

Female Microentrepreneurs: Is the Home Calling Louder than the Business?

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Can female microentrepreneurs extend their working hours to seize additional business opportunities? We study this question by randomizing incentives to complete additional market work, where we individualize the timing to after regular working hours using a purposefully developed smartphone app and high-frequency time use data.

Introduction

In developing countries, the majority of microenterprises are run by women (Klapper and Parker, 2011). Yet, female-owned microenterprises tend to underperform their male-owned counterparts on many indicators, including sales, profits, and assets (e.g., Bruhn, 2009; Nix et al., 2015; Hardy and Kagy, 2018). By constraining female entrepreneurs in their time use, the social norm that women should do the bulk of housework and childcare could be driving this performance gap. This project seeks to study to what extent female microentrepreneurs respond to additional earnings opportunities that need to be completed outside regular working hours. As such, this project contributes to recent work suggesting that intra-household dynamics can influence women's business investment decisions (e.g., Bernhardt et al., 2019; Friedson-Ridenour and Pierotti, 2019). Our project is also related to a growing literature on the effects of gender norms and identity on economic outcomes (e.g., Akerlof and Kranton, 2000; Fernández and Fogli, 2009; Bertrand et al., 2015; Oh, 2021) and to a literature on sources of potential inefficiencies in intra-household decision-making (e.g., Ashraf, 2009; Schaner, 2015).

Policy Context

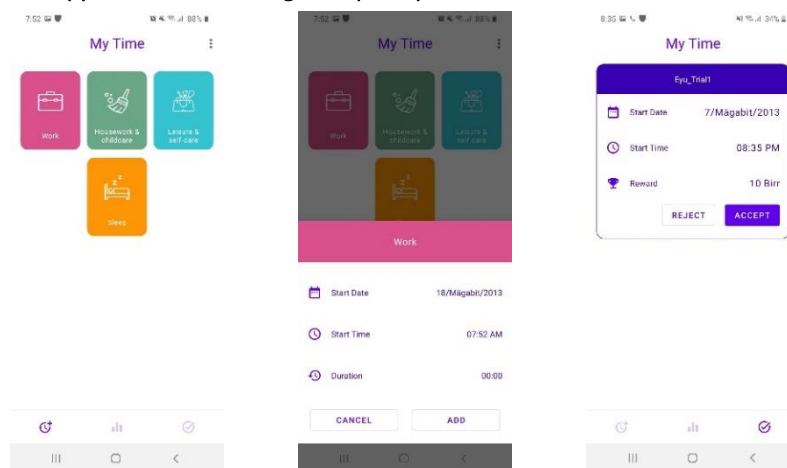
In Ethiopia, where this study takes place, females take care of housework in 80% of urban households and female involvement in such domestic duties is even higher in rural areas (Ethiopian Time Use Survey, 2013). At the same time, self-employment is the most common form of female employment in Ethiopia (ILO, 2021), with prevailing performance gaps between female- and male-owned businesses (e.g., Essers et al., 2021).

Methodology

We recruited a sample of couples, where the wife is a microentrepreneur (no more than 4 employees) in Addis Ababa, Ethiopia. In addition to conducting a baseline survey, we combine randomized incentives to accept additional market work with high-frequency time use data. To this end, we introduce female microentrepreneurs and their husbands to a purposefully developed smartphone application that allows us to

identify how they divide their time between market work, home production, and leisure in daily frequency. We then use this data to offer a weekly work opportunity to both spouses that needs to be completed just after their regular working hours. Announcing and completing work opportunities via the same smartphone app allows us to individualize the timing of work offers for all participants. Wages of these work offers randomly vary both at the individual- and at the couple-level from week to week. After learning about this week's wage rate, female business owners and their husbands are asked to accept or reject the current offer. The work task has been confirmed as gender-neutral and does neither require skill nor prior experience. Beyond that, we separately survey both spouses before they are introduced to our smartphone app and before any work offers are made.

Figure 1: Smartphone app used to collect high-frequency time use data and individualize timing of work offers



Note: These screenshots show the English version, but the app is also available in Amharic (the main local language in Addis Ababa, Ethiopia). The Ethiopian calendar and time are set as the default, but the Gregorian date and time format is available as well.

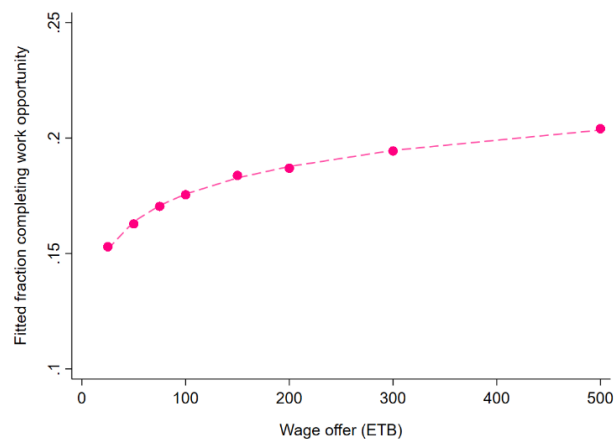
Main Findings

Despite working full-time, female microentrepreneurs take care of the household and children. On a typical workday, female business owners spend more time on home production and less time on paid work and leisure than their husbands. Consistent with this, female business owners carry out a larger share of home production tasks. While men take on very few housework tasks, they are slightly more involved in childcare. In addition to reducing their time available for market work, female entrepreneurs' involvement in home production can also dictate when they need to be at home rather than in their business. Their husbands appear less restricted in their time use and seemingly could substitute their leisure time with working time more flexibly in case of an after-hour work request. Interestingly, both spouses privately believe their division of domestic duties should be much more egalitarian than it currently is. Beliefs about what society considers an appropriate division of home production seem to outweigh privately held beliefs.

Although offers were extremely lucrative compared to their hourly business profits, we find that many female microentrepreneurs did not complete additional market work after their regular working hours. Completion of additional work does respond to incentives, however. That is, female business owners are more likely to extend their working hours when the returns are higher. Females appear to be more responsive when they

employ workers or when their husband is wage- as opposed to self-employed. Moreover, we find that household dynamics are at play when it comes to taking on additional market work. For female entrepreneurs, both their own wage offer and their spouse’s wage offer influence their decisions to extend their regular working hours. In contrast, their husbands’ completion of additional market work is only predicted by their own wage offer. We interpret this as females being more constrained in their time use decisions. By not having the spouse with the higher wage offer complete the task, couples appear to leave money on the table, suggesting inefficiencies in intra-household decision-making.

Figure 2: Few female microentrepreneurs complete additional market work, but completion responds to incentives



Policy Impact

Small and informal firms are a major source of employment in most developing countries, especially for women. A central question for policymakers—including policymakers in Ethiopia—is what interventions can increase the growth and profitability of these businesses while also improving women’s agency. Throughout this project, we have collaborated with the Ethiopian Ministry of Trade and Regional Integration and its Women and Youth Affairs Directorate, with the objective of helping female entrepreneurs grow their businesses. Our findings indicate that interventions shifting societal views of men’s participation in housework could help ease gender-specific time constraints. Encouraging spouses to communicate with each other and to follow their privately held beliefs could be another promising avenue. Beyond that, our results suggest that interventions creating and supporting employment at female-owned enterprises can allow them to seize more opportunities, thereby possibly leading to more growth.

Moving Forward

Our immediate next steps will be to further examine our results for heterogeneity with respect to business and household characteristics, to better understand individuals’ outside options to accepting additional market work, and to further unpack the household dynamics behind spouses extending their working hours. Going forward, we will study whether men’s aversion to “female” tasks can explain their wives’ response to additional work opportunities. To assess to what extent the ability to flexibly extend working hours gives rise to performance differences between male- and female-owned businesses, we would like to also include male microentrepreneurs in a future iteration of our intervention. Eventually, we would also like to understand what interventions can shift societal views of men’s participation in housework and ease gender-specific time constraints in future work.

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