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# **DRAFT REPORT**

on external factors that represent hurdles to European female entrepreneurship  
(2015/2111(INI))

Committee on Women's Rights and Gender Equality

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on external factors that represent hurdles to European female entrepreneurship (2015/2111(INI))

*The European Parliament,*

- having regard to Articles 2 and 3(3), second subparagraph, of the Treaty on European Union (TEU) and Article 8 of the Treaty on the Functioning of the European Union (TFEU),
- having regard to Article 23 of the Charter of Fundamental Rights of the European Union,
- having regard to the Convention on the Elimination of All Forms of Discrimination against Women, adopted by UN General Assembly Resolution 34/180 of 18 December 1979,
- having regard to Directive 2004/113/EC on implementing the principle of equal treatment between men and women in the access to and supply of goods and services and the related judgment of 1 March 2011 of the Court of Justice of the European Union in the Test-Achats case (C-236/09)<sup>1</sup>,
- having regard to Directive 2006/54/EC of the European Parliament and of the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (recast)<sup>2</sup>,
- having regard to the Commission report of 3 October 2008 entitled ‘Implementation of the Barcelona objectives concerning childcare facilities for pre-school-age children’ (COM(2008)0638),
- having regard to the Commission communication of 21 September 2010 entitled ‘Strategy for equality between women and men 2010-2015’ (COM(2010)0491),
- having regard to the Commission communication of 3 March 2010 entitled ‘Europe 2020: A strategy for smart, sustainable and inclusive growth’ (COM(2010)2020),
- having regard to European Parliament and Council Directive 2010/41/EU of 7 July 2010 on the application of the principle of equal treatment between men and women engaged in an activity in a self-employed capacity and repealing Council Directive 86/613/EEC<sup>3</sup>,
- having regard to the proposal for a Directive of the European Parliament and of the Council on improving the gender balance among non-executive directors of companies listed on stock exchanges and related measures (women on boards directive

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<sup>1</sup> OJ C 130, 30.4.2011, p. 4.

<sup>2</sup> OJ L 204, 26.7.2006, p. 23.

<sup>3</sup> OJ L 180, 15.7.2010, p. 1.

(COM(2012)0614)),

- having regard to the Commission communication of 9 January 2013 entitled ‘Entrepreneurship 2020 Action Plan: Reigniting the entrepreneurial spirit in Europe’ (COM(2012)0795),
  - having regard to the Commission progress report of 29 May 2013 on the Barcelona objectives entitled ‘The development of childcare facilities for young children in Europe with a view to sustainable and inclusive growth’ (COM(2013)0322),
  - having regard to its resolution of 13 September 2011 on women entrepreneurship in small and medium-sized enterprises<sup>1</sup>,
  - having regard to its resolution of 12 March 2013 on eliminating gender stereotypes in the EU<sup>2</sup>,
  - having regard to its resolution of 10 September 2015 on social entrepreneurship and social innovation in combatting unemployment<sup>3</sup>,
  - having regard to Rule 52 of its Rules of Procedure,
  - having regard to the report of the Committee on Women’s Rights and Gender Equality (A8-0000/2015),
- A. whereas entrepreneurship is crucial for employment, economic growth, innovation, development and the reduction of poverty at large;
- B. whereas women only accounted for 31% of entrepreneurs (10.3 million) in the EU-28 in 2012<sup>4</sup>;
- C. whereas the female entrepreneurial rate lags behind in all Member States and hides an unexploited growth and prosperity potential;
- D. whereas quantitative research on female entrepreneurship is sparse but recent studies show that men are more likely than women to prefer entrepreneurial careers<sup>5</sup>;
- E. whereas female entrepreneurship is a powerful source of economic independence that offers an opportunity for women to combine labour and care tasks and helps them gain flexibility in their careers; whereas this should be carefully distinguished from ‘bogus’ self-employment;
- F. whereas administrative burdens continue to have a negative effect on the entrepreneurial spirit of both women and men;
- G. whereas women tend to self-assess the level of innovation of their businesses lower than

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<sup>1</sup> OJ C 51 E, 22.2.2013, p. 56.

<sup>2</sup> Texts adopted, P7\_TA(2013)0074.

<sup>3</sup> Texts adopted, P8\_TA(2015)0320.

<sup>4</sup> Commission (2014), Report on ‘Statistical data on Women entrepreneurs in Europe’.

<sup>5</sup> Commission (2012), Flash Eurobarometer 354 on ‘Entrepreneurship in the EU and beyond’.

men and only a small percentage of patents from the European Patent Office (EPO) are awarded to women<sup>1</sup>;

- H. whereas female entrepreneurs more often tend to concentrate on sectors that are considered less profitable, such as education, health care and community work, as opposed to the male-dominated high-growth-potential sectors of technology and IT, and more often operate in small-scale enterprises with lower growth and turnover; whereas this resulted in 2012 in an EU-28 average net income gap of 6% between female and male entrepreneurs<sup>2</sup>;
- I. whereas various studies<sup>3</sup> reveal that female entrepreneurs start businesses with lower capital levels, opting for smaller loans and using family for advice and funding rather than debt or equity finance from banks, angel investors, private equity or venture capital;
- J. whereas the European Progress Microfinance Facility has the objective of promoting equal opportunities for women and men, but the male-female ratio of microloans was 60:40 in 2013<sup>4</sup>;
- K. whereas the greater difficulty for female entrepreneurs in accessing financing could in part be related to a difficulty in building sufficient credit history and managerial experience;
- L. whereas stereotypes on women's and men's abilities in the area of entrepreneurship may influence stakeholders' judgements about new businesses; whereas the mere perception of being discriminated against when trying to access financing could have an impact on women's decisions to start companies or to do so with smaller loans;
- M. whereas involving people from diverse backgrounds in investment processes may help prevent group and stereotyped thinking;
- N. whereas EU Directive 2004/113/EC prohibits gender discrimination in access to goods and services, which includes banks and financial services and services associated with setting up businesses; whereas it is difficult to prove indirect discrimination in this context and Member States hardly ever report on cases of discrimination in terms of access to finance;
- O. whereas data show that women, despite beliefs that female investors are better risk managers<sup>5</sup>, are likely to have a greater risk aversion tendency and a greater lack of confidence; whereas this may lead to a lesser ability to generate confidence from external parties and could subsequently influence their financing possibilities;
- P. whereas female social entrepreneurs contribute significantly to the reduction of social exclusion and whereas the creation of new development opportunities and social

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<sup>1</sup> Commission (2008), Report on 'Evaluation on policy: promotion of women innovators and entrepreneurship'.

<sup>2</sup> Commission (2014), Study on 'Statistical data on Women entrepreneurs in Europe'.

<sup>3</sup> Parliament (2015), Policy Department study on 'Women's Entrepreneurship: closing the gender gap in access to financial and other services and in social entrepreneurship'.

<sup>4</sup> Commission (2015), Interim evaluation of the European Progress Microfinance Facility.

<sup>5</sup> KPMG (2015), Report on 'Women in Alternative Investments'.

entrepreneurship is an empowering experience for women that possibly leads to increased participation in traditional entrepreneurship;

- Q. whereas there is a lack of research on gender and access to finance for social entrepreneurs while, in general, it seems more complex for social enterprises to obtain funding;
1. Encourages Member States to recognise the value of female entrepreneurship for their economies and the hurdles that need to be overcome; calls on Member States to put forward concrete strategies to fully exploit women's potential as entrepreneurs;
  2. Calls on Member States to actively collaborate with the private sector to highlight those companies that are seeking to promote gender equality and their best practices;
  3. Calls on Member States to collect gender-disaggregated data, including on social entrepreneurship, and to report regularly on the number of female entrepreneurs; recommends that data are collected and consolidated at a European level with the support of the European Institute for Gender Equality and Eurostat;

### **Work-life balance**

4. Calls on the Commission and Member States to recognise the value of entrepreneurship for work-life balance and to expand overall support for female labour market participation; looks forward, in the aftermath of the decision to withdraw the proposal to amend the Maternity leave Directive, to a constructive dialogue amongst institutions to see how best to support these work-life balance policies;
5. Recalls the importance of achieving the Barcelona targets to make work-life balance a reality for all, as well as of using the appropriate European funds to guarantee affordable care for children and elderly dependents;

### **Information and networks**

6. Underlines the importance of looking beyond the start-up phase to help women consolidate and expand their businesses and to switch to more innovative, sustainable and profitable sectors;
7. Welcomes the creation of the various European networks for female entrepreneurs; urges the Commission to communicate more actively on the achievements of female entrepreneurs and to recognise these potential role models explicitly through the Enterprise Promotion awards and the European Social Innovation Competition;
8. Calls on the Commission to emphasise the use of forums in its upcoming European e-Platform for Women Entrepreneurship and to include a step-by-step plan for accessing European funding possibilities, whilst also making the e-Platform attractive for potential investors and for Member States' government services in an attempt to cut red tape for female entrepreneurs by clarifying administrative procedures;

### **Access to funding**

9. Calls on Member States' equality bodies to raise awareness levels among financiers regarding their obligation to ensure equality and to explore possibilities of introducing gender equality into investment mandates;
10. Calls on the Commission and Member States to promote the visibility of financing entrepreneurial activity through microfinance under the European Progress Microfinance Facility and to look into collaboration with the private sector for investment in 'female' sectors, such as government loan guarantees;
11. Calls on the Commission and Member States to start accumulating gender-disaggregated data on entrepreneurs' access to finance and to further explore whether there is any hard evidence of direct or indirect discrimination against women in this context and, if so, how the external factors that influence investors' assessments about the viability of female-led start-ups should be addressed;
12. Welcomes the Commission's review of the application of Directive 2004/113/EC and its transposition by Member States into their national laws, but regrets the lack of focus on identifying indirect discrimination; asks the Commission to further review the Directive by considering more effective measures to tackle this potential type of discrimination;

### **Entrepreneurial education and training**

13. Encourages Member States to promote an entrepreneurial culture in education and training curricula; highlights the importance of financial, entrepreneurship and new business development courses in secondary education, especially in subject areas mostly attended by girls, such as health care and other services;
14. Calls on schools and universities to encourage girls and women to take up subjects that lead to careers in finance and high-growth sectors such as technology, including green technology, and IT;
15. Calls on Member States to collaborate with the private sector, NGOs and universities to establish further apprenticeship programmes, including those in which students conduct development projects based on real business concepts from a young age onwards and business incubators that aim to empower young entrepreneurs;

### **Social entrepreneurship**

16. Calls on the Commission and Member States to conduct research that seeks to explain women's greater entrepreneurial activity in social entrepreneurship and its possible multiplier effect on traditional entrepreneurship;
17. Calls on the Commission and Member States to support the development of financial instruments that value companies in correlation with their contribution to society and the development of trustmarks for social and environmental entrepreneurship;
18. Instructs its President to forward this resolution to the Council and the Commission.

## EXPLANATORY STATEMENT

Entrepreneurship is defined in the EU Framework as a mind-set that allows individuals to engage their motivation and capacity into the identification of an opportunity and the drive to pursue it to its full realisation. Whilst entrepreneurship has been a political priority since the launch of the Lisbon treaty, the European Union still lacks behind with an entrepreneurial rate of 12% in the EU-27 countries in 2009, compared to rates of 27% and 21% in China and in the US<sup>1</sup>. It is widely recognised that to bring Europe back to growth and to create new jobs, the European Union needs more entrepreneurs and its Strategy for smart, sustainable and inclusive growth (Europe 2020) explicitly mentions that more concrete policy initiatives are needed to develop European entrepreneurship. Female entrepreneurship deserves particular attention in this context as equal economic independence is still not a given within the European Union and women's employment rate of 59.6 % in 2014 at EU-28 level is not in line with the 75% employment target of Europe 2020, nor with that of men, of 70.1 %<sup>2</sup>.

### **1. Female entrepreneurship in the EU: an overview**

Differences between women and men are still evident in entrepreneurial careers; of all self-employed citizens in the EU-28 in 2012, only 31% was female. Figures that are confirmed by employment preferences of European citizens: a Flash Eurobarometer of 2012 found that women are more likely than men to prefer working as an employee (by a margin of 63% to 53%) and men are more likely than women to favour self-employment (42% to 33%). Men are more inclined than women to regard self-employment as a feasible alternative and are effectively more likely than women (29% to 17%) to have either started a business, taken over one, or plan to start their company<sup>3</sup>. As such, it is likely that female entrepreneurs start off their companies with less experience than men.

When women set-up their businesses, they more often do so in sectors related to human health and social work or in education whereas male entrepreneurs are more frequently found in sector groups of construction, transportation and in ICT. With most of the latter being sectors with higher entrepreneurial rates and all of higher economic value-added, it is not surprising that the net income of female entrepreneurs was 6% lower than that of men in 2012. Also, their businesses remain smaller with 23% of EU-28 female entrepreneurs being employers, compared to 30% of men<sup>4</sup>.

It seems that European women also have different reasons to make the step towards entrepreneurship; women more often claim to do so out of necessity as entrepreneurship offers them the opportunity to combine labour and care tasks, for example for their children or the elderly, and increase their opportunities to work from home. To strengthen this argument, data shows that 30% of female entrepreneurs are working part-time, compared to 12% of men.

### **2. Hurdles to female entrepreneurship: the challenge of access to funding**

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<sup>1</sup> Commission (2010), Flash Eurobarometer 283 on "Entrepreneurship and beyond"

<sup>2</sup> Commission (2015), Eurostat Statistics Explained, Employment statistics

<sup>3</sup> Commission (2012), Flash Eurobarometer 354 on "Entrepreneurship in the EU and beyond"

<sup>4</sup> Commission (2014), Report on "Statistical data on Women entrepreneurs in Europe"



The same work-life balance that entrepreneurship can create for women however also represents its first hurdle as it risks putting women in a vicious circle whilst they construct less opportunities to build managerial experience to lead their businesses, to build up their credit history and to gain trust from investors.

With regards to these investors, differences also exist in the way women and men finance their companies. Whilst a large share of these differences<sup>1</sup> are inevitably linked to the sectors female entrepreneurs operate in and the sizes of their ventures, they include women starting off businesses with lower capital levels and with smaller loans, relying more often than men on family members for financing and a lower dependence on debt finance. In other words: women make less use of external financing, such as bank loans and supplier credit, and are more likely to turn to more costly financing. This is confirmed by the finding that female entrepreneurs tend to have problems accessing equity finance: as equity investors, such as business angels, are often even more interested in the growth potential of companies, this could again be related to the scale of female entrepreneurs' businesses. On the other hand, research has also shown that women often do not attempt to access equity funding at all. Though again research<sup>2</sup> is again limited, it would be interesting how the percentage of women working as investors could influence these figures: after all, involving people from diverse backgrounds in investment processes could also help prevent group- and stereotyped thinking.

Explaining these differences in access to, and in the use of, funding remains difficult. As the European Parliament already put forward in its resolution of 2011 on women entrepreneurship in small and medium-sized enterprises<sup>3</sup>, women may have less knowledge about available options of financing, a more cautious approach than men to economic and financial risk-taking or less financial management experience than their male counterparts. Despite of its great complexity and a lack of conclusive evidence, it is important to further address the question of discrimination against female entrepreneurs by financial service providers over access to credit. Stereotypes about women's and men's abilities in the area of entrepreneurship may still influence stakeholders' judgements about new businesses. Yet, the mere perception of women of being discriminated against when trying to access financing is in itself likely to impact their decisions to start their own companies or to do so with smaller loans.

Directive 2004/113/EC explicitly forbids either direct or indirect discrimination to financial services, including bank loans. There is no conclusive evidence that direct discrimination takes place in the Member States - after all, not granting funding to female entrepreneurs may as well be related to economic logic where investors look for higher returns on investment, in larger scale companies that are often based in the more profitable and male-dominated, sectors. Yet, there appears to be some evidence that indirect discrimination, as described above also influenced by women's perceptions of access to finance, does occur.

### **3. Social entrepreneurship: an opportunity for mainstream entrepreneurship?**

It is often stated that the gender gap for social entrepreneurship is smaller than that of traditional entrepreneurship and it may as such offer valuable insights in overcoming hurdles to female entrepreneurship. Engaging in social entrepreneurship is not only believed to enable

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<sup>1</sup> Parliament (2015), Policy Department Study on "Women's Entrepreneurship: closing the gender gap in access to financial and other services and in social entrepreneurship"

<sup>2</sup> KPMG (2015), Report on "Women in Alternative Investments"

<sup>3</sup> P7\_TA(2011)0367

women to contribute to local communities and social inclusion<sup>1</sup> but could also empower them as entrepreneurs by providing these women with the appropriate skills and confidence. A clear definition and understanding of social entrepreneurship and a correct valuation of social businesses are however necessary to attain this, not in the least to also guarantee funding for social entrepreneurial ventures.

Insufficient data exists on the activity of women in these businesses that use the market for meeting social needs, but research from the Global Entrepreneurship Monitor<sup>2</sup> of 2009 shows that even though men are more likely than women to start a social enterprise, women are themselves more active as entrepreneurs in social ventures. The OECD<sup>3</sup> explains that, firstly, field evidence would show a higher level of altruism and stronger preferences for redistribution among women and, secondly, women would be more averse to competition and hence more attracted to the newer markets of social enterprises. Especially in view of its second explanation, given the foreseen growth in the sectors concerned that will without a doubt increase competitive pressure, it is important to secure female presence in social entrepreneurship today.

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<sup>1</sup> EIGE (2015), Study on "Promoting Women's Economic Independence and Entrepreneurship - Good Practices"

<sup>2</sup> GEM Consortium (2009), Global Entrepreneurship Monitor

<sup>3</sup> OECD (2014), Working Paper on "Women's Social Entrepreneurship and Innovation"