

»» Starting a business with kids: mompreneurs balance work and family life

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Start-up activity in Germany has trended downward for some 15 years now. The share of women's start-ups, however, has grown considerably during this period. They have a structurally different approach to start-up projects than men. But the group of female entrepreneurs is also mixed. Some of those who have no children set very different priorities than female entrepreneurs with children – who are referred to as mompreneurs. Characteristics of mompreneurs:

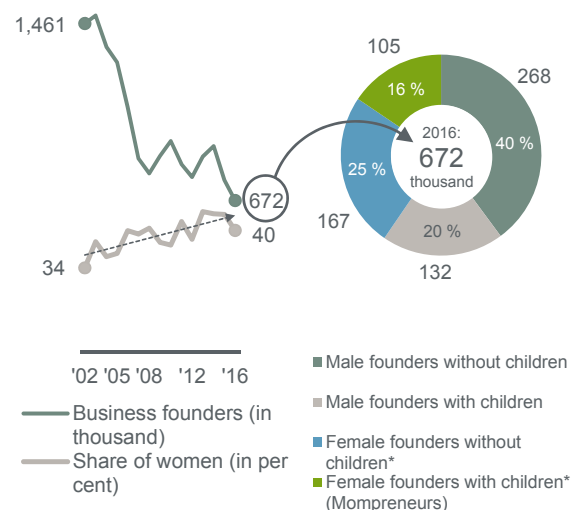
- In 2016, they accounted for 16 % of all business founders, with 105,000 start-ups.
- Balancing work and family life is particularly important for mompreneurs.
- At 37 years, they are of average founding age.
- Mompreneurs limit their working hours: Full-time mompreneurs work for themselves an average of 36 hours a week.
- They focus heavily on personal services and, accordingly, are more likely to target a regional market.
- They have fewer digital start-ups and are also less likely to have technical qualifications.
- Mompreneurs are more likely to start larger and have growth ambitions more often than other female business founders.
- Mompreneurs use start-up resources at similar rates as other female business founders but know how to use promotional loans and Federal Employment Agency grants more effectively.
- Children play a more prominent role for mompreneurs than for male business founders. Mompreneurs are more often forced to proactively balance work and family life.

Start-up activity in Germany has weakened significantly in the past 15 years. The number of business start-ups fell from nearly 1.5 million in the year 2002 to 672,000 in 2016 (Figure 1, left). The main cause of this is Germany's unprecedented employment growth, which has been steady since 2005. Greater employment opportunities have reduced the need for necessity start-ups and made opportunity start-ups less attractive. The positive development of the labour market has

also led to increased labour market participation of women. For start-up activity, that meant the share of women in the labour force rose from 34 % in 2002 to a peak of 43 % in the years 2013 to 2015. Women have a structurally different approach to start-up projects than men.ⁱ

- Women are more likely to be economically inactive before they start a business. Necessity start-ups are therefore more common among women and opportunity start-ups less common.
- Female business founders are more often concerned that their management skills or professional qualifications are inadequate.
- Women's start-ups tend to focus on personal services and are less common in the area of construction or commercial services.
- Women's start-ups are more often part-time with fewer weekly working hours, they use lower amounts of funds and less often, and are less likely to have employees.

Figure 1: Start-up activity is plummeting – share of women has grown – one in six founders is mompreneur



* Underage children in the household.

Source: KfW Start-up Monitor.

ⁱ Analyses of the KfW Start-up Monitor, see also Abel-Koch, J. (2014), Gründerinnen holen auf – Selbstständigkeit als Weg in die Erwerbstätigkeit ('Female business founders are catching up – self-employment as a pathway to economic activity' - in German), Focus on Economics No. 71, KfW Research, September 2014.

Mompreneurs: children make all the difference

What sets women’s start-up projects apart from male business founders has often been examined. So far, however, analyses have largely neglected the existence of different types of female business founders. As it turns out, one factor is particularly important in categorising them: children. In many ways, mompreneurs – female business founders with children (defined here as underage children living in the household) are quite unlike female business founders without children.

Four in ten female business founders are mompreneurs

On average over the past five years, a good four in ten business founders were mompreneurs, which corresponds to around one in five business start-ups overall. According to the most recent statistics, mompreneurs accounted for one in every six start-ups, or 105,000, in 2016 (Figure 1, right).

Mompreneurs are of average age

Between 2014 and 2016, the period under review, the average age of mompreneurs was just under 37 years. That was the average age of all business founders, male and female. According to the most recent data (2015), the average age of mothers at first birth was 31 years.ⁱⁱ Thus, most female business founders with children are between 30 and 50 years old (77%). By contrast, the majority of those without children are below the age of 30 (40%) or over 50 (around 20%).

University graduates generally are more prone to start a business – women more than men. However, university degrees are less common among mompreneurs than other female business founders, at 28% compared with 39% among women entrepreneurs without children. Female graduates without children thus have an even higher inclination to start their own business than graduates with children.

Balancing work with family life is particularly important to mompreneurs

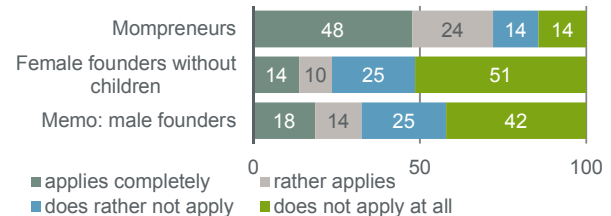
Many motives for venturing into self-employment can be grouped in two broad categories: opportunity (putting a business idea into practice) and necessity (lack of better income alternative). Mompreneurs are less likely to start a business to implement a business idea (41%) than female business founders without children (50%). Necessity start-ups, however, are nevertheless equally common (roughly 30% in both groups). Mompreneurs tend to be driven by ‘other motives’ (29 vs. 21%). Examples include ‘self-realisation’ or ‘earn extra income’.

Irrespective of the motive for founding their business, one aspect plays a prominent role for mompreneurs: balancing work and family life. Nearly half the mompreneurs (48%) ‘totally agree’ with the statement ‘I started a business so I can balance my work and family life better’ while another one

fourth (24%) ‘tend to agree’ with the statement (Figure 2). Female entrepreneurs without children stated quite the opposite. Fifty-one per cent ‘disagree completely’ and 25% ‘tend to disagree’ with the statement.

Figure 2: Balancing work and family life is immensely important to mompreneurs

Per cent who agree with the statement ‘I started a business so I can balance my work and family life better’

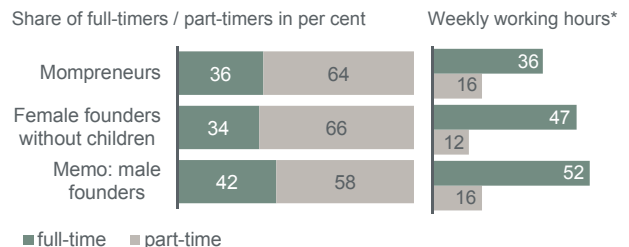


Source: KfW Start-up Monitor, survey 2015.

Mompreneurs limit their working hours

Around one third of mompreneurs start their business on a full-time basis. In this respect, they hardly differ from female entrepreneurs without children (Figure 3, left). But mompreneurs put a cap on their weekly working hours in a bid to reconcile work and family life. In full-time start-ups the mean number of weekly working hours of mompreneurs is clearly below the average of other business founders, male and female, at 36 hours vs. roughly 50 hours a week (Figure 3, right).

Figure 3: Full-time mompreneurs cap their weekly working hours for the sake of the family



* Responses from female and male business founders about the number of hours per week they usually work for themselves.

Note: The analysis applies to male and female business founders in the years 2014 to 2016.

Source: KfW Start-up Monitor.

In part-time business start-ups, which are already characterised by reduced working hours of 16 hours a week on average, mompreneurs do not work fewer hours – as opposed to female business founders without children who devote a mere 12 hours a week to their part-time business activity.

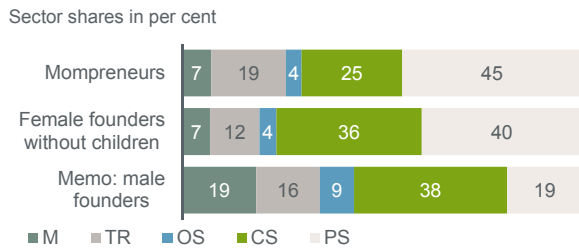
Mompreneurs stand out with (personal) services

Mompreneurs’ start-up activity is heavily focused on personal services. Personal services are mainly directed at private customers (with hospitality and health services being classic examples) and are the main services offered by almost half of all mompreneurs (45%, Figure 4). Another one fourth of mompreneurs offer commercial services that tend to be targeted at business customers (where tax and management

ⁱⁱ Federal Statistical Office, retrieved on 29 August 2017 from: <https://www.destatis.de/DE/ZahlenFakten/GesellschaftStaat/Bevoelkerung/Geburten/Tabellen/GeburtenMutterBiologischesAlter.html>

consultancy, advertising or cleaning services are classic examples). Other female business founders start by offering services at a similar rate as mompreneurs. However, personal and commercial services are relatively balanced (40 and 36%). The most frequent task description mompreneurs provided in the survey was 'childminder'. This task allows work and family life to be balanced in a very obvious way.

Figure 4: Personal services characterise mompreneurs' start-up projects



M: Manufacturing; TR: Trade; OS: Other Services; CS: Commercial Services; PS: Personal Services.

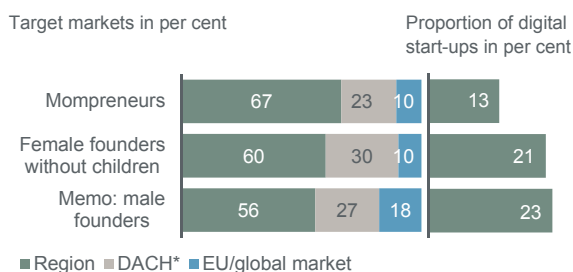
Note: The analysis applies to male and female business founders in the years 2014 to 2016.

Source: KfW Start-up Monitor.

Personal services result in a regional focus

Personal services are usually targeted to the individual, that is, performed on or with the customer (as in the case of childminders and nursing and care services). For service providers it is convenient to be domiciled in the vicinity of customers or to have a regional target market. The share of female business founders with a regional focus thus correlates with the proportion of personal services: Accordingly, mompreneurs, who have the highest proportion of personal services, are more likely to see their relevant market in their region (67%, Figure 5, left). With respect to international orientation towards the EU internal market or the global market, mompreneurs are similarly positioned as other female business founders: One in ten see their market outside the German-speaking region.

Figure 5: Mompreneurs are more regional



* DACH: Germany (D), Austria (A) and Switzerland (CH).

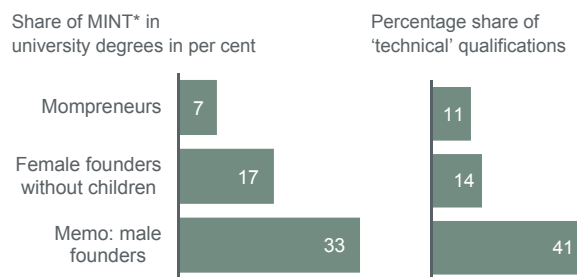
Note: The analysis applies to male and female business founders in the years 2014 to 2016.

Source: KfW Start-up Monitor.

Mompreneurs are not very technology-minded

The share of digital start-ups among mompreneurs is conspicuously low at only 13% (Figure 5, right). Mompreneurs rarely offer services such as software and app development, web design or IT consulting, which make up a large portion of digital start-ups. This has a lot to do with their qualifications. Persons with a technical background, for example, are more likely to start a digital business. However, only 7% of graduate mompreneurs have a MINT degree (Figure 6, left). The share of graduate business founders without children who have MINT degrees is more than twice as high. Mompreneurs are also rather unlikely to have technical training (Figure 6, right).

Figure 6: Mompreneurs are less likely to have a technical background



* MINT: mathematics, IT, natural sciences, technology.

Note: The analysis applies to male and female business founders in the years 2014 to 2016.

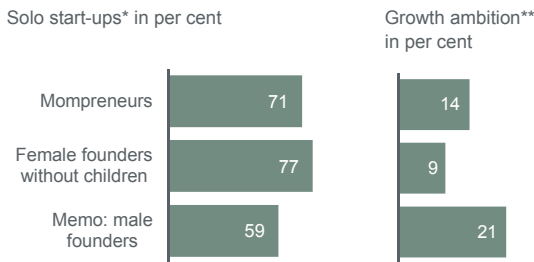
Source: KfW Start-up Monitor.

Mompreneurs are more likely to start larger and with growth ambitions than other female business founders

The purpose of many business start-ups is to earn a livelihood or additional income, or to be one's own boss and self-actualise. Many business founders are therefore happy to start off small. Most mompreneurs (71%) also start up as solo entrepreneurs. However, they set up their business slightly more often in a team or with employees than their counterparts without children (77% solo, Figure 7, left).

Apart from that, only few business founders want their start-up to become 'as big as possible'. Eight in ten business founders, both male and female, want their business to grow only large enough for them to be able to manage it by themselves or with few senior employees. Mompreneurs are only slightly below the average: Fourteen per cent want their business to grow. However, that makes them significantly more growth-oriented than female business founders without children (9%, Figure 7, right).

Figure 7: A small start but rarely a big vision



* Share of business start-ups without founding partners and employees.
 ** Share of business start-ups intended to grow 'as large as possible'.

Note: The analysis applies to male and female business founders in 2016.

Source: KfW Start-up Monitor.

Few differences in start-up resources

Since many business founders have small projects and limited growth ambitions, they can set up their business using just private growth physical capital such as a personal computer or car. Private physical capital was enough to start off with for nearly 30 % of businesses founded in the years 2014 to 2016. Nevertheless, financial capital is essential for the majority of business start-ups. Around two thirds of start-ups use financial resources of their own or from external capital providers. Given the structural differences between start-up industries, sizes and growth ambitions, men generally use financial resources more often than women and also take external capital providers on board more often. Mompreneurs differ little from other female business founders: Six in ten use funds and one in five use external capital.

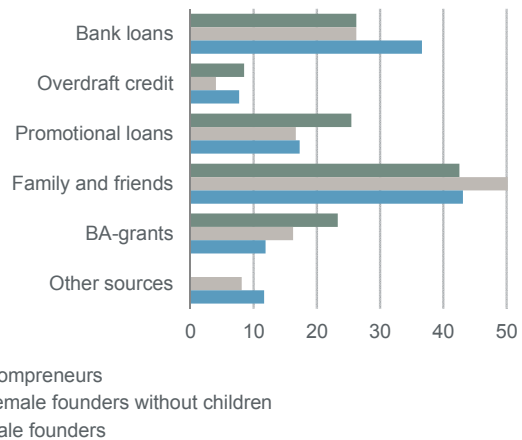
With regard to the level of external funds employed, differences emerge mainly between female and male business founders. Whether there are any children is largely irrelevant. Among men, start-up finance exceeds the EUR 25,000 mark more than twice as often (17 %) as among women (8 %, not illustrated).

Funding sources show clear preferences

For both female and male business founders, friends and family are the main source of start-up funding. Other sources are banks and savings banks because they grant loans, channel promotional funds or provide overdraft facilities. Start-ups also use grants from the Federal Employment Agency as a source of start-up funding – even more often than overdraft facilities. Few differences are discernible between male and female business founders in the order of frequency with which they use various funding sources (Figure 8).

Figure 8: Mompreneurs use promotion more often

Frequency of use of sources in per cent, multiple answers possible



Note: The analysis applies to male and female business founders with funding needs in the years 2014 to 2016.

Source: KfW Start-up Monitor.

Female business founders use fewer bank loans but apply for Federal Employment Agency grants more often

With respect to the differences in the frequency with which male and female business founders use funding sources, two sources stand out in particular:

1. Female business founders use bank loans less often (27 %) than their male counterparts (37 %). This is only because female business founders' projects are smaller on average and therefore require less capital (table). It is not that banks and savings banks are more likely to deny funding to female business founders.ⁱⁱⁱ What the data show, rather, is that female business founders tend to experience loan application denial less often. Compared with female business founders, males therefore need to make more of an effort to arrange loan financing.
2. Federal Employment Agency grants are used more often by female (19 %) than male business founders (11 %). This difference is crucially due to businesses founded with employees. Thus, 17 % of female business founders who have funding requirements and employees use Federal Employment Agency grants, but only 5 % of their male counterparts. This indicates that female business founders rely more on employees whose entry into the labour market is promoted by integration grants. No differences are apparent in business start-ups with funding requirements but no employees. Their use of Federal Employment Agency grants – presumably self-employment grants – is 20 % each.

ⁱⁱⁱ Süddeutsche Zeitung (2017), Abgebildet, SZ Spezial – Finanzierung im Mittelstand, München, 6. Juli 2017.

Table: Female business founders use bank loans with the same financing amounts at similar rates as males

Frequency of use of bank loans in per cent

| | When using external capital of | | |
|-----------------|--------------------------------|------------------|----------------------|
| | Total | up to EUR 25,000 | more than EUR 25,000 |
| Female founders | 27 | 21 | 48 |
| Male founders | 37 | 25 | 50 |

Note: The analysis applies to male and female business founders in the years 2014 to 2016. The ratio between external funding of 'up to EUR 25,000' and 'more than EUR 25,000' is roughly 8 to 2 for female business founders and roughly 6 to 4 for males.

Source: KfW Start-up Monitor.

Mompreneurs are more adept at making use of promotional loans and Federal Employment Agency grants

Mompreneurs use Federal Employment Agency grants much more often still than female business founders without children. In other words, they appear to make even more use of integration grants than other female business founders. Their use of promotional loans stands out as well (Figure 8). Compared with other male and female business founders, they make significant use of promotional loans for larger projects for which they require external capital in excess of EUR 25,000.

Mompreneurs are wary of the strain on their family

Starting a business is an opportunity but remains a venture – and comes with fears and worries. The male and female business founders of the years 2014 to 2016 were most likely to perceive problems involving bureaucratic procedures and delays (35%), worry about putting excessive pressure on their family and partner (28%), and have problems acquiring customers (26%, all not illustrated). With children, concern over burdening the family too much rises considerably, and it is the number one concern for mompreneurs (38%). Male business founders with children are also significantly more worried about excessive pressure (35%).

However, very little can be concluded from the experience of male and female business founders about how the various fears, concerns and problems affect start-up activity, that is, whether they actually prevent potential entrepreneurs from venturing into self-employment. After all, they were successful and therefore overcame their barriers to entrepreneurial activity. To draw conclusions it is important to look at the experiences of potential male and female founders who abandoned their plans. For those who discontinued their start-up plan in the years 2014 to 2016, fear of the financial risk (62%), funding problems (50%), concern over missed employment opportunities (44%), fear of social decline (42%) and bureaucratic procedures and delays (40%, all not illustrated) were the five most frequently cited adversities.

Box: Barrier effect of obstacles to start-up activity

The KfW Start-up Monitor asked male and female business founders whether they encountered problems in founding or planning a business, for example with regard to obtaining finance, bureaucratic hurdles or finding employees. What potential these barriers have for preventing start-up plans from materialising can be determined by comparing how often a barrier is mentioned in the cases of start-up plan discontinuation and implementation. The balance between the frequencies reflects the barrier effect. The higher the balance, the more often the specific barrier prevents potential male and female business founders from founding their business. The lower the balance, the less of a selective impact an existing barrier has; in that case it is merely a corollary of founding a business. The examples in Figure 9 illustrate this concept.

Figure 9: Financial risk is hurdle with highest barrier effect

Frequency of start-up barriers in per cent



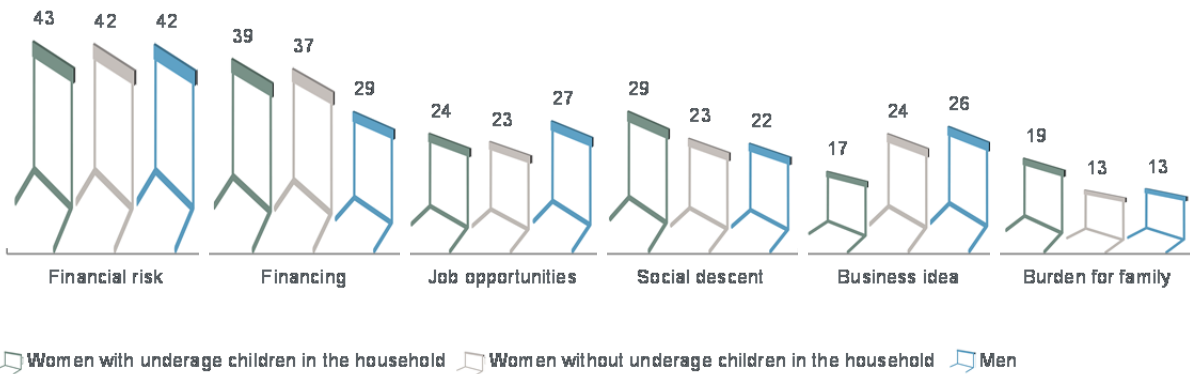
Note: The analysis applies to businesses founded and plans discontinued in the year 2016.

Source: KfW Start-up Monitor.

- The financial risk was a problem in 58% of start-up plans aborted and in 23% of businesses founded. With a balance of 35 percentage points, the financial risk therefore had the strongest barrier effect of all start-up obstacles.
- Doubts about the business idea arose in 37% of discontinued start-up plans and in 16% of start-ups that went ahead. With a balance of 21 percentage points, the barrier effect is thus slightly lower than for the financial risk.
- Burdens and delays caused by red tape were a problem for 37% of plans discontinued as well as businesses founded. Balance: zero. Red tape is thus a common problem but not one that prevents people from founding a business. It is a corollary.

Figure 10: Hurdles on the path to self-employment: Women with underage children abandoned start-up plans significantly more often out of concern for the family

Barrier effect* in percentage points



* The barrier effect of a start-up obstacle is derived from the frequency with which the obstacle is mentioned for discontinued start-up plans and for start-ups that go ahead. The difference between the frequencies with which they are mentioned represents the barrier effect. The greater it is, the more often a barrier prevents potential male and female business founders from founding their business.

Note: The evaluation applies to businesses founded and plans discontinued in the years 2014 to 2016.

Source: KfW Start-up Monitor.

How prohibitive these barriers are, that is, how effectively they prevent start-ups, can be determined by comparing the adversities male and female business founders encounter (see box). It is evident that both male and female business founders actually shelve their plans most often because they fear the financial risk, see problems in financing their start-up, or are afraid to miss employment opportunities. These aspects thus have the greatest barrier effect. On average, fear of possible social decline in case of failure is the fourth highest hurdle for budding business founders, both male and female, on the path towards self-employment. This barrier is particularly high for potential mompreneurs (Figure 10). Mothers shy away from self-employment much more often than other potential business founders for fear of putting undue strain on the family. Apprehension about the viability of their business idea, on the other hand, is a significantly less common reason for potential mompreneurs to abandon their plans.

Mompreneurs have set their own accents

The participation of women in start-up activity in Germany has increased in the past 15 years. This has also affected the structure of overall start-up activity since female business founders are structured differently than their male counterparts because of their own characteristics and their project features. At the same time, female business founders

are a mixed group themselves. It has become evident, for example, that those with underage children living in the household set other priorities than those without children.

For women with children, family plays a prominent role in the decision on starting a business, and in what scope. They are more likely to discontinue a start-up project out of concern for the family and cap their working hours. Nevertheless, mompreneurs are ambitious. They are more likely to think big than other female business founders. The start-up resources employed by mompreneurs hardly differ in nature and scope. But they are more adept at using available promotion schemes to arrange start-up finance. It appears as if women were generally more reluctant to use bank loans, but only at first glance. On average, women start smaller businesses that require borrowed funds less often. In larger financings they employ loans at the same rate as men – and in doing so actually have fewer problems: Banks rebuff male business founders more often than their female counterparts.

Family plays a more important role for mompreneurs than for male business founders with children. Mompreneurs are forced to balance work and family life. ■