

Family leave policies have a significant impact on women's entrepreneurial activities

5 November 2015, by Andrea Estrada



This image shows Sarah Thébaud. Credit: Courtesy Photo

When Sarah Thébaud analyzed survey data from 24 countries—including the United States—between 2001 and 2008, she found some interesting evidence regarding gender gaps and entrepreneurship and the relationship between those gender gaps and government policies.

It turns out, the assistant professor of sociology at UC Santa Barbara discovered, the circumstances that spur women to start their own businesses in the first place have a tremendous influence on the kinds of enterprises they establish.

Thébaud's research appears in the current issue of the scholarly journal *Administrative Science Quarterly*. It also is highlighted in a briefing paper she prepared for the Council on Contemporary Families, a national nonprofit organization that seeks to influence public discussion and debate around work-family issues.

"Some women see a business opportunity and want to capitalize on it—they have a particular product or service they want to bring to the market, and they want to grow a business and hire more employees," Thébaud said. "In scholarship we refer to that as 'opportunity-motivated entrepreneurship'."

And then there are women who turn to self-employment out of need. That need may be additional family income, but more likely it's a degree of work-family balance that a traditional wage or salaried job can't provide—particularly in the U.S. "We don't have much flexibility in the workplace and we don't have very good paid leave policies," explained Thébaud.

Add to that the expense of childcare, which, in many cases, is so high that it gobbles up much of a worker's earnings. "It makes it hard to justify remaining employed, or, at least, employed full-time," she added. "So a lot of women try to manage childcare with a small home-based business, or maybe offering childcare services themselves."

However, according to Thébaud, while they achieve the work-family balance they seek, these women's businesses tend to be smaller, less lucrative and less aggressively growth-oriented than those established by the opportunity-motivated entrepreneurs. "These women-owned businesses look very different from men-owned businesses," she said.

"And that's the paradox I'm addressing. In countries like Sweden, generous work-family policies give women more tenable options in the traditional wage and salaried workforce. A woman who's seeking better work-family balance there is more likely to remain at the job she had before she had children. She doesn't have to switch careers or switch to self-employment because of that change in family

status."

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asq.sagepub.com/content/60/4/671.full.pdf+html

In the U.S., however, where family-friendly policies are the rare exception to the rule, and employees are often expected to be available beyond their regular work hours, a greater percentage of women trade traditional wage and salary employment for self-employment.

Provided by University of California - Santa Barbara

"Because of that, you have this interesting dynamic," said Thébaud. "In Sweden, let's say, where even though there are fewer female entrepreneurs, when women do start businesses, those businesses look more like those of their male counterparts—they have higher growth orientation, they employ more workers and they're more likely to say they're introducing something that's novel to the economy."

The philosophy behind starting a business is entirely different when women have a choice. And it explains, at least partially, why a lower proportion of [women](#)-owned businesses generate high levels of income and job creation.

"Employers see it only in the short-term," Thébaud said. "But you have to look for the long-term gain in terms of the economy. If a woman leaves her job to start a small business, it's often in a different industry. She may have better work-life balance, which is why she did it in the first place, but over her lifetime her earnings may end up being lower and less stable. Small businesses are financially risky, so it's a double-edged sword."

Thébaud describes the paradox as a "false choice." "If you feel you have the option to stay in traditional employment or to start your own [business](#) because you have something new to bring to the market, that's a true choice and it's usually good for your career," she explained. "But when it's a false choice—traditional employment or a 'fallback' employment strategy, your career—and earnings—prospects may be compromised."

The idea, she added, is to give people more options. "In the long-term, that's better for everyone, including employers," she said.

More information: *Administrative Science*

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