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Skill Shortages as a Barrier to Women's Start Ups: A Model with Evidence from Eswatini

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This paper examines gender gaps in entrepreneurship in developing and emerging countries through linking entrepreneurship to skills and productivity. The approach reflects the stylized facts that women in less developed countries are often starting their own businesses with less education, work experience and participation in business networks, as evidenced in, for example, Hallward-Driemier (2013). Women tend to be less confident than men in their entrepreneurial abilities, i.e. their capacity to open and run productive businesses (GEM, 2017). Besides skills related to opening and running businesses, women often have less training in technical skills that could facilitate their entry into higher value-added sectors or help raise productivity of their firms.

The empirical results from a survey of entrepreneurs in Eswatini suggest that a perceived shortage of skills is associated with a weaker performance of women-run entrepreneurial firms. Specifically, firms run by women who perceived skill shortages to be a key barrier to opening or running a firm posted weaker performance than firms run by women who did not perceive skills to be a barrier. Business training may have a positive and statistically significant impact on performance of men but not women entrepreneurs, suggesting that narrow business training programs have limited success in closing the entrepreneurial skill and performance gaps. Data from the World Bank Enterprise Surveys for developing countries shows that performance of women-run firms is positively associated with higher share of skilled workers employed, which we interpret as an indication of higher skill sets of the entrepreneurs running these firms.

In sum, this paper contributes to reducing a gap in the literature on gender gaps in entrepreneurship in developing countries and especially in Africa. Differences in skills, including perceived ones, help account for gender differences in entrepreneurial outcomes, including why, relative to men, women are less likely to run productive firms in the formal sector. Stylized facts from developing and emerging market countries and empirical analysis of survey of entrepreneurs from Eswatini also pointed to the negative impact of skill gaps on performance of women's entrepreneurs in the region. Further, empirical evidence suggests that narrow business training programs may not improve their performance. Training for women entrepreneurs encompassing advanced business and technical skills, networking, and confidence building are more likely to be effective.