

**Researchers**

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**Timeline**

March-July 2021

**Study Type**

Randomized Evaluation

**Research Implemented by IPA**

No

## Childcare Matters: Female Business Owners and the Baby-Profit Gap \*

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**Abstract**

The previous literature documents that female-owned businesses are less profitable than male-owned businesses, including micro-enterprises that make up the majority of firms in developing countries. In this paper, we uncover an overlooked gendered constraint for these businesses: childcare. We collect field data through unannounced visits to a sample of micro-entrepreneurs in select areas of Uganda, combining surveys of business owners and real customers, as well as purchases by confederate buyers (i.e., mystery shoppers). We document that childcare duties in businesses are highly gendered: 37% of female owners bring small children to work, compared with 0% of men. Childcare duties are correlated with a “baby-profit gap,” as businesses where children are present earn 48% lower profits than even other female-owned businesses where a child is not present. Using our rich data, we analyze potential reasons why childcare obligations may affect profits. We find that prices, product quality, and other explanations are not robustly correlated with the presence of a baby. However, we find that women with children in the store are more likely to run out of stock than both men and women who do not have children in the store. While we caution that our analysis is not causal, we consistently find that childcare duties are associated with profitability and may relate to the wider gender gap in business performance.

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Electronic copy available at: <https://eprints.com/abstract/3029022>

Academic Paper

# Addressing the “Baby-Profit Gap”: Testing Interventions to Boost Profits for Female-owned Businesses in the Wake of COVID-19

## Abstract

In low- and middle-income countries, firms owned by women typically have lower profits than those owned by men. COVID-19 has exacerbated this profit gap as women-owned firms tend to be concentrated in sectors where demand has dropped the most, such as services, hospitality, and retail trade. Childcare is an additional constraint for women-led businesses. In one setting, up to 37 percent of female owners bring small children to work, compared to zero men (Delecourt and Fitzpatrick 2021). These childcare duties are correlated with a 'baby-profit gap,' as businesses where children are present earn 48 percent lower profits than other women-owned businesses without a child present. This study aims to understand how increased childcare burdens due to COVID-19 school closures have exacerbated existing gender profit disparities in Kenya.

In the first stage, the research team will collect new data to evaluate how the number and timing of children and childcare duties are associated with the profitability of women-owned businesses during the COVID-19 pandemic. The representative sample includes 1,000 firms in Kenya to see if birth and childcare duties were related to firm profitability and firm death. In the second stage, the team will pilot two light-touch interventions aimed at addressing the childcare-related constraints among businesses where women have children.

*This project is a part of the Women's Work, Entrepreneurship, and Skilling (WWES) Initiative*

## Project Outcomes of Interest

If such interventions are successful, then there are clear policy takeaways that could be enacted by governments or NGOs, such as text message reminders or developing increased last-mile delivery capacity. Above all, however, the researchers believe that their approach of first listening to the concerns of female entrepreneurs will directly lead to the creation of policies and programs that improve their profits, allowing for demand-driven policies.

## Partners

REMIT Kenya

## Impact Goals

- Improve women's health, safety, and economic empowerment

## Implementing Organization

REMIT Kenya

## Results Status

Results

### Results

The study shows that although 77% of Kenyan entrepreneurs are women, they earn substantially less than men—controlling for industry, men earn 64% more than women. Using a unique dataset that covers both the pre-COVID period and more recent data collected in 2021, the researchers demonstrate that this gender profit gap remained constant through the COVID-19 pandemic. The study also highlights location as a key driver of the gender profit gap. Women businesses are 51% more likely to be operated from home, in part due to other constraints like childcare, safety, and cultural forces. Focus groups conducted by the researchers suggest that women would welcome additional childcare options and would value interventions that fostered their financial independence and safety. In next steps, the team plans to study the impact of providing childcare vouchers to the nearest daycare centers for women entrepreneurs who work from home and those who do not.

### Link to Questionnaire

[Addressing the “Baby-Profit Gap”: Testing Interventions to Boost Profits for Female-owned Businesses in the Wake of COVID-19 \(Questionnaire\)](#)