



**WOMEN'S  
ENTERPRISE  
CENTRE**

# Impact of the COVID-19 Pandemic on Women Entrepreneurs

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**WOMEN'S  
ENTERPRISE  
CENTRE**

*Realize your  
business potential*

# Impact of the COVID-19 Pandemic on Women Entrepreneurs

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Women's Enterprise Centre (WEC) appreciates the opportunity to provide information and recommendations, which will help the Government of Canada to develop further strategies to reduce the impact of the COVID-19 pandemic on women entrepreneurs.

This document provides a brief summary of the current state of women's entrepreneurship, as well as the impact of COVID-19 that Women's Enterprise Centre has observed to date. It also shares how WEC has proactively worked to mitigate the effects of the pandemic, as a case study, and provides some recommendations for additional ways that women entrepreneurs can be supported during this time of economic recovery and beyond.

## **BACKGROUND: WOMEN'S ENTREPRENEURSHIP IN CANADA**

Women entrepreneurs account for 28% of all entrepreneurs in Canada (BDC, 2019), and play a critical role in the economic recovery of Canada. Prior to COVID-19, it was projected that advancing women's economic empowerment in Canada could add \$150B in incremental GDP by 2026, and increasing women's participation in entrepreneurship was identified as a key strategy to achieve such an objective (McKinsey Global Institute, 2017).

Entrepreneurship provides pathways for addressing inequalities in labour force participation for immigrant women, Indigenous women, women in rural and remote communities and women who require greater flexibility in their working structures.

Furthermore, investing in income-earning women can be a powerful catalyst for economic recovery and development, because women tend to invest more of their money – up to 90% – in their families' health, education and well-being, compared to 30-40% invested by their male counterparts (OECD, 2008).

Yet, as an under-represented group, Canadian women entrepreneurs must overcome several financial, systemic and personal challenges.

## CHALLENGES FACED BY WOMEN ENTREPRENEURS

- **Access to capital** – Women entrepreneurs access capital differently. Studies show that they access less than 3% of venture capital (Kramer, 2019), and receive 14% of loans (Visa, 2019).
- **Lower loan amounts accessed** – According to the 2018 Credit Condition Survey, while approval rates are now similar, the average amount of financing authorized to male-owned businesses is over 1.5x the average amount of their female counterparts (\$329K vs. \$129K, respectively).
- **Unconscious bias in lending** – In 2019, Women's Enterprise Centre surveyed women business owners, and found that less than 30% of respondents felt that banks, credit unions and government-funded lenders recognize and respond to their unique goals, wants and needs. Furthermore, less than 10% felt reflected in the lenders' marketing. This is significant, because the symbols, role models and language that lenders choose in their marketing contribute to unconscious bias and can be a significant barrier to diversity.
- **Hindered by the pay gap** – A 2020 report by Statistics Canada finds that women entrepreneurs earn a third less than men in the five years prior to starting a business (Grekou). This means they have fewer financial resources to invest in their business, and may contribute to women entrepreneurs' tendency to fund their business through their personal savings, friends and family.
- **Lower earnings** – Women entrepreneurs earn, on average, 58% less than male entrepreneurs, and own just 48 cents in equity for every dollar male founders own (Kramer, 2019).
- **Less experience and smaller networks** – Women business owners tend to have less experience working in their industry (Grekou, 2020), so they have fewer networks. They are also more likely to be first-time entrepreneurs (Grekou, 2020), which means they often lack essential business skills. In 2019, Women's Enterprise Centre surveyed 245 asked women entrepreneurs about their internal barriers to achieving their business goals. The top four factors were: 1) limited management and business training; 2) difficulties with business planning; 3) lack of mentoring; and 4) limited financial understanding.
- **Childcare demands** – In Canada, 24% of female small business owners have children under the age of 18 (Visa, 2019) and it is expected increased household responsibilities are defaulting to women.
- **Issues with confidence and growth mindset** – This is particularly true in industries where women are under-represented, such as STEM, as they can encounter feelings of impostor syndrome and belonging uncertainty

## THE WOMEN'S ENTREPRENEURIAL ECOSYSTEM IN CANADA

Twenty-five years ago, following a needs assessment, Western Economic Diversification founded the Women's Enterprise Initiative (WEI), which is comprised of women's enterprise organizations in each of the four Western provinces, to remove the barriers encountered by women entrepreneurs.

The WEI has consistently demonstrated positive results for its clients, and is considered a best practice nationally and internationally in supporting women entrepreneurs to start, scale and export.

The WEIs focus on four key areas: loans, advisory services, skills development, and mentoring. According to the most recent impact reported commissioned by WD in 2016, women entrepreneurs assisted by the WEI grew more than unassisted firms in terms of employment and sales, they stayed in business longer, and their labour productivity was higher. This holistic model works and the impact is significant.

In 2010, the WEIs founded the Women's Enterprise Organizations of Canada (or WEOC) to unite organizations from across Canada that support women entrepreneurs together, to share best practices and to advocate through a collective voice for women business owners. Organizations at the local, provincial, and national levels have become part of a vibrant entrepreneurial ecosystem in Canada and, in 2019, WEOC captured this ecosystem in an infographic to showcase and unite the many supports (available at [weoc.ca/ecosystem](http://weoc.ca/ecosystem)).

## PROGRESS FOR WOMEN ENTREPRENEURS PRIOR TO COVID-19

In Canada, significant progress has been made, due to increased awareness, improved resources, and enhanced collaboration between organizations from coast to coast. For example;

- **Access to capital** – As the lending space becomes more aware of inequities, there are positive signs of change. The percentage of women-owned small and medium sized enterprises requesting external financing increased from 20.7% in 2007 to 40.6% in 2017 (Statistics Canada, 2020).
- **Export activity** – The share of women entrepreneurs that export increased from 5.9% in 2007 to 11.2% in 2017 (Statistics Canada, 2019).
- **Innovation** – There has been an increase in women entrepreneurs engaged in at least one type of innovation (product, process, organization or marketing) over the past three years, up to 39.5% (Statistics Canada, 2019).
- **Improvements in growth performance** – Women-owned SMEs have improved their growth performance over time. Their share of medium- to high-growth SMEs, that is, businesses with an annual sales or revenue growth rate above 10% over the past three years, increased from 16.5% in 2011 to about 18.5% in 2017 (Statistics Canada, 2019).
- **Increased confidence** – In a 2019 Women's Enterprise Centre survey, 74% of WEC clients felt confident in their abilities as a business owner; 90% said they were able to sense opportunities in their environment; and 74% were able to set a strategic direction for their business.

- **Increasing representation of diverse founders** – According to a 2019 survey conducted by Women's Enterprise Centre, 59% of business support organizations in BC specifically market to women (compared to 38% in 2016), and 23% offer programs specific to women entrepreneurs (a jump from 15% in 2016).

In 2018, the Government of Canada launched the Women's Entrepreneurship Strategy, with a goal to double the number of women-owned businesses by 2025. Lenders like BMO earmarked capital for women business owners, and WEOC partnered with BDC to provide additional financing to women entrepreneurs. In 2019, Women's Enterprise Centre received funding from the Women's Entrepreneurship Strategy to establish a four-year program to support under-represented entrepreneurs across BC. WEOC also received funding to create a centralized national office.

## IMPACT OF COVID-19 ON WOMEN ENTREPRENEURS

With the onset of the pandemic, many entrepreneurs had to close their businesses due to health regulations or lack of customers. Women entrepreneurs were hit especially hard, as they tend to be in service-related businesses such as retail, accommodation, tourism and food services (Grekou, 2020). Most businesses saw a sharp drop off in revenues in March/April. Now after over 3 months, most businesses are open and running again in some form, although revenues remain lower than usual.

This pandemic has heightened the existing challenges that women entrepreneurs face, such as accessing capital, a lack of role models, lower levels of business acumen and managing work/life balance.

Many women entrepreneurs do not qualify for the Canada Emergency Business Account (CEBA) Loan of \$40,000. Only 50% of WEC loan clients have qualified to date. This is due to three main factors;

- *Business structure* – Women entrepreneurs are more likely to be first-time business owners operating as solo entrepreneurs or self-employed without employees and often not eligible for government programs or other types of funding;
- *Loan model* – Many government relief programs are being offered as loans, which is challenging given the business structure I just described. They are typically characterized by a weaker balance sheet and are, therefore, unable to support additional debt; and
- *Risk* – Women entrepreneurs are risk astute, and prefer different forms of support and advice.

Due to the inherent lack of role models, Women's Enterprise Centre finds that women benefit from holistic one-on-one supports when accessing funding, as they want to understand and consider all impacts.

Some were able to rapidly adapt to the changing environment. Others struggled with managing their reduced cash flow, and understanding and adapting to their financial situations.

According to a May 2020 study conducted by the Canadian Women's Chamber of Commerce, 61% of women entrepreneurs report a loss of contracts, clients and customers, compared to 34% of small businesses overall. The added pressures have also contributed to negative mental health.

As many women entrepreneurs have shifted to working from home, they are taking on additional household duties, including childcare. This shift to unpaid work further widens the gender gap; 53% of women report spending additional time on childcare during COVID-19, compared to just 12% of men. Indigenous founders report the largest increase in time spent on domestic work, and many report being unable to work from home due to insufficient infrastructure (Canadian Women's Chamber of Commerce, 2020).

## WOMEN'S ENTERPRISE CENTRE: AN EXAMPLE OF PROACTIVE SUPPORT

Over the past few months, Women's Enterprise Centre has risen to the opportunity to provide enhanced support to women entrepreneurs throughout the province of BC.

- Loan repayment concessions** – As a development lender, WEC has offered deferred loan payments and interest forgiveness, of which 90% of WEC loan clients accepted. Because WEC proactively works with loan clients based on their specific circumstances, the WEC repayment rate in recent years has been over 94%. This is a model that works for women entrepreneurs.

Women's Enterprise Centre is continuing to be proactive by offering interest only payments for the next 6 months to provide a much needed cash runway, and to relieve financial stress enabling business owners time to adapt and plan.

Approximately 50% of WEC loan clients have qualified for the CEBA loan of \$40K; roughly 10% are requesting 3 months of interest-only payments; and an estimated 40% are requesting 6 months of interest-only payments. Most of all, these women need support to understand their options, and to create a solid plan for recovery.
- Increased training** – WEC developed a “Strength in Numbers” webinar series to address common concerns of women entrepreneurs and provide an information service to women trying to navigate different supports. WEC also provided financial and negotiation training free of charge, and is developing a series of training and resources to aid women-owned businesses with digital transformation. Between March and May 2020, WEC saw a 202% increase in training participants over the previous year.
- Advisory services and support** – The advisory team has been helping entrepreneurs to understand their options, create a solid plan for recovery and navigate the many government. Helping entrepreneurs to navigate all of the programs and resources, as well as to adapt business models and manage cash flow have been the key focus of inquiries to the WEC team, and colleagues across the country are seeing the same. Between March and May 2020, WEC experienced a 39% increase in the number of one-on-one business advisory appointments over the previous year.
- Mentoring** – Research also shows that 88% of entrepreneurs with mentors survive in business, compared to a 50% failure rate for those without a mentor or champion. Women's Enterprise

Centre continued to offer One-to-One Mentoring and Peer Mentoring Groups virtually, and extended full bursaries to all women who joined after the onset of COVID-19.

- **Working with other lenders to improve access to capital** – Women's Enterprise Centre has partnered with a BC-based credit union, Vancity, to support their new loan product designed for women entrepreneurs with wrap-around support services. This was launched on June 22, 2020 with an immediate surge of applications. This indicates that while many government support programs have been offered over the past few months, there are still many gaps.

## RECOMMENDATIONS TO SUPPORT WOMEN ENTREPRENEURS

Women's Enterprise Centre recommends the following actions:

### **Track and report demographics of business owners accessing support**

**Data Collection:** Request that Financial institutions and investors build diversity and inclusion metrics into the key performance reporting metrics for all divisions and sections of their company that work with and for women entrepreneurs. And that Government applies a gender and diversity lens across economic development, research and innovation and support for small businesses, including COVID-19 recovery programs, to collect data and report on the impacts of the programs on women. For example, tracking the percentage of women entrepreneurs accessing the Canada Emergency Business Account (CEBA) loan will provide valuable insight and identify key gaps.

### **Develop a national childcare policy**

This will allow women to shift from the unpaid economy and increase their economic contributions, including business growth. A short-term strategy to address the immediate need could be developing a caregiver grant. This would alleviate the additional caregiving responsibilities that have resulted in decreased productivity for women entrepreneurs. This grant can be used to hire additional support for childcare or to take on increased business activities.

### **Offer a matching grant for women accessing funds through the Women's Entrepreneurship Strategy**

Vehicles, such as the Women's Enterprise Initiatives, already deploy loans in each province. A grant match program of even \$10,000 can help a business owner survive if they have a prepared cashflow, plan and ongoing support.

### **Leverage the existing ecosystem to improve access to training and support**

Work with existing organizations across Canada to collaborate on increased online training, mentoring and support for women entrepreneurs who access supports from members of the Women's Enterprise Organizations of Canada, including the Forum for Women Entrepreneurs. As the world moves through the pandemic, a combination of funding and support will be essential to increase the success rate for small business owners in Canada, particularly women.



### **Provide tax incentives for gender lens investing**

Unlock new capital by offering tax incentives for private investors who invest with a gender and sustainability lens. This is needed now to support recovery, and beyond the pandemic to fuel the proliferation of women owned businesses to advance women's economic empowerment.

## **ABOUT WOMEN'S ENTERPRISE CENTRE**

Women's Enterprise Centre is a non-profit organization devoted to helping BC women start, lead and grow their own businesses. Our team of professionals provides business loans, skills training, advice, mentors, resources and a supportive community to women across the province.

Established in 1995 by Western Economic Diversification Canada, Women's Enterprise Centre provides business loans up to \$150K, business skills training, personalized business advice, mentoring, practical resources and a supportive community to help women business owners gain the skills, mindset, financing and networks they need to realize their business potential.

To ensure that Women's Enterprise Centre continues to provide future-focused, relevant programs and services WEC conducts regular research into women's entrepreneurship; roundtables and consultations with leaders, clients and other lenders; and compile external monitoring data.

Women's Enterprise Centre educates the ecosystem about women's entrepreneurship and diversity in business, with training on inclusiveness, unconscious bias and supplier diversity. WEC advocates for women in business by sharing knowledge as the authority in women's entrepreneurship in dialogues, roundtables and international forums, such as the W20, The Next Billion Conference, the Women Entrepreneurs Forum, the Small Business Network of the Americas and APEC. Women's Enterprise Centre also champions women leaders as role models, storytellers and mentors, and nominate them for awards.

As of March 31, 2020, Women's Enterprise Centre has:

- provided almost \$29.9M in direct financing to women-owned businesses in BC and leveraged an additional \$42.9M of indirect financing to the economy. This has created over \$2.18 Billion in economic activity in the province since 1995, which helped create or maintain over 3378 jobs in BC.
- conducted 66,619 business advisory sessions with 25,517 women seeking business advice and assistance, and responded to 144,122 inquiries for information.
- accommodated 38,859 women in 2,089 Women's Enterprise Centre seminars and workshops to improve their business skills.
- matched over 1,300 women business owners with experienced entrepreneurs for mentoring relationships (since 2007)

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