

# IfM Standpoint

No. 36

## Surprisingly few differences

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Restrictions on entrepreneurial activity in the wake of the Covid-19 pandemic, homeschooling, closed kindergartens and childcare centres: the effects of the Covid-19 pandemic hit the self-employed totally unexpectedly, and in such a way, they could hardly have prepared for – even though the equity ratio of most companies was significantly higher than, for example, at the beginning of the financial crisis in 2008/09 thanks to the good profit situation in previous years and they were thus better prepared.

The pandemic is something which in economics is known as an exogenous shock. It resulted in an extraordinary economic crisis. The mutability of the virus has proved to be particularly malicious, having caused and still causing additional uncertainty on the part of companies and politicians. To limit the consequences of the pandemic as far as possible, extensive contact restrictions have been imposed several times since spring 2020, individual sectors of the economy have been sent into weeks of (partial) lockdown, and schools, childcare and daycare facilities have been repeatedly closed for months at a time. This was already a great challenge for dependent employees with children or relatives to care for. Still, it also presented many self-employed with enormous obstacles: They had to protect themselves and – insofar they had employees – also their staff from the pandemic. At the same time, they had to secure the continuity of their business and thus their economic existence. And last but not least, they had to make up for the lack of care for their children or relatives in need of care.

It might seem at first glance that the anti-pandemic measures had affected the female self-employed to a greater extent than their male counterparts. After all, women already bear the overwhelming share of household management and care for dependents in normal times. This is an expression of the so-called gender-specific division of labour, which may also contribute to women being less likely than men to be self-employed. It is undisputed that this is one reason why women are more likely than men to be self-employed on a part-time

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Gefördert durch:



Bundesministerium  
für Wirtschaft  
und Energie

aufgrund eines Beschlusses  
des Deutschen Bundestages

Ministerium für Wirtschaft, Innovation,  
Digitalisierung und Energie  
des Landes Nordrhein-Westfalen



basis and why their field of activity is more often in the personal services sector. In other words, in sectors where the barriers to market entry are low and where competition is intense.

Companies run by women are not only found more often in other sectors than those run by men. Their companies are usually smaller and younger. This means that women-owned businesses tend to be more vulnerable to crises, even though a study conducted in pre-Corona times by the IfM Bonn on the crisis resilience of businesses in the greater Frankfurt area showed that women-owned businesses did not suffer crises more often than businesses run by men. However, the causes of crises and the measures taken by the sexes to overcome crises differ.

The economic crisis triggered by the Corona pandemic affected business sectors to very different degrees: A large number of them were able to operate largely unhindered by adhering to a hygiene concept and were also able to make up for lost sales during the first lockdown. Some sectors, such as food retailing or the IT industry, could even increase their turnover. In other sectors such as hospitality, textiles, clothing and footwear retail, as well as arts, entertainment and recreation, the pandemic has led to massive sales declines, which cannot be recovered in most cases due to the specific business model.

Taking the development of turnover in the individual sectors as an indicator of the extent to which they have been affected by the Covid-19 pandemic and contrasting this with the proportion of female self-employed in the same sectors, it can be seen that female self-employed are not more severely affected by the effects of the Covid-19 pandemic than male self-employed. A few examples: In the manufacturing sector, where many companies initially suffered considerable turnover losses, female self-employed are underrepresented. This also applies to the construction industry, which has come through the crisis quite well up to now. On the other hand, they are overrepresented in the hotel and restaurant industry and possibly in the retail trade with textiles, clothing and shoes. For some service sectors with a very high share of female self-employed, however, no data on turnover development is available yet.

But the crisis is only one side of the coin. The other is the wide range of support measures provided by the Federal government and the Länder. Looking at the terms and conditions of the Emergency Aid (Soforthilfe), November aid, December aid, Bridging Money (Überbrückungsgeld) – i.e. the main programmes for the self-employed and small and medium-sized enterprises –, nothing can be identified that indicates to a systematic disadvantage of the female self-employed. However, due to a lack of data, it will hardly be possible to determine the extent to which female and male self-employed persons have actually made (equal) use of the support measures.

For some self-employed who cannot use this support, it has been difficult to cover their living expenses. The basic income support for jobseekers was supposed to step in. However, these benefits were rarely claimed, possibly due to a general reluctance of many previously successful self-employed persons to submit such an application. In addition, despite the simplified access to basic income support, female self-employed persons often did not fulfil the eligibility requirements because they live in a partnership and their partner has a high income.

Irrespective of this, there are signs of hope among women-owned businesses that they – like men-owned businesses – are coping with the pandemic better than feared. Last year, fewer companies closed than in previous years. And women represented 30.7 per cent of business closures, only slightly higher than in previous years. Likewise, although start-up activities declined in 2020, the share of women here was also about the same as in previous years.

**Published on 23.08.2021, Süddeutsche Zeitung, p. 16.**