

Study: Labour market experience, gender diversity and the success of women-owned enterprises

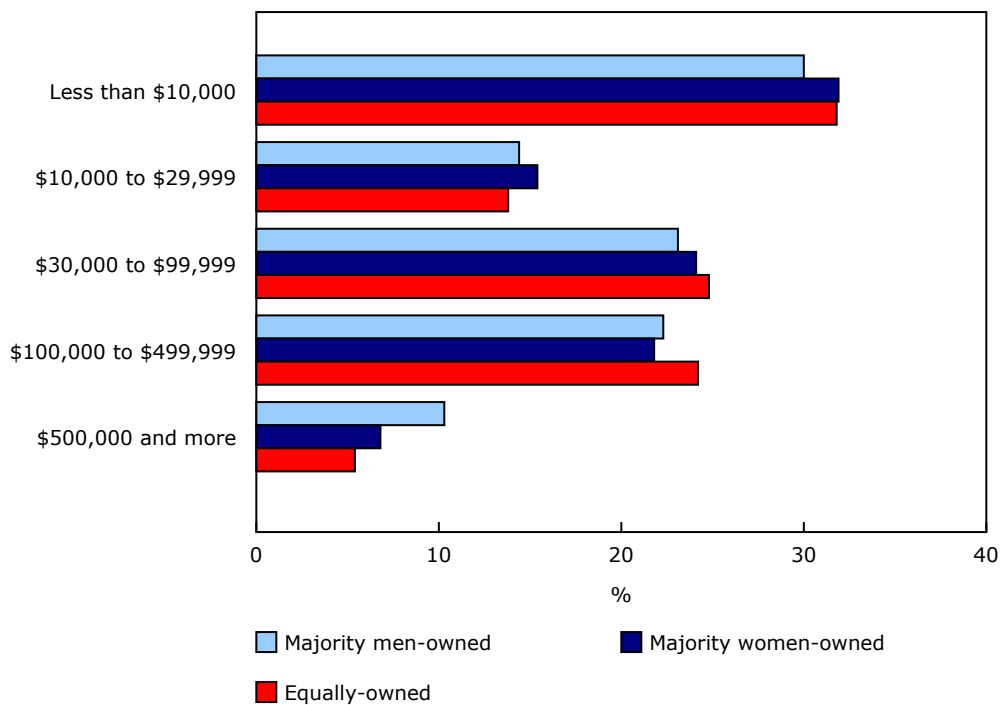
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A new study published by Statistics Canada examines the role of previous labour market experience in the relative success of women-owned enterprises. The study, titled, "Labour Market Experience, Gender Diversity and the Success of Women-owned Enterprises," builds on the observation that majority women-owned enterprises often perform less well than majority men-owned enterprises in terms of revenue and employment size.

Information about the reasons for this difference in performance is relevant to the design and implementation of initiatives to promote women's entrepreneurship and support women-owned businesses. Existing studies have provided various explanations for the difference by showing that relative to their male counterparts, women entrepreneurs have lower access to capital, weaker representation in key networks, and lower levels of education and training. The current study adds to the existing literature by using the Canadian Employer-Employee Database to examine gender differences in the labour market experiences of business owners prior to business ownership.

Nearly one-third (31.9%) of women-owned enterprises generate less than \$30,000 of annual revenue and 6.8% generate more than \$500,000. In contrast, 29.9% of men-owned enterprises generate less than \$30,000, while 10.3% are in the greater-than-\$500,000 category.

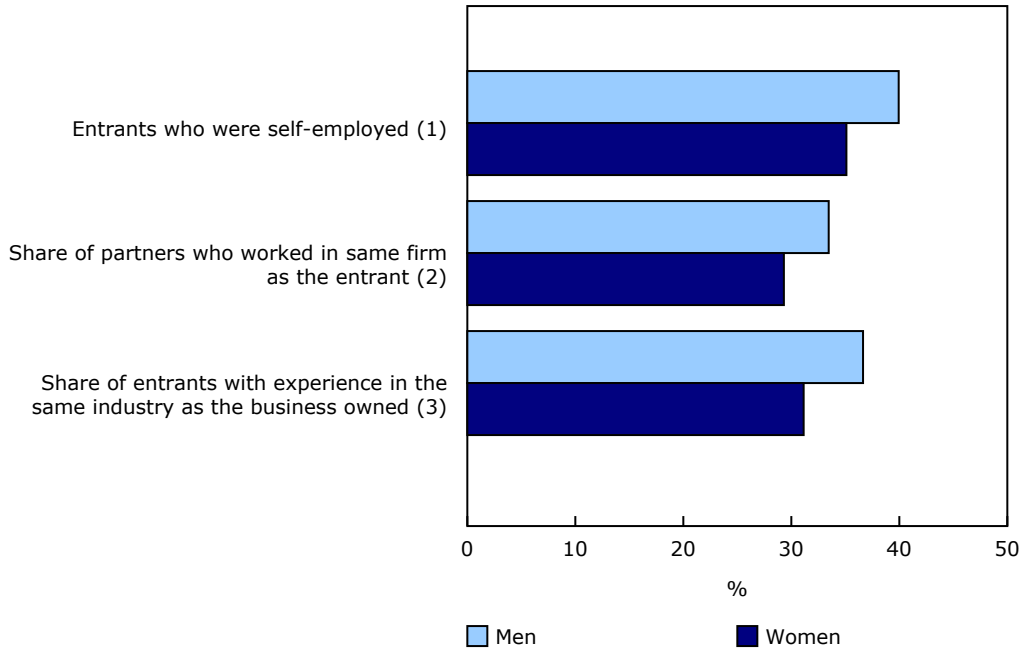
Chart 1
Distribution of private enterprises of entrants across average revenue categories, by ownership type, 2006 to 2015



Note(s): The distributions are calculated by retrieving the revenues of private enterprises with at least one entrant (an enterprise can indeed have multiple entrants).
Source(s): Statistics Canada, author's calculations based on data from the Canadian Employer-Employee Dynamics Database.

To explain these gaps, the study examines differences in the labour market history of enterprise owners by gender. Prior to becoming the owner of an incorporated enterprise, men are more likely than women to be the owner of an unincorporated business, more likely to have experience in the same industry as the business owned, and more likely to have worked in the same firms as their co-owners.

Chart 2
Selected gender-based differences prior to entry into business-ownership
(averages, 2006 to 2015)



(1) One year prior to entry. Self-employed business owners are unincorporated business owners.

(2) During the five years prior to entry. For each entrant with at least one partner, it is determined whether the entrant and the partners worked in the same firms over each of the five years preceding entry. The proportion is established by dividing the number of partners who worked in the same firms as the entrant over the total number of partners the entrant has.

(3) During the five years prior to entry.

Note(s): All differences are significant at 1%.

Source(s): Statistics Canada, authors' calculations.

The analysis finds that these factors are strongly and significantly correlated with performance across all ownership types. This suggests that women-owned businesses may have lower initial performance because these factors are less likely to be present, but further research is needed to identify a causal relationship.

The study also examines the entrance of owners into existing firms, showing that an increase in gender diversity is associated with an increase in economic performance. In other words, the entrance of a woman into a majority men-owned enterprise or the entrance of a man into a majority women-owned enterprise is associated with an increase in revenue and the number of employees.

Describing gender differences among new business owners and informing programs aimed at improving the performance of women-owned enterprises is relevant in the context of post-COVID-19 economic recovery. Indeed, the pandemic is likely to affect women and their enterprises more severely since they are prevalent in the service sector.

Note to readers

The COVID-19 pandemic has changed the way we live and work. At the onset of physical distancing measures in mid-March, Statistics Canada remained committed to producing essential data, such as employment numbers, to help Canadians better understand the new reality.

The agency also focused its energies on releasing information and innovative statistical tools to support our partners and Canadians in their efforts to address and mitigate the health, social and economic impacts of the pandemic on Canadians and businesses.

While Statistics Canada continues to provide high quality statistics to inform Canadians' response to COVID-19, it will further expand its publishing activities to include in-depth analysis of the country's economy and society prior to the pandemic. This will help Canadians better understand how their world has changed, and will provide them with the context they need to effectively deal with the repercussions of COVID-19 and to plan ahead.

Definitions, data sources and methods: survey number [5228](#).

The research paper "[Labour Market Experience, Gender Diversity and the Success of Women-owned Enterprises](#)," part of the *Analytical Studies Branch Research Paper Series (11F0019M)*, is now available.

For more information contact us (toll-free 1-800-263-1136; 514-283-8300; STATCAN.infostats-infostats.STATCAN@canada.ca).

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