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ENTREPRENEURIAL CHALLENGES FOR WOMEN IN THE EUROPEAN UNION COUNTRIES

Abstract

In recent decades, countries have increasingly recognized the benefits of female entrepreneurship and therefore strengthening women’s entrepreneurship becomes part of their long-term strategies. However, despite all efforts, the gap between male and female entrepreneurship still exists. This paper delves into an investigation of the barriers encountered by women entrepreneurs in the European Union (EU) countries. Through a thorough examination of existing literature and empirical analysis, the paper aims to provide an understanding of the obstacles that women entrepreneurs face within the EU context and the policies that have been adopted in response to those barriers. In the empirical analysis this paper investigates the relationship between gender equality and female entrepreneurship. Examining data from 2019 to 2022, we use the Gender Equality Index as a measure for gender equality and the percentage of self-employed women aged 15-64 as an indicator for female entrepreneurship. Contrary to expectations, our empirical analysis reveals not very strong but negative correlation between the Gender Equality Index and female entrepreneurs in EU countries.

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Introduction

In the dynamic landscape of modern business, the role of women in entrepreneurship is attracting increasing attention and recognition. As societies evolve and embrace diversity, it becomes imperative to examine the challenges facing women entrepreneurs. This paper focuses on a critical aspect of this discussion in the context of the European Union - the pervasive 'glass ceiling' effect that women encounter as they navigate the entrepreneurial terrain.

The "glass ceiling," a metaphorical barrier hindering career advancement and mobility for certain groups, has long been the subject of scientific research. Although traditionally associated with corporate environments, its influence extends to entrepreneurship, impacting the trajectories of businesses led by women across various sectors. While the European Union strives for gender equality and inclusive economic growth, understanding the nuanced interaction between the glass ceiling and female entrepreneurship becomes crucial.

In this context, the study aims first to identify and then explore the multi-faceted dimensions of the impact of the glass ceiling on female entrepreneurs. Consequently, the subject of the research is on the barriers faced by women entrepreneurs in the EU countries. The main working hypothesis of this paper is that better performances according to the gender equality, or it would mean that female face fewer barriers, leads to a higher number of women who initiate entrepreneurial activities.

1. FEMALE ENTREPRENEURSHIP IN THE COUNTRIES OF THE EUROPEAN UNION

Traditionally, the male population has dominated the business world, but in recent decades, as indicated by numerous studies, this picture is changing. The role of women in society has evolved, as evidenced by their increased participation in the labor market, not only as employees but also as self-employed individuals and even employers. Hence, in a large part of the undertakings made by women in the business sector, with the intention of becoming self-employed, we are talking about female entrepreneurship.

Female entrepreneurs are generally defined as women who have initiated a business, actively involved in its management, own at least 50 percent of the company, and the business has been operational for one year or longer (Buttner and Moore, 1997). Female entrepreneurs play a crucial role in stimulating economic growth and advancing the social development of their countries (GEM, 2022/23). Like other entrepreneurs, they adapt to market changes, bring new perspectives, have creative ideas, and create innovative solutions, thereby contributing to the creation of new jobs, promoting competitiveness, and ultimately contributing to economic growth. Therefore, promoting female entrepreneurship is of paramount importance for achieving gender equality and fostering economic development.

In 2022, global female startup activity accounted for 10.1%, while male startup activity was at 12.7%. However, these are early-stage entrepreneurial activity data. The goal of every entrepreneur is to establish a stable and successful business that will thrive in the market for a longer duration. Following the methodology of the Global Entrepreneurship Monitor (GEM), established businesses are those that have been operating for more than 3.5 years. According to their report, the rate for women in this category was 5.5% in 2022, while for men, it was 8.1%. From these data, it can be concluded that the gender gap is even greater when it comes to established businesses compared to early-stage entrepreneurial activity (Monitor, 2022).

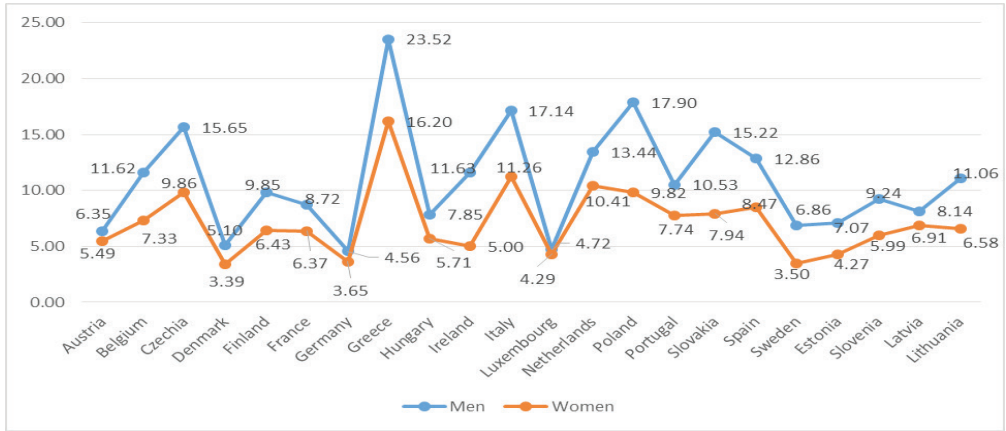
This is also indicated by the data from the countries that are simultaneously members of the OECD and the EU. The following graphs show the participation of self-employed men and women in total employment.

Graph 1: Self-employed men/women without employees in total employment in OECD and EU countries, 2019 (%)



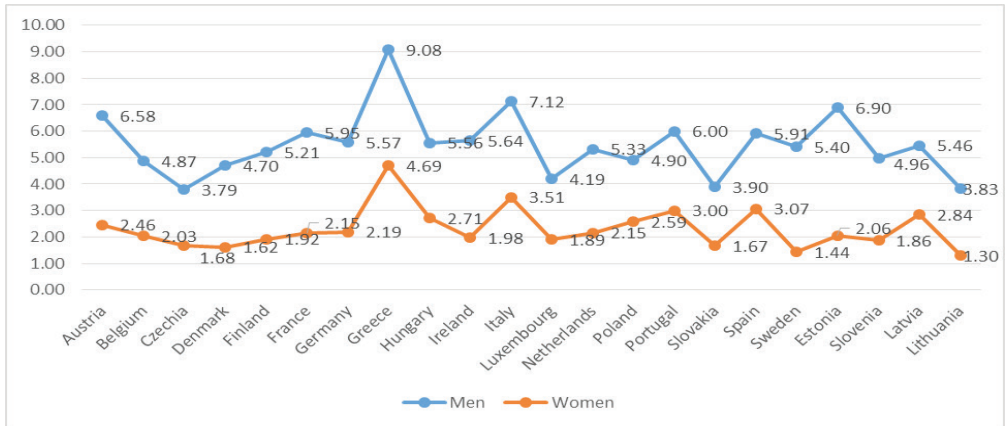
Source: OECD (2024), Self-employed without employees (indicator). doi: 10.1787/5d5d0d63-en (Accessed on 29 January 2024)

Graph 2: Self-employed men/women without employees in total employment in OECD and EU countries, 2020 (%)



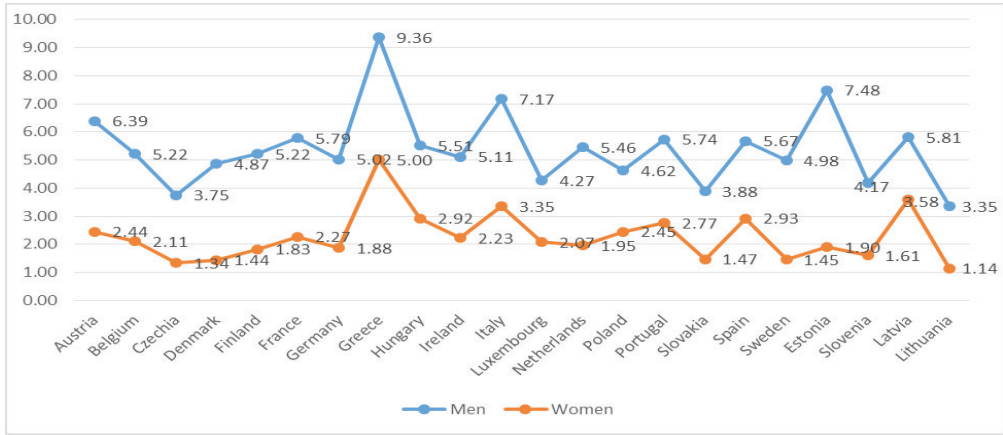
Source: OECD (2024), Self-employed without employees (indicator). doi: 10.1787/5d5d0d63-en (Accessed on 29 January 2024)

Graph 3: Self-employed men/women with employees in total employment in OECD and EU countries, 2019 (%)



Source: OECD (2024), Self-employed with employees (indicator). doi: 10.1787/b7bf59b6-en (Accessed on 28 January 2024)

Graph 4: Self-employed men/women with employees in total employment in OECD and EU countries, 2020 (%)



Source: OECD (2024), Self-employed with employees (indicator). doi: 10.1787/b7bf59b6-en (Accessed on 28 January 2024)

The first two graphs depict the percentage share of self-employed men and women, without having their own employees, as a percentage of total employment in countries that are simultaneously part of the OECD and the EU for the years 2019 and 2020. Definitively, in both analyzed years, the male population predominates among the self-employed. However, in certain countries, their participation is very close to the participation of self-employed women, as seen in Austria, Germany, Luxembourg, Latvia, and even in Luxembourg, in 2019, women self-employed slightly exceed men self-employed as a percentage of total employment (Graphs 1 and 2).

Furthermore, Graphs 3 and 4 illustrate self-employed men and women who also have their own employees as a percentage of total employment for the same countries included in the first two graphs. It is noticeable that when considering self-employed individuals with their own employees, the gender gap becomes even more significant. This suggests the likelihood that in later stages, when developing and financing a business to expand it, women encounter certain barriers preventing them from doing so.

2. THE GLASS CEILING PHENOMENON AND WOMEN ENTREPRENEURS

The phenomenon of the glass ceiling refers to certain groups in society, most often women or other discriminated minority groups, who, due to certain social barriers, cannot advance. This metaphorical barrier is rooted in systemic and structural barriers that limit the progress of certain groups, preventing them from reaching top leadership positions or achieving their full potential. There are several authors who have researched this topic, and each of them defines the criteria indicating the existence of this phenomenon in different ways. Most commonly, this concept explains the failure of many women to progress beyond a certain point in their careers, regardless of their qualifications and achievements (Lorber, 1994). Elacqua, Beehr, Hansen, and Webster (2009) investigate this phenomenon, defining it as the inability of women in a particular organization to be placed in top management positions. On the other hand, Li and Wang Leung (2001) define the phenomenon as a set of discriminatory barriers that prevent women from advancing to managerial and executive positions simply because they are women.

The above definitions of the glass ceiling concept predominantly highlight barriers related to the vertical classification of job positions within organizations. Thus, the glass ceiling phenomenon often indicates obstacles in the advancement of talented women professionals into high executive roles in large corporations, widely recognized in society, studied in management literature, explored in business schools, and experienced daily by many female directors. One recognized reason for women becoming self-employed is the glass ceiling phenomenon. In many cases, women start their own businesses after encountering institutional barriers and gender discrimination in their previous positions (Bosse and Taylor III, 2012; Hisrich and Brush, 1983). However, despite many women preferring to leave the corporate world to avoid gender bias, this strategy does not always work successfully (Patterson and Mavin, 2009).

According to certain researchers, there is a second glass ceiling outside the corporate environment that pertains to female entrepreneurs and women owners of small businesses (Bosse and Taylor, 2012). Women who have taken the initiative to start their own businesses also face gender bias and inequality, hindering their performance and growth (Carter, Shaw, Lam, and Wilson, 2007). Hence, the influence of the second glass ceiling on women entrepreneurs may manifest in various ways.

According to Skonieczna and Castellano (2020) there are several reasons for the existence of this gap in Europe.

- **Women are less likely to become successful entrepreneurs.** Employed men in the EU are more likely to be self-employed compared to women: 16.1% of employed men were self-employed compared to 9.4% of women (Eurostat, 2022). Differences in entrepreneurship between men and women are often attributed to various factors, such as different levels of human capital, where women may perceive themselves as having less experience in entrepreneurship compared to men. Additionally, differences in social capital, characterized by smaller and less diverse networks with limited strength in connections, also play a role. Sometimes, female entrepreneurs may find it challenging to break into certain industries dominated by men, or they may not be socially integrated enough for various reasons. For example, they might lack sufficient time for a social life due to responsibilities at home and in the family. Networking is considered a crucial element in entrepreneurial social processes (Slotte–Kock and Coviello, 2010). Furthermore, women often show lower aspirations for growth and face challenges in securing financial support. Negative societal perceptions, along with policies that may discourage female entrepreneurship, including tax systems and family policies that do not support a dual-income model, further contribute to this gender gap in entrepreneurial efforts (European Commission, 2017).
- **Women do not start businesses that resemble typical targets for capital investment.** Female-led startup companies tend to be smaller, operate in different sectors, and often are less capital-intensive and less growth-oriented (predominantly present in areas such as health, social work, and services). They are more risk-averse and locally based. In contrast, men are often driven by the prospects of earning more money when founding a business, while women are more motivated by a desire to engage in personal interests or hobbies (European Commission, 2017).
- **Women do not ask.** Women demonstrate less inclination than men to seek external financing, and there is a greater likelihood that they will be categorized as “discouraged borrowers.” This term refers to creditworthy individuals who refrain from applying for financing due to fear of potential rejection (Leitch, Welter, and Henry, 2018). In a recent

study, it was found that globally, 16% of women-owned small and medium enterprises (SMEs) rely on bank loans for capital, as opposed to 22% of those owned by men. Additionally, the study highlighted that only 2% of surveyed SMEs led by women opt for venture capital (VC) as a source of funding, while 5% of businesses led by men follow this financing approach. This pattern is consistent and can be observed in the European Union as well (Facebook, OECD, and World Bank, 2018).

- **Women entrepreneurs are stifled by gender bias and stereotypes in the investment process.** They are evaluated against different standards and are perceived to carry a greater risk. Investors pose different questions to female and male founders, assess them based on different criteria, and generally prefer pitches presented by male entrepreneurs, even when the content is entirely the same (Brooks, Huang, Kearney, and Murray, 2014).

2.1. POLICIES ADDRESSING BARRIERS FOR WOMEN ENTREPRENEURS

Recognizing the importance of women's participation in entrepreneurship, the European Union has implemented various policies and initiatives aimed at promoting gender equality and supporting women entrepreneurs. Initiatives such as the European Structural and Investment Funds (ESIF) and the Horizon 2020 program have sought to create a favorable environment for women to start and grow businesses. Additionally, the European Commission supports several tools, networks, and initiatives that provide opportunities specifically tailored to women entrepreneurs, such as:

- **WEgate** – an online platform connecting women entrepreneurs, providing support in the initial phases of starting businesses, financing, and networking.
- **EEN (Enterprise Europe Network)** – a support network for women's entrepreneurship by connecting female entrepreneurs and providing services such as business partnerships, access to foreign markets, collaboration with local networks, and access to EU funding.
- **Gender-smart finance initiative** – an initiative under the InvestEU program that provides an opportunity to adopt an integrated approach to stimulate gender-equal financing.

These are just a few of the initiatives undertaken in EU countries aimed at promoting women’s entrepreneurship. Additionally, the European Institute for Gender Equality (EIGE) monitors and assesses progress towards gender equality goals, achieving this through the Gender Equality Index.

The index, created by the European Institute for Gender Equality, serves as a measure for assessing and monitoring progress in gender equality across EU countries. The assessment is based on 31 indicators distributed across six core domains: work, finances, education, time, power, and health. Each of these domains is measured on a scale from 0 to 100, where 100 represents the maximum a country can achieve and indicates the best prospects based on that domain.

Based on the latest published results in 2023, Sweden achieved the highest performance with a score of 82.2, while Romania had the lowest performance with a score of 56.1.¹

3. EMPIRICAL ANALYSIS

Based on the reviewed literature in this study, EU countries are aware of the existence of the glass ceiling, which poses a barrier to progress for the female population in their countries. As a result, they implement policies aimed at overcoming these challenges and achieving greater gender equality. Policies and various initiatives related to female entrepreneurs have been particularly intensified in the last decade. The implementation of these measures is expected to lead to greater gender equality with equal opportunities for both men and women, ultimately fostering and promoting female entrepreneurship. Hence, the hypothesis to be examined in this paper is as follows.

Hypothesis: The gender equality index and female entrepreneurs are positively correlated in European Union countries.

3.1. DATA AND METHODOLOGY

To measure gender equality in the empirical part, the Gender Equality Index published by the European Institute for Gender Equality is employed for each EU country individually.² Meanwhile, for female entrepreneurs, the variable

1 <https://eige.europa.eu/gender-equality-index/2023/compare-countries>, accessed on 28.02.2024

2 <https://eige.europa.eu/gender-equality-index/2023/SE>, accessed on 13.01.2024

self-employed women aged 15-64 as a percentage of the total population of the respective country is utilized. Data on self-employed women are retrieved from the European Commission’s database³ and data for the country’s population is obtained from World Economic Outlook (WEO).⁴ The analysis encompasses all European Union countries (EU27) for a four-year period from 2019 to 2022. The data are on an annual basis. The results are obtained through correlation analysis using the statistical software E-views for data processing.

3.2. Results

Below are the results of the correlation analysis of the variables.

Table 1: Correlation matrix

Covariance Analysis: Ordinary
 Date: 01/30/24 Time: 10:35
 Sample: 2019 2022
 Included observations: 107
 Balanced sample (listwise missing value deletion)

Correlation Probability	GENDER ...	WOMEN ...
GENDER_EQUAL...	1.000000 -----	
WOMEN_POPU...	-0.339354 0.0003	1.000000 -----

Source: Own calculations

The results indicate the existence of a correlation between the two analyzed variables. However, the findings are contrary to expectations; namely, the Gender Equality Index and female entrepreneurs are negatively correlated. Although the negative relationship is not very strong, the sign is negative, and the p-value is significant at all three levels of statistical significance. In other words, as the Gender Equality Index increases, meaning countries achieve improvement, female entrepreneurship decreases, and vice versa. This rejects the tested hypothesis.

3 https://ec.europa.eu/eurostat/databrowser/view/lfsq_eshais/default/table?lang=en, accessed on 13.01.2024

4 <https://www.imf.org/en/Publications/WEO/weo-database/2023/October/select-country-group>, accessed on 21.01.2024

In economic terms, interpreting this result implies that if EU countries aim to promote female entrepreneurship, which has been proven to lead to economic growth, they should not pay too much attention to gender equality. Increasing gender equality may not achieve the desired effect. The Gender Equality Index in its sub-domains includes multiple indicators such as, how much time women have for themselves, the time spent on domestic responsibilities, whether employers allow leave related to childcare, whether the average monthly earnings are similar between men and women, and so on. Higher index values in countries indicate that they have achieved more equal conditions for men and women. But, it is likely that this equality discourages women from engaging in certain entrepreneurial ventures that typically involve greater responsibility and commitment, especially when the existing job conditions are favorable and have good work conditions as employed persons.

Conclusion

The increased interest from policymakers and researchers in the role of female entrepreneurs is due to the positive effects generated by the rise in the rate of female entrepreneurs on the economic conditions and social well-being of a country. This holds true for both developed and developing countries.

The countries of the European Union have identified barriers that exist generally for women and specifically for female entrepreneurs. They are making efforts through numerous policies and initiatives to overcome these barriers. Despite the European Union launching various initiatives that address critical points of female entrepreneurship, such as encouraging business startup, financing, and networking, the percentage of female entrepreneurs lags behind that of male entrepreneurs. The gender gap in self-employment still exists and is even more pronounced when considering those self-employed individuals who also have employees. One way to monitor countries in terms of progress in gender equality is through the Gender Equality Index measured by the European Institute for Gender Equality.

Furthermore, in the empirical research section, the correlation between gender equality and female entrepreneurs was examined. However, the result is contrary to expectations, more specifically, the Gender Equality Index and female entrepreneurship are negatively correlated. Hence, the tested hypothesis is rejected.

Nevertheless, the empirical part of the study has certain limitations that could be overcome with the expansion of the research question in the future. First, the indicator used for female entrepreneurs is the self-employed

women indicator, which does not capture the complete picture of female entrepreneurship. Therefore, it is necessary to explore the correlation between the Gender Equality Index and another variable that serves as an indicator of the representation of female entrepreneurs in these countries. Additionally, EU member states differ in terms of development, with some being developed countries and others developing. This variation in development levels might lead to different results and conclusions, even when using the same variables. It could be beneficial to analyze countries based on their development status (developed vs. developing) or to conduct separate analyses for individual countries to obtain a more nuanced understanding of the relationship.

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