

Female entrepreneurship in the Baltics: formal and informal context

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Abstract

Purpose – This paper aims to review female entrepreneurship in a (post) transition context, analysing its almost three-decade development in Latvia, Lithuania and Estonia. Little research has focussed to date on female entrepreneurship in the Baltic countries. Using an institutional perspective, this paper aims to explain the unique interplay of formal and informal contexts that have shaped the development of female entrepreneurship in (post-) transition contexts.

Design/methodology/approach – This paper is based on an institutional reading and analysis of secondary data: statistical data, international reports and previous studies on female entrepreneurs.

Findings – There are more than 130,000 female entrepreneurs in the Baltic countries who share many common features and challenges. While the formal entrepreneurship environment is considered to be very developed in the Baltic countries, women are under-represented among the population of entrepreneurs, and there is gender-based sectoral segregation of female entrepreneurs in Estonia, Latvia and Lithuania. This indicates a need to recognise the diversity of patterns in entrepreneurial development, reflecting different inheritances from the Soviet past and the inertial character of some informal institutions, not to mention the differences in the pace of change during the transition period following the Soviet era.

Practical implications – This research can be used for academics, professionals, researchers and policymakers working in the fields of small business and entrepreneurship. Its data can furthermore be used to develop evidence-based policy and actions that would foster the participation of women in entrepreneurship in Baltic countries.

Originality/value – So far, little research has focussed on female entrepreneurship in the Baltic countries. The paper attempts to investigate that Baltic countries with their history of emphasis on gender equality on one hand and the award-winning business and entrepreneurship system on the other hand demonstrate relatively low levels of women's entrepreneurship. This paper aims to contribute to the field of entrepreneurship, illustrating how entrepreneurship is linked to its social context.

Keywords Female entrepreneurship, Institutional context, (post-) transition context, Latvia, Lithuania, Estonia, the Baltic countries,

Paper type Conceptual paper

Introduction

Estonia, Latvia and Lithuania are independent countries in Northern Europe. They are referred to as the Baltic countries because of their location on the Baltic Sea. A total of 6,148,000 people live there: 1,960,000 in Latvia, 1,316,000 in Estonia and 2,872,000 in Lithuania (World Bank, 2016). Estonia, Latvia and Lithuania share similar histories. They gained their first independence from Russia in 1918, losing it after occupation by the Soviet Union in 1940. In 1991, with the collapse of the Soviet Union, Latvia, Lithuania and Estonia regained their freedom, declared the restoration of their independence, re-established international diplomatic ties and joined the United Nations. Since occupational forces left in 1994, Estonia, Latvia and Lithuania have been free to promote economic and political ties with Western Europe. Latvia and Estonia joined the World Trade Organization in 1998,



with Lithuania joining in 2001. In 2004, the Baltic countries became members of the European Union and the North Atlantic Treaty Organization. Estonia, Latvia and Lithuania are now members of the Eurozone and the Organisation for Economic Co-operation and Development. The Baltic countries have modern market-based economies and one of the higher per capita income levels in Central and Eastern Europe, although their economies are highly dependent on trade, leaving them vulnerable to external shocks. The successive Baltic governments have pursued a free market, pro-business economic agenda, along with sound fiscal policies that have resulted in balanced budgets and comparatively low public debt.

All three Baltic countries introduced comprehensive structural and institutional reforms following independence in the 1990s. Their transition to market economies has been enhanced by integration into the European Union, which has also played a key role in the evolution of their national institutions. The European Union integration process was essential in creating and supporting the development of a liberal, private sector-based market economy. Implementation of the rules, standards, and norms helped to increase the competitiveness of Baltic companies by improving market access to the EU and other markets (Lumiste *et al.*, 2008). One strong factor driving the Baltic political and economic path has been integration with the West, while at the same time leaning away from Russia. This policy paid off with membership into the European Union and NATO (Lumiste *et al.*, 2008).

The transition process has unquestionably resulted in profound and dramatic changes to the economic, political and social landscapes in the countries that used to be part of the Soviet empire (Aidis *et al.*, 2007). Today, many reforms and legislative changes have been implemented to foster entrepreneurship, including female entrepreneurship. There is a new generation of entrepreneurs that were raised in a free economy, having never experienced Soviet control and central planning. However, the question remains of how much the institutional context has changed from a gender perspective. Are there more female entrepreneurs now, or were there more at the early stages of transition? In addition, have all the barriers preventing them from being successful entrepreneurs been lifted?

There were 131,600 female entrepreneurs in the Baltic countries in 2017: 57,600 in Lithuania, 45,300 in Latvia and 28,700 in Estonia. They constitute 9.2 per cent of women in the workforce and 36.2 per cent of total entrepreneurs (Statistics of Estonia 2018; Statistics of Latvia 2018; Statistics of Lithuania 2018). Although female entrepreneurship rates here are higher than in some EU countries (Norway, Iceland etc.) and close to the European Union average, women are under-represented among the population of entrepreneurs (European Commission, 2014a, 2014b). They also tend to operate smaller, less dynamic businesses than men, and are more likely to operate in non-capital-intensive sectors including personal services, trade, education and health, which often have lower potential for generating high, sustainable incomes. Put plainly, the entrepreneurship climate is favourable, and all necessary formal institutions are in place to promote it. This paper attempts to understand the context that shaped the development of Baltic female entrepreneurship as it is now.

The following will examine the unique interplay of formal and informal institutions that have played a role in the development of female entrepreneurship in Latvia, Lithuania and Estonia since the collapse of the Soviet planned economy until today. Whereas research on female entrepreneurs is extensive in developed countries, especially in the USA and Western Europe, there are comparatively few studies on the development of female entrepreneurship in the former Soviet Union.

Welter and Smallbone (2010a, 2010b) conclude that entrepreneurship researchers frequently neglect the embeddedness and context specificity of entrepreneurship.

Environment plays a role in influencing patterns of entrepreneurial behaviour. Hence, it can be suggested that female entrepreneurship research (and entrepreneurship research in general) needs to move beyond the narrow focus of opportunities *per se*. This paper takes into account the frequently cited paper by Ahl (2006), focussing on the gendering of institutional orders and how they are constructed and reconstructed. An examination of business legislation, family policy, support systems for entrepreneurs, cultural norms, how childcare is arranged, gendered divisions of labour, etc. can all allow for closer study that will hopefully allow a better understanding of female entrepreneurship.

This paper is structured as follows. First, we proceed by providing the theoretical framework and overview of the entrepreneurship environment in the Baltic countries with regard to the post-Soviet context of female entrepreneurship. Research methodology and data are then introduced, and followed by a discussion of the main findings, conclusions and policy implications.

Institutional context and female entrepreneurship

The World Economic Forum recognises that empowering women to equally participate in the global economy could add US\$28tn in GDP growth by 2025 (World Economic Forum 2018). Empowerment of women and their economic development are closely related: on the one hand, development in and of itself can play a major role in driving down inequality between men and women. On the other hand, empowering women may benefit development in general (Duflo, 2012). Theoretical and empirical works conclude that women are of crucial importance to the process of introducing innovations into markets; they create employment (including self-employment), contributing to overall wealth in economies around the world (Brush *et al.*, 2006).

Academics and practitioners agree that female entrepreneurship plays a significant role within the context of socio-economic development (Allen *et al.*, 2007; Lechman and Okonowicz, 2013). Women entrepreneurs create jobs and innovation, and contribute to the GDP of various economies just like their male counterparts. However, even more compelling are the contributions women entrepreneurs make to society. There is growing evidence that women are more likely to reinvest their profits in education, their family and community (Brush, 2017). Even more, studies have proven that women are more likely to start businesses with both social and economic goals and even hybrid ventures (Meyskens *et al.*, 2011). Many studies provide evidence indicating the prominent character of female entrepreneurship with respect to poverty reduction (Yunus, 2007) and tend to emphasise its profound impact on local communities and their surroundings (Court, 2012).

There is growing recognition in entrepreneurship research that economic behaviour can only be understood within the context of its social relations (Welter and Smallbone, 2010a; Steyaert and Katz, 2004). Entrepreneurs and their activities are influenced by the opportunities and incentives provided by a country's context, which is made up of both formal and informal institutions (Aidis, 2017). Sociocultural and political-institutional environments influence entrepreneurial attitudes and motives, the resources that can be mobilised, as well as the constraints and opportunities on/for starting and running a business (Martinelli, 2004). As a consequence, the context has an impact on the nature, pace of development and extent of entrepreneurship, as well as the way entrepreneurs behave. With regard to women's entrepreneurship, the variety of institutional contexts can be either a liability or an asset. This means that an institutional analysis of women's entrepreneurship in a post-Soviet transitional context needs to take into account gender roles as they were supported by Soviet governments, as well as pre-Soviet legacies in this regard (Welter *et al.*, 2010).

Formal institutions such as laws and public policy that guarantee the rule of law, protection of property rights, and gender equality will typically stimulate entrepreneurship. At the same time, informal institutions such as values, norms, and stereotypes will leave an imprint on the general attitude of a society as well. How do individuals perceive entrepreneurship and entrepreneurial opportunities? (Welter and Smallbone, 2003) With regard to women entrepreneurs, formal institutions mainly influence the extent to which female entrepreneurship is able to develop (as well as entrepreneurship more generally). This also includes the types of enterprises women are engaged in (Aidis *et al.*, 2007). Informal institutions represent socio-cultural factors that may shape an entrepreneur's feasibility, desirability and legitimacy considerations when examining entrepreneurship as a potential career choice. For example, formal institutions such as laws may enable women to enter entrepreneurship, but social norms may still discourage them from engaging in various activities (Pathak *et al.*, 2013). As Welter and Smallbone (2003) note, while formal institutions can create entrepreneurial fields of opportunity, informal institutions can strongly influence their collective and individual perception. As informal institutions are deeply embedded within a society and its culture, they determine gender roles and prescribe typically "male" or "female" behaviour (Ahl, 2006), thus impacting the desirability, nature and extent of entrepreneurship for women.

Institutional theory addresses the deeper and more resilient aspects of social structure. It considers the processes by which structures, including patterns, rules, norms and routines become established as authoritative guidelines for social behaviour (Scott, 2005). Different components of institutional theory explain how these elements are created, diffused, adopted and adapted over space and time, including how they fall into decline and disuse. Social ideals, perceptions and specificities concerning gender roles may govern an individual's behaviour. This has had an impact on both the nature and extent of women's entrepreneurship, as gender roles contain information about "typical" and "wanted" behaviour for a woman, as well as the behaviour of an entrepreneur (Welter and Smallbone, 2010b). Women and men are socialised differently, meaning they have different orientations especially when it comes to social roles, professions and business. This ultimately impacts people's aspirations and inclinations towards specific jobs and entrepreneurship (Gupta *et al.*, 2009; Cejka and Eagly, 1999).

Scholars interested in the relationship between gender and career choices contend that men's and women's preferences are a reflection of their knowledge about gender-related characteristics associated with the task (gender role stereotypes), as well as their identification with masculine or feminine characteristics (gender identification) (Gupta *et al.*, 2009). Expectations and beliefs concerning the qualities that men and women bring to their work often dictate the types of jobs that are considered appropriate for them, leading to a situation in which the requisite characteristics for some jobs are defined in terms of gender. These jobs become known as "men's work" or "women's work" (Gupta *et al.*, 2009). More so than other types of social actors, professions in modern society have assumed leading roles in the creation and tending of institutions. They are the preeminent institutional agents of our time (Scott, 2008).

Opportunity recognition is influenced by personal ambitions, i.e. the willingness of entrepreneurs to choose among different opportunities when identifying and pursuing an idea. Self-perceptions and ambitions are closely linked because the way entrepreneurs perceive themselves and their situation will influence their willingness to persist towards achieving their goal (de Bruin *et al.*, 2007). Assumptions about entrepreneurial "alertness" may in fact be "gendered" because of their underlying assumption about rational behaviour. Cognitions and perceptions influence discovery and exploitation. However, if women are

socialised differently, they will perceive opportunities in a different way (de Bruin *et al.*, 2007).

Cultural norms and values can influence the pathway into entrepreneurship, and more specifically, women's intention to set up a business (Welter *et al.*, 2003). Most entrepreneurial research has found very similar entrepreneurial motivations, with independence and the need for self-achievement always ranked first (Hisrich, 1984). Other motivational factors are often less important. However, when flexibility in the workplace is included in the survey, it is also identified as another important factor motivating female entrepreneurship (DeMartino *et al.*, 2006). This quest for autonomy and flexibility may be particularly relevant for women with caretaking responsibilities (Carter, 2000; Hewlett, 2002) who accordingly seek to combine work and non-work activities (Mordi *et al.*, 2010).

Included among these antecedent factors is the influence of role models on the potential entrepreneur's thought process (Van Auken *et al.*, 2006). Environmental influences on the meaning of culture may be reflected in both social norms, as well as in a wider sense when it comes to the role models entrepreneurs draw upon (Dombrovsky and Welter, 2006). Media plays a significant role in the creation and development of socially accepted gendered roles and role models.

We argue that women's entrepreneurship occurs over a range of settings and contexts. This means that an integrated framework must reflect the embeddedness of women's entrepreneurship within macro, meso and micro environments. Moreover, the framework should also have a cultural context so that differences across countries and institutional settings can be analysed.

The distinctiveness of the post-Soviet context

The post-Soviet political and socioeconomic contexts continue to have a major impact on female entrepreneurship in the Baltic countries. During the Soviet era, women's roles were complex. On the surface, Soviet women had accomplished an impressive level of emancipation by the late 1980s. Education is one area in particular, in which the state socialism of the Soviet Union deserves undeniable credit (Tohidi, 1998, p. 142). Free universal primary and secondary education were introduced by the 1970s. There was universal literacy among women in the Soviet Union, and women were generally better educated than men. In the late 1980s, women constituted 61 per cent of specialists with higher or secondary specialised education and 54 per cent of students in higher educational establishments (Pilkington, 1992, p. 182). Interestingly, the Baltic countries were the most advanced and developed part of the Soviet Union, with relatively higher productivity and higher education levels.

As Welter and Kolb (2006) suggest, from the standpoint of labour market participation, female entrepreneurship depends not only on the availability of market opportunities. It is also influenced by the existing institutional environment, which includes a society's perceptions of female employment. In Western economies, female participation in labour markets started to increase only in the 1970s. Contrarily, in the Soviet Union, female labour market participation was high since the end of WWII, a product of gender equality being a priority on the Soviet party agenda. Soviet rule made work mandatory for everybody, and prosecuted those without it. In addition, average salaries were low, and one income was often not enough to support a family, making women's contributions to the household essential. This resulted in one of the world's highest female workforce participation rates, with 90 per cent of working-age women being employed or in job training (Welter and Smallbone, 2010b).

Although full gender equality was never achieved in the Soviet Union, imposed gender equality resulted in noticeably progressive perceptions of women's role in society. Many women were highly educated, providing a substantial share of professionals and scientists. Although there were few women among party elites and top management positions, women occupied many middle-level management positions. They were scientists, doctors and lawyers. The media portrayed women as front-line labour heroes in every sector, and the general propaganda perception was that women were equal to men and could succeed in any field.

Welter and Smallbone (2010a, 2010b) suggest that gender equality in the Soviet Union never translated into leading positions in the Soviet economy, with less than 6 per cent of Soviet high level managers being women. Moreover, Soviet women were invisible in key decision-making institutions, and few women were able to gain access to high party positions beyond "show" institutions (Welter and Smallbone, 2010b). Although women comprised 50.9 per cent of workers in the Soviet economy, there was gender-based occupational segregation, and their wages were between 70 to 85 per cent of men's wages (Pilkington, 1992). This left women with a lack of "high-level" Soviet network contacts, disadvantaging them in the early stages of transition, where contacts with the administration and politicians were able to help entrepreneurs work around legal obstacles in getting started, which became apparent in the privatisation process in many former transition countries (Welter and Kolb, 2006).

In addition to the standards demanded of them in the domestic sphere, the "ideal" industrial Soviet woman was educated, excelled at work, never complained, and did everything for the prosperity of the Soviet Union. The worker-mother role model of Soviet societies still left women with the dual responsibility of being successful workers and mothers. Family policies encouraged women to enter the workforce, while at the same time acknowledging their role as mothers and guaranteeing maternity leave. Both pre-school and school systems were organised in a way allowing women to fully engage in the workforce.

During the transition period, most societies aimed to shift from the Soviet notion of women as worker-mothers to a more traditional role where women stayed at home with their families. This represented a natural rejection of the ideals imposed during Soviet times. Nevertheless, after the Baltic countries regained their independence, many women continued to participate in the workforce. The high female workforce participation rate during the 1990s was because of the Soviet era gender equality policies, as well as the downward economic trend during the 1990s, in which women's financial support of households was important. Female workforce participation rates remain high in all Baltic countries to date, constituting 63.6 per cent in Estonia, 68.4 per cent in Latvia, and 70.2 per cent in Lithuania.

The first female entrepreneurs started to engage in entrepreneurship at the beginning of the 1990s. This was partly a necessity-driven choice, as women (as well as men) lost their jobs and had to find the means to support themselves and their families. However, it was also opportunity-driven, with some women continuing similar economic activities they had done during Soviet times, privatising the companies they worked in or exploiting the knowledge and networks they had developed. Under Soviet rule, private business ownership was illegal or severely limited. Rehn and Taalas (2004) suggest that entrepreneurial behaviour nevertheless flourished during the Soviet period, as individuals struggled to cope with the material shortages of the Soviet system. With this in mind, the former USSR might in fact be seen as a highly entrepreneurial society (Welter and Smallbone, 2014). The new transition period generation of entrepreneurs, although not having any official experience and knowledge of the basic principles of free market economies, were nevertheless still able to draw on their practices.

Today, the commercial environment in all three Baltic countries is considered generally favourable when it comes to entrepreneurial development. The governments of Lithuania, Estonia and Latvia have adopted laws establishing copyrights, patents and trademarks, as well as the means for enforcing their protection. The legal system, tax structures, trade, and other regulations have been significantly modified to harmonise with EU standards. Most EU directives have been transposed into the legislative systems of Estonia, Latvia and Lithuania. Telecommunication services are modern, and the real estate market provides both modern housing and business venues.

Access to both domestic and foreign markets is of crucial importance in driving entrepreneurial development. The enterprises established in the Baltic countries enjoy easy access to the combined population of over 500 million EU inhabitants. Local entrepreneurship development agencies that operate under the ministries of economics in each country, together with chambers of commerce and trade, have special programs to help entrepreneurs access foreign markets.

Considerable progress has also been made in developing the institutional framework for enterprise development on the meso level. This includes unions, associations, and chambers established by special interest groups, and done mainly on a voluntary membership basis. Some of these, such as the Chamber of Trade and Commerce, as well as specialised sector-based organisations, have been the main source of support for businesses, particularly when it comes to maximising access to foreign markets (Xheneti and Smallbone, 2008).

A well-developed financial market facilitates entrepreneurship and economic growth by reducing the costs of external finance to firms. Limited access to capital because of underdeveloped financial markets is often the biggest roadblock for latent entrepreneurs. The Baltic banking sector is dominated by a few systemically important, foreign-owned banks (Swedbank, SEB and Luminor), and the relatively high mark-ups in the sector reflect weak competition. Market power furthermore magnifies the credit constraints for SMEs. In addition, foreign-owned banks and large banks with complex and hierarchical structures tend to engage less in relationship lending compared to domestic banks, thereby lending less to SMEs and start-ups (OECD, 2017). In addition, insufficient collateral hinders Baltic SMEs' ability to access bank lending, thus impeding entrepreneurship development in the region in general.

Among 190 countries in the World Bank's ease of doing business index, Estonia ranks 12th, Latvia ranks 19th, and Lithuania ranks 16th, surpassing Germany, Austria and Iceland. This is an indication that their regulations for business creation and operation are straightforward and transparent, with efficient protection of property rights (World Bank, 2017). Modern e-solutions make setting up and running a business in the Baltics quick and easy. Solutions such as digital signatures, electronic tax returns and electronic registries of commercial companies have facilitated an environment where business is easy.

Taking into account the award-winning development of entrepreneurship support systems and the general attitude towards modern Western values of democracy, equality and tolerance, the low number of female entrepreneurs in the Baltics is unexpected. Although the general business environment for entrepreneurship development is quite favourable in the Baltics, the other general values that exist such as gender stereotypes and social constructs might in fact act as barriers to the development of female entrepreneurship in the Baltics.

Institutional analysis of secondary data

This paper is based on an institutional reading and analysis of secondary data: statistical data, international reports and previous studies on female entrepreneurs. Although the

research on female entrepreneurship in transition and post-transition economies is growing, studies concerning female entrepreneurs and female entrepreneurship in the Baltic countries are limited.

This study draws on different sources to examine female entrepreneurship in the Baltic countries, taking into account that the data are not always representative and comparable. A broad and general statistical basis concerning Estonian, Latvian and Lithuanian populations and employment is provided by the labour force surveys and the central statistical bureaus of each country. Because more data are necessary to understand the development of female entrepreneurship, we used the data from the national registries of commercial enterprises of each country. The registries of commercial enterprises in Estonia and Latvia differentiate between female and male company owners, while the Lithuanian registry does not, making the data provided of limited use. Furthermore, we analysed statistical data on women entrepreneurs from the study carried out by the European Commission and OECD. We also drew on data from a representative large-scale population survey carried out within the framework of the Global Entrepreneurship Monitor, as well as the Gender Equality Report carried out by the World Economic Forum. Our study also used data from the Eurobarometer and European Investment Bank annual surveys.

Female entrepreneurship in the Baltics

This section presents analyses of the data and findings on female entrepreneurs in the Baltic countries. The female entrepreneurial development in Estonia, Latvia and Lithuania is influenced by differences in market sizes, government policies, levels of democracy, degrees of economic development, entrepreneurship climates and many other contextual factors. It is also greatly shaped by the informal context of cultural norms, behavioural standards and expected gendered roles that together contribute to heterogeneous external and internal conditions, as well as variations in patterns of entrepreneurial behaviour and outcomes.

There were 131,600 female entrepreneurs in the Baltics in 2017. In total, 57,600 of them were in Lithuania, 45,300 in Latvia and 28,700 in Estonia. They constituted 8.47 per cent of all women in the labour force in Estonia, 9.61 per cent of all women in the labour force in Latvia and 9.5 per cent of all women in the labour force in Lithuania in 2017 (Statistics of Estonia, Statistics of Latvia, Statistics of Lithuania). The European Union reports 10 per cent as an average percentage of female entrepreneurs in the overall active labour force (entrepreneurship rate) (European Commission, 2014a, 2014b). Nevertheless, great variation among countries exists. For example, according to the Statistics of Estonia, Statistics of Latvia and Statistics of Lithuania, in 2017 the percentage of female entrepreneurship among all entrepreneurs (both male and female) in Estonia was 29.3 per cent; 42.4 per cent in Latvia, and 36.9 per cent in Lithuania. The variations among female entrepreneurship rates in Estonia, Latvia and Lithuania are considerable, and further research will be required to provide explanations regarding exactly why. The EU 2012 average percentage of female entrepreneurs among all entrepreneurs was 30 per cent, although there are considerable variations among EU countries (European Commission, 2014a, 2014b) (Figure 1).

The lowest female entrepreneurship rate within total active female labour occurred in 2008 in Latvia when the entrepreneurship rate was 6.14 per cent and 2010 in Estonia and Lithuania when the entrepreneurship rate was 5.77 and 7.12 per cent, respectively. This decrease in female entrepreneurship coincided with the global economic crisis of 2008 which triggered the collapse of the Baltic property markets. In 2008, Latvia's GDP shrank by 4.6

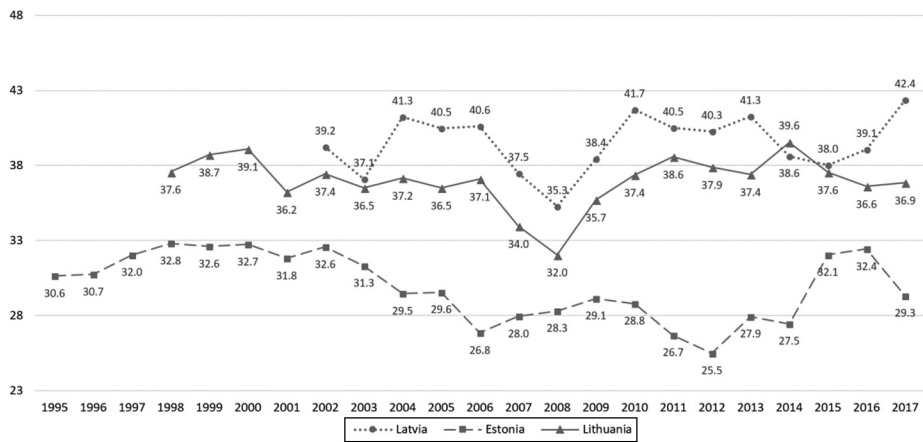


Figure 1.
Percentage of female entrepreneurship among all entrepreneurs

Sources: Statistics of Estonia; statistics of Latvia; statistics of Lithuania

per cent, Estonia's by 3.6 per cent, while Lithuania's GDP slowed to 3.0 per cent. At the same time, male entrepreneurship rates among all entrepreneurs only fell by less than 1 per cent in all three Baltic countries.

The Soviet legacy of valuing education continued during the period of independence, and education levels continue to be high in all three Baltic countries. During the Soviet period, women were better educated than men; this situation remains the same to date.

According to the statistical data on women entrepreneurs in Europe, the average education level of women entrepreneurs does not vary significantly among the Baltic countries (EC, 2014a, 2014b). To compare countries, an average indicator was calculated weighting the three education levels: 1 for the low level, 2 for the middle level and 3 for the high level. Here, an indicator value of 1 meant that all entrepreneurs had attained pre-primary, primary and lower secondary education. An indicator value of 3 meant that all entrepreneurs had attained first and second stages of tertiary education. The data provided referred to the highest attained level achieved by an entrepreneur. On average, the education level of all entrepreneurs in the Baltic countries including female entrepreneurs is higher than the average level of entrepreneurs including female entrepreneurs in the EU-28 countries. Estonian female entrepreneurs have the highest level of education among the Baltic countries, as well as one of the highest levels among the EU-28.

The education level of female entrepreneurs is higher than male entrepreneurs in Estonia and Latvia, while the education level of male entrepreneurs is higher than female entrepreneurs in Lithuania (Figure 2). This makes it the only country with this proportion, among not only the Baltic countries but also the EU (European Commission, 2014a). Estonian female entrepreneurs have the highest level of education among the Baltic countries as well as one of the highest levels among the EU-28.

Despite high educational levels, female entrepreneurs in the Baltic countries are concentrated in non-capital-intensive sectors like health and social services, food and

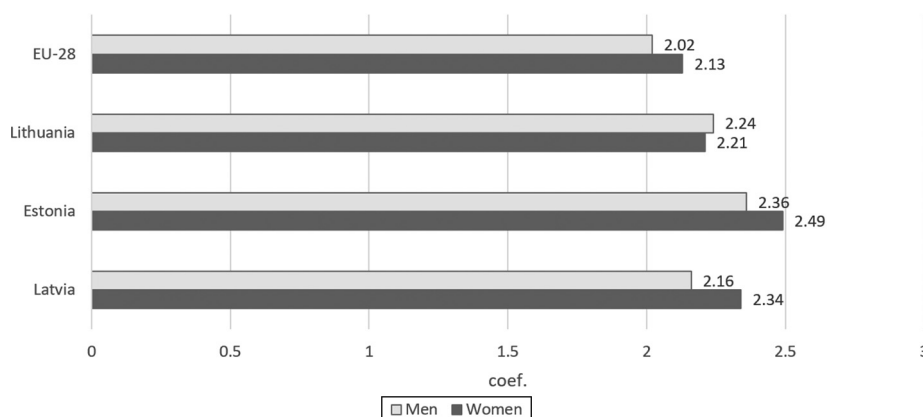


Figure 2.
Education of
entrepreneurs

Source: European Commission, 2014

accommodation, and education. In 2012, according to European Commission data (EC, 2014a, 2014b), the highest proportions of Baltic female entrepreneurs among the total number of entrepreneurs in a sector were in the following professions: health and social work activities (77 per cent); education (64 per cent); accommodation and food services (62 per cent); and arts, entertainment and recreation (50 per cent). The lowest proportions were in the sectors of information and communication (23 per cent), transportation and storage (21 per cent), and construction (5 per cent).

The sectoral distribution of employed women and men is similar to the sectoral distribution of entrepreneurs, and it has not changed since 2008 (Statistics Estonia, 2018; Statistics Latvia, 2018; Statistics Lithuania, 2018). The annual growth in sectors with a higher ratio of women was -3 per cent from 2009 to 2012 (Table I). Contrarily, the average annual growth in women-neutral and women-underrepresented sectors was 1.2 per cent from 2009 to 2012 (European Commission, 2014a, 2014b).

	2004-2012 (%)	2009-2012 (%)
Professional, scientific and technical activities	-1.3	-6.9
Accommodation and food services	0.7	-0.7
Education	0.6	0.4
Administrative services	2.1	-0.1
Human health and social services	-0.5	-4.3
Arts, entertainment, recreation	0.8	-0.5
Other services	1.2	0.3
Average women-overrepresented sectors	0.1	-3.0
Women-neutral and women-underrepresented sectors	1.8	1.2
All sectors	1.2	-0.3

Table I.
Annual EU-28
growth in value
added by sector,
volumes

Source: European Commission (2014)

According to the OECD Economic Survey, female-owned and -managed businesses appear on average to be less oriented towards achieving high growth and creating substantial employment for others. New female entrepreneurs were less likely to expect to create six or more jobs over their first five years (OECD, 2017). Only 16 per cent of females in Estonia who were new entrepreneurs between 2010 and 2014 expected to create at least six jobs, which is substantially lower than the proportion of men who were new entrepreneurs (42 per cent). In Latvia, the figures are 37 per cent for female entrepreneurs compared to 55 per cent of male entrepreneurs, while in Lithuania the figures were 40 per cent and 45 per cent respectively (OECD, 2017).

According to the same OECD report, women in general are less likely than men to feel that they have the skills, knowledge, and experience to start a business. In Estonia, 34 per cent of women indicated that they had the sufficient skills, knowledge and experience to start a business over the 2010-2014 period. In all, 47 per cent of men on the other hand responded positively here. In Latvia, 37 per cent of women and 50 per cent of men think that they have enough skills and experience to start a business, and in Lithuania, this was 25 per cent of women and 43 per cent of men.

Estonia is considered the most developed of the Baltic countries, having their highest per capita GDP of 29,471€ in 2016 (<https://data.oecd.org/gdp/gross-domestic-product-gdp.htm>). The entrepreneurial environment in Estonia is considered the Baltic's best. Estonia here has the highest World Bank Doing Business score, the highest Economic Freedom score, and highest GDP. It was the first among the Baltic countries to become a member of the eurozone and OECD. Estonia was the first among the Baltic countries to introduce e-tax reporting and e-government. Significantly, Estonia was the first to introduce favourable profits. In addition, in spite of this, the female entrepreneurship rates in Estonia are the lowest when compared to female entrepreneurship rates in Latvia and Estonia.

The gender equality monitor conducted by the Ministry of Social Affairs in 2016 reports that in most Estonian families, women are responsible for household chores (laundry, cooking, washing dishes, helping children with their homework, communication with the kindergarten/school and teachers, and, in approximately half the families, house cleaning). Compared to earlier results (2009-2016), the distribution of household chores between men and women has remained widely unchanged (Vainu, 2016). A study on attitudes on gender equality performed among Latvians in 2014 reports that 58.1 per cent of respondents think that men are valued higher than women in Latvian society (Latvijas Fakti, 2014). According to the Eurobarometer (2017) Survey on Gender Equality, 74 per cent of Latvians, 73 per cent of Lithuanians and 70 per cent of Estonians think that the most important role of a woman is to take care of the home and family. There is also a gender pay gap in all three Baltic countries: Estonia has the highest gender pay gap in Europe of 28 per cent, Latvia 17 per cent, and Lithuania 13 per cent (European Commission, 2017). It can be suggested that this is because of gender stereotypes and prevailing attitudes towards women. In turn, it can be concluded that as women in the Baltic countries devote more time than men to domestic work, such as housekeeping and raising children, they are unable to invest as much time and effort into a business as male members from their household could. It can furthermore be argued that the worker-mother construct is still quite strong among the Estonians, Latvians and Lithuanians, leaving women with the double burden of work/entrepreneurship and household responsibilities.

Most women entrepreneurs in the Baltic countries are solo entrepreneurs, persons who operate their own economic enterprise, or engaged independently in a profession or trade.

They neither hire employees, nor are family workers or volunteers active in their enterprise. Solo entrepreneurs are also known as “own account” workers, with large differences existing between the countries. Data for the Baltic countries show that 68.65 per cent of all women entrepreneurs are solo entrepreneurs in Latvia, 72.13 per cent are solo entrepreneurs in Estonia and 85.21 per cent of all women entrepreneurs in Lithuania are solo entrepreneurs. Lithuania has the highest proportion of solo entrepreneurs, and Latvia has the lowest. In 2012, 77 per cent of women entrepreneurs in the European Union were solo entrepreneurs and 23 per cent were employers. The percentage of solo entrepreneurs has remained stable since 2008.

There are various reasons for entrepreneurs choosing to work part-time in their enterprises, such as having another job, household responsibilities, a need for leisure time, illness or disability, advanced age and study. In 2012, around one-third of women entrepreneurs in the EU-28 worked part-time in their enterprise (30 per cent). These figures were significantly lower for male entrepreneurs (12 per cent). The percentages of part-time entrepreneurs do not vary considerably between the Baltic countries. While the percentage of women part-timers was 26 per cent in Latvia and Estonia, it was 24 per cent in Lithuania. These part-time percentages have not changed significantly since 2008.

According to the European Commission data ([European Commission, 2014b](#)), male entrepreneurs on average spend more hours per week in their enterprise than female entrepreneurs, which is partly because of the fact that more women work part-time in their enterprise. Male entrepreneurs, both full-time and part-time, spend more time in their enterprise than females. In 2012, female entrepreneurs in Estonia worked on average 34.9 h per week in their enterprise compared to 40.2 hours for male entrepreneurs. Female entrepreneurs in Latvia worked on average 35.9 h per week in their enterprise compared to 38.3 h for male entrepreneurs. Female entrepreneurs in Lithuania worked on average 35.5 h per week in their enterprise compared to 39.5 h for male entrepreneurs.

Discussion, conclusions and policy implications

This purpose of this paper was to review female entrepreneurship in a (post-) transition context, analysing its almost three-decade development in Latvia, Lithuania and Estonia. Using an institutional perspective, it aimed to understand the unique co-existence of favourable business environments for entrepreneurs as well as low female entrepreneurship rates in Estonia, Latvia and Lithuania.

The analysis of female entrepreneurship in the Baltics showed that although female entrepreneurship rates in the Baltic countries are higher than in some EU countries (Norway, Iceland, etc.) and close to the European Union average, women are under-represented among the population of entrepreneurs; they tend to operate smaller and less dynamic businesses than men; and are more likely to operate in non-capital-intensive sectors which often have lower potential for generating a high and sustainable income. Women-owned and managed businesses in the Baltic countries appear to be less oriented towards achieving high growth and creating substantial employment for others. Women in general are less likely than men to feel that they have the skills, knowledge, and experience to start a business. The number of female solo entrepreneurs is higher than the number of male solo entrepreneurs in the Baltic countries. In total, 25 per cent of female entrepreneurs work part-time in the Baltic countries. In addition, male entrepreneurs spend more hours per week in their enterprise than women.

Because the average education level of women in general in the Baltic states is higher than the average education level of men, and there are no formal barriers for women to enter entrepreneurship, it can be assumed that women might face potential barriers that limit the use of their education and previous work experience in entrepreneurship. Despite a high education level, Baltic women are concentrated in certain sectors such as education, wholesale and retail trade, health care and social work, public administration, and accommodation and food services. It is not easy to start an own business with a background in these fields. Gender-based sectoral segregation is present between female education and employment in general in the Baltic countries. These sectors furthermore often have lower potential for generating a high and sustainable income.

The analysis of female entrepreneurship data in three Baltic countries implies that there are relatively strong gender stereotypes supported by Estonians, Latvians and Lithuanians which result in gender segregation in both education and the labour market. The question still remains whether these gender stereotypes that existed before the Soviet period now re-emerged during the period of the second independence, or if these gendered attitudes and institutions were adopted when joining the European Union and implementing Western policies and practices. What we definitely can observe in the Baltic countries is a mixture of the Soviet era-imposed mentality of equality, and gendered models accepted by society. Taking into account that none of these governments have ever implemented specific female entrepreneurship programs, it can be argued that the Soviet era worker-mother model continues to result in women being active in the workforce and entrepreneurship while they continue to be responsible for their households and childcare. At the same time, the “glass ceiling” results in women being underrepresented in managerial positions. The study by Anspal *et al.* (2010) indicates that men are dominant among managerial positions in general. This is especially remarkable in light of the fact that, as described above, women have a higher education level than men.

Although the governments of the Baltic countries have been able to create favourable entrepreneurship environments, the development of female entrepreneurship has not received enough attention. The general vision of economic policies in the Baltic countries is the creation of an open, competitive, and stable economic framework supporting business activities. However, at the same time, there is no record of developing women’s enterprise policy, and gender issues are still not a focus of entrepreneurship and businesses development strategies for their governments. Even more, the discussion about gender-specific problems (gender stereotypes, women barriers to leading positions and entrepreneurship, gender inequality, etc.) is almost non-existent in the Baltic countries. It can be argued that the low amount of female entrepreneurs is not because of a lack of education and skills, but might instead be caused by other reasons such as stereotypes, lack of ambition, lack of access to capital and information and family obligations.

As stated, none of the Baltic governments have implemented programs or policies encouraging and promoting female entrepreneurship. Even more, when asked about the existence of special support programs for female entrepreneurs, most of the representatives of government institutions have expressed the view that there is in fact gender equality in their country, making gender-specific support programs unnecessary, if not downright counterproductive towards gender equality. This could be a misinterpretation of gender equality resulting from persevering Soviet era gender equality perceptions. Alternatively, it could also be a sign of the notion that independence automatically introduced equality and modern Western values into the

respective society. Estonia, Latvia and Lithuania are not the only countries without gender-specific entrepreneurship support programmes. Several countries have erased all of their female-specific entrepreneurship support policies in recent years. For example, although Finland introduced the Female Business Loan to support female entrepreneurs, there are currently no business support programs for women. In addition, as in several countries, it is also possible that the Baltic governments are “mainstreaming” their policies in these areas.

Both academics and practitioners would agree that female entrepreneurship plays a significant role within the context of socio-economic development (Sarfaraz *et al.*, 2014). If the potential contribution of entrepreneurship to economic development and social inclusion is to be fulfilled, it is important that women and men are fully represented as entrepreneurs (Aidis *et al.*, 2007).

Despite the overall favourable business environment in the Baltics, it appears to continue to be out of reach for women. Even more, despite the fact that education is an important antecedent for (growth) entrepreneurship, the high education level of Baltic women entrepreneurs does not seem to lead to them owning and running growth-oriented companies. Put another way, this situation could be defined as a “business environment/education and gender paradox” where women cannot use their full potential to enter entrepreneurship.

Economic policy in the Baltic countries, including entrepreneurship policy, is not focussed on making the most of and advancing the underdeveloped potential of women. Female entrepreneurship in Estonia, Latvia and Lithuania is promoted and supported mainly by NGOs (providing micro credit, training and mentorship). Lithuanian, Latvian and Estonian Governments do not focus on the topic of female entrepreneurship as a means to increase the level of entrepreneurship. So broad institutional conditions need to be improved in the Baltic countries to achieve this. One of the most important aspects here is culture. Entrepreneurs are strongly influenced by role models and social context. It is therefore important to promote women entrepreneurs as role models and ensure that the education system is gender-neutral and does not discourage women from entering the fields of science, technology, engineering and mathematics. More targeted actions can be taken to ensure that family, social and tax policies do not discriminate against entrepreneurship by women.

Women entrepreneurs tend to have different motivations and intentions in entrepreneurship when compared to their male counterparts. Some women appear to be more likely to go into self-employment to better manage their work-life balance, while others start businesses to avoid the “glass ceiling” in employment. While it is important for individuals to have a range of choices on the labour market, women tend to have latent entrepreneurial potential that remains untapped. Policymakers need to unlock this potential, recognising that women are a heterogeneous group with wide variations in their motivations, intentions and projects.

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