that is preferred. However, networking enables women to develop new channels and opportunities for their business, discover new resources and contacts, and learn about new business tools (Leskinen 2011; Kariv 2013). Large business networks also enable informal sector women to mitigate patriarchal practices that reduce their likelihood of engaging in high-productivity activities (Dessy and Ewodou 2006).

Recommendation 6

Establish mentoring programs for informal female entrepreneurs.

Mentoring programs for informal female entrepreneurs can facilitate the transition from a sustenance-oriented business to a growth-oriented business. Professional mentoring can
contribute to entrepreneurial performance and expansion, and also help female entrepreneurs navigate the gaps between *de jure* and *de facto* rights as they pertain to business goals (McGregor and Tweed 2002; Bugshan 2012; Warnecke 2013b). However, a variety of individual and organizational factors have long inhibited mentoring relationships for women, including the lack of female mentors, sociocultural barriers to cross-sex mentoring, tokenism, stereotypes, socialization practices, and usage of indirect and acquiescence mentoring strategies (Noe 1988).

Mentoring programs for informal sector entrepreneurs are not common, but such programs could provide personalized expertise, advice, and social support. For example, mentoring could help entrepreneurs deal with gender bias, learn about international factors impacting their businesses, and improve their business models (Femmes Africa Solidarité [FAS] 2007). A study of a mentoring program for female entrepreneurs in emerging markets demonstrated that the greater the influence of a mentoring relationship, the greater the entrepreneur’s self-efficacy, which was linked to improved firm performance (Kickul, Gundry and Iakovleva 2006). Mentoring can take different forms (in person, mobile phone, online) depending on the technology options in a given area; however, it is best for the mentors to be female, given cultural norms in many developing regions.

**Recommendation 7**

Provide guidance and training for start-ups that would have positive externalities on other informal female entrepreneurs, such as small-scale childcare.

Although transforming unpaid labor into a small business can solidify gender stereotypes of ‘caring work’ being the domain of women and not men, the fact remains that many developing country women are currently responsible for unpaid household labor including cooking, cleaning, child and elder care. Time poverty prevents informal sector women from having sufficient time to devote to human capital development. If informal sector women in a particular area develop a variety of enterprises including small-scale childcare or cooking collectives, women could exploit the theory of comparative advantage, specializing in their business and trading goods/services to reduce their time spent in unpaid labor. This would allow more time to develop their businesses.

In urban areas of many developing regions, early childhood care generally is operated by entrepreneurs in a small for-profit business (Penn 2010; World Bank 2012). Most childcare arrangements in rural areas are informal (e.g. older sisters), with “potentially negative consequences for children and those providing the care” (World Bank 2012, 366). There is ample opportunity to generate employment for informal sector female entrepreneurs through the development of childcare facilities in rural areas, though training is crucial to ensure quality (Penn 2010). An alternative (more complex) model can be found in the Self-Employed Women’s
Association (SEWA) in India, which has a large partnership network of community-built services including cooperatives for childcare (Folkerth and Warnecke 2012).

**Recommendation 8**

**Improve women’s access to mobile phones, computers, and the internet in rural areas; pair ICT provision with workshops on using technology effectively for business development and management.**

Information and communications technology (ICT) can help informal sector female entrepreneurs in several ways, by improving the following: ability to shift to the formal sector, global market access through e-commerce, access to distance learning programs, ability to share experiences with other women, and ability to avoid some gender bias (ILO 2002b). However, there are large gender gaps in access to ICT, particularly in rural areas (Jain 2007; Broadband Commission for Digital Development 2013). As one example, there are 300 million fewer women than men that own mobile phones around the world (Broadband Commission for Digital Development 2013).

Mobile phones are the ICT most commonly used by informal businesses (Moyo and Deen-Swarray 2013). While all forms of ICT can help female entrepreneurs, mobile phones’ portability and ease of use make them particularly helpful (Malhotra, Kanesathasan, and Patel 2012). With a mobile phone, women in many countries can also now access ‘mobile money’ to improve their access to financial services. Partnerships among public, private, non-governmental, and social enterprise sectors have been the most successful ICT programs for female entrepreneurs (Malhotra, Kanesathasan, and Patel 2012). However, more training is needed for women to fully exploit the benefits of ICT access. In particular, informal sector female entrepreneurs need training in using ICT for record keeping and for accessing product, pricing and market information; in rural areas, improved email access and greater access to ICT centers (with help desk functions) are also needed (ILO 2002b).

To date, ICT programs in rural areas have mainly enabled women to more effectively balance necessity entrepreneurship with household duties (Warnecke 2013b). Few show women how to “use technology to share information, mentor or collaborate with others on business matters” (Malhotra, Kanesathasan, and Patel 2012, p. 4) or even how to use the technology at all (New Internationalist 2013). Low levels of functional literacy also pose limitations on ICT usage for women in some areas; for example, literacy training is needed for some women to use text messaging (World Bank 2013).
Recommendation 9

Improve transportation options for women, particularly pedestrian paths and public transportation.

Improving transportation options for women can increase entrepreneurial productivity by reducing the time spent on unpaid household labor (for example, collecting water) and by improving women’s ability to access different markets to sell their wares. In developing countries, women’s transport patterns are much different from men’s; women most often walk, and their second most common mode of transport is public transportation, if it is available (Duchene 2011). Public transportation is generally not available for travel within rural areas (Duchene 2011). Additionally, concerns about safety impact women’s mobility for business-related activities (Khosla 2005). A transportation survey conducted in China found that women were more concerned than men about street lighting and sidewalks (Bennett 2007); cities in Brazil and India have developed women-only public transportation options in response to concern about sexual harassment on buses and subways (Matthan 2008; Contreras 2008).

Recommendation 10

Create structured programs to better connect informal female entrepreneurs with global value chains.

A global value chain (GVC) “describes the full range of activities that firms and workers do to bring a product from its conception to its end use and beyond...[including] design, production, marketing, distribution and support to the final consumer”, often across several countries (Center on Globalization, Governance, & Competitiveness 2013; see also Banga 2013). GVCs highlight how much ‘value added’9 is associated with each segment of the process (Meagher 2013). Although many informal businesses do interact with formal firms, sourcing raw materials and/or selling final products (Chen 2007), informal entrepreneurs tend to be excluded from GVCs, or experience limited returns from participating in GVCs (Chan 2011). Ideally, “formal-informal linkages in GVCs [would] offer developmental opportunities...by providing valuable mechanisms for collective learning, risk sharing, upgrading and institutional innovation", but many studies show the existence of ‘poverty nodes’ that shift "profits up the chain while costs and risks are shifted down to informal workers" such as women and migrants (see Meagher 2013, 11 for a review).

The systems of multinational corporations “are not set up to source from small businesses,” and even though corporate-led nonprofits such as WEConnect now exist to source from women-owned businesses worldwide, only “1 percent of the $700 billion in annual buying

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9 Value added is the difference between the sales price (price received) and the cost of inputs (cost incurred).
represented by 33 WEConnect global members is sourced from female entrepreneurs outside the United States” (Useem 2013). Challenges include international companies’ desire to engage with formal businesses, the need for training necessary to participate in international trade (e.g. product safety requirements, bar codes), and the need for more knowledge of and exposure to international fairs, main importers/exporters, and the prices and standards of other international actors producing similar products (FAS 2007; Useem 2013).

Conducting a value chain analysis can identify opportunities for women’s greater access to markets, and informal female entrepreneurs’ position in the value chain can be improved by a dual focus, enhancing both women’s capabilities (e.g. ICT skills; negotiation skills) and their entitlements (e.g. land rights; access to finance, storage, and transport) (U.S. Agency for International Development [USAID] 2005, 27). Programs could include more instruction on the meaning of contracts, increased incentives for exporters/processors to comply with contracts, collective organization of entrepreneurs, and support for transition into high-value niche markets (Chan 2011, 56-8). However, women should be incorporated into the development and leadership of these programs. To benefit from a variety of different sets of expertise and resources, it is desirable to develop these programs through partnerships between multinational corporations, the public sector, NGOs, and social enterprise. To ensure that intent matches impact, monitoring and assessment are needed.

**Recommendation 11**

**Work with governments and local officials to improve land and property rights for women.**

In many developing countries women do not have rights to own land or property, and in countries where such rights legally exist, they often are not enforced (FAO 2010). This is particularly the case in rural areas where many informal entrepreneurs operate. Lack of land rights hinders access to finance and reduces the productivity of and potential for many female-owned businesses, including agriculture-related endeavors (World Bank 2010; ILO 2012c). Multi-level advocacy to improve this is needed for female entrepreneurs to formally own and operate businesses.

**Recommendation 12**

**Work with Ministries of Labour and Social Policy to support social protection (e.g. health care, social insurance, social security) for informal sector workers.**

Programs aiding productivity for female informal entrepreneurs are important, but supporting successful ventures is no substitute for the state’s role in social welfare provision. Workers are more productive when they are healthy and can mitigate risk through participation in social insurance programs. Most informal sector entrepreneurs have no state-provided social
protection coverage. However, some developing countries (examples include the Philippines and Indonesia) are working towards providing limited social protection coverage to informal sector workers (Midgley 2012; Department of Labor and Employment 2013).

Creating a simple way for informal entrepreneurs to formalize their operations is also worth pursuing (Williams and Nadin 2012). However, formalization costs accrued by individual entrepreneurs (such as paying business registration/license fees and taxes) would need to be matched with all of the state-provided benefits accorded to other formal enterprises: “enforceable commercial contracts; legal ownership of their place of business and means of production; tax breaks and incentive packages to increase their competitiveness; membership in trade associations; and statutory social protection” (Chen 2007, 11). This brings a new set of bureaucratic challenges for countries with weak government capacity.

References


