

Discussion

“Aggregate Implications of Barriers to Female Entrepreneurship”

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Summary

- The paper identifies the effects of gender-based entry and operation frictions faced by female owned firms using a model-based approach.
- Assesses the productivity and welfare consequences of policy interventions using counterfactual simulations.
- Findings:
 - labor force participation costs are 2.5 times higher for women and female entrepreneurs face higher costs of hiring than males.
 - Female entrepreneurs hire more female workers in the informal sector
 - Policies that increase women's labor supply and ease the costs of female entrepreneurs are preferable to those that only increase female labor supply.

Discussion Themes

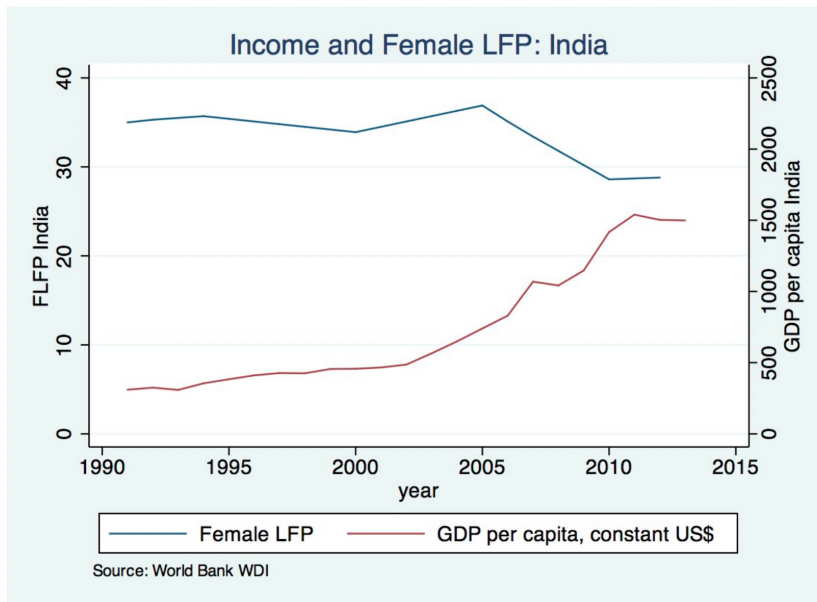
- Interesting and technically sophisticated paper on an important topic.
 - India has low female LFP.
 - Few women in India start businesses.
- Thoughts along three dimensions:
 - Motivation: Is this about India or developing countries more generally?
 - Model and data: Where are the families?
 - Policies: Separate policy solutions for female LFP versus entry of female owned businesses?

(1) India? Developing Countries?

- Motivation using data from Enterprise surveys on female-owned firms and female workers in male vs. female owned firms.
 - Show the patterns using Indian economic census data?
- Female labor force participation in India is different:
 - Rapid economic growth over the past two decades.
 - Gains in educational attainment at all levels.
 - Fertility decline.
 - *Yet*, female labor force participation rates are low and have declined.

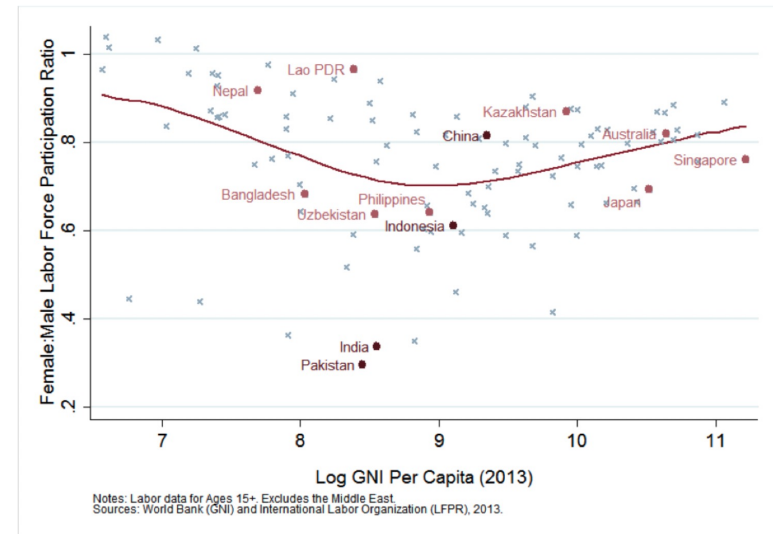
Female LFP in India is different..

FIGURE 1: GDP per capita and FLFP in India over time



Source: World Bank World Development Indicators

FIGURE 2: The cross-country relationship between income and female labor force participation is U-shaped, but India is a major outlier



Source: Fletcher, Pande and Moore (2019)

(2) Where is the family firm?

- Family firms account for 91% of listed firms in India.
- According to Deloitte, family run businesses represent 85% of all Indian companies.
- *But*, family matters from entry to operation:
 - Family firms tend to be poorly managed...
 - *Why do management practices differ across firms and countries?* (Bloom and Van Reenen, 2010)
- There is a robustness check on excluding “family-owned” firms.
 - Defined as those where more than half the employees are not hired on wage contracts.

Family firms have concentrated ownership

- Family firms are not characterized by family employment.
 - “Family firms are characterized by a concentration of ownership, control and often key management positions among family members, even after the retirement of the firms’ founders.” (Bertrand and Schoar, 2006)
- Can the model accommodate family in entry decisions and/or hiring and operational fictions by gender?
 - Sons vs. daughters and wives



Role of capital?

- Model assumes labor is the only input in production.
 - Since firms produce more output by only hiring more workers in this world, the model applies to labor intensive industries with few capital requirements..
 - Small scale unskilled manufacturing?
- Low rates of Indian TFP are often attributed to misallocation of resources (Banerjee and Duflo 2005)
 - Indian policies inhibit the growth of the most efficient producers, while helping its least efficient producers.
- How should we think of aggregate macro implications in a world without capital?

Economic Census

- Rich data source: multiple rounds beginning in 1970s?
 - Is it possible to use earlier rounds from the 1970s or 1980s?
- A companion descriptive piece showing the employment patterns by gender/caste with the rich 4-digit industry code would be wonderful.
 - Owner is identified by gender and caste (SC/ST/OBC)
 - Is it possible to do something using “With premises, without premises” (unclear what that means?)

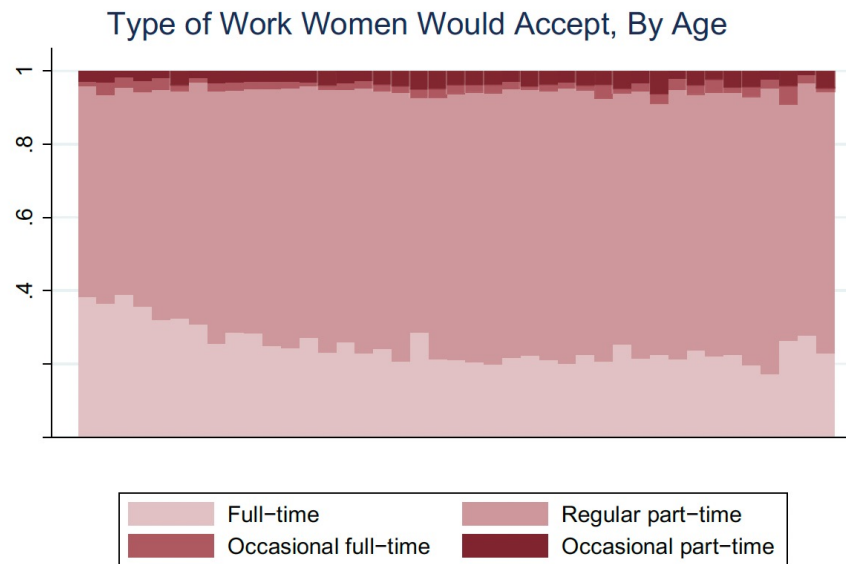
Policy counterfactuals

- Excess entrepreneurial costs
- Excess hiring barriers
- Excess entrepreneurial costs and hiring barriers
- Excess LFP costs
- All excess barriers
- Modeled as separate barriers/frictions?
- *But*, in practice cultural norms that make it harder for married women to work in India also make it harder for them to run a business...

Entry of female entrepreneurs?

- Most female entrepreneurs emerge from women who work
 - Matters for policy design

FIGURE 13: Type of work women counted out of the labor force would accept by age



Notes: Includes individuals aged 15–55 not enrolled in school. Excludes those in the labor force.
Source: 2011–12 NSS

Concluding Remarks

- A rich paper that conceptualizes the costs on productivity and welfare of restricting female entrepreneurship.
- What would be the most effective policies to reduce these barriers?
 - Future work can incorporate elements of policy design into the frictions/policy counterfactuals.
 - [An Economic Strategy for India](#)