

# Business and Policy Environment for Women-Owned Enterprises

Nusrat Jimi  
Vassar College

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## 1 Introduction

Despite the worldwide growth in female labor force participation in the last decades, many women continue to face significant inequalities in employment and business opportunities and the relative payment received. One of the main reasons for such inequality is the unequal treatment of men and women by the law. Discriminatory laws threaten women's economic inclusion, security, and career growth and therefore hinder the creation of a business environment that can adequately support employed women. Understanding the relative severity and evolution of the gaps in legal gender discrimination across the world is a key to promoting research and policy discussions focused on improving women's economic empowerment and achieving gender equality.

In this report, we use the World Bank's Women, Business, and Law (WBL) data to create five broad indicators of WOE barriers and document a series of stylized facts regarding the business and policy environment for women-owned enterprises (WOE) across the world.

## 2 Construction of WOE Barrier Indicators

The WBL data set measures equality of economic opportunity under the law between men and women in 190 economies for 50 years – from 1970 to 2020. It describes law and policy changes for thirty-five indicators that are grouped into eight topics – Mobility, Workplace, Pay, Marriage, Parenthood, Entrepreneurship, Assets, and Pension. Information on the legal environment in each economy is collected through the collaboration of legal experts based in the World Bank with local experts, including lawyers, judges, civil society representatives, and public officials. While the data

set focuses on legislation that may impact a woman's access to employment and entrepreneurial activity; it does not cover legal gender discrimination across all aspects of a woman's life (i.e., accumulation of human capital, the decision to enter the workforce, woman's reproductive rights, affirmative action such as quotas) and factors besides the law that affect women's opportunity, including social and cultural norms, the economic environment, and infrastructure.

We first group the thirty-five individual legislative issues across five WOE constraint indicators – Labor, Capital, Productivity, Market Access, and Entry – with each indicator representing a different aspect of the constraints that women face as entrepreneurs. The 'Labor' indicator examines laws that constrain women's labor supply and covers eighteen legislative issues in total. Laws assessed under this indicator include those governing a woman's right to move outside the household and country, length of maternity and paternity leave, retirement age and benefits, etc. The 'Capital' indicator examines laws that constrain women's access to and use of capital. Laws assessed under this indicator include those governing women's inheritance rights, ownership rights to property, discrimination in access to credit, etc. There are in total six legislative issues on this topic. The 'Productivity' indicator examines laws that constrain working women's productivity and covers four legislative issues. Laws assessed under this indicator include those governing sexual harassment in employment, equal remuneration for work of equal value, length of working hours, etc. The 'Market Access' indicator examines laws that constrain women's access to the market. Laws assessed under this indicator include those governing women's rights to sign a contract, register a business, and open a bank. Lastly, a total of four legislative issues are covered under the 'Entry' indicator that examines laws that constrain women's entry to employment– i.e., women's rights to get a job in the same industries as men and gender-based discrimination in employment.

The 5 WOE constraint indicators and 35 legislative issues underlying them are listed below. Each issue has a binary response. Because we want to capture the legislative difficulties women face in doing business, an answer of 'Yes' to a question is coded as '0' and an answer of 'No' to a question is coded as '1'.

**Labor:**

- Can a woman travel outside the country in the same way as a man?
- Can a woman apply for a passport in the same way as a man?
- Can a woman travel outside her home in the same way as a man? (Yes = 0, No = 1)
- Can a woman choose where to live in the same way as a man?

- Is there no legal provision that requires a married woman to obey her husband?
- Can a woman be "head of household" or "head of the family" in the same way as a man?
- Is there legislation specifically addressing domestic violence?
- Can a woman obtain a judgment of divorce in the same way as a man?
- Does a woman have the same rights to remarry as a man?
- Is paid leave of at least 14 weeks available to mothers?
- Does the government administer 100% of maternity leave benefits?
- Is paid leave available to fathers?
- Is there paid parental leave?
- Is the dismissal of pregnant workers prohibited?
- Is the mandatory retirement age for men and women equal?
- Are the ages at which men and women can retire with full pension benefits equal?
- Are the ages at which men and women can retire with partial pension benefits equally?
- Are periods of absence due to childcare accounted for in pension benefits?

**Capital:** The following questions from the WBL dataset are grouped into the capital constraint indicator.

- Do men and married women have equal ownership rights to property?
- Do sons and daughters have equal rights to inherit assets from their parents?
- Do female and male surviving spouses have equal rights to inherit assets?
- Does the law grant spouses equal administrative authority over assets during marriage?
- Does the law provide for the valuation of nonmonetary contributions?
- Does the law prohibit discrimination in access to credit based on gender?

**Productivity:** The following questions from the WBL dataset are grouped into the productivity constraint indicator.

- Is there legislation on sexual harassment in employment?
- Are there criminal penalties or civil remedies for sexual harassment in employment?
- Does the law mandate equal remuneration for work of equal value?
- Can women work the same night hours as men?

**Market Access:** The following questions from the WBL dataset are grouped into the market access constraint indicator.

- Can a woman sign a contract the same way as a man?
- Can a woman register a business the same way as a man?
- Can a woman open a bank account the same way as a man?

**Entry:** The following questions from the WBL data set are grouped into the entry to employment constraint indicator.

- Can a woman get a job the same way as a man?
- Does the law prohibit discrimination in employment based on gender?
- Can women work in jobs deemed dangerous in the same way as men?
- Are women able to work in the same industries as men?

Next, we obtain the WOE Barrier Indicator-level scores, which vary from 0 to 1, by calculating the unweighted average of the number of binary questions within that indicator. The Aggregate WOE Barrier index is then calculated by taking an unweighted average of the five barrier indicators, yielding a value between 0 to 1, with 1 representing the highest possible barrier for WOE.

### 3 Stylized Facts

We document four stylized facts on the business and policy environment for women-owned enterprises (WOE) across the world.

Fact 1: Women are most severely penalized in the laws related to remuneration for work of equal value, workplace environment, and flexibility of working hours.

Figure 1 shows that, in 2020, women faced the greatest inequality in the indicator of ‘Productivity’ – an average score of 0.309 (the population-weighted average is 0.326). This indicator covers laws related to sexual harassment in employment, working at night hours, and relative payment received for work. On the other hand, the ‘Market Access’ indicator has the lowest score laws of 0.028 on average. Laws under this indicator place constraints on signing a contract, registering a business, and opening a bank account. Labor, Capital, and Entry have the second, third, and fourth-highest scores, respectively. However, the relative rankings of the indicators change when we compare the population-weighted and unweighted scores. For example, when country scores are weighted by population, the averages show that, across the world, the second highest category that restricts women-owned enterprises are the laws related to their entry into employment and industries like men. This reflects the fact that women are severely discriminated against entering the labor force and getting jobs in different sectors as men in some highly populated countries, such as Bangladesh and Egypt, which, in 2020, both scored only 0.75 out of the maximum possible score of 1 in this indicator.

Fact 2: The severity of different women-owned enterprise barrier indicators varies by region and income groups.

Women face very different levels of barriers depending on which region in the world they live in. In 2020, the Organization for Economic Co-operation and Development (OECD) countries, Europe and Central Asia (ECA), and Latin America and the Caribbean (LAC) show low overall scores, with an average of 0.046, 0.141, and 0.184, respectively. On the other hand, the regions of East Asia and Pacific (EAP), Sub-Sahara Africa (SSA), and South Asia (SA) display higher average scores (0.256, 0.279, and 0.340, respectively), with the Middle East and Northern Africa (MENA) region having the highest barrier score for women-owned enterprises, 0.443.

Figure 2 shows the variation in the trends for specific indicators across regions. ‘Productivity’ is the highest barrier in EAP, ECA, OECD, and LAC, whereas ‘Capital’ and ‘Labor’ are the top barriers for women-owned businesses in MENA, SA, and SSA, followed by ‘Productivity’. The relative ranking changes for some indicators when we consider the population-weighted scores. For example, ‘Entry’ turns out to be the second major obstacle for women-owned enterprises in the EAP, MENA, and SSA after adjusting for the population, which indicates that the most populous countries in these regions are highly discriminatory regarding laws that constrain women’s entry to employment.

Appendix Figure 1 displays the different barriers faced by women-owned enterprises in 2020 across different Income groups. High-income countries have low indicator values, with an average score of 0.143, followed by Upper Middle Income, Low-Middle Income, and Low-Income countries, with scores of 0.226, 0.275, and 0.286, respectively. All income groups follow a similar indicator pattern with ‘Productivity’ being the highest barrier, with the exception of low-income countries, where it is the second lowest. The relative ranking of indicators under population-weighted scores does not change for the high- and low-income country groups. However, we observe some variation in population-weighted indicator ranking for the upper-middle-income and low-middle-income country groups – i.e., in upper-middle-income countries, the population-weighted score is highest for the ‘Entry’ category compared to the highest unweighted score of ‘Productivity’.

Fact 3: The last five decades have seen good progress in terms of removing the legal barriers for Women-owned enterprises but the pace of the reform varies across individual indicators.

Figure 3 illustrates the evolution of the five female-owned enterprise barrier indicators over the last five decades. We observe that barriers under the ‘Productivity’ indicator remains the highest over time whereas ‘Market Access’ has the lowest score. Many of the legal barriers for women-owned enterprises have been removed over time. However, different barrier categories changed at a differing speed and to different lengths. For example, the ‘Productivity’ indicator shows a rapid reduction, specially in the last two decades - from an average score of 0.688 in 2000 to 0.309 in 2020. On the other hand, barriers under the ‘Market Access’ and ‘Capital’ categories, despite relatively lower initial scores, did not show much improvement in legal reform over time. Barriers under the ‘Labor’ indicator also reduced at a slower pace. In fact, the ‘Entry’ category barriers were removed at a faster pace such that the average score falls below the ‘Labor’ indicator score in 2008

onward despite the higher initial level. Overall, the relative trend of the women-owned enterprise barrier indicators remain similar when the scores are weighted by population. The differing pace of reforms across the indicators suggests that countries may display differing degrees of resistance to granting equal legal rights to women in different areas.

Fact 4: The pace of progress across individual indicators also varies by region and income groups.

Figure 4 shows that, between 1970 and 2020, barriers to WOE have been on the decline in most regions. However, the progress that is observed varies greatly between regions. In the OECD and LAC region, the decline in WOE barrier indicators is in constant overtime. Similarly, in the SSA region, while progresses seems to pick up only in the late 1980s, the pace of progresses is faster in the later years. The ECA region shows a similar pattern in WOE barrier trend where there is a steady decline starting in the early 2000s. However, unlike SSA, the score varies greatly between individual barrier indicators in the ECA region. On the other hand, in the MENA region, decline in WOE barriers seem to be slower and stay above 0.5 for all barrier indicators. In the SA region, the pace of progress differs between indicators. While 'Productivity' indicators decline significantly in the 2010s, 'Capital' and 'Entry' barriers only see progress in the 1990s and stay relatively stagnant throughout the years. On the other hand, 'Labor' barrier does not show much progress in the SA region. In the EAP region, progress seems stagnant while 'Entry' and 'Labor' indicators show more progress in the later years. However, 'Productivity' barriers do not seem to improve in the EAP region. Comparably, we see that the pace of progress for individual indicators also varies by income groups. Appendix figure 2 shows that in high-income regions, there is a steady decline in all barrier indicators over time. Inversely, the trend in WOE barriers in low-income regions does not see much improvement before the 1990s. In later years, low-income regions see a higher decline rate in WOE barrier indicators. 'Market Access' barrier indicators are unique in that the score is low even in low-income regions. In the low middle income group, 'Entry', 'Capital' and 'Labor' show a very slow but steady decline. 'Capital' specifically seem to experience the most decline in the mid-1990s. However, 'Productivity' barrier indicators only show progress in the later years. Lastly, in the upper-middle income group, all individual barrier indicators have different starting score, and the progress varies for individual indicators. While 'Labor', 'Productivity' and 'Entry' see a noticeable decline over time, 'Capital' barrier indicators do not show much progress. One trend that is observed consistently across all regions and income groups is the sharp decline in

'Productivity' barrier. While 'Productivity' indicators start out as one of the highest WOE barriers, overtime, the 'Productivity' barrier score drops significantly and becomes comparable to other indicators. This trend is consistent across all regions and income groups. Similarly, 'Market Access' barrier indicators score are low across all regions and income groups.



## Figures

Figure 1: WOE Barrier Indicators

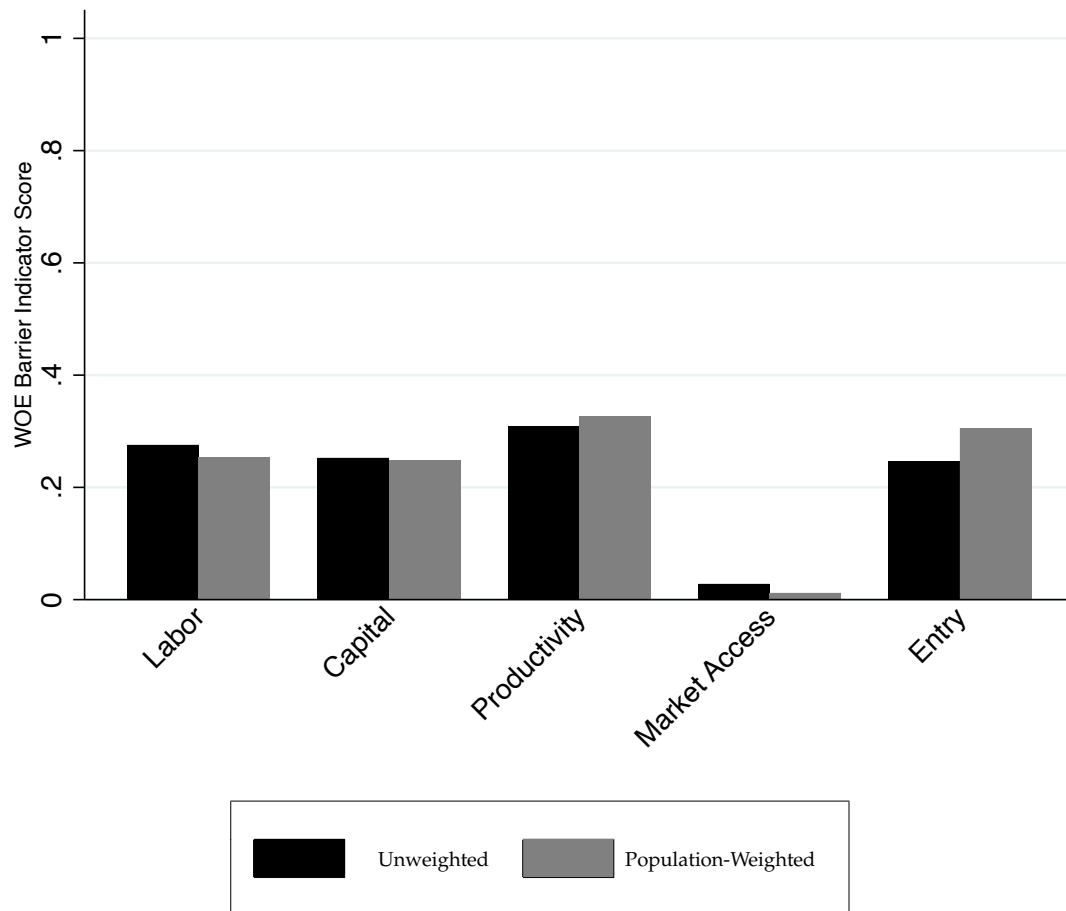


Figure 2: WOE Barrier Indicators (by Region)

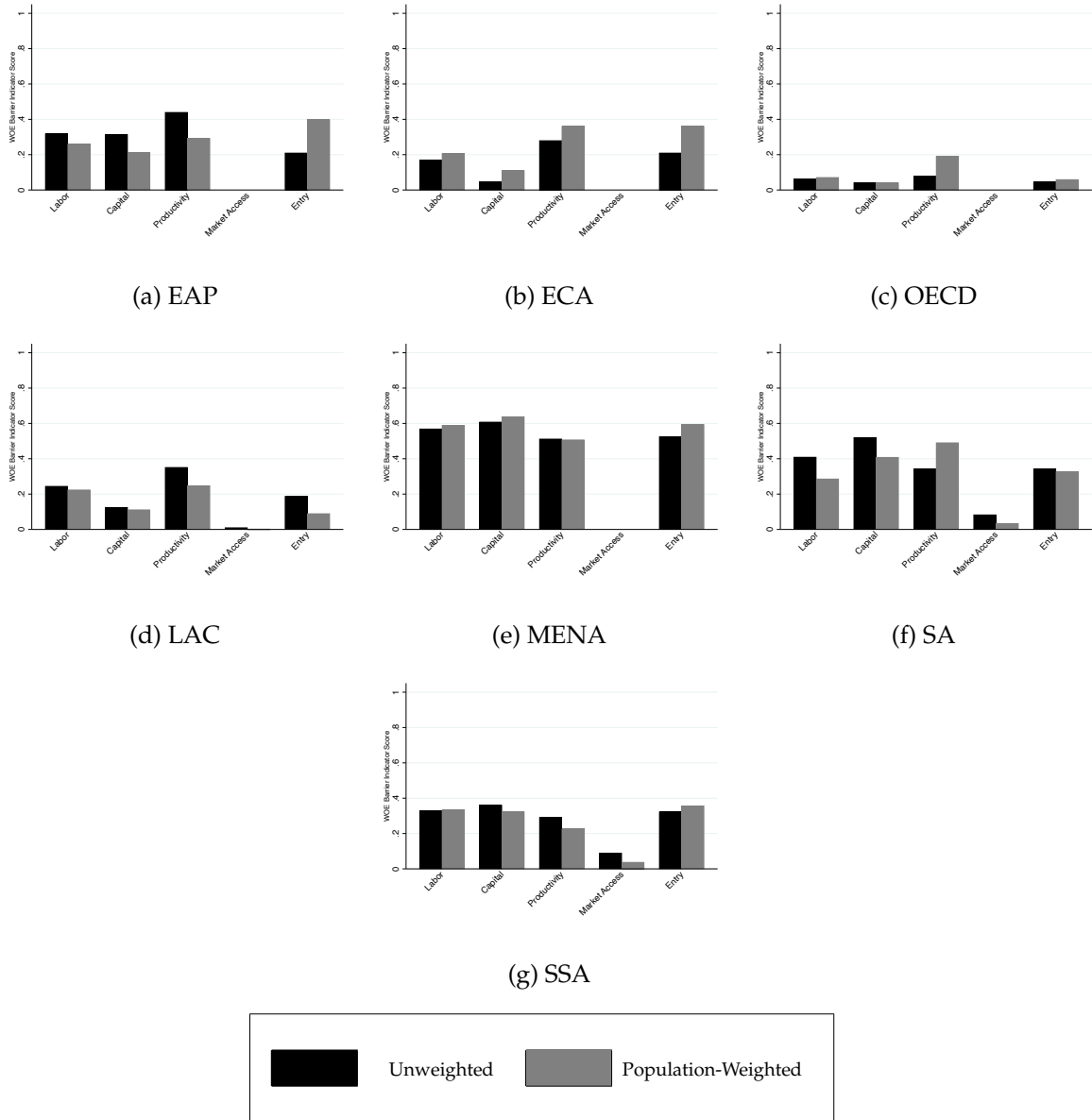
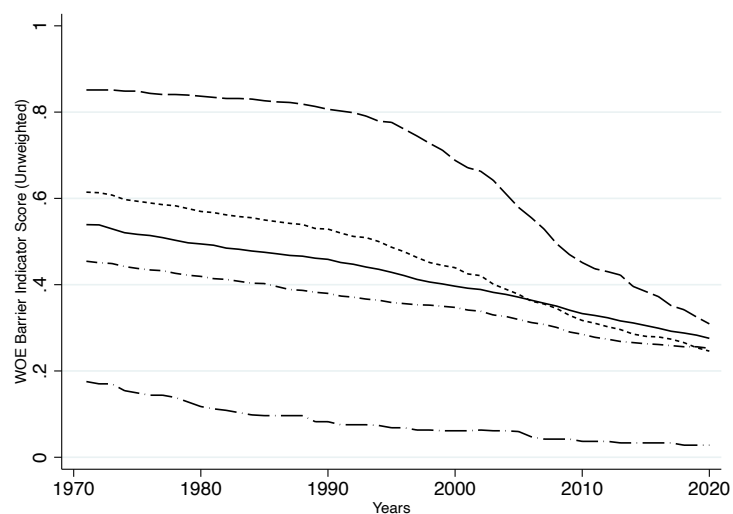
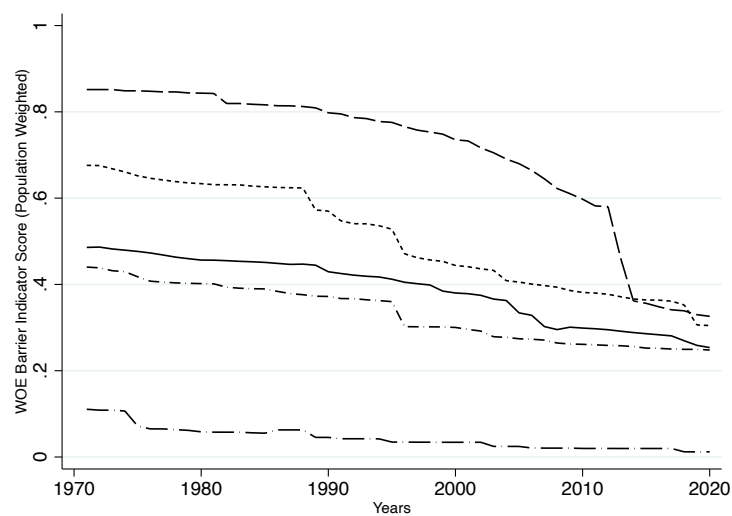


Figure 3: WOE Barrier Indicators Over Time



(a) Unweighted



(b) Population-Weighted

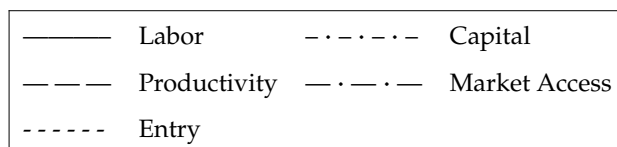
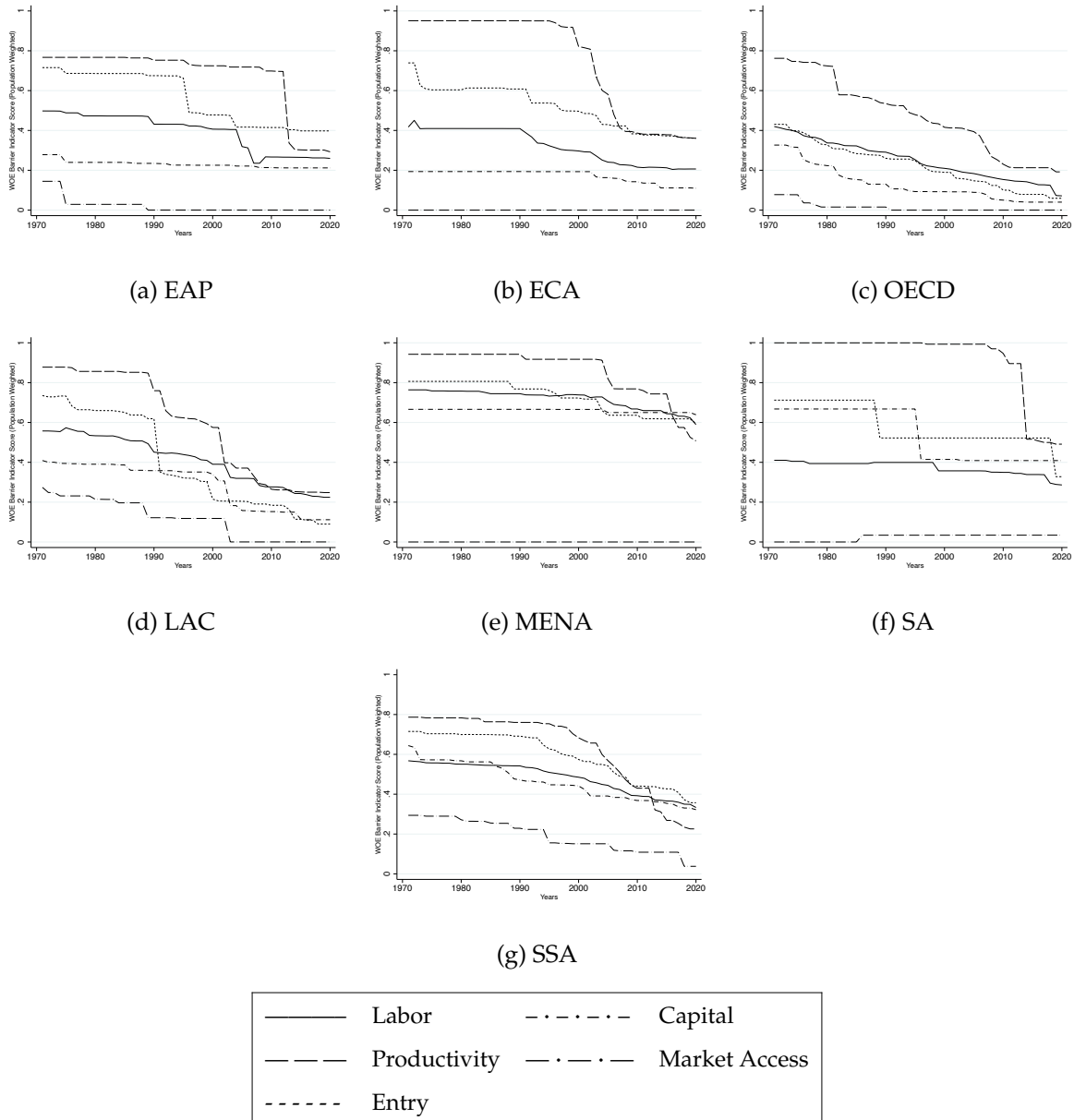


Figure 4: WOE Barrier Indicators Over Time by Region (Population-Weighted)



## A Appendix

Figure 1: WOE Barrier Indicators (by Income Group)

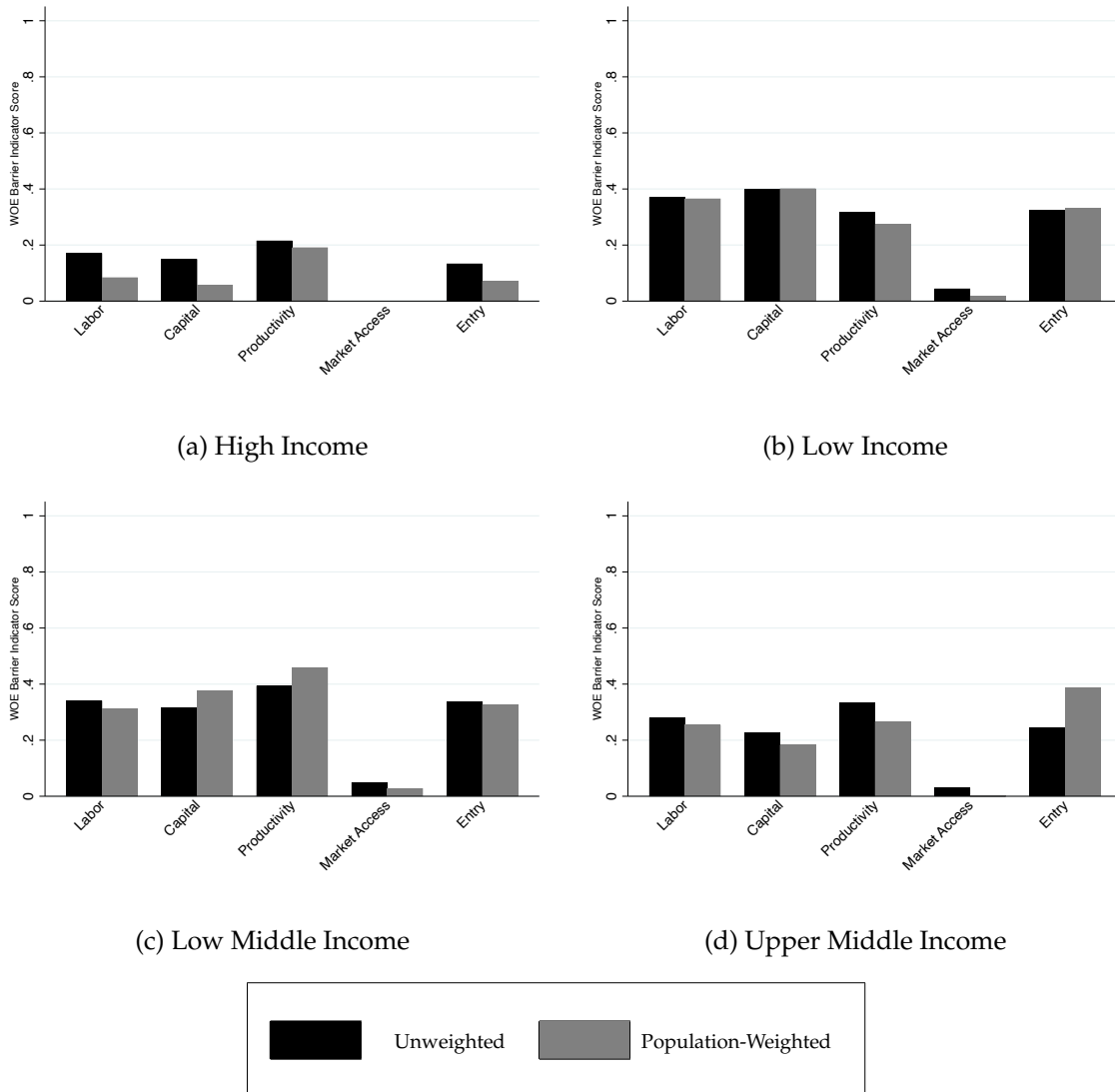
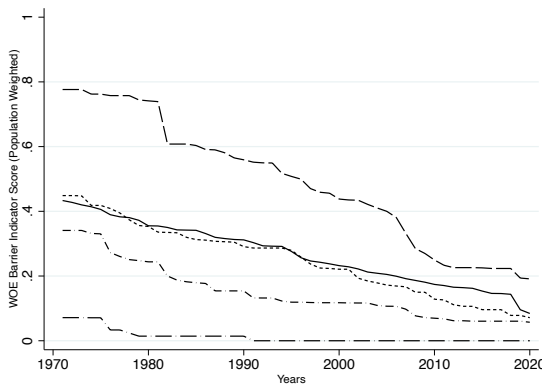
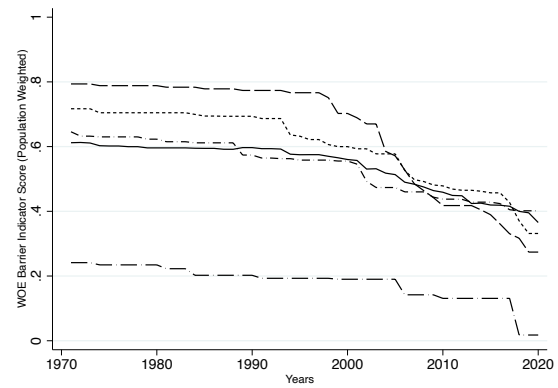


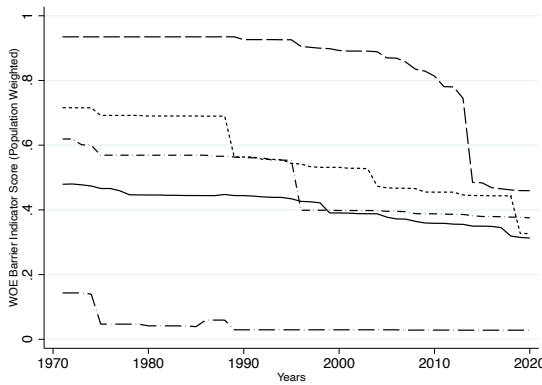
Figure 2: WOE Barrier Indicators Over Time by Income Group (Population-Weighted)



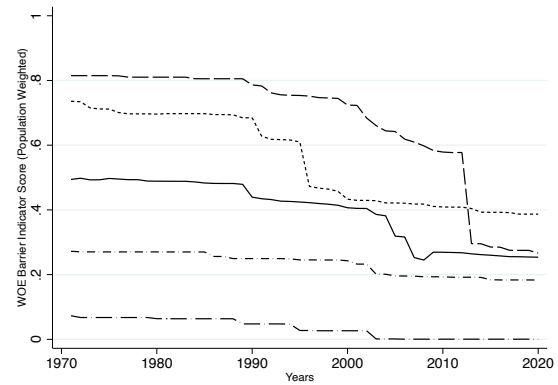
(a) High Income



(b) Low Income



(c) Low Middle Income



(d) Upper Middle Income

