

# Female Entrepreneurship and the Childcare Crisis: Impacts on Economic Growth and Innovation

## Abstract

The rise of female entrepreneurship is reshaping the global economy, contributing to innovation, job creation, and inclusive growth. However, the persistent childcare crisis remains a significant barrier to the full participation and success of female entrepreneurs. Through the review of existing literature and the work of organizations dedicated to advancing women, removing barriers to entrepreneurship, and promoting economic prosperity, this article underscores the economic impact of female-owned businesses and the adverse effects of insufficient, unaffordable childcare on entrepreneurial capacity and growth potential. The findings illustrate the dual economic and caregiving roles women navigate, revealing how inadequate childcare policies can hinder business innovation and restrict economic expansion. This study concludes with policy recommendations designed to alleviate childcare constraints, thereby enabling the full realization of female entrepreneurial potential, and fostering broader economic growth, innovation, and resilience.

**Keywords:** • Entrepreneurship • Entrepreneur • Females • Women • Childcare • Economic growth • Innovation

## Introduction

Entrepreneurs are widely regarded as the backbone of the economy, contributing to approximately two-thirds of all new job creation in the United States over the past 25 years. Notably, women have driven significant entrepreneurial growth in America, accounting for 41% of new business ventures initiated since 2019 [1]. In addition, female entrepreneurship has emerged as a powerful force in the global economy, fueling innovation, generating employment, and promoting

## Research Article

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inclusive economic growth. Women's participation in business ownership and leadership contributes not only to economic diversity but also to a broader range of creative approaches and solutions within various industries. However, for many female entrepreneurs, the challenges of balancing professional ambitions with caregiving responsibilities create substantial barriers to business success. Notably, the ongoing childcare crisis, marked by limited availability, high costs, and systemic inaccessibility, significantly impacts the entrepreneurial landscape for women.

Research shows that affordable, reliable childcare is not merely a support mechanism for working families but a critical component of economic development. Since many traditional careers do not provide adequate flexibility to balance family and work, entrepreneurship is often viewed as an opportunity to create the elusive work-life balance. But for female entrepreneurs, the childcare gap is particularly burdensome, often stalling business activities, stifling innovation, and impeding growth potential. Existing studies indicate that the time and resources women must dedicate to

caregiving can restrict their professional engagement and diminish opportunities for business expansion [2]. This strain also perpetuates gender inequities in economic participation, where females, despite their considerable contributions, face unique structural challenges that their male counterparts are less likely to encounter [3].

This paper seeks to address these dynamics by reviewing current literature on female entrepreneurship and examining how organizations focused on advancing women, removing barriers to entrepreneurship, and promoting economic prosperity perceive and respond to the childcare crisis. Through this lens, the paper will underscore the vital role female entrepreneurs play in economic development and explore how inadequate childcare and inadequate childcare policies undermine their potential. By highlighting these interconnections, the paper aims to contribute to the policy dialogue on economic inclusivity, offering actionable recommendations to alleviate the childcare burden and unlock the full economic potential of female entrepreneurs, fostering resilience and growth at a systemic level.

## Materials and Methods

This study employed a mixed-methods approach, integrating a comprehensive review of existing literature with an analysis of organizational reports from entities committed to advancing women, removing barriers to entrepreneurship, and promoting economic prosperity. This approach enabled a nuanced examination of both quantitative and qualitative factors influencing the intersection of female entrepreneurship and the childcare crisis. The literature review focused on peer-reviewed articles, policy reports, and economic studies emphasizing research on female entrepreneurship, economic barriers related to caregiving, and the impact of childcare on workforce participation. Keywords such as “female entrepreneurship,” “childcare crisis,” “economic growth,” and “innovation” were used to locate relevant sources through databases such as ProQuest and Google Scholar. Studies were selected based on their relevance to women in entrepreneurship and their contributions to understanding the specific economic barriers associated with childcare. Special

attention was paid to empirical studies quantifying the impact of caregiving on women entrepreneurs’ time, financial resources, and business outcomes.

To complement the literature, this paper includes reports and publications from leading organizations that support the advancement of women, removing barriers to entrepreneurship, and promoting economic prosperity, such as the Kauffman Foundation, United WE, and the Federal Reserve. These organizations provide unique insights into the economic impact of female entrepreneurs as well as the practical challenges faced by female entrepreneurs, often drawing on surveys, case studies, and statistical analyses. Data from these sources were reviewed to identify recurring themes and policy recommendations related to childcare and its economic implications for women entrepreneurs.

The findings from the literature and organizational reports were synthesized to provide a comprehensive view of the significant economic impact of entrepreneurs and childcare-related obstacles female entrepreneurs face. Additionally, the analysis aimed to identify specific policies or support structures that could alleviate these barriers, highlighting actionable recommendations derived from the aggregated data.

## Results

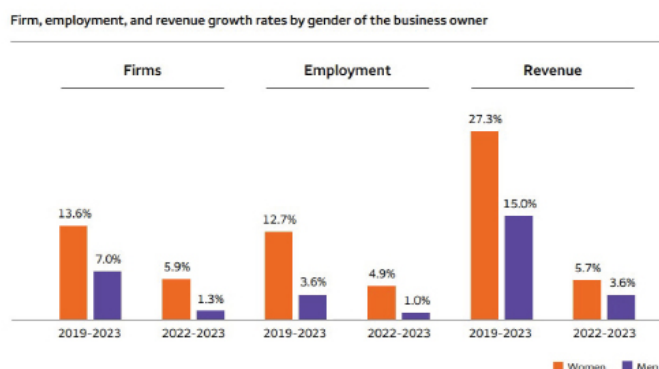
### The Economic Impact of Women, Recognized and Unrecognized

By October 2020, mothers between the ages of 24 and 39 were nearly three times more likely than fathers in the same age range to report being unable to work during COVID-19 due to a school or childcare closure. Some mothers may leave wage or salary work and turn to necessity-driven entrepreneurship to avoid completely disconnecting from the labor force. Among entrepreneur mothers, 1 in 4 reported being the sole provider in their household prior to the pandemic. 27% of Black entrepreneur mothers reported being sole providers, compared to 19% of Hispanic entrepreneur mothers and 23% of white entrepreneur mothers. Business applications spiked in July 2020, the summer after the pandemic hit America. Women turned to entrepreneurship for greater flexibility related to both

when and where they worked. Mid-career women wanted control of their destinies and more meaningful work [4] (**Figure 1**).



Figure 1. Desai, S. and Howe, T. (2020) "Who doesn't start a business in America? A look at pre-entrepreneurship leavers," Ewing Marion Kauffman Foundation: Kansas City.



**Figure 2.** The 2024 Impact of Women-Owned Businesses. (2024). Report by Ventureneer, Corewoman, & The WIPP Education Institute for Wells Fargo & Company. The 2024 Impact of Women-Owned Businesses

The economic contributions of women, both within their households and across the broader economy, are well-established. The 2024 Impact of Women-Owned Businesses report notes that in America, women own 14,017,000 businesses representing 39.1% of all businesses, employing 12,164,000 people and generating \$2.7 trillion (Figure 2). In fact, evidence suggests that nearly all American middle-class economic gains since the 1970s can be attributed to the increased earnings of women [5]. The growth of

women-owned businesses outpaced men's for firms, employment, and revenue during the pandemic and post-pandemic in 2023 [6]. Mothers, in particular, play a pivotal financial role in many families. In 2018, nearly half of the 30 million U.S. families with children under 18 relied on either a single mother or a married mother who contributed at least 40% of the household's joint income [7].

Despite enduring narratives and public policies premised on the model of a full-time, stay-at-home mother and an employed male breadwinner, only about one in five American households has a stay-at-home parent [8]. In 2019, 72.3% of women with children under 18 were employed, including 66.4% of mothers with children under six [9]. Working mothers play a crucial role in society, contributing significantly to both the economic and social fabric). The involvement of mothers in the workforce positively impacts children's perceptions of gender roles, promoting a more equitable society [3].

The unpaid work performed by all mothers is fundamental not only to household well-being but also to the broader economy. Mothers typically invest more time than fathers in managing family life, which includes child-rearing, transportation, and household management [10]. Although assigning a precise monetary value to unpaid domestic labor is challenging, estimates indicate that accounting for this non-market work could increase nominal GDP by approximately 30% to 40% [11] (**Figure 3**).

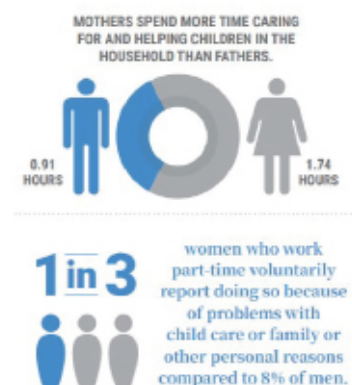


Figure 3. Looze, J. & Desai, S. (2020) Economic Engagement of Mothers: Entrepreneurship,

Employment, and the Motherhood Wage Penalty, Ewing Marion Kauffman Foundation: Kansas City.

### Women's Challenges in Entrepreneurship

Despite the critical economic value of mothers' contributions, structural support within the broader economy remains limited. In addition to inadequate support for combining professional and caregiving responsibilities, mothers face a persistent "motherhood wage penalty," which is a significant factor in the gender wage gap. Even within entrepreneurship, a field often considered to offer greater flexibility and autonomy, mothers encounter barriers with limited access to

affordable, quality childcare presents a major obstacle to work for mothers, who shoulder an outsized responsibility for unpaid family caregiving when no other options exist [13].

A recent report by Small Business Majority, a small business advocacy organization based in Washington, D.C., reveals that 59% of small business owners identify barriers to childcare access as a significant impediment to business growth. Additionally, approximately one-quarter of business founders report having been compelled to close their businesses and re-enter the broader workforce, which offers greater flexibility, due to childcare-related challenges. This study, conducted in late January, surveyed 566 business founders nationwide who are either working parents or employ working parents, underscoring the critical intersection between childcare accessibility and the sustainability of small businesses in the U.S.

In the wake of the September 2023 expiration of the Child Care Stabilization program's funding, the U.S. childcare sector has experienced considerable setbacks. The program, which previously allocated \$24 billion in subsidies to numerous childcare centers across the country, has left a void now impacting the capacity and financial stability of providers [14]. According to the National Association for the Education of Young Children, approximately one-fourth of childcare providers report a reduced ability to serve children, while another 28% of centers are unable to increase wages for staff, with some implementing pay cuts to stay operational.

Amid these challenges, business owners are urging Congress to reinstate the Child Care Stabilization program, with 67% of surveyed respondents supporting the renewal of its \$16 billion annual funding, a figure identified as necessary to mitigate the current funding crisis [14]. In addition, the U.S. Small Business Administration (SBA) announced plans to release targeted funding for the childcare sector later this year through its Women Business Centers. This initiative will include comprehensive training programs and boot camps designed to enhance the efficiency of both new and existing childcare providers.

The challenges facing the childcare industry have

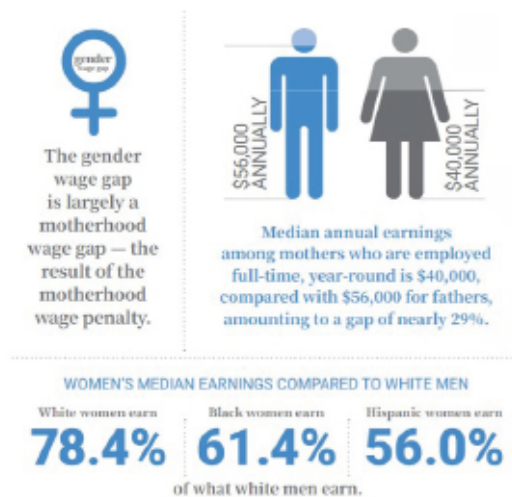


Figure 4. Looze, J. & Desai, S. (2020) Economic Engagement of Mothers: Entrepreneurship, Employment, and the Motherhood Wage Penalty, Ewing Marion Kauffman Foundation: Kansas City.

Women have progressed in growing their businesses but getting past the \$1 million mark remains challenging. Companies with revenues between \$250,000 and \$999,999 grew by over 30%, while firms generating more than a million dollars declined by 1% [6]. Women face a society that discourages them from achieving greater heights, as evidenced by the persistent challenges they must overcome with accessing capital from lenders or investors and the lack of affordable childcare, which would allow them to focus on growing their businesses. Two-thirds of businesses today cannot access either some or all the capital they truly need to succeed [12]. The lack of



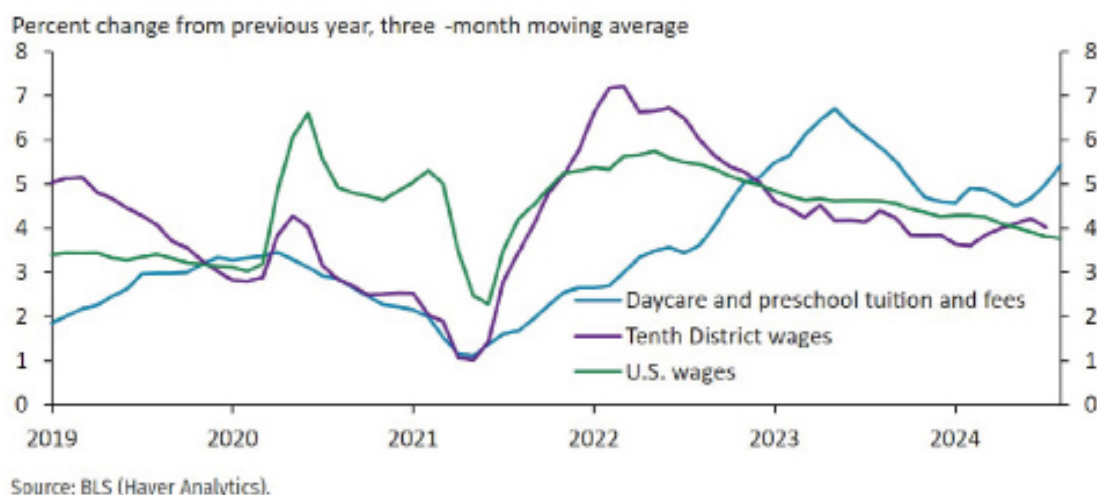
significant repercussions for the parents who depend on its services, including many small business owners and their employees. Within one month of the Child Care Stabilization program's expiration, nearly one-third of families reported an increase in childcare tuition fees [15]. Additionally, access to childcare remains limited, with half of American families residing in "childcare deserts" where no services are available [16]. This shortage places working parents in a difficult position, often forcing them to choose between exiting their businesses or relocating to secure affordable, quality childcare [17].

As Congress prepares for an upcoming hearing in the Senate, chaired by Senator Jeanne Shaheen (D-NH) of the Senate Committee on Small Business and Entrepreneurship, the urgency of legislative action on the childcare crisis is anticipated to be a focal point. Senator Shaheen, who has observed the closure of approximately 1,500 childcare slots in New Hampshire since 2019, emphasizes the importance of addressing this crisis through additional funding, tax incentives, and increased access to capital. "This report underscores the urgent need to thoroughly consider and pass legislation that provides additional funding, tax incentives, and access to capital to address America's broken childcare system," Shaheen stated. "We must act now."

In a recent economic bulletin from Kansas City Federal Reserve Bank, it is noted that, unlike during the pandemic, a lack of childcare facilities does not appear to be the primary constraint. Despite an

increase in childcare centers and workers, along with a reduced number of young children needing care, childcare costs remain elevated due to various price pressures, according to recent Federal Reserve studies. Within the Tenth District (encompassing Colorado, Kansas, Nebraska, Oklahoma, Wyoming, and portions of Missouri and New Mexico), factors such as rising wages, rental costs, and liability insurance have been cited as primary drivers of cost increases [18]. Some providers in this region report that regulations, including limits on the number of infants per adult caregiver, further elevate expenses and reduce availability for infant care. Other studies within the Federal Reserve System highlight additional challenges, such as the uneven geographic distribution of providers, the disproportionate financial burden of childcare on certain family structures, and complexities related to regulatory requirements and state reimbursements [19, 20, 21].

The rise in childcare costs has surpassed wage growth for both childcare workers and the general workforce, indicating additional price pressures at play. Daycare and preschool prices have escalated more rapidly than average hourly wage growth in the Tenth District, which lagged behind childcare price increases beginning in early 2023 [18]. This disparity has contributed to a rise in under-engagement within the labor force as workers increasingly encounter childcare barriers. Price increases, driven in part by rising labor costs alongside other economic factors, appear to have limited access to childcare services and subsequently diminished workforce participation



for some individuals, further constraining labor supply amid economic expansion (**Figure 5**).

Figure 5. Howland, S. (2024). "Notes from the community: childcare." Federal Reserve Bank of Kansas City, Community Connections. <https://www.kansascityfed.org/community/community-connections/notes-from-the-community-childcare/>

## Discussion

The childcare crisis has a profound impact on female entrepreneurship, constraining the growth potential of women-owned businesses and, consequently, limiting innovation and economic expansion. The challenges associated with childcare, including high costs, limited availability, and the absence of affordable options, disproportionately affect female entrepreneurs, many of whom balance professional ambitions with family responsibilities. Research shows that nearly 59% of small business owners identify childcare as a barrier to growth, and a significant percentage of women founders have had to shutter their businesses due to a lack of accessible childcare options. As a result, not only are these women forced out of entrepreneurship, but the economy also loses the diversity of ideas, products, and services that female-led businesses contribute. When women entrepreneurs are restricted in their ability to expand, the resulting impact is a reduction in innovation, economic competitiveness, and community resilience [22].

## Conclusion

Countries that empower women to leverage their full potential are more competitive. Societies that fail to do so risk falling behind in terms of innovation, economic performance, and social development. When women are empowered, they are more likely to invest in their families, communities, and businesses, leading to increased productivity and growth. Additionally, when women are empowered, they are more likely to participate in decision-making processes, leading to more equitable and inclusive societies.

## Recommendations

Recommended Actions for Consideration Include:

Reinstating and expanding the child care stabilization program: Reintroducing this program with sustained funding of \$16 billion annually, as initially advocated, would provide critical financial support to childcare providers, enabling them to keep costs manageable and retain workers in an industry that is vital for working families.

Providing targeted childcare tax credits for entrepreneurs: Tax credits or subsidies for business owners who rely on childcare would help offset the cost burden, especially for small business owners who lack corporate-sponsored childcare benefits. This would directly support women entrepreneurs in sustaining and growing their businesses.

Investing in childcare infrastructure in childcare deserts: Federal and state investments in childcare facilities, particularly in rural and underserved urban areas, would increase accessibility and reduce the need for entrepreneurs to choose between their businesses and their communities.

Implementing childcare vouchers or subsidies for entrepreneurs: By providing sliding-scale subsidies for small business owners based on income, policymakers can support women-led businesses while addressing the broader need for affordable childcare.

Creating workforce development programs for the childcare sector: Increased funding for training and fair wages for childcare workers would improve recruitment and retention in this essential industry, helping to stabilize and expand childcare availability and quality nationwide.

Addressing the childcare crisis through these targeted policy measures could provide a foundational support structure for female entrepreneurs, empowering them to scale their businesses without compromising family responsibilities. This, in turn, would invigorate innovation, drive economic growth, and cultivate a more inclusive and resilient economy where all entrepreneurs have the opportunity to succeed.

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## Conflict of Interest

There are no conflicts of interest to report.

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