

## Gender Gap in Returns to Social Entrepreneurship

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**Abstract :** Background and research question: Gender differences in pay are present at all organisational levels, including at the very top. One possible way for women to circumvent organizational norms and discrimination is to engage in entrepreneurship because, as CEOs of their own organizations, entrepreneurs largely determine their own pay. While commercial entrepreneurship plays an important role in job creation and economic growth, social entrepreneurship has come to prominence because of its promise of addressing societal challenges such as poverty, social exclusion, or environmental degradation through market-based rather than state-sponsored activities. This opens the research question whether social entrepreneurship might be a form of entrepreneurship in which the pay of men and women is the same, or at least more similar; that is to say there is little or no gender pay gap. If the gender gap in pay persists also at the top of social enterprises, what are the factors, which might explain these differences? Methodology: The Oaxaca-Blinder Decomposition (OBD) is the standard approach of decomposing the gender pay gap based on the linear regression model. The OBD divides the gender pay gap into the 'explained' part due to differences in labour market characteristics (education, work experience, tenure, etc.), and the 'unexplained' part due to differences in the returns to those characteristics. The latter part is often interpreted as 'discrimination'. There are two issues with this approach. (i) In many countries there is a notable convergence in labour market characteristics across genders; hence the OBD method is no longer revealing, since the largest portion of the gap remains 'unexplained'. (ii) Adding covariates to a base model sequentially either to test a particular coefficient's 'robustness' or to account for the 'effects' on this coefficient of adding covariates might be problematic, due to sequence-sensitivity when added covariates are correlated. Gelbach's decomposition (GD) addresses latter by using the omitted variables bias formula, which constructs a conditional decomposition thus accounting for sequence-sensitivity when added covariates are correlated. We use GD to decompose the differences in gaps of pay (annual and hourly salary), size of the organisation (revenues), effort (weekly hours of work), and sources of finances (fees and sales, grants and donations, microfinance and loans, and investors' capital) between men and women leading social enterprises. Database: Our empirical work is made possible by our collection of a unique dataset using respondent driven sampling (RDS) methods to address the problem that there is as yet no information on the underlying population of social entrepreneurs. The countries that we focus on are the United Kingdom, Spain, Romania and Hungary. Findings and recommendations: We confirm the existence of a gender pay gap between men and women leading social enterprises. This gap can be explained by differences in the accumulation of human capital, psychological and social factors, as well as cross-country differences. The results of this study contribute to a more rounded perspective, highlighting that although social entrepreneurship may be a highly satisfying occupation, it also perpetuates gender pay inequalities.

**Keywords :** Gelbach's decomposition, gender gap, returns to social entrepreneurship, values and preferences

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